

**CHARTER TOWNSHIP OF BIG RAPIDS  
MECOSTA COUNTY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2014**



## TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-wide Financial Statements</b>	
Statement of Net Position	15
Statement of Activities	16
<b>Fund Financial Statements</b>	
<b>Governmental Funds</b>	
Balance Sheet	17
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balance	19
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances with Statement of Activities	20
<b>Proprietary Funds</b>	
Statement of Net Position	21
Statement of Revenues, Expenses and Changes in Net Position	22
Statement of Cash Flows	23
<b>Fiduciary Funds</b>	
Statement of Net Position	24
<b>Notes to the Financial Statements</b>	26
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	40
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Fire	41
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
<b>Governmental Funds</b>	
Combining Balance Sheet - Nonmajor Governmental Funds	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds	44

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Big Rapids, Michigan (the "Township") as of and for the year ended December 31, 2014, 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 Charter Township of Big Rapids, Michigan, as of December 31, 2014, 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 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.

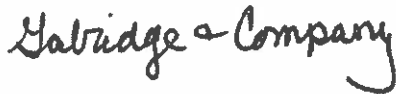
#### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Big Rapids, Michigan's basic financial statements. The combining 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 8, 2014, 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 Charter Township of Big Rapids, Michigan's internal control over financial reporting and compliance.



Gabridge & Company, PLC  
Grand Rapids, Michigan  
May 8, 2014

## 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, 2014. 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 \$6,092,300 (net position). Of this amount, \$1,585,647 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 \$1,210,838. Approximately 55% of this amount (\$661,885) 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 \$661,885, or approximately 133% 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 26 – 38 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 40 – 41 of this report.

Combining and individual fund statements and schedules can be found on pages 43 - 44 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 \$6,092,300, at the close of the most recent fiscal year.

### Charter Township of Big Rapids Statement of Net Position as of December 31, 2014 and December 31, 2013

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
<b>ASSETS</b>						
<i>Current Assets</i>						
Cash	\$ 1,145,307	\$ 1,004,868	\$ 705,516	\$ 700,162	\$ 1,850,823	\$ 1,705,030
Receivables	553,863	366,250	108,474	47,122	662,337	413,372
Prepays	6,552	20,299	1,203	-	7,755	20,299
Due from Tax Fund	86,056	-	-	-	86,056	-
<b>Total Current Assets</b>	<b>1,791,778</b>	<b>1,391,417</b>	<b>815,193</b>	<b>747,284</b>	<b>2,606,971</b>	<b>2,138,701</b>
<i>Noncurrent Assets</i>						
Capital Assets not Being Depreciated	259,152	259,152	-	-	259,152	259,152
Capital Assets Being Depreciated	2,766,199	2,875,936	1,859,302	1,927,100	4,625,501	4,803,036
<b>Total Noncurrent Assets</b>	<b>3,025,351</b>	<b>3,135,088</b>	<b>1,859,302</b>	<b>1,927,100</b>	<b>4,884,653</b>	<b>5,062,188</b>
<b>Total Assets</b>	<b>4,817,129</b>	<b>4,526,505</b>	<b>2,674,495</b>	<b>2,674,384</b>	<b>7,491,624</b>	<b>7,200,889</b>
<b>LIABILITIES</b>						
<i>Current Liabilities</i>						
Accounts Payable	7,797	3,733	17,910	13,507	25,707	17,240
Current Portion of Long-term Debt	60,334	58,757	20,200	20,200	80,534	78,957
<b>Total Current Liabilities</b>	<b>68,131</b>	<b>62,490</b>	<b>38,110</b>	<b>33,707</b>	<b>106,241</b>	<b>96,197</b>
<i>Noncurrent Liabilities</i>						
Long-term Debt	517,940	579,228	202,000	222,200	719,940	801,428
<b>Total Liabilities</b>	<b>586,071</b>	<b>641,718</b>	<b>240,110</b>	<b>255,907</b>	<b>826,181</b>	<b>897,625</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Taxes Levied for a Subsequent Period	578,303	368,262	-	-	578,303	368,262
<b>Total Deferred Inflows of Resources</b>	<b>578,303</b>	<b>368,262</b>	<b>-</b>	<b>-</b>	<b>578,303</b>	<b>368,262</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	2,447,077	2,497,103	1,637,103	1,684,700	4,084,180	4,181,803
Restricted - Nonexpendable	103,215	103,212	-	-	103,215	103,212
Restricted	262,465	185,388	56,793	54,039	319,258	239,427
Unrestricted	845,158	730,822	740,489	679,738	1,585,647	1,410,560
<b>Total Net Position</b>	<b>\$ 3,657,915</b>	<b>\$ 3,516,525</b>	<b>\$ 2,434,385</b>	<b>\$ 2,418,477</b>	<b>\$ 6,092,300</b>	<b>\$ 5,935,002</b>

By far, the largest portion of the Township's net position (\$4,084,180, 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 sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net position (\$422,473, or 7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,585,647 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 \$172,997 from the prior fiscal year. The reasons for this overall decrease 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 \$157,089 from the prior fiscal year for an ending balance of \$3,657,915. 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 \$65,209 due to a new voted road millage. Also, public works expenses increased within governmental activities by \$137,024 over the prior year as a result of increased spending on road repair and maintenance.

**Business-type Activities.** For the Township's business-type activities, the results for the current fiscal year show a decrease in overall net position of \$15,908 leaving an ending balance of \$2,434,385.

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 \$28,896 related to increased tap-ins during the year. Also, sewer expenses increased by \$80,380 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, 2014 and December 31, 2013**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Revenue</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 115,251	\$ 125,678	\$ 445,600	\$ 429,987	\$ 560,851	\$ 555,665
Operating Grants and Contributions	69,434	70,013	-	-	69,434	70,013
Capital Grants and Contributions	-	-	50,000	21,104	50,000	21,104
<b>Total Program Revenues</b>	<b>184,685</b>	<b>195,691</b>	<b>495,600</b>	<b>451,091</b>	<b>680,285</b>	<b>646,782</b>
<b>General Revenues</b>						
Property Taxes	435,245	370,036	-	-	435,245	370,036
State Shared Revenue	329,218	315,210	-	-	329,218	315,210
Interest Income	1,689	1,765	908	1,001	2,597	2,766
Other	11,350	-	-	-	11,350	-
<b>Total General Revenues</b>	<b>777,502</b>	<b>687,011</b>	<b>908</b>	<b>1,001</b>	<b>778,410</b>	<b>688,012</b>
<b>Total Revenues</b>	<b>962,187</b>	<b>882,702</b>	<b>496,508</b>	<b>452,092</b>	<b>1,458,695</b>	<b>1,334,794</b>
<b>Expenses</b>						
General Government	367,205	392,651	-	-	367,205	392,651
Public Safety	195,893	194,775	-	-	195,893	194,775
Public Works	219,814	82,790	-	-	219,814	82,790
Community and Economic Development	2,503	12,011	-	-	2,503	12,011
Recreation and Culture	6,904	8,470	-	-	6,904	8,470
Inspections	-	-	51,914	35,817	51,914	35,817
Sewer	-	-	428,686	348,306	428,686	348,306
Interest	12,779	17,490	-	-	12,779	17,490
<b>Total Expenses</b>	<b>805,098</b>	<b>708,187</b>	<b>480,600</b>	<b>384,123</b>	<b>1,285,698</b>	<b>1,092,310</b>
<b>Change in Net Position</b>	<b>157,089</b>	<b>174,515</b>	<b>15,908</b>	<b>67,969</b>	<b>172,997</b>	<b>242,484</b>
<i>Net Position at the Beginning of Period</i>	<i>3,516,525</i>	<i>3,342,010</i>	<i>2,418,477</i>	<i>2,350,508</i>	<i>5,935,002</i>	<i>5,692,518</i>
<i>Prior Period Adjustment (See Footnote 11)</i>	<i>(15,699)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(15,699)</i>	<i>-</i>
<i>Net Position at Beginning of Period - Restated</i>	<i>3,500,826</i>	<i>3,342,010</i>	<i>2,418,477</i>	<i>2,350,508</i>	<i>5,919,303</i>	<i>5,692,518</i>
<b>Net Position at the End of Period</b>	<b>\$3,657,915</b>	<b>\$3,516,525</b>	<b>\$2,434,385</b>	<b>\$2,418,477</b>	<b>\$6,092,300</b>	<b>\$5,935,002</b>

### **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 \$1,210,838, an increase of \$207,115 over the prior year. Approximately 55% of

this amount (\$661,885) 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 (\$114,927) 2) restricted for particular purposes (\$259,832), 3) assigned for particular purposes (\$81,019) or 4) committed for particular purposes (\$93,175).

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 \$661,885, while total fund balance increased by \$164,815 to \$743,804. 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 133 percent of total general fund expenditures, while total fund balance represents approximately 150 percent of that same amount.

The fund balance of the Township's general fund increased by \$164,815 during the current fiscal year. The increase in fund balance is a result of the Township Board closely monitoring the expenditure side of the ledger.

The fire fund, a major fund, had a \$72,837 increase in fund balance during the current fiscal year which put the overall fund balance at \$237,216. This balance is legally restricted to fund future operating costs of the fire fund.

The water project fund, a major fund, had a \$37,799 decrease in fund balance during the current fiscal year which put the overall fund balance at \$98,335. This was planned as the fund is intended to receive enough resources to finance the cost of the debt service requirements and to fund water projects. The fund balance is intended to approach zero as the debt service and capital project costs are paid in full.

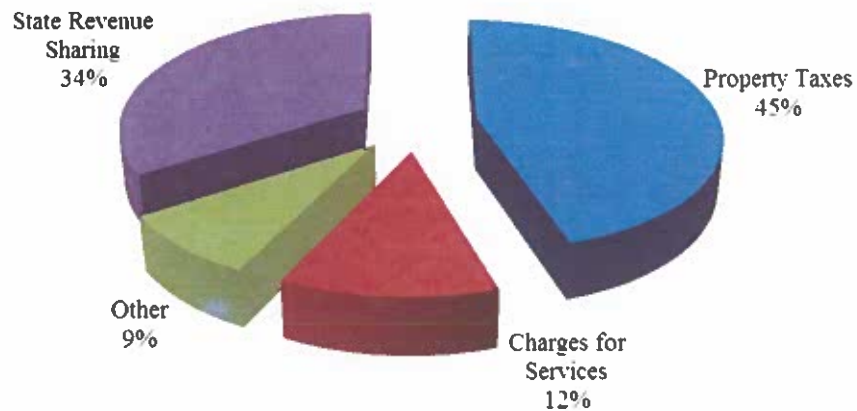
***Proprietary Funds.*** The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the sewer fund operation was \$716,905. The increase in net position of the sewer fund was \$12,466. As noted in the discussion of business-type activities, the increase for the sewer fund results from an increase in connection fees of \$28,896 for new tap-ins during the year.

## Governmental Activities

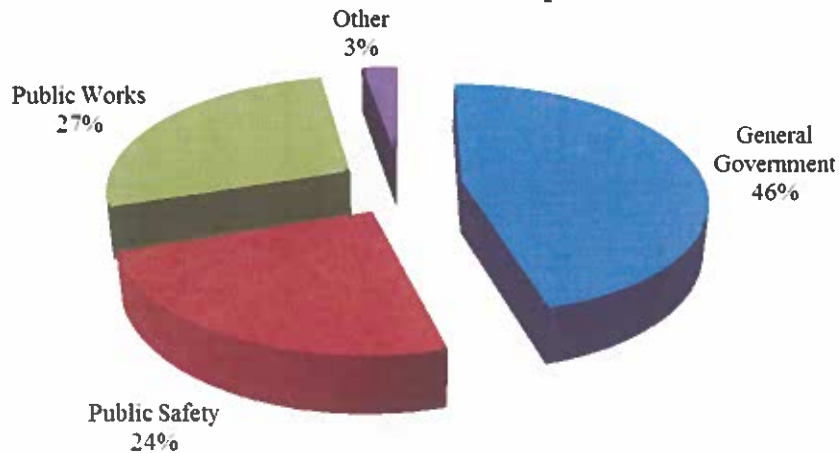
The following chart summarizes the revenue sources for the governmental activities of the Township for the most recent fiscal year end.

**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 no expenditures in excess of the appropriated amounts in the general fund.

## 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, 2014, amounts to \$4,884,653 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, vehicles, equipment, and sewer system infrastructure. The total decrease in capital assets for the current fiscal year was approximately 3.5%.

	2014	2013
Land	\$ 259,152	\$ 259,152
Buildings	341,250	355,695
Infrastructure	1,954,817	2,022,561
Vehicles	403,763	437,237
Equipment	66,368	60,443
Sewer System	1,859,303	1,927,100
Totals	<u>\$ 4,884,653</u>	<u>\$ 5,062,188</u>

Significant fixed asset additions during the year include a new mower for \$7,840 and an AED system for \$13,809. 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 2014 and 2013, the Township had \$800,474 and \$880,385 in debt outstanding as depicted in the table below.

	2014	2013
2013 Refunding Bond	\$ 509,000	\$ 551,000
2010 IPA - Sewer	52,800	57,600
2010 IPA - Sewer Improvements	169,400	184,800
2005 Note Payable	69,274	86,985
Totals	<u>\$ 800,474</u>	<u>\$ 880,385</u>

Principal payments for the year were \$79,911. 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 \$655,000 of revenues are expected to be available for appropriation in the general fund. Expenditures are expected to change by small amounts compared to 2014. 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 2015, 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  
Sherri Gilbert, 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, 2014**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash	\$ 1,145,306	\$ 705,516	\$ 1,850,822
Receivables	553,863	108,474	662,337
Prepays	11,712	1,203	12,915
Due from Tax Fund	86,056	--	86,056
<b>Total Current Assets</b>	<b>1,796,937</b>	<b>815,193</b>	<b>2,612,130</b>
<i>Noncurrent Assets</i>			
Capital Assets not Being Depreciated	259,152	--	259,152
Capital Assets Being Depreciated	2,766,199	1,859,302	4,625,501
<b>Total Assets</b>	<b>4,822,288</b>	<b>2,674,495</b>	<b>7,496,783</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	7,797	17,910	25,707
Current Portion of Long-term Debt	60,334	20,200	80,534
<b>Total Current Liabilities</b>	<b>68,131</b>	<b>38,110</b>	<b>106,241</b>
<i>Noncurrent Liabilities</i>			
Long-term Debt	517,940	202,000	719,940
<b>Total Liabilities</b>	<b>586,071</b>	<b>240,110</b>	<b>826,181</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes Levied for a Subsequent Period	578,302	--	578,302
<b>Total Deferred Inflows of Resources</b>	<b>578,302</b>	<b>--</b>	<b>578,302</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,447,077	1,637,103	4,084,180
<i>Restricted for:</i>			
Fire	237,313	--	237,313
Streets	25,152	--	25,152
Debt Service	--	56,793	56,793
Nonexpendable Cemetery	103,215	--	103,215
<i>Unrestricted</i>	845,158	740,489	1,585,647
<b>Total Net Position</b>	<b>\$ 3,657,915</b>	<b>\$ 2,434,385</b>	<b>\$ 6,092,300</b>

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, 2014**

Functions/Programs	Program Revenues			Net (Expense) Revenue		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
<b>Primary Government</b>						
<b>Governmental Activities:</b>						
General Government	\$ 367,205	\$ 103,321	\$ 54,856	\$ (209,028)	\$ --	\$ (209,028)
Public Safety	195,893	9,945	12,578	(173,370)	--	(173,370)
Public Works	219,814	1,985	2,000	(215,829)	--	(215,829)
Community and Economic Development	2,503	--	--	(2,503)	--	(2,503)
Recreation and Culture	6,904	--	--	(6,904)	--	(6,904)
Interest on Long-term Debt	12,779	--	--	(12,779)	--	(12,779)
<b>Total Governmental Activities</b>	<b>805,098</b>	<b>115,251</b>	<b>69,434</b>	<b>(620,413)</b>	<b>--</b>	<b>(620,413)</b>
<b>Business-type Activities:</b>						
Building Inspection	51,914	55,321	--	--	3,407	3,407
Sewer	428,686	390,279	50,000	--	11,593	11,593
<b>Total Business-type Activities</b>	<b>480,600</b>	<b>445,600</b>	<b>50,000</b>	<b>--</b>	<b>15,000</b>	<b>15,000</b>
<b>Total Primary Government</b>	<b>\$ 1,285,698</b>	<b>\$ 560,851</b>	<b>\$ 69,434</b>	<b>\$ (620,413)</b>	<b>\$ 15,000</b>	<b>\$ (605,413)</b>
<b>General Purpose Revenues and Transfers:</b>						
<b>Revenues</b>						
Property Taxes				435,245	--	435,245
Interest Income				1,689	908	2,597
State Shared Revenue				329,218	--	329,218
Gain on Sale of Fixed Assets				11,350	--	11,350
<b>Transfers</b>				--	--	--
<b>Total General Revenues and Transfers</b>				<b>777,502</b>	<b>908</b>	<b>778,410</b>
<b>Change in Net Position</b>				<b>157,089</b>	<b>15,908</b>	<b>172,997</b>
<i>Net Position at Beginning of Period</i>				3,516,525	2,418,477	5,935,002
<i>Prior Period Adjustment (See Note 11)</i>				(15,699)	--	(15,699)
<i>Net Position at Beginning of Period - Restated</i>				3,500,826	2,418,477	5,919,303
<b>Net Position at End of Period</b>				<b>\$ 3,657,915</b>	<b>\$ 2,434,385</b>	<b>\$ 6,092,300</b>

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, 2014**

	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Fire</u>	<u>Water Project</u>		
<b>ASSETS</b>					
Cash	\$ 700,813	\$ 253,822	\$ 41,290	\$ 149,381	\$ 1,145,306
Receivables	189,306	155,836	52,885	155,836	553,863
Prepays	3,919	2,633	5,160	--	11,712
Due from Tax Fund	25,310	30,373	--	30,373	86,056
<b>Total Assets</b>	<b>\$ 919,348</b>	<b>\$ 442,664</b>	<b>\$ 99,335</b>	<b>\$ 335,590</b>	<b>\$ 1,796,937</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 5,456	\$ 1,341	\$ 1,000	\$ --	\$ 7,797
<b>Total Liabilities</b>	<b>5,456</b>	<b>1,341</b>	<b>1,000</b>	<b>--</b>	<b>7,797</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Taxes Levied for a Subsequent Period	170,088	204,107	--	204,107	578,302
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>175,544</b>	<b>205,448</b>	<b>1,000</b>	<b>204,107</b>	<b>586,099</b>
<b>FUND BALANCE</b>					
Nonspendable	3,919	2,633	5,160	103,215	114,927
Restricted	--	234,583	--	25,249	259,832
Committed	--	--	93,175	--	93,175
Assigned	78,000	--	--	3,019	81,019
Unassigned	661,885	--	--	--	661,885
<b>Total Fund Balance</b>	<b>743,804</b>	<b>237,216</b>	<b>98,335</b>	<b>131,483</b>	<b>1,210,838</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 919,348</b>	<b>\$ 442,664</b>	<b>\$ 99,335</b>	<b>\$ 335,590</b>	<b>\$ 1,796,937</b>

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, 2014**

Total Fund Balance - Governmental Funds	\$ 1,210,838
General government capital assets of \$4,050,200, net of accumulated depreciation of \$1,024,849, are not financial resources, and accordingly are not reported in the funds.	3,025,351
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(578,274)
<b>Total Net Position - Governmental Funds</b>	<b>\$ <u>3,657,915</u></b>

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, 2014**

	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Fire</u>	<u>Water Project</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
<b>Revenues</b>					
Property Taxes	\$ 229,453	\$ 205,792	\$ --	\$ --	\$ 435,245
Licenses and Permits	19,220	--	--	--	19,220
State Shared Revenue	319,286	--	--	9,932	329,218
Contributions from Local Units	54,856	12,578	--	--	67,434
Charges for Services	23,354	--	1,985	2,304	27,643
Rents	2,250	--	--	--	2,250
Other	1,404	9,945	56,789	--	68,138
Sale of Fixed Assets	11,350	--	--	--	11,350
Interest Income	620	326	--	743	1,689
<b>Total Revenues</b>	<b>661,793</b>	<b>228,641</b>	<b>58,774</b>	<b>12,979</b>	<b>962,187</b>
<b>Expenditures</b>					
General Government	351,743	--	--	--	351,743
Public Safety	--	141,995	--	5,717	147,712
Public Works	127,988	--	24,083	--	152,071
Community and Economic Development	2,503	--	--	--	2,503
Recreation and Culture	6,904	--	--	--	6,904
Capital Outlay	7,840	13,809	--	--	21,649
Debt Service - Principal	--	--	59,711	--	59,711
Debt Service - Interest	--	--	12,779	--	12,779
<b>Total Expenditures</b>	<b>496,978</b>	<b>155,804</b>	<b>96,573</b>	<b>5,717</b>	<b>755,072</b>
<b>Excess of Revenues Over</b>					
<b>(Under) Expenditures</b>	<b>164,815</b>	<b>72,837</b>	<b>(37,799)</b>	<b>7,262</b>	<b>207,115</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In	--	--	--	--	--
Transfers Out	--	--	--	--	--
<b>Net Other Financing Sources (Uses)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Net Change in Fund Balance</b>	<b>164,815</b>	<b>72,837</b>	<b>(37,799)</b>	<b>7,262</b>	<b>207,115</b>
<b>Fund Balance at Beginning of Period</b>	<b>578,989</b>	<b>164,379</b>	<b>136,134</b>	<b>124,221</b>	<b>1,003,723</b>
<b>Fund Balance at End of Period</b>	<b>\$ 743,804</b>	<b>\$ 237,216</b>	<b>\$ 98,335</b>	<b>\$ 131,483</b>	<b>\$ 1,210,838</b>

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, 2014**

Total Net Change in Fund Balances - Governmental Funds	\$	207,115
--	----	---------

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 \$21,649 less depreciation expense of \$131,386.		(109,737)
---	--	-----------

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.		59,711
--	--	--------

<b>Changes in Net Position - Governmental Funds</b>	<b>\$</b>	<b><u>157,089</u></b>
---	-----------	-----------------------

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, 2014**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Nonmajor Building Inspection</b>	<b>Sewer</b>	<b>Total Enterprise Funds</b>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash	\$ 23,533	\$ 681,983	\$ 705,516
Receivables	--	108,474	108,474
Prepays	51	1,152	1,203
<b>Total Current Assets</b>	<b>23,584</b>	<b>791,609</b>	<b>815,193</b>
<i>Noncurrent Assets</i>			
Capital Assets Being Depreciated	--	1,859,302	1,859,302
<b>Total Assets</b>	<b>23,584</b>	<b>2,650,911</b>	<b>2,674,495</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	--	17,910	17,910
Current Portion of Long-term Debt	--	20,200	20,200
<b>Total Current Liabilities</b>	<b>--</b>	<b>38,110</b>	<b>38,110</b>
<i>Noncurrent Liabilities</i>			
Long-term Debt	--	202,000	202,000
<b>Total Liabilities</b>	<b>--</b>	<b>240,110</b>	<b>240,110</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	--	1,637,103	1,637,103
<i>Restricted for:</i>			
Debt Service	--	56,793	56,793
<i>Unrestricted</i>	23,584	716,905	740,489
<b>Total Net Position</b>	<b>\$ 23,584</b>	<b>\$ 2,410,801</b>	<b>\$ 2,434,385</b>

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, 2014**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Nonmajor Building Inspection</b>	<b>Sewer</b>	<b>Total Enterprise Funds</b>
<b>Operating Revenues</b>			
Charges for Services	\$ 55,321	\$ 390,279	\$ 445,600
<b>Total Operating Revenues</b>	<u>55,321</u>	<u>390,279</u>	<u>445,600</u>
<b>Operating Expenses</b>			
Operations and Maintenance	51,914	352,370	404,284
Depreciation	--	67,797	67,797
<b>Total Operating Expenses</b>	<u>51,914</u>	<u>420,167</u>	<u>472,081</u>
<b>Operating Income (Loss)</b>	<u>3,407</u>	<u>(29,888)</u>	<u>(26,481)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	35	873	908
Connection Fees	--	50,000	50,000
Interest Expense	--	(8,519)	(8,519)
<b>Net Non-Operating Revenues (Expenses)</b>	<u>35</u>	<u>(42,354)</u>	<u>(42,389)</u>
<b>Income Before Contributions and Transfers</b>	<u>3,442</u>	<u>12,466</u>	<u>15,908</u>
Transfers In	--	--	--
Transfers Out	--	--	--
<b>Change In Net Position</b>	<u>3,442</u>	<u>12,466</u>	<u>15,908</u>
<b>Net Position at Beginning of Period</b>	<u>20,142</u>	<u>2,398,335</u>	<u>2,418,477</u>
<b>Net Position at End of Period</b>	<u>\$ 23,584</u>	<u>\$ 2,410,801</u>	<u>\$ 2,434,385</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, 2014**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Nonmajor Building Inspection</b>	<b>Sewer</b>	<b>Total Enterprise Funds</b>
<b>Cash Flows from Operating Activities</b>			
Cash Received from Charges for Service	\$ 55,321	\$ 378,928	\$ 434,249
Cash Payments to Suppliers for Goods and Services	(51,965)	(349,119)	(401,084)
<b>Total Cash Flows from Operating Activities</b>	<b>3,356</b>	<b>29,809</b>	<b>33,165</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Interest Payments on Debt	-	(8,519)	(8,519)
Connection Fees (Net of Connection Receivables)	-	-	-
Principal Payments on Debt	-	(20,200)	(20,200)
<b>Total Cash Flows from Capital and Related Financing Activities</b>	<b>-</b>	<b>(28,719)</b>	<b>(28,719)</b>
<b>Cash Flows From Investing Activities</b>			
Interest Earned	35	873	908
<b>Total Cash Flows from Investing Activities</b>	<b>35</b>	<b>873</b>	<b>908</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>3,391</b>	<b>1,963</b>	<b>5,354</b>
Cash and Cash Equivalents - Beginning of Year	20,142	680,020	700,162
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 23,533</b>	<b>\$ 681,983</b>	<b>\$ 705,516</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating Income (Loss)	\$ 3,407	\$ (29,888)	\$ (26,481)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Depreciation Expense	-	67,797	67,797
<b>Changes in Assets and Liabilities</b>			
Receivables	-	(11,351)	(11,351)
Prepays	(51)	(1,152)	(1,203)
Accounts Payable	-	4,403	4,403
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 3,356</b>	<b>\$ 29,809</b>	<b>\$ 33,165</b>

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, 2014**

	<u>Agency</u>
	<u>Tax</u>
<b>ASSETS</b>	
Cash	\$ 179,929
<i>Total Assets</i>	<u>179,929</u>
<b>LIABILITIES</b>	
Due to Big Rapids Township	86,056
Due to Other Units	93,873
<i>Total Liabilities</i>	<u>179,929</u>
<b>NET POSITION</b>	
Held in Trust	<u>\$ --</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

---

### 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 *water project fund*, a capital project fund, accounts for expenditures related to infrastructure improvements within the Big Rapids Airport Industrial Park.

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.

## **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 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

---

#### ***Prepaids***

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.

#### ***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 2014 ad valorem taxes are levied on December 1, 2014, 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.

During the current fiscal year the Township had no significant expenditures in excess of the appropriated amounts in the general fund or its major special revenue funds.



## Charter Township of Big Rapids

### Notes to the Financial Statements

#### Note 3 – Deposits and Investments

*Cash Equivalents* – As of December 31, 2014, the Township's cash and cash equivalents were reported in the basic financial statements in the following categories:

	Primary Government	Business-type Activities	Totals
<b>Statement of Net Position</b>			
Cash	\$ 1,145,306	\$ 705,516	\$ 1,850,822
<b>Statement of Fiduciary Net Position</b>			
Cash	179,929	-	179,929
<b>Total Cash</b>	<b>1,325,235</b>	<b>705,516</b>	<b>2,030,751</b>
<b>Deposits and Investments</b>			
Cash & Cash Equivalents			\$ 1,780,751
Certificates of Deposit			250,000
<b>Total</b>			<b>\$ 2,030,751</b>

**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, \$1,612,376 of the Township's bank balance of \$2,112,376 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	Sewer	Total
Accounts Receivable	\$ 5,081	\$ -	\$ 142	\$ -	\$ 58,474	\$ 63,697
Taxes Receivable	129,862	155,836	-	155,836	-	441,534
Intergovernmental	54,363	-	-	-	-	54,363
Special Assessments	-	-	52,743	-	50,000	102,743
	<u>\$ 189,306</u>	<u>\$ 155,836</u>	<u>\$ 52,885</u>	<u>\$ 155,836</u>	<u>\$ 108,474</u>	<u>\$ 662,337</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, 2014	Additions	Disposals	Balance at December 31, 2014
<b>Governmental Activities</b>				
Land	259,152	-	-	259,152
<b>Total Capital Assets, not being depreciated</b>	<u>259,152</u>	<u>-</u>	<u>-</u>	<u>259,152</u>
<b>Capital Assets, being depreciated</b>				
Buildings	422,412	-	-	422,412
Infrastructure	2,432,716	-	-	2,432,716
Vehicles	722,239	-	-	722,239
Equipment	192,032	21,649	-	213,681
<b>Total Capital Assets, being depreciated</b>	<u>3,769,399</u>	<u>21,649</u>	<u>-</u>	<u>3,791,048</u>
<b>Less Accumulated Depreciation</b>				
Buildings	66,718	14,444	-	81,162
Infrastructure	410,155	67,743	-	477,898
Vehicles	285,003	33,474	-	318,476
Equipment	131,588	15,725	-	147,313
<b>Total Accumulated Depreciation</b>	<u>893,463</u>	<u>131,386</u>	<u>-</u>	<u>1,024,849</u>
<b>Net Depreciable Capital Assets</b>	<u>2,875,936</u>			<u>2,766,199</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>3,135,088</u>	<u>(109,737)</u>	<u>-</u>	<u>3,025,351</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, 2014	Additions	Disposals	Balance at December 31, 2014
<b>Business-type Activities</b>				
Sewer System	2,584,476	-	-	2,584,476
<b>Total Capital Assets, Being Depreciated</b>	2,584,476	-	-	2,584,476
<b>Less Accumulated Depreciation</b>				
Sewer System	657,377	67,797	-	725,174
<b>Total Accumulated Depreciation</b>	657,377	67,797	-	725,174
<b>Business Activities Capital Assets, Net</b>	<u>\$ 1,927,099</u>	<u>\$ (67,797)</u>	<u>\$ -</u>	<u>\$ 1,859,302</u>

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

<b>Governmental Activities</b>	
Public Safety	\$ 48,181
General Government	15,462
Public Works	67,743
<b>Total Governmental Activities</b>	<u>\$ 131,386</u>
<b>Business-type Activities</b>	
Sewer	<u>\$ 67,797</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>
Tax	General Fund	\$ 25,310
Tax	Fire Fund	30,373
Tax	Road Fund	30,373
		<u>\$ 86,056</u>

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:

<b>2013 Refunding Bond</b>			
<b>December 31, 2014</b>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 41,000	\$ 10,321	\$ 51,321
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
2020-2024	244,000	25,042	269,042
2025	51,000	1,352	52,352
	<u>\$ 509,000</u>	<u>\$ 72,875</u>	<u>\$ 581,875</u>

Industrial Park  
Structure

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:

<b>2005 IPA</b>			
<b>December 31, 2014</b>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 19,334	\$ 1,250	\$ 20,584
2016	18,925	1,659	20,584
2017	19,544	1,040	20,584
2018	11,471	4,557	16,028
	<u>\$ 69,274</u>	<u>\$ 8,506</u>	<u>\$ 77,780</u>

Industrial Park Land

## Charter Township of Big Rapids

### Notes to the Financial Statements

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%. The final payment is due February 2025. The repayment schedule is as follows:

<b>2010 IPA - Sewer Improvements</b>			
<b>December 31, 2014</b>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 15,400	\$ 5,994	\$ 21,394
2016	15,400	5,494	20,894
2017	15,400	4,978	20,378
2018	15,400	4,447	19,847
2019	15,400	3,915	19,315
2020-2024	77,000	10,907	87,907
2025	15,400	320	15,720
	<u>\$ 169,400</u>	<u>\$ 36,055</u>	<u>\$ 205,455</u>

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. The repayment schedule is as follows:

<b>2010 IPA - Sewer</b>			
<b>December 31, 2014</b>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 4,800	\$ 1,868	\$ 6,668
2016	4,800	1,712	6,512
2017	4,800	1,552	6,352
2018	4,800	1,386	6,186
2019	4,800	1,220	6,020
2020-2024	24,000	3,400	27,400
2025	4,800	100	4,900
	<u>\$ 52,800</u>	<u>\$ 11,238</u>	<u>\$ 64,038</u>

## Charter Township of Big Rapids

### Notes to the Financial Statements

Long-term obligation activity can be summarized as follows:

	January 1, 2014	Reductions	December 31, 2014	Due Within One Year
<b>Governmental Activities</b>				
2013 Refunding bond	\$ 551,000	\$ 42,000	\$ 509,000	\$ 41,000
2005 Note payable	86,985	17,711	69,274	19,334
<b>Total Governmental Activities</b>	<b>637,985</b>	<b>59,711</b>	<b>578,274</b>	<b>60,334</b>
<b>Business-type Activities</b>				
2010 IPA - sewer improvements	184,800	15,400	169,400	15,400
2010 IPA - sewer lift station	57,600	4,800	52,800	4,800
<b>Total Business-type Activities</b>	<b>242,400</b>	<b>20,200</b>	<b>222,200</b>	<b>20,200</b>
<b>Total Primary Government</b>	<b>\$ 880,385</b>	<b>\$ 79,911</b>	<b>\$ 800,474</b>	<b>\$ 80,534</b>

#### Note 8 – Property Taxes

The 2013 taxable valuation of the Township amounted to \$133,760,000, on which ad valorem taxes levied consisted of 1.25 mills for operating purposes and 1.50 mills for fire protection, raising \$167,000 for operating and \$201,000 for fire protection. These amounts are recognized in the respective fund financial statements as tax revenue.

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 deferred inflows of resources, based upon the period for which the proceeds are budgeted and will be made available for the financing of operations.

#### Note 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 \$14,328 for the year ended December 31, 2014. 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.

#### **Note 11 – Prior Period Adjustment**

Net position of governmental activities was decreased by \$15,699 as of January 1, 2014 to remove the previous accounting of prepaid expenses.

**REQUIRED SUPPLEMENTARY INFORMATION**



**Charter Township of Big Rapids**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2014**

	<b>Budgeted Amounts</b>			<b>Variance Positive (Negative) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Property Taxes	\$ 224,100	\$ 224,100	\$ 229,453	\$ 5,353
Licenses and Permits	16,000	16,000	19,220	3,220
State Shared Revenue	314,881	314,881	319,286	4,405
Contributions from Local Unit	53,850	53,850	54,856	1,006
Charges for Services	24,250	24,250	23,354	(896)
Interest and Rent	2,250	2,250	2,250	--
Other	700	700	1,404	704
Sale of Fixed Assets	50	50	11,350	11,300
Interest Income	500	500	620	120
<b>Total Revenues</b>	<b>636,581</b>	<b>636,581</b>	<b>661,793</b>	<b>25,212</b>
<b>Other Financing Sources</b>				
<b>Total Revenues and Other Financing Sources</b>	<b>636,581</b>	<b>636,581</b>	<b>661,793</b>	<b>25,212</b>
<b>Expenditures</b>				
<b>General Government</b>				
Legislative	104,540	104,540	94,431	10,109
Supervisor	30,568	30,568	24,316	6,252
Elections	9,575	9,575	7,626	1,949
Assessor	46,350	46,350	40,851	5,499
Clerk	51,285	51,285	49,957	1,328
Treasurer	38,845	38,845	34,985	3,860
Board of Review	1,455	1,455	800	655
Hall and Grounds	11,940	11,940	7,453	4,487
Cemetery	99,695	99,695	83,309	16,386
General Administration	7,405	7,405	8,015	(610)
<b>Total General Government</b>	<b>401,658</b>	<b>401,658</b>	<b>351,743</b>	<b>49,915</b>
<b>Public Works</b>				
Road Maintenance	187,500	187,500	110,063	77,437
Street Lighting	9,300	9,300	8,531	769
Industrial Park Infrastructure	60,000	60,000	--	60,000
Planning and Zoning	15,400	15,400	9,394	6,006
<b>Total Public Works</b>	<b>272,200</b>	<b>272,200</b>	<b>127,988</b>	<b>144,212</b>
<b>Community and Economic Development</b>	<b>5,950</b>	<b>5,950</b>	<b>2,503</b>	<b>3,447</b>
<b>Parks and Recreation</b>	<b>11,035</b>	<b>11,035</b>	<b>6,904</b>	<b>4,131</b>
<b>Capital Outlay</b>	<b>5,000</b>	<b>5,000</b>	<b>7,840</b>	<b>(2,840)</b>
<b>Total Expenditures</b>	<b>695,843</b>	<b>695,843</b>	<b>496,978</b>	<b>198,865</b>
<b>Other Financing Uses</b>				
<b>Total Expenditures and Other Financing Uses</b>	<b>695,843</b>	<b>695,843</b>	<b>496,978</b>	<b>198,865</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>(59,262)</b>	<b>(59,262)</b>	<b>164,815</b>	<b>224,077</b>
<b>Net Change in Fund Balance</b>	<b>(59,262)</b>	<b>(59,262)</b>	<b>164,815</b>	<b>224,077</b>
<b>Fund Balance at Beginning of Period</b>	<b>578,989</b>	<b>578,989</b>	<b>578,989</b>	<b>--</b>
<b>Fund Balance at End of Period</b>	<b>\$ 519,727</b>	<b>\$ 519,727</b>	<b>\$ 743,804</b>	<b>\$ 224,077</b>

**Charter Township of Big Rapids**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Fire**  
**For the Year Ended December 31, 2014**

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Property Taxes	\$ 204,400	\$ 204,400	\$ 205,792	\$ 1,392
Contributions from Local Unit	15,050	15,050	12,578	(2,472)
Other	100	100	9,945	9,845
Sale of Fixed Assets	100	100	--	(100)
Interest Income	150	150	326	176
<b>Total Revenues</b>	<b>219,800</b>	<b>219,800</b>	<b>228,641</b>	<b>8,841</b>
<b>Other Financing Sources</b>				
<b>Total Revenues and Other Financing Sources</b>	<b>219,800</b>	<b>219,800</b>	<b>228,641</b>	<b>8,841</b>
<b>Expenditures</b>				
Public Safety	145,020	145,020	141,995	3,025
Capital Outlay	5,000	5,000	13,809	(8,809)
<b>Total Expenditures</b>	<b>150,020</b>	<b>150,020</b>	<b>155,804</b>	<b>(5,784)</b>
<b>Other Financing Uses</b>				
<b>Total Expenditures and Other Financing Uses</b>	<b>150,020</b>	<b>150,020</b>	<b>155,804</b>	<b>(5,784)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>69,780</b>	<b>69,780</b>	<b>72,837</b>	<b>3,057</b>
<b>Net Change in Fund Balance</b>	<b>69,780</b>	<b>69,780</b>	<b>72,837</b>	<b>3,057</b>
<b>Fund Balance at Beginning of Period</b>	<b>164,379</b>	<b>164,379</b>	<b>164,379</b>	<b>--</b>
<b>Fund Balance at End of Period</b>	<b>\$ 234,159</b>	<b>\$ 234,159</b>	<b>\$ 237,216</b>	<b>\$ 3,057</b>

## OTHER SUPPLEMENTARY INFORMATION

Charter Township of Big Rapids  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 December 31, 2014

	Special Revenue				Total Nonmajor Governmental Funds
	Liquor Law	Metro Act	Perpetual Care	Road Fund	
ASSETS					
Cash	\$ 97	\$ 25,152	\$ 106,234	\$ 17,898	\$ 149,381
Receivables	--	--	--	155,836	155,836
Due from Tax Fund	--	--	--	30,373	30,373
<i>Total Assets</i>	<i>\$ 97</i>	<i>\$ 25,152</i>	<i>\$ 106,234</i>	<i>\$ 204,107</i>	<i>\$ 335,590</i>
LIABILITIES					
<i>Total Liabilities</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>
DEFERRED INFLOWS OF RESOURCES					
Taxes Levied for a Subsequent Period	--	--	--	204,107	204,107
<i>Total Liabilities and Deferred Inflows of Resources</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>204,107</i>	<i>204,107</i>
FUND BALANCE					
Nonspendable	--	--	103,215	--	103,215
Restricted	97	25,152	--	--	25,249
Assigned	--	--	3,019	--	3,019
Unassigned	--	--	--	--	--
<i>Total Fund Balance</i>	<i>97</i>	<i>25,152</i>	<i>106,234</i>	<i>--</i>	<i>131,483</i>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<i>\$ 97</i>	<i>\$ 25,152</i>	<i>\$ 106,234</i>	<i>\$ 204,107</i>	<i>\$ 335,590</i>

**Charter Township of Big Rapids**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2014**

	Special Revenue				Total Nonmajor Governmental Funds
	Liquor Law	Metro Act	Perpetual Care	Road Fund	
<b>Revenues</b>					
State Shared Revenue	\$ 5,717	\$ 4,215	\$ --	\$ --	\$ 9,932
Charges for Services	--	--	2,304	--	2,304
Interest Income	--	25	718	--	743
<b>Total Revenues</b>	<b>5,717</b>	<b>4,240</b>	<b>3,022</b>	<b>--</b>	<b>12,979</b>
<b>Expenditures</b>					
Public Safety	5,717	--	--	--	5,717
<b>Total Expenditures</b>	<b>5,717</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>5,717</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>--</b>	<b>4,240</b>	<b>3,022</b>	<b>--</b>	<b>7,262</b>
<b>Net Change in Fund Balance</b>	<b>--</b>	<b>4,240</b>	<b>3,022</b>	<b>--</b>	<b>7,262</b>
<b>Fund Balance at Beginning of Period</b>	<b>97</b>	<b>20,912</b>	<b>103,212</b>	<b>--</b>	<b>124,221</b>
<b>Fund Balance at End of Period</b>	<b>\$ 97</b>	<b>\$ 25,152</b>	<b>\$ 106,234</b>	<b>\$ --</b>	<b>\$ 131,483</b>

May 8, 2015

To the Board of Trustees of the  
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, Michigan for the year ended December 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standard*, 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 9, 2015. 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 Township 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, 2014. We noted no transactions entered into by the governmental unit 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 affecting the Township's financial statements was:

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

### *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 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, professional standards define a disagreement with management as 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 8, 2015.

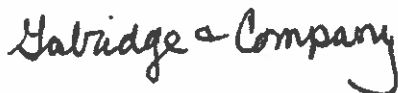
### *Management Consultations with Other Independent Accountants*

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 governmental unit'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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of management, the Board of Trustees, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



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*

May 8, 2015

To the Board of Trustees of the  
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 Charter Township of Big Rapids, Michigan (the "Township") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise The Township's basic financial statements, and have issued our report thereon dated May 8, 2015.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.



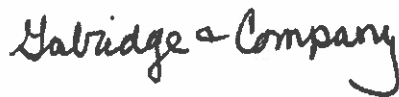
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township'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