

**CHARTER TOWNSHIP OF BIG RAPIDS
MECOSTA COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2015**



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Big Rapids, Michigan (the "Township") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Big Rapids, Michigan, as of December 31, 2015, 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 the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Big Rapids, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic 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 May 17, 2016, on our consideration of the Charter Township of Big Rapids, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is

to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter Township of Big Rapids, Michigan's internal control over financial reporting and compliance.

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, Michigan
May 17, 2016

Management's Discussion and Analysis

As management of the Charter Township of Big Rapids, Michigan (The "Township" or "government") we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$6,270,942 (net position). Of this amount, \$1,345,004 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$1,327,805. Approximately 51% of this amount (\$679,735) is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$679,735, or approximately 118% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support 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 financial information on all of the Township's assets, liabilities, and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township'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 for some items that will only result in cash flows in future fiscal periods (e.g., long-term liabilities and accrued interest).

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 safety, and highways and streets. The business-type activities of the Township include sewer and building inspection services.

The government-wide financial statements can be found on pages 15 - 16 of this report.

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. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing 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 seven 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, fire, and water project funds, which are considered to be major funds. Data from the other four 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 fund and the road fund. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 17 - 20 of this report.

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 enterprises funds to account for its sewer and building inspection operations.

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

The basic proprietary fund financial statements can be found on pages 21 - 23 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported 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 report resources held by the Township in a custodial capacity for individuals, private organizations and other governments.

The fiduciary fund financial statement can be found on page 24 of this report.

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

The notes to the financial statements can be found on pages 25 – 36 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* demonstrating the Township's compliance with its operating budgets by providing budgetary comparison schedules.

The combining statements in connection with the Township's nonmajor funds are presented immediately following the required supplementary information.

Required supplementary information can be found on pages 38 – 40 of this report.

Combining and individual fund statements and schedules can be found on pages 42 - 43 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$6,270,942, at the close of the most recent fiscal year.

Charter Township of Big Rapids
Statement of Net Position as of December 31, 2015 and December 31, 2014

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
ASSETS						
<i>Current Assets</i>						
Cash	\$ 1,140,020	\$ 1,145,307	\$ 435,347	\$ 705,516	\$ 1,575,367	\$ 1,850,823
Receivables	667,365	553,863	88,393	108,474	755,758	662,337
Prepays	39,789	6,552	1,137	1,203	40,926	7,755
Due from Tax Fund	89,462	86,056	-	-	89,462	86,056
Total Current Assets	1,936,636	1,791,778	524,877	815,193	2,461,513	2,606,971
<i>Noncurrent Assets</i>						
Capital Assets not Being Depreciated	259,152	259,152	56,963	-	316,115	259,152
Capital Assets Being Depreciated	2,636,860	2,766,199	2,012,004	1,859,302	4,648,864	4,625,501
Total Noncurrent Assets	2,896,012	3,025,351	2,068,967	1,859,302	4,964,979	4,884,653
Total Assets	4,832,648	4,817,129	2,593,844	2,674,495	7,426,492	7,491,624
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	13,005	7,797	27,754	17,910	40,759	25,707
Current Portion of Long-term Debt	60,925	60,334	-	20,200	60,925	80,534
Total Current Liabilities	73,930	68,131	27,754	38,110	101,684	106,241
<i>Noncurrent Liabilities</i>						
Long-term Debt	458,040	517,940	-	202,000	458,040	719,940
Total Liabilities	531,970	586,071	27,754	240,110	559,724	826,181
DEFERRED INFLOWS OF RESOURCES						
Taxes Levied for a Subsequent Period	595,826	578,303	-	-	595,826	578,303
Total Deferred Inflows of Resources	595,826	578,303	-	-	595,826	578,303
NET POSITION						
Net Investment in Capital Assets	2,377,047	2,447,077	2,068,967	1,637,103	4,446,014	4,084,180
Restricted - Nonexpendable	106,234	103,215	-	-	106,234	103,215
Restricted	373,690	262,465	-	56,793	373,690	319,258
Unrestricted	847,881	845,158	497,123	740,489	1,345,004	1,585,647
Total Net Position	\$ 3,704,852	\$ 3,657,915	\$ 2,566,090	\$ 2,434,385	\$ 6,270,942	\$ 6,092,300

By far, the largest portion of the Township's net position (\$4,446,014, or 71%) 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 sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net position (\$479,924, or 8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,345,004 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 \$178,642 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$46,937 from the prior fiscal year for an ending balance of \$3,704,852. 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 within governmental activities by \$180,870 due to a new voted road millage. Also, public works expenses increased within governmental activities by \$334,054 over the prior year as a result of increased spending on road repair and maintenance. Charges for services also increased by \$61,658 due to special assessment revenues.

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 \$131,705 leaving an ending balance of \$2,566,090.

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. Connection fees increased within business-type activities by \$50,625 related to increased tap-ins during the year. Charges for services also increased by \$94,461 related to the increased tap-ins. Also, sewer expenses increased by \$73,867 over the prior year as a result of the increased contractual service costs related to increased users from prior years and increased tap-ins during the current year.

Charter Township of Big Rapids
Change in Net Position for Fiscal Years Ended December 31, 2015 and December 31, 2014

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Revenue						
Program Revenues						
Charges for Services	\$ 176,909	\$ 115,251	\$ 540,061	\$ 445,600	\$ 716,970	\$ 560,851
Operating Grants and Contributions	63,223	69,434	-	-	63,223	69,434
Capital Grants and Contributions	-	-	100,625	50,000	100,625	50,000
Total Program Revenues	<u>240,132</u>	<u>184,685</u>	<u>640,686</u>	<u>495,600</u>	<u>880,818</u>	<u>680,285</u>
General Revenues						
Property Taxes	616,115	435,245	-	-	616,115	435,245
State Shared Revenue	325,055	329,218	-	-	325,055	329,218
Interest Income	1,611	1,689	464	908	2,075	2,597
Other	-	11,350	-	-	-	11,350
Total General Revenues	<u>942,781</u>	<u>777,502</u>	<u>464</u>	<u>908</u>	<u>943,245</u>	<u>778,410</u>
Total Revenues	<u>1,182,913</u>	<u>962,187</u>	<u>641,150</u>	<u>496,508</u>	<u>1,824,063</u>	<u>1,458,695</u>
Expenses						
General Government	361,447	367,205	-	-	361,447	367,205
Public Safety	201,195	195,893	-	-	201,195	195,893
Public Works	553,868	219,814	-	-	553,868	219,814
Community and Economic Development	2,500	2,503	-	-	2,500	2,503
Recreation and Culture	4,372	6,904	-	-	4,372	6,904
Inspections	-	-	48,503	51,914	48,503	51,914
Sewer	-	-	460,942	428,686	460,942	428,686
Interest	12,594	12,779	-	-	12,594	12,779
Total Expenses	<u>1,135,976</u>	<u>805,098</u>	<u>509,445</u>	<u>480,600</u>	<u>1,645,421</u>	<u>1,285,698</u>
Change in Net Position	46,937	157,089	131,705	15,908	178,642	172,997
<i>Net Position at Beginning of Period</i>	<u>3,657,915</u>	<u>3,500,826</u>	<u>2,434,385</u>	<u>2,418,477</u>	<u>6,092,300</u>	<u>5,919,303</u>
Net Position at the End of Period	<u>\$3,704,852</u>	<u>\$3,657,915</u>	<u>\$2,566,090</u>	<u>\$2,434,385</u>	<u>\$6,270,942</u>	<u>\$6,092,300</u>

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for 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 \$1,327,805, an increase of \$116,967 over the prior year. Approximately 51% of this amount (\$679,735) 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 (\$146,023) 2) restricted for particular purposes (\$373,690), 3) assigned for particular purposes (\$83,478) or 4) committed for particular purposes (\$44,879).

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 \$679,735, while total fund balance increased by \$18,165 to \$761,969. 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 118 percent of total general fund expenditures, while total fund balance represents approximately 132 percent of that same amount.

The fund balance of the Township's general fund increased by \$18,165 during the current fiscal year. The increase in fund balance is a result of the Township Board monitoring expenditures to make sure they do not surpass the amount of available revenues.

The fire fund, a major fund, had a \$67,385 increase in fund balance during the current fiscal year which put the overall fund balance at \$304,601. This balance is legally restricted to fund future operating costs of the fire fund.

The road fund, a major fund, passed a mileage in 2014 to fund road repairs. The overall fund balance in the current year is \$120.

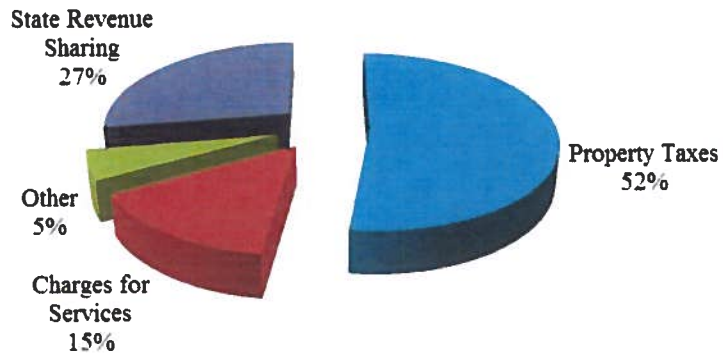
Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the sewer fund operation was \$463,392. The increase in net position of the sewer fund was \$121,558. As noted in the discussion of business-type activities, the increase for the sewer fund results from an increase in connection fees of \$50,625 for new tap-ins during the year.

Governmental Activities

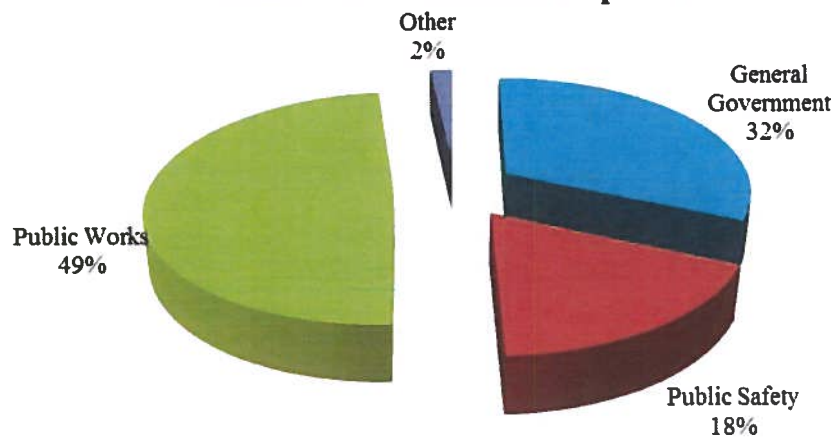
The following chart summarizes the revenue sources for the governmental activities of the Township for the most recent fiscal year end.

Governmental Activities Revenues



The following chart summarizes the expenses for the governmental activities of the Township for the most recent fiscal year end.

Governmental Activities Expenses



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. During the current fiscal year the Township had expenditures in excess of the appropriated amounts in the general fund of \$44,867 related to industrial park infrastructure and \$20,500 for transfers to other funds.

Capital Assets and Debt Administration

Capital Assets

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2015, amounts to \$4,964,979 (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 0.8%.

	<u>2015</u>	<u>2014</u>
Land	\$ 259,152	\$ 259,152
Buildings	326,806	341,250
Infrastructure	1,887,074	1,954,817
Vehicles	365,696	403,763
Equipment	57,284	66,368
Sewer System	2,068,967	1,859,303
Totals	<u>\$ 4,964,979</u>	<u>\$ 4,884,653</u>

Significant fixed asset additions during the year include a new generators for \$96,012 and sewer lining for \$125,687. Further details on capital assets can be found in the notes to the financial statements section of this document.

Long-term Debt

At the end of fiscal years 2015 and 2014, the Township had \$518,965 and \$800,474 in debt outstanding as depicted in the table below.

	<u>2015</u>	<u>2014</u>
2013 Refunding Bond	\$ 468,000	\$ 509,000
2010 IPA - Sewer	-	52,800
2010 IPA - Sewer Improvements	-	169,400
2005 Note Payable	50,965	69,274
Totals	<u>\$ 518,965</u>	<u>\$ 800,474</u>

Principal payments for the year were \$281,509. Of this amount, \$222,200 was to pay off the 2010 Sewer IPA. The upcoming principal payments were for the 2013 Refunding Bond (\$42,000) and the Industrial Park loan (\$18,925). Further details on long-term debt can be found in the notes to the financial statements section of this document.

Economic Condition and Outlook

Management estimates that \$650,000 of revenues are expected to be available for appropriation in the general fund. Expenditures are expected to change by small amounts compared to 2015. 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 2016, 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.

Contacting the Township

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, 2015**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current Assets</i>			
Cash	\$ 1,140,020	\$ 435,347	\$ 1,575,367
Receivables	667,365	88,393	755,758
Prepays	39,789	1,137	40,926
Due from Tax Fund	89,462	--	89,462
Total Current Assets	1,936,636	524,877	2,461,513
<i>Noncurrent Assets</i>			
Capital Assets not Being Depreciated	259,152	56,963	316,115
Capital Assets Being Depreciated	2,636,860	2,012,004	4,648,864
Total Assets	4,832,648	2,593,844	7,426,492
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	13,005	27,754	40,759
Current Portion of Long-term Debt	60,925	--	60,925
Total Current Liabilities	73,930	27,754	101,684
<i>Noncurrent Liabilities</i>			
Long-term Debt	458,040	--	458,040
Total Liabilities	531,970	27,754	559,724
DEFERRED INFLOWS OF RESOURCES			
Taxes Levied for a Subsequent Period	595,826	--	595,826
Total Deferred Inflows of Resources	595,826	--	595,826
NET POSITION			
Net Investment in Capital Assets	2,377,047	2,068,967	4,446,014
<i>Restricted for:</i>			
Fire	274,012	--	274,012
Streets	99,678	--	99,678
Nonspendable Cemetery	106,234	--	106,234
<i>Unrestricted</i>	847,881	497,123	1,345,004
Total Net Position	\$ 3,704,852	\$ 2,566,090	\$ 6,270,942

The Notes to the Financial Statements are an integral part of these Financial Statements

**Charter Township of Big Rapids
Statement of Activities
For the Year Ended December 31, 2015**

Functions/Programs	Program Revenues			Net (Expense) Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General Government	\$ 361,447	\$ 110,763	\$ 42,527	\$ --	\$ (208,157)	\$ --	\$ (208,157)
Public Safety	201,195	--	16,696	--	(184,499)	--	(184,499)
Public Works	553,868	66,146	4,000	--	(483,722)	--	(483,722)
Community and Economic Development	2,500	--	--	--	(2,500)	--	(2,500)
Recreation and Culture	4,372	--	--	--	(4,372)	--	(4,372)
Interest on Long Term Debt	12,594	--	--	--	(12,594)	--	(12,594)
Total Governmental Activities	1,135,976	176,909	63,223	--	(895,844)	--	(895,844)
Business-type Activities:							
Nonmajor Building Inspection Sewer	48,503	58,633	--	--	--	10,130	10,130
	460,942	481,428	--	100,625	--	121,111	121,111
Total Business-type Activities	509,445	540,061	--	100,625	--	131,241	131,241
Total Primary Government	\$ 1,645,421	\$ 716,970	\$ 63,223	\$ 100,625	\$ (895,844)	\$ 131,241	\$ (764,603)
General Purpose Revenues and Transfers:							
Revenues							
Property Taxes					616,115	--	616,115
Interest Income					1,611	464	2,075
State Shared Revenue					325,055	--	325,055
Transfers					--	--	--
Total General Revenues and Transfers					942,781	464	943,245
Change in Net Position					46,937	131,705	178,642
Net Position at Beginning of Period					3,657,915	2,434,385	6,092,300
Net Position at End of Period					\$ 3,704,852	\$ 2,566,090	\$ 6,270,942

The Notes to the Financial Statements are an integral part of these Financial Statements

**Charter Township of Big Rapids
Balance Sheet
Governmental Funds
December 31, 2015**

	<u>Special Revenue</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Fire</u>	<u>Road Fund</u>		
ASSETS					
Cash	\$ 661,827	\$ 298,253	\$ 21,855	\$ 158,085	\$ 1,140,020
Receivables	245,180	156,982	156,982	108,221	667,365
Prepays	4,234	30,589	-	4,966	39,789
Due from Tax Fund	26,312	31,575	31,575	-	89,462
Due from Other Funds	6,675	-	-	-	6,675
<i>Total Assets</i>	<u>\$ 944,228</u>	<u>\$ 517,399</u>	<u>\$ 210,412</u>	<u>\$ 271,272</u>	<u>\$ 1,943,311</u>
LIABILITIES					
Accounts Payable	\$ 7,017	\$ 2,506	\$ -	\$ 3,482	\$ 13,005
Due to Other Funds	-	-	-	6,675	6,675
<i>Total Liabilities</i>	<u>7,017</u>	<u>2,506</u>	<u>-</u>	<u>10,157</u>	<u>19,680</u>
DEFERRED INFLOWS OF RESOURCES					
Taxes Levied for a Subsequent Period	175,242	210,292	210,292	-	595,826
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>182,259</u>	<u>212,798</u>	<u>210,292</u>	<u>10,157</u>	<u>615,506</u>
FUND BALANCE					
Nonspendable	4,234	30,589	-	111,200	146,023
Restricted	-	274,012	120	99,558	373,690
Committed	-	-	-	44,879	44,879
Assigned	78,000	-	-	5,478	83,478
Unassigned	679,735	-	-	-	679,735
<i>Total Fund Balance</i>	<u>761,969</u>	<u>304,601</u>	<u>120</u>	<u>261,115</u>	<u>1,327,805</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 944,228</u>	<u>\$ 517,399</u>	<u>\$ 210,412</u>	<u>\$ 271,272</u>	<u>\$ 1,943,311</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Charter Township of Big Rapids
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2015

Total Fund Balance - Governmental Funds	\$ 1,327,805
General government capital assets of \$3,962,558, net of accumulated depreciation of \$1,066,546, are not financial resources, and accordingly are not reported in the funds.	2,896,012
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(518,965)
Total Net Position - Governmental Funds	\$ <u>3,704,852</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Charter Township of Big Rapids
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2015**

	Special Revenue			Other Governmental Funds	Total Governmental Funds
	General	Fire	Road Fund		
Revenues					
Property Taxes	\$ 215,444	\$ 197,290	\$ 203,381	\$ --	\$ 616,115
Licenses and Permits	19,841	--	--	--	19,841
State Shared Revenue	316,189	--	--	8,866	325,055
Grant Revenue	--	3,788	--	--	3,788
Contributions from Local Units	42,527	12,908	--	--	55,435
Charges for Services	27,174	--	--	6,821	33,995
Interest and Rents	2,250	--	--	--	2,250
Other	4,907	--	--	55,841	60,748
Special Assessments	--	--	--	64,075	64,075
Interest Income	880	187	--	544	1,611
Total Revenues	<u>629,212</u>	<u>214,173</u>	<u>203,381</u>	<u>136,147</u>	<u>1,182,913</u>
Expenditures					
General Government	341,684	--	--	--	341,684
Public Safety	--	146,788	--	5,574	152,362
Public Works	220,491	--	203,261	62,373	486,125
Community and Economic Development	2,500	--	--	--	2,500
Recreation and Culture	4,372	--	--	--	4,372
Capital Outlay	7,000	--	--	--	7,000
Debt Service - Principal	--	--	--	59,309	59,309
Debt Service - Interest	--	--	--	12,594	12,594
Total Expenditures	<u>576,047</u>	<u>146,788</u>	<u>203,261</u>	<u>139,850</u>	<u>1,065,946</u>
Excess of Revenues Over (Under) Expenditures	<u>53,165</u>	<u>67,385</u>	<u>120</u>	<u>(3,703)</u>	<u>116,967</u>
Other Financing Sources (Uses)					
Transfers In	150,000	--	--	35,000	185,000
Transfers Out	(185,000)	--	--	--	(185,000)
Net Other Financing Sources (Uses)	<u>(35,000)</u>	<u>--</u>	<u>--</u>	<u>35,000</u>	<u>--</u>
Net Change in Fund Balance	<u>18,165</u>	<u>67,385</u>	<u>120</u>	<u>31,297</u>	<u>116,967</u>
Fund Balance at Beginning of Period	<u>743,804</u>	<u>237,216</u>	<u>--</u>	<u>229,818</u>	<u>1,210,838</u>
Fund Balance at End of Period	<u>\$ 761,969</u>	<u>\$ 304,601</u>	<u>\$ 120</u>	<u>\$ 261,115</u>	<u>\$ 1,327,805</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Charter Township of Big Rapids
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended December 31, 2015

Total Net Change in Fund Balances - Governmental Funds	\$ 116,967
Governmental fund reports capital outlay as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay expenditures of \$7,000 is less than depreciation expense of \$136,339.	(129,339)
Current year long-term debt principal payments on contractual obligations, bonds payable, and capital leases are expenditures in the fund financial statements but are reductions in long-term debt in the government-wide financial statements.	59,309
Changes in Net Position - Governmental Funds	<u>\$ 46,937</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Charter Township of Big Rapids
Statement of Net Position
Proprietary Funds
December 31, 2015**

	Business-type Activities - Enterprise Funds		
	Nonmajor Building Inspection	Sewer	Total Enterprise Funds
ASSETS			
<i>Current Assets</i>			
Cash	\$ 33,757	\$ 401,590	\$ 435,347
Receivables	--	88,393	88,393
Prepays	55	1,082	1,137
Total Current Assets	33,812	491,065	524,877
<i>Noncurrent Assets</i>			
Capital Assets not Being Depreciated	--	56,963	56,963
Capital Assets Being Depreciated	--	2,012,004	2,012,004
Total Assets	33,812	2,560,032	2,593,844
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	81	27,673	27,754
Total Current Liabilities	81	27,673	27,754
<i>Noncurrent Liabilities</i>			
Total Liabilities	81	27,673	27,754
NET POSITION			
Net Investment in Capital Assets	--	2,068,967	2,068,967
<i>Unrestricted</i>	33,731	463,392	497,123
Total Net Position	\$ 33,731	\$ 2,532,359	\$ 2,566,090

The Notes to the Financial Statements are an integral part of these Financial Statements

Charter Township of Big Rapids
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2015

	Business-type Activities - Enterprise Funds		
	Nonmajor Building Inspection	Sewer	Total Enterprise Funds
Operating Revenues			
Charges for Services	\$ 58,633	\$ 479,399	\$ 538,032
Other	--	2,029	2,029
Total Operating Revenues	58,633	481,428	540,061
Operating Expenses			
Operations and Maintenance	48,503	381,445	429,948
Depreciation	--	68,997	68,997
Total Operating Expenses	48,503	450,442	498,945
Operating Income (Loss)	10,130	30,986	41,116
Non-Operating Revenues (Expenses)			
Interest Income	17	447	464
Connection Fees	--	100,625	100,625
Interest Expense	--	(10,500)	(10,500)
Net Non-Operating Revenues (Expenses)	17	90,572	90,589
Income Before Contributions and Transfers	10,147	121,558	131,705
Transfers In	--	--	--
Transfers Out	--	--	--
Change In Net Position	10,147	121,558	131,705
<i>Net Position at Beginning of Period</i>	<i>23,584</i>	<i>2,410,801</i>	<i>2,434,385</i>
Net Position at End of Period	\$ 33,731	\$ 2,532,359	\$ 2,566,090

The Notes to the Financial Statements are an integral part of these Financial Statements

**Charter Township of Big Rapids
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2015**

	Business-type Activities - Enterprise Funds		
	Nonmajor Building Inspection	Sewer	Total Enterprise Funds
Cash Flows from Operating Activities			
Cash Received from Charges for Service	\$ 58,633	\$ 501,509	\$ 560,142
Cash Payments to Suppliers for Goods and Services	(48,426)	(371,612)	(420,038)
Total Cash Flows from Operating Activities	<u>10,207</u>	<u>129,897</u>	<u>140,104</u>
Cash Flows from Capital and Related Financing Activities			
Interest Payments on Debt	-	(10,500)	(10,500)
Connection Fees (Net of Connection Receivables)	-	100,625	100,625
Principal Payments on Debt	-	(222,200)	(222,200)
Capital Asset Activity	-	(278,662)	(278,662)
Total Cash Flows from Capital and Related Financing Activities	<u>-</u>	<u>(410,737)</u>	<u>(410,737)</u>
Cash Flows From Investing Activities			
Interest Earned	17	447	464
Total Cash Flows from Investing Activities	<u>17</u>	<u>447</u>	<u>464</u>
Net Increase (Decrease) in Cash and Cash Equivalents	10,224	(280,393)	(270,169)
Cash and Cash Equivalents - Beginning of Year	23,533	681,983	705,516
Cash and Cash Equivalents - End of Year	<u>\$ 33,757</u>	<u>\$ 401,590</u>	<u>\$ 435,347</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 10,130	\$ 30,986	\$ 41,116
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	-	68,997	68,997
Changes in Assets and Liabilities			
Receivables	-	20,081	20,081
Prepays	(4)	70	66
Accounts Payable	81	9,763	9,844
Net Cash Provided by Operating Activities	<u>\$ 10,207</u>	<u>\$ 129,897</u>	<u>\$ 140,104</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Charter Township of Big Rapids
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2015**

	<u>Agency</u>
	<u>Tax</u>
ASSETS	
Cash	\$ 289,797
<i>Total Assets</i>	289,797
LIABILITIES	
Due to Big Rapids Township	89,462
Due to Other Units	200,335
<i>Total Liabilities</i>	289,797
NET POSITION	
Held in Trust	\$ --

The Notes to the Financial Statements are an integral part of these Financial Statements

Charter Township of Big Rapids

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Big Rapids (the “Township” or “government”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Big Rapids.

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.

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus.

Charter Township of Big Rapids

Notes to the 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is susceptible to accrual as revenue of the current period. 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 Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

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.

The *road fund*, a special revenue fund, accounts for expenditures related road repairs.

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:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure 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.

Charter Township of Big Rapids

Notes to the Financial Statements

The *agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds account for the collection and disbursements of taxes and other monies due to other units of government and individuals.

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.

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.

Budgetary Basis of Accounting

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. All annual appropriations lapse at the end of the fiscal year.

The legal level of budgetary control adopted by the governing body is the activity level.

Assets, Liabilities, Deferred Inflows of Resources, and Equity

Cash and Cash Equivalents

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

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.

Charter Township of Big Rapids

Notes to the Financial Statements

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

Capital Assets

Capital assets, which include land, buildings, equipment, 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 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 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.

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

<u>Description</u>	<u>Useful Life</u>
Buildings and improvements	20 - 40 years
Equipment	3 - 10 years
Vehicles	20 years
Sewer systems	40 years

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. For new bond issuances of governmental funds after the implementation of GASB Statement No. 34 and all proprietary fund bond issues, bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are treated as a current period expense.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Charter Township of Big Rapids

Notes to the Financial Statements

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township reports property tax revenue in this category. 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. A deferred inflow of \$175,242, \$210,292, and \$210,292 was recognized in the general fund, fire fund, and road fund respectively.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position 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 government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. 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 or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Charter Township of Big Rapids

Notes to the Financial Statements

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Township Board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Township Board can assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance is the residual classification for the Township's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Township Board.

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 2015 ad valorem taxes are levied on December 1, 2015, 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 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 2 – Excess of Expenditures Over Budget

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Charter Township of Big Rapids

Notes to the Financial Statements

During the current fiscal year the Township had significant expenditures in excess of the appropriated amounts in the general fund of \$44,867 related to Industrial Park Infrastructure and \$20,500 for transfers to other funds.

Note 3 – Deposits and Investments

Cash Equivalents – As of December 31, 2015, the Township’s cash and cash equivalents were reported in the basic financial statements in the following categories:

	Primary Government	Business-type Activities	Totals
Statement of Net Position			
Cash	\$ 1,140,020	\$ 435,347	\$ 1,575,367
Statement of Fiduciary Net Position			
Cash	289,797	-	289,797
Total Cash	1,429,817	435,347	1,865,164

Deposits and Investments

Cash & Cash Equivalents	\$ 1,765,164
Certificates of Deposit	100,000
Total	\$ 1,865,164

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that, in the event of a bank failure, the Township’s deposits might not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year-end, \$1,590,080 of the Township’s bank balance of \$2,090,080 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts 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.

Credit Risk - Michigan statutes (Act 196, PA 1997) authorize the Charter Township of Big Rapids to invest in: bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers’ acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

Charter Township of Big Rapids

Notes to the Financial Statements

Note 4 – Receivables

Receivables as of year-end for the government's individual major and nonmajor funds, including the applicable allowance for uncollectible accounts, were as follows:

	General Fund	Fire Fund	Water Project	Road Fund	Perry Street Corridor	Sewer	Total
Accounts Receivable	\$ 5,039	\$ -	\$ 79	\$ -	\$ -	\$ 85,212	\$ 90,330
Taxes Receivable	130,817	156,982	-	156,982	-	3,181	447,962
Intergovernmental	109,324	-	-	-	-	-	109,324
Special Assessments	-	-	51,571	-	56,571	-	108,142
	<u>\$ 245,180</u>	<u>\$ 156,982</u>	<u>\$ 51,650</u>	<u>\$ 156,982</u>	<u>\$ 56,571</u>	<u>\$ 88,393</u>	<u>\$ 755,758</u>

All receivables are considered fully collectible.

Note 5 – Capital Assets

Capital asset activity of the Township's governmental activities during the year was as follows:

	Balance at January 1, 2015	Additions	Disposals	Balance at December 31, 2015
Governmental Activities				
Land	\$ 259,152	\$ -	\$ -	\$ 259,152
Total Capital Assets, Not Being Depreciated	<u>259,152</u>	<u>-</u>	<u>-</u>	<u>259,152</u>
Capital Assets, Being Depreciated				
Buildings	422,412	-	-	422,412
Infrastructure	2,432,716	-	-	2,432,716
Vehicles	722,239	7,000	31,985	697,254
Equipment	213,681	-	41,857	171,824
Total Capital Assets, Being Depreciated	<u>3,791,048</u>	<u>7,000</u>	<u>73,842</u>	<u>3,724,206</u>
Less Accumulated Depreciation				
Buildings	81,162	14,444	-	95,606
Infrastructure	477,898	67,743	-	545,641
Vehicles	318,476	36,066	31,985	322,558
Equipment	147,313	18,086	41,857	123,542
Total Accumulated Depreciation	<u>1,024,849</u>	<u>136,339</u>	<u>73,842</u>	<u>1,087,347</u>
Net Depreciable Capital Assets	<u>2,766,199</u>			<u>2,636,860</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,025,351</u>	<u>\$ (129,339)</u>	<u>\$ -</u>	<u>\$ 2,896,012</u>

Charter Township of Big Rapids

Notes to the Financial Statements

Capital asset activity of the Township's business-type activities during the year was as follows:

	Balance at January 1, 2015	Additions	Disposals	Balance at December 31, 2015
Business-type Activities				
Construction in Progress	\$ -	\$ 56,963	\$ -	\$ 56,963
Total Capital Assets, Not Being Depreciated	<u>-</u>	<u>\$ 56,963</u>	<u>-</u>	<u>56,963</u>
Capital Assets, Being Depreciated				
Sewer System	2,584,476	221,699	20,800	2,785,375
Total Capital Assets, Being Depreciated	<u>2,584,476</u>	<u>221,699</u>	<u>20,800</u>	<u>2,785,375</u>
Less Accumulated Depreciation				
Sewer System	725,174	68,997	20,800	773,371
Total Accumulated Depreciation	<u>725,174</u>	<u>68,997</u>	<u>20,800</u>	<u>773,371</u>
Business Activities Capital Assets, Net	<u>\$ 1,859,302</u>	<u>\$ 209,665</u>	<u>\$ -</u>	<u>\$ 2,068,967</u>

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

Governmental Activities	
Public Safety	\$ 48,834
General Government	19,762
Public Works	67,743
Total Governmental Activities	<u>\$ 136,339</u>
Business-type Activities	
Sewer	<u>\$ 68,997</u>

Note 6 – Interfund Receivables, Payables, and Transfers

The Charter Township of Big Rapids reports interfund balances between its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds. All balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

A schedule of the interfund balances as of year-end is as follows:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
Water Project	General Fund	\$ 6,675

There were no interfund transfers for the year.

Charter Township of Big Rapids

Notes to the Financial Statements

Note 7 – Long-term Debt

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

The **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:

2013 Refunding Bond			
December 31, 2015			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	42,000	9,931	51,931
2017	42,000	9,406	51,406
2018	44,000	8,797	52,797
2019	45,000	8,027	53,027
2020	46,000	7,150	53,150
2021-2025	249,000	19,243	268,243
	<u>\$ 468,000</u>	<u>\$ 62,554</u>	<u>\$ 530,554</u>

The **2005 Installment Purchase Agreement** was originally issued for \$192,372. The agreement is amount the Township of Big Rapids, the Mecosta County Development Corporation, and Isabella Bank and Trust. Amounts are payable in annual installments of \$20,584, including interest at 1% below prime (updated every three years). The final payment is due December 2020. The repayment schedule is as follows:

2005 IPA			
December 31, 2015			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	18,925	1,659	20,584
2017	19,544	1,040	20,584
2018	12,496	413	12,909
	<u>\$ 50,965</u>	<u>\$ 3,112</u>	<u>\$ 54,077</u>

The **2010 Installment Purchase Agreement** was originally issued for \$231,000. Principal is payable in annual installments of \$15,400, plus interest at 3.00% to 4.15%. As of December 31, 2015 this installment purchase agreement was paid off.

Charter Township of Big Rapids

Notes to the Financial Statements

The *2010 Installment Purchase Agreement* was originally issued for \$72,000. Principal is payable in annual installments of \$4,800, plus interest at 3.00% to 4.15%. The final payment is due February 2025. As of December 31, 2015 this installment purchase agreement was paid off.

Long-term obligation activity can be summarized as follows:

	January 1, 2015	Reductions	December 31, 2015	Due Within One Year
Governmental Activities				
2013 Refunding bond	\$ 509,000	\$ 41,000	\$ 468,000	\$ 42,000
2005 Note payable	69,274	18,309	50,965	18,925
<i>Total Governmental Activities</i>	<u>578,274</u>	<u>59,309</u>	<u>518,965</u>	<u>60,925</u>
Business-type Activities				
2010 IPA - sewer improvements	169,400	169,400	-	-
2010 IPA - sewer lift station	52,800	52,800	-	-
<i>Total Business-type Activities</i>	<u>222,200</u>	<u>222,200</u>	<u>-</u>	<u>-</u>
<i>Total Primary Government</i>	<u>\$ 741,165</u>	<u>\$ 281,509</u>	<u>\$ 518,965</u>	<u>\$ 60,925</u>

Note 8 – Property Taxes

The 2014 taxable valuation of the Township amounted to \$136,972,991, on which ad valorem taxes levied consisted of 1.25 mills for operating purposes, 1.50 mills for fire protection, and 1.50 for roads, raising roughly \$170,000 for operating, \$204,000 for fire protection, and \$204,000 for roads. These amounts are recognized in the respective fund financial statements as tax revenue.

Note 9 – 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 \$17,963 for the year ended December 31, 2015. 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.

Charter Township of Big Rapids

Notes to the 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.

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Big Rapids
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Consolidated General Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
				Final to Actual
Revenues				
Property Taxes	\$ 430,550	\$ 225,550	\$ 215,444	\$ (10,106)
Licenses and Permits	16,000	16,000	19,841	3,841
State Shared Revenue	323,500	323,500	316,189	(7,311)
Contributions from local unit	54,300	54,300	42,527	(11,773)
Charges for Services	20,200	20,200	27,174	6,974
Interest and Rent	2,250	2,250	2,250	--
Other	750	750	4,907	4,157
Interest Income	6,000	6,000	880	(5,120)
Total Revenues	<u>853,550</u>	<u>648,550</u>	<u>629,212</u>	<u>(19,338)</u>
Other Financing Sources				
Transfers from other funds	--	--	150,000	150,000
Total Revenues and Other Financing Sources	<u>853,550</u>	<u>648,550</u>	<u>779,212</u>	<u>130,662</u>
Expenditures				
General Government				
Legislative	102,017	102,017	98,862	3,155
Supervisor	30,293	30,293	24,671	5,622
Elections	4,575	4,575	632	3,943
Assessor	44,850	44,850	42,327	2,523
Clerk	48,200	48,200	46,011	2,189
Treasurer	34,955	34,955	31,142	3,813
Board of Review	1,405	1,405	967	438
Hall and Grounds	11,840	11,840	7,091	4,749
Cemetery	100,810	100,810	89,525	11,285
General Administration	--	--	456	(456)
Total General Government	<u>378,945</u>	<u>378,945</u>	<u>341,684</u>	<u>37,261</u>
Public Works				
Road Maintenance	358,250	153,250	97,103	56,147
Street Lighting	9,000	9,000	7,963	1,037
Industrial Park Infrastructure	56,000	56,000	100,867	(44,867)
Planning and Zoning	15,020	15,020	14,558	462
Total Public Works	<u>438,270</u>	<u>233,270</u>	<u>220,491</u>	<u>12,779</u>
Community and Economic Development	5,600	5,600	2,500	3,100
Parks and Recreation	9,735	9,735	4,372	5,363
Capital Outlay	20,000	20,000	7,000	13,000
Total Expenditures	<u>852,550</u>	<u>647,550</u>	<u>576,047</u>	<u>71,503</u>
Other Financing Uses				
Transfers to other funds	--	164,500	185,000	(20,500)
Total Expenditures and Other Financing Uses	<u>852,550</u>	<u>812,050</u>	<u>761,047</u>	<u>51,003</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>1,000</u>	<u>(163,500)</u>	<u>18,165</u>	<u>181,665</u>
Net Change in Fund Balance	<u>1,000</u>	<u>(163,500)</u>	<u>18,165</u>	<u>181,665</u>
Fund Balance at Beginning of Period	743,804	743,804	743,804	--
Fund Balance at End of Period	<u>\$ 744,804</u>	<u>\$ 580,304</u>	<u>\$ 761,969</u>	<u>\$ 181,665</u>

Charter Township of Big Rapids
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Fire
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Property Taxes	\$ 206,000	\$ 206,000	\$ 197,290	\$ (8,710)
Grant Revenue	--	--	3,788	3,788
Contributions from local unit	15,000	15,000	12,908	(2,092)
Other	150	150	--	(150)
Interest Income	3,200	3,200	187	(3,013)
Total Revenues	<u>224,350</u>	<u>224,350</u>	<u>214,173</u>	<u>(10,177)</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>224,350</u>	<u>224,350</u>	<u>214,173</u>	<u>(10,177)</u>
Expenditures				
Public Safety	138,620	168,620	146,788	21,832
Capital Outlay	15,000	15,000	--	15,000
Total Expenditures	<u>153,620</u>	<u>183,620</u>	<u>146,788</u>	<u>36,832</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>153,620</u>	<u>183,620</u>	<u>146,788</u>	<u>36,832</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>70,730</u>	<u>40,730</u>	<u>67,385</u>	<u>26,655</u>
Net Change in Fund Balance	<u>70,730</u>	<u>40,730</u>	<u>67,385</u>	<u>26,655</u>
Fund Balance at Beginning of Period	237,216	237,216	237,216	--
Fund Balance at End of Period	<u>\$ 307,946</u>	<u>\$ 277,946</u>	<u>\$ 304,601</u>	<u>\$ 26,655</u>

Charter Township of Big Rapids
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Road Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Property Taxes	\$ --	\$ 205,000	\$ 203,381	\$ (1,619)
<i>Total Revenues</i>	--	205,000	203,381	(1,619)
Other Financing Sources				
<i>Total Revenues and Other Financing Sources</i>	--	205,000	203,381	(1,619)
Expenditures				
Public Works	--	205,000	203,261	1,739
<i>Total Expenditures</i>	--	205,000	203,261	1,739
Other Financing Uses				
<i>Total Expenditures and Other Financing Uses</i>	--	205,000	203,261	1,739
<i>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</i>	--	--	120	120
<i>Net Change in Fund Balance</i>	--	--	120	120
<i>Fund Balance at Beginning of Period</i>	--	--	--	--
<i>Fund Balance at End of Period</i>	\$ --	\$ --	\$ 120	\$ 120

OTHER SUPPLEMENTARY INFORMATION

**Charter Township of Big Rapids
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2015**

	Special Revenue			Capital Projects			Total Nonmajor Governmental Funds
	Liquor Law	Metro Act	Perpetual Care	Perry Street Corridor	Water Project		
ASSETS							
Cash	\$ --	\$ 28,557	\$ 111,712	\$ 17,816	\$ --	\$	\$ 158,085
Receivables	--	--	--	56,571	51,650		108,221
Prepays	--	--	--	--	4,966		4,966
Total Assets	\$ --	\$ 28,557	\$ 111,712	\$ 74,387	\$ 56,616	\$	\$ 271,272
LIABILITIES							
Accounts Payable	\$ --	\$ --	\$ --	\$ 3,386	\$ 96	\$	\$ 3,482
Due to Other Funds	--	--	--	--	6,675		6,675
Total Liabilities	--	--	--	3,386	6,771		10,157
FUND BALANCE							
Nonspendable	--	--	106,234	--	4,966		111,200
Restricted	--	28,557	--	71,001	--		99,558
Committed	--	--	--	--	44,879		44,879
Assigned	--	--	5,478	--	--		5,478
Unassigned	--	--	--	--	--		--
Total Fund Balance	--	28,557	111,712	71,001	49,845		261,115
Total Liabilities and Fund Balance	\$ --	\$ 28,557	\$ 111,712	\$ 74,387	\$ 56,616	\$	\$ 271,272

Charter Township of Big Rapids
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2015

	Special Revenue			Capital Projects			Total Nonmajor Governmental Funds
	Liquor Law	Metro Act	Perpetual Care	Perry Street Corridor	Water Project		
Revenues							
State Shared Revenue	\$ 5,477	\$ 3,389	\$ --	\$ --	\$ --	\$ --	\$ 8,866
Charges for Services	--	--	4,950	--	1,871	--	6,821
Other	--	--	--	--	55,841	--	55,841
Special Assessments	--	--	--	64,075	--	--	64,075
Interest Income	--	16	528	--	--	--	544
Total Revenues	5,477	3,405	5,478	64,075	57,712		136,147
Expenditures							
Public Safety	5,574	--	--	--	--	--	5,574
Public Works	--	--	--	28,074	34,299	--	62,373
Debt Service - Principal	--	--	--	--	59,309	--	59,309
Debt Service - Interest	--	--	--	--	12,594	--	12,594
Total Expenditures	5,574	--	--	28,074	106,202		139,850
Excess of Revenues Over (Under) Expenditures	(97)	3,405	5,478	36,001	(48,490)		(3,703)
Other Financing Sources (Uses)							
Transfers In	--	--	--	35,000	--	--	35,000
Transfers Out	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)							
Net Change in Fund Balance	(97)	3,405	5,478	71,001	(48,490)		31,297
Fund Balance at Beginning of Period	97	25,152	106,234	--	98,335		229,818
Fund Balance at End of Period	--	28,557	111,712	\$ 71,001	\$ 49,845		\$ 261,115

May 17, 2016

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

We have audited 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 for the year ended December 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 5, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Charter Township of Big Rapids are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended December 31, 2015. We noted no transactions entered into by the Charter Township of Big Rapids during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Township's financial statements was:

- Management's estimate of the useful lives of depreciable assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 17, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Charter Township of Big Rapid's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Charter Township of Big Rapid's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to budgetary comparison schedules, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining nonmajor statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Trustees and management of the Charter Township of Big Rapids and is not intended to be, and should not be, used by anyone other than these specified parties.

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, MI

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

To the Board of Trustees
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, as of and for the year ended December 31, 2015, 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 May 17, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter Township of Big Rapids, Michigan's internal control over financial reporting 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 Charter Township of Big Rapids, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter Township of Big Rapids, Michigan'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.

Best regards,

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC
Grand Rapids, MI