

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

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2016

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

INDEPENDENT AUDITOR'S REPORT

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, 2016, 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 an opinion 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 Township'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 Township'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.



Independent Auditors Report (Continued)

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

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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year 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 the financial reporting for placing the basic financial statements in an appropriate operation, 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 the 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 April 12, 2017, 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.

H & S Companies, P.C.

H & S Companies, P.C.

Certified Public Accountants

April 12, 2017

CHARTER TOWNSHIP OF BIG RAPIDS
Management's Discussion and Analysis (MD&A)
For the Year Ended December 31, 2016

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, 2016. 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 \$7,075,203 (net position). Of this amount, \$1,858,065 (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 \$1,437,039. Approximately 61% of this amount \$874,736 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 \$859,553, or 200% 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.

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.

Management's Discussion and Analysis (Continued)

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.

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 \$7,075,203 at the close of the most recent fiscal year.

CHARTER TOWNSHIP OF BIG RAPIDS
Statement of Net Position as of December 31, 2016 and 2015

	Governmental		Business-type		Total Primary	
	Activities		Activities		Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
ASSETS						
<i>Current Assets</i>						
Cash	\$ 1,025,516	\$ 1,140,020	\$ 789,542	\$ 435,347	\$ 1,815,058	\$ 1,575,367
Receivables	882,714	667,365	92,139	88,393	974,853	755,758
Prepays	29,007	39,789	1,152	1,137	30,159	40,926
Due from other Funds	188	-	-	-	188	-
Due from Tax Fund	178,790	89,462	-	-	178,790	89,462
Total Current Assets	<u>2,116,215</u>	<u>1,936,636</u>	<u>882,833</u>	<u>524,877</u>	<u>2,999,048</u>	<u>2,461,513</u>
<i>Noncurrent Assets</i>						
Capital Assets not Being Depreciated	259,152	259,152	-	56,963	259,152	316,115
Capital Assets Being Depreciated	2,969,806	2,669,579	2,004,188	2,012,004	4,973,994	4,681,583
Total Noncurrent Assets	<u>3,228,958</u>	<u>2,928,731</u>	<u>2,004,188</u>	<u>2,068,967</u>	<u>5,233,146</u>	<u>4,997,698</u>
Total Assets	<u>5,345,173</u>	<u>4,865,367</u>	<u>2,887,021</u>	<u>2,593,844</u>	<u>8,232,194</u>	<u>7,459,211</u>

Management's Discussion and Analysis (Continued)

LIABILITIES

Current Liabilities

Accounts Payable	\$ 6,067	\$ 13,005	\$ 19,573	\$ 27,754	\$ 25,640	\$ 40,759
Due to other Funds	-	188	-	-	-	188
Current Portion of Long-term Debt	61,544	60,925	-	-	61,544	60,925
Total Current Liabilities	67,611	74,118	19,573	27,754	87,184	101,872

Noncurrent Liabilities

Long-term Debt	396,510	458,040	-	-	396,510	458,040
Total Liabilities	464,121	532,158	19,573	27,754	483,694	559,912

DEFERRED INFLOWS OF RESOURCES

Taxes levied for a Subsequent Period	673,109	595,826	-	-	673,109	595,826
Total Deferred Inflows of Resources	673,109	595,826	-	-	673,109	595,826

NET POSITION

Net Investment in Capital Assets	2,770,904	2,409,767	2,004,188	2,068,967	4,775,092	4,478,734
Restricted - Nonspendable	106,234	106,234	-	-	106,234	106,234
Restricted	335,812	373,690	-	-	335,812	373,690
Unrestricted	994,993	847,881	863,072	497,123	1,858,065	1,345,004
Total Net Position	\$ 4,207,943	\$ 3,737,572	\$ 2,867,260	\$ 2,566,090	\$ 7,075,203	\$ 6,303,662

The largest portion of the Township's net position (\$4,775,092, or 67%) 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 (\$442,046, or 6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,858,065 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 \$771,541 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 \$470,381 from the prior fiscal year for an ending balance of \$4,207,943. 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. Capital grants and contributions increased by approximately \$344,000 due to a special assessment for the construction of a sidewalk on Perry Street. Also, public works expenses decreased within governmental activities by approximately \$188,000 from the prior year as a result of decreased spending on road repair and maintenance and industrial park infrastructure.

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 \$301,358 leaving an ending balance of \$2,867,448.

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 approximately \$91,100 related to increased tap-ins during the year. Charges for services also increased by approximately \$133,700 related to the increased tap-ins and the number of building permits issued. Also, sewer expenses increased by approximately \$170,000 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 Years Ended December 31, 2016 & 2015

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenue						
<i>Program Revenues</i>						
Charges for Services	\$ 94,688	\$ 176,909	\$ 687,423	\$ 540,061	\$ 782,111	\$ 716,970
Operating Grants & Contributions	68,817	63,223	-	-	68,817	63,223
Capital Grants & Contributions	343,787	-	192,250	100,625	536,037	100,625
Total Program Revenues	<u>507,292</u>	<u>240,132</u>	<u>879,673</u>	<u>640,686</u>	<u>1,386,965</u>	<u>880,818</u>
<i>General Revenues</i>						
Property Taxes	619,212	616,115	-	-	619,212	616,115
State Shared Revenue	334,500	325,055	-	-	334,500	325,055
Interest Income	9,708	1,611	29	464	9,737	2,075
Other	7,502	-	-	-	7,502	-
Total General Revenues	<u>970,922</u>	<u>942,781</u>	<u>29</u>	<u>464</u>	<u>970,951</u>	<u>943,245</u>
Total Revenues	<u>1,478,214</u>	<u>1,182,913</u>	<u>879,702</u>	<u>641,150</u>	<u>2,357,916</u>	<u>1,824,063</u>
Expenses						
General Government	362,622	361,447	-	-	362,622	361,447
Public Safety	355,271	201,195	-	-	355,271	201,195
Public Works	255,227	521,148	-	-	255,227	521,148
Community & Economic Development	15,341	2,500	-	-	15,341	2,500
Recreation & Culture	8,016	4,372	-	-	8,016	4,372
Inspections	-	-	57,893	48,503	57,893	48,503
Sewer	-	-	520,639	460,942	520,639	460,942
Interest	11,366	12,594	-	-	11,366	12,594
Total Expenses	<u>1,007,843</u>	<u>1,103,256</u>	<u>578,532</u>	<u>509,445</u>	<u>1,586,375</u>	<u>1,612,701</u>
Change in Net Position	<u>470,371</u>	<u>79,657</u>	<u>301,170</u>	<u>131,705</u>	<u>771,541</u>	<u>211,362</u>
<i>Net Position at Beginning of Period</i>	<u>3,737,572</u>	<u>3,657,915</u>	<u>2,566,090</u>	<u>2,434,385</u>	<u>6,303,662</u>	<u>6,092,300</u>
Net Position at End of Period	<u>\$4,207,943</u>	<u>\$ 3,737,572</u>	<u>\$ 2,867,260</u>	<u>\$2,566,090</u>	<u>\$7,075,203</u>	<u>\$6,303,662</u>

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 \$1,437,039, an increase of \$109,233 over the prior year. Approximately 61% of this amount (\$874,736) 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 (\$135,241); 2) restricted for particular purposes (\$335,991); 3) assigned for particular purposes (\$86,112); or 4) committed for particular purposes (\$4,959).

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 \$859,553, while total fund balance increased by \$179,912 to \$941,882. 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 200% of total general fund expenditures, while total fund balances represents approximately 218% of that same amount.

Management's Discussion and Analysis (Continued)

The fund balance of the Township's general fund increased by approximately \$179,912 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.

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 increased by approximately \$11,100, mostly due to the increase in property taxes. This put the overall fund balance at \$11,218. This balance is legally restricted to fund future road construction and maintenance projects.

Fire Fund

The fire fund, a major fund, had an approximately \$5,700 increase in fund balance during the current fiscal year. This put the overall fund balance at \$310,320. 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 \$15,183.

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 \$766,695. The increase in net position of the sewer fund was \$238,523. As noted in the discussion of business-type activities, the increase for the sewer fund results from an increase in connection fees of \$91,625 for new tap-ins during the year and an increase of \$72,621 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 - During the current fiscal year the Township had expenditures in excess of the appropriated amounts in the fire fund of \$39,535 related to expenditures for public safety.

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, 2016, amounted to \$5,233,146 (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 5%.

	<u>12/31/2016</u>	<u>12/31/2015</u>
Land	\$ 259,152	\$ 259,152
Buildings	422,412	422,412
Infrastructure	2,871,035	2,465,435
Vehicles	676,454	676,454
Equipment	192,028	171,824
Sewer System	2,876,767	2,863,138
	<u>7,297,848</u>	<u>6,858,415</u>
Less Accumulated Depreciation	<u>(2,064,702)</u>	<u>(1,860,717)</u>
Net Capital Assets	<u>\$ 5,233,146</u>	<u>\$ 4,997,698</u>

Significant fixed asset additions during the year include the Perry Street sidewalk infrastructure for approximately \$405,600. Further details on capital assets can be found in the notes to the financial statements section of this document.

Management's Discussion and Analysis (Continued)

Debt Administration

At the end of the current fiscal year, the Township had total debt outstanding of \$458,054 as depicted in the table below.

	<u>12/31/2016</u>	<u>12/31/2015</u>
2005 Note Payable	\$ 32,054	\$ 50,965
2013 Refunding Bond	426,000	468,000
	<u>\$ 458,054</u>	<u>\$ 518,965</u>

The upcoming principal payments were for the 2013 refunding bond (\$42,000) and the Industrial Park Loan (\$19,544). 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 \$790,000 of revenues are expected to be available for appropriation in the general fund. Expenditures are expected to change by small amounts compared to 2016 with the following exceptions: cemetery capital outlay increase of \$52,000 and highways & streets contracted services increase of \$82,000. 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 2017, 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.

REQUESTS FOR 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, 2016

	Primary Government		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	Activities	Activities	
Assets			
Current Assets			
Cash	\$ 1,025,516	\$ 789,542	\$ 1,815,058
Receivables	882,714	92,139	974,853
Prepays	29,007	1,152	30,159
Due from Other Funds	188	-	188
Due from Tax Fund	178,790	-	178,790
Total Current Assets	<u>2,116,215</u>	<u>882,833</u>	<u>2,999,048</u>
Non-Current Assets			
Capital Assets not Being Depreciated	259,152	-	259,152
Capital Assets Being Depreciated	2,969,806	2,004,188	4,973,994
Total Non-Current Assets	<u>3,228,958</u>	<u>2,004,188</u>	<u>5,233,146</u>
Total Assets	<u>5,345,173</u>	<u>2,887,021</u>	<u>8,232,194</u>
Liabilities			
Current Liabilities			
Accounts Payable	6,067	19,573	25,640
Due To Other Funds	-	188	188
Current Portion of Long-Term Debt	61,544	-	61,544
Total Current Liabilities	<u>67,611</u>	<u>19,761</u>	<u>87,372</u>
Non-Current Liabilities			
Long-Term Debt	396,510	-	396,510
Total Liabilities	<u>464,121</u>	<u>19,761</u>	<u>483,882</u>
Deferred Inflows of Resources			
Taxes Levied for a Subsequent Period	673,109	-	673,109
Total Deferred Inflows of Resources	<u>673,109</u>	<u>-</u>	<u>673,109</u>
Net Position			
Net Investment in Capital Assets	2,770,904	2,004,188	4,775,092
Restricted for:			-
Fire	290,608	-	290,608
Streets	45,204	-	45,204
Nonspendable Cemetery	106,234	-	106,234
Unrestricted	994,993	863,072	1,858,065
Total Net Position	<u>\$ 4,207,943</u>	<u>\$ 2,867,260</u>	<u>\$ 7,075,203</u>

The Notes to the Financial Statements are an Integral Part of these Financial Statements.

CHARTER TOWNSHIP OF BIG RAPIDS

Government Wide Statement of Activities
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<i>Primary Government</i>							
<i>Governmental Activities</i>							
General Government	\$ 362,622	\$ 42,067	\$ 42,867	\$ -	\$ (277,688)	\$ -	\$ (277,688)
Public Works	355,271	52,621	4,000	343,787	45,137	-	45,137
Public Safety	255,227	-	21,950	-	(233,277)	-	(233,277)
Comm. & Econ. Development	15,341	-	-	-	(15,341)	-	(15,341)
Recreation and Culture	8,016	-	-	-	(8,016)	-	(8,016)
Interest on Long-term Debt	11,366	-	-	-	(11,366)	-	(11,366)
Total Governmental Activities	<u>1,007,843</u>	<u>94,688</u>	<u>68,817</u>	<u>343,787</u>	<u>(500,551)</u>	<u>-</u>	<u>(500,551)</u>
<i>Business-type Activities</i>							
Nonmajor Building Inspections	57,893	120,539	-	-	-	62,646	62,646
Sewer	520,639	566,884	-	192,250	-	238,495	238,495
Total Business-type Activities	<u>578,532</u>	<u>687,423</u>	<u>-</u>	<u>192,250</u>	<u>-</u>	<u>301,141</u>	<u>301,141</u>
Total Primary Government	<u>\$ 1,586,375</u>	<u>\$ 782,111</u>	<u>\$ 68,817</u>	<u>\$ 536,037</u>	<u>(500,551)</u>	<u>301,141</u>	<u>(199,410)</u>
General Revenues and Transfers:							
					619,212	-	619,212
					9,708	29	9,737
					334,500	-	334,500
					7,502	-	7,502
					<u>970,922</u>	<u>29</u>	<u>970,951</u>
					470,371	301,170	771,541
					<u>3,737,572</u>	<u>2,566,090</u>	<u>6,303,662</u>
					<u>\$ 4,207,943</u>	<u>\$ 2,867,260</u>	<u>\$ 7,075,203</u>

The Notes to the Financial Statements are an Integral Part of these Financial Statements.

CHARTER TOWNSHIP OF BIG RAPIDS

Governmental Fund Balance Sheet

December 31, 2016

	Special Revenue			Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Road Fund	Fire Fund	Perry St. Sidewalk Fund		
Assets						
Cash	\$ 522,656	\$ 19,309	\$ 311,521	\$ 21,586	\$ 150,444	\$ 1,025,516
Receivables	242,626	136,687	136,687	296,181	70,533	882,714
Prepaid Expenses	4,329	-	19,712	-	4,966	29,007
Due from Tax Fund	53,587	58,690	58,690	-	7,823	178,790
Due from Other Funds	350,124	6,411	-	-	-	356,535
Total Assets	\$ 1,173,322	\$ 221,097	\$ 526,610	\$ 317,767	\$ 233,766	\$ 2,472,562
Liabilities						
Accounts Payable	\$ 6,067	\$ -	\$ -	\$ -	\$ -	\$ 6,067
Due to Other Funds	-	-	6,411	302,584	47,352	356,347
Total Liabilities	6,067	-	6,411	302,584	47,352	362,414
Deferred Inflows of Resources						
Unavailable Property Taxes	225,373	209,879	209,879	-	27,978	673,109
Total Liabilities & Deferred Inflows of Resources	231,440	209,879	216,290	302,584	75,330	1,035,523
Fund Balances						
Non-Spendable	4,329	-	19,712	-	111,200	135,241
Restricted	-	11,218	290,608	-	34,165	335,991
Committed	-	-	-	-	4,959	4,959
Assigned for Cemetery Exp.	78,000	-	-	-	8,112	86,112
Unassigned	859,553	-	-	15,183	-	874,736
Total Fund Balance	941,882	11,218	310,320	15,183	158,436	1,437,039
Total Liabilities, Deferred Inflows of Resources & Fund Balance	\$ 1,173,322	\$ 221,097	\$ 526,610	\$ 317,767	\$ 233,766	\$ 2,472,562

The Notes to the Financial Statements are an Integral Part of these Financial Statements.

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, 2016

Total Governmental Fund Balances \$ 1,437,039

Total net position reported for governmental activities in the statement of net position are different from the amount reported as total governmental funds fund balance because:

Prepaid Insurance reflects amounts that will be used in a future period.

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 (458,054)

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 4,421,081
Governmental Accumulated Depreciation (1,192,123)

Total Net Position - Governmental Activities: \$ 4,207,943

CHARTER TOWNSHIP OF BIG RAPIDS

Governmental Fund Statements of Revenue,
Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2016

	Special Revenue			Capital Projects		Total Governmental Funds
	General Fund	Road Fund	Fire Fund	Perry St. Sidewalk Fund	Non-Major Governmental Funds	
Revenues						
Property Taxes	\$197,809	\$210,730	\$210,673	\$ -	\$ -	\$ 619,212
Special Assessments	-	-	-	313,787	52,621	366,408
Licenses & Permits	19,796	-	-	-	-	19,796
State Shared Revenue	323,348	-	-	-	11,152	334,500
Grant Revenue	-	-	-	-	4,000	4,000
Contributions	42,867	-	21,950	30,000	-	94,817
Charges for Services	18,738	-	-	-	3,533	22,271
Interest & Rents	3,201	-	8	5,995	504	9,708
Other	4,555	-	-	-	2,947	7,502
Total Revenues	610,314	210,730	232,631	349,782	74,757	1,478,214
Expenditures						
General Government	346,442	-	-	-	-	346,442
Public Works	60,603	199,633	-	405,600	28,612	694,448
Public Safety	-	-	226,912	-	5,545	232,457
Community and Economic Develop.	15,341	-	-	-	-	15,341
Recreation and Culture	8,016	-	-	-	-	8,016
Debt Service - Interest	-	-	-	-	11,366	11,366
Debt Service - Principal	-	-	-	-	60,911	60,911
Total Expenditures	430,402	199,633	226,912	405,600	106,434	1,368,981
Excess Revenue Over (Under) Expenditures	179,912	11,097	5,719	(55,818)	(31,677)	109,233
Other Financing Sources (Uses)						
Operating Transfers In	152,500	-	-	-	-	152,500
Operating Transfers Out	(152,500)	-	-	-	-	(152,500)
Net Change in Fund Balance	179,912	11,097	5,719	(55,818)	(31,677)	109,233
Fund Balance - Beginning of Period	761,970	121	304,601	71,001	190,113	1,327,806
Fund Balance - End of Period	\$941,882	\$ 11,218	\$310,320	\$ 15,183	\$ 158,436	\$ 1,437,039

The Notes to the Financial Statements are an Integral Part of these Financial Statements.

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, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 109,233

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	425,804	
Depreciation expense reported in the statement of activities	<u>(125,577)</u>	300,227

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>60,911</u>
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Changes in Net Position - Governmental Activities		<u><u>\$ 470,371</u></u>
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CHARTER TOWNSHIP OF BIG RAPIDS

Statement of Net Position - Proprietary Funds

December 31, 2016

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Nonmajor Building Inspection</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>
Assets			
Current Assets			
Cash and Investments	\$ 96,508	\$ 693,034	\$ 789,542
Receivables	-	92,139	92,139
Prepays	57	1,095	1,152
Total Current Assets	<u>96,565</u>	<u>786,268</u>	<u>882,833</u>
Non-Current Assets			
Capital Assets Being Depreciated	-	2,004,188	2,004,188
Total Non-Current Assets	<u>-</u>	<u>2,004,188</u>	<u>2,004,188</u>
Total Assets	96,565	2,790,456	2,887,021
Liabilities			
Current Liabilities			
Accounts Payable	-	19,573	19,573
Due to Other Funds	188	-	188
Total Current Liabilities	<u>188</u>	<u>19,573</u>	<u>19,761</u>
Total Liabilities	<u>188</u>	<u>19,573</u>	<u>19,761</u>
Net Position			
Net Investment in Capital Assets	-	2,004,188	2,004,188
Unrestricted	<u>96,377</u>	<u>766,695</u>	<u>863,072</u>
Total Net Position	<u>\$ 96,377</u>	<u>\$ 2,770,883</u>	<u>\$ 2,867,260</u>

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, 2016

	Business-type Activities - Enterprise Funds		
	<u>Nonmajor Building Inspection</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>
Operating Revenues			
Charges for Services	\$ 119,710	\$ 552,020	\$ 671,730
Grants	-	12,450	12,450
Other	829	2,414	3,243
Total Operating Revenues	<u>120,539</u>	<u>566,884</u>	<u>687,423</u>
Operating Expenses			
Operations and Maintenance	57,893	442,231	500,124
Depreciation	-	78,408	78,408
Total Operating Expenses	<u>57,893</u>	<u>520,639</u>	<u>578,532</u>
Operating Income (Loss)	<u>62,646</u>	<u>46,245</u>	<u>108,891</u>
Non-Operating Revenues (Expenses)			
Interest Income	1	28	29
Connection Fees	-	192,250	192,250
Net Non-Operating Revenues (Expenses)	<u>1</u>	<u>192,278</u>	<u>192,279</u>
Change in Net Position	62,647	238,523	301,170
Net Position - Beginning of Period	<u>33,730</u>	<u>2,532,360</u>	<u>2,566,090</u>
Net Position - End of Period	<u>\$ 96,377</u>	<u>\$ 2,770,883</u>	<u>\$ 2,867,260</u>

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, 2016

	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 Charges for Services	\$ 120,539	\$ 563,138	\$ 683,677
Cash Payments to Suppliers for Goods & Services	(57,789)	(450,344)	(508,133)
Total Cash Flows from Operating Activities	<u>62,750</u>	<u>112,794</u>	<u>175,544</u>
Cash Flows from Capital & Related Financing Activities			
Connection Fees (Net of Connection Receivables)	-	192,250	192,250
Capital Asset Activity	-	(13,628)	(13,628)
Total Cash Flows from Capital & Related Financing Activities	<u>-</u>	<u>178,622</u>	<u>178,622</u>
Cash Flows from Investing Activities			
Interest Earned	1	28	29
Total Cash Flows from Investing Activities	<u>1</u>	<u>28</u>	<u>29</u>
Net Increase (Decrease) in Cash	62,751	291,444	354,195
Cash - Beginning of Period	33,757	401,590	435,347
Cash - End of Period	<u>\$ 96,508</u>	<u>\$ 693,034</u>	<u>\$ 789,542</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 62,646	\$ 46,245	\$ 108,891
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation Expense	-	78,408	78,408
Changes in Assets & Liabilities			
Receivables	-	(3,746)	(3,746)
Prepays	(3)	(13)	(16)
Accounts Payable	107	(8,100)	(7,993)
Net Cash Provided by Operating Activities	<u>\$ 62,750</u>	<u>\$ 112,794</u>	<u>\$ 175,544</u>

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

CHARTER TOWNSHIP OF BIG RAPIDS

Statement of Net Position - Fiduciary Funds
December 31, 2016

	<u>Tax Fund</u>
Assets	
Cash and Investments	<u>\$ 256,766</u>
Liabilities	
Due to Other Funds	\$ 178,790
Due to Others	<u>77,976</u>
Total Liabilities	<u>\$ 256,766</u>

The Notes to the Financial Statements are an Integral Part of these Financial Statements.

CHARTER TOWNSHIP OF BIG RAPIDS

Notes to the Financial Statements
For the Year Ended December 31, 2016

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charter Township of Big Rapids, Michigan 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 Charter Township of Big Rapids, Michigan.

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 segment 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.

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 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 sources is special assessment revenue.

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.

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, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

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.

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.

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 increase in fund balance that applies to a future period. The related revenue will not be recognized until a future event occurs. 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. A deferred inflow of \$225,373, \$209,879, \$209,879 & \$27,978 was recognized in the general fund, road fund, fire fund and library fund respectively.

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.

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.

Notes to the Financial Statements (Continued)

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 2015 ad valorem taxes were 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 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:

	Governmental Activities	Business-type Activities	Fiduciary Activities	Total
Cash	\$ 1,025,516	\$ 789,542	\$ 256,766	\$ 2,071,824
Total Cash	<u>\$ 1,025,516</u>	<u>\$ 789,542</u>	<u>\$ 256,766</u>	<u>\$ 2,071,824</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.

Notes to the Financial Statements (Continued)

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. State law does not require, and the Township's investment policy does not specifically address, custodial credit risk for deposits. At December 31, 2016, \$1,708,925 of the Township's bank balances of \$2,208,925 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.

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.

NOTE D RECEIVABLES

Receivables as of December 31, 2016, for the Township's individual major funds, and non-major funds in the aggregate, were as follows:

	Accounts	Property Taxes	Special Assessments	Inter- Governmental	Totals
<u>Governmental Funds</u>					
General Fund	\$ 5,007	\$ 126,047	\$ -	\$ 111,572	\$ 242,626
Perry St. Sidewalk	-	-	296,181	-	296,181
Road Fund	-	136,687	-	-	136,687
Fire Fund	-	136,687	-	-	136,687
Non-Major Funds	130	18,222	52,181	-	70,533
Total	<u>\$ 5,137</u>	<u>\$ 417,643</u>	<u>\$ 348,362</u>	<u>\$ 111,572</u>	<u>\$ 882,714</u>
<u>Business-Type Funds</u>					
Sewer	\$ 77,273	\$ 2,416	\$ -	\$ 12,450	\$ 92,139
Total	<u>\$ 77,273</u>	<u>\$ 2,416</u>	<u>\$ -</u>	<u>\$ 12,450</u>	<u>\$ 92,139</u>

All receivables are considered fully collectible.

Notes to the Financial Statements (Continued)

NOTE E CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
<i>Capital Assets not Depreciated</i>				
Land	\$ 259,152	\$ -	\$ -	\$ 259,152
<i>Capital Assets - Depreciated</i>				
Buildings	422,412	-	-	422,412
Infrastructure	2,465,435	405,600	-	2,871,035
Vehicles	676,454	-	-	676,454
Equipment	171,824	20,204	-	192,028
Subtotal	3,736,125	425,804	-	4,161,929
Less Acc. Depreciation for				
Buildings	95,606	14,444	-	110,050
Infrastructure	545,642	67,337	-	612,979
Vehicles	301,220	32,640	-	333,860
Equipment	124,078	11,156	-	135,234
Subtotal	1,066,546	125,577	-	1,192,123
Net Capital Assets depreciated	2,669,579	300,227	-	2,969,806
Total Governmental Activities Capital Assets - Net of Dep.	<u>\$ 2,928,731</u>	<u>\$ 300,227</u>	<u>\$ -</u>	<u>\$ 3,228,958</u>
Business-Type Activities				
<i>Capital Assets not Depreciated</i>				
Construction in Progress	\$ 56,963	\$ 647	\$ 57,610	\$ -
<i>Capital Assets - Depreciated</i>				
Sewer System	2,806,175	70,592	-	2,876,767
Subtotal	2,806,175	70,592	-	2,876,767
Less Acc. Depreciation for				
Sewer System	794,171	78,408	-	872,579
Subtotal	794,171	78,408	-	872,579
Net Capital Assets depreciated	2,012,004	(7,816)	-	2,004,188
Total Governmental Activities Capital Assets - Net of Dep.	<u>\$ 2,068,967</u>	<u>\$ (7,169)</u>	<u>\$ 57,610</u>	<u>\$ 2,004,188</u>

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

Governmental Activities	
General Government	\$ 16,180
Public Works	66,423
Public Safety	42,974
	<u>\$ 125,577</u>
Business-Type Activities	
Sewer	<u>\$ 78,408</u>

Notes to the Financial Statements (Continued)

NOTE F INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due From	Building	Water Project	Due To		
	Inspection Fund	Fund	Perry St. Sidewalk Fund	Fire Fund	Total
General Fund	\$ 188	\$ 47,352	\$ 302,584	\$ -	\$ 350,124
Road Fund	-	-	-	6,411	6,411
Total	<u>\$ 188</u>	<u>\$ 47,352</u>	<u>\$ 302,584</u>	<u>\$ 6,411</u>	<u>\$ 356,535</u>

The amounts due to the General Fund from the Perry Street Sidewalk Fund represents the amount loaned to pay expenses of the new Perry Street sidewalk. The amounts due to the Road Fund from the Fire Fund represents misclassification of tax revenue. The amount due to the general fund from the water project fund is to cover negative cash in that fund. The amount due to the general fund from the building inspection fund is to cover rent income due to the general fund.

Transfer In	Perry Street Revolving Fund	Transfer Out	
		General Fund	Total
		\$ 152,500	\$ 152,500
	Total	<u>\$ 152,500</u>	<u>\$ 152,500</u>

The amount transferred from the General Fund to the Perry Street Revolving Fund represent the amounts transferred to cover expenses for the Perry Street sidewalk. The revolving fund is reported in the financial statements within the general fund amounts.

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:

December 31:	2013 Refunding Bond		
	Principal	Interest	Total
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	48,000	6,184	60,368
2022 - 2025	201,000	13,060	227,120
	<u>\$ 426,000</u>	<u>\$ 52,624</u>	<u>\$ 497,868</u>

2) 2005 Installment Purchase Agreement - was originally issued for \$192,372. The agreement is between the Township, the Mecosta County Development Corporation, and Isabella Bank & 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 2018. The repayment schedule is as follows:

December 31:	2005 IPA		
	Principal	Interest	Total
2017	\$ 19,544	\$ 1,040	\$ 20,584
2018	12,510	413	12,923
	<u>\$ 32,054</u>	<u>\$ 1,453</u>	<u>\$ 33,507</u>

Notes to the Financial Statements (Continued)

Long-term obligation activity can be summarized as follows:

	January 1, 2016	Debt Added During Year	Debt Retired During Year	December 31, 2016	Amount Due Within One Year
Governmental Activities					
2013 Refunding Bond	\$ 468,000	\$ -	\$ (42,000)	\$ 426,000	\$ 42,000
2005 Note Payable	50,965	-	(18,911)	32,054	19,544
	<u>\$ 518,965</u>	<u>\$ -</u>	<u>\$ (60,911)</u>	<u>\$ 458,054</u>	<u>\$ 61,544</u>
Interest expense for year ended December 31, 2016 was:			<u>\$ 11,366</u>		

NOTE K RISK MANAGEMENT

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

NOTE L 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 \$14,480 for the year ended December 31, 2016. 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 M 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, 2016, the most recent balance sheet presented herein, through April 12, 2017, the date these financial statements were available to be issued. No significant events or transactions were identified.

NOTE N PRIOR PERIOD ADJUSTMENT

The Township has determined that certain transactions were recorded incorrectly in the prior year. Governmental Activities: In the Government-wide statements, capital assets were understated due to not capitalizing certain expenses related to the Perry Street sidewalk project. If this would have been included the result would have been an increase to capital assets and an increase in net position of the governmental activities.

	Net Position, as Previously Reported	Capital Assets Restatement	Net Position as Restated
Governmental Activities			
Total Net Position	<u>\$ 3,704,853</u>	<u>\$ 32,719</u>	<u>\$ 3,737,572</u>

CHARTER TOWNSHIP OF BIG RAPIDS

Required Supplementary Information
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance to Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 230,600	\$ 230,600	\$ 197,809	\$ (32,791)
Licenses & Permits	18,000	18,000	19,796	1,796
State Shared Revenue	334,500	334,500	323,348	(11,152)
Contributions	43,500	43,500	42,867	(633)
Charges for Services	22,000	22,000	18,738	(3,262)
Interest & Rent	5,250	5,250	3,201	(2,049)
Other	750	750	4,555	3,805
Total Revenues	654,600	654,600	610,314	(44,286)
Expenditures				
General Government				
Legislative	103,390	103,390	92,632	10,758
Supervisor	29,088	29,088	24,309	4,779
Elections	11,150	11,150	12,065	(915)
Assessor	44,200	44,200	38,984	5,216
Clerk	50,140	50,140	50,277	(137)
Treasurer	37,480	37,480	35,317	2,163
Board of Review	1,405	1,405	751	654
Township Hall & Grounds	11,740	11,740	9,101	2,639
Cemetery	106,960	106,960	83,006	23,954
Total General Government	395,553	395,553	346,442	49,111
Public Works				
Road Maintenance	150,000	150,000	1,900	148,100
Street Lighting	9,350	9,350	8,268	1,082
Industrial Park Infrastructure	52,000	52,000	50,435	1,565
Total Public Works	211,350	211,350	60,603	150,747
Community and Economic Development				
Economic Development	4,800	4,800	2,500	2,300
Planning & Zoning	16,870	16,870	12,841	4,029
Total Comm. and Economic Develop.	21,670	21,670	15,341	6,329
Recreation & Culture				
Parks	9,910	9,910	8,016	1,894
Total Recreation & Culture	9,910	9,910	8,016	1,894
Debt Service - Interest	7,600	7,600	-	7,600
Total Expenditures	646,083	646,083	430,402	215,681
Excess of Revenues Over Expenditures	8,517	8,517	179,912	171,395
Other Financing Sources (Uses)				
Transfer In	230,000	230,000	152,500	(77,500)
Transfer Out	(378,000)	(378,000)	(152,500)	225,500
Total Other Financing Sources (Uses)	(148,000)	(148,000)	-	148,000
Net Change in Fund Balance	(139,483)	(139,483)	179,912	319,395
Fund Balance - Beginning of Period	761,970	761,970	761,970	-
Fund Balance - End of Period	\$ 622,487	\$ 622,487	\$ 941,882	\$ 319,395

CHARTER TOWNSHIP OF BIG RAPIDS

Required Supplementary Information
 Budgetary Comparison Schedule for the Perry Street Sidewalk Fund
 For the Year Ended December 31, 2016

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues				
Special Assessment Revenue	\$ 55,000	\$ 55,000	\$ 313,787	\$ 258,787
Contributions	30,000	30,000	30,000	-
Interest Income	50	50	5,995	5,945
Total Revenues	<u>85,050</u>	<u>85,050</u>	<u>349,782</u>	<u>264,732</u>
Expenditures				
Public Works	<u>463,050</u>	<u>463,050</u>	<u>405,600</u>	<u>57,450</u>
Total Expenditures	<u>463,050</u>	<u>463,050</u>	<u>405,600</u>	<u>57,450</u>
Excess of Revenues Over Expenditures	(378,000)	(378,000)	(55,818)	322,182
Other Financing Sources (Uses)				
Transfers In	<u>378,000</u>	<u>363,570</u>	<u>-</u>	<u>(363,570)</u>
Total Other Financing Sources (Uses)	<u>378,000</u>	<u>363,570</u>	<u>-</u>	<u>(363,570)</u>
Net Change in Fund Balance	-	(14,430)	(55,818)	(41,388)
Fund Balance - Beginning of Period	<u>71,001</u>	<u>71,001</u>	<u>71,001</u>	<u>-</u>
Fund Balance - End of Period	<u>\$ 71,001</u>	<u>\$ 56,571</u>	<u>\$ 15,183</u>	<u>\$ (41,388)</u>

CHARTER TOWNSHIP OF BIG RAPIDS

Required Supplementary Information
 Budgetary Comparison Schedule for the Road Fund
 For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance to Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 210,000	\$ 210,000	\$ 210,730	\$ 730
Interest	50	50	-	(50)
Total Revenues	<u>210,050</u>	<u>210,050</u>	<u>210,730</u>	<u>680</u>
Expenditures				
Public Works	<u>208,000</u>	<u>208,000</u>	<u>199,633</u>	<u>8,367</u>
Total Expenditures	<u>208,000</u>	<u>208,000</u>	<u>199,633</u>	<u>8,367</u>
Net Change in Fund Balance	2,050	2,050	11,097	9,047
Fund Balance - Beginning of Period	<u>121</u>	<u>121</u>	<u>121</u>	<u>-</u>
Fund Balance - End of Period	<u>\$ 2,171</u>	<u>\$ 2,171</u>	<u>\$ 11,218</u>	<u>\$ 9,047</u>

CHARTER TOWNSHIP OF BIG RAPIDS

Required Supplementary Information
 Budgetary Comparison Schedule for the Fire Fund
 For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance to Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 208,000	\$ 208,000	\$ 210,673	\$ 2,673
Contributions	15,050	15,050	21,950	6,900
Interest Income	200	200	8	(192)
Other Income	100	100	-	(100)
Total Revenues	<u>223,350</u>	<u>223,350</u>	<u>232,631</u>	<u>9,281</u>
Expenditures				
Public Safety	<u>428,000</u>	<u>428,000</u>	<u>226,912</u>	<u>201,088</u>
Total Expenditures	<u>428,000</u>	<u>428,000</u>	<u>226,912</u>	<u>201,088</u>
Net Change in Fund Balance	(204,650)	(204,650)	5,719	210,369
Fund Balance - Beginning of Period	<u>304,601</u>	<u>304,601</u>	<u>304,601</u>	<u>-</u>
Fund Balance - End of Period	<u>\$ 99,951</u>	<u>\$ 99,951</u>	<u>\$ 310,320</u>	<u>\$ 210,369</u>

CHARTER TOWNSHIP OF BIG RAPIDS

Combining Balance Sheet
 Non-Major Governmental Funds
 December 31, 2016

	Special Revenue Funds			Capital Projects	Permanent	Total
	Liquor Law Fund	Library Fund	Metro Act Fund	Water Project Fund	Fund Perpetual Care	Non-Major Governmental Funds
Assets						
Cash and Investments	\$ 179	\$ 1,933	\$ 33,986	\$ -	\$ 114,346	\$ 150,444
Receivables	-	18,222	-	52,311	-	70,533
Prepays	-	-	-	4,966	-	4,966
Due from Tax Fund	-	7,823	-	-	-	7,823
Total Assets	<u>\$ 179</u>	<u>\$ 27,978</u>	<u>\$ 33,986</u>	<u>\$ 57,277</u>	<u>\$ 114,346</u>	<u>\$ 233,766</u>
Liabilities						
Due to Other Funds	\$ -	\$ -	\$ -	\$ 47,352	\$ -	\$ 47,352
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,352</u>	<u>-</u>	<u>47,352</u>
Deferred Inflows of Resources						
Unavailable Property Taxes	-	27,978	-	-	-	27,978
Total Liabilities & Deferred Inflows of Resources	<u>-</u>	<u>27,978</u>	<u>-</u>	<u>47,352</u>	<u>-</u>	<u>75,330</u>
Fund Balance						
Non-Spendable	-	-	-	4,966	106,234	111,200
Restricted	179	-	33,986	-	-	34,165
Committed	-	-	-	4,959	-	4,959
Assigned	-	-	-	-	8,112	8,112
Total Fund Balance	<u>179</u>	<u>-</u>	<u>33,986</u>	<u>9,925</u>	<u>114,346</u>	<u>158,436</u>
Total Liabilities, Def. Inflows, and Fund Balance	<u>\$ 179</u>	<u>\$ 27,978</u>	<u>\$ 33,986</u>	<u>\$ 57,277</u>	<u>\$ 114,346</u>	<u>\$ 205,788</u>

CHARTER TOWNSHIP OF BIG RAPIDS

Combining Statement of Revenues, Expenditures and Changes
in Fund Balance - Non-Major Governmental Funds
For the Year Ended December 31, 2016

	Special Revenue Funds			Capital Projects	Permanent	Total Non-Major
	Liquor Law Fund	Library Fund	Metro Act Fund	Fund Water Project Fund	Fund Perpetual Care Fund	
Revenues						
State Shared Revenue	\$ 5,724	\$ -	\$ 5,428	\$ -	\$ -	\$ 11,152
Special Assessments	-	-	-	52,621	-	52,621
Charges for Services	-	-	-	1,401	2,132	3,533
Grant	-	-	-	4,000	-	4,000
Interest	-	-	1	-	503	504
Other	-	-	-	2,947	-	2,947
Total Revenues	5,724	-	5,429	60,969	2,635	74,757
Expenditures						
Public Safety	5,545	-	-	-	-	5,545
Public Works	-	-	-	28,612	-	28,612
Debt Service - Interest	-	-	-	11,366	-	11,366
Debt Service - Principal	-	-	-	60,911	-	60,911
Total Expenditures	5,545	-	-	100,889	-	106,434
Net Change in Fund Balance	179	-	5,429	(39,920)	2,635	(31,677)
Fund Balance - Beginning of Period	-	-	28,557	49,845	111,711	190,113
Fund Balance - End of Period	\$ 179	\$ -	\$ 33,986	\$ 9,925	\$ 114,346	\$ 158,436



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, 2016, 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 12, 2017.

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 (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 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 2016-001.

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.

H & S Companies, P.C.

H & S Companies, P.C.

Fremont, MI

April 12, 2017

CHARTER TOWNSHIP OF BIG RAPIDS

Schedule of Findings and Responses December 31, 2016

Findings

2016-001 Finding Considered a Significant Deficiency

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 recommendation is not cost effective for the size of the organization.