

**CHARTER TOWNSHIP OF BIG RAPIDS
MECOSTA COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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COMPANIES

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

April 20, 2018

To the Board of Trustees
Charter Township of Big Rapids, 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 (the Township) as of and for the year ended December 31, 2017, and the related notes to the 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 (U.S. GAAP); 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.

Accountant'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 Charter Township of Big Rapids, Michigan, as of December 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 and budgetary comparison information, as stated in the table of contents, be presented to supplement 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 Charter Township of Big Rapids, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the basis financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2018, on our consideration of the Township's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Township's internal control over financial reporting and compliance.

H & S Companies, P.C.

H & S Companies, P.C.
Fremont, MI

**CHARTER TOWNSHIP OF BIG RAPIDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

As management of the Charter Township of Big Rapids, Michigan (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 December 31, 2017. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- 1) The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$7,512,711 (net position). Of this amount, \$1,943,273 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens & creditors.
- 2) As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,127,219. Approximately 80% of this amount \$902,929 is available for spending at the government's discretion (unassigned fund balance).
- 3) At the end of the current fiscal year, unassigned fund balance for the general fund was \$891,999, or 130% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Township's basic 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. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

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 and 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.

Both of the government-wide financial statements distinguish functions of the 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 general government, public works, public safety, community & economic development, recreation & culture, and debt service activity. The business-type activities of the Township include sewer and building inspection services.

**CHARTER TOWNSHIP OF BIG RAPIDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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. The 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 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 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, and Perry street sidewalk funds, which are considered to be major funds. Data from the other five governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The Township adopts an annual appropriated budget for the general, road, fire and Perry street sidewalk funds. A budgetary comparison schedule for each of these funds has been provided to demonstrate compliance with these budgets.

Proprietary Funds - The Township maintains one type of proprietary fund, which is an enterprise 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 building inspection operations.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and building inspection operations.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those 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.

The Township maintains one fiduciary fund, its agency fund. The agency fund reports resources held by the Township in a custodial capacity for individuals, private organizations and other governments.

**CHARTER TOWNSHIP OF BIG RAPIDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTES TO THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$7,512,711 at the close of the most recent fiscal year.

Statement of Net Position as of December 31, 2017 and 2016:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current and other assets	\$1,783,348	\$2,116,215	\$1,044,525	\$882,833	\$2,827,873	\$2,999,048
Capital assets	3,835,203	3,228,958	1,924,846	2,004,188	5,760,049	5,233,146
Total assets	5,618,551	5,345,173	2,969,371	2,887,021	8,587,922	8,232,194
LIABILITIES						
Current liabilities	\$57,390	\$67,611	\$35,082	\$19,573	\$92,472	\$87,184
Noncurrent Liabilities	340,000	396,510	-	-	340,000	396,510
Total Liabilities	397,390	464,121	35,082	19,573	432,472	483,694
DEFERRED INFLOWS OF RESOURCES						
Taxes levied for a Subsequent Period	642,739	673,109	-	-	642,739	673,109
NET POSITION						
Net Investment in Capital Assets	3,451,203	2,770,904	1,924,846	2,004,188	5,376,049	4,775,092
Restricted - Nonspendable	106,234	106,234	-	-	106,234	106,234
Restricted	87,155	335,812	-	-	87,155	335,812
Unrestricted	933,830	994,993	1,009,443	863,072	1,943,273	1,858,065
Total Net Position	\$4,578,422	\$4,207,943	\$2,934,289	\$2,867,260	\$7,512,711	\$7,075,203

The largest portion of the Township's net position (\$5,376,049, or 72%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net position (\$193,389, or 2.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,943,273 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the Township is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Township's overall net position increased \$440,614 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**CHARTER TOWNSHIP OF BIG RAPIDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

GOVERNMENTAL ACTIVITIES

During the current fiscal year, net position for governmental activities increased \$373,585 from the prior fiscal year for an ending balance of \$4,578,422. While the current recession certainly had an impact on the Township, management was able to take various actions (e.g., delaying certain nonrecurring expenses, reducing expenses related to non-essential ongoing programs in the culture and recreation function) that neutralized its effect on governmental activities.

The increase in the overall net position of the governmental activities of the Township is consistent with the previous year, with a couple of exceptions. Property taxes increased \$82,921 due to a new millage for the library and increase property taxes received for the General Fund.

Business-type Activities

For the Township's business-type activities, the results for the current fiscal year show an increase in overall net position of \$67,029 leaving an ending balance of \$2,934,289.

The increase in the overall net position of the business-type activities of the Township is consistent with the previous year, with a couple of exceptions. Grants increases by \$58,021 due to receiving a SAW grant.

Changes in Net Position for the Fiscal Years Ended December 31, 2017 and 2016:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenue						
<i>Program Revenues</i>						
Charges for Services	\$ 55,508	\$ 94,688	\$ 651,848	\$ 687,423	\$ 707,356	\$ 782,111
Operating Grants & Contributions	59,952	68,817	-	-	59,952	68,817
Capital Grants & Contributions	1,315	343,787	70,471	192,250	71,786	536,037
Total Program Revenues	116,775	507,292	722,319	879,673	839,094	1,386,965
<i>General Revenues</i>						
Property Taxes	702,133	619,212	-	-	702,133	619,212
State Shared Revenue	358,783	334,500	-	-	358,783	334,500
Interest Income	20,998	9,708	2,357	29	23,355	9,737
Other	21,974	7,502	-	-	21,974	7,502
Total General Revenues	1,103,888	970,922	2,357	29	1,106,245	970,951
Total Revenues	1,220,663	1,478,214	724,676	879,702	1,945,339	2,357,916
Expenses						
General Government	388,780	362,622	-	-	388,780	362,622
Public Safety	284,303	355,271	-	-	284,303	355,271
Public Works	119,470	255,227	-	-	119,470	255,227
Community & Economic Development	13,432	15,341	-	-	13,432	15,341
Recreation & Culture	31,713	8,016	-	-	31,713	8,016
Inspections	-	-	70,138	57,893	70,138	57,893
Sewer	-	-	587,509	520,639	587,509	520,639
Interest	9,380	11,366	-	-	9,380	11,366
Total Expenses	847,078	1,007,843	657,647	578,532	1,504,725	1,586,375
Change in Net Position	373,585	470,371	67,029	301,170	440,614	771,541
<i>Restated Net Position at Beginning of Period</i>	<i>4,204,837</i>	<i>3,737,572</i>	<i>2,867,260</i>	<i>2,566,090</i>	<i>7,072,097</i>	<i>6,303,662</i>
Net Position at End of Period	\$ 4,578,422	\$ 4,207,943	\$ 2,934,289	\$ 2,867,260	\$ 7,512,711	\$ 7,075,203

**CHARTER TOWNSHIP OF BIG RAPIDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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 discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Township itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Township's Board.

At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$1,127,219, and decrease of \$306,714 over the prior year. Approximately 80% of this amount (\$902,929) is available for spending at the government's discretion (unassigned fund balance). The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$124,238); 2) restricted for particular purposes (\$88,702); or 3) assigned for particular purposes (\$11,350).

General Fund

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 \$891,999, while total fund balance decreased by \$45,367 to \$896,515. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 130% of total general fund expenditures, while total fund balances represents approximately 131% of that same amount.

The fund balance of the Township's general fund decreased by approximately \$45,367 during the current fiscal year. The decrease in fund balance is a result of increased expenditures.

Road Fund

The road fund, a major fund, passed a mileage in 2014 to fund road repairs. The overall fund balance of the current year decreased by approximately \$937, mostly due to the increase in expenses. This put the overall fund balance at \$10,281. This balance is legally restricted to fund future road construction and maintenance projects.

Fire Fund

The fire fund, a major fund, had an approximately \$263,765 decrease in fund balance during the current fiscal year, due to a capital expansion of the fire hall. This put the overall fund balance at \$46,555. This balance is legally restricted to fund future operating costs of the fire fund.

Perry Street Sidewalk Fund

The Perry street sidewalk fund, a major fund, implemented a special assessment in 2015 to the property owners along Perry Street in Big Rapids, MI so that a sidewalk could be constructed along Perry Street. The assessment will be paid over a 7 year period with the majority of the work to construct the sidewalk being done during 2016 fiscal year. This put the overall fund balance at \$10,930.

**CHARTER TOWNSHIP OF BIG RAPIDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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 position of the sewer fund operation was \$913,779. The increase in net position of the sewer fund was \$67,742. As noted in the discussion of business-type activities, the increase for the sewer fund results from an increase of \$3,403 in charges for services related to the increased usage.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget - During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations.

Final budget compared to actual results – General Fund actual expenditures were \$125,289 less than appropriated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Township's investment in capital assets for its governmental activities and business-type activities as of December 31, 2017, amounted to \$5,760,049 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, vehicles, equipment, and sewer system infrastructure. The total increase in capital assets for the current fiscal year was approximately 10%.

	<u>12/31/2017</u>	<u>12/31/2016</u>
Land	\$ 259,152	\$ 259,152
Buildings	695,422	422,412
Infrastructure	3,324,076	2,871,035
Vehicles	676,454	676,454
Equipment	206,465	192,028
Sewer System	<u>2,876,767</u>	<u>2,876,767</u>
	8,038,336	7,297,848
Less Accumulated Depreciation	<u>(2,278,287)</u>	<u>(2,064,702)</u>
Net Capital Assets	<u>\$ 5,760,049</u>	<u>\$ 5,233,146</u>

Significant fixed asset additions during the year include the fire hall addition for approximately \$273,000. Further details on capital assets can be found in the notes to the financial statements section of this document.

**CHARTER TOWNSHIP OF BIG RAPIDS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Debt Administration

At the end of the current fiscal year, the Township had total debt outstanding of \$384,000 as depicted in the table below.

	<u>12/31/2017</u>	<u>12/31/2016</u>
2005 Note Payable	\$ -	\$ 32,054
2013 Refunding Bond	384,000	426,000
	<u>\$ 384,000</u>	<u>\$ 458,054</u>

The upcoming principal payments were for the 2013 refunding bond (\$44,000). Further details on long-term debt can be found in the notes to the financial statements section of this document.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Management estimates that \$675,000 of revenues are expected to be available for appropriation in the general fund. Expenditures are expected to change by small amounts compared to 2017 with the following exceptions: township hall and grounds capital outlay increase of \$26,000 and highways & streets contracted services increase of \$50,000. The Township continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2018, the Township plans again to use current revenues to provide essential services and to maintain the Township's financial reserves at similar levels. Property tax revenues are expected to change minimally reflecting fairly stable property values. The ongoing costs of providing essential services for the citizens of the Township will again need to be monitored in order to maintain the financial condition of the Township with any additional savings going into road projects.

REQUEST OF INFORMATION

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. 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

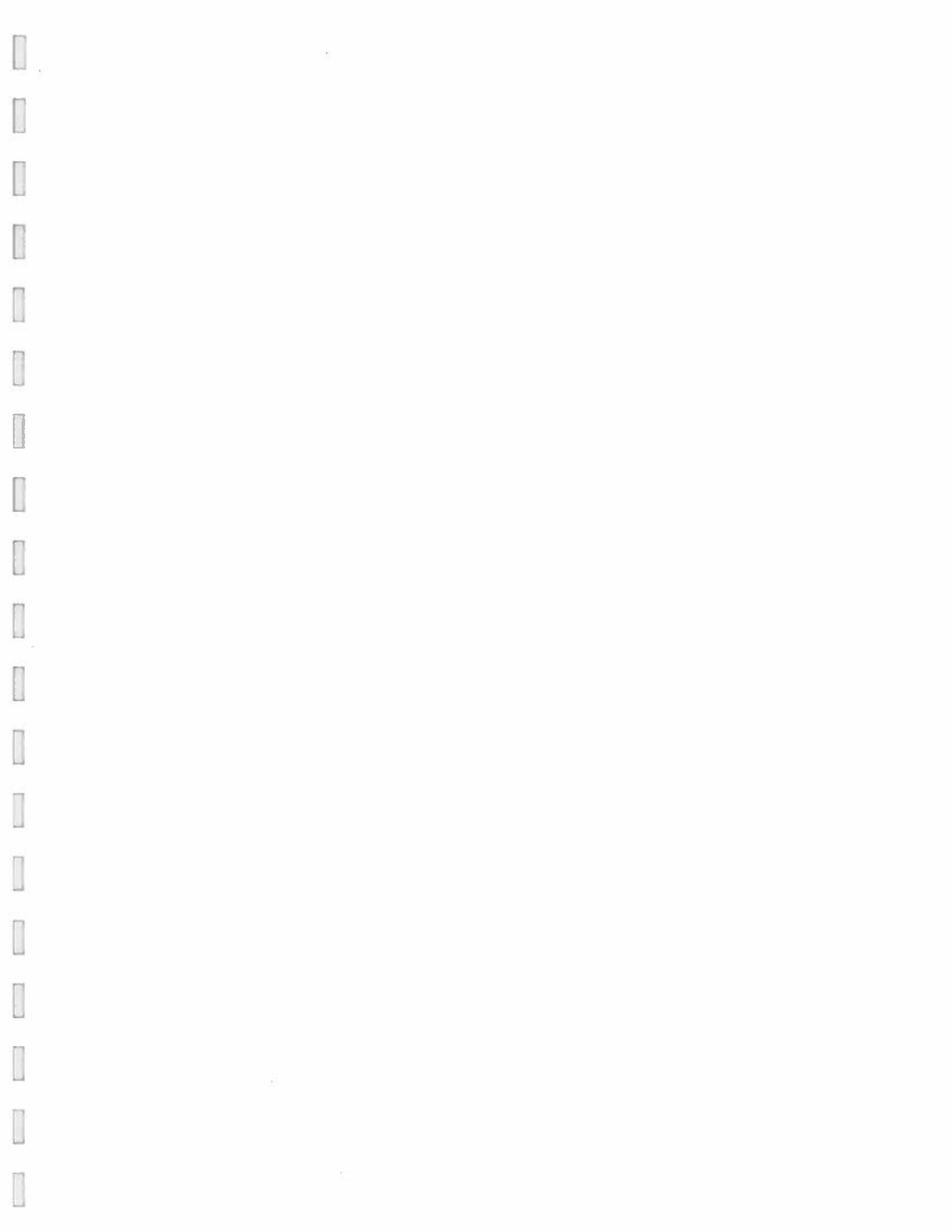
CHARTER TOWNSHIP OF BIG RAPIDS
GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Primary Government		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Current Assets			
Cash	\$ 916,602	\$ 938,701	\$ 1,855,303
Receivables	760,971	104,821	865,792
Prepays	18,004	1,191	19,195
Internal Balances	188	(188)	-
Due from Tax Fund	87,583	-	87,583
Total Current Assets	<u>1,783,348</u>	<u>1,044,525</u>	<u>2,827,873</u>
Non-Current Assets			
Capital Assets not Being Depreciated	259,152	-	259,152
Capital Assets Being Depreciated	<u>3,576,051</u>	<u>1,924,846</u>	<u>5,500,897</u>
Total Non-Current Assets	<u>3,835,203</u>	<u>1,924,846</u>	<u>5,760,049</u>
Total Assets	<u>5,618,551</u>	<u>2,969,371</u>	<u>8,587,922</u>
Liabilities			
Current Liabilities			
Accounts Payable	13,390	35,082	48,472
Current Portion of Long-Term Debt	44,000	-	44,000
Total Current Liabilities	<u>57,390</u>	<u>35,082</u>	<u>92,472</u>
Non-Current Liabilities			
Long-Term Debt	<u>340,000</u>	<u>-</u>	<u>340,000</u>
Total Liabilities	<u>397,390</u>	<u>35,082</u>	<u>432,472</u>
Deferred Inflows of Resources			
Taxes Levied for a Subsequent Period	<u>642,739</u>	<u>-</u>	<u>642,739</u>
Net Position			
Net Investment in Capital Assets	3,451,203	1,924,846	5,376,049
Restricted for:			-
Fire	37,916	-	37,916
Streets	49,239	-	49,239
Nonspendable Cemetery	106,234	-	106,234
Unrestricted	<u>933,830</u>	<u>1,009,443</u>	<u>1,943,273</u>
Total Net Position	<u>\$ 4,578,422</u>	<u>\$ 2,934,289</u>	<u>\$ 7,512,711</u>

**CHARTER TOWNSHIP OF BIG RAPIDS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Program Revenues				Net (Expense) Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Activities	Business-type Activities	Total
Primary Government								
<i>Governmental Activities</i>								
General Government	\$ 388,780	\$ 55,508	\$ 43,750	\$ 1,315	\$ (288,207)	\$ -	\$ -	\$ (288,207)
Public Works	284,303	-	-	-	(284,303)	-	-	(284,303)
Public Safety	119,470	-	16,202	-	(103,268)	-	-	(103,268)
Comm. & Econ. Development	13,432	-	-	-	(13,432)	-	-	(13,432)
Recreation and Culture	31,713	-	-	-	(31,713)	-	-	(31,713)
Interest on Long-term Debt	9,380	-	-	-	(9,380)	-	-	(9,380)
Total Governmental Activities	847,078	55,508	59,952	1,315	(730,303)	-	-	(730,303)
<i>Business-type Activities</i>								
Nonmajor Building Inspections	70,138	69,425	-	-	-	(713)	-	(713)
Sewer	587,509	582,423	-	70,471	-	65,385	-	65,385
Total Business-type Activities	657,647	651,848	-	70,471	-	64,672	-	64,672
Total Primary Government	\$ 1,504,725	\$ 707,356	\$ 59,952	\$ 71,786	(730,303)	64,672	64,672	(665,631)
General Revenues								
Property Taxes					702,133	-	-	702,133
Interest & Rent					20,998	2,357	-	23,355
State Shared Revenue					358,783	-	-	358,783
Miscellaneous					21,974	-	-	21,974
Total General Revenues and Transfers					1,103,888	2,357	2,357	1,106,245
Change in Net Position					373,585	67,029	67,029	440,614
Net Position - Beginning of Period (restated)					4,204,837	2,867,260	2,867,260	7,072,097
Net Position - Ending of Period					\$ 4,578,422	\$ 2,934,289	\$ 2,934,289	\$ 7,512,711

See independent auditor's report and accompanying notes to financial statements.



<u>Capital Projects</u>		
<u>Perry St. Sidewalk Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 92,097	\$ 164,465	\$ 916,602
227,467	18,570	760,971
-	4,849	18,004
-	3,935	87,583
-	-	623,783
<u>\$ 319,564</u>	<u>\$ 191,819</u>	<u>\$ 2,406,943</u>
\$ -	\$ -	\$ 13,390
308,634	-	623,595
308,634	-	636,985
-	28,881	642,739
-	111,083	124,238
-	40,505	88,702
-	11,350	11,350
10,930	-	902,929
<u>10,930</u>	<u>162,938</u>	<u>1,127,219</u>
<u>\$ 319,564</u>	<u>\$ 191,819</u>	<u>\$ 2,406,943</u>

**CHARTER TOWNSHIP OF BIG RAPIDS
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017**

Total Governmental Fund Balances	\$	1,127,219
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Total net position reported for governmental activities in the statement of net position are different from the amount reported as total governmental funds fund balances because:

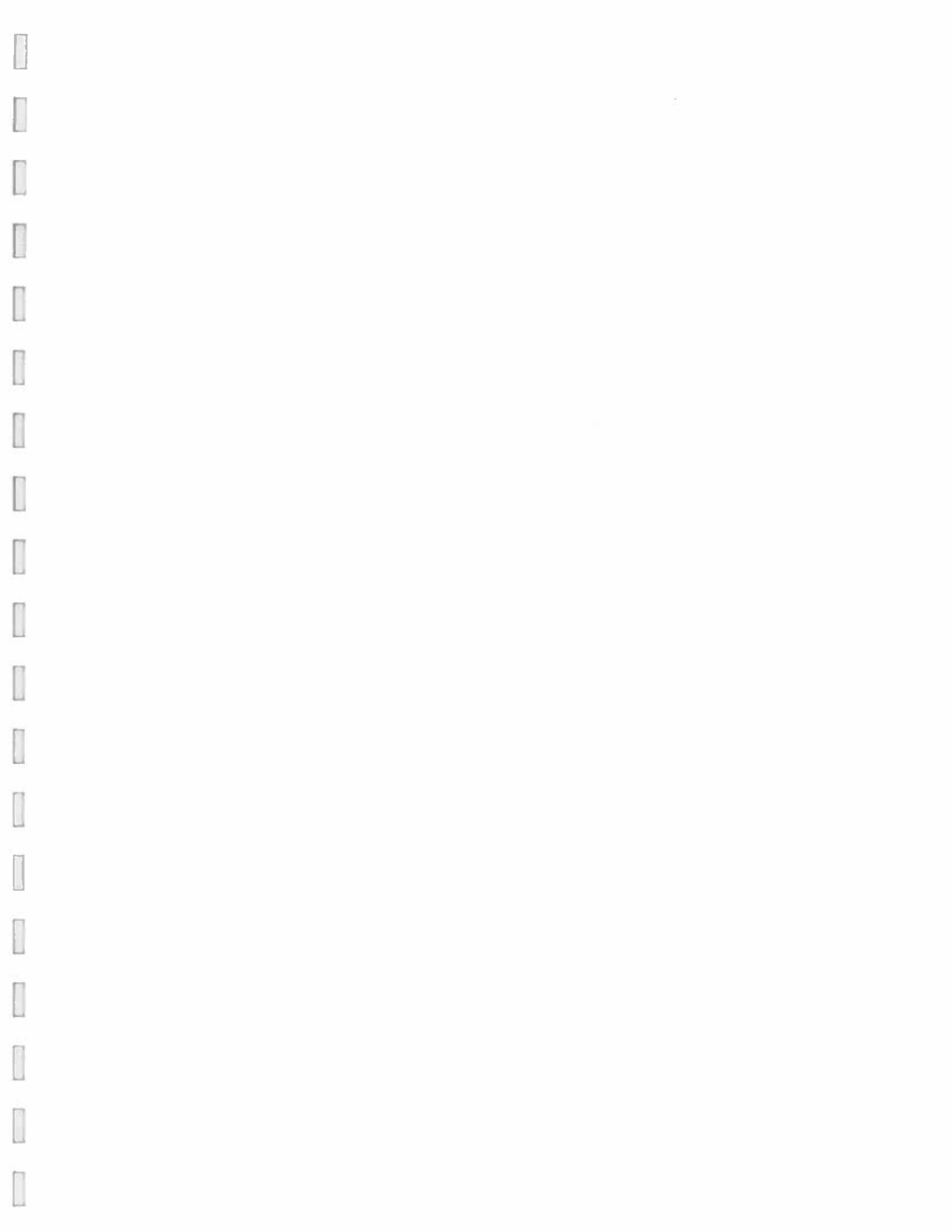
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net position that are not reported in the governmental statement of activities:

Note Payable		(384,000)
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:

Governmental Capital Asset		5,161,569
Governmental Accumulated Depreciation		<u>(1,326,366)</u>
Capital Assets, Net		<u>3,835,203</u>

Total Net Position - Governmental Activities:	\$	<u><u>4,578,422</u></u>
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<u>Capital Projects</u>		
<u>Perry St. Sidewalk Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 28,039	\$ 702,133
-	-	1,315
-	-	19,209
-	10,862	358,783
-	-	675
-	-	59,277
-	4,475	36,299
4,997	378	20,998
-	-	21,974
<u>4,997</u>	<u>43,754</u>	<u>1,220,663</u>
-	-	377,342
6,144	21,712	526,149
-	6,069	495,307
-	-	13,432
-	26,492	31,713
-	9,380	9,380
-	74,054	74,054
<u>6,144</u>	<u>137,707</u>	<u>1,527,377</u>
(1,147)	(93,953)	(306,714)
-	98,455	98,455
-	-	(98,455)
<u>-</u>	<u>98,455</u>	<u>-</u>
(1,147)	4,502	(306,714)
<u>12,077</u>	<u>158,436</u>	<u>1,433,933</u>
<u>\$ 10,930</u>	<u>\$ 162,938</u>	<u>\$ 1,127,219</u>

**CHARTER TOWNSHIP OF BIG RAPIDS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Net Change in Fund Balances - Total Governmental Funds \$ (306,714)

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

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense.

Capital outlay reported as expenses in statement of activities	740,488	
Depreciation expense reported in the statement of activities	<u>(134,243)</u>	606,245

Loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.

Principal Payment on Long-Term Debt		<u>74,054</u>
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Changes in Net Position - Governmental Activities		<u><u>\$ 373,585</u></u>
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CHARTER TOWNSHIP OF BIG RAPIDS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds		
	Nonmajor Building Inspection	Sewer	Total Enterprise Funds
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 96,573	\$ 842,128	\$ 938,701
Receivables	-	104,821	104,821
Prepays	67	1,124	1,191
Total Current Assets	96,640	948,073	1,044,713
Non-Current Assets			
Capital Assets Being Depreciated	-	1,924,846	1,924,846
Total Assets	96,640	2,872,919	2,969,559
Liabilities			
Current Liabilities			
Accounts Payable	788	34,294	35,082
Due to Other Funds	188	-	188
Total Current Liabilities	976	34,294	35,270
Net Position			
Net Investment in Capital Assets	-	1,924,846	1,924,846
Unrestricted	95,664	913,779	1,009,443
Total Net Position	\$ 95,664	\$ 2,838,625	\$ 2,934,289

CHARTER TOWNSHIP OF BIG RAPIDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds		
	Nonmajor Building Inspection	Sewer	Total Enterprise Funds
Operating Revenues			
Charges for Services	\$ 69,420	\$ 582,423	\$ 651,843
Grants	-	70,471	70,471
Other	5	-	5
Total Operating Revenues	69,425	652,894	722,319
Operating Expenses			
Operations and Maintenance	70,138	508,167	578,305
Depreciation	-	79,342	79,342
Total Operating Expenses	70,138	587,509	657,647
Operating Income (Loss)	(713)	65,385	64,672
Non-Operating Revenues (Expenses)			
Interest Income	-	2,357	2,357
Change in Net Position	(713)	67,742	67,029
Net Position - Beginning of Period	96,377	2,770,883	2,867,260
Net Position - End of Period	\$ 95,664	\$ 2,838,625	\$ 2,934,289

**CHARTER TOWNSHIP OF BIG RAPIDS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Business-type Activities - Enterprise Funds		
	<u>Nonmajor Building Inspection</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 69,425	\$ 640,212	\$ 709,637
Cash Payments to Suppliers for Goods & Services	(69,360)	(493,475)	(562,835)
	<hr/>	<hr/>	<hr/>
Total Cash Flows from Operating Activities	65	146,737	146,802
Cash Flows from Investing Activities			
Interest Earned	-	2,357	2,357
	<hr/>	<hr/>	<hr/>
Net Increase in Cash	65	149,094	149,159
Cash and Cash Equivalents - Beginning of Period	96,508	693,034	789,542
	<hr/>	<hr/>	<hr/>
Cash and Cash Equivalents - End of Period	<u>\$ 96,573</u>	<u>\$ 842,128</u>	<u>\$ 938,701</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ (713)	\$ 65,385	\$ 64,672
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	-	79,342	79,342
Changes in Assets & Liabilities			
Receivables	-	(12,682)	(12,682)
Prepays	(10)	(29)	(39)
Accounts Payable	788	14,721	15,509
	<hr/>	<hr/>	<hr/>
Net Cash Provided by Operating Activities	<u>\$ 65</u>	<u>\$ 146,737</u>	<u>\$ 146,802</u>

**CHARTER TOWNSHIP OF BIG RAPIDS
STATEMENT OF NET POSITION - FIDUCIARY FUND
DECEMBER 31, 2017**

	<u>Tax Fund</u>
Assets	
Cash and Investments	<u>\$ 274,132</u>
Liabilities	
Due to Other Funds	\$ 87,583
Due to Others	<u>186,549</u>
Total Liabilities	<u>\$ 274,132</u>

**CHARTER TOWNSHIP OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter Township of Big Rapids, Michigan (the Township) is governed by an elected seven member board. The accounting policies of the Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by the Township.

A. Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity," these financial statements present the Township. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. There are no other units that should be included in the financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) 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, 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 or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CHARTER TOWNSHIP OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally 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 the 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. The special assessments receivable for the Perry Street Sidewalk fund is susceptible to accrual to offset the expenditures of the period consistent with the matching criterion. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The primary revenue sources include property taxes and state shared revenue.

The Road fund accounts for the resources of property tax revenue and charges for services that are restricted for road repairs. The primary revenue source is property taxes.

The Fire fund accounts for the resources of property tax revenue and charges for services that are restricted for fire services. The primary revenue source is property taxes.

The Revolving Loan fund accounts for the loan from the General Fund to the Perry Street Sidewalk fund.

The Perry Street Sidewalk fund accounts for the resources from a special assessment and related expenditures that are necessary for construction of a sidewalk on Perry Street. The primary revenue source is the special assessment to affected properties.

In addition to the major funds, the Township reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital projects funds account for the accumulation and disbursement of resources for the construction of governmental fund capital projects.

Agency funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

CHARTER TOWNSHIP OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 are not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, Deferred Inflows of Resources, and Equity

Cash & Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with a maturity of three months or less when acquired.

Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments. The Township does not have any investments as of and for the year ended December 31, 2017.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

Prepays

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.

**CHARTER TOWNSHIP OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows of Resources, and Equity (Continued)

Capital Assets

Capital assets, which include property, buildings and infrastructure assets (e.g., sewer systems and shared road costs), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. 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.

Depreciation of all exhaustible capital assets used is charged as an expense against operations in the government-wide statements. Accumulated depreciation is reported on the government-wide statement of net position.

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 governmental funds balance sheet includes a separate section for deferred inflows of resources. This separate financial statement element reflects an acquisition of net position that applies to a future reporting period. The Township has only one item, property tax revenue, which is included in this category. Property tax revenue, which is levied to finance the following period's budget (collected not later than 60 days after the end of the Township's fiscal year) is deferred and recognized as an inflow of resources in the period that it was intended to finance.

Net Position

Net position represents the difference between assets and deferred outflows of resources, less 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, and increases by balances of deferred outflows of resources related to 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.

CHARTER TOWNSHIP OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows of Resources, and Equity (Continued)

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 funds financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Equity

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable - Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted - Includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed - Includes amounts that can only be used for specific purposes determined by a formal action by Board resolution. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (Board resolution) that was employed when the funds were initially committed.

Assigned - Includes amounts a government intends to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority.

Unassigned - Includes amounts that are available for any purpose. Positive amounts are only reported in the General Fund.

Restricted sources are used first when an expense is incurred for which both restricted and unrestricted resources are available. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Township considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

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 2016 ad valorem taxes were levied on December 1, 2016, it is the Township's policy to recognize revenue from that tax levy in 2017 when the proceeds are budgeted and made available for the financing of operations.

**CHARTER TOWNSHIP OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows of Resources, and Equity (Continued)

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at fiscal year end. The Township approves its originally adopted budget by the end of the current fiscal year. Amendments are approved periodically during the year. The Township does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. Budget appropriations are considered to be spent once the goods are delivered or services rendered. There were no budget overexpenditures during the year.

NOTE C – CASH

The Township's deposits and investments were reported in the basic financial statements as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Activities</u>	<u>Total</u>
Cash	<u>\$ 916,602</u>	<u>\$ 938,701</u>	<u>\$ 274,132</u>	<u>\$ 2,129,435</u>

Deposits - Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township's deposits are in accordance with statutory authority.

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. State law does not require, and the Township's investment policy does not specifically address, custodial credit risk for deposits. At December 31, 2017, \$1,646,057 of the Township's bank balances of \$2,146,057 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amount of cash deposits and the limits of FDIC insurance, the Township believes it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**CHARTER TOWNSHIP OF BIG RAPIDS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE C – CASH (CONTINUED)

Investments - State statutes authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by the U.S. governmental securities; d) bankers' acceptances; e) mutual funds; and f) investment pools organized under the local government investment pool act. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money. The Township does not have any investments as of and for the year ended December 31, 2017.

NOTE D – RECEIVABLES

Receivables as of December 31, 2017, for the Township's individual major funds, and non-major funds in the aggregate, were as follows:

	<u>Accounts</u>	<u>Property Taxes</u>	<u>Special Assessments</u>	<u>Inter- Governmental</u>	<u>Totals</u>
<u>Governmental Funds</u>					
General Fund	\$ 4,716	\$116,084	\$ -	\$ 115,530	\$236,330
Perry St. Sidewalk	-	-	227,467	-	227,467
Road Fund	-	139,302	-	-	139,302
Fire Fund	-	139,302	-	-	139,302
Non-Major Funds	-	18,570	-	-	18,570
Total	<u>\$ 4,716</u>	<u>\$413,258</u>	<u>\$ 227,467</u>	<u>\$ 115,530</u>	<u>\$760,971</u>
<u>Business-Type Funds</u>					
Sewer	<u>\$ 98,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,601</u>	<u>\$104,821</u>

All receivables are considered fully collectible.

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CHARTER TOWNSHIP OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE E – CAPITAL ASSETS

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

Governmental Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets not Depreciated				
Land	\$ 259,152	\$ -	\$ -	\$ 259,152
Capital Assets - Depreciated				
Buildings	422,412	273,010	-	695,422
Infrastructure	2,871,035	453,041	-	3,324,076
Vehicles	676,454	-	-	676,454
Equipment	<u>192,028</u>	<u>14,437</u>	<u>-</u>	<u>206,465</u>
Subtotal	4,161,929	740,488	-	4,902,417
Less Accumulated Depreciation for				
Buildings	110,050	15,013	-	125,063
Infrastructure	612,979	73,775	-	686,754
Vehicles	333,860	32,640	-	366,500
Equipment	<u>135,234</u>	<u>12,815</u>	<u>-</u>	<u>148,049</u>
Subtotal	<u>1,192,123</u>	<u>134,243</u>	<u>-</u>	<u>1,326,366</u>
Net Capital Assets Depreciated	<u>2,969,806</u>	<u>606,245</u>	<u>-</u>	<u>3,576,051</u>
Capital Assets, Net	<u>\$3,228,958</u>	<u>\$606,245</u>	<u>\$ -</u>	<u>\$3,835,203</u>
Business-Type Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets - Depreciated				
Sewer System	\$2,876,767	\$ -	\$ -	\$2,876,767
Less Accumulated Depreciation for				
Sewer System	<u>872,579</u>	<u>79,342</u>	<u>-</u>	<u>951,921</u>
Capital Assets, Net	<u>\$2,004,188</u>	<u>\$ (79,342)</u>	<u>\$ -</u>	<u>\$1,924,846</u>

**CHARTER TOWNSHIP OF BIG RAPIDS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE E – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to programs of the Township for the year as follows:

Governmental Activities	
General Government	\$ 26,038
Public Works	45,601
Public Safety	<u>62,604</u>
	<u>\$ 134,243</u>
Business-Type Activities	
Sewer	<u>\$ 79,342</u>

NOTE F – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

		Due To				Total
		Building Inspection Fund	Revolving Loan Fund	Perry St. Sidewalk Fund	Fire Fund	
Due From	General Fund	\$ 188	\$ 308,550	\$ 84	\$ -	\$308,822
	Road Fund	-	-	-	6,411	6,411
	Revolving Loan Fund	-	-	308,550	-	308,550
Total		<u>\$ 188</u>	<u>\$ 308,550</u>	<u>\$ 308,634</u>	<u>\$ 6,411</u>	<u>\$623,783</u>

The balance between the General Fund and the Revolving Loan Fund is due to amounts loaned by the General Fund to cover expenditures from the Perry Street Sidewalk special assessment. The loan is payable at 2% per annum as the special assessments are collected. The amount due to the Road Fund from the Fire Fund represents misclassification of tax revenue. The amount due to the General Fund from the Building Inspection Fund is to cover rent income due to the General Fund.

<u>Transfer In</u>	<u>Transfer Out</u>
Water Project Fund	General Fund
	<u>\$ 98,455</u>

The amount transferred from the General Fund to the Water Project Fund represent the amount transferred to cover negative cash in the Water Project Fund.

**CHARTER TOWNSHIP OF BIG RAPIDS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE G – LONG-TERM DEBT

Individual bond and contractual obligation activity can be summarized as follows:

1) 2013 Refunding Bond - was originally issued for \$551,000. Annual installments are payable ranging from \$42,000 to \$51,000, plus interest payable semi-annually at rates between .70% and 2.65%. The final payment is due July 2025. The repayment schedule is as follows:

<u>December 31:</u>	<u>2013 Refunding Bond</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 44,000	\$ 8,797	\$ 52,797
2019	45,000	8,027	53,027
2020	46,000	7,150	53,150
2021	48,000	6,184	54,184
2022	49,000	5,104	54,104
2023-2025	152,000	7,957	159,957
	<u>\$ 384,000</u>	<u>\$ 43,219</u>	<u>\$ 427,219</u>

Long-term obligation activity can be summarized as follows:

	<u>January 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2017</u>	<u>Amount Due Within One Year</u>
Governmental Activities					
2013 Refunding Bond	\$ 426,000	\$ -	\$ (42,000)	\$ 384,000	\$ 44,000
2005 Note Payable	32,054	-	(32,054)	-	-
	<u>\$ 458,054</u>	<u>\$ -</u>	<u>\$ (74,054)</u>	<u>\$ 384,000</u>	<u>\$ 44,000</u>

Interest expense for year ended December 31, 2017 was \$9,380.

NOTE H – 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.

**CHARTER TOWNSHIP OF BIG RAPIDS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE I – DEFINED CONTRIBUTION PLAN

The Township provides pension benefits for its board members and full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan statutes assign the authority to establish and amend benefit provisions to the Township Board of Trustees. Employees are eligible to participate from the date of employment. 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. The Township's contributions are fully vested immediately. The Township made the required contributions of \$20,545 for the year ended December 31, 2017. Employees are not required to contribute to the pension plan. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets. Accordingly, plan assets and changes therein are not reported in these financial statements.

NOTE J – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2017, the most recent balance sheet presented herein, through April 20, 2018, the date these financial statements were available to be issued. No significant events or transactions were identified.

NOTE K – RESTAMENT OF BEGINNING NET POSITION

Beginning net position and fund balance has been restated for the overstatement of receivables in the governmental activities and the Perry Street Sidewalk Fund.

	<u>Governmental Activities</u>	<u>Perry St. Sidewalk Fund</u>
Beginning net position	\$ 4,207,943	\$ 15,183
Overstated receivable	(3,106)	(3,106)
Restated beginning net position	\$ 4,204,837	\$ 12,077

**CHARTER TOWNSHIP OF BIG RAPIDS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Variance to Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 225,150	\$ 225,150	\$ 259,812	\$ 34,662
Special Assessments	-	-	1,315	1,315
Licenses & Permits	19,000	19,000	19,209	209
State Shared Revenue	323,500	323,500	347,921	24,421
Contributions	43,000	43,000	43,750	750
Charges for Services	23,900	23,900	31,824	7,924
Interest & Rent	3,250	3,250	14,581	11,331
Other	2,200	19,200	20,964	1,764
Total Revenues	640,000	657,000	739,376	82,376
Expenditures				
General Government				
Legislative	106,240	106,240	93,603	12,637
Supervisor	32,338	32,338	29,421	2,917
Elections	9,025	9,025	3,372	5,653
Assessor	43,750	43,750	37,279	6,471
Clerk	52,524	52,524	47,489	5,035
Treasurer	39,720	39,720	38,715	1,005
Board of Review	1,380	1,380	722	658
Township Hall & Grounds	11,560	11,560	9,020	2,540
Cemetery	166,105	166,105	117,721	48,384
Total General Government	462,642	462,642	377,342	85,300
Public Works				
Road Maintenance	215,000	237,000	232,760	4,240
Street Lighting	9,900	9,900	7,605	2,295
Industrial Park Infrastructure	71,590	71,590	49,928	21,662
Total Public Works	296,490	318,490	290,293	28,197
Community and Economic Development				
Economic Development	5,900	5,900	3,500	2,400
Planning & Zoning	15,130	15,130	9,932	5,198
Total Comm. and Economic Develop.	21,030	21,030	13,432	7,598
Recreation and Culture				
Parks	9,415	9,415	5,221	4,194
Total Expenditures	789,577	811,577	686,288	125,289
Excess of Revenues (Under) Over Expenditures	(149,577)	(154,577)	53,088	207,665
Other Financing Sources (Uses)				
Transfer In	50,000	50,000	-	(50,000)
Transfer Out	-	-	(98,455)	(98,455)
Total Other Financing Sources (Uses)	50,000	50,000	(98,455)	(148,455)
Net Change in Fund Balance	(99,577)	(104,577)	(45,367)	59,210
Fund Balance - Beginning of Period	941,882	941,882	941,882	-
Fund Balance - End of Period	\$ 842,305	\$ 837,305	\$ 896,515	\$ 59,210

**CHARTER TOWNSHIP OF BIG RAPIDS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE FOR PERRY STREET SIDEWALK FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Variance to Final Budget
	Original	Final		
Revenues				
Special Assessment Revenue	\$ 49,971	\$ 49,971	\$ -	\$ (49,971)
Interest Income	6,045	6,045	4,997	(1,048)
Total Revenues	56,016	56,016	4,997	(51,019)
Expenditures				
Public Works	57,560	57,560	6,144	51,416
Total Expenditures	57,560	57,560	6,144	51,416
Excess of Revenues Over Expenditures	(1,544)	(1,544)	(1,147)	397
Restated Fund Balance - Beginning of Period	12,077	12,077	12,077	-
Fund Balance - End of Period	\$ 10,533	\$ 10,533	\$ 10,930	\$ 397

**CHARTER TOWNSHIP OF BIG RAPIDS
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE FOR ROAD FUND
 FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Variance to Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 210,000	\$ 210,000	\$ 207,063	\$ (2,937)
Interest	50	50	-	(50)
Total Revenues	210,050	210,050	207,063	(2,987)
Expenditures				
Public Works	208,000	208,000	208,000	-
Net Change in Fund Balance	2,050	2,050	(937)	(2,987)
Fund Balance - Beginning of Period	11,218	11,218	11,218	-
Fund Balance - End of Period	<u>\$ 13,268</u>	<u>\$ 13,268</u>	<u>\$ 10,281</u>	<u>\$ (2,987)</u>

**CHARTER TOWNSHIP OF BIG RAPIDS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE FOR THE FIRE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Variance to Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 208,500	\$ 208,500	\$ 207,219	\$ (1,281)
Contributions	15,000	15,000	15,527	527
Interest Income	50	50	1,042	992
Other Income	50	50	1,010	960
Total Revenues	223,600	223,600	225,473	1,873
Expenditures				
Public Safety	167,385	491,885	489,238	2,647
Net Change in Fund Balance	56,215	(268,285)	(263,765)	4,520
Fund Balance - Beginning of Period	310,320	310,320	310,320	-
Fund Balance - End of Period	<u>\$ 366,535</u>	<u>\$ 42,035</u>	<u>\$ 46,555</u>	<u>\$ 4,520</u>

**CHARTER TOWNSHIP OF BIG RAPIDS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	Special Revenue Funds			Capital Projects		Permanent Fund Perpetual Care	Total Non-Major Governmental Funds
	Liquor Law Fund	Library Fund	Metro Act Fund	Water Project Fund	Fund		
Assets							
Cash and Investments	\$ -	\$ 7,923	\$ 38,958	\$ -		\$ 117,584	\$ 164,465
Receivables	-	18,570	-	-		-	18,570
Prepays	-	-	-	4,849		-	4,849
Due from Tax Fund	-	3,935	-	-		-	3,935
Total Assets	\$ -	\$ 30,428	\$ 38,958	\$ 4,849		\$ 117,584	\$ 191,819
Deferred Inflows of Resources							
Unavailable Property Taxes	\$ -	\$ 28,881	\$ -	\$ -		\$ -	\$ 28,881
Fund Balance							
Non-Spendable	-	-	-	4,849		106,234	111,083
Restricted	-	1,547	38,958	-		-	40,505
Committed	-	-	-	-		-	-
Assigned	-	-	-	-		11,350	11,350
Total Fund Balance	-	1,547	38,958	4,849		117,584	162,938
Total Liabilities, Def. Inflows, and Fund Balance	\$ -	\$ 30,428	\$ 38,958	\$ 4,849		\$ 117,584	\$ 191,819

CHARTER TOWNSHIP OF BIG RAPIDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Special Revenue Funds			Capital Projects		Permanent		Total
	Liquor Law Fund	Library Fund	Metro Act Fund	Water Project Fund	Perpetual Care Fund	Non-Major		
Revenues								
Property Tax	\$ -	\$ 28,039	\$ -	\$ -	\$ -	\$ -	\$ 28,039	
State Shared Revenue	5,890	-	4,972	-	-	-	10,862	
Charges for Services	-	-	-	1,615	2,860	4,475		
Interest	-	-	-	-	378	378		
Total Revenues	5,890	28,039	4,972	1,615	3,238	43,754		
Expenditures								
Public Safety	6,069	-	-	-	-	6,069		
Public Works	-	-	-	21,712	-	21,712		
Recreation and Culture	-	26,492	-	-	-	26,492		
Debt Service - Interest	-	-	-	9,380	-	9,380		
Debt Service - Principal	-	-	-	74,054	-	74,054		
Total Expenditures	6,069	26,492	-	105,146	-	137,707		
Excess Revenue Over (Under) Expenditures	(179)	1,547	4,972	(103,531)	3,238	(93,953)		
Other Financing Sources (Uses)								
Transfers In	-	-	-	98,455	-	98,455		
Net Change in Fund Balance	(179)	1,547	4,972	(5,076)	3,238	4,502		
Fund Balance - Beginning of Period (restated)	179	-	33,986	9,925	114,346	158,436		
Fund Balance - End of Period	\$ -	\$ 1,547	\$ 38,958	\$ 4,849	\$ 117,584	\$ 162,938		



COMPANIES

CPAS & BUSINESS ADVISORS

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

April 20, 2018

To the Board of Trustees
Charter Township of Big Rapids, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Big Rapids, Michigan (the Township), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Charter Township of Big Rapids, Michigan's basic financial statements, and have issued our report thereon dated April 20, 2018.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 2017-001 and 2017-002.

Compliance and Other Matters

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

Charter Township of Big Rapids Response to Findings

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

Purpose of this Report

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

H & S Companies, P.C.

H & S Companies, P.C.
Fremont, MI

**CHARTER TOWNSHIP OF BIG RAPIDS
SCHEDULE OF FINDINGS AND REPSONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

2017-001 – Preparation of Financial Statements

Criteria: The Township does not have policies and procedures in place to prepare financial statements in accordance with accounting principles generally accepted in the United States of America. This includes recording accruals, maintenance of fixed assets and depreciation schedules, conversion to full accrual government-wide financial statements and developing appropriate footnote disclosures. Having the auditor draft the annual financial statements is allowable under current auditing standards and ethical guidelines and may be the most efficient and effective method for preparation of the Township's financial statements; however, when an entity lacks the ability to produce financial statements that conform to generally accepted accounting principles, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing.

Condition: The Township's financial reporting system does not produce financial statements in accordance with accounting principles generally accepted in the United States of America.

Effect: The Township's financial reporting system does not produce financial statements in accordance with accounting principles generally accepted in the United States of America.

Cause: The Township has relied upon the auditor to identify and develop material adjustments necessary to prepare the financial statements and appropriate disclosures.

Recommendation: We recommend that management analyze the costs and benefits of securing resources necessary to develop material adjustments and prepare the financial statements and note disclosures.

Views of Responsible Officials and Planned Corrective Action: Management has concluded that the cost to be in compliance with this recommendation is not an effective use of the Township's resources.

**CHARTER TOWNSHIP OF BIG RAPIDS
SCHEDULE OF FINDINGS AND REPSONSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

2017-002 Material Journal Entries

Criteria: Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the recording of all adjustments necessary, other than standard cash to accrual adjustments, such that the general ledger reflects amounts that are in conformity accounting principles generally accepted in the United States of America. The auditor cannot be a part of internal controls.

Condition: Material journal entries for the adjustment of due from tax fund, accounts receivable, taxes receivable, special assessment receivable, accumulated depreciation and related depreciation expense, and deferred revenue and related revenue were proposed by the auditors in order for the financial statements to be materially stated..

Effect: Through the identification of material journal entries that were not otherwise identified by management, the general ledger was materially misstated if the entries had not been identifies and recorded.

Cause: The Township's internal controls over financial reporting failed to identify these misstatements.

Recommendation: We recommend that the Township take steps to ensure that all accounts are materially accurate and reconcile to supporting documentations prior to commencement of audit.

Views of Responsible Officials and Planned Corrective Action: We concur with the auditors' recommendation. Management will work with the auditors' to ensure the accuracy of certain accounts subject to adjustment prior to closing the general ledger in future years before commencement of the audit process.