FINANCIAL REPORT

June 30, 2018

KRUGGEL LAWTON CPA

St. Joseph, MI

NEW BUFFALO TOWNSHIP
Berrien County, Michigan
June 30, 2018

TOWNSHIP BOARD

Michelle Heit	Supervisor
Judy H. Zabicki	Clerk
Jack Rogers	Treasurer
Peter Rahm	Trustee
Patty Iazzetto	Trustee

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Berrien County, Michigan
June 30, 2018

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KRUGGEL LAWTON CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
New Buffalo Township, Michigan
New Buffalo, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of New Buffalo Township, Michigan, as of and for the year ended June 30, 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 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 did not audit the financial statements of New Buffalo Township Library, which represent 100 percent of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for discretely presented component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the New Buffalo Township, Michigan as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2018 on our consideration of New Buffalo Township, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Buffalo Township, Michigan's internal control over financial reporting and compliance.

Respectfully submitted,

Kruggel, Lawton & Company, LLC

Kruggel Lawton & Company, LLC

St. Joseph, Michigan
November 24, 2018

Using this Annual Report

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Financial Highlights

The Township's combined net position increased 2.5% from a year ago—increasing from $20,396,487 to $20,909,177. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase in net position of $195,092 during the year, while the business-type activities experienced an increase in net position of $317,598.

Overview of the Financial Statements

This report consists of four parts----*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents financial statements for the non-major 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 statements.
    - The *governmental funds statements* tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.
    - *Proprietary fund statements* offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the water and sewer system.
    - *Fiduciary fund statements* provide information about the financial relationships, in which the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required parts of the report, we have included a section with financial statements that provide details about our non-major governmental funds. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Overview of the Financial Statements, continued

Government-wide Statements

The government-wide 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 government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 is the difference between the Township's assets, deferred outflows of resources, liabilities, and deferred inflows of resources which is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net position is 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 non-financial factors such as changes in the Township's property tax base and condition of the Township's infrastructure.

The government-wide financial statements of the Township are divided into three categories:

- Governmental activities—Most of the Township's basic services are included here, such as general government, public safety, public works, and recreation and culture.
- Business-type activities—The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system are included here.
- Component units—The Township includes one other entity in its report—the New Buffalo Township Library. Although legally separate, the "component unit" is important because the Township is financially accountable for it.

The Township joined the Municipal Employees' Retirement System ("MERS") during the fiscal year. As a result, the government-wide statements include new items related to that plan, including a liability for the net pension liability.

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 or by bond covenants.
- The Township Board establishes other funds to control and manage money for a particular purpose (i.e. building or liquor sales tax monies) or to show that it is properly using certain taxes and grants (i.e. local revenue sharing dollars).

Overview of the Financial Statements, concluded

Fund Financial Statements, concluded

The Township has the following three kinds of funds:

- *Governmental Funds*—Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow 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 you 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 at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

- *Proprietary Funds*—Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Township's enterprise funds (a type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

- *Fiduciary Funds*—The Township is the trustee, or fiduciary, for its property tax collections. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Financial Analysis of the Township as a Whole

The Township's combined net position was $20,909,177 and $20,396,487 at June 30, 2018 and 2017, respectively. In a condensed format, the following table below shows a breakdown of the net position:

	Governmental Activities	Business - Type Activities	Total June 30, 2018	Total June 30, 2017
Current assets	$ 4,495,378	$ 3,422,508	$ 7,917,886	$ 7,459,305
Noncurrent assets	-	5,723,663	5,723,663	5,687,665
Capital assets	4,595,366	8,978,693	13,574,059	14,041,357
Total Assets	$ 9,090,744	$ 18,124,864	$ 27,215,608	$ 27,188,327
Deferred Outflows of Resources	$ 199,974	$ 78,173	$ 278,147	$ 85,362
Current liabilities	$ 132,753	$ 183,006	$ 315,759	$ 282,777
Long-term Liabilities	149,100	6,114,653	6,263,753	6,594,425
Total Liabilities	$ 281,853	$ 6,297,659	$ 6,579,512	$ 6,877,202
Deferred Inflows of Resources	$ 5,066	$ -	$ 5,066	$ -
Net Position				
Net investment in capital assets	$ 4,595,366	$ 4,950,445	$ 9,545,811	$ 9,614,484
Unrestricted	3,071,509	6,438,008	9,509,517	9,810,784
Restricted for public safety	1,154,355	-	1,154,355	496,316
Restricted for parks and recreation	182,569	-	182,569	128,506
Restricted for capital outlay	-	516,925	516,925	346,397
Total Net Position	$ 9,003,799	$ 11,905,378	$ 20,909,177	$ 20,396,487

The Township's total assets remained consistent with the prior year, increasing by $27,281. Deferred outflows of resources increased by $192,785, due primarily to deferred outflows related to the MERS pension plan. Total liabilities for governmental activities decreased $297,690, or 4.3% from prior year, due primarily due to continued payoff of the Township's bonds. Overall, long-term liabilities decreased by $330,672. The Township has a new deferred inflow this year, which is also related to the MERS pension plan (see further detail later in this report).

Financial Analysis of the Township as a Whole, concluded

The following table shows the changes in net position for the years ended June 30, 2018 and 2017.

	Governmental Activities	Business-Type Activities	Total June 30, 2018	Total June 30, 2017
Program Revenues:				
Charges for Services	$ 395,989	$ 1,821,806	$ 2,217,795	$ 2,196,617
Capital Grants and Contributions	31,284	157,786	189,070	692,929
General Revenues:				
Property Taxes	1,419,522	-	1,419,522	588,273
Payments in Lieu of Taxes	203,476	-	203,476	83,743
State Shared Revenues	158,418	-	158,418	154,269
Local Revenue Sharing	743,633	-	743,633	975,976
Interest and Rentals	22,746	12,392	35,138	16,383
Miscellaneous	38,916	-	38,916	52,796
Gain from Joint Venture	-	138,859	138,859	29,488
Total Revenues	$ 3,013,984	$ 2,130,843	$ 5,144,827	$ 4,790,474
Program Expenses:				
General Government	$ 1,056,950	$ -	$ 1,056,950	$ 865,294
Public Safety	1,007,728	-	1,007,728	943,326
Public Works	323,047	-	323,047	74,833
Recreation and Culture	166,393	-	166,393	93,759
Depreciation (Unallocated)	264,774	-	264,774	238,513
Water	-	951,476	951,476	1,106,715
Sewer	-	861,769	861,769	855,255
Total Expenses	$ 2,818,892	$ 1,813,245	$ 4,632,137	$ 4,177,695
Change in Net Position	$ 195,092	$ 317,598	$ 512,690	$ 612,779

Governmental Activities

The Township's total revenues from governmental activities increased by $448,653, or 17.5%. This was the net result of increased property tax revenue, largely due to a new public safety millage, offset somewhat by decreased capital grants revenue. The Township's total expenses for governmental activities increased by $454,442, or 10.9%, primarily due to an increase in general public works expenses.

Business-Type Activities

The Township's business-type activities consist of the Water and Sewer Funds. The Township provides water to its residents from New Buffalo Township's water system and sewage treatment through the GRSD Sewer Authority sewage treatment plant. In 2018, total business-type activities revenues decreased by $94,300. This was largely due to decreased capital grants compared to the prior year.

Total business-type activities expenses decreased compared to the prior year, decreasing by $148,725, primarily due to lower supplies and other expenses.

The Township's Funds

The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The Township's major governmental funds for 2018 include the General Fund, Public Safety Fund, Local Revenue Sharing Fund, and the Park Millage Fund. The General Fund pays for most of the Township's governmental services, including legislative, fire, cemetery, and other services. Within the General Fund, the most significant services in 2018 were public works, which had expenditures of $272,640. The services are supported by general revenue sources of the General Fund.

General Fund Budgetary Highlights

Total actual revenues were higher than what was budgeted by $30,249. Total expenditures were under budget by $50,986.

Capital Asset and Debt Administration

At the end of June 30, 2018, the Township had investment in capital assets for its governmental and business-type activities of $13,574,059 (net of depreciation). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment, water and sewer lines, and construction in progress. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statement because of Michigan law, which makes these roads the property of the Berrien County Road Commission, along with the responsibility to maintain them. The Township chose not to retroactively report any other infrastructure assets, and will only report any additions prospectively in accordance with GASB Statement No. 34.

During 2018, the Township had $373,373 of additions to capital assets for governmental and business-type activities combined. These additions included several new water lines and costs for the Wastewater Asset Management Plan.

During fiscal 2018, the Township continued making principal and interest payments on its other debt obligations in accordance with their respective payment schedules.

Economic Factors and Next Year's Budgets and Rates

The Township anticipates revenue over expenditures in the governmental funds, and the business-type activity funds will attempt to have positive cash flows.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office, located at 17425 Red Arrow Highway, New Buffalo, MI 49117.

The financial report of the discretely presented component unit, New Buffalo Township Library (the "Library"), can be obtained directly from the management of the Library. The Library is located at 33 N. Thomson Street, New Buffalo, MI 49117.

The financial report of the joint venture equity investment, Galien River Sanitary District Sewer Authority (the "Authority"), can be obtained directly from the management of the Authority. The Authority is located at 10831 Kruger Road, New Buffalo, MI 49117.

GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2018

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Cash and cash equivalents	$ 2,752,108	$ 2,798,495	$ 5,550,603	$ 977,800
Certificates of deposit > 90 days	1,706,535	347,581	2,054,116	-
Other receivables, net	12,085	276,432	288,517	270,424
Internal balances	24,650	-	24,650	-
Noncurrent Assets:				
Restricted cash	-	516,925	516,925	-
Special assessment receivable, net	-	1,126,273	1,126,273	-
Equity investment	-	4,080,465	4,080,465	-
Capital assets being depreciated, net	4,304,057	8,825,006	13,129,063	141,614
Capital assets not being depreciated	291,309	153,687	444,996	322,817
Total Assets	$ 9,090,744	$ 18,124,864	$ 27,215,608	$ 1,712,655
Deferred Outflows of Resources				
Deferred loss on bond refunding	$ -	$ 78,173	$ 78,173	$ -
Deferred outflows of resources related to pensions	199,974	-	199,974	-
Total Deferred Outflows of Resources	$ 199,974	$ 78,173	$ 278,147	$ -
Liabilities				
Accounts payable	$ 22,759	$ 14,599	$ 37,358	$ 6,315
Unearned revenue	-	20,631	20,631	-
Internal balances	-	24,650	24,650	-
Due to other governments	102,680	71,652	174,332	9,834
Accrued other liabilities	7,314	51,474	58,788	16,409
Bonds payable - due within one year	-	487,747	487,747	-
Noncurrent liabilities:				
Bonds payable - due in more than one year	-	5,626,906	5,626,906	-
Net pension liability	149,100	-	149,100	-
Total Liabilities	$ 281,853	$ 6,297,659	$ 6,579,512	$ 32,558
Deferred Inflows of Resources				
Taxes levied but intended for subsequent period	$ -	$ -	$ -	$ 270,424
Deferred inflows of resources related to pensions	5,066	-	5,066	-
Total Deferred Inflows of Resources	$ 5,066	$ -	$ 5,066	$ 270,424
Net Position				
Net investment in capital assets	$ 4,595,366	$ 4,950,445	$ 9,545,811	$ 464,431
Restricted for public safety	1,154,355	-	1,154,355	-
Restricted for parks and recreation	182,569	-	182,569	-
Restricted for capital outlay	-	516,925	516,925	-
Unrestricted	3,071,509	6,438,008	9,509,517	945,242
Total Net Position	$ 9,003,799	$ 11,905,378	$ 20,909,177	$ 1,409,673

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

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position – Primary Government: Governmental Activities	Primary Government: Business - Type Activities	Primary Government: Total	Component Unit
Primary Government								
Governmental Activities								
General Government	$ 1,056,950	$ 219,221	$ -	$ 4,092	$ (833,637)		$ (833,637)	
Public Safety	1,007,728	176,768	-	27,192	(803,768)		(803,768)	
Public Works	323,047	-	-	-	(323,047)		(323,047)	
Recreation and Culture	166,393	-	-	-	(166,393)		(166,393)	
Depreciation (Unallocated)	264,774	-	-	-	(264,774)		(264,774)	
Total Governmental Activities	$ 2,818,892	$ 395,989	$ -	$ 31,284	$ (2,391,619)		$ (2,391,619)	
Business-Type Activities								
Water	$ 951,476	$ 873,656	$ -	$ 16,314		$ (61,506)	$ (61,506)	
Sewer	861,769	948,150	-	141,472		227,853	227,853	
Total Business-Type Activities	$ 1,813,245	$ 1,821,806	$ -	$ 157,786		$ 166,347	$ 166,347	
Total Primary Government	$ 4,632,137	$ 2,217,795	$ -	$ 189,070	$ (2,391,619)	$ 166,347	$ (2,225,272)	
Component Units								
New Buffalo Township Library	$ 398,980	$ 50,564	$ 94,021	$ -				$ (254,395)
General Revenues								
Property Taxes					$ 1,419,522	$ -	$ 1,419,522	$ 264,004
Payments in Lieu of Taxes					203,476	-	203,476	-
State Shared Revenues					158,418	-	158,418	-
Local Revenue Sharing					743,633	-	743,633	-
Interest and Rentals					22,746	12,392	35,138	7,781
Miscellaneous					38,916	-	38,916	25,358
Gain from Joint Venture					-	138,859	138,859	
Total General Revenues					$ 2,586,711	$ 151,251	$ 2,737,962	$ 297,143
Change in Net Position					$ 195,092	$ 317,598	$ 512,690	$ 42,748
Net Position - Beginning of Year					8,808,707	11,587,780	20,396,487	1,366,925
Net Position - Ending					$ 9,003,799	$ 11,905,378	$ 20,909,177	$ 1,409,673

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

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Public Safety Fund	Local Revenue Sharing Fund	Park Millage Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 973,330	$ 1,006,648	$ 473,925	$ 193,975	$ 104,230	$ 2,752,108
Certificates of deposit > 90 days	153,306	-	1,512,091	-	41,138	1,706,535
Due from other governmental funds	7,512	67,856	-	-	-	75,368
Due from proprietary funds	24,650	-	-	-	-	24,650
Receivable from fiduciary funds	2,786	-	-	-	-	2,786
Receivables	3,870	-	5,429	-	-	9,299
Total Assets	$ 1,165,454	$ 1,074,504	$ 1,991,445	$ 193,975	$ 145,368	$ 4,570,746
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$ 12,078	$ 2,495	$ -	$ 6,740	$ 1,446	$ 22,759
Due to other governmental funds	2,396	-	65,460	4,666	2,846	75,368
Due to other governments	-	58,730	43,950	-	-	102,680
Other accrued liabilities	7,314	-	-	-	-	7,314
Total Liabilities	$ 21,788	$ 61,225	$ 109,410	$ 11,406	$ 4,292	$ 208,121
Fund Balances						
Restricted for public safety	$ -	$ 1,013,279	$ -	$ -	$ 141,076	$ 1,154,355
Restricted for parks and recreation	-	-	-	182,569	-	182,569
Committed	-	-	1,882,035	-	-	1,882,035
Unassigned	1,143,666	-	-	-	-	1,143,666
Total Fund Balances	$ 1,143,666	$ 1,013,279	$ 1,882,035	$ 182,569	$ 141,076	$ 4,362,625
Total Liabilities and Fund Balances	$ 1,165,454	$ 1,074,504	$ 1,991,445	$ 193,975	$ 145,368	$ 4,570,746

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION
June 30, 2018

Total Fund Balances - Governmental Funds	$ 4,362,625
Amounts reported for governmental activities in the statement of net position are different because:	
Net capital assets used in governmental activities are not financial resources and are not reported in the funds	4,595,366
Long-term obligations are not due and payable in the current period and are not reported in the funds:	
Net pension liability	(149,100)
Deferred outflows of resources related to pension plan	199,974
Deferred inflows of resources related to pension plan	(5,066)
Total Net Position - Governmental Activities	$ 9,003,799

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	General Fund	Public Safety Fund	Local Revenue Sharing Fund	Park Millage Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 250,808	$ 1,032,526	$ -	$ 136,188	$ -	$ 1,419,522
Payments in lieu of taxes	33,644	150,015	-	19,817	-	203,476
Service and tax administrator fees	209,913	-	-	-	-	209,913
Licenses and permits	460	-	-	-	-	460
State shared revenue	158,418	-	-	-	6,465	164,883
Local revenue sharing	-	-	743,633	-	-	743,633
Charges for services	8,848	18,834	-	-	157,934	185,616
Fines and forfeits	1,632	-	-	-	-	1,632
Grants	4,092	20,727	-	-	-	24,819
Interest and rentals	3,753	3,368	12,873	2,238	514	22,746
Other revenues	35,742	1,077	-	450	15	37,284
Total Revenues	$ 707,310	$ 1,226,547	$ 756,506	$ 158,693	$ 164,928	$ 3,013,984
Expenditures						
General government	$ 676,883	$ -	$ 470,927	$ -	$ -	$ 1,147,810
Public safety	-	856,231	-	-	151,497	1,007,728
Public works	272,640	-	86,097	-	-	358,737
Recreation and culture	-	-	61,763	104,630	-	166,393
Total Expenditures	$ 949,523	$ 856,231	$ 618,787	$ 104,630	$ 151,497	$ 2,680,668
Excess(Deficiency) of Revenues Over(Under) Expenditures	$ (242,213)	$ 370,316	$ 137,719	$ 54,063	$ 13,431	$ 333,316
Other Financing Sources(Uses)						
Operating transfers in	$ 190,000	$ 274,292	$ -	$ -	$ -	$ 464,292
Operating transfers out	-	-	(464,292)	-	-	(464,292)
Total Other Financing Sources(Uses)	$ 190,000	$ 274,292	$ (464,292)	$ -	$ -	$ -
Excess(Deficiency) of Revenues and Other Sources Over(Under) Expenditures and Other Uses	$ (52,213)	$ 644,608	$ (326,573)	$ 54,063	$ 13,431	$ 333,316
Fund Balances-Beginning of Year	1,195,879	368,671	2,208,608	128,506	127,645	4,029,309
Fund Balances-End of Year	$ 1,143,666	$ 1,013,279	$ 1,882,035	$ 182,569	$ 141,076	$ 4,362,625

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

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds	**$**	**333,316**
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their useful lives as depreciation.		
Depreciation expense		(264,774)
Capital outlay		80,742
Change in net pension expense related to the pension plan		45,808
Change in Net Position of Governmental Activities	**$**	**195,092**

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Water Fund	Sewer Fund	Total Proprietary Funds
Assets			
Current Assets			
Cash and cash equivalents	$ 1,065,171	$ 1,733,324	$ 2,798,495
Certificates of deposit > 90 days	62,423	285,158	347,581
Receivables, net	135,566	140,866	276,432
Total Current Assets	$ 1,263,160	$ 2,159,348	$ 3,422,508
Noncurrent Assets			
Restricted cash	$ 145,584	$ 371,341	$ 516,925
Special assessment receivables, net	365,602	760,671	1,126,273
Equity investment	-	4,080,465	4,080,465
Capital assets	5,872,457	3,106,236	8,978,693
Total Noncurrent Assets	$ 6,383,643	$ 8,318,713	$ 14,702,356
Total Assets	$ 7,646,803	$ 10,478,061	$ 18,124,864
Deferred Outflows of Resources			
Deferred loss on bond refunding	$ -	$ 78,173	$ 78,173
Liabilities			
Current Liabilities			
Accounts payable	$ 6,179	$ 8,420	$ 14,599
Unearned revenue	20,631	-	20,631
Due to other governmental funds	-	24,650	24,650
Due to other governments	29,662	41,990	71,652
Accrued interest	30,971	20,503	51,474
Bonds payable, current portion	233,285	254,462	487,747
Total Current Liabilities	$ 320,728	$ 350,025	$ 670,753
Noncurrent Liabilities			
Bonds payable, less current portion	2,823,382	2,803,524	5,626,906
Total Liabilities	$ 3,144,110	$ 3,153,549	$ 6,297,659
Net Position			
Net investment in capital assets	$ 2,815,790	$ 2,134,655	$ 4,950,445
Restricted for capital outlay	145,584	371,341	516,925
Unrestricted	1,541,319	4,896,689	6,438,008
Total Net Position	$ 4,502,693	$ 7,402,685	$ 11,905,378

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2018

	Water Fund	Sewer Fund	Total Proprietary Funds
Operating Revenues			
Water sales	$ 769,083	$ -	$ 769,083
Sewage disposal services	-	847,964	847,964
Penalties and interest charges	30,808	50,714	81,522
Installation and other miscellaneous charges	73,765	49,472	123,237
Total Operating Revenues	$ 873,656	$ 948,150	$ 1,821,806
Operating Expenses			
Personnel services	$ 137,501	$ 77,469	$ 214,970
Water purchases	249,033	-	249,033
Contractual services	-	403,130	403,130
Repairs and maintenance	16,474	20,772	37,246
Supplies and other expenses	92,541	30,975	123,516
SAW grant expenses	-	4,672	4,672
Depreciation	348,916	226,980	575,896
Total Operating Expenses	$ 844,465	$ 763,998	$ 1,608,463
Operating Income (Loss)	$ 29,191	$ 184,152	$ 213,343
Nonoperating Revenues(Expenses)			
Interest and investment revenue	$ 9,514	$ 2,878	$ 12,392
Capital grants	16,314	141,472	157,786
Gain from joint venture	-	138,859	138,859
Interest expense	(107,011)	(97,771)	(204,782)
Total Nonoperating Revenues(Expenses)	$ (81,183)	$ 185,438	$ 104,255
Change in Net Position	$ (51,992)	$ 369,590	$ 317,598
Net Position - Beginning of Year	4,554,685	7,033,095	11,587,780
Nets Position - Ending	$ 4,502,693	$ 7,402,685	$ 11,905,378

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2018

	Water Fund	Sewer Fund	Total Proprietary Funds
Cash Flows From Operating Activities			
Receipts from customers	$ 956,457	$ 952,748	$ 1,909,205
Payments to suppliers	(370,420)	(429,572)	(799,992)
Payments to employees	(137,501)	(77,469)	(214,970)
Net cash provided by operating activities	$ 448,536	$ 445,707	$ 894,243
Cash Flows From Capital and Related Financing Activities			
Purchases of capital assets	$ (137,767)	$ (154,863)	$ (292,630)
Capital grants	16,314	141,472	157,786
Principal paid on capital debt	(225,628)	(254,144)	(479,772)
Interest paid on capital debt	(114,269)	(92,462)	(206,731)
Net cash used in capital and related financing activities	$ (461,350)	$ (359,997)	$ (821,347)
Cash Flow From Investing Activities			
Interest received	$ 8,687	$ 1,621	$ 10,308
Payments received from special assessments	50,298	202,091	252,389
Net cash provided by investing activities	$ 58,985	$ 203,712	$ 262,697
Net increase in cash and cash equivalents	$ 46,171	$ 289,422	$ 335,593
Cash and cash equivalents-beginning	1,164,584	1,815,243	2,979,827
Cash and cash equivalents-ending	$ 1,210,755	$ 2,104,665	$ 3,315,420
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	$ 29,191	$ 184,152	$ 213,343
Adjustment to reconcile operating income to net cash provided by operating activities			
Depreciation expense	348,916	226,980	575,896
Change in Assets and Liabilities			
Trade receivables, net	62,170	4,598	66,768
Accounts payable	8	(22,566)	(22,558)
Unearned revenue	20,631	-	20,631
Due to/from other governmental funds	-	24,650	24,650
Due to/from other governments	(12,380)	6,893	(5,487)
Net cash provided by operating activities	$ 448,536	$ 424,707	$ 873,243

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

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2018

	Agency Funds		
	Property Tax Collection Fund	Trust & Agency Fund	Total Agency Funds
Assets			
Cash and cash equivalents	$ 1,861	$ 8,432	$ 10,293
Liabilities			
Payable to other governmental funds	$ 1,861	$ 925	$ 2,786
Other accruals	-	7,507	7,507
Total Liabilities	$ 1,861	$ 8,432	$ 10,293

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of New Buffalo Township, Michigan (the "Township") conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

A. Reporting Entity

The Township is governed by an elected five-member board (the "Board"). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

Blended Component Units—A blended component unit is a legally separate entity from the Township, but is so intertwined with the unit that is, in substance, the same as the Township. It is reported as part of the Township and blended into the appropriate fund types. There were no such units at June 30, 2018.

Discretely Presented Component Units—The following component unit is reported within the "component unit" column in the government-wide financial statements. The discretely presented component unit is an entity that is legally separate from the Township, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit's financial statements to be misleading or incomplete.

New Buffalo Township Library (the "Library")—The Library, which was established under P.A. 164 of 1877 as amended, is governed by a five-member board selected by public ballot. Monies received are deposited in the local unit treasury to the credit of the Library Fund. A millage is assessed and collected in the same manner as other township taxes. Complete financial statements as of December 31, 2017 may be obtained directly from the Library at the following address:

New Buffalo Township Library
33 North Thompson
New Buffalo, MI 49117

Jointly Governed Organization—Cemetery Board—The Township, along with the City of New Buffalo (the "City"), has entered into an agreement which created a joint Cemetery Board (the "Cemetery Board") for the operation, care, and control of certain lands jointly used for the Pine Grove Cemetery.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

A. Reporting Entity, concluded

The Cemetery Board is comprised of five (5) members; two (2) appointed by the City's Council and two (2) by the Township's Board and the last member, the Chairperson, appointed by the other four (4) members from the elector-at-large. The Township provides, by appropriation, 50% of the total amount requested by the Board for operating the Pine Grove Cemetery. The Township's contribution for 2018 was $24,000. The budget is submitted annually by the Cemetery Board and approved by the City and Township.

The financial statements of the Cemetery Board are not included within the body of the financial statements of the Township.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Government-wide and Fund Financial Statements, concluded

Taxes and other items not properly included among program revenues are reported instead as general revenue.

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 enterprise funds are reported as separate columns in the fund financial statements.

C. 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. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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.

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, continued

Property Taxes – The Township's property taxes attach as an enforceable lien on December 1st, on the taxable valuation of property (as defined by State statutes) located in the Township and payable on February 15 of the succeeding year.

The Township's 2018 ad valorem tax is levied and collectible on December 1, 2017 and it is recognized as revenue in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2017 taxable valuation of the Township totaled $579.3 million, on which ad valorem taxes levied which consisted of .4010 mills for the Township's operating purposes, .3888 mills and 1.4 mills for public safety services, and .2362 for the Park Fund. These amounts are recognized in the respective General and Special Revenue Funds' financial statements as taxes receivable—current or as tax revenue.

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 general government, except those required to be accounted for in another fund.

The **Public Safety Fund** accounts for taxes levied and related expenditures used for public safety services in the Township.

The **Local Revenue Sharing Fund** accounts for shared gaming revenues collected from the Local Revenue Sharing Board and the related transfers to the other Township funds.

The **Park Millage Fund** accounts for taxes levied and related expenditures for the construction and maintenance of the Township's parks.

The Township reports the following major proprietary funds:

The **Water Fund** and **Sewer Fund** account for the activities of the water distribution system and sewage collection system.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, concluded

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue 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 revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at acquisition value and consist of only certificates of deposit greater than 90 days.

Receivables and Payables—In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity, continued

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories—Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Capital Assets—Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than $5,000 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 estimated fair market value at the date of donation. The Township has chosen not to retroactively report any other infrastructure assets and will only report any additions prospectively in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34. Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Land Improvements	10 to 20 years
Water and Sewer Lines	30 to 40 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity, continued

Deferred Outflows of Resources — In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This 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 has deferred outflows related to the pension plan and bond refunding.

Compensated Absences (Vacation and Sick Leave) — It is the Township's policy to permit employees to accumulate earned sick and vacation pay benefits. However, balances do not carry forward past the anniversary of each employee's hire date. There is no liability for unpaid accumulated vacation and sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government.

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, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

Unearned Revenue — The Township may receive various grant awards during the course of a year. Grant awards from which cash has been received but not yet expended is recorded as unearned revenue.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity, continued

Pensions — For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System ("MERS") of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported to MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources — In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of sources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, for long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available. The Township has deferred inflows related to the pension plan, and the component unit has deferred inflows for taxes levied for a subsequent period.

Fund Equity – The Township has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The following are the Township's fund balance classifications:

Non-spendable fund balance - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance - includes amounts that can be spent only for specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation). Effectively, restrictions may be changed or lifted only with the consent of resource providers.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity, concluded

Committed fund balance - includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed constraint originally.

Assigned fund balance – includes amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed.

Unassigned fund balance – is the residual classification for the General Fund. This classification represents governmental fund balances that have not been assigned to other funds or that have not been restricted, committed, or assigned to specific purposes within the respective governmental fund balances.

When multiple components of fund balance are available for the expenditure (for example, a project has both restricted and unrestricted funds available for it), spending will occur in this order – restricted, committed, assigned and unassigned.

Sometimes the Township will fund outlays for particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted 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.

Estimates—The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenditures.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all major governmental funds. All annual appropriations lapse at the fiscal year end. The Township Supervisor submits the proposed operating budget for the fiscal year commencing July 1st and public hearings are conducted to obtain taxpayer comments. After submission, the Township Board formally adopts the budget and any future transfers or amendments must be approved by the Township Board.

The budget document presents information by fund function. The legal level of budgetary control adopted by the governing board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by July 1st. Expenditures in excess of the amounts budgeted is violation of P.A. 621 of 1978, Section 18(1) as amended. State law permits Townships to amend its budgets during the year.

Excess of Expenditures Over Appropriations in Major Budgeted Funds—During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

	Final Budget	Actual	Variance
General Fund			
Assessing equalization	$ 60,100	$ 65,245	$ (5,145)
Clerk	84,661	85,479	(818)
Planning commission	36,901	41,044	(4,143)
Public Safety Fund			
Public safety	$ 638,309	$ 856,231	$ (217,922)
Local Revenue Sharing Fund			
Public works	$ -	$ 86,097	$ (86,097)
Recreation and culture	18,000	61,763	(43,763)
Transfers out	410,146	464,292	(54,146)

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and had no impact on the financial results of the Township.

Fund Deficits—The Township has no accumulated fund balance/net position deficits in their reported funds.

NOTE 3. DEPOSITS AND INVESTMENTS

At June 30, 2018, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business - Type Activities	Total Primary Government	Fiduciary Funds	Component Units
Cash and Cash Equivalents	$ 2,752,108	$ 2,798,495	$ 5,550,603	$ 10,293	$ 977,800
Certificates of Deposit > 90 days	1,706,535	347,581	2,054,116	-	-
Restricted Cash	-	516,925	516,925	-	-
Total	$ 4,458,643	$ 3,663,001	$ 8,121,644	$ 10,293	$ 977,800

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Units
Bank Deposits (checking and savings accounts)	$ 6,066,628	$ 10,293	$ 977,800
Certificates of Deposit > 90 days	2,054,116	-	-
Petty Cash and Cash on Hand	900	-	-
	$ 8,121,644	$ 10,293	$ 977,800

Deposits. All cash of the Township is on deposit with financial institutions which provide FDIC insurance coverage or in highly liquid pooled money funds.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township maintains cash balances primarily using sweep accounts to invest idle cash in U.S. Government backed securities. Non-sweep accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. As of June 30, 2018, $2,752,811 of the Township's non-sweep account bank deposit balance of $3,252,811 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name. As of June 30, 2018, the Township had sweep account balances and certificates of deposit totaling $4,878,688 that were invested in U.S. Government backed securities.

Investments. Michigan law permits investments in: 1) Bonds and other obligations of the United States Government; 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively; 3) Certain commercial paper; 4) United States Government repurchase agreements; 5) Banker's acceptance of the United States Bank; and 6) Certain mutual funds. The Township has put further restrictions on those investments through its current policy, and the following investment is permitted by law and policy.

NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED

Interest Rate Risk. In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

Credit Risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2018, the Township had no such investments.

Concentration of Credit Risk. The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As of June 30, 2018, the Township had no such investments.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by: limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business. As of June 30, 2018, the Township had no such investments.

Foreign Currency Risk. The Township is not authorized to invest in investments which have this type of risk.

Fair Value Measurement. The Township categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Township has the following recurring fair value measurements as of June 30, 2018:

Certificates of deposits with a balance of $2,054,116 valued using significant observable inputs other than quoted prices in active markets (Level 2).

NOTE 4. RECEIVABLES

Receivables as of year-end for the Township's individual major and nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Local Revenue Sharing Fund	Water Fund	Sewer Fund	Total
Trade Receivables	$ -	$ -	$ 135,566	$ 140,866	$ 276,432
Special Assessments	-	-	365,602	760,671	1,126,273
Other Receivables	3,870	5,429	-	-	9,299
Net Receivables	$ 3,870	$ 5,429	$ 501,168	$ 901,537	$ 1,412,004

NOTE 5. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	$ 255,619	$ -	$ -	$ 255,619
Construction in progress	329,220	35,690	(329,220)	35,690
Subtotal	$ 584,839	$ 35,690	$ (329,220)	$ 291,309
Capital assets being depreciated				
Land improvements	$ 2,259,071	$ -	$ -	$ 2,259,071
Buildings & improvements	2,733,505	329,220	-	3,062,725
Equipment	1,416,259	45,052	-	1,461,311
Subtotal	$ 6,408,835	$ 374,272	$ -	$ 6,783,107
Accumulated depreciation				
Land improvements	$ (909,728)	$ (144,172)	$ -	$ (1,053,900)
Buildings & improvements	(261,163)	(60,707)	-	(321,870)
Equipment	(1,043,385)	(59,895)	-	(1,103,280)
Subtotal	$ (2,214,276)	$ (264,774)	$ -	$ (2,479,050)
Net capital assets being depreciated	$ 4,194,559			$ 4,304,057
Net capital assets	$ 4,779,398			$ 4,595,366

Depreciation expense of $264,774 was not charged to specific activities as the Township considers its assets to impact multiple activities and allocation is not practical.

NOTE 5. CAPITAL ASSETS, CONCLUDED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets not being depreciated				
Land	$ 15,920	$ -	$ -	$ 15,920
Construction in progress	169,900	137,767	(169,900)	137,767
Subtotal	$ 185,820	$ 137,767	$ (169,900)	$ 153,687
Capital assets being depreciated				
Infrastructure	$ 18,128,206	$ 324,764	$ -	$ 18,452,970
Equipment	227,142	-	-	227,142
Subtotal	$ 18,355,348	$ 324,764	$ -	$ 18,680,112
Accumulated depreciation				
Infrastructure	$ (9,112,574)	$ (554,024)	$ -	$ (9,666,598)
Equipment	(166,635)	(21,873)	-	(188,508)
Subtotal	$ (9,279,209)	$ (575,897)	$ -	$ (9,855,106)
Net capital assets being depreciated	$ 9,076,139			$ 8,825,006
Net capital assets	$ 9,261,959			$ 8,978,693

Depreciation was charged to programs for the business-type activities as follows:

Water	$ 348,916
Sewer	226,980
	$ 575,896

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit Activities				
Capital assets not being depreciated				
Land	$ 322,817	$ -	$ -	$ 322,817
Capital assets being depreciated				
Furniture and equipment	$ 67,622	$ 13,047	$ -	$ 80,669
Books	655,302	25,605	(418,071)	262,836
Subtotal	$ 722,924	$ 38,652	$ (418,071)	$ 343,505
Accumulated depreciation				
Furniture and equipment	$ (60,546)	$ (3,746)	$ -	$ (64,292)
Books	(531,262)	(24,408)	418,071	(137,599)
Subtotal	$ (591,808)	$ (28,154)	$ 418,071	$ (201,891)
Net capital assets being depreciated	$ 131,116			$ 141,614
Net capital assets	$ 453,933			$ 464,431

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances and transfers is as follows:

Receivable Fund	Payable Fund	Amount
General	Park Millage	$ 4,666
General	Liquor	2,846
General	Trust & Agency	925
General	Property Tax Collection	1,861
General	Sewer	24,650
Public Safety	General	2,396
Public Safety	Local Revenue Sharing	65,460

Transfer To	Transfer From	Amount
General	Local Revenue Sharing	$ 190,000
Public Safety	Local Revenue Sharing	274,292

The Local Revenue Sharing Fund transferred $190,000 to the General Fund to support increased drains maintenance costs in that fund. The Local Revenue Sharing Fund transferred $274,292 to the Public Safety Fund for costs associated with police protection.

The Sewer Fund owes the General Fund for State revenue sharing received by the Sewer Fund that had not yet been forwarded to the General Fund. The Local Revenue Sharing Fund owes the Public Safety Fund $65,460 for monies the Local Revenue Sharing Fund forwarded to the Public Safety Fund for police services. The Public Safety Fund was established to pay for all police services, so all related expenses are recorded in the Public Safety Fund. Any amounts the Local Revenue Sharing Fund paid towards police services during the year are reported as transfers to the Public Safety Fund, and the $65,460 is due back to the Local Revenue Sharing Fund.

NOTE 7. LONG TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Bond and contractual obligation activity can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities							
General Obligation Bonds							
2006 General Obligation Limited Tax Bonds, Series A	4.20%	5/1/2021	$ 145,000	$ -	$ (35,000)	$ 110,000	$ 35,000
2010 Capital Improvement Bonds	3.75%	10/1/2050	257,000	-	(4,000)	253,000	4,000
2016 General Obligation Refunding Bonds	2.00 to 4.00%	12/31/2032	2,185,520	-	(123,468)	2,062,052	127,725
Revenue Bonds							
1998 Series A Special Assessment Bonds	4.25 to 5.80%	3/1/2018	1,600	-	(1,600)	-	-
1998 Series B Special Assessment Bonds	4.25 to 5.00%	3/1/2019	9,200	-	(4,600)	4,600	4,600
2004 Special Assessment Bonds, Series A-Federal loan	4.25%	9/1/2044	342,500	-	(7,000)	335,500	7,000
2004 Special Assessment Bonds, Series B-Federal loan	4.75%	9/1/2044	68,500	-	(1,000)	67,500	1,000
2005 Capital Improvement Bonds	2.50 to 4.65%	3/1/2020	70,000	-	(20,000)	50,000	25,000
2013 Special Assessment Bonds	.75 to 3.30%	10/1/2023	215,000	-	(30,000)	185,000	30,000
Unamortized Bond Discounts			(12,025)	-	1,040	(10,985)	(1,040)
Subtotal Water Fund			$ 3,282,295	$ -	$ (225,628)	$ 3,056,667	$ 233,285

NOTE 7. LONG TERM DEBT, CONTINUED

	Interest Rate	Principal Matures	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds							
2005 General Obligation Limited Tax Bonds, Series B	3.30 to 4.60%	5/1/2021	$ 105,000	$ -	$ (35,000)	$ 70,000	$ 35,000
2007 Series B General Obligation Limited Tax Bonds	3.50 to 4.40%	11/1/2027	249,480	-	(21,533)	227,947	22,275
2010 Capital Improvement Bonds	3.75%	10/1/2050	662,000	-	(20,000)	642,000	20,000
2013 GRSD Sewer Authority Refunding Bonds	2.00 to 4.00%	11/1/2028	1,930,552	-	(138,320)	1,792,232	140,296
2016 GRSD Sewer Authority Refunding Bonds	2.15%	5/1/2027	237,000	-	(21,000)	216,000	22,000
Revenue Bonds							
1998 Series A Special Assessment Bond	4.25 to 5.80%	3/1/2018	3,400	-	(3,400)	-	-
1998 Series B Special Assessment Bond	4.25 to 5.00%	3/1/2019	10,800	-	(5,400)	5,400	5,400
Unamortized Bond Premiums			113,898	-	(9,491)	104,407	9,491
Subtotal Sewer Fund			$ 3,312,130	$ -	$ (254,144)	$ 3,057,986	$ 254,462
Total Business-Type Activities			$ 6,594,425	$ -	$ (479,772)	$ 6,114,653	$ 487,747

Interest expense was charged to programs for the business-type activities as follow:

Water	$ 107,011
Sewer	97,771
	$ 204,782

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ended June 30,	Business-Type Activities Principal	Business-Type Activities Interest
2019	$ 479,296	$ 208,736
2020	479,248	196,083
2021	428,224	182,628
2022	408,176	169,981
2023	411,104	158,222
2024-2028	2,061,512	565,294
2029-2033	1,008,671	239,051
2034-2038	225,000	130,370
2039-2043	251,000	82,404
2044-2048	207,000	35,119
2049-2051	62,000	5,720
Unamortized discounts	(10,985)	-
Unamortized premiums	104,407	-
Total	$ 6,114,653	$ 1,973,608

NOTE 7. LONG TERM DEBT, CONCLUDED

Advance Refunding of Debt – The Township is a constituent member of the Galien River Sanitary District Sewer Authority (the "Authority") and accounts for its investment in this entity as a joint venture (see "Equity Investment" note). In December 2016, the Authority issued $1,185,000 (New Buffalo Township portion of $237,000) of General Obligation Limited Tax Refunding Bonds to advance refund the 2007 Authority General Obligation Limited Tax Bonds of $1,125,000 (New Buffalo Township portion of $225,000). The proceeds of the bonds were used to purchase U.S. government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the bonds are considered defeased and the liability has been removed from the statement of net position. This refunding was undertaken to reduce total debt service payments over the following ten years by $103,666 (New Buffalo Township portion of $20,733). The economic loss on the transaction was $35,100, due to slightly higher payments being made on the new debt in the short term (New Buffalo Township portion of $7,020). As of June 30, 2017, $1,035,000 of the defeased debt was still outstanding (New Buffalo Township portion of $207,000).

NOTE 8. EQUITY INVESTMENT (PROPRIETARY FUND)

The Township participates with Chikaming and Lake Charter Townships, and the Cities of New Buffalo and Bridgman (admitted under 2000 agreement) in a joint venture investment known as the Galien River Sanitary District Sewer Authority (the "Authority"). The Authority provides sewage treatment and collection facilities for the residents of those municipalities.

The Authority is governed by a joint board of six members consisting of one member from each of the participating municipalities appointed by their respective governing bodies, and the sixth member appointed by the other five.

On dissolution of the Authority, net position will be shared on a pro-rata basis as follows:

New Buffalo Township	16.60%
Chikaming Township	28.60%
Lake Charter Township	16.60%
City of New Buffalo	21.60%
City of Bridgman	16.60%
	100.00%

NOTE 8. EQUITY INVESTMENT (PROPRIETARY FUND), CONCLUDED

The Township has accounted for this investment using the equity method. Financial statements are available from the Authority, with the following audited summary financial information on the GRSD Authority as of and for the year ended December 31, 2017, with a report there to dated May 21, 2018:

Assets	$ 16,819,840
Liabilities	117,129
Net Position	16,702,711
Operating Revenues	3,286,502
Operating Expenses	2,428,588
Nonoperating Expense	111,414
Change in Net Position	746,500

The Township's net investment and share of the operating results of the Authority are reported in the Sewer Fund. The Township's equity investment was $4,080,465 as of June 30, 2018.

NOTE 9. BERRIEN COUNTY DRAINAGE ASSESSMENT

During fiscal year 2011, Berrien County (the "County") issued $3,900,000 of Series 2010 Drain Bonds related to a significant drainage project that affected the Township as well as other municipalities and property owners. In order to fund the payments of the bonds, the County established the Lake Shore Drain Drainage District #285, of which the Township was included. The County determined that the Township is responsible for 17.979% of the drainage project costs. This percentage was equivalent to a total assessment of $701,181 to the Township. The Township will make annual assessment payments to the County over a twenty-year period. The Township made payments during the current fiscal year totaling $69,145. The final payment will be made during fiscal year 2030.

NOTE 10. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township carries insurance for these risks. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Certain claims, suits, and complaints arising in the ordinary course of business have been filed, appealed, or are pending against the Township. In the opinion of management and legal counsel, all such matters are covered by insurance or if not so covered, are without merit and, in any event, their ultimate resolution will not have a material effect on the Township's financial position or operations.

NOTE 12. RESERVE FOR REPLACEMENTS AND IMPROVEMENTS (CASH RESTRICTED)

Under the terms of the 2010 Capital Improvement Sewer Bonds and the 2010 Capital Improvement Water Bonds, a separate cash account designated as a Repair, Replacement and Improvement Account ("RRI Account") was required to be established for each bond issuance. As long as any principal installment of the bonds remains outstanding, $20,000 must be deposited in each RRI Account each fiscal year. These funds may be used only for the purpose of paying the cost of emergency repairs and maintenance, repairing or replacing damaged portions of the water/sewer systems, constructing extensions to the water/sewer systems, or for the purpose of making payment of principal and interest on the bonds.

As of June 30, 2018, the RRI Account balance is $145,584 for both the Sewer and Water bonds. These amounts are included in restricted cash on the statement of net position.

NOTE 13. DEFINED BENEFIT PENSION PLAN

During fiscal year 2018, the Township joined the Municipal Employees Retirement System ("MERS").

Plan description – The Township's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Township participates in the Municipal Employees Retirement System ("MERS") of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at www.mersofmich.com.

Benefits provided – Benefits provided include a plan with a multiplier of 1.50%. Vesting periods are 10 years. Normal retirement age is 60 with early retirement at 50 with 25 years of service or 55 with 15 years of service. Final average compensation is calculated based on 5 years. Member contributions are 2.58%.

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to, but not yet receiving benefits	-
Active employees	11
	11

Contributions – The Township is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions are 5.87% based on annual payroll for open-divisions.

Net pension liability/asset – The employers' net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability/asset was determined by an annual actuarial valuation as of that date.

NOTE 13. DEFINED BENEFIT PENSION PLAN, CONTINUED

Actuarial assumptions – The total pension liability in the December 31, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include:

- Inflation 2.5%
- Salary increases 3.75% in the long-term
- Investment rate of return of 7.75% net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates or arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return
Global equity	57.5%	5.02%
Global fixed income	20.0%	2.18%
Real assets	12.5%	4.23%
Diversifying strategies	10.0%	6.56%

NOTE 13. DEFINED BENEFIT PENSION PLAN, CONTINUED

Discount rate – The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability/asset.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Beginning Balance at 12-31-16	$ -	$ -	$ -
Changes for the Year			
Service cost	35,951	-	35,951
Interest on the total pension liability	1,438	-	1,438
Changes in benefits	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Employer contributions	-	200,837	(200,837)
Employee contributions	-	1,945	(1,945)
Net investment income	-	1,778	(1,778)
Benefit payments, including employee refunds	-	-	-
Administrative expense	-	(20)	20
Other changes	316,251	-	316,251
Net changes	$ 353,640	$ 204,540	$ 149,100
Ending Balance at 12-31-17	$ 353,640	$ 204,540	$ 149,100

NOTE 13. DEFINED BENEFIT PENSION PLAN, CONTINUED

Sensitivity of the net pension liability/asset to changes in the discount rate – The following presents the net pension liability/asset of the employer, calculated using the discount rate of 8.00%, as well as what the employer's net pension liability/asset would be using a discount rate that is 1% point lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% decrease (7.00%)	Current discount rate (8.00%)	1% increase (9.00%)
Net Pension (Asset) Liability		$ 149,100	
Change in Net Pension (Asset) Liability (NPL)	52,267	-	(43,973)
Calculated NPL	$ 201,367	$ 149,100	$ 105,127

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2018, the employer recognized pension expense of $344,871. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences in experience	$ -	$ -
Differences in assumptions	-	-
Excess (Deficit) Investment Returns	-	5,066
Contributions subsequent to the measurement date*	199,974	-
Total	$ 199,974	$ 5,066

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as an addition to the net pension asset for the year ending June 30, 2018.

NOTE 13. DEFINED BENEFIT PENSION PLAN, CONCLUDED

Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended	
2019	$ 1,266
2020	1,266
2021	1,266
2022	1,266
2023	-
Thereafter	-
	$ 5,064

NOTE 14. TAX ABATEMENTS

The Township did not enter into any tax abatements during the year ended June 30, 2018, and there were no outstanding tax abatements as of June 30, 2018.

NOTE 15. SERVICE CONCESSION ARRANGEMENT

In 2007, the Township entered into an agreement with a local Indian tribe referred to as the "Band" in order to increase water capacity for the Township which would improve service to Township residents. On that date, the Band transferred ownership of a water tower costing $927,244 in return for certain rights established in the agreement. The Band has exclusive rights for the display of written material and graphic images on the exterior of the water tower, as well as the right to construct certain structures at the location. The Township is required to operate the water tower for the Band and the other Township residents that the water tower services. The asset is being depreciated over 30 years and has a net book value of $556,346 at June 30, 2018.

NOTE 16. UPCOMING ACCOUNTING PRONOUNCEMENTS

In November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and patter of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The Township is currently evaluating the impact this standard will have on the financial statements when adopted for the 2018-2019 fiscal year.

NOTE 16. UPCOMING ACCOUNTING PRONOUNCEMENTS, CONCLUDED

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. Any activity meeting the criteria should be reported in the fiduciary fund in the basic financial statements. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves the accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending June 30, 2021.

NOTE 17. SUBSEQUENT EVENTS

The Township has evaluated subsequent events through November 24, 2018, the date the financial statements were available to be issued. No events or transactions occurred during this period which requires recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance
Beginning of Year Fund Balance	$ 1,195,879	$ 1,195,879	$ 1,195,879	$ -
Resources(Inflows)				
Taxes	239,500	247,784	250,808	3,024
Payment in lieu of taxes	35,000	33,644	33,644	-
Service and tax administrator fees	190,000	209,402	209,913	511
Licenses and permits	500	460	460	-
State shared revenue	130,000	133,768	158,418	24,650
Charges for services	6,000	8,327	8,848	521
Fines and forfeits	2,500	1,542	1,632	90
Grants	-	4,092	4,092	-
Interest and rentals	4,500	2,300	3,753	1,453
Other revenues	36,000	35,742	35,742	-
Transfers in	190,000	190,000	190,000	-
Amounts Available for Appropriation	$ 2,029,879	$ 2,062,940	$ 2,093,189	$ 30,249
Charges to Appropriations(Outflows)				
General government				
Legislative	$ 311,051	$ 287,700	$ 238,601	$ 49,099
Supervisor	48,540	49,753	49,418	335
Elections	4,400	2,727	2,727	-
Assessing equalization	60,800	60,100	65,245	(5,145)
Clerk	83,618	84,661	85,479	(818)
Board of review	2,100	1,452	1,452	-
Treasurer	99,406	98,536	94,881	3,655
Building and grounds	33,320	52,776	51,344	1,432
Cemetery	24,000	24,110	24,057	53
Planning commission	15,575	36,901	41,044	(4,143)
Zoning board	20,412	18,939	18,074	865
All other general government	5,900	9,700	4,561	5,139
Public works				
Public works, streets, highways, and lights	76,000	273,154	272,640	514
Total Charges to Appropriations	$ 785,122	$ 1,000,509	$ 949,523	$ 50,986
End of Year Fund Balance	$ 1,244,757	$ 1,062,431	$ 1,143,666	$ 81,235

BUDGETARY COMPARISON SCHEDULE-PUBLIC SAFETY FUND
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance
Beginning of Year Fund Balance	$ 368,671	$ 368,671	$ 368,671	$ -
Resources(Inflows)				
Taxes	1,020,000	1,032,526	1,032,526	-
Payments in lieu of taxes	40,000	150,015	150,015	-
Charges for services	10,500	18,834	18,834	-
Grants	110,000	20,727	20,727	-
Interest & rentals	500	3,500	3,368	(132)
Other revenues	500	1,078	1,077	(1)
Transfers in	20,000	-	274,292	274,292
Amounts Available for Appropriation	$ 1,570,171	$ 1,595,351	$ 1,869,510	$ 274,159
Charges to Appropriations(Outflows)				
Public safety	$ 684,325	$ 638,309	$ 856,231	$ (217,922)
Total Charges to Appropriations	$ 684,325	$ 638,309	$ 856,231	$ (217,922)
End of Year Fund Balance	$ 885,846	$ 957,042	$ 1,013,279	$ 56,237

BUDGETARY COMPARISON SCHEDULE-PARK MILLAGE FUND
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance
Beginning of Year Fund Balance	$ 128,506	$ 128,506	$ 128,506	$ -
Resources(Inflows)				
Taxes	134,000	136,188	136,188	-
Payments in lieu of taxes	19,000	19,817	19,817	-
Interest and rentals	1,870	2,276	2,238	(38)
Other revenues	350	450	450	-
Amounts Available for Appropriation	$ 283,726	$ 287,237	$ 287,199	$ (38)
Charges to Appropriations(Outflows)				
Recreation and culture	$ 110,950	$ 107,089	$ 104,630	$ 2,459
Total Charges to Appropriations	$ 110,950	$ 107,089	$ 104,630	$ 2,459
End of Year Fund Balance	$ 172,776	$ 180,148	$ 182,569	$ 2,421

BUDGETARY COMPARISON SCHEDULE-LOCAL REVENUE SHARING FUND
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance
Beginning of Year Fund Balance	$ 2,208,608	$ 2,208,608	$ 2,208,608	$ -
Resources(Inflows)				
Local revenue sharing	740,000	743,633	743,633	-
Interest and rentals	500	500	12,873	12,373
Other revenues	1,700	-	-	-
Amounts Available for Appropriation	$ 2,950,808	$ 2,952,741	$ 2,965,114	$ 12,373
Charges to Appropriations(Outflows)				
General government				
Legislative	$ 102,300	$ 518,045	$ 470,927	47,118
Public safety	300,000	300,000	-	300,000
Public works	-	-	86,097	(86,097)
Recreation and culture	-	18,000	61,763	(43,763)
Transfers out	210,000	410,146	464,292	(54,146)
Total Charges to Appropriations	$ 612,300	$ 1,246,191	$ 1,083,079	$ 163,112
End of Year Fund Balance	$ 2,338,508	$ 1,706,550	$ 1,882,035	$ 175,485

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

Plan Year Ended December 31

	2017
Total Pension Liability	
Service cost	$ 35,951
Interest	1,438
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments including employee refunds	-
Other	316,251
Net Change in Total Pension Liability	$ 353,640
Total Pension Liability beginning	$ -
Total Pension Liability ending	$ 353,640
Plan Fiduciary Net Position	
Contributions - employer	$ 200,837
Contributions - employee	1,945
Net Investment income	1,778
Benefit payments including employee refunds	-
Administrative expense	(20)
Net Change in Plan Fiduciary Net Position	$ 204,540
Plan Fiduciary Net Position beginning	$ -
Plan Fiduciary Net Position ending	$ 204,540
Employer Net Pension Liability (Asset)	$ 149,100
Plan Fiduciary Net Position as a percentage of the Total Pension Liability (Asset)	58%
Covered Employee Payroll	$ 466,901
Employer's Net Pension Liability (Asset) as a percentage of covered employee payroll	32%

Notes to Schedule:

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
Year Ended June 30

	2018
Actuarial determined contributions	$ 200,837
Contributions in relation to the actuarially determined contribution	200,837
Contribution deficiency (excess)	$ -
Covered employee payroll	$ 466,901
Contributions as a percentage of covered employee payroll	43.0%

Notes to Schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	22 years
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary increases	3.8%
Investment rate of return	7.75%
Retirement age	Varies depending on plan adoption
Mortality	50% Female/50% Male 1994 Group Annuity Mortality Table

Above dates are based on fiscal year, not necessarily the measurement date.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Other Supplementary Information

BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2018

	Building Fund	Ambulance Fund	Liquor Fund	Total Non-Major Governmental Funds
Assets				
Cash and cash equivalents	$ 76,916	$ -	$ 27,314	$ 104,230
Certificates of deposit > 90 days	-	41,138	-	41,138
Total Assets	$ 76,916	$ 41,138	$ 27,314	$ 145,368
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 1,446	$ -	$ -	$ 1,446
Due to other governmental funds	-	-	2,846	2,846
Total Liabilities	$ 1,446	$ -	$ 2,846	$ 4,292
Fund Balances				
Restricted for public safety	$ 75,470	$ 41,138	$ 24,468	$ 141,076
Total Fund Balances	$ 75,470	$ 41,138	$ 24,468	$ 141,076
Total Liabilities and Fund Balances	$ 76,916	$ 41,138	$ 27,314	$ 145,368

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	Building Fund	Ambulance Fund	Liquor Fund	Total Non-Major Governmental Funds
Revenues				
State shared revenue	$ -	$ -	$ 6,465	$ 6,465
Charges for services	157,934	-	-	157,934
Interest and rentals	248	266	-	514
Other revenues	15	-	-	15
Total Revenues	$ 158,197	$ 266	$ 6,465	$ 164,928
Expenditures				
Current				
Public safety	$ 146,695	$ -	$ 4,802	$ 151,497
Excess of Revenues Over Expenditures	$ 11,502	$ 266	$ 1,663	$ 13,431
Fund Balance-Beginning of Year	63,968	40,872	22,805	127,645
Fund Balance-End of Year	$ 75,470	$ 41,138	$ 24,468	$ 141,076

Management Compliance Letter

KRUGGEL LAWTON CPA

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

To the Board of Trustees
New Buffalo Township
New Buffalo, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of New Buffalo Township, Michigan, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise New Buffalo Township, Michigan's basic financial statements and have issued our report thereon dated November 24, 2018. Our report includes a reference to other auditors who audited the financial statements of New Buffalo Township Library, as described in our report on New Buffalo Township, Michigan's financial statements. The financial statements of New Buffalo Township Library were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Buffalo Township, Michigan'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 New Buffalo Township, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of New Buffalo Township, Michigan'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 in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as 2018-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and responses as 2018-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Buffalo Township, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2018-003.

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*, CONCLUDED

New Buffalo Township, Michigan's Response to Findings

New Buffalo Township, Michigan's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. New Buffalo Township, Michigan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,

Kruzel, Lawton & Company, LLC

Certified Public Accountants

St. Joseph, Michigan
November 24, 2018

SECTION I – STATUS OF PRIOR YEAR FINDINGS

2017-001 – Preparation of Financial Statements / Material Audit Adjustments (Material Weakness)

Specific Requirement: Establishment and maintenance of internal controls over the financial reporting process.

Criteria: The Township is required to prepare financial statements in accordance with generally accepted accounting principles ("GAAP"). This is a responsibility of the Township's 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 books and records), and (2) reporting financial statements, including the related footnotes (i.e., external financial reporting).

Condition: During our audit, we identified and proposed several audit adjustments that collectively had a material effect on the Township's financial statements. Also, as is the case with many smaller-sized entities, the Township has relied on its independent auditors to assist in the preparation of the financial statements and footnotes 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 auditors, who cannot by definition by considered a part of the Township's internal controls.

Cause: The Township does not staff individuals with appropriate expertise to prepare complete financial statements in compliance with GAAP.

Effect of Condition: The Township's accounting records were initially misstated by amounts material to the financial statements. Also, the effect of this condition places a reliance on the independent auditor to be part of the Township's internal controls over financial reporting.

Recommendation: The Township should review and implement the necessary education and procedural activities to monitor and report annual financial activity.

View of Responsible Officials and Planned Corrective Action: We are aware of this deficiency. However, due to budgetary constraints, we have not developed these processes. We intend to re-evaluate if additional funding becomes available.

SECTION I – STATUS OF PRIOR YEAR FINDINGS, CONTINUED

2017-002 – Segregation of Incompatible Accounting Duties (Significant Deficiency)

Specific Requirement: The Township lacks an appropriate segregation of certain incompatible duties with appropriate control objectives.

Criteria: The Township should devise an organizational structure that will enable them to appropriately segregate incompatible accounting functions.

Condition: The Township lacks an appropriate segregation of certain incompatible duties with appropriate control objectives.

Cause: Limitations on number of accounting and finance personnel.

Effect of Condition: The effect of this condition subjects the Township to increased risk of misstatements within the financial statements and misappropriation of assets.

Recommendation: The Township should devise an organizational structure that will enable them to appropriately segregate incompatible accounting functions.

View of Responsible Officials and Planned Corrective Action: We are aware of this deficiency. However, given the size of our entity and our available resources, it is difficult to provide for appropriate segregation of incompatible duties for all accounting functions. We will evaluate available options to administer limited segregation of duties for key accounting functions and ensure the continued close oversight by the Township Board.

SECTION I – STATUS OF PRIOR YEAR FINDINGS, CONCLUDED

2017-003 – Budget Variances (Compliance with Laws and Regulations)

Specific Requirement: Compliance with laws and regulations.

Criteria: The Uniform Budgeting and Accounting Act (the "Act") establishes budgeting requirements for local units of government. Noncompliance with the Act includes, but is not limited to, expenditures that are in excess of budgeted expenditures as authorized by the Board.

Condition: The Township's total expenditures were in excess of budgeted amounts.

Effect of Condition: The effect of this condition is a violation of the Act.

Recommendation: The Township should update its budgeting and budget monitoring processes to ensure compliance with provisions of the Act. If, during the year, the Township's expenditures are in excess of amounts currently budgeted and authorized by the Board, the Township should amend its budget accordingly.

View of Responsible Officials and Planned Corrective Action: The Township has addressed this finding, and, in the current year, Township personnel and the Board are closely monitoring budget to actual reports.

SECTION II – FINANCIAL STATEMENT FINDINGS

2018-001 – See prior year financial statement finding 2017-001.

2018-002 – See prior year financial statement finding 2017-002.

2018-003 – See prior year financial statement finding 2017-003.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The Township has spent under the $750,000 threshold for federal expenditures and is not required to have a single audit under the Uniform Guidance.