

**TOWNSHIP OF BURT**  
ALGER COUNTY, MICHIGAN  
FINANCIAL STATEMENTS

Fiscal Year Ended March 31, 2018

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Supervisor and Board  
Township of Burt  
P.O. Box 430  
Grand Marais, MI 49839

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Township of Burt, Alger County, Michigan (Township), as of and for the year ended March 31, 2018, 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 the maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from materials misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Accounting Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 risk 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, I 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.

Member  
American Institute of Certified Public Accountants  
Michigan Association of Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Burt, Alger County, Michigan, as of March 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 36 through 38 and 49 through 51 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

#### *Management's Discussion and Analysis*

The Township has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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. My opinion on the basic financial statements is not affected by this omitted information.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

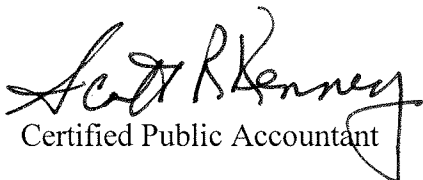
### *Other Supplementary Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The Other Supplementary Information Section which includes the combining and individual fund financial statements is presented for purposes of additional analysis and not a required part of the financial statements.

The Other Supplementary Information Section is the responsibility of management and was 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 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 financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report letter dated May 18, 2018, on my consideration of the Township's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Accounting Standards* in considering the Township's internal control over financial reporting and compliance.

  
Certified Public Accountant

May 18, 2018

FINANCIAL  
STATEMENTS

TOWNSHIP OF BURT  
GOVERNMENT WIDE STATEMENT OF NET POSITION  
March 31, 2018

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and equivalents	\$ 570,773	\$ 605,939	\$ 1,176,712
Receivables - net	53,522	26,485	80,007
Inventory	0	8,635	8,635
Internal balances	<u>0</u>	<u>2,266</u>	<u>2,266</u>
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 624,295</b>	<b>\$ 643,325</b>	<b>\$ 1,267,620</b>
<b>RESTRICTED ASSETS - Cash and equivalents</b>	<b>\$ 0</b>	<b>\$ 220,848</b>	<b>\$ 220,848</b>
<b>NON-CURRENT ASSETS</b>			
Property and equipment, net of depreciation	\$ 5,408,421	\$ 5,285,371	\$ 10,693,792
Notes receivable	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>\$ 5,408,421</b>	<b>\$ 5,285,371</b>	<b>\$ 10,693,792</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,032,716</b>	<b>\$ 6,149,544</b>	<b>\$ 12,182,260</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 10,808	\$ 12,430	\$ 23,238
Accrued and other liabilities	15,154	18,917	34,071
Interprogram payables	478	1,788	2,266
Current part of non-current liabilities	<u>19,928</u>	<u>41,928</u>	<u>61,856</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 46,368</b>	<b>\$ 75,063</b>	<b>\$ 121,431</b>
<b>NON-CURRENT LIABILITIES</b>			
Compensated absences	\$ 3,158	\$ 0	\$ 3,158
Equipment installment agreements	6,126	6,126	12,252
General obligation bond	619,000	0	619,000
Revenue bonds payable	<u>0</u>	<u>2,126,000</u>	<u>2,126,000</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>\$ 628,284</b>	<b>\$ 2,132,126</b>	<b>\$ 2,760,410</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 674,652</b>	<b>\$ 2,207,189</b>	<b>\$ 2,881,841</b>
<b>NET POSITION</b>			
Investment in capital assets	\$ 4,763,367	\$ 3,111,317	\$ 7,874,684
Restricted for			
Nonspendable	0	8,635	8,635
Road improvements	133,728	0	133,728
Other capital outlay	0	125,341	125,341
Training	0	1,217	1,217
Debt service	0	94,290	94,290
Fire protection - capital outlay	106,384	0	106,384
Harbor operations	59,317	0	59,317
Future beach access costs	7,001	0	7,001
Medical office operations	5,829	0	5,829
Unrestricted	<u>282,438</u>	<u>601,555</u>	<u>883,993</u>
<b>TOTAL NET POSITION</b>	<b>\$ 5,358,064</b>	<b>\$ 3,942,355</b>	<b>\$ 9,300,419</b>

Notes to Financial Statements are an integral part of this statement.



TOWNSHIP OF BURT  
GOVERNMENT WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2018

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET REVENUE (EXPENSE) AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		TOTAL
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
Governmental Activities							
Legislative	\$ 8,612	\$ 0	\$ 0	\$ 0	\$ (8,612)	\$	\$ (8,612)
General government	297,270	10,412	7,713	19,700	(259,445)		(259,445)
Public safety	61,679	3,480	0	0	(58,199)		(58,199)
Public works	180,951	100	0	0	(180,851)		(180,851)
Parks and recreation	183,069	3,480	0	0	(179,589)		(179,589)
Community development	38,393	0	0	0	(38,393)		(38,393)
Interest and fees on debt	22,090	0	0	0	(22,090)		(22,090)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 792,064</b>	<b>\$ 17,472</b>	<b>\$ 7,713</b>	<b>\$ 19,700</b>	<b>\$ (747,179)</b>	<b>\$</b>	<b>\$ (747,179)</b>
Business-Type Activities							
Ambulance	\$ 99,842	\$ 32,832	\$ 2,900	\$ 0	\$	(64,110)	\$ (64,110)
Woodland Park	340,196	394,705	3,444	0		57,953	57,953
Water	280,680	233,046	42,000	0		(5,634)	(5,634)
Non-major business type funds	153,821	103,943	0	0		(49,878)	(49,878)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 874,539</b>	<b>\$ 764,526</b>	<b>\$ 48,344</b>	<b>\$ 0</b>	<b>\$</b>	<b>(61,669)</b>	<b>\$ (61,669)</b>
GENERAL REVENUES							
Property taxes	\$	482,900	\$		\$	55,659	\$ 538,559
State shared revenues and grants		105,180				0	105,180
Unrestricted investments earnings		2,244				2,337	4,581
Licenses and fees		2,825				0	2,825
Contribution from other governmental unit		1,207				0	1,207
Other		3,672				0	3,672
Special items							
Loss on sale of fixed assets		1,142				0	1,142
TRANSFERS		36,398				(36,398)	0
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>	<b>\$</b>	<b>635,568</b>	<b>\$</b>		<b>\$</b>	<b>21,598</b>	<b>\$ 657,166</b>
CHANGE IN NET POSITION							
Net position - beginning	\$	(111,611)	\$		\$	(40,071)	\$ (151,682)
		5,469,675				3,982,426	9,452,101
<b>NET POSITION - ENDING</b>	<b>\$</b>	<b>5,358,064</b>	<b>\$</b>		<b>\$</b>	<b>3,942,355</b>	<b>\$ 9,300,419</b>

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BURT  
GOVERNMENTAL FUNDS BALANCE SHEET  
COMBINED BALANCE SHEET  
March 31, 2018

	GENERAL FUND	FIRE PROTECTION FUND	TOWNSHIP IMPROVEMENT FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash and equivalents	\$ 148,844	\$ 165,669	\$ 184,671	\$ 71,589	\$ 570,773
Taxes receivable	9,869	6,546	19,368	1,067	36,850
Notes and accounts receivable	0	0	0	0	0
Due from other governmental units	16,436	0	0	0	16,436
Due from tax collection fund	232	1	3	0	236
<b>TOTAL ASSETS</b>	<b>\$ 175,381</b>	<b>\$ 172,216</b>	<b>\$ 204,042</b>	<b>\$ 72,656</b>	<b>\$ 624,295</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 7,471	\$ 316	\$ 2,553	\$ 468	\$ 10,808
Accrued payroll expense	11,942	0	3,212	0	15,154
Due to other funds	55	42	340	41	478
Due to other governmental units	0	0	0	0	0
<b>TOTAL LIABILITIES</b>	<b>\$ 19,468</b>	<b>\$ 358</b>	<b>\$ 6,105</b>	<b>\$ 509</b>	<b>\$ 26,440</b>
<b>FUND BALANCES</b>					
Restricted	\$ 0	\$ 0	\$ 133,728	\$ 59,317	\$ 193,045
Committed	0	106,384	0	12,830	119,214
Unassigned	155,913	65,474	64,209	0	285,596
<b>TOTAL FUND EQUITY</b>	<b>\$ 155,913</b>	<b>\$ 171,858</b>	<b>\$ 197,937</b>	<b>\$ 72,147</b>	<b>\$ 597,855</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 175,381</b>	<b>\$ 172,216</b>	<b>\$ 204,042</b>	<b>\$ 72,656</b>	<b>\$ 624,295</b>

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BURT  
RECONCILIATION OF BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF FINANCIAL POSITION  
March 31, 2018

Total fund balance - total governmental funds	\$ 597,855
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Amounts reported for governmental activities in the Statement  
of Net Position are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds net of related depreciation	5,408,421
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Long term liabilities:

Bonds/loans not due and payable with the current period and not reported in the funds	
Public Works equipment installment contracts	(9,054)
Weston Building bonds	(636,000)
Accumulated employee vacation pay not used in current period	<u>(3,158)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$	<u><u>5,358,064</u></u>
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TOWNSHIP OF BURT  
ALL GOVERNMENTAL FUND TYPES  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
Year ended March 31, 2018

	GENERAL FUND	FIRE PROTECTION FUND	TOWNSHIP IMPROVEMENT FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>					
General property taxes	\$ 134,931	\$ 84,872	\$ 249,236	\$ 13,861	\$ 482,900
State shared revenues and grants	105,180	0	0	7,713	112,893
Licenses and fees	2,825	0	0	0	2,825
Charges for services	10,412	3,480	100	3,480	17,472
Interest and rentals	137	767	400	940	2,244
Local grants/contributions	2,000	17,700	0	0	19,700
Other	2,265	1,041	340	26	3,672
<b>TOTAL REVENUES</b>	<b>\$ 257,750</b>	<b>\$ 107,860</b>	<b>\$ 250,076</b>	<b>\$ 26,020</b>	<b>\$ 641,706</b>
<b>EXPENDITURES</b>					
Legislative	\$ 8,612	\$ 0	\$ 0	\$ 0	\$ 8,612
General government	262,380	1,300	4,357	10,234	278,271
Public safety	4,007	55,122	0	0	59,129
Public works	0	0	138,851	0	138,851
Parks and recreation	0	0	0	1,000	1,000
Community development	38,393	0	0	0	38,393
Insurance	7,074	0	0	0	7,074
Debt service	0	0	40,935	0	40,935
Capital outlay	0	8,499	0	0	8,499
<b>TOTAL EXPENDITURES</b>	<b>\$ 320,466</b>	<b>\$ 64,921</b>	<b>\$ 184,143</b>	<b>\$ 11,234</b>	<b>\$ 580,764</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ (62,716)</b>	<b>\$ 42,939</b>	<b>\$ 65,933</b>	<b>\$ 14,786</b>	<b>\$ 60,942</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer from other funds	\$ 33,200	\$ 0	\$ 28,301	\$ 0	\$ 61,501
Installment purchase proceeds	0	0	0	0	0
Contribution from other governmental units	1,207	0	0	0	1,207
Sale of fixed assets	0	0	1,750	0	1,750
Transfer to other funds	0	(18,103)	(5,000)	(2,000)	(25,103)
<b>EXCESS OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES</b>	<b>\$ (28,309)</b>	<b>\$ 24,836</b>	<b>\$ 90,984</b>	<b>\$ 12,786</b>	<b>\$ 100,297</b>
Fund balance - beginning	184,222	147,022	106,953	59,361	497,558
<b>FUND BALANCE - ENDING</b>	<b>\$ 155,913</b>	<b>\$ 171,858</b>	<b>\$ 197,937</b>	<b>\$ 72,147</b>	<b>\$ 597,855</b>

Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BURT  
RECONCILIATION OF STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2018

Net change in fund balance - total governmental funds	\$ 100,298
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities these costs are allocated over their estimated useful life and reported as depreciation	
General Government	(15,197)
Public Safety	(2,550)
Public Works	(40,911)
Recreation	(182,069)
Capital Outlay	8,499
Governmental funds report sales of land and properties as revenues; in the Statement of Activities these are offset by the original cost (net of depreciation)	
Book value for property sold	(608)
Payments on long term debt; these expenditures are reflected as a reduction of liabilities on government-wide statements and an expenditure in the governmental fund statements	
Public Works equipment installment contracts	2,844
Weston Building bonds	16,000
(Increase) decrease in accumulated employee vacation are recorded when earned in the Statement of Activities	
General Government	3,272
Public Works	<u>(1,189)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$	<u><u>(111,611)</u></u>

TOWNSHIP OF BURT  
STATEMENT OF NET POSITION  
BUSINESS TYPE FUNDS  
March 31, 2018

	AMBULANCE FUND	WOODLAND PARK FUND	WATER UTILITY FUND	NON-MAJOR BUSINESS TYPE FUNDS	TOTAL
<b>ASSETS</b>					
Current Assets:					
Cash and equivalents	\$ 184,861	\$ 125,056	\$ 249,314	\$ 46,708	\$ 605,939
Taxes receivable	4,289	0	0	0	4,289
Accounts receivable	5,438	0	13,844	0	19,282
Due from other funds	0	0	1,486	780	2,266
Due from fiduciary fund	1	0	0	0	1
Due from other governmental units	0	0	0	2,913	2,913
Inventory	0	0	0	8,635	8,635
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 194,589</b>	<b>\$ 125,056</b>	<b>\$ 264,644</b>	<b>\$ 59,036</b>	<b>\$ 643,325</b>
Restricted Assets	\$ 29,738	\$ 0	\$ 191,110	\$ 0	\$ 220,848
Property, Plant and Equipment:					
Land, buildings and equipment	\$ 229,649	\$ 1,125,171	\$ 6,129,589	\$ 281,909	\$ 7,766,318
Less accumulated depreciation	(228,062)	(569,368)	(1,532,301)	(151,216)	(2,480,947)
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>\$ 1,587</b>	<b>\$ 555,803</b>	<b>\$ 4,597,288</b>	<b>\$ 130,693</b>	<b>\$ 5,285,371</b>
<b>TOTAL ASSETS</b>	<b>\$ 225,914</b>	<b>\$ 680,859</b>	<b>\$ 5,053,042</b>	<b>\$ 189,729</b>	<b>\$ 6,149,544</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	\$ 1,018	\$ 9,172	\$ 2,108	\$ 132	\$ 12,430
Salaries, wages and payroll taxes payable	0	147	3,669	0	3,816
Due to other funds	200	1,174	333	81	1,788
Interest payable	0	668	14,433	0	15,101
Current portion of long term debt	0	2,928	39,000	0	41,928
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 1,218</b>	<b>\$ 14,089</b>	<b>\$ 59,543</b>	<b>\$ 213</b>	<b>\$ 75,063</b>
Long Term Liabilities	\$ 0	\$ 6,126	\$ 2,126,000	\$ 0	\$ 2,132,126
<b>TOTAL LIABILITIES</b>	<b>\$ 1,218</b>	<b>\$ 20,215</b>	<b>\$ 2,185,543</b>	<b>\$ 213</b>	<b>\$ 2,207,189</b>
<b>NET POSITION</b>					
Net investment in capital assets	\$ 1,587	\$ 546,749	\$ 2,432,288	\$ 130,693	\$ 3,111,317
Restricted					
Nonspendable	0	0	0	8,635	8,635
Capital outlay	28,521	0	96,820	0	125,341
Training	1,217	0	0	0	1,217
Debt service	0	0	94,290	0	94,290
Unrestricted	193,371	113,895	244,101	50,188	601,555
<b>TOTAL NET POSITION</b>	<b>\$ 224,696</b>	<b>\$ 660,644</b>	<b>\$ 2,867,499</b>	<b>\$ 189,516</b>	<b>\$ 3,942,355</b>

Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BURT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BUSINESS TYPE FUNDS  
Year ended March 31, 2018

	AMBULANCE FUND	WOODLAND PARK FUND	WATER UTILITY FUND	NON-MAJOR BUSINESS TYPE FUNDS	TOTAL
<b>OPERATING REVENUES</b>					
User charges, net of allowance	\$ 26,748	\$ 392,617	\$ 219,130	\$ 0	\$ 638,495
Memberships	0	515	0	0	515
Fuel sales	0	0	0	67,733	67,733
Other	6,084	1,573	13,916	36,210	57,783
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 32,832</b>	<b>\$ 394,705</b>	<b>\$ 233,046</b>	<b>\$ 103,943</b>	<b>\$ 764,526</b>
<b>OPERATING EXPENSES</b>					
Recreation					
Salaries and wages	\$ 0	\$ 76,468	\$ 0	\$ 0	\$ 76,468
Payroll taxes	0	9,771	0	0	9,771
Employee benefits	0	4,719	0	0	4,719
Supplies	0	28,070	0	0	28,070
Repairs and maintenance	0	42,249	0	0	42,249
Contracted services	0	39,877	0	0	39,877
User fees	0	13,920	0	0	13,920
Utilities	0	58,953	0	0	58,953
Other	0	16,784	0	0	16,784
Transmission, distribution, operations and maintenance					
Salaries and wages	57,994	0	40,958	4,946	103,898
Payroll taxes	4,457	0	3,065	378	7,900
Employee benefits	2,212	0	15,364	0	17,576
Fuel purchases for resale	0	0	0	84,236	84,236
Supplies	3,075	0	5,489	496	9,060
Repairs and maintenance	769	0	8,051	11,319	20,139
Contracted services	13,373	0	5,891	35,415	54,679
Utilities	10,893	0	11,993	3,061	25,947
Other	6,004	0	5,613	2,475	14,092
Depreciation	1,065	48,928	79,341	11,495	140,829
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 99,842</b>	<b>\$ 339,739</b>	<b>\$ 175,765</b>	<b>\$ 153,821</b>	<b>\$ 769,167</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ (67,010)</b>	<b>\$ 54,966</b>	<b>\$ 57,281</b>	<b>\$ (49,878)</b>	<b>\$ (4,641)</b>
<b>NON-OPERATING INCOME (EXPENSE)</b>					
Property taxes	\$ 55,659	\$ 0	\$ 0	\$ 0	\$ 55,659
State grant	0	0	0	0	0
Interest	190	0	114	0	304
Rent	0	2,033	0	0	2,033
Contribution from other governmental units	42,000	0	0	0	42,000
Local contributions	2,900	3,444	0	0	6,344
Interest and fees expense	0	(457)	(43,430)	0	(43,887)
Grant amortization	0	0	(61,485)	0	(61,485)
<b>NON-OPERATING TRANSFERS</b>					
From other funds	\$ 0	\$ 0	\$ 0	\$ 20,000	\$ 20,000
To other funds	(14,198)	(30,000)	(10,200)	(2,000)	(56,398)
<b>NET INCOME (LOSS)</b>	<b>\$ 19,541</b>	<b>\$ 29,986</b>	<b>\$ (57,720)</b>	<b>\$ (31,878)</b>	<b>\$ (40,071)</b>
Net position - beginning	205,155	630,658	2,925,219	221,394	3,982,426
<b>NET POSITION - ENDING</b>	<b>\$ 224,696</b>	<b>\$ 660,644</b>	<b>\$ 2,867,499</b>	<b>\$ 189,516</b>	<b>\$ 3,942,355</b>

Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BURT  
STATEMENT OF CASH FLOWS  
BUSINESS TYPE FUNDS  
Year ended March 31, 2018

	AMBULANCE FUND	WOODLAND PARK FUND	WATER UTILITY	NON-MAJOR BUSINESS TYPE FUNDS	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 36,020	\$ 394,705	\$ 234,498	\$ 103,794	\$ 769,017
Payments to suppliers	(34,059)	(193,838)	(36,455)	(139,790)	(404,142)
Payments to or on behalf of employees	(64,663)	(91,024)	(58,494)	(5,324)	(219,505)
<b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ (62,702)</b>	<b>\$ 109,843</b>	<b>\$ 139,549</b>	<b>\$ (41,320)</b>	<b>\$ 145,370</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Transfer from (to) other funds	\$ (14,198)	\$ (30,000)	\$ (10,200)	\$ 18,000	\$ (36,398)
Contributions from other governmental units	42,000	0	0	0	42,000
Local contributions	2,900	3,444	0	0	6,344
Property taxes	55,690	0	0	0	55,690
Loans made from (repaid to) other funds	138	1,174	(1,264)	81	129
<b>TOTAL CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	<b>\$ 86,530</b>	<b>\$ (25,382)</b>	<b>\$ (11,464)</b>	<b>\$ 18,081</b>	<b>\$ 67,765</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Payments on capital debt	\$ 0	\$ (12,056)	\$ (82,690)	\$ 0	\$ (94,746)
Purchases of capital assets	0	(10,753)	(54,517)	0	(65,270)
Funding of restricted accounts	(7,057)	0	(26,063)	0	(33,120)
State grant proceeds	0	0	0	0	0
Installment sale proceeds to purchase capital equipment	0	0	0	0	0
<b>TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>\$ (7,057)</b>	<b>\$ (22,809)</b>	<b>\$ (163,270)</b>	<b>\$ 0</b>	<b>\$ (193,136)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest earned on unrestricted accounts	\$ 190	\$ 0	\$ 114	\$ 0	\$ 304
Rent received	0	2,033	0	0	2,033
<b>TOTAL CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>\$ 190</b>	<b>\$ 2,033</b>	<b>\$ 114</b>	<b>\$ 0</b>	<b>\$ 2,337</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>\$ 16,961</b>	<b>\$ 63,685</b>	<b>\$ (35,071)</b>	<b>\$ (23,239)</b>	<b>\$ 22,336</b>
Cash and equivalents - beginning	167,900	61,371	284,385	69,947	583,603
<b>CASH AND EQUIVALENTS - ENDING</b>	<b>\$ 184,861</b>	<b>\$ 125,056</b>	<b>\$ 249,314</b>	<b>\$ 46,708</b>	<b>\$ 605,939</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ (67,010)	\$ 54,966	\$ 57,281	\$ (49,878)	\$ (4,641)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities					
Depreciation	1,065	48,928	79,341	11,495	140,829
Change in Assets and Liabilities					
Receivables - net	3,188	0	1,452	(149)	4,491
Due from other governmental units	0	0	0	0	0
Inventory	0	0	0	(2,657)	(2,657)
Accounts payable	55	6,015	582	(131)	6,521
Accrued salaries, wages and payroll taxes	0	(66)	893	0	827
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ (62,702)</b>	<b>\$ 109,843</b>	<b>\$ 139,549</b>	<b>\$ (41,320)</b>	<b>\$ 145,370</b>

Notes to Financial Statements are an integral part of this statement.



TOWNSHIP OF BURT  
STATEMENT OF NET POSITION  
FIDUCIARY FUND  
MARCH 31, 2018

		TAX COLLECTIONS FUND
		<hr/>
ASSETS		
Cash and equivalents	\$	239
Due from other funds		<hr/> 0
TOTAL ASSETS	\$	<hr/> <hr/> 239
LIABILITIES AND FUND EQUITY		
Liabilities		
Due to other funds	\$	237
Due to other governmental units		2
Due to taxpayer		<hr/> 0
TOTAL LIABILITIES	\$	<hr/> <hr/> 239

Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF BURT  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township of Burt, Alger County, Michigan (Township) is governed by an elected five member board of trustees (Board). The financial statements of the Township have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standards 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 financial reporting entity, as required by generally accepted accounting principles, consists of the primary government, organizations for which the primary government is financially accountable, and other organizations referred to generally as component units for which the nature and significance of the relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the electoral officials of the primary government are financially accountable.

The accompanying financial statements present the primary government, as the Township does not have any component units that are required to be presented, either discretely or blended.

Educational services are provided to citizens through the local school district, which is a separate governmental entity.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide statements (i.e., Statement of Net Position and the Statement of Activities) report information on all of the activities of the Township except for the fiduciary activities. All of the Township's activities are considered to be governmental activities or business type activities. For the most part, the effect of interfund activity has been eliminated 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 services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges the services or applicants for who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

TOWNSHIP OF BURT  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

Township resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**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 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 Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for state shared revenues, reimbursement-based grants and interest which use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, intergovernmental revenue, charges and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal ongoing operations. The principal operating revenues of the proprietary funds are charges for services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Township reports the following major governmental funds:

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

Fire Protection Fund - used to account to the financial transactions of the fire department.

Township Improvement Fund - used to account for the financial transactions of the public works and properties of the Township.

TOWNSHIP OF BURT  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

The Township reports the following major proprietary funds:

Ambulance Fund - used to account for the financial transactions of the ambulance corps and operations.

Woodland Park Fund - used to account for the financial transactions of the Township's parks, library and community center.

Water Utility Fund - used to account for the financial transactions of the water supply system.

All other funds are considered to be nonmajor. They include:

Harbor Fund - used to account for the financial transactions of the breakwall construction and other harbor maintenance.

Medical Facility Fund - used to account for the financial transactions of the medical clinic which houses rotating medical practitioners.

Beach Access Fund - used to account for the financial transactions to assure access to Lake Superior for Township residents and the general public.

Fuel Fund - used to account for the financial transactions of the fuel system.

Marina Fund - used to account for the financial transactions of the Marina operations and ongoing maintenance.

**BUDGET AND BUDGETARY ACCOUNTING**

Formal budgetary accounting is employed as a management control for all funds of the Township. The budgetary financial statements included in this report include all funds of the Township. For the funds required to adopt a budget, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of generally accepted accounting principles.

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

1. The supervisor submits to the Board, a recommended operating budget for the fiscal year commencing April 1. The proposed budget includes expenditures and the means of financing them.

TOWNSHIP OF BURT  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BUDGET AND BUDGETARY ACCOUNTING (CONTINUED)**

2. Public hearing is held to obtain taxpayers comments.
3. The budget is legally enacted by the Board of Trustees adoption authorizing a General Appropriation Act for the fiscal year.
4. Any revisions to budgeted amounts are approved by the Board of Trustees.
5. Budgeted amounts are as originally adopted, plus amendments made on or before March 31 by the Board.
6. The budget expires on March 31 of the budget year.

**CASH AND POOLED INVESTMENTS**

For the purpose of the statement of cash flows, the Township considers cash and pool investments to be cash and cash equivalents because the pooling of these balances allows for withdrawal of these balances at any time similar to a demand deposit account restricted cash consists of amount set aside in accordance with bond provisions for principal payment in the event of default and/or system improvements.

Statutory Authority

State statute authorizes the Township to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or any agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

TOWNSHIP OF BURT  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**RECEIVABLES**

All receivables are reported in a gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**DO TO AND DUE FROM OTHER FUNDS**

Interfund receivables and payables arise from interfund transactions that are recorded by all funds affected in the period in which transactions are executed.

**INVENTORY AND PREPAID ITEMS**

Where each fund's inventory value is material to that fund, the value of the inventory is recorded in the financial records. Where the value is immaterial, the amount is not recorded as an asset on the financial statements. The inventory consists primarily of parts and supplies necessary to accomplish the duties of the funds.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

**RESTRICTED ASSETS**

Money that is restricted for a designated purpose (i.e. construction, capital improvements, debt service) are segregated from operational cash accounts due to their restriction. In addition, some bonds contain covenants that require the Township to establish and maintain prescribed amounts of resources for making system improvements or future bond payments.

**CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements.

Capital assets 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 valued at cost where historical records are available at estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) on the date received. The amount reported for infrastructure includes only assets added since 2003.

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. Improvements are capitalized and depreciated over the remaining useful lives.

TOWNSHIP OF BURT  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**CAPITAL ASSETS (CONTINUED)**

No interest expense has been capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure), is computed using the straight-line method over the following estimated useful lives:

Buildings	40 to 50 years	Building Improvements	15 to 30 years
Water	40 years	Other Infrastructure	10 to 40 years
Vehicles	3 to 5 years	Office Equipment	5 to 7 years

**COMPENSATED ABSENCES**

It is the Township's policy to permit employees to accumulate earned but unused vacation benefits. The Township does not have a determinable liability for unpaid accumulated sick leave since the Township has a policy not to pay any portion of the accumulated benefits to employees upon separation from service. All vacation leave pay is accrued when incurred in the proprietary fund financial statements.

**LONG-TERM OBLIGATIONS**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. In the applicable governmental activities, proceeds from any noncurrent liabilities and payments on those liabilities are recorded as other financing sources and debt services expenditures, respectively.

**GRANTING OF CREDIT**

The Township grants credit to the state of Michigan and various local units of government. The Township also extends credit to its Ambulance Fund patients and enterprise fund customers.

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township does not have any items that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township does not have any items that qualify for reporting in this category. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available.

TOWNSHIP OF BURT  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**NET POSITION AND FUND BALANCE REPORTING**

Governmental funds report fund balance in the following five categories:

- a. Non-spendable - the related asset's form does not allow expenditure of the balance. The assets are either (1) not in an expendable form or (2) legally or contractually required to be maintained intact. Non-spendable fund balance would be equal to inventory, prepaid items, noncurrent financial assets, and the non-spendable portion of endowments.
- b. Restricted - the related assets can only be spent for the specific purposes stipulated by the Charter, external source providers, or as identified in enabling legislation.
- c. Committed - the related assets can only be spent for the specific purpose identified by formal resolution of the governing board.
- d. Assigned - the related assets can only be spent for a specific purpose identified by management as authorized by the governing board.
- e. Unassigned - is the residual classification and includes all spendable amounts not contained in the other classifications.

Business-type funds report net position in the following three categories:

- a. Investment in Capital - The portion of net position that consists of capital assets, net of accumulated depreciation and reduced by liabilities attributable to the acquisition, construction or improvement of those assets.
- b. Restricted Net Position - Net position is restricted when there is constraints placed on their use by external parties or by statute.
- c. Unrestricted Net Position - Net position not meeting either category above are considered unrestricted.

**NET POSITION AND FUND BALANCE FLOW ASSUMPTIONS**

Sometimes the Township is able to fund outlays for a particular purpose from either restricted (e.g., restricted bond or grant proceeds) or unrestricted resources. In order to calculate the amounts to report as restricted - net position/fund balance and unrestricted net position/fund balance, 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 use restricted resources first, and unrestricted resources as they are needed. Further when components of unrestricted fund balance can be used for the same purpose, committed fund balance is the depleted first, followed by assigned fund balance. Unassigned fund balance is applied last. The Board can delegate authority to assign fund balance for a specific purpose to the Township Supervisor.

**PROPERTY TAXES**

Township property taxes are attached as an enforceable lien on property as of December 31. Summer taxes are levied July 1 and are due without penalty on or before September 15, and winter taxes are levied on December 1 that are due without penalty on or before February 15. The winter tax bills include the



**TOWNSHIP OF BURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**PROPERTY TAXES (CONTINUED)**

Township's own property taxes. Real property taxes not collected are turned over to Alger County for collection, which advances the Township 100% of the delinquent real property taxes. Collection of the delinquent personal property taxes remains the responsibility of the Township Treasurer.

In addition to its own taxes, the Township collects taxes for the State of Michigan, Alger County, the local school district and the intermediate school district.

The Township actually assessed 1.9729 mills for General Fund operations, 2.9378 mills for Improvement Fund operations, 0.2447 mills for harbor improvements, 1.5000 mills for fire protection, 1.5000 mills for road improvements and 0.9828 mill for ambulance service. The millage generated net tax collections of \$134,931 in the General Fund, \$84,872 for fire protection, \$13,861 for harbor improvements, \$82,740 for road improvements, \$166,496 in the general Township improvements and \$55,659 for ambulance service.

**RETIREMENT PLANS**

The Township maintains two different retirement plans for its full-time employees. One of the plans requires an employee contribution to participate while the other plan does not.

**INTERFUND TRANSACTIONS**

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

**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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results may differ from those estimates.

**SUBSEQUENT EVENTS**

At an Electors Meeting held January 9, 2018, system improvements to the Township owned Woodland Park, costing up to \$400,000, were approved. Pursuant to that approval, the Township has arranged for financing through a local bank for up to \$350,000. The improvements are scheduled to begin at the conclusion of the summer camping season.

TOWNSHIP OF BURT  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018

**NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Public Act 275 of 1980**

The Township did not have any funds with a net position deficiency or fund balance deficit at March 31, 2018.

**Public Act 621 of 1978**

Public act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. In the body of financial statements, the Township's actual expenditures and appropriations have been shown on a functional basis. The approved budgets for the Township for the budgetary funds were adopted on the functional level.

During the year ended March 31, 2018, the Township incurred expenditures in some of the governmental funds governmental funds that exceeded the appropriated amounts. The variances in the major governmental funds can be found on pages 36 through 38 of this report. The variances in the nonmajor governmental funds can be found on pages 49 through 52 of this report.

**Bond Covenants**

The schedule showing bond covenants can be found on page 53 of this report. The Township is in compliance with the financial bond covenants required under the ordinance.

**NOTE C - CASH AND INVESTMENTS**

The Township has designated two banks for the deposit of Township funds. The investments policy adopted by the board in accordance with Public Act 20 of 1943, as amended. The Township's deposits and investment policy are in accordance with statutory authority.

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total Primary Government
Cash & Cash Equivalents	\$ 570,773	\$ 605,939	\$ 239	\$ 1,176,951
Restricted Assets	0	220,848	0	220,848
Total	<u>\$ 570,773</u>	<u>\$ 826,787</u>	<u>\$ 239</u>	<u>\$ 1,397,799</u>

The federal insured bank balance of the Township's deposits is \$ 363,968. There were no items classified as investments during the fiscal year.

**TOWNSHIP OF BURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018**

**NOTE D - INTERFUND TRANSFERS**

The following interfund transfers were recorded during the year and is reflected in the financial statements.

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>	<u>Purpose</u>
General	Fire Protection	\$ 1,500	Administration
General	Harbor	2,000	Administration
General	Township Improvement	5,000	Administration
General	Ambulance	2,500	Administration
General	Woodland Park	10,000	Administration
General	Fuel	2,000	Administration
General	Water	10,200	Administration
Improvement	Fire	16,603	Debt service
Improvement	Ambulance	11,698	Debt service
Marina	Harbor	10,000	Maintenance
Marina	Park	20,000	Maintenance

During a prior fiscal year, the Township completed construction of a building (Weston Building) used to house the Department of Public Works as well as the Ambulance and Fire Departments. All costs related to the financing of the building have been and will continue to be recorded in the Township Improvement Fund. These costs are being allocated to the various departments based on their usable square footage. The percentages used are: Public Works 25%, Ambulance 31% and Fire 44%. The costs are being returned to the improvement fund via interfund transfers.

**NOTE E - INTERFUND RECEIVABLES AND PAYABLE**

The March 31, 2018, balances of interfund receivables and payables are as follows:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
General	Tax	\$ 232
Fire	Tax	1
Improvement	Tax	3
Ambulance	Tax	1
Fuel	Improvement	306
Fuel	Ambulance	140
Fuel	Water	333
Water	General	55
Water	Fire	42
Water	Improvement	34
Water	Ambulance	60
Water	Marina	81
Water	Medical Facility	41
Water	Park	1,174

**TOWNSHIP OF BURT**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2018**

**NOTE E - INTERFUND RECEIVABLES AND PAYABLE (CONTINUED)**

The balance is maintained in the Tax Collection Fund to keep the bank account open and delinquent personal property tax collections from late in the fiscal year. The amounts due to the Fuel and Water Funds are for purchases that were made in the normal course of business near the end of the year. The receivable balances in both funds were satisfied in full in April, 2018.

**NOTE F - CAPITAL ASSETS**

Capital asset activity for the Township for the year ended March 31, 2018 was as follows:

	Beginning	Additions	Disposals	Ending
<b>Governmental Funds</b>				
Assets not depreciated				
Land	\$ 155,105	\$ 0	\$ 0	\$ 155,105
Assets being depreciated				
Land improvements	5,130,244	0	0	5,130,244
Buildings	2,117,447	0	0	2,117,447
Equipment	385,261	8,499	48,725	345,035
Vehicles	32,198	0	0	32,198
Total at historic cost	\$ 7,820,255	\$ 8,499	\$ 48,725	\$ 7,780,029
Less accumulated depreciation for:				
Land improvements	\$ 784,742	\$ 171,765	\$ 0	\$ 956,507
Buildings	1,048,878	54,449	0	1,103,327
Equipment	313,240	14,474	48,118	279,596
Vehicles	32,138	40	0	32,178
Total accumulated depreciation	\$ 2,178,998	\$ 240,728	\$ 48,118	\$ 2,371,608
Governmental Funds-Capital Assets	\$ 5,641,257	\$ (232,229)	\$ 607	\$ 5,408,421
<b>Business Type Funds</b>				
Assets not depreciated				
Land	\$ 72,014	\$ 0	\$ 0	\$ 72,014
Assets being depreciated				
Ambulance	230,309	0	660	229,649
Woodland Park	1,104,420	10,751	0	1,115,171
Fuel	100,000	0	0	100,000
Water utility	6,067,444	56,519	4,374	6,119,589
Marina	129,895	0	0	129,895
Total at historic cost	\$ 7,704,082	\$ 67,270	\$ 5,034	\$ 7,766,318
Less accumulated depreciation for:				
Ambulance	\$ 227,657	\$ 1,065	\$ 660	\$ 228,062
Woodland Park	520,439	48,929	0	569,368
Fuel	85,000	5,000	0	90,000
Water utility	1,393,848	140,826	2,373	1,532,301
Marina	54,722	6,494	0	61,216
Total accumulated depreciation	\$ 2,281,666	\$ 202,314	\$ 3,033	\$ 2,480,947
Business Type Funds-Capital Assets	\$ 5,422,416	\$ (135,044)	\$ 2,001	\$ 5,285,371

TOWNSHIP OF BURT  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018

**NOTE F - CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 15,197
Public Safety	2,550
Public Works	40,911
Recreation	<u>182,070</u>
Total Governmental Activities	<u><u>\$ 240,728</u></u>
Business-Type Activities	
Ambulance	\$ 1,065
Woodland Park	48,928
Fuel	5,000
Water utility	140,826
Marina	<u>6,495</u>
Total Business Type Activities	<u><u>\$ 202,314</u></u>

**NOTE G - GENERAL LONG TERM DEBT**

**General Obligation Bond - Weston Building**

\$712,000 - On May 17, 2012, the Township entered into a contract for the construction and equipping of a new building that will be utilized by the Township's Departments of Public Works, Ambulance and Fire Protection with a total projected cost of \$912,000. The project will be financed with a combination grant/general obligation bond from the Rural Development Agency of the United States Department of Agriculture of \$200,000 and \$712,000, respectively. The project was undertaken during the current year but not completed at the end of the fiscal year.

The bond was issued for \$712,000 and bears interest at the rate of 3.375% per annum. The bond requires annual principal payments on May 1 of each year as scheduled below. Interest is payable semiannually on November 1 and May 1 of each year.

TOWNSHIP OF BURT  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018

**NOTE G - GENERAL LONG TERM DEBT (CONTINUED)**

**General Obligation Bond - Weston Building (Continued)**

The cumulative debt service schedule is below:

Payable Fiscal Year	May 1		November 1		Total
	Interest	Principal	Interest		
2018-2019	\$ 10,733	\$ 17,000	\$ 10,446	\$	38,179
2019-2020	10,446	17,000	10,158		37,604
2020-2021	10,158	18,000	9,855		38,013
2021-2022	9,855	18,000	9,552		37,407
2022-2023	9,551	19,000	9,231		37,782
2023-2028	42,711	105,000	40,939		188,650
2028-2033	33,244	124,000	31,151		188,395
2033-2038	22,106	145,000	19,659		186,765
2038-2043	9,011	173,000	6,092		188,103
TOTALS	\$ <u>157,815</u>	\$ <u>636,000</u>	\$ <u>147,083</u>	\$	<u>940,898</u>

**Public Works Equipment Debt**

\$29,615 - During a prior year, the Township entered into an installment purchase contract to acquire a “bucket truck” for use in Public Works and Woodland Park. The financing was issued for \$29,615 and is split 50/50 between the Township Improvement Fund (Public Works) and the Woodland Park Fund. The debt bears interest at the rate of 3.00%. The contract calls for annual payments of \$6,399.07 due November 17 of each year. There are prepayment penalty provisions during the first three years in varying amounts. The payments will be split equally between the Township Improvement Fund and Woodland Park Fund.

The cumulative debt service schedule for the Township Improvement Fund is below:

Payable Fiscal Year	November 17		Total
	Interest	Principal	
2018-2019	\$ 271	\$ 2,928	\$ 3,199
2019-2020	184	3,016	3,200
2020-2021	92	3,110	3,202
TOTALS	\$ <u>547</u>	\$ <u>9,054</u>	\$ <u>9,601</u>

TOWNSHIP OF BURT  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018

**NOTE G - GENERAL LONG TERM DEBT (CONTINUED)**

**Summary of General Long Term Debt**

	<u>Beginning</u>	<u>New Debt</u>	<u>Payments</u>	<u>Ending</u>	<u>Current Part</u>
Weston Building Bond	\$ 652,000	\$ 0	\$ 16,000	\$ 636,000	\$ 17,000
Bucket Truck Contract	11,898	0	2,844	9,054	2,928
<b>TOTALS</b>	<b>\$ 663,898</b>	<b>\$ 0</b>	<b>\$ 18,844</b>	<b>\$ 645,054</b>	<b>\$ 19,928</b>

**NOTE H - PROPRIETARY FUND DEBT**

**2012 Water Supply System Revenue Bond**

\$2,350,000 - A Water System Revenue Bond was issued for \$2,350,000 dated June 26, 2012. The bond requires annual principal payments as scheduled below and bears interest at the rate of 2.0% per annum. Interest is payable semiannually on March 1 and September 1 of each year.

The Bond is subject to redemption prior to maturity at the option of the Township, either in whole or in part; on any interest payment date, at par plus accrued interest.

The cumulative debt service schedule is below:

<u>Payable Fiscal Year</u>	<u>June 1</u>		<u>December 1</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>		
2018-2019	\$ 21,650	\$ 39,000	\$ 21,260	\$	81,910
2019-2020	21,260	40,000	20,860		82,120
2020-2021	20,860	41,000	20,450		82,310
2021-2022	20,450	42,000	20,030		82,480
2022-2023	20,030	44,000	19,590		83,620
2023-2028	93,350	235,000	91,000		419,350
2028-2033	81,000	266,000	78,340		425,340
2033-2038	67,030	301,000	64,020		432,050
2038-2043	51,210	340,000	47,810		439,020
2043-2048	33,350	385,000	29,500		447,850
2048-2053	13,110	432,000	8,790		453,900
<b>TOTALS</b>	<b>\$ 443,300</b>	<b>\$ 2,165,000</b>	<b>\$ 421,650</b>	<b>\$</b>	<b>3,029,950</b>

The bond ordinance requires that the Township fund specific accounts designated for bond interest and redemption payments, a bond redemption reserve and an amount for system repair, replacement and/or improvements.

TOWNSHIP OF BURT  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018

**NOTE H - PROPRIETARY FUND DEBT (CONTINUED)**

**Equipment Contract Agreement**

\$20,594 - On April 25, 2013, The Township entered into an loan agreement with a local bank to finance a truck to be used primarily at Woodland Park. The Agreement calls for annual payments of \$4,524 due on July 9 each year beginning in 2014 and continuing through the final payment in 2018. The payment covers the interest of 3% per annum along with the principal. The obligation is collateralized by secured interest in the equipment.

The obligation was satisfied in full during the year.

**Bucket Truck Installment Purchase Contract**

\$29,615 - During a prior year, the Township entered into an installment purchase contract to acquire a "bucket truck" for use in Public Works and Woodland Park. The financing was issued for \$29,615 and is split 50/50 between the Township Improvement Fund (Public Works) and the Woodland Park Fund. The debt bears interest at the rate of 3.00%. The contract calls for annual payments of \$6,399.07 due November 17 of each year. There are prepayment penalty provision during the first three year in varying amounts. The payments will be split equally between the Township Improvement Fund and Woodland Park Fund.

The cumulative debt service schedule for the Woodland Park Fund is below:

Payable Fiscal Year	November 17		Total
	Interest	Principal	
2018-2019	\$ 271	\$ 2,928	\$ 3,199
2019-2020	184	3,016	3,200
2020-2021	92	3,110	3,202
<b>TOTALS</b>	<b>\$ 547</b>	<b>\$ 9,054</b>	<b>\$ 9,601</b>

**Summary of Proprietary Fund Debt**

	Beginning	New Debt	Payments	Ending	Current Part
Water Supply System Bond I	\$ 2,204,000	\$ 0	\$ 39,000	\$ 2,165,000	\$ 39,000
Equip Contract Agreement	8,653	0	8,653	0	0
Bucket Truck Contract	11,897	0	2,843	9,054	2,928
<b>TOTALS</b>	<b>\$ 2,224,550</b>	<b>\$ 0</b>	<b>\$ 50,496</b>	<b>\$ 2,174,054</b>	<b>\$ 41,928</b>



TOWNSHIP OF BURT  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018

**NOTE I - COMPENSATED ABSENCES**

The Township grants full-time employees paid time off for vacation and sickness.

Sick leave is earned at the rate of one day for each month worked, up to a maximum of 960 hours. Sick leave is paid at the employees then current hourly rate. No provision has been made in the financial statements for recording the possible liability related to sick leave, and there is no certainty that the benefits will ever be paid. The total value of the sick benefit earned as of March 31, 2018, was \$32,196.

Vacation time is earned at varying rates based upon a number of years of employment at the Township. Vacation time is paid at the employees then current hourly rate. A provision has been made in the government wide financial statements for \$3,158 for earned benefits as of March 31, 2018.

**NOTE J - DEFINED CONTRIBUTION PENSION PLAN**

The Township provides pension benefits to its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to join the plan on January 1 of each year. As established by the Township Board, the Township makes a contribution to the plan according to each employee's gross payroll. The contributions by the Township for the year were \$5,095.

At the financial statement date, the Township had all full time employees except for a newly hired person, participating in the Pension Plan.

**NOTE K - DEFERRED COMPENSATION PLAN**

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is available to substantially all full-time employees and permits employees to defer a portion of their salary into future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the Plan and all income attributable to those amounts are, until paid and made available to the employee or other beneficiary, to be held in trust for the exclusive benefit of plan participants and their beneficiaries.

Investments are managed by the Plans' trustees under one of several investment options, or a combination thereof. The choice of investment option(s) is made by the participant. The Plan trustee is Municipal Retirement Systems.

As the Township does not have an established trust agreement with the Plan trustee, does not provide investment advice and does not administer the Plan, the Township has not established a fiduciary relationship with the Plan. Therefore, the Plan assets are not included in the financial statements of the Township.

The Township's required and actual contribution to the plan during the year was \$7,735.

TOWNSHIP OF BURT  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018

**NOTE L - NEW ACCOUNTING STANDARDS**

For the year ended March 31, 2018, the Township implemented the following new pronouncement:

No new Governmental Accounting Standards Board Statements that were issued with effective dates for periods covered by the audit were required to be implemented by the Township including GASB Statements 72 and 77. Several additional statements have been issued since the end of the fiscal year and none of the current Statements are expected to have a material impact on the Township's financial statements in future periods.

**NOTE M - CONTINGENCIES/COMMITMENT**

No material contingencies/commitments were noted that are required to be separately disclosed in these financial statements

**NOTE N - RECLASSIFICATION**

Certain reclassifications have been made in the 2017 comparative totals to conform to classifications used in 2018.

**NOTE O - RISK MANAGEMENT**

The Township of Burt, Alger County, Michigan, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

REQUIRED  
SUPPLEMENTARY  
INFORMATION

TOWNSHIP OF BURT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
Year ended March 31, 2018

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning Fund Balance	\$ 184,222	\$ 184,222	\$ 184,222	\$ 0
Resources (Inflows)				
Property taxes	132,500	140,000	134,931	(5,069)
State shared revenues and grants	101,500	101,500	105,180	3,680
Contributions from other governmental units	0	0	1,207	1,207
Licenses and fees	1,000	1,000	2,825	1,825
Charges for services	10,100	10,100	10,412	312
Interest and rentals	50	50	137	87
Local contribuitons/donations	0	0	2,000	2,000
Other	0	2,000	2,265	265
Transfer from other funds	33,200	33,200	33,200	0
AMOUNTS AVAILABLE FOR APPROPRIATION \$	<u>462,572</u>	<u>472,072</u>	<u>476,379</u>	<u>4,307</u>
Charges to Appropriations (Outflows)				
Legislative				
Board	\$ 8,700	\$ 8,700	\$ 8,612	\$ 88
General Government				
Supervisor	29,550	29,650	29,230	420
Clerk	33,250	32,850	32,149	701
Audit	2,000	3,000	3,000	0
Board of review	2,300	2,300	1,179	1,121
Treasurer	29,650	30,200	27,403	2,797
Assessor	50,050	41,150	37,186	3,964
Elections	3,850	4,350	5,807	(1,457)
Buildings and other property	38,000	48,000	49,249	(1,249)
Legal services	1,000	1,000	1,040	(40)
Administration	52,300	65,000	76,137	(11,137)
Public Safety				
Coast Guard Auxiliary	6,000	4,000	4,007	(7)
Community development				
Planning and zoning	12,200	6,200	5,167	1,033
Historical society	500	500	500	0
Other	11,500	26,000	32,726	(6,726)
Insurance	7,500	7,500	7,074	426
Capital outlay	0	0	0	0
Transfers to other funds	0	0	0	0
TOTAL CHARGES TO APPROPRIATIONS \$	<u>288,350</u>	<u>310,400</u>	<u>320,466</u>	<u>(10,066)</u>
BUDGETARY FUND BALANCE--ENDING \$	<u>174,222</u>	<u>161,672</u>	<u>155,913</u>	<u>(5,759)</u>

TOWNSHIP OF BURT  
BUDGETARY COMPARISON SCHEDULE  
FIRE PROTECTION FUND  
Year ended March 31, 2018

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning Fund Balance	\$ 147,022	\$ 147,022	\$ 147,022	\$ 0
Resources (Inflows)				
Property taxes	87,000	87,000	84,872	(2,128)
State grant	0	0	0	0
Local grants/donations	0	17,000	17,700	700
Charges for services	3,500	3,500	3,480	(20)
Interest earned	500	500	767	267
Other	0	0	1,041	1,041
Sale of fixed assets	0	0	0	0
Transfers from other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 238,022	\$ 255,022	\$ 254,882	\$ (140)
Charges to Appropriations (Outflows)				
General government - audit	\$ 1,300	\$ 1,300	\$ 1,300	\$ 0
Public safety - fire	66,150	71,150	55,122	16,028
Capital outlay	5,000	10,000	8,499	1,501
Transfers to other funds	<u>18,500</u>	<u>18,500</u>	<u>18,103</u>	<u>397</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>90,950</u>	\$ <u>100,950</u>	\$ <u>83,024</u>	\$ <u>17,926</u>
BUDGETARY FUND BALANCE--ENDING	\$ <u><u>147,072</u></u>	\$ <u><u>154,072</u></u>	\$ <u><u>171,858</u></u>	\$ <u><u>17,786</u></u>

TOWNSHIP OF BURT  
BUDGETARY COMPARISON SCHEDULE  
TOWNSHIP IMPROVEMENT FUND  
Year ended March 31, 2018

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning Fund Balance	\$ 106,953	\$ 106,953	\$ 106,953	\$ 0
Resources (Inflows)				
Property taxes - unrestricted	180,000	180,000	166,496	(13,504)
Property taxes - roads	50,000	75,000	82,740	7,740
Charges for services	1,000	1,000	100	(900)
Interest and rentals	400	400	400	0
Local grants/donations	0	0	0	0
Other	0	0	340	340
Sale of equipment	0	0	1,750	1,750
Transfer from other funds	<u>0</u>	<u>0</u>	<u>28,301</u>	<u>28,301</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 338,353	\$ 363,353	\$ 387,080	\$ 23,727
Charges to Appropriations (Outflows)				
General Government				
Audit	\$ 1,850	\$ 1,850	\$ 1,850	\$ 0
Airport	1,025	1,025	1,347	(322)
Cemetery	1,500	1,500	1,160	340
Buildings and grounds	200	200	0	200
Other	0	0	0	0
Public Works				
General	135,000	122,000	109,837	12,163
Street lighting	13,500	13,500	12,203	1,297
Road improvements	59,000	73,000	16,811	56,189
Debt service	14,000	14,000	40,935	(26,935)
Capital outlay	0	0	0	0
Transfers to Other funds	<u>3,700</u>	<u>3,700</u>	<u>5,000</u>	<u>(1,300)</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>229,775</u>	\$ <u>230,775</u>	\$ <u>189,143</u>	\$ <u>41,632</u>
BUDGETARY FUND BALANCE--ENDING	\$ <u><u>108,578</u></u>	\$ <u><u>132,578</u></u>	\$ <u><u>197,937</u></u>	\$ <u><u>65,359</u></u>

OTHER

SUPPLEMENTARY

INFORMATION

TOWNSHIP OF BURT  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
March 31, 2018

	<u>HARBOR FUND</u>	<u>MEDICAL FACILITY FUND</u>	<u>BEACH ACCESS FUND</u>	<u>TOTAL</u>
<b>ASSETS</b>				
Cash and equivalents	\$ 58,250	\$ 6,338	\$ 7,001	\$ 71,589
Taxes receivable	1,067	0	0	1,067
Due from other funds	0	0	0	0
Due from other governmental units	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>59,317</u></b>	<b>\$ <u>6,338</u></b>	<b>\$ <u>7,001</u></b>	<b>\$ <u>72,656</u></b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 0	\$ 468	\$ 0	\$ 468
Due to other funds	0	41	0	41
Accrued wages	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL LIABILITIES</b>	<b>\$ 0</b>	<b>\$ 509</b>	<b>\$ 0</b>	<b>\$ 509</b>
<b>FUND EQUITY</b>				
Fund balance:				
Restricted	\$ 59,317	\$ 0	\$ 0	\$ 59,317
Committed	0	5,829	7,001	12,830
Assigned	0	0	0	0
Unassigned	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL FUND BALANCE</b>	<b>\$ <u>59,317</u></b>	<b>\$ <u>5,829</u></b>	<b>\$ <u>7,001</u></b>	<b>\$ <u>72,147</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ <u>59,317</u></b>	<b>\$ <u>6,338</u></b>	<b>\$ <u>7,001</u></b>	<b>\$ <u>72,656</u></b>



TOWNSHIP OF BURT  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE  
Year ended March 31, 2018

	<u>HARBOR FUND</u>	<u>MEDICAL FACILITY FUND</u>	<u>BEACH ACCESS FUND</u>	<u>TOTAL</u>
REVENUES				
Property taxes	\$ 13,861	\$ 0	\$ 0	\$ 13,861
State grants	0	7,713	0	7,713
Local grants/contributions	0	0	0	0
User fees	3,480	0	0	3,480
Rent	0	940	0	940
Other	<u>0</u>	<u>26</u>	<u>0</u>	<u>26</u>
TOTAL REVENUES	\$ 17,341	\$ 8,679	\$ 0	\$ 26,020
EXPENDITURES				
Salaries and wages	\$ 0	\$ 0	\$ 0	\$ 0
Payroll taxes	0	7	0	7
Employee benefits	0	5	0	5
Professional fees	1,000	580	0	1,580
Insurance	0	0	0	0
Repairs and maintenance	0	5,642	0	5,642
Utilities	0	3,507	0	3,507
Other	0	493	0	493
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EXPENDITURES	\$ <u>1,000</u>	\$ <u>10,234</u>	\$ <u>0</u>	\$ <u>11,234</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 16,341	\$ (1,555)	\$ 0	\$ 14,786
OTHER FINANCING SOURCES (USES)				
Interest earned	\$ 0	\$ 0	\$ 0	\$ 0
Transfer from other funds	0	0	0	0
Transfer to other funds	<u>(2,000)</u>	<u>0</u>	<u>0</u>	<u>(2,000)</u>
EXCESS OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES	\$ 14,341	\$ (1,555)	\$ 0	\$ 12,786
Fund balance - beginning	<u>44,976</u>	<u>7,384</u>	<u>7,001</u>	<u>59,361</u>
	<u>\$ 59,317</u>	<u>\$ 5,829</u>	<u>\$ 7,001</u>	<u>\$ 72,147</u>

TOWNSHIP OF BURT  
COMBINING STATEMENT OF NET POSITION  
NON-MAJOR BUSINESS TYPE FUNDS  
March 31, 2018

	<u>FUEL FUND</u>	<u>MARINA FUND</u>	<u>TOTAL</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and equivalents	\$ 17,658	\$ 29,050	\$ 46,708
Accounts receivable	0	0	0
Due from other funds	780	0	780
Due from other governmental units	2,913	0	2,913
Inventory	<u>8,635</u>	<u>0</u>	<u>8,635</u>
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 29,986</b>	<b>\$ 29,050</b>	<b>\$ 59,036</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Land	\$ 0	\$ 52,014	\$ 52,014
Plant, lines and equipment	100,000	129,895	229,895
Less accumulated depreciation	<u>(90,000)</u>	<u>(61,216)</u>	<u>(151,216)</u>
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>\$ <u>10,000</u></b>	<b>\$ <u>120,693</u></b>	<b>\$ <u>130,693</u></b>
<b>TOTAL ASSETS</b>	<b>\$ 39,986</b>	<b>\$ 149,743</b>	<b>\$ 189,729</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 99	\$ 33	\$ 132
Salaries and wages payable	0	0	0
Due to other funds	<u>0</u>	<u>81</u>	<u>81</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 99</b>	<b>\$ 114</b>	<b>\$ 213</b>
<b>NET POSITION</b>			
Investment in capital assets	\$ 10,000	\$ 120,693	\$ 130,693
Restricted			
Nonspendable	8,635	0	8,635
Unrestricted	<u>21,252</u>	<u>28,936</u>	<u>50,188</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u><u>39,887</u></u></b>	<b>\$ <u><u>149,629</u></u></b>	<b>\$ <u><u>189,516</u></u></b>

TOWNSHIP OF BURT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 NON-MAJOR BUSINESS TYPE FUNDS  
 Year ended March 31, 2018

	<u>FUEL FUND</u>	<u>MARINA FUND</u>	<u>TOTAL</u>
OPERATING REVENUES			
Fuel sales	\$ 67,733	\$ 0	\$ 67,733
Other	<u>0</u>	<u>36,210</u>	<u>36,210</u>
TOTAL OPERATING REVENUES	\$ 67,733	\$ 36,210	\$ 103,943
OPERATING EXPENSES			
Transmission, distribution and maintenance			
Salaries and wages	\$ 0	\$ 4,946	\$ 4,946
Payroll taxes	0	378	378
Supplies	0	496	496
Fuel purchases	62,762	21,474	84,236
Purchased services	1,575	33,840	35,415
Repairs and maintenance	414	10,905	11,319
Utilities	1,890	1,171	3,061
Other	437	2,038	2,475
Depreciation	<u>5,000</u>	<u>6,495</u>	<u>11,495</u>
TOTAL OPERATING EXPENSES	\$ <u>72,078</u>	\$ <u>81,743</u>	\$ <u>153,821</u>
OPERATING INCOME	\$ (4,345)	\$ (45,533)	\$ (49,878)
NON-OPERATING TRANSFERS			
Transfers from other funds	\$ 0	\$ 20,000	\$ 20,000
Transfers to other funds - administrative support	<u>(2,000)</u>	<u>0</u>	<u>(2,000)</u>
TOTAL NON-OPERATING INCOME (EXPENSE)	\$ <u>(2,000)</u>	\$ <u>20,000</u>	\$ <u>18,000</u>
NET INCOME	\$ (6,345)	\$ (25,533)	\$ (31,878)
Net position - Beginning of period	<u>46,232</u>	<u>175,162</u>	<u>221,394</u>
NET POSITION - END OF PERIOD	\$ <u><u>39,887</u></u>	\$ <u><u>149,629</u></u>	\$ <u><u>189,516</u></u>

TOWNSHIP OF BURT  
COMBINING STATEMENT OF CASH FLOWS  
NON-MAJOR BUSINESS TYPE FUNDS  
Year ended March 31, 2018

	FUEL FUND	MARINA FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 67,584	\$ 36,210	\$ 103,794
Payments to suppliers	(69,792)	(69,998)	(139,790)
Payments to or on behalf of employees	<u>0</u>	<u>(5,324)</u>	<u>(5,324)</u>
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	\$ (2,208)	\$ (39,112)	\$ (41,320)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfer from (to) other funds	\$ (2,000)	\$ 20,000	\$ 18,000
Loans made from (repaid to) other funds	<u>0</u>	<u>81</u>	<u>81</u>
TOTAL CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	\$ (2,000)	\$ 20,081	\$ 18,081
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase and construction of capital assets	\$ 0	\$ 0	\$ 0
Payments on long term debt and related interest	0	0	0
Proceeds from sale of fixed assets	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	\$ 0	\$ 0	\$ 0
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
NET INCREASE (DECREASE) IN CASH	\$ (4,208)	\$ (19,031)	\$ (23,239)
Cash and equivalents - beginning	<u>21,866</u>	<u>48,081</u>	<u>69,947</u>
CASH AND EQUIVALENTS - ENDING	<u>\$ 17,658</u>	<u>\$ 29,050</u>	<u>\$ 46,708</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (4,345)	\$ (45,533)	\$ (49,878)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation	5,000	6,495	11,495
Change in Assets and Liabilities			
Receivables - net	(149)	0	(149)
Inventory	(2,657)	0	(2,657)
Accounts payable	(57)	(74)	(131)
Accrued payroll	<u>0</u>	<u>0</u>	<u>0</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (2,208)</u>	<u>\$ (39,112)</u>	<u>\$ (41,320)</u>

TOWNSHIP OF BURT  
WATER UTILITY FUND  
STATEMENT OF NET POSITION  
March 31, 2018 and 2017

		<u>2018</u>	<u>2017</u>
ASSETS			
CURRENT ASSETS:			
Cash and equivalents	\$	249,314	\$ 284,385
Accounts receivable		13,844	15,296
Due from other funds		<u>1,486</u>	<u>0</u>
TOTAL CURRENT ASSETS	\$	264,644	\$ 299,681
RESTRICTED ASSETS			
Repair, replacement and improvements	\$	96,820	\$ 79,974
Debt service		<u>94,290</u>	<u>85,073</u>
TOTAL RESTRICTED ASSETS	\$	191,110	\$ 165,047
PROPERTY, PLANT AND EQUIPMENT			
Land	\$	10,000	\$ 10,000
Plant, lines and equipment		6,119,589	6,067,445
Less accumulated depreciation		<u>(1,532,301)</u>	<u>(1,393,848)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	\$	<u>4,597,288</u>	\$ <u>4,683,597</u>
TOTAL ASSETS	\$	5,053,042	\$ 5,148,325
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	\$	2,108	\$ 1,526
Salaries and wages payable		3,669	2,776
Due to other funds		333	111
Accrued interest		14,433	14,693
Current part of long term liabilities		<u>39,000</u>	<u>39,000</u>
TOTAL CURRENT LIABILITIES	\$	59,543	\$ 58,106
LONG TERM LIABILITIES - Bonds payable (less current part above	\$	<u>2,126,000</u>	\$ <u>2,165,000</u>
TOTAL LIABILITIES		2,185,543	2,223,106
NET POSITION			
Investment in capital assets	\$	2,432,288	\$ 2,479,597
Restricted			
Capital outlay		96,820	79,974
Debt service		94,290	85,073
Unrestricted		<u>244,101</u>	<u>280,575</u>
TOTAL NET POSITION	\$	<u><u>2,867,499</u></u>	\$ <u><u>2,925,219</u></u>

TOWNSHIP OF BURT  
WATER UTILITY FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
Years ended March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
User charges	\$ 219,130	\$ 224,847
Hydrant rentals	10,350	10,350
Other	<u>3,566</u>	<u>3,482</u>
TOTAL OPERATING REVENUES	\$ 233,046	\$ 238,679
OPERATING EXPENSES		
Transmission, distribution and maintenance	\$ 96,424	\$ 116,681
Depreciation	<u>79,341</u>	<u>91,728</u>
TOTAL OPERATING EXPENSES	\$ <u>175,765</u>	\$ <u>208,409</u>
OPERATING INCOME	\$ 57,281	\$ 30,270
NON-OPERATING INCOME (EXPENSE)		
Interest income	\$ 114	\$ 187
State grant	0	7,314
Interest expense	(43,430)	(44,207)
Amortization of federal grant	(61,485)	(61,485)
NON-OPERATING TRANSFERS		
Transfers to other funds - administrative support	<u>(10,200)</u>	<u>(10,200)</u>
TOTAL NON-OPERATING INCOME (EXPENSE)	\$ <u>(115,001)</u>	\$ <u>(108,391)</u>
NET INCOME	\$ (57,720)	\$ (78,121)
Net position - Beginning of period	<u>2,925,219</u>	<u>3,003,340</u>
NET POSITION - END OF PERIOD	\$ <u><u>2,867,499</u></u>	\$ <u><u>2,925,219</u></u>

TOWNSHIP OF BURT  
STATEMENT OF CASH FLOWS  
WATER UTILITY FUND  
Years ended March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 234,498	\$ 240,212
Payments to suppliers	(36,455)	(54,242)
Payments to or on behalf of employees	<u>(58,494)</u>	<u>(63,206)</u>
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	\$ 139,549	\$ 122,764
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer from (to) other funds	\$ (10,200)	\$ (10,200)
Loans made from (repaid to) other funds, net	<u>(1,264)</u>	<u>(87)</u>
TOTAL CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	\$ (11,464)	\$ (10,287)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase and construction of capital assets	\$ (54,517)	\$ (3,292)
Payments on long term debt and related interest	(82,690)	(82,461)
State grant proceeds	0	7,314
(Funding of) Use of restricted asset accounts	<u>(26,063)</u>	<u>(26,815)</u>
TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (163,270)	\$ (105,254)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	\$ <u>114</u>	\$ <u>187</u>
NET INCREASE (DECREASE) IN CASH	\$ (35,071)	\$ 7,410
Cash and equivalents - beginning	<u>284,385</u>	<u>276,975</u>
CASH AND EQUIVALENTS - ENDING	\$ <u><u>249,314</u></u>	\$ <u><u>284,385</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 57,281	\$ 30,270
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation	79,341	91,728
Change in Assets and Liabilities		
Receivables - net	1,452	1,533
Accounts payable	582	(1,746)
Accrued salaries and wages	<u>893</u>	<u>979</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u><u>139,549</u></u>	\$ <u><u>122,764</u></u>

TOWNSHIP OF BURT  
WATER UTILITY FUND  
 SCHEDULE OF OPERATING EXPENSES  
 Years ended March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Transmission, Distribution & Maintenance:		
Salaries and wages	\$ 40,958	\$ 44,590
Payroll taxes	3,065	3,336
Employee benefits	15,364	16,259
Supplies	5,489	5,701
Purchases services	5,891	15,174
Repairs and maintenance	8,051	12,833
Utilities	11,993	11,943
Other	<u>5,613</u>	<u>6,845</u>
Total Transmission, Distribution & Maintenance	\$ 96,424	\$ 116,681
Depreciation	\$ <u>79,341</u>	\$ <u>91,728</u>
TOTAL OPERATING EXPENSE	\$ <u><u>175,765</u></u>	\$ <u><u>208,409</u></u>



TOWNSHIP OF BURT  
BUDGETARY COMPARISON SCHEDULE  
HARBOR FUND  
Year ended March 31, 2018

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning Fund Balance	\$ 44,976	\$ 44,976	\$ 44,976	\$ 0
Resources (Inflows)				
Property taxes	13,700	13,700	13,861	161
State grants	0	0	0	0
Charges for services	3,000	3,000	3,480	480
Local grants/contributions	0	0	0	0
Interest	0	0	0	0
Transfer from other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 61,676	\$ 61,676	\$ 62,317	\$ 641
Charges to Appropriations (Outflows)				
General government	\$ 5,500	\$ 5,500	\$ 1,000	\$ 4,500
Recreation	2,000	2,000	0	2,000
Capital outlay	0	0	0	0
Transfer to other funds	<u>9,200</u>	<u>9,200</u>	<u>2,000</u>	<u>7,200</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>16,700</u>	\$ <u>16,700</u>	\$ <u>3,000</u>	\$ <u>13,700</u>
BUDGETARY FUND BALANCE--ENDING	\$ <u><u>44,976</u></u>	\$ <u><u>44,976</u></u>	\$ <u><u>59,317</u></u>	\$ <u><u>14,341</u></u>

TOWNSHIP OF BURT  
BUDGETARY COMPARISON SCHEDULE  
MEDICAL FACILITY FUND  
Year ended March 31, 2018

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning Fund Balance	\$ 7,384	\$ 7,384	\$ 7,384	\$ 0
Resources (Inflows)				
State grants	7,700	7,700	7,713	13
Rent	1,200	1,200	940	(260)
Interest	0	0	0	0
Other	0	0	26	26
Transfers from other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 16,284	\$ 16,284	\$ 16,063	\$ (221)
Charges to Appropriations (Outflows)				
General government	\$ 8,900	\$ 9,500	\$ 10,234	\$ (734)
Transfers to other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>8,900</u>	\$ <u>9,500</u>	\$ <u>10,234</u>	\$ <u>(734)</u>
BUDGETARY FUND BALANCE--ENDING	\$ <u><u>7,384</u></u>	\$ <u><u>6,784</u></u>	\$ <u><u>5,829</u></u>	\$ <u><u>(955)</u></u>

TOWNSHIP OF BURT  
BUDGETARY COMPARISON SCHEDULE  
BEACH ACCESS FUND  
Year ended March 31, 2018

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning Fund Balance	\$ 7,001	\$ 7,001	\$ 7,001	\$ 0
Resources (Inflows)				
Interest earned	0	0	0	0
Transfers from other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 7,001	\$ 7,001	\$ 7,001	\$ 0
Charges to Appropriations (Outflows)				
General government	\$ 0	\$ 0	\$ 0	\$ 0
Parks and recreation	0	0	0	0
Capital outlay	0	0	0	0
Transfers to other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
BUDGETARY FUND BALANCE--ENDING	\$ <u><u>7,001</u></u>	\$ <u><u>7,001</u></u>	\$ <u><u>7,001</u></u>	\$ <u><u>0</u></u>

TOWNSHIP OF BURT  
BOND ORDINANCE COMPLIANCE  
March 31, 2018

	BEGINNING BALANCE	TRANSFERS IN	INTEREST EARNED	EXPENDITURES	ENDING BALANCE	CUMULATIVE REQUIRED BALANCE	ANNUAL TRANSFER IN REQUIREMENT
BOND INTEREST AND REDEMPTION	42,764.20	82,495.00	4.65	82,690.00	42,573.85	40,075.00	82,495.00
BOND RESERVE	42,308.52	9,400.00	7.34	0.00	51,715.86	51,700.00	9,400.00
REPAIR, REPLACEMENT AND IMPROVEMENT	79,973.68	16,833.00	13.44	0.00	96,820.12	92,581.50	16,833.00
	<u>165,046.40</u>	<u>108,728.00</u>	<u>25.43</u>	<u>82,690.00</u>	<u>191,109.83</u>	<u>184,356.50</u>	<u>108,728.00</u>

WATER FUND:  
THE BOND ORDINANCES REQUIRE FUNDING OF THE FOLLOWING ACCOUNTS:

BOND INTEREST AND REDEMPTION IS TO BE FUNDED AT 1/2 OF THE NEXT INTEREST PAYMENT DUE AND 1/4 OF THE NEXT PRINCIPAL PAYMENT  
BOND RESERVE IS TO BE FUNDED AT \$2,350 PER QUARTER UP TO A MAXIMUM OF \$94,000  
REPAIR, REPLACEMENT AND IMPROVEMENT IS TO BE FUNDED AT \$6,558.25 PER QUARTER LESS THE BOND RESERVE DEPOSIT, IF ANY

**FUNDING REQUIREMENTS DESCRIBED ABOVE ARE IN COMPLIANCE**

CONTROL  
AND  
COMPLIANCE  
SECTION

# SCOTT R. KENNEY

*Certified Public Accountant*

1374 Commercial Ave., Suite #1  
Crystal Falls, Michigan 49920  
(906) 875-4393 Fax: (906) 875-3879

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

The Honorable Supervisor and Board  
Township of Burt, Alger Count  
P.O. Box 430  
Grand Marais, MI 49839

I have audited, 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, the financial statements of the Township of Burt, Alger County, Michigan (Township), which comprise the financial position as of March 31, 2018, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued my report thereon dated May 18, 2018.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing my audit of the financial statements, I 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, I do not express an opinion on the effectiveness of the Township's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying letter of comments and recommendations, I identified certain deficiencies in internal control that I consider to be a material weakness.

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 Township's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of

deficiencies, in internal control that is less severe than a material weakness but important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying letter of comments and recommendations to be a material weakness.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

## **TOWNSHIP'S RESPONSE TO FINDINGS**

The Township's response to the findings identified in my audit is described in the accompanying letter of comments and recommendations. The Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

## **PURPOSE OF THE REPORT**

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

  
Certified Public Accountant

May 18, 2018