

*Charter Township of Big Rapids
Mecosta County, Michigan*

FINANCIAL STATEMENTS

Year ended December 31, 2018

INDEPENDENT AUDITOR'S REPORT	3 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 - 10
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net position	11
Statement of activities	12
Fund financial statements:	
Balance sheet - governmental funds	13
Statement of revenues, expenditures, and changes in fund balances - governmental funds	14 - 15
Statement of net position - proprietary funds	16
Statement of revenues, expenses, and changes in net position - proprietary funds	17
Statement of cash flows - proprietary funds	18
Statement of fiduciary assets and liabilities - Tax Collection Fund	19
Notes to financial statements	20 - 28
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	29 - 30
Fire Fund	31
Road Fund	32
SUPPLEMENTARY INFORMATION	
Combining balance sheet - nonmajor governmental funds	33
Combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds	34

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Big Rapids Charter Township, Michigan

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 the Charter Township of Big Rapids, Michigan, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, as listed in the contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 Charter Township of Big Rapids, Michigan, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Corrections of Errors

As described in Note 13 to the financial statements, the Township recorded prior period adjustments to correct its method of accounting for capital assets and deferred inflows of resources of the governmental funds. Our opinions are not modified with respect to this matter.

Other Matters

Required supplementary information

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

Supplementary information

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

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

Sigfried Crandall P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Charter Township of Big Rapids' (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net position increased by \$230,287 (3 percent) as a result of this year's operations.
- Of the \$7,209,446 total net position reported, \$2,251,165 is unrestricted and, therefore, available to be used to meet future operating and capital needs at the discretion of the Township Board.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$739,663, which represents 110 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental funds statements explain how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
 - Proprietary funds statements offer short-term and long-term financial information about the activities the government operates like a business. The Township's proprietary funds account for its construction code inspections department and sewage collection system.
 - Fiduciary funds statements provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

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

A comparative analysis of the basic financial statements for 2018 and 2017 is also presented.

Government-wide financial statements

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

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

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

The government-wide financial statements are divided into two categories:

- *Governmental activities* - These activities include functions most commonly associated with government (e.g., general government, public safety, public works, etc.). Property taxes and intergovernmental revenues generally fund these services.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of operating the Township's sewage collection system and inspections department.

Fund financial statements

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

- Some funds are required by state law.
- The Township Board establishes other funds to control and manage money for particular purposes (like paying the debt service on the debt associated with the Industrial Park) or to show that it is properly using certain taxes and other revenues (like the fire protection millage).

The Township has three types of funds:

- *Governmental funds*. Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Proprietary funds*. Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds statements, like the government-wide statements, provide both long-term and short-term financial information. In fact, the Township's enterprise funds are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- *Fiduciary funds*. These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the Township. The Township is responsible for ensuring that the assets reported in the fiduciary funds are used for their intended purposes. The Township's fiduciary balances are reported in a separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$7,209,446. However, \$4,726,890 of this total represents a net investment in capital assets and \$231,391 is restricted for various purposes. Consequently, the unrestricted net position was \$2,251,165, or 31 percent of the total.

Condensed financial information
Net position

	Governmental activities		Business-type activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 1,936,765	\$ 1,783,348	\$ 1,308,907	\$ 1,044,525	\$ 3,245,672	\$ 2,827,873
Capital assets	<u>3,222,184</u>	<u>3,301,651</u>	<u>1,844,706</u>	<u>1,924,846</u>	<u>5,066,890</u>	<u>5,226,497</u>
Total assets	<u>5,158,949</u>	<u>5,084,999</u>	<u>3,153,613</u>	<u>2,969,371</u>	<u>8,312,562</u>	<u>8,054,370</u>
Current and other liabilities	13,811	13,390	22,338	35,082	36,149	48,472
Long-term debt	<u>340,000</u>	<u>384,000</u>	-	-	<u>340,000</u>	<u>384,000</u>
Total liabilities	<u>353,811</u>	<u>397,390</u>	<u>22,338</u>	<u>35,082</u>	<u>376,149</u>	<u>432,472</u>
Deferred inflows of resources	<u>726,967</u>	<u>642,739</u>	-	-	<u>726,967</u>	<u>642,739</u>
Net position:						
Net investment in capital assets	2,882,184	2,917,651	1,844,706	1,924,846	4,726,890	4,842,497
Restricted	231,391	193,389	-	-	231,391	193,389
Unrestricted	<u>964,596</u>	<u>933,830</u>	<u>1,286,569</u>	<u>1,009,443</u>	<u>2,251,165</u>	<u>1,943,273</u>
Total net position	<u>\$ 4,078,171</u>	<u>\$ 4,044,870</u>	<u>\$ 3,131,275</u>	<u>\$ 2,934,289</u>	<u>\$ 7,209,446</u>	<u>\$ 6,979,159</u>

The 2017 column of the governmental activities reflects restated amounts for capital assets and the related net position, net investment in capital assets, as a result of a prior period adjustment recorded in 2018. Both amounts were reduced by \$533,552, for the effect of correcting the method of accounting used for capital assets.

Changes in net position

The Township's total revenues were \$2,087,619 in the current year compared to \$1,945,339 in the prior year. About 41 percent of total revenues comes from charges for services, primarily sewer charges. Approximately 31 percent of the Township's revenues comes from property taxes, while state shared revenue represents 17 percent.

*Condensed financial information
Changes in net position*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	2018	2017	2018	2017	2018	2017
Program revenues:						
Charges for services	\$ 139,796	\$ 55,508	\$ 711,807	\$ 651,848	\$ 851,603	\$ 707,356
Operating grants and contributions	64,573	59,952	25,272	-	89,845	59,952
Capital grants and contributions	31,625	1,315	78,300	70,471	109,925	71,786
General revenues:						
Property taxes	645,002	702,133	-	-	645,002	702,133
State shared revenue	357,675	358,783	-	-	357,675	358,783
Interest income	7,530	20,998	6,980	2,357	14,510	23,355
Cable franchise fees	19,059	21,974	-	-	19,059	21,974
Total revenues	<u>1,265,260</u>	<u>1,220,663</u>	<u>822,359</u>	<u>724,676</u>	<u>2,087,619</u>	<u>1,945,339</u>
Expenses:						
General government	426,913	388,780	-	-	426,913	388,780
Public safety	253,589	284,303	-	-	253,589	284,303
Public works	463,141	563,690	-	-	463,141	563,690
Community and economic development	35,732	13,432	-	-	35,732	13,432
Recreation and culture	39,205	31,713	-	-	39,205	31,713
Interest	13,379	9,380	-	-	13,379	9,380
Sewer	-	-	551,960	587,509	551,960	587,509
Inspections	-	-	73,413	70,138	73,413	70,138
Total expenses	<u>1,231,959</u>	<u>1,291,298</u>	<u>625,373</u>	<u>657,647</u>	<u>1,857,332</u>	<u>1,948,945</u>
Changes in net position	<u>\$ 33,301</u>	<u>\$ (70,635)</u>	<u>\$ 196,986</u>	<u>\$ 67,029</u>	<u>\$ 230,287</u>	<u>\$ (3,606)</u>
Net position, end of year	<u>\$ 4,078,171</u>	<u>\$ 4,044,870</u>	<u>\$ 3,131,275</u>	<u>\$ 2,934,289</u>	<u>\$ 7,209,446</u>	<u>\$ 6,979,159</u>

The 2017 column of the governmental activities reflects a restated amount as a result of a prior period adjustment recorded in 2018. Public works expenses were increased by \$444,220 related to the restatement of 2017 balances for the effect of correcting the method of accounting used for intangible capital assets. Public works costs previously capitalized, in the amount of \$453,041, were expensed, and depreciation expense was reduced by \$8,821.

Governmental activities

Governmental activities increased the Township's net position by \$33,301 in the current year compared to a decrease of \$70,635 in the prior year. The increase in net position was higher in the current year due to a \$44,597 increase in revenues and a \$59,339 decrease in expenses.

The increase in revenues was primarily due to a \$84,288 increase in charges for services primarily due to an increase in administrative charges and cemetery activities. The reduction in expenses is primarily due to a \$100,549 decrease in public works costs related to a reduction in road improvement costs in the current year.

The total cost of governmental activities this year was \$1,231,959 compared to \$1,291,298 in the prior year. After subtracting the direct charges to those who directly benefited from the programs (\$139,796), operating grants (\$64,573), and capital grants (\$31,625), the "public benefit" portion covered by property taxes, state shared revenue, and other general revenues was \$995,965.

Business-type activities

Business-type activities increased the Township's net position by \$196,986 in the current year compared to a \$67,029 increase in the prior year. Net position increased during the year as revenues increased and expenses decreased. Revenues increased due to higher fees and \$78,300 in capital contribution related to connection fees. Expenses decreased by \$32,274 because the cost of engineering services, associated with a SAW grant, declined by \$42,799.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds

At December 31, 2018, the Township's governmental funds reported a combined fund balance of \$1,002,973, which represents an increase of \$103,221 compared to the prior year.

The fund balance of the General Fund increased by \$61,472 in the current year as its revenues were more than sufficient to cover its expenditures. The fund balance was \$741,450 at year end.

The fund balance of the Fire Fund, a special revenue fund, increased by \$38,236 in the current year as the fund's revenues were sufficient to cover current year expenditures. The fund balance was \$84,791 at year end.

The fund balance of the Road Fund, a special revenue fund, increased by \$1,905 in the current year as revenues totaling \$216,905 were sufficient to cover current year expenditures of \$215,000. The fund balance was \$12,186 at year end.

Proprietary funds

At December 31, 2018, the Township's proprietary funds reported total net position of \$3,131,275, which represents an increase of \$196,986 compared to the prior year.

The Sewer Fund experienced an increase in net position of \$170,575, primarily due to charges for services being sufficient to cover operating costs and the recognition of connection fees in the amount of \$78,300. The fund's net position amounted to \$3,009,200 at the end of the year, of which \$1,164,494 is unrestricted.

The Inspections Fund experienced an increase in net position of \$26,411 as permit revenue was sufficient to cover operating costs due to the increase in building projects during the current year. The fund's net position amounted to \$122,075 at the end of the year.

General Fund budgetary highlights

The Township amended the General Fund budget during the year to reallocate various expenditures and reduce total appropriations by \$8,100.

Total revenues were \$38,635 higher than budgeted, primarily due to state grant revenue being \$17,675 higher than anticipated, as State distributions were higher than expected. Total expenditures were \$198,686 less than the amounts appropriated. The largest expenditure variance occurred in the public works function where expenditures were \$164,534 less than budgeted as road project costs were less than anticipated.

These variances, along with transfers out being \$22,134 more than budgeted, resulted in a \$215,187 positive budget variance with a \$61,472 increase in fund balance compared to a budgeted decrease of \$153,715.

Capital assets and debt administration

Capital assets

At December 31, 2018, the Township had invested \$5,066,890, net of depreciation, in various capital assets, including its land, buildings, equipment, vehicles, and infrastructure. This amount represents a net decrease of \$159,607 in 2018.

This year's major capital asset additions included:

- Equipment purchases with a cost of \$23,439
- Restroom renovation at a cost of \$17,250
- Stair improvements at township hall for \$11,865

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

Debt

At year end, the Township had outstanding bonds payable in the amount of \$340,000. Debt decreased by \$44,000 due to a timely principal payment.

More detailed information about the Township's long-term debt is presented in Note 6 of the notes to the basic financial statements.

Economic factors and next year's budgets and rates

The Township's 2019 budget does not anticipate significant changes in the amounts or composition of its major revenue sources. The Township has budgeted expenditures for the upcoming year at amounts sufficient to support its ongoing programs and activities and plans to primarily use current revenues to provide essential services in order to maintain current fund balances.

Contacting the Township's financial management

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Charter Township of Big Rapids
Rene Fountain, Township Clerk
14212 Northland Drive
Big Rapids, MI 49307

Phone: (231) 796-3603

BASIC FINANCIAL STATEMENTS

Charter Township of Big Rapids

STATEMENT OF NET POSITION

December 31, 2018

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 1,183,058	\$ 1,214,586	\$ 2,397,644
Receivables	574,202	93,544	667,746
Prepaid expenses	32,449	777	33,226
Total current assets	<u>1,789,709</u>	<u>1,308,907</u>	<u>3,098,616</u>
Noncurrent assets:			
Receivables	147,056	-	147,056
Capital assets not being depreciated - land	259,152	-	259,152
Capital assets, net of depreciation	<u>2,963,032</u>	<u>1,844,706</u>	<u>4,807,738</u>
Total noncurrent assets	<u>3,369,240</u>	<u>1,844,706</u>	<u>5,213,946</u>
Total assets	<u>5,158,949</u>	<u>3,153,613</u>	<u>8,312,562</u>
LIABILITIES			
Current liabilities:			
Accounts payable	13,811	22,338	36,149
Bonds payable due within one year	<u>45,000</u>	<u>-</u>	<u>45,000</u>
Total current liabilities	58,811	22,338	81,149
Noncurrent liabilities - bonds payable	<u>295,000</u>	<u>-</u>	<u>295,000</u>
Total liabilities	<u>353,811</u>	<u>22,338</u>	<u>376,149</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax revenues levied for the subsequent year	673,820	-	673,820
Assessment revenues levied for the subsequent year	<u>53,147</u>	<u>-</u>	<u>53,147</u>
Total deferred inflows	<u>726,967</u>	<u>-</u>	<u>726,967</u>
NET POSITION			
Net investment in capital assets	2,882,184	1,844,706	4,726,890
Restricted - nonexpendable	103,223	-	103,223
Restricted for:			
Public safety	84,791	-	84,791
Public works	26,235	-	26,235
Recreation and culture	74	-	74
Capital improvements	17,068	-	17,068
Unrestricted	<u>964,596</u>	<u>1,286,569</u>	<u>2,251,165</u>
Total net position	<u>\$ 4,078,171</u>	<u>\$ 3,131,275</u>	<u>\$ 7,209,446</u>

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended December 31, 2018

	<u>Program revenues</u>				<u>Net (expenses) revenues and changes in net position</u>		
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
Functions/Programs							
Governmental activities:							
General government	\$ 426,913	\$ 99,883	\$ 53,943	\$ 31,625	\$ (241,462)		\$ (241,462)
Public safety	253,589	18,237	5,539	-	(229,813)		(229,813)
Public works	463,141	10,945	5,091	-	(447,105)		(447,105)
Community and economic development	35,732	10,731	-	-	(25,001)		(25,001)
Recreation and culture	39,205	-	-	-	(39,205)		(39,205)
Interest on long-term debt	13,379	-	-	-	(13,379)		(13,379)
Total governmental activities	<u>1,231,959</u>	<u>139,796</u>	<u>64,573</u>	<u>31,625</u>	<u>(995,965)</u>		<u>(995,965)</u>
Business-type activities:							
Sewer	551,960	611,983	25,272	78,300		\$ 163,595	163,595
Inspections	73,413	99,824	-	-		26,411	26,411
Total business-type activities	<u>625,373</u>	<u>711,807</u>	<u>25,272</u>	<u>78,300</u>		<u>190,006</u>	<u>190,006</u>
Totals	<u>\$ 1,857,332</u>	<u>\$ 851,603</u>	<u>\$ 89,845</u>	<u>\$ 109,925</u>	<u>(995,965)</u>	<u>190,006</u>	<u>(805,959)</u>
General revenues:							
Property taxes					645,002	-	645,002
State shared revenue					357,675	-	357,675
Cable franchise fees					19,059	-	19,059
Unrestricted interest income					7,530	6,980	14,510
Total general revenues					<u>1,029,266</u>	<u>6,980</u>	<u>1,036,246</u>
Changes in net position					33,301	196,986	230,287
Net position - beginning					<u>4,044,870</u>	<u>2,934,289</u>	<u>6,979,159</u>
Net position - ending					<u>\$ 4,078,171</u>	<u>\$ 3,131,275</u>	<u>\$ 7,209,446</u>

See notes to financial statements

BALANCE SHEET - governmental funds

December 31, 2018

	<u>General</u>	<u>Fire</u>	<u>Roads</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>
ASSETS					
Cash	\$ 751,823	\$ 123,022	\$ 86,851	\$ 221,362	\$ 1,183,058
Receivables	387,925	158,270	152,468	22,595	721,258
Prepaid expenditures	1,817	30,632	-	4,014	36,463
Total assets	<u>\$1,141,565</u>	<u>\$ 311,924</u>	<u>\$ 239,319</u>	<u>\$ 247,971</u>	<u>\$ 1,940,779</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 13,811	\$ -	\$ -	\$ -	\$ 13,811
Deferred inflows of resources:					
Property tax revenues levied for the subsequent year	189,276	227,133	227,133	30,278	673,820
Assessment revenues levied for the subsequent year	197,028	-	-	53,147	250,175
Total deferred inflows	<u>386,304</u>	<u>227,133</u>	<u>227,133</u>	<u>83,425</u>	<u>923,995</u>
Fund balances:					
Nonspendable:					
Permanent fund principal	-	-	-	103,223	103,223
Prepaid expenditures	1,817	30,632	-	4,014	36,463
Restricted for:					
Public safety	-	54,159	-	-	54,159
Public works	-	-	12,186	14,049	26,235
Recreation and culture	-	-	-	74	74
Capital improvements	-	-	-	17,068	17,068
Assigned	-	-	-	26,118	26,118
Unassigned	739,633	-	-	-	739,633
Total fund balances	<u>741,450</u>	<u>84,791</u>	<u>12,186</u>	<u>164,546</u>	<u>1,002,973</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$1,141,565</u>	<u>\$ 311,924</u>	<u>\$ 239,319</u>	<u>\$ 247,971</u>	<u>\$ 1,940,779</u>

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

Total fund balance - total governmental funds \$ 1,002,973

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

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 3,222,184

Certain receivables are not available to pay for the current period's expenditures and are deferred in the funds. 197,028

Prepaid interest is reported in the funds but not in the statement of net position. (4,014)

Bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. (340,000)

Net position of *governmental activities* \$ 4,078,171

Charter Township of Big Rapids

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

Year ended December 31, 2018

	<u>General</u>	<u>Fire</u>	<u>Roads</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>
REVENUES					
Property taxes	\$ 237,995	\$ 216,906	\$ 216,905	\$ 28,879	\$ 700,685
Licenses and permits	19,059	-	-	-	19,059
State grants	357,675	-	-	10,630	368,305
Contributions from local units	51,850	18,163	-	-	70,013
Charges for services	37,665	-	-	866	38,531
Interest and rentals	14,414	2,522	-	1,794	18,730
Other	49,927	74	-	68,894	118,895
Total revenues	<u>768,585</u>	<u>237,665</u>	<u>216,905</u>	<u>111,063</u>	<u>1,334,218</u>
EXPENDITURES					
General government	409,751	-	-	-	409,751
Public safety	-	194,218	-	5,539	199,757
Public works	177,766	-	215,000	52,333	445,099
Community and economic development	35,732	-	-	-	35,732
Recreation and culture	5,568	-	-	30,352	35,920
Capital outlay	46,162	5,211	-	-	51,373
Debt service:					
Principal	-	-	-	44,000	44,000
Interest	-	-	-	9,365	9,365
Total expenditures	<u>674,979</u>	<u>199,429</u>	<u>215,000</u>	<u>141,589</u>	<u>1,230,997</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>93,606</u>	<u>38,236</u>	<u>1,905</u>	<u>(30,526)</u>	<u>103,221</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	32,134	32,134
Transfers out	(32,134)	-	-	-	(32,134)
Net other financing sources (uses)	<u>(32,134)</u>	<u>-</u>	<u>-</u>	<u>32,134</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	61,472	38,236	1,905	1,608	103,221
FUND BALANCES - BEGINNING	<u>679,978</u>	<u>46,555</u>	<u>10,281</u>	<u>162,938</u>	<u>899,752</u>
FUND BALANCES - ENDING	<u>\$ 741,450</u>	<u>\$ 84,791</u>	<u>\$ 12,186</u>	<u>\$ 164,546</u>	<u>\$ 1,002,973</u>

See notes to financial statements

Charter Township of Big Rapids

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

Year ended December 31, 2018

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

Net change in fund balance - total governmental funds (page 14) \$ 103,221

Amounts reported for *governmental activities* in the statement of
activities (page 12) are different because:

Capital assets:

Assets acquired	52,554
Assets retired	(1,922)
Provision for depreciation	(130,099)

Long-term debt:

Principal payments	44,000
--------------------	--------

Changes in other assets/liabilities:

Net increase in prepaid interest	(4,014)
Decrease in unavailable special assessments	<u>(30,439)</u>

Change in net position of *governmental activities* \$ 33,301

Charter Township of Big Rapids

STATEMENT OF NET POSITION - *proprietary funds*

December 31, 2018

	<u><i>Sewer</i></u>	<u><i>Nonmajor fund</i></u>	<u><i>Totals</i></u>
ASSETS			
Current assets:			
Cash	\$ 1,092,511	\$ 122,075	\$ 1,214,586
Prepays	777	-	777
Receivables	<u>93,544</u>	<u>-</u>	<u>93,544</u>
Total current assets	1,186,832	122,075	1,308,907
Noncurrent assets - capital assets, net of depreciation	<u>1,844,706</u>	<u>-</u>	<u>1,844,706</u>
Total assets	<u>3,031,538</u>	<u>122,075</u>	<u>3,153,613</u>
LIABILITIES			
Current liabilities:			
Accounts payable	<u>22,338</u>	<u>-</u>	<u>22,338</u>
NET POSITION			
Investment in capital assets	1,844,706	-	1,844,706
Unrestricted	<u>1,164,494</u>	<u>122,075</u>	<u>1,286,569</u>
Total net position	<u>\$ 3,009,200</u>	<u>\$ 122,075</u>	<u>\$ 3,131,275</u>

See notes to financial statements

Charter Township of Big Rapids

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - *proprietary funds***

Year ended December 31, 2018

	<u>Sewer</u>	<u>Nonmajor fund</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 611,983	\$ 99,824	\$ 711,807
OPERATING EXPENSES			
Operation and maintenance	471,820	73,413	545,233
Depreciation	<u>80,140</u>	<u>-</u>	<u>80,140</u>
Total operating expenses	<u>551,960</u>	<u>73,413</u>	<u>625,373</u>
OPERATING INCOME	<u>60,023</u>	<u>26,411</u>	<u>86,434</u>
NONOPERATING REVENUES			
State grant	25,272	-	25,272
Interest revenue	<u>6,980</u>	<u>-</u>	<u>6,980</u>
Net nonoperating revenues	<u>32,252</u>	<u>-</u>	<u>32,252</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	92,275	26,411	118,686
CAPITAL CONTRIBUTIONS			
Connection fees	<u>78,300</u>	<u>-</u>	<u>78,300</u>
CHANGES IN NET POSITION	170,575	26,411	196,986
NET POSITION - BEGINNING	<u>2,838,625</u>	<u>95,664</u>	<u>2,934,289</u>
NET POSITION - ENDING	<u>\$ 3,009,200</u>	<u>\$ 122,075</u>	<u>\$ 3,131,275</u>

See notes to financial statements

Charter Township of Big Rapids

STATEMENT OF CASH FLOWS - proprietary funds

Year ended December 31, 2018

	<u>Sewer</u>	<u>Nonmajor fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 616,659	\$ 99,824	\$ 716,483
Payments to suppliers	(475,322)	(20,992)	(496,314)
Payments to employees	(8,107)	(53,330)	(61,437)
Net cash provided by operating activities	<u>133,230</u>	<u>25,502</u>	<u>158,732</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating grants	<u>31,873</u>	-	<u>31,873</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Connection fees	<u>78,300</u>	-	<u>78,300</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>6,980</u>	-	<u>6,980</u>
NET CHANGE IN CASH	250,383	25,502	275,885
CASH - BEGINNING	<u>842,128</u>	<u>96,573</u>	<u>938,701</u>
CASH - ENDING	<u>\$ 1,092,511</u>	<u>\$ 122,075</u>	<u>\$ 1,214,586</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 60,023	\$ 26,411	\$ 86,434
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	80,140	-	80,140
Change in assets and liabilities:			
Decrease in receivables	4,676	-	4,676
Decrease in prepaids	347	67	414
Decrease in payables	(11,956)	(976)	(12,932)
Net cash provided by operating activities	<u>\$ 133,230</u>	<u>\$ 25,502</u>	<u>\$ 158,732</u>

See notes to financial statements

Charter Township of Big Rapids

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - Tax Collection Fund

December 31, 2018

ASSETS

Cash \$ 278,488

LIABILITIES

Due to other governmental units \$ 278,488

See notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting entity:

As required by generally accepted accounting principles, these financial statements present only the Township (located in Mecosta County), as management has determined that there are no other entities for which the Township is financially accountable.

Government-wide and fund financial statements:

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter is excluded from government-wide funds. Major individual governmental funds and the major enterprise fund 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 funds and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable, due within the current fiscal year, is considered to be susceptible to accrual as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Township reports the following major governmental funds:

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

The Fire Fund, a special revenue fund, accounts for the use of property tax revenues that are restricted for the financing of fire protection costs of the Township. Revenues are primarily derived from property taxes.

The Road Fund, a special revenue fund, accounts for the use of property tax revenues that are restricted for financing road projects within the Township. Revenues are primarily derived from property taxes.

The Township reports the following major proprietary fund:

The Sewer Fund accounts for the activities of the Township's sewage collection system.

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 or committed to expenditures for specified purposes other than debt service or capital projects.

The Township also reports an agency fund, the Tax Collection Fund, which accounts for assets held by the Township in a trustee capacity as an agent for individuals, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

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 proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Cash - Cash is considered to be cash on hand, demand deposits, time deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital assets - Capital assets, which include land, buildings, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 (\$10,000 for infrastructure improvements) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date received. Governments can elect to account for infrastructure assets of governmental activities either retroactively to June 15, 1980, or prospectively. The Township has elected to account for its infrastructure assets prospectively, beginning January 1, 2004.

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

Buildings and improvements	20 - 40 years
Equipment	3 - 10 years
Vehicles	20 years
Sewer systems	40 years

Deferred inflows of resources - The statement of net position and the governmental funds balance sheet include a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenues will not be recognized until a future event occurs. The Township has two items that are included in this category: property taxes and special assessments. Property tax revenue, which is levied to finance the following period's budget, is deferred and recognized as an inflow of resources in the period that it was intended to finance. Special assessment revenues, which are not recognized until available (collected not later than 60 days after the end of the Township's fiscal year), are deferred and recognized as an inflow of resources in the period that the revenue becomes available.

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

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

Fund equity - Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either a) not in spendable form, or b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. The Board of Trustees retains the right to assign fund balance as to purpose. Unassigned fund balance is the residual classification for the General Fund. When the Township incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Township's policy to use the restricted fund balance first, followed by assigned fund balance, and, finally, unassigned fund balance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property tax revenue recognition - Property taxes are levied each December 1 (lien date) on the taxable valuation of property as of the preceding December 31. Property taxes are considered delinquent on March 1 of the following year, at which time interest and penalties are assessed. Although the Township’s 2017 ad valorem taxes were levied on December 1, 2017, it is the Township’s policy to recognize revenue from that tax levy in the current year, when the proceeds are budgeted and made available for the financing of operations.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township’s General and special revenue funds. The budget document presents information by fund, function, activity, and line-item. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

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

<u>Fund</u>	<u>Function</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
General	Community and economic development	\$ 27,030	\$ 35,732	\$ 8,702
	Other financing uses	10,000	32,134	22,134
Library	Recreation and culture	28,600	30,352	1,752

NOTE 3 - CASH

Cash, as presented in the accompanying financial statements, consists of the following:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary activity</u>	<u>Totals</u>
Deposits	\$ 1,182,858	\$ 1,214,486	\$ 278,488	\$ 2,675,832
Cash on hand	<u>200</u>	<u>100</u>	<u>-</u>	<u>300</u>
Totals	<u>\$ 1,183,058</u>	<u>\$ 1,214,586</u>	<u>\$ 278,488</u>	<u>\$ 2,676,132</u>

Deposits - Deposits are carried at cost and are maintained at a single financial institution in the name of the Township. State statutes and the Township’s investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township’s deposits are in accordance with statutory authority.

NOTE 3 - CASH (Continued)

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. The Township’s investment policy does not specifically address custodial credit risk for deposits. At December 31, 2018, \$2,147,702 of the Township’s bank balances of \$2,647,702 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - RECEIVABLES

Receivables as of December 31, 2018, for the Township’s individual major funds and nonmajor funds, in the aggregate, were as follows:

<u>Fund</u>	<u>Property taxes</u>	<u>Special Assessments</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Totals</u>
Governmental funds:					
General	\$ 127,056	\$ 197,028	\$ 4,718	\$ 59,123	\$ 387,925
Fire	152,467	-	-	5,803	158,270
Roads	152,468	-	-	-	152,468
Nonmajor	<u>20,296</u>	<u>2,287</u>	<u>12</u>	<u>-</u>	<u>22,595</u>
Total governmental	<u>\$ 452,287</u>	<u>\$ 199,315</u>	<u>\$ 4,730</u>	<u>\$ 64,926</u>	<u>\$ 721,258</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ 147,056</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,056</u>
Proprietary funds - Sewer	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,544</u>	<u>\$ -</u>	<u>\$ 93,544</u>

All amounts are due within one year.

NOTE 5 - CAPITAL ASSETS

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

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 259,152	\$ -	\$ -	\$ 259,152
Capital assets being depreciated:				
Buildings	983,420	29,115	-	1,012,535
Infrastructure	2,598,162	-	-	2,598,162
Vehicles	686,454	-	-	686,454
Equipment	206,465	23,439	(7,440)	222,464
Subtotal	<u>4,474,501</u>	<u>52,554</u>	<u>(7,440)</u>	<u>4,519,615</u>
Less accumulated depreciation for:				
Buildings	(301,427)	(19,358)	-	(320,785)
Infrastructure	(604,553)	(64,954)	-	(669,507)
Vehicles	(375,807)	(32,596)	-	(408,403)
Equipment	(150,215)	(13,191)	5,518	(157,888)
Subtotal	<u>(1,432,002)</u>	<u>(130,099)</u>	<u>5,518</u>	<u>(1,556,583)</u>
Total capital assets being depreciated, net	<u>3,042,499</u>	<u>(77,545)</u>	<u>(1,922)</u>	<u>2,963,032</u>
Governmental activities capital assets, net	<u>\$3,301,651</u>	<u>\$ (77,545)</u>	<u>\$ (1,922)</u>	<u>\$3,222,184</u>
Business-type activities:				
Capital assets being depreciated - sewer system	\$2,876,767	\$ -	\$ -	\$2,876,767
Less accumulated depreciation	<u>(951,921)</u>	<u>(80,140)</u>	<u>-</u>	<u>(1,032,061)</u>
Business-type activities capital assets, net	<u>\$1,924,846</u>	<u>\$ (80,140)</u>	<u>\$ -</u>	<u>\$1,844,706</u>

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 8,782
Public safety	48,621
Public works	69,411
Recreation and culture	<u>3,285</u>
Total governmental activities	<u>\$ 130,099</u>

NOTE 6 - NONCURRENT LIABILITIES

At December 31, 2018, the Township’s noncurrent liabilities consist of the following issue:

Governmental activities:

\$551,000 2013 General obligation limited tax refunding bonds, payable in annual installments ranging from \$42,000 to \$51,000, plus interest, payable semi-annually at rates between .70% and 2.65%; final payment due July 2025 \$ 340,000

Noncurrent liability activity for the year ended December 31, 2018, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
2013 Refunding bonds	<u>\$ 384,000</u>	<u>\$ -</u>	<u>\$ (44,000)</u>	<u>\$ 340,000</u>	<u>\$ 45,000</u>

At December 31, 2018, debt service requirements were as follows:

<u>Year ended December 31:</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 45,000	\$ 4,013
2020	46,000	7,149
2021	48,000	6,184
2022	49,000	5,104
2023	50,000	3,927
2024 - 2025	<u>102,000</u>	<u>4,029</u>
Totals	<u>\$ 340,000</u>	<u>\$ 30,406</u>

NOTE 7 - PROPERTY TAXES

The 2017 taxable valuation of the Township approximated \$144,272,000, on which ad valorem taxes levied consisted of 1.25 mills for operating purposes, 1.50 mills for fire protection, 1.50 mills for roads, and .20 mills for library services, raising \$180,000 for operating purposes, \$216,000 for fire protection, \$216,000 for roads, and \$29,000 for library services. These amounts are recognized in the respective fund financial statements as property tax revenues.

The 2018 taxable valuation of the Township approximated \$154,254,000, on which ad valorem taxes levied consisted of 1.25 mills for operating purposes, 1.50 mills for fire protection, 1.50 mills for roads, and .20 mills for library services, raising \$189,000 for operating purposes, \$227,000 for fire protection, \$227,000 for roads maintenance, and \$30,000 for library services. These amounts are recognized in the respective fund financial statements as deferred inflows of resources, based upon the period for which the proceeds are budgeted and will be made available for the financing of operations.

NOTE 8 - DEFINED CONTRIBUTION PENSION PLAN

The Township and its employees contribute to the Big Rapids Township Group Pension Plan, a defined contribution pension plan, which is administered by a third-party administrator. The plan covers all elected officials and full-time employees, excluding seasonal employees.

Benefit terms, including contribution requirements, for the Plan are established, and may be amended, by the Township Board. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate, from the date of employment, as described above. The Township contributes 12.5% of each elected official's base salary and 10% of each qualified full-time employee's base salary to the plan. Employees are permitted to make contributions to the Plan, up to applicable Internal Revenue Code limits. For the year ended December 31, 2018, the Township made the required contributions of \$22,784. At December 31, 2018, the Township reported no accrued liability as part of the contributions to the plan.

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

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

NOTE 9 - DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The assets of the plans were held in trust (custodial account or annuity contract), as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Township's financial statements.

NOTE 10 - RISK MANAGEMENT

The Township is exposed to various risks of loss to general liability, property and casualty, workers' compensation, and employee medical claims. The risks of loss arising from general liability up to \$5,000,000, property losses, workers' compensation, and employee medical costs are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

NOTE 11 - INTERFUND TRANSFER

During the year ended December 31, 2018, the General Fund transferred \$32,134 to two nonmajor governmental funds to support water system operations (\$22,134) and a construction of a cemetery building (\$10,000).

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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

NOTE 13 - PRIOR PERIOD ADJUSTMENTS

Prior period adjustments have been recorded in 2018 to correct the method of accounting used for capital assets and deferred inflows of resources, related to special assessments, that resulted in a restatement of opening net position and fund balances. Net position and fund balance, as of December 31, 2017, included in the government-wide financial statements and in the governmental fund financial statements, represents restated balances as presented below.

	<u>Net position</u>	<u>Fund balance</u>	
	<u>Governmental activities</u>	<u>General Fund</u>	<u>Sidewalk Fund</u>
Beginning of year, as previously reported	\$ 4,578,422	\$ 896,515	\$ 10,930
Prior period adjustment:			
Overstatement of intangible capital assets	(606,874)	-	-
Understatement of capital assets	73,322	-	-
Understatement of deferred inflows of resources	-	(227,467)	
To combine nonmajor fund with General Fund	-	10,930	(10,930)
Beginning of year, as restated	<u>\$ 4,044,870</u>	<u>\$ 679,978</u>	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Big Rapids

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended December 31, 2018

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 229,400	\$ 229,400	\$ 237,995	\$ 8,595
Licenses and permits	19,800	19,800	19,059	(741)
State grants	340,000	340,000	357,675	17,675
Contribution from local unit	45,000	45,000	51,850	6,850
Charges for services	24,550	24,550	37,665	13,115
Interest and rentals	13,700	13,700	14,414	714
Other	57,500	57,500	49,927	(7,573)
Total revenues	<u>729,950</u>	<u>729,950</u>	<u>768,585</u>	<u>38,635</u>
EXPENDITURES				
General government:				
Legislative	17,860	17,860	20,010	(2,150)
Supervisor	45,635	43,135	41,910	1,225
Assessor	51,875	52,375	48,920	3,455
Clerk	60,200	60,200	57,765	2,435
Treasurer	55,165	55,165	53,035	2,130
Board of review	1,250	1,250	947	303
Hall and grounds	10,620	10,620	10,323	297
Cemetery	119,370	119,370	93,237	26,133
General administration	80,700	80,700	83,604	(2,904)
Total general government	<u>442,675</u>	<u>440,675</u>	<u>409,751</u>	<u>30,924</u>
Public works:				
Road maintenance	282,000	282,000	118,113	163,887
Industrial Park assessments	50,800	50,800	51,369	(569)
Street lighting	9,500	9,500	8,284	1,216
Total public works	<u>342,300</u>	<u>342,300</u>	<u>177,766</u>	<u>164,534</u>

Charter Township of Big Rapids

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended December 31, 2018

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
EXPENDITURES (Continued)				
Community and economic development:				
Community promotion	\$ 5,200	\$ 5,200	\$ 4,000	\$ 1,200
Planning and zoning	<u>17,830</u>	<u>21,830</u>	<u>31,732</u>	<u>(9,902)</u>
Total community and economic development	<u>23,030</u>	<u>27,030</u>	<u>35,732</u>	<u>(8,702)</u>
Recreation and culture - parks and recreation	<u>6,260</u>	<u>6,260</u>	<u>5,568</u>	<u>692</u>
Capital outlay	<u>67,500</u>	<u>57,400</u>	<u>46,162</u>	<u>11,238</u>
Total expenditures	<u>881,765</u>	<u>873,665</u>	<u>674,979</u>	<u>198,686</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(151,815)	(143,715)	93,606	237,321
OTHER FINANCING USES				
Transfers out	<u>-</u>	<u>(10,000)</u>	<u>(32,134)</u>	<u>(22,134)</u>
NET CHANGES IN FUND BALANCES	(151,815)	(153,715)	61,472	215,187
FUND BALANCES - BEGINNING	<u>679,978</u>	<u>679,978</u>	<u>679,978</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 528,163</u>	<u>\$ 526,263</u>	<u>\$ 741,450</u>	<u>\$ 215,187</u>

Charter Township of Big Rapids

BUDGETARY COMPARISON SCHEDULE - Fire Fund

Year ended December 31, 2018

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 215,000	\$ 215,000	\$ 216,906	\$ 1,906
Contribution from local unit	15,980	15,980	18,163	2,183
Interest	20	20	2,522	2,502
Other	-	-	74	74
Total revenues	<u>231,000</u>	<u>231,000</u>	<u>237,665</u>	<u>6,665</u>
EXPENDITURES				
Public safety	194,000	202,000	194,218	7,782
Capital outlay	17,000	17,000	5,211	11,789
Total expenditures	<u>211,000</u>	<u>219,000</u>	<u>199,429</u>	<u>19,571</u>
NET CHANGES IN FUND BALANCES	20,000	12,000	38,236	26,236
FUND BALANCES - BEGINNING	<u>46,555</u>	<u>46,555</u>	<u>46,555</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 66,555</u>	<u>\$ 58,555</u>	<u>\$ 84,791</u>	<u>\$ 26,236</u>

Charter Township of Big Rapids

BUDGETARY COMPARISON SCHEDULE - Road Fund

Year ended December 31, 2018

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 215,000	\$ 215,000	\$ 216,905	\$ 1,905
EXPENDITURES				
Public works	<u>215,000</u>	<u>215,000</u>	<u>215,000</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	-	-	1,905	1,905
FUND BALANCES - BEGINNING	<u>10,281</u>	<u>10,281</u>	<u>10,281</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 10,281</u>	<u>\$ 10,281</u>	<u>\$ 12,186</u>	<u>\$ 1,905</u>

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET - nonmajor governmental funds

December 31, 2018

	<u>Special revenue</u>			<u>Capital projects</u>		<u>Permanent</u>	<u>Totals</u>
	<u>Metro Act</u>	<u>Library</u>	<u>Liquor Law</u>	<u>Water Project</u>	<u>Cemetery Building</u>	<u>Perpetual Care</u>	
ASSETS							
Cash	\$ 14,049	\$ 10,056	\$ -	\$ 50,848	\$ 27,068	\$ 119,341	\$ 221,362
Receivables	-	20,296	-	2,299	-	-	22,595
Prepays	-	-	-	4,014	-	-	4,014
Total assets	<u>\$ 14,049</u>	<u>\$ 30,352</u>	<u>\$ -</u>	<u>\$ 57,161</u>	<u>\$ 27,068</u>	<u>\$ 119,341</u>	<u>\$ 247,971</u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Deferred inflows of resources:							
Property tax revenues levied for the subsequent year	\$ -	\$ 30,278	\$ -	\$ -	\$ -	\$ -	\$ 30,278
Assessment revenues levied for the subsequent year	-	-	-	53,147	-	-	53,147
Total deferred inflows of resources	-	30,278	-	53,147	-	-	83,425
Fund balances:							
Nonspendable:							
Permanent fund principal	-	-	-	-	-	103,223	103,223
Prepays	-	-	-	4,014	-	-	4,014
Restricted for:							
Public works	14,049	-	-	-	-	-	14,049
Recreation and culture	-	74	-	-	-	-	74
Capital improvements	-	-	-	-	17,068	-	17,068
Assigned	-	-	-	-	10,000	16,118	26,118
Total fund balances	<u>\$ 14,049</u>	<u>\$ 74</u>	<u>\$ -</u>	<u>\$ 4,014</u>	<u>\$ 27,068</u>	<u>\$ 119,341</u>	<u>\$ 164,546</u>
Total deferred inflows of resources and fund balances	<u>\$ 14,049</u>	<u>\$ 30,352</u>	<u>\$ -</u>	<u>\$ 57,161</u>	<u>\$ 27,068</u>	<u>\$ 119,341</u>	<u>\$ 247,971</u>

Charter Township of Big Rapids

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

Year ended December 31, 2018

	<i>Special revenue</i>			<i>Capital projects</i>		<i>Permanent</i>	<i>Totals</i>
	<i>Metro Act</i>	<i>Library</i>	<i>Liquor Law</i>	<i>Water Project</i>	<i>Cemetery Building</i>	<i>Perpetual Care</i>	
REVENUES							
Property taxes	\$ -	\$ 28,879	\$ -	\$ -	\$ -	\$ -	\$ 28,879
State grants	5,091	-	5,539	-	-	-	10,630
Charges for services	-	-	-	866	-	-	866
Interest	-	-	-	37	-	1,757	1,794
Other	-	-	-	51,669	17,225	-	68,894
Total revenues	<u>5,091</u>	<u>28,879</u>	<u>5,539</u>	<u>52,572</u>	<u>17,225</u>	<u>1,757</u>	<u>111,063</u>
EXPENDITURES							
Public safety	-	-	5,539	-	-	-	5,539
Public works	30,000	-	-	22,176	157	-	52,333
Recreation and culture	-	30,352	-	-	-	-	30,352
Debt service:							
Principal	-	-	-	44,000	-	-	44,000
Interest	-	-	-	9,365	-	-	9,365
Total expenditures	<u>30,000</u>	<u>30,352</u>	<u>5,539</u>	<u>75,541</u>	<u>157</u>	<u>-</u>	<u>141,589</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(24,909)	(1,473)	-	(22,969)	17,068	1,757	(30,526)
OTHER FINANCING SOURCES							
Transfers in	-	-	-	22,134	10,000	-	32,134
NET CHANGES IN FUND BALANCES	(24,909)	(1,473)	-	(835)	27,068	1,757	1,608
FUND BALANCES - BEGINNING	<u>38,958</u>	<u>1,547</u>	<u>-</u>	<u>4,849</u>	<u>-</u>	<u>117,584</u>	<u>162,938</u>
FUND BALANCES - ENDING	<u>\$ 14,049</u>	<u>\$ 74</u>	<u>\$ -</u>	<u>\$ 4,014</u>	<u>\$ 27,068</u>	<u>\$ 119,341</u>	<u>\$ 164,546</u>