Township of Casco
Allegan County, Michigan
FINANCIAL STATEMENTS
Year ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Township of Casco, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Casco, Michigan, as of and for the year ended June 30, 2017, 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 and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Casco, Michigan, as of June 30, 2017, 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.

Correction of an Error

As described in Note 14 to the financial statements, the Township recorded a prior period adjustment to correct its method of accounting for intangible capital assets of the governmental activities. Our opinions are not modified with respect to this matter.

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 Casco, Michigan's basic financial statements. The combining nonmajor governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental funds financial statements (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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017, on our consideration of the Township of Casco, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Casco, Michigan's internal control over financial reporting and compliance.

Siegfried Crandall P.C.

December 18, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Our discussion and analysis of the Township of Casco's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net position decreased by $157,336 as a result of this year's activities.
- Of the $7,106,847 total net position reported, $1,222,834 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 $408,346, which represents 30 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 2017 and 2016 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, etc.). Property taxes and state grants generally fund these activities.

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 by 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 reports one type of fund. All of the Township's basic services are included in its 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 $7,106,847. Of this total, $4,539,779 is invested in capital assets and $1,344,234 is restricted. Consequently, unrestricted net position was $1,222,834.

Condensed financial information
Net position

	Governmental activities	
	2017	*2016*
Current and other assets	**$ 4,779,741**	$ 5,260,732
Capital assets	**4,539,779**	4,498,244
Total assets	**9,319,520**	9,758,976
Current and other liabilities	**99,740**	462,335
Long-term debt	**2,112,933**	2,032,458
Total liabilities	**2,212,673**	2,494,793
Net position:		
Net investment in capital assets	**4,539,779**	4,498,244
Restricted	**1,344,234**	1,168,347
Unrestricted	**1,222,834**	1,597,592
Total net position	**$ 7,106,847**	$ 7,264,183

The 2016 column reflects restated amounts for capital assets and the related net position, net investment in capital assets, as a result of a prior period adjustment recorded in 2017. Both amounts were reduced by $1,284,808, for the effect of correcting the method of accounting used for intangible capital assets.

Changes in net position

The Township's total revenues are $2,231,188. Approximately 53 percent of the Township's revenues comes from property taxes. About 14 percent comes from charges for services, and 10 percent comes from state shared revenue.

The total cost of the Township's programs totaled $2,388,524. About 13 percent of the Township's costs relates to the provision of general governmental services, while public safety costs account for 23 percent, and public works represents 51 percent of the costs.

Condensed financial information
Changes in net position

	Governmental activities 2017	Governmental activities 2016
Program revenues:		
Charges for services	$ **306,170**	$ 241,296
Operating grants and contributions	**488,572**	412,473
Capital grants and contributions	**22,442**	-
General revenues:		
Property taxes	**1,180,424**	1,130,542
State shared revenue	**227,271**	214,887
Unrestricted interest income	**6,309**	9,755
Total revenues	**2,231,188**	2,008,953
Expenses:		
General government	**302,041**	291,345
Public safety	**544,604**	479,652
Public works	**1,208,319**	502,798
Health and welfare	**142,379**	205,504
Community and economic development	**64,093**	43,064
Recreation and culture	**41,278**	43,248
Interest on long-term debt	**85,810**	67,092
Total expenses	**2,388,524**	1,632,703
Changes in net position	$ **(157,336)**	$ 376,250
Net position, end of year	$ **7,106,847**	$ 7,264,183

The 2016 column reflects restated amounts as a result of a prior period adjustment recorded in 2017. Public works expenses were increased by $153,629, related to the restatement of 2016 balances for the effect of correcting the method of accounting used for intangible capital assets. Public works costs previously capitalized, in the amount of $326,950, were expensed, and depreciation expense was reduced by $173,321.

Governmental activities
Governmental activities decreased the Township's net position by $157,336 in the current year compared to $376,250 increase in the prior year. Total revenues increased by $222,235, attributable to a $76,099 increase in operating grants, related to the recognition of new special assessments, and a $64,874 increase in charges for services, related to additional interest received on the new assessments. Total governmental expenses increased by $755,821, primarily due to a $705,521 increase in public works expenses, associated with the completion of three road projects all supported by new assessments.

The total cost of governmental activities this year was $2,388,524. After subtracting the charges to those who directly benefited from the programs ($306,170), operating grants ($488,572), and capital grants ($22,442), the "public benefit" portion covered by property taxes, state revenue sharing, and other general revenues was $1,571,340.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds. At June 30, 2017, the Township's governmental funds reported combined ending fund balances of $2,510,206, a decrease of $451,135 over the prior year.

The General Fund is the primary operating fund of the Township. At June 30, 2017, its fund balance was $1,292,115. The total fund balance decreased by $592,258, expenditures, in the amount of $1,375,930, exceeded current year revenues ($542,327), loan proceeds ($231,345), and transfers in ($10,000).

The Road Fund, a special revenue fund, accounts for resources restricted for construction and maintenance of roads within the Township. At June 30, 2017, its fund balance was $280,980, an increase of $20,792, as revenues of $301,279 exceeded the $280,487 expended for road construction and maintenance during the year.

The Fire and Ambulance Fund, a special revenue fund, accounts for the special voted tax levies used to pay for fire and ambulance contractual services. At June 30, 2017, its fund balance was $611,810, an increase of $44,286, as revenues of $576,821 exceeded expenditures totaling $532,535.

The Debt Service Fund accounts for the levy and collection of sewer and water special assessments used to repay the Township's share of township, county, and joint venture bonds. The fund also accounts for the collection of rents from the South Haven Area Emergency Services Authority (SHAES), which are used to repay a USDA loan. At June 30, 2017, its fund balance was $83,784, as revenues of $340,962, exceeded expenditures of $304,882.

General Fund budgetary highlights

The Township amended the General Fund budget during the year by increasing projected expenditures by $30,445. Actual revenues were $44,068 more than budgeted, primarily because state grant revenue was $46,052 higher than expected. Total expenditures were $919,864 more than the amounts appropriated, primarily because public works expenditures were $848,847 more than budgeted as the costs of infrastructure projects were not included in the budget. Other financing sources were $241,345 higher than anticipated, as loan proceeds and transfers in were not included in the budget. These variances resulted in a negative budget variance of $634,451, as the fund balance decreased by $592,258 when the budget anticipated a $42,193 increase.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Township's investment in capital assets for its governmental activities at June 30, 2017, amounts to $4,539,779 (net of accumulated depreciation). This investment includes land, buildings, equipment, and infrastructure. The net increase in the Township's net investment in capital assets for the current fiscal year was $41,535, as $83,316 in asset acquisitions were offset by $41,781 in current depreciation.

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

- Paving of the parking lot at the Township park at a cost of $70,096
- New roof at Township hall at a cost of $13,220

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 total long-term debt outstanding in the amount of $2,112,933. Total debt issued during the year amounted to $298,072, while debt principal payments were $217,597.

More detailed information about the Township's debt is presented in Note 8 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 2018 in order to maintain current fund balances. Expenditures for current programs are expected to increase by nominal amounts compared to fiscal year 2017. Water and sewer construction projects for 2018 will be financed by related debt issues. Debt service payments are expected to be covered entirely by special assessments on the benefitted properties.

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:

Allan Overhiser, Township Supervisor
Township of Casco
7104 107th Avenue
South Haven, MI 49090

Phone: (269) 637-4441

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BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

June 30, 2017

	Governmental activities
ASSETS	
Current assets:	
Cash	$ 2,037,189
Receivables	312,272
Net investment in sales-type lease	16,000
Total current assets	2,365,461
Noncurrent assets:	
Receivables	1,407,310
Net investment in sales-type lease	420,473
Long-term advance to joint venture	586,497
Capital assets not being depreciated - land	3,962,471
Capital assets, net of accumulated depreciation	577,308
Total noncurrent assets	6,954,059
Total assets	9,319,520
LIABILITIES	
Current liabilities:	
Payables	99,740
Current maturities of long-term debt	209,629
Total current liabilities	309,369
Noncurrent liabilities - long-term debt	1,903,304
Total liabilities	2,212,673
NET POSITION	
Investment in capital assets	4,539,779
Restricted for:	
Public safety	882,398
Public works	324,776
Health and welfare	53,779
Recreation and culture	52,635
Debt service	30,646
Unrestricted, unallocated	1,222,834
Total net position	$ 7,106,847

See notes to financial statements

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STATEMENT OF ACTIVITIES

Year ended June 30, 2017

		Program revenues			Net (expenses) revenues and change in net position
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities
Functions/Programs					
Governmental activities:					
General government	$ 302,041	$ 136,851	$ -	$ 22,442	$ (142,748)
Public safety	544,604	40,537	-	-	(504,067)
Public works	1,208,319	5,818	488,181	-	(714,320)
Health and welfare	142,379	77	-	-	(142,302)
Community and economic development	64,093	4,000	-	-	(60,093)
Recreation and culture	41,278	30	391	-	(40,857)
Interest on long-term debt	85,810	118,857	-	-	33,047
Total governmental activities	$ 2,388,524	$ 306,170	$ 488,572	$ 22,442	(1,571,340)
General revenues:					
Property taxes					1,180,424
State shared revenue					227,271
Unrestricted interest income					6,309
Total general revenues					1,414,004
Change in net position					(157,336)
Net position - beginning					7,264,183
Net position - ending					$ 7,106,847

See notes to financial statements

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	General	Road	Fire and Ambulance	Debt Service	Nonmajor funds	Total governmental funds
ASSETS						
Cash	$ 804,622	$ 280,980	$ 611,810	$ 89,157	$ 250,620	$ 2,037,189
Receivables	74,470	-	-	1,645,112	-	1,719,582
Net investment in sales-type lease	-	-	-	436,473	-	436,473
Long-term advance to joint venture	586,497	-	-	-	-	586,497
Total assets	$ 1,465,589	$ 280,980	$ 611,810	$ 2,170,742	$ 250,620	$ 4,779,741
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities - payables	$ 63,474	$ -	$ -	$ 5,373	$ 9,103	$ 77,950
Deferred inflows of resources:						
Unavailable interest revenue	110,000	-	-	41,879	-	151,879
Unavailable net investment in sales-type lease	-	-	-	436,473	-	436,473
Unavailable assessment revenue	-	-	-	1,603,233	-	1,603,233
Total deferred inflows of resources	110,000	-	-	2,081,585	-	2,191,585
Fund balances:						
Nonspendable - long-term advance	586,497	-	-	-	-	586,497
Restricted for:						
Public safety - inspections	135,485	-	-	-	-	135,485
Public safety - police protection	-	-	-	-	135,103	135,103
Public safety - fire protection and rescue services	-	-	611,810	-	-	611,810
Public works - road maintenance and improvements	24,057	280,980	-	-	-	305,037
Public works - water and sewer improvements	19,739	-	-	-	-	19,739
Health and welfare - senior programs	-	-	-	-	53,779	53,779
Recreation and culture - parks and recreation	-	-	-	-	52,635	52,635
Debt service	-	-	-	83,784	-	83,784
Assigned for cemetery operations	117,991	-	-	-	-	117,991
Unassigned	408,346	-	-	-	-	408,346
Total fund balances	1,292,115	280,980	611,810	83,784	241,517	2,510,206
Total liabilities, deferred inflows of resources, and fund balances	$ 1,465,589	$ 280,980	$ 611,810	$ 2,170,742	$ 250,620	$ 4,779,741

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

Total fund balance - total governmental funds	$ 2,510,206
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.	4,539,779
Long-term receivables are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds.	2,191,585
Interest payable, related to long-term liabilities, not due and payable in the current period and, therefore, is not reported in the funds.	(21,790)
Long-term liabilities, including notes and contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,112,933)
Net position of *governmental activities*	$ 7,106,847

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Township of Casco

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

Year ended June 30, 2017

	General	*Road*	*Fire and Ambulance*
REVENUES			
Property taxes	$ 200,106	$ 301,091	$ 576,321
Licenses and permits	39,927	-	-
State grants	256,552	-	-
Charges for services	32,715	-	-
Interest and rentals	6,081	188	500
Other	6,946	-	-
Total revenues	542,327	301,279	576,821
EXPENDITURES			
Current:			
General government	266,807	-	-
Public safety	28,910	-	375,822
Public works	927,832	280,487	-
Health and welfare	540	-	103,944
Community and economic development	64,093	-	-
Recreation and culture	4,200	-	-
Capital outlay	83,548	-	52,769
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	1,375,930	280,487	532,535
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(833,603)	20,792	44,286
OTHER FINANCING SOURCES (USES)			
Loan proceeds	231,345	-	-
Transfers in	10,000	-	-
Transfers out	-	-	-
Net other financing sources (uses)	241,345	-	-
NET CHANGES IN FUND BALANCES	(592,258)	20,792	44,286
FUND BALANCES - BEGINNING	1,884,373	260,188	567,524
FUND BALANCES - ENDING	$ 1,292,115	$ 280,980	$ 611,810

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Debt Service	Nonmajor funds	Total governmental funds
$ -	$ 204,654	$ 1,282,172
-	-	39,927
-	-	256,552
-	-	32,715
102,597	177	109,543
238,365	431	245,742
340,962	205,262	1,966,651
-	-	266,807
-	80,324	485,056
-	-	1,208,319
-	37,895	142,379
-	-	64,093
-	37,078	41,278
-	-	136,317
217,597	-	217,597
87,285	-	87,285
304,882	155,297	2,649,131
36,080	49,965	(682,480)
-	-	231,345
-	-	10,000
-	(10,000)	(10,000)
-	(10,000)	231,345
36,080	39,965	(451,135)
47,704	201,552	2,961,341
$ 83,784	$ 241,517	$ 2,510,206

See notes to financial statements

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)	$	(451,135)
Amounts reported for *governmental activities* in the statement of activities (page 11) are different because:		
Capital assets:		
Assets acquired		83,316
Provision for depreciation		(41,781)
Long-term debt:		
Loan proceeds		(298,072)
Principal payments		217,597
Changes in deferred inflows of resources:		
Net increase in unavailable interest revenue		21,560
Net increase in unavailable assessment revenue		309,704
Change in other liabilities:		
Net increase in accrued interest expense		1,475
Change in net position of *governmental activities*	$	(157,336)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Casco, 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 Allegan County), as management has determined that there are no other entities for which the Township is 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 nonfiduciary 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. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation:
The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued):
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 to finance the construction and maintenance of Township roads. Revenues are primarily derived from property taxes.

The Fire and Ambulance Fund, a special revenue fund, accounts for financial resources used to finance the Township's fire protection and ambulance services. Revenues are primarily derived from property taxes.

The Debt Service Fund accounts for collection of assessments and interest and the payment of long-term debt related to water and sewer improvements. It is also used to account for fire station rent collections and the payment of long-term debt associated with its construction.

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:

Cash - Cash is 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.

Receivables - No allowance for uncollectible accounts has been recorded, as the Township considers all receivables to be fully collectible.

Capital assets - Capital assets, which include land, buildings, equipment, and infrastructure, 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 ($10,000 for infrastructure assets) and an estimated useful life in excess of two years. 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 elected to account for infrastructure assets prospectively, beginning July 1, 2003.

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

Buildings and improvements	40 years
Equipment	5 - 10 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred inflows of resources - The governmental funds balance sheet includes a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenues will not be recognized until a future event occurs. The Township has three items that are included in this category: interest, special assessments, and net investment in sales-type lease. These items, which are not recognized until available (collected not later than 60 days after the end of the Township's fiscal year) are deferred and recognized as an inflow of resources in the period that the revenues become available.

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 - In the fund financial statements, 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 balance is the residual classification for the General Fund. 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.

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, activity, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. All annual appropriations lapse at the end of the fiscal year.

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

Fund	*Function*	*Activity*	*Final budget*	*Actual*	*Variance*
General	General government	Building and grounds	$ 24,665	$ 29,530	$ 4,865
		Other	22,920	33,261	10,341
	Public safety	Building inspections	27,000	28,910	1,910
	Public works	Road improvements and maintenance	-	237,751	237,751
		Transfer station	36,540	48,404	11,864
		Drains	10,000	25,863	15,863
		Sewer and water	2,000	586,311	584,311
	Community and economic development	Planning and zoning	54,836	64,093	9,257
	Recreation and culture	Other	2,700	4,200	1,500
	Capital outlay	Capital outlay	17,800	83,548	65,748
Fire and Ambulance	Public safety	Fire protection	358,366	375,822	17,456

NOTE 3 - CASH

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) 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 that have an office in Michigan. The Township's deposits are in accordance with statutory authority. At June 30, 2017, the Township had bank deposits with a carrying amount of $2,037,189.

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 June 30, 2017, $1,810,086 of the Township's bank balances of $2,060,086 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - RECEIVABLES

Receivables as of June 30, 2017, all of which are considered to be fully collectible, for the Township's individual major funds were as follows:

Fund	*Inter-governmental*	*Special assessments*	*Interest*	*Totals*
General	$ 74,470	$ -	$ -	$ 74,470
Debt Service	-	1,617,657	27,455	1,645,112
Totals	$ 74,470	$ 1,617,657	$ 27,455	$ 1,719,582
Noncurrent portion	$ -	$ 1,407,310	$ -	$ 1,407,310

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning balance	*Increases*	*Decreases*	*Ending balance*
Governmental activities:				
Capital assets not being depreciated - land	$ 3,962,471	$ -	$ -	$ 3,962,471
Capital assets being depreciated:				
Buildings and improvements	740,220	83,316	-	823,536
Equipment	114,305	-	-	114,305
Subtotal	854,525	83,316	-	937,841
Less accumulated depreciation for:				
Buildings and improvements	(243,231)	(36,678)	-	(279,909)
Equipment	(75,521)	(5,103)	-	(80,624)
Subtotal	(318,752)	(41,781)	-	(360,533)
Total capital assets being depreciated, net	535,773	41,535	-	577,308
Governmental activities capital assets, net	$ 4,498,244	$ 41,535	$ -	$ 4,539,779

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

Governmental activities:	
General government	$ 35,002
Public safety	6,779
Total governmental activities	$ 41,781

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NOTE 6 - NET INVESTMENT IN SALES-TYPE LEASE

During the fiscal year ended June 30, 2010, the Township constructed a fire station, which was then leased to the South Haven Area Emergency Services Authority under an agreement that has been accounted for as a capital lease. Minimum future rentals under this lease are as follows:

Years ending June 30	*Amount*
2018	$ 34,746
2019	35,024
2020	34,280
2021	34,514
2022	34,705
Later years	472,394
	645,663
Less unearned interest thereon	(209,190)
Net investment in in capital lease	$ 436,473

NOTE 7 - PAYABLES

Payables as of June 30, 2017, for the Township's individual major funds and nonmajor funds, in the aggregate, were as follows:

Fund	*Accounts*	*Inter-governmental*	*Totals*
General	$ 63,474	$ -	$ 63,474
Debt Service	-	5,373	5,373
Nonmajor funds	2,222	6,881	9,103
	$ 65,696	$ 12,254	$ 77,950

NOTE 8 - LONG-TERM LIABILITIES

Long-term debt at June 30, 2017, is comprised of the following individual issues:

Notes payable:	
$700,000 4.375% USDA loan; due in annual principal installments ranging from $14,000 to $36,000, plus interest paid semi-annually through 2036 (fire station construction)	$ 436,473
$162,350 3.69% Chemical Bank note; due in annual installments of $14,287, including interest, through 2027 (capital contribution to utility authority)	94,727
$189,495 2.49% Chemical Bank note; due in annual installments of $12,607, including interest, through 2032 (capital contribution to utility authority)	141,073
$83,739 2.49% Chemical Bank note; due in annual installments of $5,571, including interest, through 2033 (capital contribution to utility authority)	48,990
$173,116 2.79% Chemical Bank note; due in annual installments of $13,853, including interest, through 2030 (capital contribution to utility authority)	143,962
$420,084 2.89% Chemical Bank note; due in annual installments of $34,910, including interest, through 2031 (capital contribution to utility authority)	397,315
$261,788 2.89% Chemical Bank note; due in annual installments of $21,755, including interest, through 2031 (capital contribution to utility authority)	247,600
$231,345 2.99% Chemical Bank note; due in annual installments of $24,139, including interest, through 2031 (capital contribution to utility authority)	207,207
Total notes payable	1,717,347
Contracts payable, due to South Haven and Casco Township Water and Wastewater Treatment Authority:	
$800,728 1995 Water and sewer assessments, due in annual installments through 2015; interest at approximately 6.2%	207
$773,396 1998 Water and sewer assessments, due in annual installments through 2019; interest at approximately 5.8%	20,486
$1,591,678 2000 Water and sewer assessments, due in annual installments through 2021; interest at approximately 6.3%	206,580
$297,269 Contracts payable, due in various annual installments; interest at approximately 6.0%	168,313
Total contracts payable	395,586
Total long-term debt	$ 2,112,933

NOTE 8 - LONG-TERM LIABILITIES (Continued)

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Beginning balance	*Additions/ adjustments*	*Reductions*	*Ending balance*	*Amounts due within one year*
Notes payable	$ 1,605,454	$ 231,345	$ (119,452)	$ 1,717,347	$ 103,321
Contracts payable:					
1995	323	-	(116)	207	207
1998	42,905	-	(22,419)	20,486	20,486
2000	226,847	-	(58,534)	168,313	56,104
Unbonded	156,929	66,727	(17,076)	206,580	29,511
Total long-term liabilities	$ 2,032,458	$ 298,072	$ (217,597)	$ 2,112,933	$ 209,629

Debt service requirements at June 30, 2017, were as follows:

Year ended June 30	*Principal*	*Interest*
2018	$ 209,629	$ 82,802
2019	194,576	70,853
2020	197,255	62,031
2021	144,910	53,109
2022	148,751	47,623
2023 - 2027	666,832	157,933
2028 - 2032	440,506	59,923
2033 - 2036	110,474	8,822
	$ 2,112,933	$ 543,096

The Township is contingently liable for $5,974,686 of outstanding water and sewer system contracts payable in excess of these amounts, which are to be repaid from collections of special assessments currently levied against properties within the Township. The Township has pledged its full faith and credit toward the total amounts due and anticipates that additional future assessments and other customer charges will be used to pay the contract liabilities.

NOTE 9 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The 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 10 - TAX REVENUE

The 2016 taxable valuation of the Township approximated $206,000,000, on which ad valorem taxes levied consisted of the following:

Fund	*Millage*	*Millage rate*	*Revenues raised*
General	Operating	0.4638	$ 96,000
Road	Roads	1.4640	301,000
Fire/Ambulance	Fire	1.8200	374,000
Fire/Ambulance	Ambulance	0.9817	202,000
Nonmajor	Police	0.5000	103,000
Nonmajor	Parks	0.2500	51,000
Nonmajor	Seniors	0.2454	50,000

These amounts are recognized in the fund financial statements as property tax revenue.

NOTE 11 - INTERFUND TRANSFERS

The following interfund transfers occurred during the year ended June 30, 2017:

Fund	*Transfers in*	*Fund*	*Transfers out*
General	$ 10,000	Nonmajor	$ 10,000

The transfer to the General Fund, from the nonmajor fund, represents repayment of costs related to the paving of a parking lot.

NOTE 12 - JOINT VENTURE BALANCES AND TRANSACTIONS

The Township, together with the Township of South Haven, established a joint water and sewage treatment authority under the provisions of Public Act 233 of 1955, in order to acquire and operate water and sewage treatment systems to benefit both townships. The Township, through its General Fund, has advanced $586,497 for its share of the costs of the authority and anticipates reimbursement in the future, including interest of $110,000.

The Township has joined the City of South Haven and the Townships of South Haven and Geneva in establishing a joint emergency services authority to provide fire and ambulance services in the authority's area of operation, which includes the Township of Casco. The operations of the emergency services authority are financed by taxes levied annually within the participating units of government. During the year ended June 30, 2017, the Township contributed $430,732 toward the authority's operations.

The Township has joined the cities of South Haven and Bangor and the Townships of South Haven and Geneva in establishing a joint regional airport authority to provide airfield services in the authority's area of operation, which includes the Township of Casco. The operations of the regional airport authority are financed by annual contributions from the participating units of government, as well as hangar rentals and fuel sales. During the year ended June 30, 2017, the Township contributed $24,745 toward the authority's operations.

The Township does not expect to receive residual equity from the above joint ventures. Except as discussed in Note 8 regarding contingent liabilities of the joint water and sewage treatment authority, the Township is unaware of any indication that the joint ventures are accumulating significant financial resources or are experiencing fiscal stress that may cause an additional financial benefit or burden on the Township in the near future. Audited financial statements for the joint ventures are available at the Township offices.

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NOTE 13 - CONSTRUCTION CODE ACT

A summary of construction code enforcement transactions for the year ended June 30, 2017, is as follows. The cumulative excess revenues are reported as reserved fund balance of the General Fund.

Cumulative excess revenues, beginning of year	$ 126,484
Revenues	37,911
Expenses	28,910
Excess of revenues over expenses	9,001
Cumulative excess revenues, end of year	$ 135,485

NOTE 14 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment has been recorded in fiscal year 2017 to correct the method of accounting used for intangible capital assets that resulted in a restatement of opening net position of governmental activities. Net position of governmental activities, as of July 1, 2016, included in the government-wide financial statements, represents a restated balance as presented below.

	Net position
	Governmental activities
Beginning of year, as previously reported	$ 8,548,991
Prior period adjustment - overstatement of intangible capital assets	(1,284,808)
Beginning of year, as restated	$ 7,264,183

REQUIRED SUPPLEMENTARY INFORMATION

	Original budget	*Final budget*	*Actual*	*Variance with final budget positive (negative)*
REVENUES				
Property taxes	$ 198,709	$ 198,709	$ 200,106	$ 1,397
Licenses and permits	34,000	34,000	39,927	5,927
State grants	210,500	210,500	256,552	46,052
Charges for services	16,850	16,850	32,715	15,865
Interest and rentals	5,800	5,800	6,081	281
Other	32,400	32,400	6,946	(25,454)
Total revenues	498,259	498,259	542,327	44,068
EXPENDITURES				
General government:				
Legislative	5,606	6,026	4,612	1,414
Supervisor	23,645	23,645	22,315	1,330
Elections	5,243	7,172	7,049	123
Assessor	38,605	40,945	37,381	3,564
Clerk	49,982	52,833	47,063	5,770
Board of review	7,540	7,540	2,619	4,921
Treasurer	37,887	39,953	37,065	2,888
Building and grounds	23,400	24,665	29,530	(4,865)
Cemetery	45,370	48,326	45,912	2,414
Other	22,920	22,920	33,261	(10,341)
Total general government	260,198	274,025	266,807	7,218
Public safety - building inspections	27,000	27,000	28,910	(1,910)
Public works:				
Road improvements and maintenance	-	-	237,751	(237,751)
Transfer station	36,540	36,540	48,404	(11,864)
Airport authority	25,000	25,645	25,645	-
Drains	10,000	10,000	25,863	(15,863)
Street lights	4,800	4,800	3,858	942
Sewer and water	2,000	2,000	586,311	(584,311)
Total public works	78,340	78,985	927,832	(848,847)

	Original budget	*Final budget*	*Actual*	*Variance with final budget positive (negative)*
EXPENDITURES (Continued)				
Health and welfare - other	$ 720	$ 720	$ 540	$ 180
Community and economic development - planning and zoning	38,863	54,836	64,093	(9,257)
Recreation and culture - other	2,700	2,700	4,200	(1,500)
Capital outlay	17,800	17,800	83,548	(65,748)
Total expenditures	425,621	456,066	1,375,930	(919,864)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	72,638	42,193	(833,603)	(875,796)
OTHER FINANCING SOURCES				
Loan proceeds	-	-	231,345	231,345
Transfers in	-	-	10,000	10,000
Net other financing sources	-	-	241,345	241,345
NET CHANGES IN FUND BALANCES	72,638	42,193	(592,258)	(634,451)
FUND BALANCES - BEGINNING	1,884,373	1,884,373	1,884,373	-
FUND BALANCES - ENDING	$ 1,957,011	$ 1,926,566	$ 1,292,115	$ (634,451)

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BUDGETARY COMPARISON SCHEDULE - *Road Fund*

Year ended June 30, 2017

	Original budget	*Final budget*	*Actual*	*Variance with final budget positive (negative)*
REVENUES				
Property taxes	$ 297,354	$ 297,354	$ 301,091	$ 3,737
Interest and rentals	100	100	188	88
Total revenues	297,454	297,454	301,279	3,825
EXPENDITURES				
Public works	289,000	297,375	280,487	16,888
NET CHANGES IN FUND BALANCES	8,454	79	20,792	20,713
FUND BALANCES - BEGINNING	260,188	260,188	260,188	-
FUND BALANCES - ENDING	$ 268,642	$ 260,267	$ 280,980	$ 20,713

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BUDGETARY COMPARISON SCHEDULE - *Fire and Ambulance Fund*

Year ended June 30, 2017

	Original budget	*Final budget*	*Actual*	*Variance with final budget positive (negative)*
REVENUES				
Property taxes	$ 489,085	$ 489,085	$ 576,321	$ 87,236
Interest and rentals	100	100	500	400
Total revenues	489,185	489,185	576,821	87,636
EXPENDITURES				
Public safety - fire protection	358,366	358,366	375,822	(17,456)
Health and welfare - ambulance	110,000	110,000	103,944	6,056
Capital outlay	49,000	52,769	52,769	-
Total expenditures	517,366	521,135	532,535	(11,400)
NET CHANGES IN FUND BALANCES	(28,181)	(31,950)	44,286	76,236
FUND BALANCES - BEGINNING	567,524	567,524	567,524	-
FUND BALANCES - ENDING	$ 539,343	$ 535,574	$ 611,810	$ 76,236

SUPPLEMENTARY INFORMATION

	Special revenue funds			
	Police	***Senior Services***	***Parks and Recreation***	***Totals***
ASSETS				
Cash	$ 141,291	$ 54,472	$ 54,857	$ 250,620
LIABILITIES AND FUND BALANCES				
Accounts payable	$ 6,188	$ 693	$ 2,222	$ 9,103
FUND BALANCES				
Restricted for:				
Police protection	135,103	-	-	135,103
Senior programs	-	53,779	-	53,779
Parks and recreation	-	-	52,635	52,635
Total fund balances	135,103	53,779	52,635	241,517
Total liabilities and fund balances	$ 141,291	$ 54,472	$ 54,857	$ 250,620

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

Year ended June 30, 2017

	Special revenue funds			
	Police	Senior Services	Parks and Recreation	Totals
REVENUES				
Property taxes	$ 102,790	$ 50,462	$ 51,402	$ 204,654
Interest	110	37	30	177
Other	-	40	391	431
Total revenues	102,900	50,539	51,823	205,262
EXPENDITURES				
Current:				
Public safety	80,324	-	-	80,324
Health and welfare	-	37,895	-	37,895
Recreation and culture	-	-	37,078	37,078
Total expenditures	80,324	37,895	37,078	155,297
EXCESS OF REVENUES OVER EXPENDITURES	22,576	12,644	14,745	49,965
OTHER FINANCING USES				
Transfers out	-	-	(10,000)	(10,000)
NET CHANGES IN FUND BALANCES	22,576	12,644	4,745	39,965
FUND BALANCES - BEGINNING	112,527	41,135	47,890	201,552
FUND BALANCES - ENDING	$ 135,103	$ 53,779	$ 52,635	$ 241,517

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

Board of Trustees
Township of Casco, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Casco, Michigan, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements and have issued our report thereon dated December 18, 2017

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our 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 below, we identified a deficiency in internal control that we 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 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, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Township of Casco's internal control to be a material weakness.

Material audit adjustments and financial statement preparation:

Criteria: All governmental units in Michigan are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e. maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related notes to the financial statements (i.e. external financial reporting).

Condition: We identified and proposed several material audit adjustments that management reviewed and approved. Adjustments were recorded to:

- Correct beginning balances by recording prior year adjustments
- Correct receivable balances
- Correct deferred inflows associated with long-term receivables
- Correct payable balances
- Correct classification of debt service payments
- Convert the fund-based data necessary to prepare the government-wide financial statements.

As is the case with many small and medium-sized governmental units, the Township has historically relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditor, who cannot, by definition, be considered part of the Township's internal controls. This is a repeat finding.

Cause: This condition was caused by the Township's decision to outsource the preparation of its annual financial statements to the external auditor rather than incur the costs of obtaining the necessary training and expertise required for the Township to perform this task internally because outsourcing the task is considered more cost effective.

Effect: The Township's accounting records were initially misstated by amounts material to the financial statements. In addition, the Township lacks complete internal controls over the preparation of its financial statements in accordance with GAAP, and, instead, relies, at least in part, on assistance from its external auditor for assistance with this task.

Auditor's Recommendation: We recommend that management continue to monitor the relative costs and benefits of securing the internal or other external resources necessary to develop material adjustments and prepare a draft of the Township's annual financial statements versus contracting with its auditor for these services.

Management Response: Management has made an ongoing evaluation of the respective costs and benefits of obtaining internal or external resources, specifically for the preparation of financial statements, and has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so. Management will continue to review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Compliance and Other Matters

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

Township's Response to Finding

The Township's response to the finding identified above was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Board of Trustees
Township of Casco, Michigan
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Purpose of this Report

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

Siegfried Crandall P.C.

December 18, 2017