

SANITARY SEWER SYSTEM RATE STUDY

December 12

2017

BOARD

Kathleen McNamara, Supervisor

Alice Belfy, Clerk

Diane McDonough, Treasurer

Jeff Powers, Trustee

Travis Martin, Trustee

St. James Twp.

Charlevoix Co.

Michigan

STAFF

Darrell Butler,

Public Works Supervisor

Maureen Turner

Technical Assistance

ST. JAMES TOWNSHIP

PO Box 85, Beaver Island, MI 49782

28 December 2017

Ms. Alice Belfy, Clerk
St. James Township
PO Box 85
Beaver Island, MI 49782

2017 SEWER RATE STUDY

Dear Ms. Belfy,

We are pleased to submit the Final 2017 Sewer Rate Study conducted for St. James Township. The previous rate study was completed late in 2016, and was the first study completed since the inception of the sewer system; because of this, the 2016 study was comprehensive in nature, providing background information as well as the required analysis. The 2017 Rate Study focuses on pertinent information since the adoption of the 2016 study, including rates, the capital improvement program, REU values, policies, procedures, and input from customers and others.

We would like to extend thanks to Darrell Butler, Public Works Supervisor, and St. James Township Board of Trustees, for the continued support during the 2017 Rate Study update. Please forward any comments or questions regarding this study to us at StJamesTwp.BI@gmail.com.

Best Regards,

ST. JAMES TOWNSHIP



Kathleen McNamara



Maureen Turner, PE

*Copy to: St. James Township Board of Trustees
Darrell Butler, Public Works Supervisor*

TABLE OF CONTENTS

TABLE OF CONTENTS.....	i
EXECUTIVE SUMMARY.....	1
Purpose.....	1
Recommendations.....	1
REU Values.....	1
Enforcement Policy.....	2
Capital & Contingency Planning	2
Rate Adjustment.....	2
Board Action	2
SECTION 1: INTRODUCTION	3
1.1 Purpose	3
1.2 Background.....	3
1.3 Governing Ordinance	4
1.2.5 Funding and Rate Structures	4
1.2.6 Operations and Maintenance	5
1.2.7 Finances	5
SECTION 2: EXISTING PROGRAM.....	6
2.1 Policies.....	6
2.1.1 Operational	6
2.1.2 Capital Improvement Program and Reserves	6
2.2 Income and Expenses	6
SECTION 3: ANALYSIS	8
3.1 Policy Implications.....	8
3.1.1 Operational	8
3.1.2 Capital Improvement Program	10
3.1.3 Grease.....	13
3.1.4 Utility Reserves	13
3.2 REU Values	13
3.3 Revenue Adequacy	14
SECTION 4: RECOMMENDATIONS	16

4.1	Policies & Procedures	16
4.1.1	Ordinance Changes	16
4.2	Administrative	16
4.3	Operational	17
4.3	Fiscal	17
SECTION 5: INPUT & ACTION TAKEN		18
5.1	Public Input.....	18
5.2	Township Board Activity	18
5.3	Future Considerations	18
APPENDICES		1
Appendix A: 2014 Sewer Use and Rate Ordinance.....		1
Appendix B: Township Audit For FY 16/17		1
Appendix C: Current REU Schedule & Units		1
Appendix D: Administrative Rules & Policies.....		1
Appendix E: Condition Evaluation.....		1
Appendix F: Public Hearing Notice		1
Appendix G: Public Input.....		1
Appendix H: Record of Decision.....		1

EXECUTIVE SUMMARY

PURPOSE

St. James Township owns and operates a small sanitary sewer system on Beaver Island in Charlevoix County, Michigan. As an enterprise fund, the sanitary system costs are funded through user fees in the absence of grants or other outside assistance. Enterprise fund accounting establishes a separate financial reporting mechanism for municipal services when a fee is charged in exchange for goods or services.

The township's Sewer Use Ordinance calls for the evaluation of sewer rates on an annual basis. The 2017 Rate Study covers the time period after adoption of the 2016 Rate Study in November of that year. Main considerations in this year's rate study include:

- ◆ Evaluation of the REU values for any new properties, or upon customer request
- ◆ Capital needs of the system in the upcoming years
- ◆ Contingency funding
- ◆ Policies as established by the Board of Trustees
- ◆ Customer payment history and enforcement actions
- ◆ Receipt of current and unbilled/uncollected historic amounts, which should be paid in full and not affect the sewer use income flow in 2018
- ◆ Payment of an installment loan and repayment of township fund(s)

Current ordinance requirements state that this study must be undertaken annually after the end of each fiscal year, being completed within 120 days (July 29 annually).

RECOMMENDATIONS

REU Values

The adopted 2016 REU values should remain unchanged and in-effect for the 2018 calendar year. The REU values underwent a detailed review and revision in 2016. The Township Board should review customer and community input arising from this draft rate study, making adjustments as needed on an individual basis when property use takes place, new properties are added, or as a part of the rate study.

Enforcement Policy

St. James Township should consider revision to the ordinance and policies and procedures, relative issues such as:

- ◆ Transfer of delinquent amounts due to property taxes
- ◆ Option for quarterly billings
- ◆ Shut-off and civil infraction issuance procedures
- ◆ Timeframe for completion of the annual Rate Study
- ◆ Cost share for municipal dock contribution to the sewer system, specifically pumping water into the sewer as a measure to eliminate freezing in the force main

Key items were discussed at the township board meeting of September 6, 2017, and are included in this study. The recommended rates assume that the ordinance and policy changes previously discussed will be implemented.

Capital & Contingency Planning

The St. James Township board and Planning Commission should review the 2017 6-year Capital Improvement Plan (CIP) for the sewer system; make revisions as needed; and adopt a plan that includes anticipated expenditures and capital needs 6 years into the future.

Rate Adjustment

The ordinance states that rates are to be set based upon a review of anticipated annual operating costs, which should be divided proportionally between customers based upon the adopted REU value for the property. Based upon sample analyses completed and discussed at the September 6, 2017 board meeting, we recommend that rates be revised from \$33.00 to \$38.00 per month.

BOARD ACTION

At their meeting of December 12, 2017, the St. James Township Board of Trustees:

- ◆ Adopted the 2017 rate study and 6-year sewer capital improvement plan;
- ◆ Maintained the REU schedule adopted as part of the 2016 Rate Study;
- ◆ Authorized the Township Clerk and Supervisor to work with legal counsel on several ordinance revisions; and
- ◆ Established 2018 rates at \$38.00 per month per REU.

Appendix H contains additional information about the board's decisions.

SECTION 1: INTRODUCTION

1.1 PURPOSE

This Rate Study is intended to provide an annual review of the St. James Township sewer system rate structure, procedures, and policies, since the adoption of the 2016 study. Charges and fees are established to recover construction and repairs, capital needs, maintenance, and operation of the system; to provide for repayment of bonds and loans issued; to establish a fund for reasonable improvements; and any other expenditure as may be determined necessary. User fees will be set so that they are fair and reasonable; and proportionate to the necessary cost of service required for the system.

All expenses, revenues, and operating data are based on the township's fiscal year, beginning April 1, 2016 and continuing through March 31, 2017. In the event that the 1-year period of this study provides a result that may be skewed or inaccurate, then a snapshot from multiple fiscal years may be included.

Estimates are based upon the best information available and the policies and procedures in place at the time of this submittal.

1.2 BACKGROUND

In accordance with the ordinance, the St. James Township sanitary sewer system is operated and maintained as a public utility in accordance with federal regulations and Act 94 of 1933 as amended. Similar to the yacht dock, the sewer system is accounted separately as a utility enterprise fund.

The 2016 Rate Study provided the foundation for the establishment of rates, REU values, and other issues pertaining to the operation and maintenance of St. James Township's sewer system. Please refer to the 2016 Rate Study for more information on the history of the sewer system, a system description, and maintenance needs to date.

1.3 GOVERNING ORDINANCE

On September 3, 2014, St. James Township adopted the Sewer Use and Rate Ordinance for St. James Township that is now in effect. The Ordinance is included in Appendix A.

1.2.5 Funding and Rate Structures

The St. James Township sewer operation has been established as an enterprise fund. In the publication Government Accounting, Auditing, and Financial Reporting, “enterprise fund” is defined as:

“... A fund established to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.”

The definition of an enterprise fund implies that sufficient user fees should be established to ensure that the utility can operate on a self-sustaining basis. The major source of revenue for water and sewer funds is user fees.

Customers are charged a monthly rate, based on the number of Residential Equivalent Units (REUs)¹ for which they are responsible. In general single-family residential properties are assigned one of REU, and larger sewer customers have more REUs. A copy of the current schedule of customer REU values is provided in Appendix C.

Sewer use charges to recover the operation, maintenance, and replacement costs are generally computed using a four-step process:

- ✓ Estimate the annual operation, maintenance, repair, replacement, and capital improvement costs for the wastewater collection and treatment system. This study utilizes information found in the annual audits to assist with the estimates.
- ✓ Estimate the prior year’s total REU usage for the sewage system.
- ✓ Compute the monthly sewer use charge for each REU by dividing the estimated annual operating costs, by the estimated REUs and then divide by 12 to obtain the monthly cost.
- ✓ Invoice and collect each user of the sewer system an amount equal to the sewer use charge for each REU times the number of REUs for that property.

Monthly user charges are computed on a “readiness-to-serve” basis, meaning that the system must be operated and maintained regardless of whether a customer occupies the building year-round, seasonally, or not at all.

In 2016, monthly charges were set at \$33.00 per REU; this rate is a flat monthly fee and is not broken down into annual operation, debt retirement, capital needs, contingency, or base facility fee at this time.

¹ The reader should note that the REU values discussed in this document have no connection or bearing on the original values established for the purpose of bond debt retirement during construction.

1.2.6 Operations and Maintenance

System Operation, Maintenance, and Reporting: These tasks are completed per the requirements of the Michigan Department of Environmental Quality (MDEQ), which supervises and ensures adherence to state and federal environmental regulations. Following facility construction, an O&M manual was drafted which provides guidance on maintenance needs and much of the work required to keep the system in good shape.

Inspections: Although customer site inspections are a permitted activity in the ordinance, no such inspections have taken place to date. On August 22, 2017, a system-wide manhole inspection was completed on most structures. The results of that field work are included in Appendix E.

1.2.7 Finances

Since adoption of the 2016 Rate Study, work has continued to assure the financial health of the sewer fund, including:

- ◆ A separate contingency fund was set up in 2016 for unanticipated needs of the system.
- ◆ Consistent use of property tax transfers when funds are seriously delinquent, late fees, and tenant security forms, has reduced delinquencies significantly. Refer to Appendix D for a listing of policies and rules
- ◆ Increased customer communication via memos and detailed invoicing resulted in greater customer awareness.
- ◆ Sewer use computations include anticipated investment in the system, expected repairs, etc., and a 6-year CIP relative to the sewer system.
- ◆ Ordinance Enforcement: In 2015, policies were adopted by the Board of Trustees relative to items such as application late fees and due dates, transfer of seriously delinquent balances to property tax bills, and conditions for a tenant payment. Refer to Appendix H for a listing of policies and rules.

Customer Revenue: Based upon the 2016 adopted schedule of a total of 98.06 REUs district-wide, and a rate of \$33.00 per REU per month, the expected annual user revenue would be:

$$\text{\$33.00/REU/Month} \times 98.06 \text{ REU} \times 12 \text{ Month/Year} = \text{\$ 33,831.76/Year}$$

The 2017 fiscal year revenues were higher than base invoicing levels, due to:

- Historic accounts payments being made
- Late fees being applied, increasing revenue and decreasing days outstanding
- Transfer of delinquent amounts to the property tax bill

Expenses: Generally, expenses remained consistent during the 16/17 fiscal year.

SECTION 2: EXISTING PROGRAM

2.1 POLICIES

2.1.1 Operational

Policy changes made during the 15/16 fiscal year continue to have a positive impact on the financial health of the sewer system, with few modifications being made.

- Late fees have been reduced from 5% to 3% of the total unpaid amount, while property tax transfer fees remain unchanged.
- Potential changes to the ordinance have been identified, and are outlined in Section 3.

2.1.2 Capital Improvement Program and Reserves

A contingency account has been established by the township board (Sewer Capital Improvement Fund). The Capital Improvement account contains funds that are set aside for scheduled purchases and projects, for unanticipated expenses needed to maintain the system, etc.

2.2 INCOME AND EXPENSES

Income: During calendar year 2016, user fees were based on the adopted rate of \$24.00 per REU per month, with 84.13 REUs in the system. During calendar year 2017, user fees were based on the adopted rate of \$33.00 per REU per month, with 98.06 REUs in the system.

Additional revenue was generated through historic installment billing and payments, expected to be complete by November, 2017.

During FY 16/17, the sewer use revenue totaled \$29,638.

Expense: During the 2016 Rate Study, the St James Township Board identified costs associated with the sewer system, and clarified when costs should be assigned as a general township expense. FY 16/17 expenses:

DESCRIPTION	AMOUNT
Operating Expense: FY 2016/2017	27,530
Street & Road Fund Repayment (payoff 12/31/2021)	31,770
Installment purchase: CSB (payoff 06/01/2021)	7,000
TOTAL:	\$ 66,300

Summary of Expenses FY 16/17

SECTION 3: ANALYSIS

3.1 POLICY IMPLICATIONS

3.1.1 Operational

Policies implemented during 2015 and 2016 have helped improve the financial and operational success of the fund. There are several ordinance clauses (shown in *italics*) that may be advantageous to revise:

Property Tax Transfer Requirements

ARTICLE XII ENFORCEMENT

Section 1 - Enforcement: The charges and rates for sewer services authorized under the provisions of Section 21 of Act 94 of the Public Acts of 1933, as amended, shall constitute a lien on all premises served thereby whenever any such charges or rates shall be delinquent for six (6) months or more, unless notice is given that a tenant is responsible for the payment of all such charges and rates. On April 1st of each year, the Township Clerk shall certify to the tax assessing officers for the Township, the fact of such delinquency, whereupon such delinquent charges and rates shall be entered upon the next tax roll as charges against such premises and shall be collected and the lien thereof enforced in the same manner as general taxes against such premises; provided, however, where notice is given that a tenant is responsible for such charges and service as provided by Section 21 of Act 94 of the Public Acts of 1933, as amended, no further service shall be rendered to such premises until a cash deposit in an amount established by the Township Board shall have been made as security for payment of such charges and service.

The clause states that there must be delinquencies of 6 months or more before property tax transfer can take place on April 1st each year. The township has transferred only those amounts that are more than 6 months delinquent on April 1st, which has proven effective for payment purposes. However, the transfer can only take place once per year in April, and transfer is made only when more than 6 months or more delinquent. For example:

Fictitious sewer customers, M/M Smythe, do not pay their Oct, Nov, and Dec bills in one year, and Jan, Feb, and Mar bills at the start of the next year. On April 1st, the delinquency still has not reached 6 months old for any of the invoices, so we are not able to make the transfer to property taxes. Under the ordinance terms, the next opportunity to make a transfer to property taxes would not occur until April 1st of the following year. The bill would be applied to the summer tax bill, and would not be paid until September 14, if paid on time. By this time, the oldest unpaid invoice is nearly 2 years old. M/M Smythe may not pay their property taxes even then, making them only recoverable after the property is sold.

This method is the most successful method of collecting overdue user fees, but system cash flow is not adequate.

Connection fees and System Capacity

The ordinance does allow for new connections to the system, said connections to be made at property owner's expense, and only after an application process that is contingent upon capacity of the downstream sewage system. It appears that if such a connection happened within 10 years of completion of the current system, original property owners may have been entitled to a payment. The ordinance anticipated that there might be additional users beyond those defined in the original roll. The ordinance does not address the likelihood of properties changing purpose.

There must be a distinction made between overall physical capacity of the system (what it can really handle and what it is legally permitted to handle) and how current use of the system is divided among current parcels, so that costs can be shared equally. Original system user capacity would be more understandable had it been built around specific potential; specifically documenting how capable a property was of development in terms of topography, wetlands, and zoning ordinance requirements. According to Section 6 of the ordinance, such documentation must be applied to potential Additional Users.

As it stands, future REUs appear to have been estimated as potential future growth possibilities rather than specific potential. Nine parcels of the 38 original assessment roll parcels were granted future REUs per the Sanitary Sewer Special Assessments Final Roll Adopted June 14, 2001. The Sanitary Sewer Special Assessments Final Roll assigned a total of 25 "future REUs".

The questions remain about what is the 'value of future REUs' to the existing holders. The township board needs to further define this value.

Rate Study Timeline

ARTICLE XIV ANNUAL REVIEW

Section 1 - Review: Once each year, within one hundred twenty (120) days after the close of the Township's fiscal year, the Township Supervisor, or other person designated by the Township Board, shall submit to the Township an annual review of all expenses of the sewer system for the previous fiscal year and shall include an opinion as to the adequacy of rates to cover these expenses. Special mention shall be made comparing the Sewer Use Charges to operation, maintenance, repair, replacement, and capital improvements costs. This report shall include a statement as to the proportionality of the Sewer Use Charge system.

Under this article, the Rate Study must be completed by July 29 each year. However, normally the audit is not completed by that date. Because information contained in the audit is used in the annual rate study, it would be advantageous to revise the due date for rate study submittal to October 15, which would include the first board meeting of the month. Public input can then be obtained and the study adopted by the board in November. Customer notifications can take place and rates in effect by January 1, 2017. This schedule is consistent with both last year's and this rate study.

Payment frequency and Late Fees

ARTICLE VIII CHARGES FOR WASTEWATER COLLECTION AND TREATMENT SERVICES

Section 6 - Bills: Bills for Sewer Use Charges will be rendered monthly and will be payable without penalty within ten (10) days after the date thereon. Payments received after such period shall bear a late fee as established by the Township.

1. Non-residential customers have requested quarterly billing rather than monthly, and may not be able to pay ahead as residential customers do. The ordinance calls for monthly billing only. If other ordinance changes are made, this change should be made also.
2. To allow adequate time for invoice payments to be made, late fees are now applied after 20 days even though bills are due after 10 days. Invoices should be due and late fees applied after 20 days.

3.1.2 Capital Improvement Program

Although a 6-year Capital Improvements Plan has not yet been adopted, the annual rate study must take capital needs into account when computing rates. The following table reflects the township's six-year plan for the sewer use fund, based upon policies in place thus far. This Rate study includes the township's preliminary estimate of capital projects that may be needed over the next 6 years:

**2018-2024 CAPITAL IMPROVEMENTS MAJOR EXPENDITURE PLAN
ST. JAMES TOWNSHIP SEWER USE FUND**

DRAFT: 04-Oct-17

Capital Improvement Plan: Sewer System

Date: 4-Oct-17

 =EXPENDITURE

Project	(EXPENDITURES)/REVENUES ⁽¹⁾						
	Current 2017-18	Planning year					
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
1 Installment Purchase (2011)	(7,478)	(7,478)	(7,478)				
Revenues:	7,478	7,478	7,478				
User Fees	7,478	7,478	7,478				
Inspection Fees							
Other: _____							
2 Street + Road Fund Repayment	(13,000)	(13,000)	(13,000)	(13,000)	(13,000)	-	-
Revenues:	13,000	13,000	13,000	13,000	13,000	-	-
User Fees	13,000	13,000	13,000	13,000	13,000		
Inspection Fees							
Other: _____							
3 Operator Training	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Revenues:	1,000	1,000	1,000	1,000	1,000	1,000	1,000
User Fees	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Inspection Fees							
Other: _____							
4 Filter Replacement	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Revenues:	1,000	1,000	1,000	1,000	1,000	1,000	1,000
User Fees	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Inspection Fees							
Other: _____							
5 Tank Septage Removal		(10,000)				(10,000)	
Revenues:	-	-	10,000	-	-	10,000	-
User Fees			10,000			10,000	
Inspection Fees							
Other: _____							
⁽²⁾ 6 Degrease Lines & System; Grease Traps	(2,000)	(12,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Revenues:	2,000	12,000	2,000	2,000	2,000	2,000	2,000
User Fees	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Inspection Fees							
Other: Responsible Party		10,000					
7 Professional Services: System-Wide Inspection	(2,500)					(2,500)	
Revenues:	2,500	-	-	-	-	2,500	-
User Fees	2,000					2,000	
Inspection Fees	500					500	
Other: _____							
⁽²⁾ 8 Jetter Purchase						(15,000)	
Revenues:		3,000	3,000	3,000	3,000	3,000	-
User Fees		3,000	3,000	3,000	3,000	3,000	
Inspection Fees							
Other: _____							
9 Float Replacement		(6,000)					
Revenues:	-	6,000	-	-	-	-	-
User Fees		6,000					
Inspection Fees							
Other: _____							

**2018-2024 CAPITAL IMPROVEMENTS MAJOR EXPENDITURE PLAN
ST. JAMES TOWNSHIP SEWER USE FUND**

DRAFT: 04-Oct-17

Capital Improvement Plan: Sewer System

Date: 4-Oct-17

 =EXPENDITURE

Project	(EXPENDITURES)/REVENUES ⁽¹⁾						
	Current 2017-18	Planning year					
		2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
10 Stand-by Generator							
Revenues:	-	-	-	-	-	-	-
User Fees							
Inspection Fees							
Other: General Fund							
11 Computer		(2,000)					
Revenues:	-	-	2,000	-	-	-	-
User Fees			1,000				
Inspection Fees							
Other: General Fund			1,000				
12 Pump Replacement:				(15,000)	(15,000)		
Revenues:	-	-	-	15,000	15,000	-	-
User Fees				15,000	15,000		
Inspection Fees							
Other:							
13 Septic Field Repair or Reconstruction						(40,000)	
Revenues:	-	-	-	-	-	40,000	-
User Fees						40,000	
Inspection Fees							
Other:							
⁽⁴⁾ 14 Dosing Tanks Refinishing		(10,000)					
Revenues:	-	10,000	-	-	-	-	-
User Fees		10,000					
Inspection Fees							
Other:							
15 Utility Reserves		(4,000)	(4,000)	(6,000)	(6,000)		
Revenues:	-	4,000	4,000	6,000	6,000	-	-
User Fees		4,000	4,000	6,000	6,000		
Inspection Fees							
Other:							
TOTAL EXPENDITURES:	(26,978)	(50,478)	(40,478)	(36,000)	(38,000)	(77,500)	(4,000)
Revenues:	26,978	53,478	43,478	39,000	41,000	65,500	4,000
User Fees	26,478	43,478	42,478	39,000	41,000	65,000	4,000
Inspection Fees	500	-	-	-	-	500	-
Other: General Fund	-	-	1,000	-	-	-	-
Other: Responsible Party		10,000					
Other:							

⁽¹⁾ All budgeted amounts are in current fiscal year dollars, subject to adjustments (e.g. inflation, detailed cost information); This Expenditure Plan does not include expenses related to the day-to-day operation of the sewer system.

⁽²⁾ Per D. Butler, potential cost deferral if services can be obtained under contract

⁽³⁾ Assumes \$500/quarter to degrease the wet well; plus periodic major repair

⁽⁴⁾ Dosing Tank Refinishing cost is a rough estimate

3.1.3 Grease

When food service providers improperly dispose of fats, oils and grease byproducts may migrate to the wastewater treatment system. Buildup in pipes and other facilities can become hard and may completely block pipes, resulting in back-ups of raw sewage and/or flooding.

In the past, discussion has arisen about ongoing maintenance problems in the sanitary sewer system, including the presence and recurrence of grease in the system; and the potentiality for significant damage to occur. Several parties have voiced concern relative to maintenance costs and potentially the high cost of repair to the system because of this issue. Sewer customers have expressed concern about the cost and responsibility of grease trap installation; responsibility for the installation/maintenance costs; and consistency when implementing policies.

The Sewer Use and Rate Ordinance, Article V and X, refer to requirements relative to grease traps and the presence of grease in the system. The ongoing presence of grease in the wet well is indicative of a problem with grease discharge. This increases maintenance costs, and increases the likelihood of major repair work in the future.

The board should consider:

1. Adopting an administrative policy, relative to implementing protective systems where needed;
2. Implementing an educational process that outlines best practices for food service facilities, to reduce impact to the sewer system; and
3. Implementing new procedure(s), to include items such as inspection frequency, installation timeline, and recovery of costs through customer billing for cleanup operations and repairs to the system.

A proactive approach to this issue will have a positive effect on the sewer system by reducing the likelihood of major repairs from blocked lines or premature failure of equipment. On August 22, 2017, a field evaluation was conducted on manhole structures in the gravity portion of the sewer. Grease was apparent in a structure on Main Street. The ordinance allows a maximum of 100 mg/L of grease to be discharged, equivalent to *0.0134 ounce per gallon* of sewage discharged. The discharge maximum was clearly exceeded. A photo is provided in Appendix E.

3.1.4 Utility Reserves

Fund reserves should be increased to maintain approximately 12 months of use fees over that which is necessary to run the system, set aside for unanticipated or emergency repairs. The contingency fund can be built over a period of several years.

3.2 REU VALUES

Sewer use REU values underwent an extensive evaluation during the 2016 Rate Study. During this study, the assigned REU values were evaluated relative to current uses, building size, etc., and by using the 2002 schedule of unit values. Gross square footages were used, and if the 2002 value could not be

verified, research was completed to verify reasonableness. During the 2017 study, evaluations were limited to those establishments that had requested a review after adoption of the 2016 REU values. The 2016 schedule of adopted values is provided in Appendix C.

One property has requested a review since the adoption of the current schedule. Specifically, Eric Hodgson requested a review of the usage designation for the Harbor Market, stating that he believes that the market use designation is inaccurate.

The Harbor Market's current designation was originally listed as convenience store and residence, at 3.18 REUs. In the 2016 Rate Study, a designation of warehouse was added, for those areas where winter stock is stored:

Convenience store:	1,728 sf @ 1.00 REU/1000 sf	=	1.728
Residence:	1.00/residence	=	1.00
Warehouse:	522 sf @ 0.10/1000 sf	=	0.052
Total			2.78 REUs

The owner's request is to consider the harbor market a retail store rather than a convenience store, changing the REU value for the convenient store value to 1.3 rather than 1.728. Total REUs for this location would be 2.35 if this change were incorporated.

3.3 REVENUE ADEQUACY

The current rate structure reflects a total of 98.06 Residential Equivalent Units (REUs) being charged \$33.00 per REU per month, for a total anticipated revenue of \$38,831.76.

In accordance with ordinance provisions, Sewer Use Charges shall be computed as follows:

"Section 3 - Development of Sewer Use Charges: Sewer Use Charges to recover operation, maintenance and replacement costs shall be computed as follows:

(a). Estimate the annual operation, maintenance, repair, replacement, and capital improvements costs for the wastewater collection and treatment system (Annual Operating Costs).

(b). Estimate the prior year's total REUs for the entire sewage system.

(c). Compute the monthly Sewer Use Charge for each REU by dividing the estimated Annual Operating Costs by the estimated REUs and then dividing by twelve (12).

(d). Each User of the sewage system shall then be required to pay the Sewer Use Charge for each REU times the number of REUs for that property."

The sewer rate for FY 2017/2018 will likely increase because of the need to cover costs tied directly to the operation and fiscal responsibility for the system. The current sewer rate is \$33.00 per REU per month. In September, 2017, the sewer use fund had a balance of \$21,930.00, and the sewer capital projects fund had a balance of \$10,032.00.

The use fees are intended to cover the cost of running the sewer system, including debt service. Alternatively, the Charlevoix State Bank (CSB) installment purchase could be paid from the existing sewer use fund balance.

The table below summarizes the two options.

DESCRIPTION	Assumes current user fees pay CSB loan	Assumes the sewer use fund balance covers the CSB loan
Operating Expense: FY 2016/2017	27,530.00	27,530.00
Street & Road Fund Repayment (payoff 12/31/2021) ²	13,000.00	13,000.00
Installment purchase: CSB (payoff 06/01/2021)	7,000.00	-
Capital Improvement Fund	5,000.00	5,000.00
ANNUAL ESTIMATED TOTAL:	\$ 52,530.00	\$ 45,530.00
Monthly Total:	4,377.50	3,794.17
Total per REU per month, with 98.06 REUs in the system:	\$ 44.64	\$ 38.69

Comparison of loan repayment options

² The payment amount shown (\$13,000) reflects the payment to be made in December, 2017, not the amount paid during FY 16/17. The actual payment made in January, 2017, was \$31,770.00.

SECTION 4: RECOMMENDATIONS

4.1 POLICIES & PROCEDURES

Continue to implement policies and procedures to enforce the terms of the ordinance. Improve payment metrics through consistent communication and enforcement activity. Previously adopted policies and procedures can be found in Appendix D. Consider revising the ordinance to dovetail with procedures that are working well now.

4.1.1 Ordinance Changes

Property Tax Transfer Requirements

Revise Ordinance Article XII, Section 1, to provide for a transfer of delinquent sewer payables to property tax bills twice per year (once before each tax bill), and shorten the delinquent period from 180 days to 90 days. The time of transfer should coincide with the requirements of the Charlevoix County Treasurer's office.

Rate Study Timeline

Revise Ordinance Article XVI, Section 1 to require the submittal of the annual review of sewer system expenses relative to the previous fiscal year, by October 15th each year, rather than July 29. Rates would go into effect on January 1 each year.

Payment frequency and Late Fees

Revise Article VIII, Section 6 of the ordinance to allow quarterly billing if requested in writing, and if timely payments are made. Revise the invoice due date from 10 to 20 days after invoice issuance, which will coincide with the application of late fees.

4.2 ADMINISTRATIVE

Receive written input from customers, stakeholders, and members of the public about this study. Hold a Public Hearing to receive comments and input on the Draft 2017 Rate Study. Following the public hearing, provide staff with direction.

Make decisions about policy, customer input, ordinance provisions, and administrative procedures. Revise the Draft 2017 Sewer Rate Study accordingly. Receive the Final 2017 Rate Study at a subsequent board meeting, discuss, revise as needed, and adopt, with changes effective on January 1, 2018.

4.3 OPERATIONAL

Schedule a system-wide inspection to evaluate the condition of the infrastructure, improvement needs, and other items; with the help of a consulting engineering firm. Inspect facilities as needed, and obtain customer inspection fee if applicable. Include anticipated costs in the budget.

4.3 FISCAL

REU Schedule: We recommend no change to the REU Schedule of values, as adopted in 2016, unless customer input determines a new review is needed.

6-Year Capital Improvement Plan: A draft 6-Year Capital Improvement Plan (CIP) has been provided in this report. The CIP provides a plan for some expenditure, but unexpected expenses can also arise, especially if system components are not serviced or replaced in a timely manner. Grease in the system will contribute to premature repairs, for example.

We recommend approval of the CIP as part of this rate study.

Sewer User Rates for 2018: It is recommended that a rate of \$38.00/REU/month be set as the 2018 Sewer Use Rate, based upon making the installment purchase payments from existing sewer use funds.

SECTION 5: INPUT & ACTION TAKEN

5.1 PUBLIC INPUT

No written or verbal input regarding the draft 2017 rate study was received from sewer users, stakeholders, or members of the public.

5.2 TOWNSHIP BOARD ACTIVITY

At their meeting of December 12, 2017, the St. James Township Board of Trustees:

- ◆ Adopted the 2017 rate study and 6-year sewer capital improvement plan;
- ◆ Maintained the REU schedule adopted as part of the 2016 Rate Study;
- ◆ Authorized the Township Clerk and Supervisor to work with legal counsel on several ordinance revisions; and
- ◆ Established 2018 rates at \$38.00 per month per REU.

Appendix H contains additional information about the board's decisions.

5.3 FUTURE CONSIDERATIONS

During this rate study, the township board agreed to pursue several revisions to the ordinance as outlined in Appendix H. These changes will align the ordinance terms more closely with procedure timing and will potentially improve cash flow.

APPENDICES

APPENDIX A: 2014 SEWER USE AND RATE ORDINANCE

**SEWER USE AND RATE ORDINANCE
FOR
ST. JAMES TOWNSHIP, CHARLEVOIX COUNTY, MICHIGAN**

THE TOWNSHIP OF ST. JAMES HEREBY ORDAINS:

TABLE OF CONTENTS

<u>ARTICLE</u>	<u>TITLE</u>	<u>PAGE NO.</u>
I	Definitions	1
II	Use of Public Sewers Required	6
III	Private Sewage Disposal	8
IV	Building Sewers and Connections	9
V	Use of Public Sewers	14
VI	Extension of Public Sewers	21
VII	User Classification	24
VIII	Charges for Wastewater Collection and Treatment Services	25
IX	Allocation of Revenues	27
X	Protection from Damage	28
XI	Revocation of Permits	29
XII	Enforcement	30
XIII	Penalties	31
XIV	Annual Review	32
XV	Validity, Repeal, and Savings Clause	33
XVI	Enactment	34

ARTICLE I

DEFINITIONS

Section 1: For purposes of this ordinance, and unless the context specifically indicates otherwise, the meaning of words and terms used in this ordinance shall be as follows:

(1) "B.O.D." (denoting Biochemical Oxygen Demand) shall mean the quantity of oxygen utilized by micro-organisms in the biochemical oxidation of organic matter in wastewater under standard laboratory procedure in five (5) days at twenty degrees centigrade (20°), expressed in milligrams per liter.

(2) "Building Drain" shall mean that part of the lowest horizontal piping of a drainage system which receives the discharges from waste drainage pipes inside the walls of the building and conveys it to the building sewer, beginning five (5) feet (1.5 meters) outside the inner face of the building wall.

(3) "Building Sewer" shall mean the extension from the building drain to the public sewer or other place of disposal.

(4) "Combined Sewer" shall mean a sewer intended to receive any combination of sanitary sewage, storm water, industrial wastes, and uncontaminated industrial wastes.

(5) "Compatible Pollutant" shall mean any pollutant which can be treated and removed to a substantial degree in the wastewater treatment plant. Such pollutants are usually designated by biochemical oxygen demand, suspended solids, pH, fecal coliforms, phosphorus and its compounds, and nitrogen and its compounds.

(6) "County" shall mean Charlevoix County.

(7) "Debt Service" shall mean the interest and principal payments required to repay monies borrowed to construct the wastewater collection, treatment and disposal systems.

(8) "Delivery Flow Rate Characteristics" shall mean information establishing rate of flow during daily or weekly intervals, or portions of the day in unit-time designation such as gallons per day, and fluctuations thereof.

(9) "Discharge" shall mean spilling, leaking, seeping, pumping, pouring, emitting, emptying, dumping or depositing.

(10) "Domestic Wastewaters" shall mean liquid wastes normally emanating from residential living units and resulting from the day to day activities usually considered to be carried on in a domicile. Wastes emanating from other users and which are to be considered domestic waste shall be of the same nature and strength and have the same flow rate characteristics.

(11) "Footing Drain" shall mean a buried pipe surrounding the building for the purpose of draining groundwater away from the building footing.

(12) "Garbage" shall mean solid wastes from the preparation, cooking and dispensing of food and from handling, storage and sale of produce.

(13) "Grease" shall mean the melted or rendered fat of animals, especially when in a soft state.

(14) "Ground Water" shall mean the water beneath the surface of the ground, whether or not flowing through known or definite channels.

(15) "Incompatible Pollutant" shall mean any pollutant that a sewage treatment plant is not designed to treat and therefore, is not effectively removed from the wastewater.

(16) "Industrial Cost Recovery" shall mean the payments required from each industrial user to recover that portion of the Federal Grant attributable to the costs of construction of the treatment works allocable to the treatment of industrial wastes.

(17) "Industrial Wastewaters" shall mean the liquid wastes from industrial processes as distinct from domestic wastewaters.

(18) "Infiltration/Inflow" shall mean water that enters a sewer system through broken or leaky pipes and manholes or through illegal roof or footing drains and catch basins connected to the sanitary sewer.

(19) "Inspector" shall mean a person designated by the Township to perform inspection work on public utility construction and private construction that affects public utilities.

(20) "NPDES Permit" shall mean National Pollution Discharge Elimination System Permit. According to the Federal Water Pollution Control Act, as amended by Public Law 92-500 and Public Law 95-217, it prohibits any person from discharging pollutants into a waterway from a point source unless the discharge is authorized by a permit issued either by the U.S. Environmental Protection Agency or by an approved state agency.

(21) "Natural Outlet" shall mean any outlet into a watercourse, pond, ditch, lake or other body of surface or ground water.

(22) "Normal Strength Domestic Wastewater" will be taken to mean wastewaters which have a BOD of 200 milligrams per liter, suspended solids of 200 milligrams per liter, phosphorus of 12 milligrams per liter, have a pH of between 6.0 and 9.0, and do not contain a concentration of other constituents which will interfere with the normal wastewater treatment process.

(23) "Oil" shall mean oil of any kind, in any form including but not limited to petroleum, fuel oil, sludge and oil refuse, gasoline, grease and oil mixed with waste.

(24) "Operation and Maintenance" shall mean the satisfactory provision for assuring proper and efficient functioning of the treatment works, all work, materials, equipment, utilities, and other effort required to operate and maintain the wastewater transportation and treatment systems consistent with insuring adequate treatment of wastewater to

produce an effluent in compliance with the NPDES permit and other applicable state and federal regulations and includes the cost of replacements.

(25) "Other Wastes" shall mean garbage, refuse, decayed wood, bark and other wood debris, wastes from industrial processes and other substances which are not included within the definitions of domestic and industrial wastewaters.

(26) "Owner" means the owners or owner of the freehold of the premises of lesser estate therein, a mortgagee or vendee in possession, an assignee of rents, receiver, executor, trustee, lessee or any other person, firm or corporation directly or indirectly in control of a building, structure or real property or his duly authorized agent.

(27) "Permittee" or "Permit Holder" shall mean any person who owns, operates, possesses or controls an establishment or plant being operated under a valid industrial waste permit to discharge waste into the sewer system of the service area.

(28) "Person" shall mean any individual, firm, trust, partnership, company, association, society, corporation or group.

(29) "pH" shall mean the logarithm of the reciprocal of the hydrogen ion concentration in moles per liter.

(30) "Pollution" shall mean the placing of any noxious or deleterious substance in any waters of Charlevoix County in quantities which are or may be potentially harmful or injurious to human health or welfare, animal or aquatic life, or property, or reasonably interfere with the enjoyment of life or property, including outdoor recreation.

(31) "Pretreatment" shall mean treatment of waste waters at the sources prior to their introduction into the sewerage system.

(32) "Private Sewage Disposal System" shall mean a system for disposal of domestic sewage by means of a septic tank or mechanical treatment, designed for use apart from a public system.

(33) "Producer" shall mean any person who owns, operates, possesses, or controls an establishment or plant, whether or not a permittee.

(34) "Properly Shredded Garbage" shall mean garbage that has been shredded to such a degree that all particles will be carried freely under the flow conditions normally prevailing in public sewers, with no particle greater than one-half (1/2) inch or 1.27 centimeters in any dimension.

(35) "Public Sewer" shall mean a sewer in which all owners of abutting properties have equal rights and that is owned and maintained and controlled by Township authority.

(36) "Replacement" shall mean expenditures for obtaining and installing equipment, accessories, or appurtenances which are necessary during the service life of the treatment

works to maintain the capacity and performance, for which such works were designed and constructed.

(37) "Roof Drain" shall mean a system for collection of precipitation which falls on the building roof and includes roof gutters and downspouts.

(38) "Sanitary Sewage" (wastewater) shall mean the liquid or water-carried waste from sanitary plumbing facilities and characterized by a composition typical of the wastes from an average residential condition.

(39) "Sanitary Sewer" shall mean a sewer which carried sewage and to which storm, surface and ground waters are not intentionally admitted.

(40) "Service Area" shall mean any land which is serviced by the wastewater collection and treatment facilities under the jurisdiction of the Township of St. James.

(41) "Sewage" shall mean a combination of the water carried wastes from residences, business buildings, institutions and industrial establishments, together with such ground, surface, and storm waters as may be present.

(42) "Sewage Treatment Plant" shall mean any arrangement of equipment and structures used for treating sewage.

(43) "Sewage Works or System" shall mean all facilities for collecting, pumping, treating and disposing of sewage.

(44) "Sewer Use Charge" shall mean the fees billed to all customers attached to the public sewer for support of the costs of the sewage works. The Sewer Use Charges supply funds to cover the costs of operation and maintenance, debt service, replacement and administrative services.

(45) "Sewer" shall mean any pipe, tile, tube or conduit for carrying sewage.

(46) "Shall" is mandatory; "May" is permissive.

(47) "Slug" shall mean any discharge of water, sewage or industrial waste which in concentration of any given constituent or in quantity of flow exceeds for any period of duration longer than 15 minutes, more than 5 times the average 24-hour concentration or flow rate during normal operation.

(48) "Standard Methods" shall mean the most recent edition of Standard Methods of the Examination of Water and Wastewater, published by the American Public Health Association, a copy of which is on file with the Township.

(49) "Storm Sewer" or "Storm Drain" shall mean a sewer intended to carry only storm waters, surface runoff, street wash water, sub-soil drainage, and non-contact cooling water.

(50) "Stream" shall mean any river, creek, slough, or natural watercourse in which water usually flows in a defined bed or channel. It is not essential that the flow be uniform or uninterrupted.

(51) "Surface Waters" shall mean water upon the surface of the earth, whether contained in bounds created naturally or artificially or diffused.

(52) "Suspended Solids" (SS) shall mean solids that either float on the surface of, or are in suspension in water, sewage, or other liquids, and which are removable by laboratory filtering.

(53) "Tenant" means a person who leases property from an owner.

(54) "Test Methods (Standard Methods)" shall be as specified in the latest edition of Methods for Chemical Analysis of Water and Waste, U.S. EPA: Standard Methods for the Examination of Water and Wastewater, APHA; and Annual book of Standards, Part 23, Water, Atmospheric Analysis, ASTM; Guidelines Establishing Test Procedures for Analysis of Pollutants (October 13, 1973, Federal Register).

(55) "User" shall mean any person, establishment or owner who discharges any domestic sewage or industrial waste into the sanitary sewer system of the service area.

(56) "Township" shall mean the Township of St. James, Charlevoix County, Michigan.

(57) "Wastewater" shall mean any liquid or water carried waste from residences, business buildings, institutions, industrial, commercial and governmental establishments, watercraft or floating facilities, or other places, together with such groundwater infiltration, surface waters and storm waters as may be present.

(58) "Watercourse" shall mean a channel in which a flow of water occurs, either continuously or intermittently.

(59) "Water Quality Standard" shall mean the maximum allowable amount of various foreign substances in the water to be discharged.

ARTICLE II

USE OF PUBLIC SEWERS REQUIRED

Section 1 - Discharge to Natural Outlet: It shall be unlawful to discharge or cause to be discharged into any storm sewer, natural watercourse, natural outlet, or artificial watercourse within the service area or in any area under the jurisdiction of the Township any sewage or other polluted waters, except where suitable treatment has been provided in accordance with subsequent provisions of this article and the standards of the Department of Environmental Quality of the State of Michigan.

Section 2 - Private Wastewater Disposal: Except as hereinafter provided, it shall be unlawful to construct or maintain any privy, privy vault, septic tank, cesspool, or other facility intended or used for the disposal of sewage.

Section 3 - Mandatory Connection:

- (a). The owner of any house, building, or property used for human occupancy, employment, recreation, or other purposes, situated within the service area and abutting on any street, alley, or right-of-way in which there is now located or may in the future be located a public sanitary sewer of the Township, is hereby required at his or her expense to install suitable plumbing facilities therein, in accordance with the plumbing code then in effect and enforced within the Township and to connect such facilities directly with the proper public sewer and/or public water system in accordance with the provisions of this article within ninety (90) days after the owner is required by the Charlevoix County Public Health Department to replace any septic tank, drainfield, or water well.
- (b). Said notification and enforcement of this Section shall be in conformity with Article 12, Part 127 of the Public Health Code, being a part of Act 368 of the Public Acts of 1978.

Section 4 - Unlawful Use: No person shall discharge any waste or other substance directly into a manhole, catch basin or sewer inlet except when approved by the Township. All discharges to the sewer shall be through a sewer connection. Nothing in this provision shall restrict the use of catch basins for stormwater in the storm sewer system.

Section 5 - Industrial Discharge:

- (a). When the nature of the enterprise may create a potential environmental problem, the Township may require each person, industry or structure which applies for and receives sewer service, to file the information listed below with the Township Clerk:
 - (1). A written statement setting forth the nature of the enterprise, the source and amount of water used, the amount of water to be discharged, with its present or expected bacterial, physical, chemical, radioactive, or other pertinent characteristics of the wastes.

- (2). A plan map of the building, works, or complex, with each outfall to the surface waters, sanitary sewer, storm sewer, natural watercourse or ground waters noted, described, and the waste stream identified.
 - (3). A plan for sampling, testing, and filing of reports with the Township regarding the appropriate characteristics of wastes on a schedule, at locations, and according to methods approved by the Township.
 - (4). A plan to place waste treatment facilities, process facilities, waste streams, or other potential waste problems under the specific supervision and control of persons who have been approved by the Township.
- (b). Any industry that plans to discharge a process waste, may be required by the Township to construct a permanent monitoring structure at the point of discharge to the sanitary sewer, storm sewer or natural watercourse under the following terms and conditions:
- (1). The design of the structure shall be approved by the Township before installation.
 - (2). The structure shall be constructed by the industry at its expense.
 - (3). The monitoring station shall be maintained in good operating condition by the industry at its expense. Any break in the operation of the station will require a written report stating the reason for the stoppage and a schedule of repair.
 - (4). Adequate access shall be maintained to the monitoring structure at all times to enable the Township to collect samples and flow records.

ARTICLE III

PRIVATE SEWAGE DISPOSAL

Section 1 - Non-availability of Sewer: Where a public sanitary sewer is not available under the provisions of Article II, Section 3, the building sewer shall be connected to a private sewage disposal system in accordance with the provisions of this article, in compliance with State law and the Charlevoix County Sanitary Code currently administered by Charlevoix County Public Health Department where applicable.

Section 2 - Private Disposal Permit: No person shall construct or install a private sewage disposal system without first applying to the Charlevoix County Public Health Department and obtaining a written permit to construct and operate such a system. A permit for a private sewage disposal system shall not become effective until the installation is completed to the satisfaction of the health department official, who shall be allowed to inspect the work at any stage of construction.

Section 3 - Location of Private Sewage Disposal Systems: Where private sewage disposal systems are constructed they must be located at least fifty (50) feet from any surface water, natural or artificial drain or open joint, or tile drain unless otherwise approved by Charlevoix County Public Health Department. All installations shall comply with existing state laws and regulations and with the Charlevoix County Sanitary Code then in effect.

Section 4 - Required Abandonment of Private Facilities: At such time as a mandatory connection is required under Article II, Section 3, any remaining septic tanks, cesspools, and similar private sewage disposal facilities shall be abandoned and filled with suitable material. All filling and demolition shall be subject to the approval of the Charlevoix County Public Health Department.

Section 5 - Continual Operation: The owner of a private sewage disposal facility shall maintain and operate such facility in a sanitary manner at all times in compliance with the Charlevoix County Sanitary Code and at no expense to the Township.

Section 6 - Additional Requirements: No statement contained in this article shall be construed to interfere with any additional requirements that may be imposed by the Township or the Charlevoix County Public Health Department with respect to private sewage disposal.

ARTICLE IV

BUILDING SEWERS AND CONNECTIONS

Section 1 - Unlawful Procedure: It shall be unlawful for any unauthorized person or owner to uncover, excavate, tap into, make connections with or openings into, use, alter, or disturb any public sewer or appurtenance thereof in any street, lane, or alley within the service area without first obtaining a written permit from the Township as herein provided.

Section 2 - Authorization: All connections with any sewer in the service area shall be made only pursuant to written permits issued by the Township. The owner or his agent shall make application on a special form furnished by the Township Clerk. The Township Board may by separate resolution provide for permit and inspection fees which shall be paid to the Township Clerk at the time the application is filed.

Section 3 - Costs: Except for the owners of the parcels that paid special assessments in connection with the initial construction of the sewage system, all costs and expenses incident to the installation and connection of the building sewer shall be borne by the owner of the property. The owner shall indemnify the Township from all loss or damage that may be caused by the installation of the building sewer.

Section 4 - Plans and Specifications:

- (a). All applicants for sewer connection permits shall, when required, submit plans and specifications of all plumbing construction within and outside such building or premises and such plans and specifications shall meet the requirements of the local and state plumbing codes, the Charlevoix County Sanitary Code, and all orders, rules and regulations of the Charlevoix County Public Health Department. The approval of a connection permit shall also be contingent upon the availability of capacity in all downstream sewer, lift stations, force mains, and the sewage treatment plant including BOD and suspended solids capacity. When such plans and specifications have been approved by the Township or by such officials as they may designate, a sewer or plumbing permit shall be issued, subject to final inspection and approval when construction is completed.
- (b). Before the issuance of a permit to a person proposing to connect to and discharge non-domestic waste into the sewer system, the Township may require the applicant to submit a schedule for the construction of the sewer connection outlining when various components of the project will be completed. If the Township requires such a construction schedule, the timetables outlined in the schedule shall be maintained as a condition of the continued validity of the permit, unless extensions are granted in writing by the Township.
- (c). Final approval will be subject to compliance with the local and state plumbing codes, the Charlevoix County Sanitary Code, and all orders, rules and regulations of the Charlevoix County and Michigan Departments of Public Health.

Section 5 - Sewer Requirements:

- (a). All sewer connections shall be made with approved sewer pipe not less than 6 inches in diameter and at such locations in the public sewers where branches or wyes were placed for that purpose, if any. Where there are no wyes, the sewer may, for the purpose of making connections, be tapped under the direction and supervision of a representative of the Township; the connection shall be made by a saddle device approved by the Township. All work for the purpose of making sewer connections shall be done in compliance with the rules, regulations and codes governing plumbing in the Township in accordance with the laws of Michigan relative thereto.
- (b). A separate and independent building sewer shall be provided for every building except where one building stands at the rear of another on an interior lot and no private sewer is available or can be constructed to the rear building through an adjoining alley, courtyard or driveway, the building sewer from the front building may be extended to the rear building and the whole considered as one building sewer.
- (c). The size, slope, alignment, materials of construction of a building sewer, and the methods to be used in excavating, placing of the pipe, jointing, testing and backfilling the trench shall all conform to the requirements of the local and the state plumbing codes. Procedures set forth in appropriate specifications of the ASTM and WPCF Manual of Practice No. 9 also shall apply.
- (d). Building sewers lying within 75 feet of a private water well or 200 feet of a municipal water well shall be constructed of special materials as specified by the Michigan Department of Public Health and/or the Charlevoix County Sanitary Code.
- (e). A building sewer shall be laid straight at a uniform grade. Only long radius elbows shall be used for changing alignment. Cleanouts on long building sewers shall be installed at approximately 100 foot intervals, at locations where the alignment is changed, and where required by the Township.
- (f). Where rock or hard clay excavation is required, a six inch sand or gravel cushion shall be placed around the pipe.

Section 6 - Inspection:

- (a). The applicant for a building sewer permit shall notify the Township when the building sewer is ready for inspection. The Township or a designated representative shall then inspect the building sewer and if such construction meets the requirements of the building sewer permit, the applicant may backfill the excavation.
- (b). Upon final approval of any sewer connection, all sewer supports, the testing or backfilling of the sewer, including material and other elements contingent on completion of installation, shall comply with local and state plumbing and Charlevoix County Building codes.

Section 7 - New Use of Existing Sewers: Existing building sewers may be used in connection with new buildings only when they are found, by a representative of the Township, to meet all requirements of this article.

Section 8 - Prohibited Surface Runoff Connections: No person or owner shall make connection to roof downspouts, areaway drains, or other sources of surface runoff, or to a building sewer or building drain which in turn is connected directly or indirectly to a public sanitary sewer.

Section 9 - Prohibited Groundwater Connections: Exterior footing drains or other sources of groundwater shall not be connected to a building sewer or building drain which in turn is connected directly or indirectly to a public sanitary sewer.

Section 10 - Maintenance: The person whose sanitary sewer is connected to a public sewer is responsible for the maintenance of the sewer line from the wye in the trunkline public sewer to the most remote fixture or structure on his property. The cost of all repairs, maintenance and replacements of existing building sewers and their connection to public sewers shall be borne by the property owner. Before making any repairs or replacements or conducting any maintenance, the owner shall apply for a permit to perform such work from the Township. All work performed, including the qualifications of the person performing the work, shall fully comply with the requirements of this article.

Section 11 - Excavation in Township or County Streets:

- (a). Whenever a person desires to do any excavating in any of the streets, lanes or alleys of the service area for the purpose of connection with a sewer, a permit for such excavation shall be obtained from the Township. The Township Board may from time to time by separate resolution establish a non-refundable administrative fee for processing the excavation permit. The permit shall be non-transferrable. The person employed to make the connection to the sewer shall hold a Plumbing License or a Sewer Installer License in accordance with state and local codes. The qualifications of the persons employed to do work shall be verified at the time of application. A person who is authorized to excavate pursuant to the permit shall furnish a bond to the Township in an amount acceptable to the Township Board taking into account the nature and extent of the excavation and in a form acceptable to the Township Attorney, conditioned for the faithful performance of the requirements of all the Township ordinances relative thereto.
- (b). All expenses for work done by the employees of the Township shall be borne by the person to whom the excavation permit is issued. Applications for excavations in paved streets shall state the size of the opening to be made in the pavement and the length of time desired to do such work.

Section 12 - Backfill Requirements: When connections are to be made with any sewer in any street, the earth and other debris excavated for this purpose shall be removed from the street and the trench backfilled with sand or gravel in layers not to exceed eight inches in thickness. Each layer shall be thoroughly and solidly packed in place. The backfill shall be finished to the same grade as the original surface. Where the existing roadway is

cindered or graveled, the final eight inches of the backfill shall be made with gravel. Where the existing roadway is paved, the person charged with the duty of backfilling shall repave the trench to the same grade as the original pavement under the supervision of the Township Clerk, or other official or employee designated by the Township Board, no less than thirty (30) days and no more than sixty (60) days after the backfill is placed. The person charged with the duty of constructing or installing said underground work and backfilling shall be required to make frequent inspections of all trenches for which they are responsible and to maintain the same as herein provided. In case of failure to maintain trenches and backfill in such condition, the Township is authorized by this article to make the necessary repairs and charge the total cost against the person responsible for the same. For the purpose of the sand or gravel backfill as required herein, the excavated material shall not be used except after securing written permission from the Township.

Section 13 - Time Limit on Open Trench: The person, or owner causing any excavation or trench to be made in any public street or thoroughfare in the service area shall be required to backfill and replace the trench as herein provided within a period of three days, after work of excavating has been started, unless written permission is granted by the Township to allow the trench to be open for a longer period of time. In case of the failure to promptly refill any trenches within a period of three (3) days, the Township shall have the right to cause the same to be refilled, and the expense shall be charged against the person, or owner responsible for backfilling.

Section 14 - Barricade Requirements: Every person digging or causing to be dug any trench in any public street or thoroughfare, for the purpose of making connections with sewer mains shall place or cause to be placed and maintained at and along such trench, proper signals, colored lights and barricades to give warning and prevent accidents, but in no case shall a trench be dug so as to entirely block any street for travel, without the consent of the Township. All barricading shall be done in accordance with the Charlevoix County Road Commission requirements. In case of the failure to properly barricade or light such excavations or trenches, the Township is authorized to cause the same to be lighted or barricaded and the expense thereof shall be charged against the person responsible for the opening. It shall not be necessary for the Township to notify the person responsible for such trenches in public streets or thoroughfares, before undertaking any such work which is necessary for the safety and convenience of the public. The failure on the part of persons installing such trenches to promptly pay all bills incurred by the Township doing such work, shall be grounds for refusing to issue further permits for excavations in the streets.

Section 15 - Work on Private Property: Excavation and backfill for building sewers on private property may be made by the owner. Connections and installation of the building sewer on private property may be made by the owner; however, no backfill shall be placed until the pipe in place has been inspected and approved by a representative of the Township. All excavation, backfilling, connections and installations shall be made in accordance with the requirements of this article.

Section 16 - Permit Information: The Township shall keep a record of all permits granted under authority of this article which shall include the names of the applicant and

contractor, the location of the work, the place in the street where the excavation is to be made, and the purpose for which the permit is issued.

ARTICLE V

USE OF PUBLIC SEWERS

Section 1 - Limits: No person shall discharge or cause to be discharged any storm water, surface water, groundwater, roof run-off, subsurface drainage, unpolluted cooling water or unpolluted industrial process waters to any sanitary sewer. Use of public sewers shall be limited to those discharges that are not harmful to the Township of St. James sewage treatment plant. In the event that natural or man-made occurrences are detrimental to the sewage system or to the public health and welfare of the community, industrial wastes would be prohibited, wholly, or in part, at any time.

Section 2 - Storm water: Storm water and all other unpolluted drainage shall be discharged to a natural outlet approved by the Township in compliance with rules and procedures of various agencies of the State of Michigan. Unpolluted industrial cooling water or unpolluted process waters may be discharged, upon approval of the Township, to a natural outlet. The Township has the right to exclude industrial or commercial waste in whole or in part, for any reason.

Section 3 - Prohibited Discharge: Except as herein provided, no person shall discharge or cause to be discharged any of the following described waters or wastes, directly or indirectly to any public sewer:

(a). Broadly, any water or waste that may cause damaging, hazardous or unhealthful effects by:

- (1). Reacting chemically, either directly or indirectly, with the sewage system.
- (2). Having a mechanical action that will destroy or damage the sewage system.
- (3). Reducing the hydraulic capacity of the sewage system.
- (4). Restricting the normal inspection or maintenance of the sewage system.
- (5). Placing "unusual demands" on the sewage system or process.
- (6). Limiting the effectiveness of the sewage system.
- (7). Being dangerous to public health or safety.
- (8). Overloading the sewage system.

(b). Any specific waste:

- (1). Having a pH below 5.5 or above 9.5;

- (2). Containing more than 10 mg/l of the following gases: hydrogen, sulfide, sulphur dioxide, oxides of nitrogen, or any of the halogens;
- (3). Containing gasoline, benzene, naphtha, fuel oil, or any explosive liquid, solid or gas;
- (4). Containing any flammable substances with a flash point lower than 187° F;
- (5). Having a temperature below 32°F or above 150°F, or which causes the effluent of the Township Treatment Plant to exceed 104°F;
- (6). Containing grease or oil or other substances that will solidify or become viscous at temperatures below 100°F;
- (7). Containing insoluble substance in excess of 10,000 mg/l;
- (8). Containing total solids (soluble or insoluble substance) in excess of 20,000 mg/l;
- (9). Containing soluble substance in concentrations that would increase the viscosity to greater than 1.1 specific viscosity;
- (10). Containing insoluble substance having a specific gravity greater than 2.65;
- (11). Containing insoluble substance that will fail to pass a No. 8 standard sieve, or having any dimension greater than one-half (1/2) inch;
- (12). Containing gases or vapors, either free or occluded, in concentrations toxic or dangerous to humans or animals;
- (13). Having a chlorine demand greater than 15 mg/l in 30 minutes;
- (14). Containing more than 5 mg/l of any antiseptic substance;
- (15). Containing phenols in excess of 1.0 mg/l or as approved by the Michigan Water Resources Commission;
- (16). Containing any toxic or irritating substance which will create conditions hazardous to public health and safety;
- (17). Containing grease, oil or any oily substance exceeding 100 mg/l;
- (18). Containing radioactive wastes or isotopes of such half-life or concentration that they are in non-compliance with regulations issued by the appropriate authority having control over their use;
- (19). Being of sufficient flow or concentration or both to be defined as a "slug" under this ordinance;

- (20). Containing any sludge or precipitates or extractions resulting from any industrial or commercial treatment or pre-treatment of any wastes of such;
- (21). Containing any wastes of such character and quantity that unusual attention or expense is required for processing;
- (22). Having discharge concentrations of incompatible pollutants exceeding the standards of the latest published guideline established by the state and federal governments for the effluent of the Township treatment plant as provided in this ordinance;
- (23). Containing any ashes, cinders, sand, mud, straw, shavings, metal, glass, rags, feathers, tar, plastics, wood, paunch manure, or any other solid or viscous substance capable of causing obstruction to the flow in sewers or other interference with the proper operation of the sewage works;
- (24). Containing any wastes having any other corrosive properties capable of causing damage or hazard to structures, equipment, and personnel of the sewage works;
- (25). Containing any water and/or waste not complying to all NPDES permit requirements, pretreatment standards, and all other unspecified state and federal regulations;
- (26). Containing toxicants in excess of the maximum allowable concentrations listed below.

<u>Toxicants</u>	<u>Maximum concentration allowable, milligrams per liter</u>
	Average of Daily Values for Four Consecutive Days
Arsenic	.5
Cadmium	.1
Chromium, Total	2.0
Copper	**
Cyanides	1.0
Lead	.5
Mercury	Non Detectable

Nickel	2.5
Phenol	1.0
Silver	.3
Zinc	1.5

** Copper limits will be established on a case by case basis. The Township and effected industry will enter into a separate contract regarding copper limitations. At no time will the discharge from the industries cause the Township to be out of compliance with their NPDES copper limitation.

Section 4 - Grease and Oil:

- (a). Grease, oil, sand interceptors and conventional grease traps shall be provided when, in the opinion of the Township, they are necessary for the proper handling of liquid wastes containing grease in excessive amounts, or any flammable wastes, sand, and other harmful ingredients; except that such interceptors shall not be required for private living quarters or dwelling units. All interceptors shall be of a type and capacity approved by the Township and shall be located as to be readily and easily accessible for cleaning and inspection.
- (b). Grease and oil interceptors shall be constructed of impervious materials capable of withstanding abrupt and extreme changes in temperature. They shall be substantially constructed, watertight, and equipped with easily removable covers which when bolted in place shall be gas tight and watertight.
- (c). Where installed, all grease, oil and sand interceptors shall be maintained by the owner, at his or her expense, in continuously efficient operation at all times.

Section 5 - Point of Application: The above preceding standards and regulations are to apply at the point where the wastes are discharged into a public sewer, and all chemical and/or mechanical corrective treatment must be accomplished to practical completion before this point is reached; provided, however, an industry subject to federal regulation under 40 C.F.R. 403, as amended, shall meet the preceding standards at the end of the pre-treatment process.

Section 6 - Preliminary Treatment: Where necessary in the opinion of the Township, the owner shall provide, at his expense, such preliminary treatment as may be necessary to (a) reduce objectionable characteristics or constituents to within the maximum limits as provided for in Article V, Sections 3 and 4 and/or (b) control the quantities and rates of discharge of such waters or wastes. Plans, specifications, and any other pertinent information relating to proposed preliminary treatment facilities shall be submitted for the approval of the Township and of the State regulating agencies and no construction of such facilities shall be commenced until said approvals are obtained in writing.

Section 7 - Pre-Treatment of Incompatible Pollutants: Persons discharging incompatible pollutants, other than those described in this Article, which are strictly prohibited from being discharged into the sewage system, shall reduce their incompatible pollutants to levels attainable through the application of the best available technology (BAT) economically achievable as defined in the Clean Water Act of 1977 (P.L. 95-217), as amended. If it is found by the Township that certain incompatible pollutants can be reliably removed by the treatment plant, the Township may enter into a contract with the person making the discharge for the purpose of treating the pollutants for a fee, and allowing the discharge. Attainment of allowed concentrations by dilution will not be allowed as a manner to meet discharge standards. Nothing in this section shall be construed to allow a user subject to federal regulation under 40 C.F.R. 403 to violate applicable federal regulations.

Section 8 - Pre-Treatment of Excess Pollutants: Persons discharging compatible pollutants in excess of the limits listed below shall be subject to review by the Township. The Township shall determine the type or amount of pre-treatment required at the user's expense, or may enter into a contract with the person making the discharge for the purpose of treating the pollutants for a fee and allowing the discharge. The discharge from a user shall be subject to the provisions of this article when the following limits are exceeded:

- (a). Five (5) day BOD greater than 250 mg/l;
- (b). Oil or grease greater than 100 mg/l;
- (c). Total phosphorus greater than 12 mg/l;
- (d). Average daily flow exceeding three (3) percent of the total daily design flow of the sewage treatment plant;
- (e). Suspended solids greater than 250 mg/l.
- (f). Any waste containing COD of 500 mg/l or greater.

Section 9 - Control Manholes: When the Township has determined that it is necessary to ascertain the character of discharge to the public sewage system, the owner of such property served by a sewer connection or connections shall install approved control manholes on the connections to allow observations, sampling and measurements of all substances discharged therein. The Township may require the user to sample and measure all substances discharged into the public sewer at user's expense. The Township may determine the frequency of the sampling and metering in any permits issued pursuant to this ordinance. The cost of the manholes and all equipment considered necessary by the Township for sampling and metering, and all installation and operation of the sampling and metering equipment shall be at the expense of the user. The Township shall approve all equipment prior to installation.

Section 10 - Control Manhole Locations: All control manholes shall be located on the user's property in an open and accessible area. The control manholes shall be constructed on the sewer connection. If the property is fenced, a gate shall be provided at the manhole location with provision for a lock to be provided to the Township. If the user does not want

direct access to his property for security or other reasons, he or she shall, at his or her expense, construct a security fence around the control manhole of an area acceptable to the Township. The Township may allow control manholes in the street right-of-way in an approved manner and location.

Section 11 - Location Drawings: The user shall provide an approved sketch to the Township for its records, showing the locations of all control manholes. The manholes shall be located from both street lines and building lines. The sketch shall show the roadways and access points to the control manholes and note entry limitations, if any, and the telephone number and person to contact for entrance when necessary and any other data considered pertinent by the Township. Each control manhole shall be identified by name and number assigned by the Township. Ample space shall be provided around the control manholes and shall be maintained free and clear by the owner at all times.

Section 12 - Right of Inspection: The Township may inspect the facilities of any user to determine whether the purpose of this ordinance is being met and all discharge requirements are being complied with. Persons or occupants of premises where sewage or other wastes are created or discharged shall allow the Township ready access and make provisions for emergency access, to all parts of the premises for the purposes of inspection or sampling or in the performance of such governmental function. Where a user has security measures in force, the user shall make necessary arrangements, acceptable to the Township, with his or her security, so that upon presentation of suitable identification, the Township representative will be permitted to enter without delay for the purposes of carrying out his or her responsibilities. If the control manhole is locked, a key to the control manhole shall be furnished to the Township.

Section 13 - Accidental Discharge: All persons discharging wastes to the sewage system shall notify the Township Clerk upon accidentally discharging wastes in violation of this ordinance. The notification shall be made as soon after the accidental discharge as possible but in no case more than 30 minutes after the accidental discharge is discovered. This notification shall be followed within fifteen (15) days, by a detailed written report, describing the causes of the accident and the measures being taken to prevent future occurrences. Dates shall be set for completion of such measures and the completion shall be reported to the Township Clerk. Notification will not relieve users of liabilities for any expense, loss or damage to the system or downstream, or for any fines imposed on the Township on account thereof.

Section 14 - Confidential Status of Information: All information and data obtained from a user shall be available to the public without restriction unless the user specifically requests the information be classified confidential on the basis of proprietary processes. When information is classified confidential, the Township shall provide proper and adequate facilities and procedures to safeguard the confidentiality of manufacturing proprietary processes, except that confidentiality shall not extend to waste products discharged to the waters of the state.

Section 15 - Measurements: All measurements, tests, and analyses of the characteristics of water and wastes to which reference is made in Article V, Sections 3 and 4, shall be determined in accordance with Standard Methods for the Examination of Water and

Sewage, and shall be determined at the control manhole provided for in Article V, Section 9 or upon suitable samples taken at said control manhole. In the event that no special manhole has been required, the control manhole shall be considered to be the nearest downstream manhole in the public sewer to the point at which the building sewer is connected. In addition to the "Standard Methods", all testing should conform with Guidelines Establishing Test Procedures for Analysis of Pollutants as published in October 16, 1973 Federal Register (40 CFR 136).

Section 16 - Special Agreement: No statement contained in this article shall be constructed as preventing any special agreement or arrangement between the Township and any industrial concern whereby an industrial waste of unusual strength or character may be accepted by the Township for treatment, subject to payment therefor by the industrial concern. The strength of any wastes referred to herein shall be determined under the requirements of Article V, Section 8. Nothing in this section shall permit the user from complying with the maximum concentration limits previously set forth in this ordinance or from complying with applicable federal regulations.

ARTICLE VI

EXTENSION OF PUBLIC SEWERS

Section 1 - Procedure Established: The procedures established in the article shall apply in charging and allocating the pro-rata share to benefitted property owners of all costs and expenses for extending any and all public sewers into any area where public sewers are not present.

Section 2 - Special Assessments: In certain instances the Township, by a majority vote of the entire board, may elect to extend public sewers and finance the project by use of a special assessment district. The charge to be assessed each property owner benefitted and served shall be calculated based on a formula as determined by the Township Board. The charge to each benefitted property owner shall be assessed at the time of project completion and shall be paid as specified by the Township. The charge shall bear interest at a rate as specified by the Township Board, compounded annually, accruing from the date of project completion to the date of payment.

Section 3 - Application: The owner of any property in the Township may connect to the Township sewage system pursuant to the provisions of this Article contingent upon the availability of capacity of the downstream sewage system. An owner who desires to connect to the Township sewage system shall file an application for sewer service extension with the Township Clerk and pay a non-refundable fee to be established by resolution of the Township Board. This fee shall be used by the Township to cover the costs of outlining the approximate material and specifications needed to complete the public sewer extension.

Section 4 - Route of Sewer Service Extensions: The route of any public sewer extension shall be within the rights-of-way of public streets and alleys or within public utility easements granted to and approved by the Township across private property. All excavation and other work performed within the rights-of-way of these public streets and alleys shall comply with the requirements of Article IV of this Ordinance.

Section 5 - Cost of Sewer Service Extensions:

- (a). As soon as possible after receiving the sewer extension application fee required under Section 3 above, the Township Clerk, or other township official or employee designated by the Township Board, shall provide the property owner with a written list of the approximate material and specifications needed to complete the public sewer extension and with a cost estimate of the proposed public sewer extension. The property owner shall then have ninety (90) days to inform the Township Clerk whether he or she desires to proceed with the public sewer extension. After the property owner informs the Township Clerk that he or she desires to proceed with the public sewer extension, the property owner shall deposit with the Township Clerk the amount of the cost estimate, which the Township shall use to pay for the extension. After the cost estimate amount has been deposited with the Township Clerk, the Township shall engage the services of an engineer and contractor to complete the public sewer extension in full compliance with the specifications and

requirements this Ordinance. If the property owner fails to inform the Township Clerk regarding his or her intent within this ninety (90) day period, this inaction shall be deemed a decision to abandon the plans for a public sewer extension.

- (b). After the public sewer extension project is completed, any costs incurred by the Township in the public sewer extension project that were not covered by the cost estimate deposit shall be paid to the Township by the property owner within thirty (30) days after a written invoice of those additional expenses are sent to the property owner. Any money from the cost estimate deposit that is not needed to pay for the public sewer extension project shall be returned to the property owner. The property owner shall then be entitled to reimbursement of a portion of the costs actually paid pursuant to Sections 7 and 8 below.

Section 6 - Additional Users:

- (a). The owners of property located between a public sewer prior to any extension and the property to be initially serviced by the public sewer extension (including the property across the street, alley, or public utility easement within which the public sewer extension is located) may tap into or make use of the extended public sewer by paying to the Township Clerk a sewer extension fee equal to the proportionate share of the total cost of extending the public sewer plus any interest provided in subsection (b) below. For purposes of this section, the proportionate share of the cost of extending the public sewer shall be calculated pursuant to the following formula:

$$[\text{Cost Paid Under } \S 6(b) \div (\text{Total Street Frontage of Other Property Capable of Development and Connection to the Extended Public Sewer}^*)] \times (\text{Total Street Frontage of Parcel Connecting to the Extended Public Sewer})$$

*A property is deemed capable of development and connection to the extended public sewer if that property is capable of development in terms of topography, wetlands, and zoning ordinance requirements such that it is reasonable to anticipate that connections to the extended public sewer may be made in the future.

- (b). The proportionate share of the cost of extending the public sewer shall be increased by an annual percentage rate to be determined by the Township Board at the time the public sewer extension project is approved (compounded annually) commencing one (1) year after the cost paid under Section 6(b) above by the property owner who initially requested the public sewer extension; provided, however, that this increase shall not extend for a period of more than five (5) years.

Section 7 - Reimbursement to Original Property Owner: Upon receipt of any payment under Section 7(a) above, the Township Clerk shall pay that amount forthwith to the property owner who paid the initial costs of the public sewer extension pursuant to Section 6(b) above. If the property owner who paid the initial costs of the public sewer extension is deceased, the payments received shall be paid to his or her personal representative or to other persons who by law would be entitled to inherit his or her estate as may be

determined by a court of competent jurisdiction. If the property owner who paid the initial costs of the public sewer extension cannot be found, or if no claim is made for reimbursement for a period of one (1) year from the date that payments under Section 7(a) have been received by the Township Clerk, the reimbursement under this section shall be deemed to have been waived and all monies so received shall be turned over and become a part of the Township sewer fund. Notwithstanding any other provision of this Ordinance to the contrary, no reimbursement shall be made to the original property owner after ten (10) years from the date the public sewer extension project is completed.

ARTICLE VII

USER CLASSIFICATION

Section 1 - User Classes: Recipients of wastewater collection and treatment services will belong to one of the four user classes listed and defined below:

Class I: Residential

All single and multi-family dwellings including duplexes, apartments and mobile homes.

Class II: Commercial

All retail stores, restaurants, motels, offices and other common business establishments including churches and lodges.

Class III: Institutional

All schools, hospitals and government facilities.

Class IV: Industrial

All manufacturing and processing facilities.

Section 2 - Appeal of Classification: The user may appeal his assigned classification by submitting a written appeal to the Township thirty (30) days in advance of a regularly scheduled Township meeting at which time the appeal will be heard.

ARTICLE VIII

CHARGES FOR WASTEWATER COLLECTION AND TREATMENT SERVICES

Section 1 - Public Utility:

- (a). The sanitary sewers and wastewater treatment facility of the service area shall be operated and maintained on a public utility basis in accordance with applicable federal regulations and the provisions of Act 94, Public Acts of Michigan, 1933, as amended.
- (b). The System shall be operated on the basis of an operating year commencing on April 1 and ending on March 31 of the succeeding year.

Section 2 - Sewer Use Charges - Purposes, Basis and Rates:

- (a). All premises which are required by the provisions of this ordinance to connect, either directly or indirectly, to the sanitary sewers of the service area shall pay Sewer Use Charges beginning on the date of connection to the wastewater collection system.
- (b). Sewer Use Charges will be established by the Township for the purpose of recovering the costs of operation, maintenance, repair, replacement, and capital improvements for the wastewater collection and treatment system;
- (c). Sewer Use Charges will be based on residential equivalent units (REUs), which shall be determined based on a table of residential equivalent unit factors that will be adopted and amended from time to time by resolution of the Township Board.

Section 3 - Development of Sewer Use Charges: Sewer Use Charges to recover operation, maintenance and replacement costs shall be computed as follows:

- (a). Estimate the annual operation, maintenance, repair, replacement, and capital improvements costs for the wastewater collection and treatment system (Annual Operating Costs).
- (b). Estimate the prior year's total REUs for the entire sewage system.
- (c). Compute the monthly Sewer Use Charge for each REU by dividing the estimated Annual Operating Costs by the estimated REUs and then dividing by twelve (12).
- (d). Each User of the sewage system shall then be required to pay the Sewer Use Charge for each REU times the number of REUs for that property.

Section 4 - Other Fees and Charges: In addition to Sewer Use Charges, the Township Board shall by separate resolution establish charges for the privilege of connecting to the system.

Section 5 - Establishment of Charges by Resolution: The Sewer Use Charges, surcharges and any fees to be imposed shall be in accordance with the respective schedule for such charges as established by the Township from time to time. Any changes of such charges shall be established by the Township Board by separate resolution.

Section 6 - Bills: Bills for Sewer Use Charges will be rendered monthly and will be payable without penalty within ten (10) days after the date thereon. Payments received after such period shall bear a late fee as established by the Township.

Section 7 - No Free Services: No free service shall be furnished by the system to any person, firm or corporation, public or private, or to any public agency or instrumentality.

ARTICLE IX

ALLOCATION OF REVENUES

Section 1 - Receiving Fund Accounts: The special assessments and revenues of the system shall be deposited into the following separate accounts:

- (a). Special Assessment Bond Debt Retirement Fund - All special assessment revenue must be deposited into this fund and all bond payments must be made from this fund.
- (b). Sewer System Use Fund - Except for the capital improvements, all user charges and fees must be deposited into this fund. The expenses for operating costs, including the installment purchase agreement payments, must be made from this fund.
- (c). Sewer Capital Improvement Fund - A portion of the current charges and fees should be deposited into this fund. Future repair costs should then be paid from this fund.
- (d). Bank Accounts - All monies belonging to any of the foregoing funds or accounts shall be kept in separate bank accounts.

Section 2 - Investments: Monies in any fund or account established by the provisions of this Ordinance may be invested in obligations of the United States of America in the manner and subject to the limitations provided in Act 94, Public Acts of Michigan, 1933, as amended. In the event such investments are made, the security representing the same shall be kept on deposit with the bank or trust company having on deposit the fund or funds from which such purchase was made. Income received from such investments shall be credited to the fund from which said investments were made.

ARTICLE X

PROTECTION FROM DAMAGE

Section 1 - Prohibited Acts; Penalty: No person shall maliciously, willfully, or negligently break, damage, destroy, uncover, deface, or tamper with any structure, appurtenance, or equipment which is a part of the Township sewage system. Any person violating this provision shall be guilty of a misdemeanor punishable by ninety (90) days in the county jail and/or a fine of Five Hundred (\$500.00) Dollars.

Section 2 - Liability: Any person violating any of the provisions of this ordinance shall become liable to the Township for any expense, loss, or damage occasioned the Township by reason of such violation.

Section 3 - Right of Entry: The Township and/or duly authorized representative(s) shall be permitted to enter all properties for purposes of inspection, observation, measurement, sampling and testing in accordance with the provisions of this ordinance whether or not an easement has been granted. The Township shall have no authority to inquire into any processes including metallurgical, chemical, oil, refining, ceramic, paper, or other industries beyond that point having a direct bearing on the kind and source of discharge to the sewerage system or waterways. This section may be enforced by an administrative search warrant issued by a court of competent jurisdiction.

Section 4 - Inspection of Records: The Township and/or duly authorized representative(s) shall have the authority to inspect and copy records of users relating to waste and the components thereof discharged into the Township sewer system. This section may be enforced by an administrative search warrant issued by a court of competent jurisdiction.

Section 5 - Emergency Powers: When any person violates a provision of this ordinance and such violation, in the opinion of the Township, would result in an actual or threatened discharge of waste which presents or may present an imminent or substantial endangerment to the health or welfare of persons, to the environment, causes interference to the POTW, or causes the Township to violate any conditions of its NPDES Permit, the Township may order the immediate suspension of all sewer service to that property at which the violation occurs. If the person notified of the immediate suspension of sewer service is unable or does not comply with that order, the Township shall take such steps as it deems necessary, including the immediate severance of the sewer connection, to prevent or minimize the health danger to any individual, the danger to the environment, the damage to the POTW, or the violation of its NPDES Permit. The Township shall reinstate sewer service to the property upon proof that the event causing the Township to take emergency action under this section has been eliminated. Within fifteen (15) days of the event triggering the Township's emergency powers, the user shall submit to the Township a detailed written explanation describing the cause of the violation and the measures taken to prevent any future occurrences.

ARTICLE XI

REVOCATION OF PERMITS

Section 1 - Revocation of Permits: Any permit issued under this ordinance may be revoked by the Township at any time for a violation of this ordinance, for a violation of a condition of the permit, or if the permit was issued on materially false or misleading information. Such revocation shall be in addition to any other penalty provided in this ordinance.

Section 2 - Notification of Violation: Before any permit is revoked, the Township Clerk shall send to the permit holder a written Notice of Revocation. The Notice shall describe the basis for the revocation and give thirty (30) days in which the permit holder shall correct the violation. The Notice may be served personally or may be sent by first-class mail to the last known address of the permit holder. The time period shall commence on the date of the personal service, or in the case of mailing, service shall be deemed to have taken place on the date of mailing.

Section 3 - Show Cause Hearing: If the permit holder does not correct the violation within the thirty (30) days provided in the Notice of Revocation, then the Township Board may, but is not required to, issue a Notice for a Show Cause Hearing before the board. The purpose of this hearing is to give the permit holder an opportunity to show cause why the permit should not be revoked. The Show Cause Notice shall specify the date, time, and location of the hearing. The Notice may be served personally or may be sent by first-class mail to the last known address of the permit holder. Any permit holder served with a Show Cause Notice as provided in this section shall not be required to attend the hearing.

ARTICLE XII

ENFORCEMENT

Section 1 - Enforcement: The charges and rates for sewer services authorized under the provisions of Section 21 of Act 94 of the Public Acts of 1933, as amended, shall constitute a lien on all premises served thereby whenever any such charges or rates shall be delinquent for six (6) months or more, unless notice is given that a tenant is responsible for the payment of all such charges and rates. On April 1st of each year, the Township Clerk shall certify to the tax assessing officers for the Township, the fact of such delinquency, whereupon such delinquent charges and rates shall be entered upon the next tax roll as charges against such premises and shall be collected and the lien thereof enforced in the same manner as general taxes against such premises; provided, however, where notice is given that a tenant is responsible for such charges and service as provided by Section 21 of Act 94 of the Public Acts of 1933, as amended, no further service shall be rendered to such premises until a cash deposit in an amount established by the Township Board shall have been made as security for payment of such charges and service.

ARTICLE XIII

PENALTIES

Section 1 - Violations; Penalties: Except as provided in Article X, Section 1, any person who violates any provision of this Ordinance shall be responsible for a municipal civil infraction as defined in Public Act 12 of 1994, amending Public Act 236 of 1961, being Sections 600.101-600.9939 of Michigan Compiled Laws, and shall be subject to a fine of not more than Five Hundred and 00/100 (\$500.00) Dollars. Each day in which any such violation shall continue shall be deemed a separate offense. The Township Supervisor and other officials named by the Township Board are hereby designated as an authorized Township official to issue municipal civil infraction citations directing alleged violators of this Ordinance to appear in court. In addition, the Township shall have the right to bring a civil lawsuit to enforce the provisions of this Ordinance, including an action for injunctive relief to enjoin continued violations of the Ordinance.

Section 2 - Liability: In addition to the penalties provided in Section 1 above, any person violating any of the provisions of this Ordinance shall be liable to the Township for any expense, loss, or damage incurred by the Township by reason of such violation.

ARTICLE XIV

ANNUAL REVIEW

Section 1 - Review: Once each year, within one hundred twenty (120) days after the close of the Township's fiscal year, the Township Supervisor, or other person designated by the Township Board, shall submit to the Township an annual review of all expenses of the sewer system for the previous fiscal year and shall include an opinion as to the adequacy of rates to cover these expenses. Special mention shall be made comparing the Sewer Use Charges to operation, maintenance, repair, replacement, and capital improvements costs. This report shall include a statement as to the proportionality of the Sewer Use Charge system.

ARTICLE XV

VALIDITY, REPEAL, AND SAVINGS CLAUSE

Section 1 - Repeal: Ordinance No. 22 and Ordinance No. 23, enacted on May 30, 2003, are hereby repealed in their entirety.

Section 2 - Validity: The invalidity of any section, clause, sentence, or provision of this ordinance shall not affect the validity of any other part of this ordinance which can be given effect without such invalid part or parts.

Section 3 - Savings Clause: The repeal of ordinance sections, as provided, shall not affect any rights acquired, fines, penalties, forfeitures or liabilities incurred thereunder or actions involving any of the provisions of said ordinance or parts thereof. Said ordinance or ordinance sections repealed is hereby continued in force and effect after the passage, approval and publication of this Ordinance for the purpose of such rights, fines, penalties, forfeitures, liabilities and actions therefor.

ARTICLE XVI

ENACTMENT

Section 1 - Enactment: This Ordinance shall become effective thirty (30) days following its publication in a newspaper of general circulation within the Township.

This Ordinance shall be published once, in full, in the *Petoskey News Review*, a newspaper of general circulation within the boundaries of the Township and qualified under State law to publish legal notices, within thirty (30) days after its passage, and the same shall be recorded in the Ordinance Book of the Township and such recording authenticated by the signatures of the Township Supervisor and Clerk.

Ordinance No. _____ was adopted on the 3rd day of September, 2014, by the St. James Township Board as follows:

Motion by: _____

Seconded by: _____

Yeas: _____

Nays: _____

Absent: _____

Jean Wierenga, Clerk

Marie Shimenetto, Deputy Supervisor

I certify that this is a true copy of Ordinance No. _____ that was adopted at a regular meeting of the St. James Township Board on September 3, 2014 and published in the *Petoskey News Review* on _____, 2014.

Dated: _____

Jean Wierenga, Clerk

APPENDIX B: TOWNSHIP AUDIT FOR FY 16/17

St. James Township Beaver Island, Michigan

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017



Vredeveld Haefner LLC
CPAs and Consultants

ST. JAMES TOWNSHIP

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10-11
Fund Financial Statements	
Balance Sheet - Governmental Funds	12
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Position of Governmental Activities on the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Net Position - Enterprise Funds	16
Statement of Revenues, Expenses, and Changes in Net Position - Enterprise Funds	17
Statement of Cash Flows - Enterprise Funds	18
Statement of Assets and Liabilities - Agency Fund	19
Notes to the Financial Statements	21-30
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	31
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Road Fund	32
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Fire Protection Fund	33
Combining and Individual Fund Statements and Schedules	
General Fund	
Schedule of Revenues - Budget and Actual	35
Schedule of Expenditures - Budget and Actual	36
Nonmajor Governmental Funds	
Combining Balance Sheet	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	38



Vredevelde Haefner LLC

CPAs and Consultants
10302 20th Avenue
Grand Rapids, MI 49534
Fax (616) 828-0307

Douglas J. Vredevelde, CPA
(616) 446-7474
Peter S. Haefner, CPA
(616) 460-9388

INDEPENDENT AUDITORS' REPORT

August 1, 2017

Township Board
St. James Township
Beaver Island, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of St. James Township, Beaver Island, Michigan, (the Township) as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township, as of March 31, 2017, 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 on pages 3 through 8 and the information on pages 31 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Orederold Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

St. James Township

Management's Discussion and Analysis

As management of St. James Township (the Township), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the year ended March 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- All township officers changed during the fiscal year; the former clerk, treasurer and supervisor were in office for approximately 2/3 of the fiscal year.
- The Township completed a study of the sewer fund billing and collection process and implemented a plan to bill and collect sewer fees
- The township adopted a Budget Document and Development Policy
- The township appointed a finance committee and implemented monthly finance meetings

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to St. James Township's financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

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

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

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

The government-wide financial statements include St. James Township (the *primary government*).

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

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

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

The Township maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, road, fire protection, and EMS funds, each of which is considered a major fund. Data is combined into a single aggregate presentation for the other governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements and schedules.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided as required supplementary information for each major fund to demonstrate compliance with those budgets.

Proprietary funds. The Township maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprise funds to account for its sewer and municipal dock operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and municipal dock operations, each of which are considered to be major funds of the Township.

Fiduciary fund. The fiduciary fund is used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This includes this management discussion and analysis and budget and actual comparisons for major funds.

Government-wide Financial Analysis

Statement of Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of St. James Township, assets exceeded liabilities by \$2,564,057 at the close of the most recent fiscal year.

A portion of the Township's net position reflects unrestricted net position which is available for future operations while a significant portion of net position is invested in capital assets (e.g., land, buildings and improvements, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Following is a summary of net position:

Summary of Net Position

	Governmental Activities		Business-type Activities		Totals	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 761,394	\$ 577,425	\$ 51,603	\$ 127,774	\$ 812,997	\$ 705,199
Internal balances	117,051	260,808	(117,051)	(260,808)	-	-
Capital assets, net	815,479	847,730	1,003,881	1,060,537	1,409,885	1,908,267
Total assets	1,693,924	1,685,963	938,433	927,503	2,632,357	2,613,466
Long-term liabilities	-	-	28,413	64,347	28,413	64,347
Other liabilities	38,331	52,700	1,556	4,017	39,887	56,717
Total liabilities	38,331	52,700	29,969	68,364	68,300	121,064
Net position						
Net investment in capital						
assets	815,479	847,730	975,468	996,190	1,790,947	1,843,920
Restricted	546,055	426,623	-	-	546,055	426,623
Unrestricted (deficit)	294,059	358,910	(67,004)	(137,051)	227,055	221,859
Total net position	\$1,655,593	\$1,633,263	\$908,464	\$859,139	\$2,564,057	\$2,492,402

The unrestricted deficit in business-type activities is the cumulative effect of insufficient or uncollected revenues in those activities.

Statement of Activities. Net position of the Township increased by \$60,429 with both the governmental activities and business-type activities showing an increase from prior balances. The governmental activities increase in net position of \$11,104 is primarily due to conservative spending of restricted revenue sources. The business-type activities increase in net position of \$49,325 was primarily the result of an interfund loan being forgiven.

The following table presents a summary of the changes in net position for the years ended March 31.

Summary of Activities						
	Governmental Activities		Business-type Activities		Totals	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenue						
Program revenue						
Charges for services	\$ 111,913	\$ 82,371	\$ 91,847	\$ 72,533	\$ 203,760	\$ 154,904
Operating grants and Contributions	93,597	158,314	30	-	93,627	158,314
Capital grants and contributions	-	-	-	111,500	-	111,500
General revenue						
Property taxes	637,710	574,237	-	-	637,710	574,237
State shared revenue	28,983	27,427	-	-	28,983	27,427
Other	224	210	42	34	266	244
Total revenue	872,427	842,559	91,919	184,067	964,346	1,026,626
Expenses						
Legislative	113,431	133,875	-	-	113,431	133,875
General government	126,481	106,731	-	-	126,481	106,731
Health and welfare	79,277	81,677	-	-	79,277	81,677
Public safety	220,004	149,051	-	-	220,004	149,051
Public works	108,306	161,759	-	-	108,306	161,759
Recreation and culture	108,921	97,636	-	-	108,921	97,636
Sewer	-	-	70,301	61,573	70,301	61,573
Municipal dock	-	-	77,196	98,961	77,196	98,961
Total expenses	756,420	730,729	147,497	160,534	903,917	891,263
Interfund loan forgiven by general fund	(104,903)	-	104,903	-	-	-
Increase in net position	11,104	111,830	49,325	23,533	60,429	136,363
Net position, beginning of year	1,644,489	1,521,433	859,139	835,606	2,503,628	2,357,039
Net position, end of year	\$1,655,593	\$1,633,263	\$908,464	\$859,139	\$2,564,057	\$2,492,402

Governmental Activities. During the year the Township invested \$220,004 or 29% of governmental activities expenses in public safety which includes sheriff, fire, zoning and ambulance services. Additionally, the Township invested \$126,481 or 17% of governmental activities expenses in general government while legislative, public works, health and welfare, and recreation and culture made up the remaining 54% of governmental activities expenses.

Business-type Activities. Business-type activities increased the Township's net position by \$49,325 compared to an increase of \$23,533 in the prior year.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$846,648, an increase of \$49,889 in comparison with the prior year. Of the \$840,114, \$294,059 is reported in the general fund. The remaining amount of fund balance is reported in various funds as non-spendable, restricted, committed, or assigned for certain uses depending on the nature of the restriction.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$294,059. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 75% of total general fund expenditures. Fund balance of the Township's general fund decreased by \$76,077.

At the end of the current fiscal year, fund balance of the road fund special revenue fund was \$364,934, an increase of \$70,603 from the previous year.

At the end of the current fiscal year, fund balance of the fire protection special revenue fund was \$161,248, an increase of \$46,918.

During the current fiscal year, taxes collected and remitted on behalf of EMS amounted to \$120,116 and is accounted for in the EMS special revenue fund. This increased substantially from last year due to an additional voted EMS millage.

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

Unrestricted net deficits reported in the sewer and municipal dock funds at the end of the year amounted to \$35,103 and \$31,901, respectively. The sewer fund had an increase in net position for the year of \$64,269 and the municipal dock fund had a decrease of \$14,944. Other factors concerning the finances of these funds have already been addressed in the discussion of the Township's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2017, amounted to \$1,819,360 (net of accumulated depreciation).

The Township's capital assets (net of depreciation) are summarized as follows:

Capital Assets			
	Governmental Activities	Business-type Activities	Total
Land	\$368,040	\$ -	\$ 368,040
Construction in progress	41,435	-	41,435
Buildings, equipment and infrastructure	406,004	1,003,881	1,409,885
Total	\$815,479	\$1,003,881	\$1,819,360

There were no significant additions during the year. Additional information on St. James Township capital assets can be found in Note 4 of these financial statements.

Debt. At the end of the current fiscal year, the Township had total debt outstanding of \$28,413 consisting of a sewer installment purchase agreement payable. Principle payments of \$35,934 were made on the sewer debt during the year which included the final \$30,000 payment on sewer bonds. Additional information on the Township's long-term debt can be found in Note 5 of these financial statements.

Budgetary Highlights

- Budgets were amended during the year.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Township's budget for the 2018 fiscal year:

- The Township anticipates a slight increase in property taxable values.
- The budget reflects projects anticipated at the time the budget was adopted.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report can be addressed by contacting the Township office at (231) 448-2014.

BASIC FINANCIAL STATEMENTS

ST. JAMES TOWNSHIP
STATEMENT OF NET POSITION
MARCH 31, 2017

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Assets			
Cash and cash equivalents	\$ 678,313	\$ 46,218	\$ 724,531
Internal balances	117,051	(117,051)	-
Accounts receivable	83,081	5,385	88,466
Capital assets, net			
Land	368,040	-	368,040
Construction in progress	41,435	-	41,435
Buildings, equipment and infrastructure	406,004	1,003,881	1,409,885
Total assets	1,693,924	938,433	2,632,357
Liabilities			
Accounts payable	33,604	1,556	35,160
Accrued liabilities	4,727	-	4,727
Noncurrent liabilities			
Due within one year	-	6,205	6,205
Due in more than one year	-	22,208	22,208
Total liabilities	38,331	29,969	68,300
Net position			
Investment in capital assets	815,479	975,468	1,790,947
Restricted for			
Roads	364,934	-	364,934
Fire protection	161,248	-	161,248
Liquor control	19,873	-	19,873
Unrestricted (deficit)	294,059	(67,004)	227,055
Total net position	\$ 1,655,593	\$ 908,464	\$ 2,564,057

The accompanying notes are an integral part of these financial statements.

ST. JAMES TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities					
Legislative	\$ 113,431	\$ -	\$ -	\$ -	\$ (113,431)
General government	126,481	109,451	4,800	-	(12,230)
Health and welfare	79,277	-	-	-	(79,277)
Public safety	220,004	1,200	67,996	-	(150,808)
Public works	108,306	-	-	-	(108,306)
Recreation and culture	108,921	1,262	20,801	-	(86,858)
Total governmental activities	756,420	111,913	93,597	-	(550,910)
Business-type activities					
Sewer	70,301	29,638	-	-	(40,663)
Yacht dock	77,196	62,209	30	-	(14,957)
Total business-type activities	147,497	91,847	30	-	(55,620)
Total primary government	\$ 903,917	\$ 203,760	\$ 93,627	\$ -	\$ (606,530)

(Continued)

The accompanying notes are an integral part of these financial statements.

ST. JAMES TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (550,910)	\$ (55,620)	\$ (606,530)
General revenues			
Property taxes			
General operating	201,236	-	201,236
Roads	96,872	-	96,872
Fire protection	46,610	-	46,610
Airport	48,047	-	48,047
Waste management	33,541	-	33,541
Emergency medical services	120,116	-	120,116
Historical society	12,011	-	12,011
Medical center	79,277	-	79,277
State shared revenues	28,983	-	28,983
Interest earnings	224	42	266
Interfund loan forgiven	(104,903)	104,903	-
Total general revenues	562,014	104,945	666,959
Change in net position	11,104	49,325	60,429
Net position, beginning of year, as restated	1,644,489	859,139	2,503,628
Net position, end of year	\$ 1,655,593	\$ 908,464	\$ 2,564,057

(Concluded)

The accompanying notes are an integral part of these financial statements.

ST. JAMES TOWNSHIP
GOVERNMENTAL FUNDS
BALANCE SHEET
MARCH 31, 2017

	<u>General</u>	<u>Road Fund</u>	<u>Fire Protection Fund</u>	<u>EMS</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Assets						
Cash and cash equivalents	\$ 213,726	\$ 294,155	\$ 170,432	\$ -	\$ -	\$ 678,313
Accounts receivable	49,783	7,352	3,536	9,188	13,222	83,081
Due from other funds	22,844	-	-	-	19,873	42,717
Advance due from other funds	41,500	65,000	-	-	-	106,500
Total Assets	\$ 327,853	\$ 366,507	\$ 173,968	\$ 9,188	\$ 33,095	\$ 910,611
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 9,194	\$ 857	\$ 1,143	\$ 9,188	\$ 13,222	\$ 33,604
Deposits held for others	4,727	-	-	-	-	4,727
Due to other funds	19,873	716	11,577	-	-	32,166
Total liabilities	33,794	1,573	12,720	9,188	13,222	70,497
Fund balances						
Non-spendable long term advance	41,500	65,000	-	-	-	106,500
Restricted	-	299,934	161,248	-	19,873	481,055
Unassigned	252,559	-	-	-	-	252,559
Total fund balances	294,059	364,934	161,248	-	19,873	840,114
Total liabilities and fund balances	\$ 327,853	\$ 366,507	\$ 173,968	\$ 9,188	\$ 33,095	\$ 910,611

The accompanying notes are an integral part of these financial statements.

ST. JAMES TOWNSHIP

**RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET POSITION OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION**

MARCH 31, 2017

Fund balances - total governmental funds	\$	840,114
---	----	---------

Amounts reported for *governmental activities* in the statement of net position are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets (net)		<u>815,479</u>
----------------------------	--	----------------

Net position of governmental activities	\$	<u>1,655,593</u>
--	----	------------------

The accompanying notes are an integral part of these financial statements.

ST. JAMES TOWNSHIP
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2017

	<u>General</u>	<u>Road Fund</u>	<u>Fire Protection Fund</u>	<u>EMS</u>	<u>Non major Funds</u>	<u>Total</u>
Revenues						
Property taxes	\$ 201,236	\$ 96,872	\$ 46,610	\$ 120,116	\$ 172,876	\$ 637,710
Intergovernmental revenues						
State	29,774	-	-	-	1,911	31,685
Contributions from local units	20,801	-	65,406	-	-	86,207
Penal fines, fees and charges	70,165	-	-	-	-	70,165
Donations	-	-	2,590	-	-	2,590
Interest	71	102	51	-	-	224
Miscellaneous	43,846	-	-	-	-	43,846
Total revenues	<u>365,893</u>	<u>96,974</u>	<u>114,657</u>	<u>120,116</u>	<u>174,787</u>	<u>872,427</u>
Expenditures						
Current						
Legislative	113,431	-	-	-	-	113,431
General government	116,452	-	-	-	-	116,452
Health and welfare	-	-	-	-	79,277	79,277
Public safety	13,475	-	65,441	120,116	-	199,032
Public works	-	26,371	-	-	81,588	107,959
Recreation and culture	93,709	-	-	-	12,011	105,720
Capital outlay	-	-	2,298	-	-	2,298
Total expenditures	<u>337,067</u>	<u>26,371</u>	<u>67,739</u>	<u>120,116</u>	<u>172,876</u>	<u>724,169</u>
Revenues over (under) expenditures	28,826	70,603	46,918	-	1,911	148,258
Other financing sources (uses)						
Forgiveness of amount due from other fund	(104,903)	-	-	-	-	(104,903)
Net changes in fund balances	(76,077)	70,603	46,918	-	1,911	43,355
Fund balances, beginning of year, as restated	<u>370,136</u>	<u>294,331</u>	<u>114,330</u>	<u>-</u>	<u>17,962</u>	<u>796,759</u>
Fund balances, end of year	<u>\$ 294,059</u>	<u>\$ 364,934</u>	<u>\$ 161,248</u>	<u>\$ -</u>	<u>\$ 19,873</u>	<u>\$ 840,114</u>

The accompanying notes are an integral part of these financial statements.

ST. JAMES TOWNSHIP

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED MARCH 31, 2017

Net changes in fund balances - total governmental funds	\$	43,355
--	-----------	---------------

Amounts reported for *governmental activities* in the statement of activities
are different because

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets are allocated over their estimated
useful lives and reported as depreciation expense.

Deduct - depreciation expense		<u>(32,251)</u>
-------------------------------	--	-----------------

Change in net position of governmental activities	\$	<u>11,104</u>
--	-----------	----------------------

The accompanying notes are an integral part of these financial statements.

ST. JAMES TOWNSHIP
ENTERPRISE FUNDS
STATEMENT OF NET POSITION
MARCH 31, 2017

	<u>Sewer</u>	<u>Municipal Dock</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 25,578	\$ 20,640	\$ 46,218
Receivables			
Accounts	2,268	-	2,268
Assessments	2,624	-	2,624
Tax roll	493	-	493
Total current assets	30,963	20,640	51,603
Noncurrent assets			
Capital assets, net	506,337	497,544	1,003,881
Total assets	<u>537,300</u>	<u>518,184</u>	<u>1,055,484</u>
Liabilities			
Current liabilities			
Accounts payable	-	1,556	1,556
Due to other funds	1,066	9,485	10,551
Current portion of advance due to other funds	13,000	8,000	21,000
Current portion of long-term debt	6,205	-	6,205
Total current liabilities	<u>20,271</u>	<u>19,041</u>	<u>39,312</u>
Long-term liabilities			
Long-term advance due to other funds	52,000	33,500	85,500
Long-term debt, net of current portion	22,208	-	22,208
Total long-term liabilities	<u>74,208</u>	<u>33,500</u>	<u>107,708</u>
Total liabilities	<u>94,479</u>	<u>52,541</u>	<u>147,020</u>
Net position			
Net investment in capital assets	477,924	497,544	975,468
Unrestricted (deficit)	(35,103)	(31,901)	(67,004)
Total net position	<u>\$ 442,821</u>	<u>\$ 465,643</u>	<u>\$ 908,464</u>

The accompanying notes are an integral part of these financial statements.

ST. JAMES TOWNSHIP
ENTERPRISE FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED MARCH 31, 2017

	<u>Sewer</u>	<u>Municipal Dock</u>	<u>Total</u>
Operating revenue			
Charges for services	\$ 29,638	\$ 62,209	\$ 91,847
Other	-	30	30
Total operating revenue	<u>29,638</u>	<u>62,239</u>	<u>91,877</u>
Operating expense			
Personnel	25,705	18,337	44,042
Repair and maintenance	11,978	2,927	14,905
Supplies and other	9,803	15,545	25,348
Contracted services	5,100	-	5,100
Depreciation	16,269	40,387	56,656
Total operating expense	<u>68,855</u>	<u>77,196</u>	<u>146,051</u>
Operating income (loss)	<u>(39,217)</u>	<u>(14,957)</u>	<u>(54,174)</u>
Non-operating revenue (expense)			
Interest income	29	13	42
Forgiveness of amount due to other fund	104,903	-	104,903
Interest expense	(1,446)	-	(1,446)
Total non-operating revenue (expense)	<u>103,486</u>	<u>13</u>	<u>103,499</u>
Changes in net position	64,269	(14,944)	49,325
Net position, beginning of year	<u>378,552</u>	<u>480,587</u>	<u>859,139</u>
Net position, end of year	<u>\$ 442,821</u>	<u>\$ 465,643</u>	<u>\$ 908,464</u>

The accompanying notes are an integral part of these financial statements.

ST. JAMES TOWNSHIP
ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2017

	<u>Sewer</u>	<u>Municipal Dock</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers and users	\$ 75,297	\$ 62,239	\$ 137,536
Payments to employees	(26,493)	(18,337)	(44,830)
Payments to suppliers	(28,381)	(18,645)	(47,026)
Net cash provided by (used in) operating activities	<u>20,423</u>	<u>25,257</u>	<u>45,680</u>
Cash flows from non-capital financing activities			
Payments made on advance from other funds	(31,770)	(17,500)	(49,270)
Loan (made to) received from other funds	1,066	9,350	10,416
Net cash provided by (used in) non-capital financing activities	<u>(30,704)</u>	<u>(8,150)</u>	<u>(38,854)</u>
Cash flows from capital and related financing activities			
Interest paid	(1,446)	-	(1,446)
Principal paid on long-term debt	(35,934)	-	(35,934)
Net cash provided by (used in) capital and related financing activities	<u>(37,380)</u>	<u>-</u>	<u>(37,380)</u>
Cash flows from investing activities			
Interest income	29	13	42
Net increase (decrease) in cash and cash equivalents	(47,632)	17,120	(30,512)
Cash and cash equivalents, beginning of year	73,210	3,520	76,730
Cash and cash equivalents, end of year	<u>\$ 25,578</u>	<u>\$ 20,640</u>	<u>\$ 46,218</u>
Cash flows from operating activities			
Operating income (loss)	\$ (39,217)	\$ (14,957)	\$ (54,174)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	16,269	40,387	56,656
Changes in operating assets and liabilities which provided (used) cash:			
Accounts receivable	45,659	-	45,659
Accounts payable	(1,500)	(173)	(1,673)
Accrued liabilities	(788)	-	(788)
Net cash provided by (used in) operating activities	<u>\$ 20,423</u>	<u>\$ 25,257</u>	<u>\$ 45,680</u>

Supplemental cash flows information

Non-cash transaction:

During the year, the amount of \$104,903 owed by the sewer fund was forgiven/written off by the general fund.

The accompanying notes are an integral part of these financial statements.

ST. JAMES TOWNSHIP
AGENCY FUND
STATEMENT OF ASSETS AND LIABILITIES
MARCH 31, 2017

Assets	
Cash and cash equivalents	\$ <u>52,061</u>
Total assets	\$ <u>52,061</u>
Liabilities	
Due to other governments	\$ <u>52,061</u>
Total Liabilities	\$ <u>52,061</u>

The accompanying notes are an integral part of these financial statements.

(This page left intentionally blank)

ST. JAMES TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

St. James Township, Beaver Island, Michigan (the "Township") operates under an elected Township Board of 5 members and provides services to its residents in many areas including police and fire protection, road maintenance, a municipal dock, sewer services, community enrichment and development, and health and welfare.

The accounting policies of the Township conform to generally accepted accounting principles (GAAP) as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

These financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the Township's operations, so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the financial statements to emphasize they are legally separate from the Township. The Township currently does not have any component units.

Joint Operations

St. James Township participates with neighboring Peaine Township to support the following operations on a 50-50 basis. The operations are controlled by, and reported in each of the Township's respective financial statements as follows:

- St. James Township:
 - Beaver Island Fire Department (fire protection fund)
 - Cemetery (included in general fund)
- Peaine Township
 - Waste management
 - Emergency Medical Services
 - Beaver Island Airport

The members of the governing boards are appointed by the Townships. The Townships have significant influence over the operations and are also accountable for their fiscal matters. The above units provide services exclusively to the Townships. The Joint operations are included as special revenue funds in the financial statements.

Government-wide and Fund Financial Statements

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

ST. JAMES TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges 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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period except grant revenues which are recognized when grant requirements are met, state shared revenue is recognized in the month in which taxes are collected, and interest revenue which is recorded when earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, state revenue, grant revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

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

The Township reports the following major governmental funds:

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

The *Road Fund* is used to account for the proceeds of a dedicated millage that is legally restricted to expenditures for streets within the Township.

ST. JAMES TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

The *Fire Protection Fund* is used to account for the proceeds of a dedicated millage that is legally restricted to expenditures for fire protection.

The *EMS Fund* is used to account for the proceeds of a dedicated millage that is legally restricted for emergency medical services.

The Township reports the following major proprietary funds:

The *Sewer Enterprise Fund* is used to account for the operations of the Township's sewer collection system that provides services on a user charge basis.

The *Municipal Dock Enterprise Fund* is used to account for seasonal and transient dock rental and the Township owned municipal dock.

Additionally, the Township reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Agency Fund* is used to account for the collection and disbursement of property taxes collected for and remitted to other governments.

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

Budgets and Budgetary Accounting

Comparisons to budget are presented for general and special revenue funds. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 1, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all funds except agency funds.
5. Budgets for the general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621. The appropriations ordinances are based on the projected expenditures budget of the Township. Any amendment to the original budget must meet the requirements of Public Act 621. The Township amended its budget during the year. Any revisions that alter the total expenditures of any activity must be approved by the Township Board.

Budgets for expenditures are adopted on an activity basis. Budgeted amounts are as originally adopted and amended by the Township Board.

ST. JAMES TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

Cash and Cash Equivalents

The Township's deposits are considered to be cash and cash equivalents because the balances consist of demand and savings deposits.

Investment Statutory Authority

State statutes and Township policy authorize the Township to invest in:

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

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are immaterial to the financial statements.

Due to and Due from Other Funds

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

Advances Due to and Due from Other Funds

Advances receivable and payable are long-term borrowings between funds and are re-paid over several years as determined by the Township Board.

Capital Assets

Capital assets, which include property, buildings, infrastructure, and equipment, are reported in the governmental and business-type activities column in the government-wide financial statements.

ST. JAMES TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

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

	<u>Years</u>
Buildings and improvements	40
Equipment	5
Land improvements	20
System Infrastructure	40-50

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the year of issuance. The face amount of debt issued and any premiums received are reported as other financing sources. Discounts on debt issuances are reported as an other financing use. Issuance costs are reported as expenditures.

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

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

Fund Balance can only be committed or assigned by the Township Board.

ST. JAMES TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

Interfund Transactions

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

Net Position and Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, then unrestricted resource as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Property Taxes

Township property taxes are attached as an enforceable lien on property as of December 1. Taxes are levied December 1 and are due without penalty on or before February 14. Real property taxes not collected as of February 14 are turned over to the County for collection, which advances the Township 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

Grants and Other Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2017, the Township carried commercial insurance to cover risks of losses. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

ST. JAMES TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgeted funds have been shown on an activity basis. The approved budgets of the Township for these budgeted funds were adopted at the activity level.

During the year ended March 31, 2017, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
General government			
Supervisor	\$17,588	\$22,270	\$(4,682)
Board of review	1,000	1,277	(277)
Hall and grounds	22,229	25,226	(2,997)
Public restrooms	1,915	2,200	(285)
Public safety			
Sheriff services	-	2575	(2,575)
Recreation and culture			
Lighthouse	-	62	(62)
Parks	75,886	93,647	(17,761)
Other financing uses			
Forgiveness of amount due from other fund	-	104,903	(104,903)
Road Fund			
Public works	26,270	26,371	(101)
Fire Protection Fund			
Public safety	65,076	65,441	(365)

3. CASH AND CASH EQUIVALENTS

The captions on the financial statements relating to cash and cash equivalents are as follows:

Governmental activities	\$678,313
Business-type activities	46,218
Fiduciary funds	52,061
	<u>\$776,592</u>

Cash and cash equivalents consist of amounts in various checking and savings accounts at March 31, 2017. These deposits are in financial institutions located in Michigan. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the Township and a specific fund or common account. They are recorded in Township records at fair value.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. As of year-end, \$529,570 of the Township's bank balance of \$779,570 was exposed to custodial credit risk because it was uninsured and uncollateralized.

ST. JAMES TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance April 1, 2016	Additions	Deletions	Balance March 31, 2017
Governmental Activities				
Capital assets not being depreciated				
Land				
Solely owned	\$ 51,530	\$ -	\$ -	\$ 51,530
Jointly owned	316,510			316,510
Construction in progress				
Solely owned	41,435	-	-	41,435
Total capital assets not being depreciated	409,475			409,475
Capital assets being depreciated				
Land improvements				
Solely owned	33,808	-	-	33,808
Buildings and improvements				
Solely owned	208,529	-	-	208,529
Jointly owned				
Fire fund	172,130	-	-	172,130
Other Township buildings	301,088	-	-	301,088
Equipment and furniture				
Solely owned	133,847	-	-	133,847
Jointly owned				
Fire fund	275,235	-	-	275,235
Total capital assets being depreciated	1,124,637	-	-	1,124,637
Less accumulated depreciation	686,382	32,251	-	718,633
Net capital assets being depreciated	438,255	(32,251)	-	406,004
Governmental Activities capital assets, net	\$ 847,730	\$ (32,251)	\$ -	\$ 815,479
Business-type Activities				
Buildings and improvements				
Jointly owned	\$1,011,513	\$ -	\$ -	\$1,011,513
Sewer system				
Solely owned	693,279	-	-	693,279
Total capital assets	1,704,792	-	-	1,704,792
Less accumulated depreciation	644,255	56,656	-	700,911
Business-type Activities capital assets, net	\$1,060,537	\$(56,656)	\$ -	\$1,003,881

ST. JAMES TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

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

Governmental Activities	
General government	\$ 9,967
Public safety	18,674
Culture and recreation	3,263
Public works	<u>347</u>
Total depreciation expense, governmental activities	<u>\$32,251</u>
Business-type Activities	
Sewer	\$16,269
Municipal dock	<u>40,387</u>
Total depreciation expense, business-type activities	<u>\$56,656</u>

5. LONG-TERM DEBT

The following is a summary of the debt activity of the Township for the year ended March 31, 2017.

	Balance April 1, 2016	Additions	Deletions	Balance March 31, 2017	Due Within One Year
Business-type Activities					
\$500,000 Special Assessment Unlimited Tax Bonds, payable in annual installments of \$30,000 through April 1, 2016, plus interest at 5.25%	\$30,000	\$ -	\$30,000	\$ -	\$ -
\$59,167 installment purchase agreement, payable in quarterly installments of \$1,845 through June 1, 2021, including interest at 4.5%	34,347	-	5,934	28,413	6,205
	<u>\$64,347</u>	<u>\$ -</u>	<u>\$35,934</u>	<u>\$28,413</u>	<u>\$6,205</u>

The annual requirements to amortize all debt outstanding as of March 31, 2017 are as follows:

Year Ended March 31	Business-type Activities	
	Principal	Interest
2018	\$6,205	\$1,175
2019	6,489	891
2020	6,786	594
2021	7,097	283
2022	<u>1,836</u>	<u>21</u>
Total	<u>\$28,413</u>	<u>\$2,964</u>

ST. JAMES TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

6. INTERFUND RECEIVABLES AND PAYABLES

Amounts due to and from other funds represent short-term loans between funds which consist of the following for the year ended March 31, 2017:

Receivable	Payable					Total
	General fund	Road Fund	Fire protection fund	Sewer Fund	Municipal dock fund	
General fund	\$ -	\$716	\$11,577	\$1,066	\$9,485	\$22,844
Road fund	-	-	-	-	-	-
Nonmajor funds	19,873	-	-	-	-	19,873
Total	\$19,873	\$716	\$11,577	\$1,066	\$9,485	\$42,717

Advances between funds represent long-term interfund loans payable through 2021 in varying amounts. Advances consist of the following at March 31, 2017:

Receivable	Payable		Total
	Sewer fund	Municipal dock fund	
General fund	\$ -	\$41,500	\$ 41,500
Road fund	65,000	-	65,000
Total	\$65,000	\$41,500	\$106,500

7. SUBSEQUENT EVENT

Subsequent to year end, the Township elected to transfer the Fire Department operations and assets to the Emergency Services Authority. The Fire Department operations will no longer be administered by the Township.

8. PRIOR PERIOD ADJUSTMENT

Beginning net position of governmental activities and beginning fund balance of the general fund were increased by \$7,000 to reclassify a payment made in a previous year against a liability account.

Beginning net position of governmental activities and beginning fund balance of the general fund were increased by \$4,226 to record beginning of year receivable for state shared revenue.

REQUIRED SUPPLEMENTARY INFORMATION

ST. JAMES TOWNSHIP
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Property taxes	\$ 263,675	\$ 226,532	\$ 201,236	\$ (25,296)
Intergovernmental revenues				
State	32,000	28,017	29,774	1,757
Local	41,000	41,000	20,801	(20,199)
Fees and service charges	42,300	41,525	70,165	28,640
Interest	-	-	71	71
Miscellaneous	11,000	120,503	43,846	(76,657)
Total revenues	<u>389,975</u>	<u>457,577</u>	<u>365,893</u>	<u>(91,684)</u>
Expenditures				
Current				
Legislative	81,608	163,979	113,431	50,548
General government	124,914	183,868	116,452	67,416
Public safety	13,900	11,268	13,475	(2,207)
Recreation and culture	91,350	75,886	93,709	(17,823)
Total expenditures	<u>311,772</u>	<u>435,001</u>	<u>337,067</u>	<u>97,934</u>
Revenues over (under) expenditures	78,203	22,576	28,826	6,250
Other financing sources (uses)				
Forgiveness of amount due from other fund	-	-	(104,903)	(104,903)
Net changes in fund balance	78,203	22,576	(76,077)	(98,653)
Fund balance, beginning of year, as restated	<u>370,136</u>	<u>370,136</u>	<u>370,136</u>	<u>-</u>
Fund balance, end of year	<u>\$ 448,339</u>	<u>\$ 392,712</u>	<u>\$ 294,059</u>	<u>\$ (98,653)</u>

ST. JAMES TOWNSHIP
ROAD FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Property taxes	\$ 105,908	\$ 105,000	\$ 96,872	\$ (8,128)
Interest	80	80	102	22
Total Revenues	105,988	105,080	96,974	(8,106)
Expenditures				
Current				
Public Works				
Roads	256,000	26,270	26,371	(101)
Revenues over (under) expenditures	(150,012)	78,810	70,603	(8,207)
Other financing sources				
Transfers in	46,770	31,770	-	(31,770)
Net changes in fund balance	(103,242)	110,580	70,603	(39,977)
Fund balance, beginning of year	294,331	294,331	294,331	-
Fund balance, end of year	\$ 191,089	\$ 404,911	\$ 364,934	\$ (39,977)

ST. JAMES TOWNSHIP
FIRE PROTECTION FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Property taxes	\$ 119,452	\$ 99,659	\$ 46,610	\$ (53,049)
Intergovernmental revenue				
Local	-	-	65,406	65,406
Donations	2,000	2,590	2,590	-
Interest	100	37	51	14
Total Revenues	<u>121,552</u>	<u>102,286</u>	<u>114,657</u>	<u>12,371</u>
Expenditures				
Current				
Public Safety				
Fire department	73,800	65,076	65,441	(365)
Capital outlay	3,000	2,930	2,298	632
Total expenditures	<u>76,800</u>	<u>68,006</u>	<u>67,739</u>	<u>267</u>
Net changes in fund balance	44,752	34,280	46,918	12,638
Fund balance, beginning of year	<u>114,330</u>	<u>114,330</u>	<u>114,330</u>	<u>-</u>
Fund balance, end of year	<u>\$ 159,082</u>	<u>\$ 148,610</u>	<u>\$ 161,248</u>	<u>\$ 12,638</u>

(This page left intentionally blank)

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

ST. JAMES TOWNSHIP

**GENERAL FUND
SCHEDULE OF REVENUES
BUDGET AND ACTUAL**

FOR THE YEAR ENDED MARCH 31, 2017

	Budget Amounts		Actual Amount	Variance Positive Negative
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 263,675	\$ 226,532	\$ 201,236	\$ (25,296)
Intergovernmental revenues				
State shared revenues	32,000	28,017	28,983	966
Other state revenues	-	-	791	791
Peaine Township reimbursements	41,000	41,000	20,801	(20,199)
Total intergovernmental revenues	73,000	69,017	50,575	(18,442)
Fees and service charges				
Tax collection	-	-	25,497	25,497
Building and zoning	3,000	2,462	1,200	(1,262)
Camping fees	-	-	1,262	1,262
Rental	39,300	39,063	42,206	3,143
Total fees and service charges	42,300	41,525	70,165	28,640
Interest	-	-	71	71
Other revenue				
Miscellaneous	11,000	120,503	43,846	(76,657)
Total Revenues	\$ 389,975	\$ 457,577	\$ 365,893	\$ (91,684)

ST. JAMES TOWNSHIP
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2017

Expenditures	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Current				
Legislative				
Board	\$ 81,608	\$ 163,979	\$ 113,431	\$ 50,548
General government				
Supervisor	16,867	17,588	22,270	(4,682)
Elections and registration	3,000	2,552	2,552	-
Clerk	36,852	58,865	24,577	34,288
Board of review	2,000	1,000	1,277	(277)
Assessor	17,000	17,337	15,220	2,117
Treasurer	17,295	61,057	21,805	39,252
Hall and grounds	27,500	22,229	25,226	(2,997)
Public restrooms	3,500	1,915	2,200	(285)
Cemetery	900	1,325	1,325	-
Total general government	124,914	183,868	116,452	67,416
Public Safety				
Sheriff services	4,800	-	2,575	(2,575)
Ambulance services	-	3,018	3,018	-
Zoning and planning	9,100	8,250	7,882	368
Total public safety	13,900	11,268	13,475	(2,207)
Recreation and culture				
Lighthouse	-	-	62	(62)
Parks	91,350	75,886	93,647	(17,761)
Total recreation and culture	91,350	75,886	93,709	(17,823)
Total expenditures	\$ 311,772	\$ 435,001	\$ 337,067	\$ 97,934

ST. JAMES TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2017

	<u>Special Revenue Funds</u>					<u>Total</u>
	<u>Airport</u>	<u>Waste Management</u>	<u>Medical Center</u>	<u>Historical Society</u>	<u>Liquor Control</u>	
Assets						
Accounts receivable	\$ 3,675	\$ 2,565	\$ 6,064	\$ 918	\$ -	\$ 13,222
Due from other funds	-	-	-	-	19,873	19,873
Total assets	<u>\$ 3,675</u>	<u>\$ 2,565</u>	<u>\$ 6,064</u>	<u>\$ 918</u>	<u>\$ 19,873</u>	<u>\$ 33,095</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 3,675	\$ 2,565	\$ 6,064	\$ 918	\$ -	\$ 13,222
Fund balances						
Restricted						
Public safety	-	-	-	-	19,873	19,873
Total liabilities and fund balances	<u>\$ 3,675</u>	<u>\$ 2,565</u>	<u>\$ 6,064</u>	<u>\$ 918</u>	<u>\$ 19,873</u>	<u>\$ 33,095</u>

ST. JAMES TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2017

	Special Revenue Funds					<u>Total</u>
	<u>Airport</u>	<u>Waste Management</u>	<u>Medical Center</u>	<u>Historical Society</u>	<u>Liquor Control</u>	
Revenues						
Taxes	\$ 48,047	\$ 33,541	\$ 79,277	\$ 12,011	\$ -	\$ 172,876
Intergovernmental revenues						
State	-	-	-	-	1,911	1,911
Total revenues	<u>48,047</u>	<u>33,541</u>	<u>79,277</u>	<u>12,011</u>	<u>1,911</u>	<u>174,787</u>
Expenditures						
Current						
Health and Welfare	-	-	79,277	-	-	79,277
Public works	48,047	33,541	-	-	-	81,588
Recreation and culture	-	-	-	12,011	-	12,011
Total expenditures	<u>48,047</u>	<u>33,541</u>	<u>79,277</u>	<u>12,011</u>	<u>-</u>	<u>172,876</u>
Net changes in fund balances	-	-	-	-	1,911	1,911
Fund balances, beginning of year	-	-	-	-	17,962	17,962
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,873</u>	<u>\$ 19,873</u>

APPENDIX C: ADOPTED REU SCHEDULE & UNITS

ST. JAMES TOWNSHIP
2016 Rate Study
Schedule of Residential Equivalent Units

ADOPTED 11-Nov-2016

9/28/2017:12:11 PM
v.1.2

PROPERTY ID	TAXPAYER	2014 REU VALUE	USE	CRITERIA (1)	AREAS (sf) (2)	SEATING CAP.	ROOMS	FIXTURES	CALC. REUS	ADJUSTED REUS	DIFF.	\$39/REU Rate
15013-575-001-40	ALBIN, WM K & CHRISTINE	1.56	Retail Store	1.00/premise + 0.30/1,000 sf	2134 gross (gr.)				1.64	1.64	0.08	\$ 54.12
15013-222-036-15	BEAVER ISLAND BOAT COMPANY	8.00	Ferry Boat Terminal	8.00/premise		466 (2)			7.92	7.92	(0.08)	\$ 261.36
15013-575-002-50	BEAVER ISLAND HISTORICAL SOC OF MICHIGAN	1.18	Museum	0.50/1,000 sf	2472 gr.				1.24	1.24	0.06	\$ 40.92
15013-222-049-10	BEAVER ISLAND PRESERVATION ASSOCIATION	3.20	Theater; Snack Bar; Public Institution	Theater: 2.00/theater; Public Inst: 0.75/1,000 sf; Restaurant: 0.40/1,000 sf	7540 gr.; assume 3200 = theater; 500 sf food service (8)				5.98	5.98	2.78	\$ 197.34
15013-222-049-20	BEAVER ISLAND TRANSPORTATION AUTHORITY	1.54	Office Bldg	0.40/1,000 sf	1632 gr.				0.65 (1)	1.00	(0.54)	\$ 33.00
15013-222-029-10	BONACORD, ION & SUZANNE	1.59	Retail Store	1.00/premise + 0.30/1,000 sf	1352 gr.				1.49	1.49	(0.10)	\$ 49.17
15013-222-035-00	CULL, DENNIS	1.00	Residence	1.00	1696 gr.				1.00	1.00	0.00	\$ 33.00
15013-575-004-00	CULL, ROBERT D	1.00	Residence	1.00	1.00 (2)				1.00 (2)	1.00	0.00	\$ 33.00
15013-579-010-00	CUSHMAN, CYNTHIA R GILLESPIE & DUSTIN	1.00	Residence	1.00	1600 gr.				1.00	1.00	0.00	\$ 33.00
15013-575-009-10	DIOCESE OF SAYLORD	3.20	Church Fellowship Hall	1.0/1,000 sf	4026 gr.				4.03	4.03	0.83	\$ 132.99
15013-575-001-92	ELSMWORTH, ROY H LIVING TRUST	5.00	Hotel; Motel; Restaurant (with Bar);	0.40/room; 1.00 residence; 0.54/washer	10				5.54	5.54	0.54	\$ 182.82
15013-222-043-10	EMERALD ISLE INVESTMENTS LTD	13.25	warehouse	3.00/1,000 sf (restaurant); 0.1/1,000 sf warehouse	4292 gr. 940 sf storage				10.15	10.15	(3.10)	\$ 334.95
15013-222-028-00	EW MARINE INC	1.00	Residence	1.00	300 gr.				1.00	1.00	0.00	\$ 33.00
15013-222-023-00	GACEK, THERESA 1/2 INT MATELA RAYMOND A	1.00	Residence	1.00	1985 gr.				1.00	1.00	0.00	\$ 33.00
15013-222-049-15	GILLESPIE, RICHARD L & LAURA L HAMMERMEISTER, DONALD K & CHRISTINA	1.60	Office Bldg	0.40/1,000 sf	1800 gr.				0.72 (1)	1.00	(0.60)	\$ 33.00
15013-575-003-10	HARMON, JUDITH C	1.00	One-Family Residence	1.00	2528 gr.				1.00	1.00	0.00	\$ 33.00
15013-579-012-00	HODGSON FINANCIAL ENTERPRISES	1.00	Residence	1.00	1534 gr.				1.00	1.00	0.00	\$ 33.00
15013-222-036-10	HODGSON FINANCIAL ENTERPRISES	6.54	Bar; residence upstairs warehouse	3.00/1,000 sf; 1.00; warehouse	2100 - 1st fl. 163 sf warehouse				6.83	6.83	0.29	\$ 225.39
15013-222-038-10	HODGSON FINANCIAL ENTERPRISES	3.18	Convenience store; residence	1.00/1,000 sf; 1.00; 0.1/1,000 sf warehouse	2250 - 1st fl. 522 sf warehouse				2.78	2.78	(0.40)	\$ 91.74
15013-575-001-00	JOHNSON, JOHN A	1.56	Office Bldg	0.40/1,000 sf	896 gr.				0.36 (1)	1.00	(0.56)	\$ 33.00
15013-222-027-00	KING STRANS HOTEL CLUB INC	3.00	Motel; Boarding house	4 motel rooms @ 0.40/room; 15 boarding house rooms @ 1.0/premise + 0.25/room (7)	7504 gr.				6.35	6.35	3.35	\$ 209.55
15013-579-011-00	KOOL, THADEUS M & SUEAN M	1.00	Residence	1.00	960 gr.				1.00	1.00	0.00	\$ 33.00
15013-222-030-10	MARRQUIN, RAPHAEL	1.00	Residence	1.00	792 gr.				1.00	1.00	0.00	\$ 33.00
15013-575-005-00	MASINI, MARY KAY (MCDONOUGH)	1.00	Residence	1.00	2104 gr.				1.00	1.00	0.00	\$ 33.00

PLEASE SUBMIT YOUR WRITTEN COMMENTS IN SUPPORT OR AGAINST PORTIONS OF THIS REU SCHEDULE 'WORK-IN-PROGRESS' TO:
STJAMES@STJAMESMI.COM;
OR TO
ST. JAMES TOWNSHIP, PO BOX 42, BEAVER ISLAND, MI 49782

ST. JAMES TOWNSHIP
2016 Rate Study
Schedule of Residential Equivalent Units

ADOPTED 11-Nov-2016

9/28/2017 12:11 PM
v.1.2

PROPERTY ID	TAXPAYER	2014 REU VALUE	USE	2002 CRITERIA (a)	* AREAS (sf) ^(b)	SEATING CAP.	ROOMS	FIXTURES	CALC. REUs	Adjusted REUs	DIFF.	\$\$\$/REU Rate
15013-222-040-00	MC DONOUGH, THOMAS K & LAURIE K	1.00	Residence	1.00	768 gr.				1.00	1.00	0.00	\$ 33.00
15013-222-031-00	NACKERMAN HARBORFRONT LLC	1.58	Retail Store, Residence	1.00/premise+0.30/1000 sf,	2576 gr.							
15013-579-009-00	PAVILION LAND HOLDINGS LTD	1.00	Residence	1.00	1536 1st fl. gr.				1.00	1.00	0.00	\$ 33.00
				Retail: 1.00/premise + 0.30/1000 sf;	1920 gr.							
15013-575-001-55	POWERS, JEFFREY F	3.15	Retail Store; Two-Family Residence; Warehouse	Residence: 0.1/1000sf; Warehouse: 2.00/building	7944 gr.; Bmt 3972 gr.				4.59 ^(d)	4.59	1.44	\$ 151.47
15013-575-001-94	POWERS, JEFFREY F	3.00	Retail Store; Veterinary Facility; Residence	Veterinary facility: 1.50/2000 sf; Residence: 1.00/dwelling	3568 gr.				3.02 ^(b)	3.02	0.02	\$ 99.66
15013-222-028-00	ST JAMES YACHT CLUB	1.00	Recreation Only	0.083/member	2256 gr.	18			1.49	1.49	0.49	\$ 49.17
15013-222-047-10	TOWNSHIP OF ST JAMES	1.00	Public Restroom	No criteria in SIT; other = 1.08/fixture	*				8.64 ^(d)	8.64	7.64	\$ 285.12
15013-222-045-00	TOWNSHIP OF ST JAMES	7.00	Marina; laundry; 2 restrooms w/showers	0.25/slip; 0.54/washer; 1.0 office; 2 rest rooms w/showers @ 1.00 REU (yachters only)	25 slips 1 washer				8.79	8.79	1.79	\$ 290.07
15013-222-029-00	WOOD, KATHLEEN	1.00	chamber office Residence	1.00	3582 gr.	2 Bath			1.00	1.00	0.00	\$ 33.00
TOTALS:		84.13							98.06	13.93	\$ 3,235.98	

* NO SPECIFIC CRITERIA GIVEN IN THE TOWNSHIP ORDINANCE; Researched other schedules to obtain a reasonable value.

(a) 1.00 minimum fee per month; based upon "Schedule of Unit Factors" used in 2002.

(b)

Value was compared to other schedule of 0.017/Passenger for transportation terminals including ferry facilities.

(c) Vacant for several months (Maudie's parcel)

(d) Without basement retail; REU value increases to 5.38 if basement retail is included.

(e) Estimating veterinary space

(f) Public restroom arbitrary on the SIT schedule; research other REU schedules = 1.08/plumbing fixture

(g) Based upon 4 rooms with private bath (motel); and 15 rooms boarding house

(h) Information taken from Township Tax records and information provided.

PLEASE SUBMIT YOUR WRITTEN COMMENTS IN SUPPORT OR AGAINST
PORTIONS OF THIS REU SCHEDULE 'WORK-IN-PROGRESS' TO:
STJAMESTWP.BIGMAIL.COM;
OR TO

ST. JAMES TOWNSHIP, PO BOX 42, BEAVER ISLAND, MI 49782

APPENDIX D: ADMINISTRATIVE RULES & POLICIES

St. James Township
Sewer System Administrative Guidelines
12-Dec-17

St. James Township

SEWER SYSTEM ADMINISTRATIVE RULES

NOTE: Please refer to 2017 Rate Study Appendix H, for proposed changes to the Ordinance. After the township board receives public comments, ordinance revisions will result in revisions to the administrative rules.

BOOKKEEPING

ELECTRONIC RECEIPT OF INVOICE: Customers may request e-Delivery of their sewer invoice by completing a short application. Email StJames.BI@gmail.com to obtain a form.

SERVICE CHARGES

SEWER USE AND RATE ORDINANCE FOR ST. JAMES TOWNSHIP

ARTICLE VIII: CHARGES FOR WASTEWATER COLLECTION AND TREATMENT SERVICES

Section 6 - Bills: Bills for Sewer Use Charges will be rendered monthly and will be payable without penalty within ten (10) days after the date thereon. Payments received after such period shall bear a late fee as established by the Township.

PAYMENT DUE DATE: Per Ordinance requirements, invoices are due within 10 days after the date of the invoice.

LATE FEE: Invoices that are paid after the 10 day due date, and before 20 days following the date of the invoice are considered past due, but will *not* incur a late fee. Balances that remain unpaid more than 20 days after invoice date, will incur a late fee of 3%, applied to the unpaid balance each billing period.
Eff. Jan 1, 2017

Sewer payments are to be applied to the most recent amounts due first; followed by the next most recent amounts; with the oldest amounts due remaining until all more recent payments have been applied.

RATE ENFORCEMENT

SEWER USE AND RATE ORDINANCE FOR ST. JAMES TOWNSHIP

ARTICLE XII: ENFORCEMENT

Section 1 - Enforcement: The charges and rates for sewer services authorized under the provisions of Section 21 of Act 94 of the Public Acts of 1933, as amended, shall constitute a lien on all premises served thereby whenever any such charges or rates shall be delinquent for six (6) months or more, unless notice is given that a tenant is responsible for the payment of all such charges and rates. On April 1st of each year, the Township Clerk shall certify to the tax assessing officers for the Township, the fact of such delinquency, whereupon such delinquent charges and rates shall be entered upon the next tax roll as charges against such premises and shall be collected and the lien thereof enforced in the same manner as general taxes against such premises; provided, however, where notice is given that a tenant is responsible for such charges and service as provided by Section 21 of Act 94 of the Public Acts of 1933, as amended, no further service shall be rendered to such premises until a cash deposit in an amount established by the Township Board shall have been made as security for payment of such charges and service.

ANNUAL PAYMENT DELINQUENCY REPORT: In accordance with Ordinance requirements, the Township Clerk shall certify to the tax assessing officers for the Township on April 1st of each year, the fact of such delinquency of 6 months or more, whereupon such delinquent charges and rates shall be entered upon

St. James Township
Sewer System Administrative Guidelines
12-Dec-17

the upcoming summer tax roll as charges against such premises and shall be collected and the lien thereof enforced in the same manner as general taxes against such premises.

Delinquent sewer accounts which are entered upon the tax roll are subject to an additional processing fee of 15% of the delinquent balance, also to be added to the tax roll.
Eff. July 1, 2015

The Township may send the delinquent sewer user a notice of such delinquency via certified mail during the last quarter of the township's fiscal year.

TENANT RESPONSIBILITY FOR PAYMENT: Notice is deemed given that a tenant is responsible for payment of sewer use charges and fees upon receipt of the following: 1) application to the Township by both Landlord and Tenant; and 2) Landlord deposit and replenishment of security in an amount of 10 times the property REUs times the sewer use rate in effect at the time of application or renewal.
Eff. July 1, 2015

Customers may request transfer of payment responsibility to a building tenant, by submitting a security deposit and completing a short application. Email StJames.BI@gmail.com to obtain a form.

PENALTIES

SEWER USE AND RATE ORDINANCE FOR ST. JAMES TOWNSHIP

ARTICLE VIII: CHARGES FOR WASTEWATER COLLECTION AND TREATMENT SERVICES

Section 7 - No Free Services: No free service shall be furnished by the system to any person, firm or corporation, public or private, or to any public agency or instrumentality.

ARTICLE XIII: PENALTIES

Section 1 - Violations; Penalties: Except as provided in Article X, Section 1, any person who violates any provision of this Ordinance shall be responsible for a municipal civil infraction as defined in Public Act 12 of 1994, amending Public Act 236 of 1961, being Sections 600.101-600.9939 of Michigan Compiled Laws, and shall be subject to a fine of not more than Five Hundred and 00/100 (\$500.00) Dollars. Each day in which any such violation shall continue shall be deemed a separate offense. The Township Supervisor and other officials named by the Township Board are hereby designated as an authorized Township official to issue municipal civil infraction citations directing alleged violators of this Ordinance to appear in court. In addition, the Township shall have the right to bring a civil lawsuit to enforce the provisions of this Ordinance, including an action for injunctive relief to enjoin continued violations of the Ordinance.

Section 2 - Liability: In addition to the penalties provided in Section 1 above, any person violating any of the provisions of this Ordinance shall be liable to the Township for any expense, loss, or damage incurred by the Township by reason of such violation.

APPENDIX E: CONDITION EVALUATION

On Tuesday, August 22, 2017 at 9:00 am, a partial field review of the sewer system was conducted by Darrell Butler and Maureen Turner. Specifically:

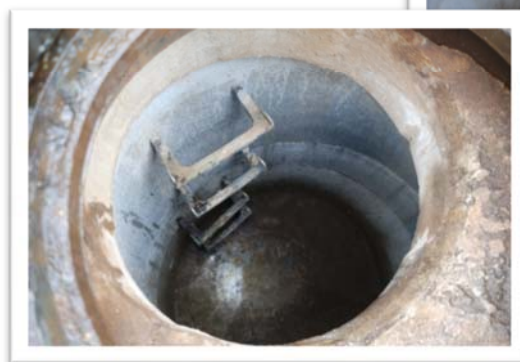
- The wet well cover was removed and its condition noted;
- Manhole (MH) covers were removed in the gravity portion of the sewer system, to observe the condition of the structure and any visible pipes and connections; to evaluate flows and effluent; and
- A sample of structure covers were removed at the septic tank and drain field site.

This appendix details observations made during the field visit.

Manhole 1+36

This MH is located in the intersection of Main Street and Bonner Street (near Holy Cross Hall). This MH is constructed at the upstream end of the system. From this MH, sewage flows downstream toward the wet well.

The structure is in good condition.



Manhole 5+22



This MH is located near the center of Main Street and the southerly side of Forest Street, in the intersection (near Beaver Island Historical Society building). Flows from properties south of this intersection continue through this manhole toward the wet well at the municipal dock.

This structure is in generally good condition, and flows are unobstructed.

Manhole 8+66

This MH is located on the east side of the roadway, in front of 26235 Main Street (Harbor Market). Flows generated from properties to the south continue through this MH, flowing to the wet well at the municipal dock.



The photos show the presence of grease in the line. Grease is not a permitted discharge, and can cause serious issues (and expensive repair or reconstruction) throughout the sewer system.

Manhole 11+82

This MH is located on the east side of the roadway, between the Boat Company and the St. James Township municipal dock. This MH channels flows from both of the lateral segments (flowing from Holy Cross Hall area, and flowing from the MH near Gacek/Matels home), into the wet well.

This structure also looks fairly good.



Manhole 19+75

This MH is located near the center of the roadway, in front of 26080 Main Street (Gacek/Matela). The MH is at the top end of the north segment of gravity sewer.

The structure is in satisfactory condition.

Manhole 15+45

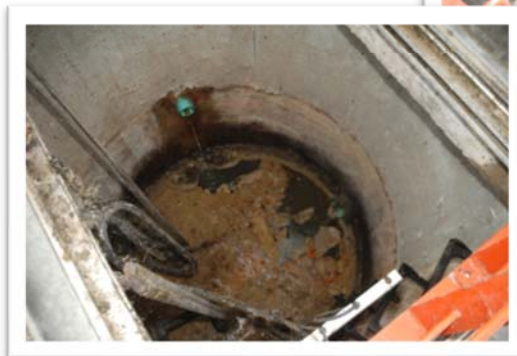
This MH is located on the east side of the roadway, in front of 26135 Main Street (Nackerman).

The structure is in generally good condition, but it appears that flows are restricted.



Wet Well

The wet well is located on St. James Township property, between the municipal yacht dock building and the north fence of the Beaver Island Boat Company property. The wet well receives sewage from the 8-inch diameter gravity line flowing out of MH 11+82 and all the properties serviced by the system. When the wet well reaches capacity, high water floats trigger a pump to empty the well. The sewage is then pumped uphill in a 3-inch diameter pipe to the septic treatment tanks and drain fields on Donegal Bay Road.



Septic & Drain Field Site



Septic Tank

One of two tanks was opened for review.



Effluent Filter

One filter tank was also reviewed, and found to be in good condition.

Dosing Tank

Note that the protective coating has begun to erode just below the cover. If left unrepaired, the concrete will likely erode further.



APPENDIX F: PUBLIC HEARING NOTICE

ST. JAMES TOWNSHIP BOARD
NOTICE OF PUBLIC HEARING
REGARDING
DRAFT 2017 SEWER RATE STUDY

PLEASE TAKE NOTE that the St. James Township Board will hold a public hearing on the **Draft 2017 Sewer Rate Study** on Wednesday, November 1, 2017, at 7:00 p.m. in the St. James Township Hall located at 37735 Michigan Ave., Beaver Island, Michigan. The Board desires to receive public comments concerning the study. A printed copy of the Draft 2017 Sewer Rate Study is available for review at the St. James Township Hall, Beaver Island Governmental Center, and Beaver Island District Library. An electronic copy (*.pdf format) of the draft sewer rate study may be obtained by email request to stjamestownship.bi@gmail.com; by download at http://stjamestownship.org/government_departments/st_james_township_sanitary_sewer_system/index.php or by contacting the Township Clerk. The public is invited to attend and present its comments on the draft sewer rate study. Written comments may be submitted at the public hearing or may be sent to the St. James Township Clerk at P.O. Box 85, Beaver Island, Michigan 49782 before the public hearing.

Any person with a disability who needs accommodations for participation in this meeting should contact St. James Township clerk Alice Belfy at (231) 675-1044 or (231) 448-2761.

Alice Belfy, St. James Township Clerk
COUNTY OF CHARLEVOIX

APPENDIX G: PUBLIC INPUT

No written and/or verbal input was received during the public comment period and the public hearing.

APPENDIX H: RECORD OF DECISION

St James Township Resolution #2017.12.12.01

**Authorizing Pursuance of Sewer Ordinance Changes and Implementation of
Sewer Rate Study Recommendations**

At a rescheduled regular meeting of the St James Township Board, Charlevoix County, Michigan, December 12, 2017

PRESENT: McNamara, McDonough, Belfy, Martin

~~ABSENT:~~ present via speakerphone Powers.

The following resolution was made by McNamara and seconded by Trans Martin

WHEREAS St James Township wishes take action upon items which arose during the 2017 Sewer Rate Study;

NOW THEREFORE, IT IS RESOLVED: that the St James Township Clerk and Supervisor are authorized to work with legal counsel to pursue the following Sewer Ordinance Changes, allowing for public input period and public hearing process:

1. Revise Ordinance Article XII, Section 1, to provide for a transfer of delinquent sewer payables to property tax bills twice per year (once before each tax bill), and shorten the delinquent period from 180 days to 90 days. The time of transfer should coincide with the requirements of the Charlevoix County Treasurer's office.
2. Revise Ordinance Article XVI, Section 1 to require the submittal of the annual review of sewer system expenses relative to the previous fiscal year, by October 15th each year, rather than July 29. Rates would go into effect on January 1 each year.
3. Revise Article VIII, Section 6 of the ordinance to allow quarterly billing if requested in writing, and if timely payments are made. Revise the invoice due date from 10 to 20 days after invoice issuance, which will coincide with the application of late fees.

BE IT FURTHER RESOLVED: that St James Township adopts the following recommendations:

1. That the REU Schedule as adopted in 2016 remain in effect for 2018;
2. That the Capital Improvement Plan (CIP) as shown in the Rate Study, be adopted with the understanding that the CIP has no bearing at this time on the establishment of rates;

3. That monthly rates be set at \$38.00/REU, based upon:

Sewer Fund Expenses during 2016/2017	\$ 27,530
Street & Road Fund – payment of sewer use fees back, annually	\$ 13,000
Capital Improvement Fund	\$5,000
Net Expense	\$45,530

Based upon last year's expense: Anticipated average monthly expense:

$$\$45,530/\text{yr.} \div 12\text{mo./yr.} = \$3,794.17/\text{mo.}$$

Using 98.06 REUs:

$$\$3,794/\text{mo.} \div 98.06 \text{ REUs} = \$38.69/\text{REU}$$

4. Adopt the Rate Study as revised based on the decisions made by the township board. Revisions to the study, as decided by the board today, will be incorporated into the final report.

McNamara, McDonough,
YES: Belfy, Martin, NO: None
Powers

ST. JAMES TOWNSHIP RESOLUTION DECLARED ADOPTED BY: Alice Belfy

I, the undersigned, the Clerk of the Township of St. James, Charlevoix County, Michigan, do hereby certify that the foregoing is a true and complete copy of certain proceedings taken by said municipality at its rescheduled regular meeting of the St James Township Board, Charlevoix County, Michigan, December 12, 2017 relative to the adoption of the resolution therein set forth; that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, and that the minutes of said meeting were kept and will be or have been made available as required by said Act.

Dated: December 12, Signed: Alice Belfy
2017

Alice H. Belfy, Township Clerk, or
Connie Boyle, Deputy Township Clerk