

*Charter Township of Big Rapids
Mecosta County, Michigan*

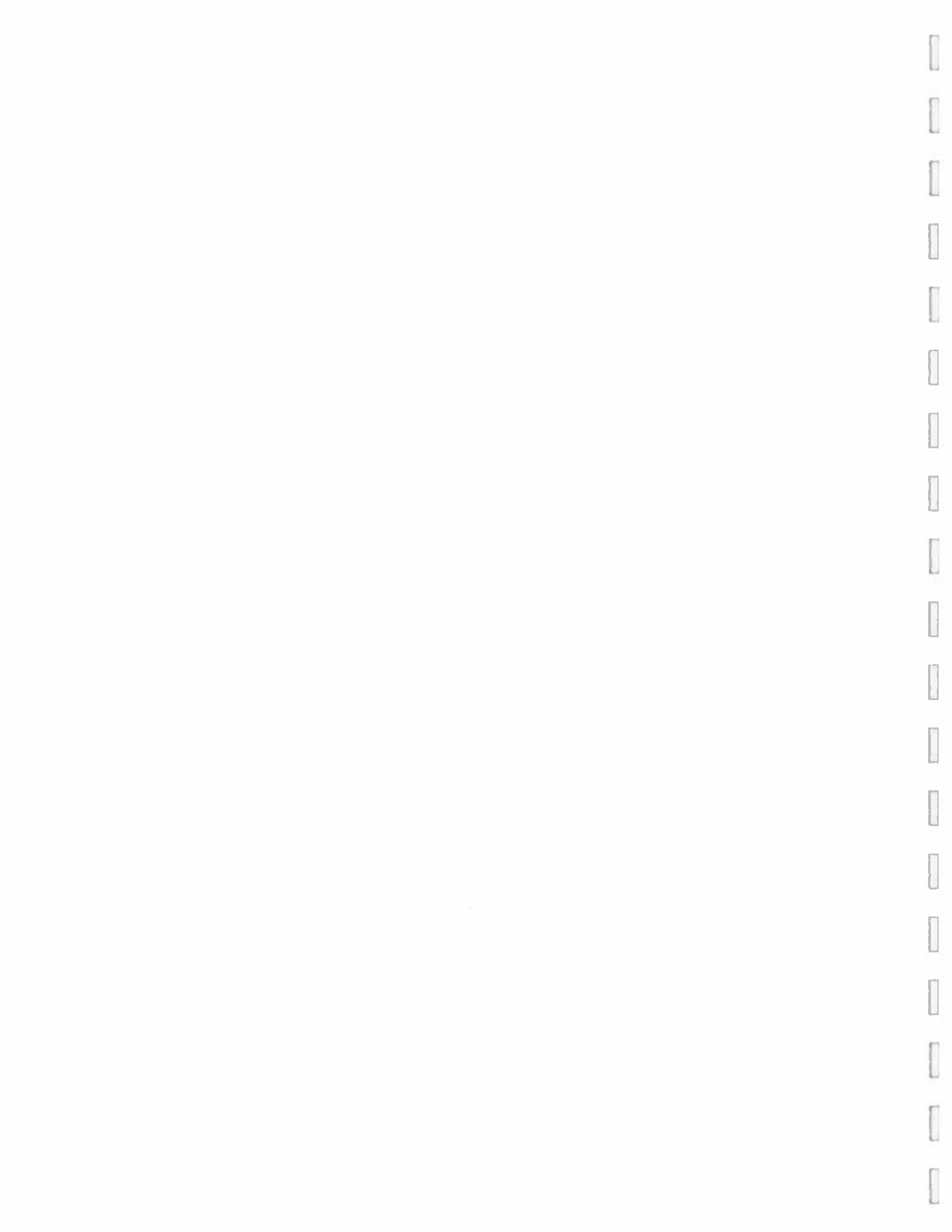
FINANCIAL STATEMENTS

Year ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Big Rapids Charter Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Big Rapids, Michigan, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, as listed in the contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Big Rapids, Michigan, as of December 31, 2019, 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.



Change in Accounting Principle

As discussed in Note 12 to the basic financial statements, the Township adopted GASB Statement No. 84 *Fiduciary Activities* in 2019, which represents a change in its policy for reporting fiduciary activities. Our opinions are not modified with respect to this matter.

Other Matters

Required supplementary information

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

Supplementary information

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

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

Siegfried Crandall P.C.

May 8, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Charter Township of Big Rapids' (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended December 31, 2019. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net position increased by \$163,961 (2.3 percent) as a result of this year's operations.
- Of the \$7,373,407 total net position reported, \$2,416,543 (33 percent) is unrestricted and, therefore, available to be used to meet future operating and capital needs at the discretion of the Township Board.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$777,959, which represents 102 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

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

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

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

A comparative analysis of the basic financial statements for 2019 and 2018 is also presented.

Government-wide financial statements

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

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

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

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

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

Fund financial statements

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

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

The Township has three types of funds:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$7,373,407. However, \$4,782,308 of this total represents a net investment in capital assets and \$174,556 is restricted for various purposes. Consequently, the unrestricted net position was \$2,416,543, or 33 percent of the total.

*Condensed financial information
Net position*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 1,867,584	\$ 1,936,765	\$ 1,474,551	\$ 1,308,907	\$ 3,342,135	\$ 3,245,672
Capital assets	<u>3,280,452</u>	<u>3,222,184</u>	<u>1,796,856</u>	<u>1,844,706</u>	<u>5,077,308</u>	<u>5,066,890</u>
Total assets	<u>5,148,036</u>	<u>5,158,949</u>	<u>3,271,407</u>	<u>3,153,613</u>	<u>8,419,443</u>	<u>8,312,562</u>
Current and other liabilities	3,283	13,811	33,231	22,338	36,514	36,149
Long-term debt	<u>295,000</u>	<u>340,000</u>	<u>-</u>	<u>-</u>	<u>295,000</u>	<u>340,000</u>
Total liabilities	<u>298,283</u>	<u>353,811</u>	<u>33,231</u>	<u>22,338</u>	<u>331,514</u>	<u>376,149</u>
Deferred inflows of resources	<u>714,522</u>	<u>726,967</u>	<u>-</u>	<u>-</u>	<u>714,522</u>	<u>726,967</u>
Net position:						
Net investment in capital assets	2,985,452	2,882,184	1,796,856	1,844,706	4,782,308	4,726,890
Restricted	<u>174,556</u>	<u>231,391</u>	<u>-</u>	<u>-</u>	<u>174,556</u>	<u>231,391</u>
Unrestricted	<u>975,223</u>	<u>964,596</u>	<u>1,441,320</u>	<u>1,286,569</u>	<u>2,416,543</u>	<u>2,251,165</u>
Total net position	<u>\$ 4,135,231</u>	<u>\$ 4,078,171</u>	<u>\$ 3,238,176</u>	<u>\$ 3,131,275</u>	<u>\$ 7,373,407</u>	<u>\$ 7,209,446</u>

Changes in net position

The Township's total revenues were \$2,057,484 in the current year compared to \$2,087,619 in the prior year. Approximately 39 percent of the Township's revenues comes from charges for services, primarily related to sewer charges. Property taxes and state shared revenue represent 33 and 18 percent to the Township's total revenues, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

*Condensed financial information
Changes in net position*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Program revenues:						
Charges for services	\$ 148,595	\$ 139,796	\$ 648,413	\$ 711,807	\$ 797,008	\$ 851,603
Operating grants and contributions	67,499	64,573	63,114	25,272	130,613	89,845
Capital grants and contributions	6,620	31,625	17,500	78,300	24,120	109,925
General revenues:						
Property taxes	679,929	645,002	-	-	679,929	645,002
State shared revenue	373,438	357,675	-	-	373,438	357,675
Interest income	17,639	7,530	16,925	6,980	34,564	14,510
Cable franchise fees	17,812	19,059	-	-	17,812	19,059
Total revenues	<u>1,311,532</u>	<u>1,265,260</u>	<u>745,952</u>	<u>822,359</u>	<u>2,057,484</u>	<u>2,087,619</u>
Expenses:						
General government	425,342	426,913	-	-	425,342	426,913
Public safety	268,106	253,589	-	-	268,106	253,589
Public works	500,243	463,141	-	-	500,243	463,141
Community and economic development	15,364	35,732	-	-	15,364	35,732
Recreation and culture	37,829	39,205	-	-	37,829	39,205
Interest	7,588	13,379	-	-	7,588	13,379
Sewer	-	-	579,774	551,960	579,774	551,960
Inspections	-	-	59,277	73,413	59,277	73,413
Total expenses	<u>1,254,472</u>	<u>1,231,959</u>	<u>639,051</u>	<u>625,373</u>	<u>1,893,523</u>	<u>1,857,332</u>
Changes in net position	<u>\$ 57,060</u>	<u>\$ 33,301</u>	<u>\$ 106,901</u>	<u>\$ 196,986</u>	<u>\$ 163,961</u>	<u>\$ 230,287</u>
Net position, end of year	<u>\$ 4,135,231</u>	<u>\$ 4,078,171</u>	<u>\$ 3,238,176</u>	<u>\$ 3,131,275</u>	<u>\$ 7,373,407</u>	<u>\$ 7,209,446</u>

Governmental activities

Governmental activities increased the Township's net position by \$57,060 in the current year compared to an increase of \$33,301 in the prior year. Though expenditures were \$22,513 higher, revenues increased by \$46,272, causing the larger increase in net position.

The increase in revenues was primarily due to a \$34,927 increase in property taxes due to increases in taxable values. Expenses increased primarily due to a \$37,102 increase in public works costs related to higher road improvement costs in the current year.

The total cost of governmental activities this year was \$1,254,472 compared to \$1,231,959 in the prior year. After subtracting the direct charges to those who directly benefited from the programs (\$148,595), operating grants (\$67,499), and capital grants (\$6,620), the "public benefit" portion covered by property taxes, state shared revenue, and other general revenues was \$1,031,758.

Business-type activities

Business-type activities increased the Township's net position by \$106,901 in the current year compared to a \$196,986 increase in the prior year. The increase in net position was lower in the current year as revenues decreased by \$76,407 and expenses increased by \$13,678. Revenues decreased as capital contributions, related to connection fees, were \$60,800 less than the prior year. Expenses increased because the cost of engineering services, associated with a SAW grant, increased by \$33,367.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds

At December 31, 2019, the Township's governmental funds reported a combined fund balance of \$1,006,297, which represents an increase of \$3,324 compared to the prior year.

The fund balance of the General Fund increased by \$39,625 in the current year as the fund's revenues, in the amount of \$829,983, were more than sufficient to cover its expenditures (\$763,009) and transfers to other funds (\$27,349). The fund balance was \$781,075 at year end.

The fund balance of the Fire Fund, a special revenue fund, decreased by \$65,319 in the current year as the fund's expenditures exceeded its revenues, primarily due to capital outlay expenditures of \$123,388. The fund balance was \$19,472 at year end.

The fund balance of the Road Fund, a special revenue fund, increased by \$13,216 in the current year as property tax revenues of \$228,216 were sufficient to cover current year expenditures of \$215,000. The fund balance was \$25,402 at year end.

Proprietary funds

At December 31, 2019, the Township's proprietary funds reported total net position of \$3,238,176, which represents an increase of \$106,901 compared to the prior year.

The Sewer Fund experienced an increase in net position of \$106,555, primarily due to charges for services being sufficient to cover operating costs and the recognition of connection fees in the amount of \$17,500. The fund's net position amounted to \$3,115,755 at the end of the year, of which \$1,318,899 is unrestricted.

The Inspections Fund experienced an increase in net position of \$346, as permit revenue was sufficient to cover operating costs during the current year. The fund's net position amounted to \$122,421 at the end of the year.

General Fund budgetary highlights

The Township amended the General Fund budget during the year to increase total appropriations by \$156,000. Public works expenditures were increased by \$100,000, in anticipation of higher road improvements costs, and capital outlay expenditures were increased by \$56,000 related to the cost of paving the parking lot at the township hall.

Total revenues were \$57,383 higher than budgeted as virtually every revenue category was higher than budgeted. Expenditures were \$138,706 less than the amounts appropriated. The largest expenditure variance occurred in the public works function where expenditures were \$95,837 less than budgeted as road improvement costs were less than anticipated.

These variances, along with transfers out being \$27,349 more than budgeted, resulted in a \$168,740 positive budget variance with a \$39,625 increase in fund balance compared to a budgeted decrease of \$129,115.

Capital assets and debt administration

Capital assets

At December 31, 2019, the Township had invested \$5,077,308, net of depreciation, in various capital assets, including its land, buildings, equipment, vehicles, and infrastructure. This amount represents a net decrease of \$10,418 in 2019.

This year's major capital asset additions included:

- Acquired a fire truck chassis and refurbished a tank, for the new truck to be received in 2020, at a cost of \$109,084
- Repaved the parking lot at the township hall at a cost of \$72,260
- Spent \$32,159 on monitoring upgrades of sewer lift stations
- Purchased a mower for \$10,677

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

Debt

At year end, the Township had outstanding bonds payable in the amount of \$295,000. Debt decreased by \$45,000 due to a timely principal payment.

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

Economic factors and next year's budgets and rates

The Township's 2020 budget does not anticipate significant changes in the amounts or composition of its major revenue sources. The Township has budgeted expenditures for the upcoming year at amounts sufficient to support its ongoing programs and activities and plans to primarily use current revenues to provide essential services in order to maintain current fund balances.

COVID-19 has created uncertainties that are likely to negatively impact our operations and financial condition. While it is difficult to estimate the financial impact of COVID-19, we expect certain revenues to decline. Because economic activity has weakened, state shared revenue and code inspection fees are expected to decrease, and interest revenue will be reduced due to lower interest rates.

Contacting the Township's financial management

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

Charter Township of Big Rapids
Bill Stanek, Township Supervisor
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, 2019

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
ASSETS			
Current assets:			
Cash	\$ 1,009,775	\$ 1,315,266	\$ 2,325,041
Receivables	738,136	158,289	896,425
Prepaid expenses	22,588	996	23,584
Total current assets	<u>1,770,499</u>	<u>1,474,551</u>	<u>3,245,050</u>
Noncurrent assets:			
Receivables	97,085	-	97,085
Capital assets not being depreciated - land	259,152	-	259,152
Capital assets, net of depreciation	<u>3,021,300</u>	<u>1,796,856</u>	<u>4,818,156</u>
Total noncurrent assets	<u>3,377,537</u>	<u>1,796,856</u>	<u>5,174,393</u>
Total assets	<u>5,148,036</u>	<u>3,271,407</u>	<u>8,419,443</u>
LIABILITIES			
Current liabilities:			
Accounts payable	3,283	33,231	36,514
Bonds payable due within one year	<u>46,000</u>	<u>-</u>	<u>46,000</u>
Total current liabilities	49,283	33,231	82,514
Noncurrent liabilities - bonds payable	<u>249,000</u>	<u>-</u>	<u>249,000</u>
Total liabilities	<u>298,283</u>	<u>33,231</u>	<u>331,514</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax revenues levied for the subsequent year	<u>714,522</u>	<u>-</u>	<u>714,522</u>
NET POSITION			
Net investment in capital assets	2,985,452	1,796,856	4,782,308
Restricted for:			
Public safety	151	-	151
Public works	46,399	-	46,399
Recreation and culture	1,428	-	1,428
Capital improvements	23,352	-	23,352
Perpetual care - nonspendable	103,226	-	103,226
Unrestricted	<u>975,223</u>	<u>1,441,320</u>	<u>2,416,543</u>
Total net position	<u>\$ 4,135,231</u>	<u>\$ 3,238,176</u>	<u>\$ 7,373,407</u>

See notes to financial statements

Charter Township of Big Rapids
STATEMENT OF ACTIVITIES
Year ended December 31, 2019

	Program revenues				Net (expenses) revenues and changes in net position		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Totals
Functions/Programs							
Governmental activities:							
General government	\$ 425,342	\$ 124,110	\$ 52,731	\$ 6,620	\$ (241,881)	\$ -	\$ (241,881)
Public safety	268,106	16,122	7,820	-	(244,164)	-	(244,164)
Public works	500,243	6,358	6,948	-	(486,937)	-	(486,937)
Community and economic development	15,364	2,005	-	-	(13,359)	-	(13,359)
Recreation and culture	37,829	-	-	-	(37,829)	-	(37,829)
Interest on long-term debt	7,588	-	-	-	(7,588)	-	(7,588)
Total governmental activities	1,254,472	148,595	67,499	6,620	(1,031,758)	-	(1,031,758)
Business-type activities:							
Sewer	579,774	588,790	63,114	17,500	\$ -	\$ 89,630	89,630
Inspections	59,277	59,623	-	-	-	346	346
Total business-type activities	639,051	648,413	63,114	17,500	-	89,976	89,976
Totals	\$ 1,893,523	\$ 797,008	\$ 130,613	\$ 24,120	(1,031,758)	89,976	(941,782)
General revenues:							
Property taxes					679,929	-	679,929
State shared revenue					373,438	-	373,438
Cable franchise fees					17,812	-	17,812
Unrestricted interest income					17,639	16,925	34,564
Total general revenues					1,088,818	16,925	1,105,743
Changes in net position					57,060	106,901	163,961
Net position - beginning					4,078,171	3,131,275	7,209,446
Net position - ending					\$ 4,135,231	\$ 3,238,176	\$ 7,373,407

See notes to financial statements

Charter Township of Big Rapids
BALANCE SHEET - governmental funds
December 31, 2019

	<u>General</u>	<u>Fire</u>	<u>Roads</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>
ASSETS					
Cash	\$ 691,098	\$ 51,469	\$ 82,786	\$ 184,422	\$ 1,009,775
Receivables	437,910	189,384	183,469	24,458	835,221
Prepaid expenditures	3,116	19,472	-	3,575	26,163
Total assets	\$1,132,124	\$ 260,325	\$ 266,255	\$ 212,455	\$ 1,871,159
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,283	\$ -	\$ -	\$ -	\$ 3,283
Deferred inflows of resources:					
Property tax revenues levied for the subsequent year	200,709	240,853	240,853	32,107	714,522
Assessment revenues levied for the subsequent year	147,057	-	-	-	147,057
Total deferred inflows	347,766	240,853	240,853	32,107	861,579
Fund balances:					
Nonspendable:					
Permanent fund principal	-	-	-	103,226	103,226
Prepaid expenditures	3,116	19,472	-	3,575	26,163
Restricted for:					
Public safety	-	-	-	151	151
Public works	-	-	25,402	20,997	46,399
Recreation and culture	-	-	-	1,428	1,428
Capital improvements	-	-	-	23,352	23,352
Assigned	-	-	-	27,619	27,619
Unassigned	777,959	-	-	-	777,959
Total fund balances	781,075	19,472	25,402	180,348	1,006,297
Total liabilities, deferred inflows of resources, and fund balances	\$1,132,124	\$ 260,325	\$ 266,255	\$ 212,455	\$ 1,871,159
Reconciliation of the balance sheet to the statement of net position:					
Total fund balance - total governmental funds					\$ 1,006,297
Amounts reported for governmental activities in the statement of net position (page 11) are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					3,280,452
Certain receivables are not available to pay for the current period's expenditures and are deferred in the funds.					147,057
Prepaid interest is reported in the funds but not in the statement of net position.					(3,575)
Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.					(295,000)
Net position of governmental activities					\$ 4,135,231

See notes to financial statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN

FUND BALANCES - governmental funds

Year ended December 31, 2019

	<u>General</u>	<u>Fire</u>	<u>Roads</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>
REVENUES					
Property taxes	\$ 253,080	\$ 228,217	\$ 228,216	\$ 30,449	\$ 739,962
Licenses and permits	17,812	-	-	-	17,812
Federal grant	-	997	-	-	997
State grants	373,438	-	-	13,771	387,209
Contributions from local units	52,731	16,122	-	-	68,853
Charges for services	40,206	-	-	859	41,065
Interest and rentals	23,494	3,755	-	1,590	28,839
Other	69,222	-	-	59,769	128,991
Total revenues	<u>829,983</u>	<u>249,091</u>	<u>228,216</u>	<u>106,438</u>	<u>1,413,728</u>
EXPENDITURES					
Current:					
General government	408,589	-	-	-	408,589
Public safety	-	198,553	-	6,672	205,225
Public works	245,763	-	215,000	21,660	482,423
Community and economic development	15,364	-	-	-	15,364
Recreation and culture	4,969	-	-	29,095	34,064
Debt service:					
Principal	-	-	-	45,000	45,000
Interest	-	-	-	8,027	8,027
Capital outlay	88,324	123,388	-	-	211,712
Total expenditures	<u>763,009</u>	<u>321,941</u>	<u>215,000</u>	<u>110,454</u>	<u>1,410,404</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>66,974</u>	<u>(72,850)</u>	<u>13,216</u>	<u>(4,016)</u>	<u>3,324</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	7,531	-	19,818	27,349
Transfers out	(27,349)	-	-	-	(27,349)
Net other financing sources (uses)	<u>(27,349)</u>	<u>7,531</u>	<u>-</u>	<u>19,818</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>39,625</u>	<u>(65,319)</u>	<u>13,216</u>	<u>15,802</u>	<u>3,324</u>
FUND BALANCES - BEGINNING	<u>741,450</u>	<u>84,791</u>	<u>12,186</u>	<u>164,546</u>	<u>1,002,973</u>
FUND BALANCES - ENDING	<u>\$ 781,075</u>	<u>\$ 19,472</u>	<u>\$ 25,402</u>	<u>\$ 180,348</u>	<u>\$ 1,006,297</u>

See notes to financial statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds (Continued)

Year ended December 31, 2019

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

Net change in fund balance - total governmental funds (page 14)	\$ 3,324
Amounts reported for <i>governmental activities</i> in the statement of activities (page 12) are different because:	
Capital assets:	
Assets acquired	192,021
Assets retired	(634)
Provision for depreciation	(133,119)
Long-term debt - principal payments	45,000
Changes in other assets/liabilities:	
Net decrease in prepaid interest	439
Decrease in unavailable special assessments	(49,971)
Change in net position of <i>governmental activities</i>	\$ 57,060

STATEMENT OF NET POSITION - proprietary funds

December 31, 2019

	<u>Sewer</u>	<u>Nonmajor fund</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 1,192,912	\$ 122,354	\$ 1,315,266
Prepays	929	67	996
Receivables	<u>158,289</u>	<u>-</u>	<u>158,289</u>
Total current assets	1,352,130	122,421	1,474,551
Noncurrent assets - capital assets, net of depreciation	<u>1,796,856</u>	<u>-</u>	<u>1,796,856</u>
Total assets	<u>3,148,986</u>	<u>122,421</u>	<u>3,271,407</u>
LIABILITIES			
Current liabilities:			
Accounts payable	<u>33,231</u>	<u>-</u>	<u>33,231</u>
NET POSITION			
Investment in capital assets	1,796,856	-	1,796,856
Unrestricted	<u>1,318,899</u>	<u>122,421</u>	<u>1,441,320</u>
Total net position	<u>\$ 3,115,755</u>	<u>\$ 122,421</u>	<u>\$ 3,238,176</u>

See notes to financial statements

Charter Township of Big Rapids

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

Year ended December 31, 2019

	<u><i>Sewer</i></u>	<u><i>Nonmajor fund</i></u>	<u><i>Totals</i></u>
OPERATING REVENUES			
Charges for services	\$ 588,790	\$ 59,623	\$ 648,413
OPERATING EXPENSES			
Operation and maintenance	499,765	59,277	559,042
Depreciation	80,009	-	80,009
Total operating expenses	579,774	59,277	639,051
OPERATING INCOME (LOSS)	9,016	346	9,362
NONOPERATING REVENUES			
State grant	63,114	-	63,114
Interest revenue	16,925	-	16,925
Net nonoperating revenues	80,039	-	80,039
INCOME BEFORE CAPITAL CONTRIBUTIONS	89,055	346	89,401
CAPITAL CONTRIBUTIONS			
Connection fees	17,500	-	17,500
CHANGES IN NET POSITION	106,555	346	106,901
NET POSITION - BEGINNING	3,009,200	122,075	3,131,275
NET POSITION - ENDING	<u>\$ 3,115,755</u>	<u>\$ 122,421</u>	<u>\$ 3,238,176</u>

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds

Year ended December 31, 2019

	<u>Sewer</u>	<u>Nonmajor fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 586,123	\$ 59,623	\$ 645,746
Payments to suppliers	(533,518)	(18,021)	(551,539)
Payments to employees	(8,306)	(41,323)	(49,629)
Net cash provided by (used in) operating activities	<u>44,299</u>	<u>279</u>	<u>44,578</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State grant	<u>53,836</u>	<u>-</u>	<u>53,836</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Connection fees	17,500	-	17,500
Acquisition of capital assets	<u>(32,159)</u>	<u>-</u>	<u>(32,159)</u>
Net cash provided by (used in) capital and related financing activities	<u>(14,659)</u>	<u>-</u>	<u>(14,659)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>16,925</u>	<u>-</u>	<u>16,925</u>
NET CHANGE IN CASH	<u>100,401</u>	<u>279</u>	<u>100,680</u>
CASH - BEGINNING	<u>1,092,511</u>	<u>122,075</u>	<u>1,214,586</u>
CASH - ENDING	<u>\$ 1,192,912</u>	<u>\$ 122,354</u>	<u>\$ 1,315,266</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 9,016	\$ 346	\$ 9,362
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	80,009	-	80,009
Change in assets and liabilities:			
(Increase) decrease in receivables	(55,467)	-	(55,467)
(Increase) decrease in prepaids	(152)	(67)	(219)
Increase (decrease) in payables	<u>10,893</u>	<u>-</u>	<u>10,893</u>
Net cash provided by (used in) operating activities	<u>\$ 44,299</u>	<u>\$ 279</u>	<u>\$ 44,578</u>

See notes to financial statements

STATEMENT OF FIDUCIARY NET POSITION - Custodial Fund

December 31, 2019

	<u>Tax</u>
ASSETS	
Cash	\$ 172,367
LIABILITIES	
Due to other governments	<u>172,367</u>
NET POSITION	
Restricted for individuals and other governments	<u>\$ -</u>

See notes to financial statements

STATEMENT OF CHANGES IN FIDUCIARY NET POSTION - Custodial Fund

Year ended December 31, 2019

	<u>Tax</u>
ADDITIONS	
Property taxes collected for other governments	\$ 5,084,395
DEDUCTIONS	
Property taxes distributed to other governments	<u>5,084,395</u>
NET CHANGE IN FIDUCIARY NET POSITION	-
NET POSITION - BEGINNING	<u>-</u>
NET POSTION - ENDING	<u>\$ -</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting entity:

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

Government-wide and fund financial statements:

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

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

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

Measurement focus, basis of accounting, and financial statement presentation:

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Township reports the following major governmental funds:

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

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

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

The Township reports the following major proprietary fund:

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

Additionally, the Township reports the following fund types:

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

The Township also reports a custodial fund, the Tax Collection Fund, which accounts for assets held by the Township in a fiduciary capacity for other governments. This fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, liabilities, deferred inflows of resources, and equity:

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

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

Prepays - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaids in the fund financial statements and the government-wide financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property tax revenue recognition - Property taxes are levied each December 1 (lien date) on the taxable valuation of property as of the preceding December 31. Property taxes are considered delinquent on March 1 of the following year, at which time interest and penalties are assessed. Although the Township's 2018 ad valorem taxes were levied on December 1, 2018, it is the Township's policy to recognize revenue from that tax levy in the current year, when the proceeds are budgeted and made available for the financing of operations.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

<u>Fund</u>	<u>Function</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
General	Other financing uses	\$ -	\$ 27,349	\$ 27,349
Fire	Public safety	184,300	198,553	14,253
Nonmajor	Public safety	5,600	6,672	1,072

Budgeted deficit - The Township budgeted for a deficit of \$54,000 in the Fire a Fund, a special revenue fund, which is a violation of Public Act 2 of 1968, Section 15.

NOTE 3 - CASH

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

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary activity</u>	<u>Totals</u>
Deposits	\$ 1,009,575	\$ 1,315,166	\$ 172,367	\$ 2,497,108
Cash on hand	<u>200</u>	<u>100</u>	<u>-</u>	<u>300</u>
Totals	<u>\$ 1,009,775</u>	<u>\$ 1,315,266</u>	<u>\$ 172,367</u>	<u>\$ 2,497,408</u>

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH (Continued)

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. The Township's investment policy does not specifically address custodial credit risk for deposits. At December 31, 2019, \$2,296,911 of the Township's bank balances of \$2,796,911 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - RECEIVABLES

Receivables as of December 31, 2019, for the Township's individual major funds and nonmajor funds, in the aggregate, were as follows:

<i>Fund</i>	<i>Property taxes</i>	<i>Special Assessments</i>	<i>Accounts</i>	<i>Inter- governmental</i>	<i>Totals</i>
Governmental:					
General	\$ 152,889	\$ 147,057	\$ 6,268	\$ 131,696	\$ 437,910
Fire	183,469	-	5,915	-	189,384
Roads	183,469	-	-	-	183,469
Nonmajor	24,458	-	-	-	24,458
Total governmental	<u>\$ 544,285</u>	<u>\$ 147,057</u>	<u>\$ 12,183</u>	<u>\$ 131,696</u>	<u>\$ 835,221</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ 97,085</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,085</u>
Proprietary - Sewer	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,211</u>	<u>\$ 62,078</u>	<u>\$ 158,289</u>

All amounts are due within one year.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 259,152	\$ -	\$ -	\$ 259,152
Capital assets being depreciated:				
Buildings	1,012,535	72,260	-	1,084,795
Infrastructure	2,598,162	-	-	2,598,162
Vehicles	686,454	109,084	(44,650)	750,888
Equipment	222,464	10,677	(11,010)	222,131
Subtotal	<u>4,519,615</u>	<u>192,021</u>	<u>(55,660)</u>	<u>4,655,976</u>
Less accumulated depreciation for:				
Buildings	(320,785)	(21,150)	-	(341,935)
Infrastructure	(669,507)	(64,954)	-	(734,461)
Vehicles	(408,403)	(32,552)	44,016	(396,939)
Equipment	(157,888)	(14,463)	11,010	(161,341)
Subtotal	<u>(1,556,583)</u>	<u>(133,119)</u>	<u>55,026</u>	<u>(1,634,676)</u>
Total capital assets being depreciated, net	<u>2,963,032</u>	<u>58,902</u>	<u>(634)</u>	<u>3,021,300</u>
Governmental activities capital assets, net	<u>\$3,222,184</u>	<u>\$ 58,902</u>	<u>\$ (634)</u>	<u>\$3,280,452</u>
Business-type activities:				
Capital assets being depreciated - sewer system	\$2,876,767	\$ 32,159	\$ (68,165)	\$2,840,761
Less accumulated depreciation	<u>(1,032,061)</u>	<u>(80,009)</u>	<u>68,165</u>	<u>(1,043,905)</u>
Business-type activities capital assets, net	<u>\$1,844,706</u>	<u>\$ (47,850)</u>	<u>\$ -</u>	<u>\$1,796,856</u>

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 11,367
Public safety	48,576
Public works	69,411
Recreation and culture	<u>3,765</u>
Total governmental activities	<u>\$ 133,119</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - LONG-TERM DEBT

At December 31, 2019, the Township's long-term debt consists of the following issue:

Governmental activities:

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

\$ 295,000

Long-term debt activity for the year ended December 31, 2019, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
2013 Refunding bonds	<u>\$ 340,000</u>	<u>\$ -</u>	<u>\$ (45,000)</u>	<u>\$ 295,000</u>	<u>\$ 46,000</u>

At December 31, 2019, debt service requirements were as follows:

<u>Year ended December 31:</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 46,000	\$ 7,149
2021	48,000	6,184
2022	49,000	5,104
2023	50,000	3,927
2024	51,000	2,678
2025	<u>51,000</u>	<u>1,351</u>
Totals	<u>\$ 295,000</u>	<u>\$ 26,393</u>

NOTE 7 - PROPERTY TAXES

The 2018 taxable valuation of the Township approximated \$151,254,000, on which ad valorem taxes levied consisted of 1.25 mills for operating purposes, 1.50 mills for fire protection, 1.50 mills for roads, and 0.20 mills for library services, raising \$189,000 for operating purposes, \$227,000 for fire protection, \$227,000 for roads maintenance, and \$30,000 for library services. These amounts are recognized in the respective fund financial statements as property tax revenues.

The 2019 taxable valuation of the Township approximated \$160,399,000, on which ad valorem taxes levied consisted of 1.25 mills for operating purposes, 1.50 mills for fire protection, 1.50 mills for roads, and 0.20 mills for library services, raising \$200,000 for operating purposes, \$241,000 for fire protection, \$241,000 for roads maintenance, and \$32,000 for library services. These amounts are recognized in the respective fund financial statements as deferred inflows of resources, based upon the period for which the proceeds are budgeted and will be made available for the financing of operations.

NOTE 8 - DEFINED CONTRIBUTION PENSION PLAN

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

Benefit terms, including contribution requirements, for the Plan are established, and may be amended, by the Township Board. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment, as described above. The Township contributes 12.5% of each elected official's base salary and 10% of each qualified full-time employee's base salary to the Plan. Employee contributions, up to applicable Internal Revenue Code limits, are matched by an employer contribution not to exceed a maximum employer match of four percent of covered wages. For the year ended December 31, 2019, the Township made the required contributions of \$29,962, of which \$7,580 represented an employer match. At December 31, 2019, the Township reported no accrued liability as part of the contributions to the plan.

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

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

NOTE 9 - DEFERRED COMPENSATION PLAN

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

NOTE 10 - RISK MANAGEMENT

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

NOTE 11 - INTERFUND TRANSFERS

During the year ended December 31, 2019, the General Fund transferred \$27,349 to two special revenue funds. The transfers provided support for public safety costs of the Fire Fund (\$7,531) and water system operations of a nonmajor governmental fund (\$19,818).

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2019, the Township adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*. As a result, a statement of fiduciary net position and a statement of changes in fiduciary net position have been presented. The statement of fiduciary net position reports all assets, liabilities, and net position of fiduciary funds, as in the past. However, liabilities are now only recognized when an event occurs that compels the government to disburse fiduciary resources. The statement of changes in fiduciary net position reports the additions and deductions from fiduciary net position, which is a new requirement for custodial funds, which replace agency funds.

NOTE 13 - PENDING ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for periods beginning after June 15, 2021. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

NOTE 14 - SUBSEQUENT EVENT

As a result of COVID-19, which occurred subsequent to the end of the fiscal year, economic uncertainties have arisen which are likely to negatively impact the Township. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the financial impact on the Township. Therefore, the Township expects this matter to negatively impact its operations and financial condition. However, the related financial impact and duration cannot be reasonably estimated at this time.



REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended December 31, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 236,900	\$ 236,900	\$ 253,080	\$ 16,180
Licenses and permits	19,500	19,500	17,812	(1,688)
State grants	364,000	364,000	373,438	9,438
Contribution from local unit	52,000	52,000	52,731	731
Charges for services	28,000	28,000	40,206	12,206
Interest and rentals	17,700	17,700	23,494	5,794
Other	54,500	54,500	69,222	14,722
Total revenues	<u>772,600</u>	<u>772,600</u>	<u>829,983</u>	<u>57,383</u>
EXPENDITURES				
General government:				
Legislative	19,285	19,285	18,462	823
Supervisor	45,510	45,510	43,449	2,061
Assessor	48,250	48,250	43,817	4,433
Clerk	60,700	60,700	60,158	542
Treasurer	57,485	57,485	55,311	2,174
Board of review	1,250	1,250	767	483
Hall and grounds	11,505	11,505	12,678	(1,173)
Cemetery	99,760	99,760	103,572	(3,812)
General administration	80,070	80,070	70,375	9,695
Total general government	<u>423,815</u>	<u>423,815</u>	<u>408,589</u>	<u>15,226</u>
Public works:				
Road improvements and maintenance	182,000	282,000	184,914	97,086
Industrial Park assessments	50,100	50,100	51,591	(1,491)
Street lighting	9,500	9,500	9,258	242
Total public works	<u>241,600</u>	<u>341,600</u>	<u>245,763</u>	<u>95,837</u>

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended December 31, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
EXPENDITURES (Continued)				
Community and economic development:				
Community promotion	\$ 4,900	\$ 4,900	\$ 4,000	\$ 900
Planning and zoning	<u>18,305</u>	<u>18,305</u>	<u>11,364</u>	<u>6,941</u>
Total community and economic development	<u>23,205</u>	<u>23,205</u>	<u>15,364</u>	<u>7,841</u>
Recreation and culture - parks and recreation	<u>6,095</u>	<u>6,095</u>	<u>4,969</u>	<u>1,126</u>
Capital outlay	<u>51,000</u>	<u>107,000</u>	<u>88,324</u>	<u>18,676</u>
Total expenditures	<u>745,715</u>	<u>901,715</u>	<u>763,009</u>	<u>138,706</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	26,885	(129,115)	66,974	196,089
OTHER FINANCING USES				
Transfers out	<u>-</u>	<u>-</u>	<u>(27,349)</u>	<u>(27,349)</u>
NET CHANGES IN FUND BALANCES	26,885	(129,115)	39,625	168,740
FUND BALANCES - BEGINNING	<u>741,450</u>	<u>741,450</u>	<u>741,450</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 768,335</u>	<u>\$ 612,335</u>	<u>\$ 781,075</u>	<u>\$ 168,740</u>

BUDGETARY COMPARISON SCHEDULE - Fire Fund

Year ended December 31, 2019

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 215,000	\$ 215,000	\$ 228,217	\$ 13,217
Federal grant	-	-	997	997
Contribution from local unit	15,000	15,000	16,122	1,122
Interest	500	500	3,755	3,255
Total revenues	230,500	230,500	249,091	18,591
EXPENDITURES				
Public safety	184,300	184,300	198,553	(14,253)
Capital outlay	20,800	185,800	123,388	62,412
Total expenditures	205,100	370,100	321,941	48,159
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	25,400	(139,600)	(72,850)	66,750
OTHER FINANCING SOURCES				
Transfer in	-	-	7,531	7,531
NET CHANGES IN FUND BALANCES	25,400	(139,600)	(65,319)	74,281
FUND BALANCES - BEGINNING	84,791	84,791	84,791	-
FUND BALANCES - ENDING	\$ 110,191	\$ (54,809)	\$ 19,472	\$ 74,281

*Charter Township of Big Rapids***BUDGETARY COMPARISON SCHEDULE - Road Fund***Year ended December 31, 2019*

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 215,000	\$ 215,000	\$ 228,216	\$ 13,216
EXPENDITURES				
Public works	<u>215,000</u>	<u>215,000</u>	<u>215,000</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	-	-	13,216	13,216
FUND BALANCES - BEGINNING	<u>12,186</u>	<u>12,186</u>	<u>12,186</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 12,186</u>	<u>\$ 12,186</u>	<u>\$ 25,402</u>	<u>\$ 13,216</u>

SUPPLEMENTARY INFORMATION



COMBINING BALANCE SHEET - nonmajor governmental funds

December 31, 2019

	Special revenue			Capital projects		Permanent	Totals
	Metro Act	Library	Liquor Law	Water Project	Cemetery Building	Perpetual Care	
ASSETS							
Cash	\$ 20,997	\$ 9,077	\$ 151	\$ -	\$ 33,352	\$ 120,845	\$ 184,422
Receivables	-	24,458	-	-	-	-	24,458
Prepays	-	-	-	3,575	-	-	3,575
Total assets	<u>\$ 20,997</u>	<u>\$ 33,535</u>	<u>\$ 151</u>	<u>\$ 3,575</u>	<u>\$ 33,352</u>	<u>\$ 120,845</u>	<u>\$ 212,455</u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Deferred inflows of resources:							
Property tax revenues levied for the subsequent year	\$ -	\$ 32,107	\$ -	\$ -	\$ -	\$ -	\$ 32,107
Fund balances:							
Nonspendable:							
Permanent fund principal	-	-	-	-	-	103,226	103,226
Prepays	-	-	-	3,575	-	-	3,575
Restricted for:							
Public safety	-	-	151	-	-	-	151
Public works	20,997	-	-	-	-	-	20,997
Recreation and culture	-	1,428	-	-	-	-	1,428
Capital improvements	-	-	-	-	23,352	-	23,352
Assigned for:							
Capital improvements	-	-	-	-	10,000	-	10,000
Perpetual care	-	-	-	-	-	17,619	17,619
Total fund balances	<u>\$ 20,997</u>	<u>\$ 1,428</u>	<u>\$ 151</u>	<u>\$ 3,575</u>	<u>\$ 33,352</u>	<u>\$ 120,845</u>	<u>\$ 180,348</u>
Total deferred inflows of resources and fund balances	<u>\$ 20,997</u>	<u>\$ 33,535</u>	<u>\$ 151</u>	<u>\$ 3,575</u>	<u>\$ 33,352</u>	<u>\$ 120,845</u>	<u>\$ 212,455</u>

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

Year ended December 31, 2019

	<i>Special revenue</i>			<i>Capital projects</i>		<i>Permanent</i>	
	<i>Metro Act</i>	<i>Library</i>	<i>Liquor Law</i>	<i>Water Project</i>	<i>Cemetery Building</i>	<i>Perpetual Care</i>	<i>Totals</i>
REVENUES							
Property taxes	\$ -	\$ 30,449	\$ -	\$ -	\$ -	\$ -	\$ 30,449
State grants	6,948	-	6,823	-	-	-	13,771
Charges for services	-	-	-	859	-	-	859
Interest	-	-	-	86	-	1,504	1,590
Other	-	-	-	53,149	6,620	-	59,769
Total revenues	6,948	30,449	6,823	54,094	6,620	1,504	106,438
EXPENDITURES							
Public safety	-	-	6,672	-	-	-	6,672
Public works	-	-	-	21,324	336	-	21,660
Recreation and culture	-	29,095	-	-	-	-	29,095
Debt service:							
Principal	-	-	-	45,000	-	-	45,000
Interest	-	-	-	8,027	-	-	8,027
Total expenditures	-	29,095	6,672	74,351	336	-	110,454
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,948	1,354	151	(20,257)	6,284	1,504	(4,016)
OTHER FINANCING SOURCES							
Transfers in	-	-	-	19,818	-	-	19,818
NET CHANGES IN FUND BALANCES	6,948	1,354	151	(439)	6,284	1,504	15,802
FUND BALANCES - BEGINNING	14,049	74	-	4,014	27,068	119,341	164,546
FUND BALANCES - ENDING	<u>\$ 20,997</u>	<u>\$ 1,428</u>	<u>\$ 151</u>	<u>\$ 3,575</u>	<u>\$ 33,352</u>	<u>\$ 120,845</u>	<u>\$ 180,348</u>

