

*Charter Township of Texas
Kalamazoo County, Michigan*

FINANCIAL STATEMENTS

Year ended December 31, 2017



Vredeveld Haefner LLC
CPAs and Consultants

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Vredeveld Haefner LLC

CPAs and Consultants
10302 20th Avenue
Grand Rapids, MI 49534
Fax (616) 828-0307

Douglas J. Vredeveld, CPA
(616) 446-7474
Peter S. Haefner, CPA
(616) 460-9388

INDEPENDENT AUDITORS' REPORT

June 25, 2018

Members of Board
Charter Township of Texas
Kalamazoo County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Texas (the Township), Kalamazoo County, Michigan, as of and for the year ended December 31, 2017, 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. 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2017, and the respective changes in financial position 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 on pages 5 through 10 and the budgetary comparison information on pages 32 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The supplementary information (combining and individual fund financial statements and schedules) is presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Charter Township of Texas' (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended December 31, 2017. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net position increased by \$309,788 as a result of this year's activities.
- Of the \$19,483,884 total net position reported, \$7,306,882 is available to be used at the Board's discretion, without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$979,893, which represents 56 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 and public works, 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.
 - Fiduciary funds statements provide information about the financial relationships in which the Township acts solely as an agent 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 government-wide financial statements for 2017 and 2016 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, and 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 of the Township are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as public safety, public works, debt service, and general government. Property taxes and state revenue finance most of these activities.
- *Component unit* - The Township includes one other entity in its report - the Downtown Development Authority. Although legally separate, this "component unit" is important because the Township is financially accountable for the Authority.

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 and by bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain other revenues.

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.
- *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 are reported in a separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$19,483,884. Of this total, \$11,650,548 is invested in capital assets, \$526,454 is restricted for various purposes, and \$7,306,882 is unrestricted.

*Condensed financial information
Net position*

	<i>Governmental activities</i>	
	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 10,552,230	\$ 10,131,403
Capital assets	<u>11,650,548</u>	<u>11,098,949</u>
Total assets	<u>22,202,778</u>	<u>21,230,352</u>
Current and other liabilities	<u>1,225,244</u>	<u>605,249</u>
Deferred inflows of resources	<u>1,493,650</u>	<u>1,451,007</u>
Net position:		
Investment in capital assets	11,650,548	11,098,949
Restricted	526,454	598,567
Unrestricted	<u>7,306,882</u>	<u>7,476,580</u>
Total net position	<u>\$ 19,483,884</u>	<u>\$ 19,174,096</u>

Changes in net position

The Township's total revenues were \$4,583,735. During the 2017 fiscal year, 24 percent of the Township's revenues came from property taxes, 36 percent came from charges for services, and 28 percent came from state shared revenue.

The total cost of the Township's programs and services totaled \$4,273,947. Approximately 29 percent of the Township's costs relates to public safety costs, 22 percent to general governmental activities, and 40 percent to public works.

*Condensed financial information
Changes in net position*

	<i>Governmental activities</i>	
	<u>2017</u>	<u>2016</u>
Program revenues:		
Charges for services	\$ 1,644,323	\$ 1,473,362
Operating grants and contributions	159,589	11,076
Capital grants and contributions	228,913	677,909
General revenues:		
Property taxes	1,084,747	1,063,933
State shared revenue	1,260,561	1,171,872
Franchise fees	144,848	151,181
Investment return	60,754	52,551
	<u>4,583,735</u>	<u>4,601,884</u>
Expenses:		
General government	935,675	987,655
Public safety	1,253,096	1,215,935
Public works	1,830,371	1,572,368
Community and economic development	168,211	162,379
Recreation and culture	82,932	94,959
Interest on long-term debt	3,662	-
	<u>4,273,947</u>	<u>4,033,296</u>
Changes in net position	<u>\$ 309,788</u>	<u>\$ 568,588</u>
Net position, end of year	<u>\$ 19,483,884</u>	<u>\$ 19,174,096</u>

Governmental activities

The \$309,788 increase in net position for 2017 is \$258,800 less than the \$568,588 increase in 2016. Revenues decreased by \$18,149, while expenses increased by \$240,651 compared to 2016, primarily due an increase in water and sewer projects related to intergovernmental sewer and water systems.

The total cost of governmental activities this year was \$4,273,947. After subtracting the direct charges to those who directly benefited from the programs (\$1,644,323) and operating and capital grants (\$388,502), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$2,241,122.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds

The Township's governmental funds reported combined ending fund balances of \$7,399,386 at the end of 2017, representing an increase of \$187,166 from the previous year.

The General Fund is the primary operating fund of the Township. Fund balance increased by \$297,752 during the year, as revenues, and loan proceeds of \$2,717,637, and \$225,000, respectively, were higher than expenditures of \$1,758,942 and total transfers out of \$885,943. The total fund balance was \$3,965,941 at year end.

The Road Enhancement Fund experienced an increase in fund balance of \$120,211 during the current year, as revenues of \$370,830 and a transfer from the General Fund of \$120,000 covered current year expenditures of \$370,619. Total fund balance was \$161,836 at year end.

The Fire Improvement Fund experienced a decrease in fund balance of \$78,498 during the current year, as revenues of \$411,252 and a transfer from the General Fund of \$756,943 were lower than expenditures of \$1,246,693. Total fund balance at year end was \$676,249.

The Sewer and Water Fund experienced a decrease in fund balance of \$449,093, as revenues of \$295,272 were lower than expenditures of \$744,365. Total fund balance at year end was \$2,097,867.

The MDNR grant Fund experienced an increase in fund balance of \$287,912 during the current year, as revenues of \$300,067 covered current year expenditures of \$12,155. Total fund balance was \$288,001 at year end.

Proprietary fund

The Building Inspections Fund experienced a \$36,441 increase in net position as revenues of \$292,060 exceeded expenses of \$225,619. Higher levels of construction in the Township, reflecting improved economic conditions, as well as contracted intergovernmental services contributed to the fund's increased revenue. The fund's net position was \$450,625 at year end.

General Fund budgetary highlights

The Township made amendments to the General Fund budgeted expenditures during the year to increase budgeted costs in public works and capital outlay, as well as transfers out. Actual revenues were \$307,425 more than budgeted, while expenditures were \$1,043,572 less than the amounts appropriated. Transfers to other funds were \$536,628 less than budgeted. These variances resulted in a \$1,887,625 positive budget variance, with a \$297,752 increase in fund balance, compared to a budget that expected a \$1,589,873 decrease in fund balance.

Positive expenditure variances primarily resulted from lower than anticipated costs for general government, public safety, community and economic development, and culture and recreation functions, with the largest variance coming from amounts appropriated for general government expenditures (\$170,313), recreation and culture (\$24,423) and capital outlay (\$818,287).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Township's investment in capital assets for its governmental activities as of December 31, 2017, amounts to \$11,650,548 (net of accumulated depreciation). This investment includes buildings and improvements, fire equipment and vehicles, and sewer, water, and road infrastructure. The \$539,496 increase in the Township's investment in capital assets for the current fiscal year reflects \$1,072,867 in capital asset additions less \$434,543 for depreciation and \$98,828 basis in disposed assets for the year.

Capital asset acquisitions during the current year include:

- \$54,331 for the Township park improvements
- \$203,522 for the purchase of water and sewer main extension
- \$561,223 for a fire truck
- \$155,098 for purchase of an aeration system at Eagle lake

More detailed information about the Township's capital assets is presented in Note 6 of the notes to the basic financial statements.

Debt

The Township issued \$225,000 of long-term debt during the fiscal year. Principal payments were made in the amount of \$9,849 leaving a balance of \$215,151. Other reported noncurrent liabilities consisted of a liability for compensated absences of \$31,890.

More detailed information about the Township's long-term liabilities is presented in Note 9 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Revenues for road enhancements and fire improvements, and levies recognized in 2018, will help the Township maintain its road infrastructure and provide essential public safety services during 2018 and subsequent years.

The Township has significant accumulated resources and expects to provide all ongoing services at current levels.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances 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:

Julie VanderWiere, Township Superintendent
Linda Kerr, Township Clerk
Charter Township of Texas
7110 West Q Avenue
Kalamazoo, MI 49009

Phone: (269) 375-1591

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

December 31, 2017

	<u>Primary government</u>		<u>Component unit</u>
	<u>Governmental activities</u>		<u>unit</u>
ASSETS			
Current assets:			
Cash	\$ 7,226,473	\$	106,971
Investments	1,965,454		-
Receivables, net	963,308		15,356
Advance to component unit	10,475		-
Prepaid expenses	18,352		-
	<u>10,184,062</u>		<u>122,327</u>
Noncurrent assets:			
Receivables, net	149,037		-
Advance to component unit	219,131		-
Capital assets not being depreciated	577,931		122,329
Capital assets, net of depreciation	11,072,617		112,860
	<u>12,018,716</u>		<u>235,189</u>
Total current assets	<u>10,184,062</u>		<u>122,327</u>
Total noncurrent assets	<u>12,018,716</u>		<u>235,189</u>
Total assets	<u>22,202,778</u>		<u>357,516</u>
LIABILITIES			
Current liabilities:			
Payables	590,347		-
Unearned assessment revenue	387,856		-
Advance from primary government	-		10,475
Notes payable	20,076		-
	<u>998,279</u>		<u>10,475</u>
Total current liabilities	<u>998,279</u>		<u>10,475</u>
Noncurrent liabilities:			
Compensated absences	31,890		-
Advance from primary government	-		219,131
Notes payable	195,075		-
	<u>226,965</u>		<u>219,131</u>
Total noncurrent liabilities	<u>226,965</u>		<u>219,131</u>
Total liabilities	<u>1,225,244</u>		<u>229,606</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for the subsequent year	1,118,650		24,120
Assessments levied for the subsequent year	375,000		-
	<u>1,493,650</u>		<u>24,120</u>
Total deferred inflows of resources	<u>1,493,650</u>		<u>24,120</u>
NET POSITION			
Net investment in capital assets	11,650,548		5,583
Restricted for:			
Public safety	422,206		-
Public works	104,248		98,207
Unrestricted	7,306,882		-
	<u>19,483,884</u>	\$	<u>103,790</u>
Total net position	<u>\$ 19,483,884</u>	\$	<u>103,790</u>

See notes to financial statements

Charter Township of Texas

BALANCE SHEET - governmental funds

December 31, 2017

	<u>General</u>	<u>Road Enhancement</u>	<u>Fire Improvement</u>	<u>Sewer and Water</u>	<u>Michigan DNR Grant</u>
ASSETS					
Cash	\$ 3,011,346	\$ 412,524	\$ 778,661	\$ 1,849,462	\$ 258,001
Investments	1,058,786	-	201,619	705,049	-
Receivables	576,126	124,312	153,451	83,202	30,000
Advance to component unit	229,606	-	-	-	-
Prepaid items	11,503	-	-	6,849	-
	<u>4,887,367</u>	<u>536,836</u>	<u>1,133,731</u>	<u>2,644,562</u>	<u>288,001</u>
Total assets					
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Payables	\$ 27,990	\$ -	\$ 44,480	\$ 484,598	\$ -
Unearned special assessments	-	-	-	-	-
	<u>27,990</u>	<u>-</u>	<u>44,480</u>	<u>484,598</u>	<u>-</u>
Total liabilities					
Deferred inflows of resources:					
Property taxes levied for the subsequent year	705,648	-	413,002	-	-
Assessments levied for the subsequent year	-	375,000	-	-	-
Unavailable advance to component unit	109,907	-	-	-	-
Unavailable special assessments	71,244	-	-	62,097	-
Unavailable interest revenue	6,637	-	-	-	-
	<u>893,436</u>	<u>375,000</u>	<u>413,002</u>	<u>62,097</u>	<u>-</u>
Total deferred inflows of resources					
Fund balances:					
Nonspendable for:					
Prepaid items	11,503	-	-	6,849	-
Long-term advance to component unit	119,699	-	-	-	-
Restricted for:					
Road maintenance	-	-	-	-	-
Street lighting	-	-	-	-	-
Public transportation	-	-	-	-	-
Private lake maintenance	-	-	-	-	-
Committed for:					
Building improvements	550,000	-	-	-	-
Parks and recreation	258,500	-	-	-	-
Assigned for:					
Employee benefits	2,736	-	-	-	-
Road maintenance	220,000	161,836	-	-	-
Fire protection	341,411	-	258,128	-	-
Fire capital	125,000	-	418,121	-	-
Parks and recreation	367,647	-	-	-	-
Sidewalks and trails	50,000	-	-	-	288,001
Sewer and water improvements	678,400	-	-	2,091,018	-
Cemetery	11,000	-	-	-	-
Building improvements	250,152	-	-	-	-
Unassigned	979,893	-	-	-	-
	<u>3,965,941</u>	<u>161,836</u>	<u>676,249</u>	<u>2,097,867</u>	<u>288,001</u>
Total fund balances					
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,887,367</u>	<u>\$ 536,836</u>	<u>\$ 1,133,731</u>	<u>\$ 2,644,562</u>	<u>\$ 288,001</u>



<u>Nonmajor</u> <u>funds</u>	<u>Total</u> <u>governmental</u> <u>funds</u>
\$ 466,605	\$ 6,776,599
-	1,965,454
145,254	1,112,345
-	229,606
-	18,352
<u>\$ 611,859</u>	<u>\$ 10,102,356</u>

\$ 14,511	\$ 571,579
<u>387,856</u>	<u>387,856</u>

<u>402,367</u>	<u>959,435</u>
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-	1,118,650
-	375,000
-	109,907
-	133,341
-	6,637

<u>-</u>	<u>1,743,535</u>
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-	18,352
-	119,699

8,959	8,959
59,139	59,139
21,270	21,270
120,124	120,124

-	550,000
-	258,500

-	2,736
-	381,836
-	599,539
-	543,121
-	367,647
-	338,001
-	2,769,418
-	11,000
-	250,152
-	979,893

<u>209,492</u>	<u>7,399,386</u>
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<u>\$ 611,859</u>	<u>\$ 10,102,356</u>
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See notes to financial statements

BALANCE SHEET - governmental funds (Continued)

December 31, 2017

Reconciliation of the balance sheet with the statement of net position:

Total fund balance - total governmental funds (page 13)	\$ 7,399,386
Amounts reported for <i>governmental activities</i> in the statement of net position (page 11) are different because:	
Special assessments, loans and interest receivables are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.	249,885
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	11,622,129
Net position of the Building Inspections Fund that has been combined with those of <i>governmental activities</i> .	450,625
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(22,990)
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds	<u>(215,151)</u>
Net position of <i>governmental activities</i>	<u>\$ 19,483,884</u>

Charter Township of Texas

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

Year ended December 31, 2017

	<u>General</u>	<u>Road Enhancement</u>	<u>Fire Improvement</u>
REVENUES			
Taxes	\$ 1,018,028	\$ -	\$ 398,951
Licenses and permits	145,143	-	-
State grants	1,273,106	-	-
Charges for services	126,976	-	-
Fines and forfeitures	4,417	-	-
Interest and rentals	50,336	210	4,635
Other:			
Special assessments	19,555	370,620	-
Miscellaneous	80,076	-	7,666
Total revenues	<u>2,717,637</u>	<u>370,830</u>	<u>411,252</u>
EXPENDITURES			
Current:			
General government	877,375	-	-
Public safety	254,415	-	627,317
Public works	42,450	370,619	-
Community and economic development	168,351	-	-
Recreation and culture	20,577	-	-
Capital outlay	382,263	-	619,376
Debt service:			
Principal	9,849	-	-
Interest	3,662	-	-
Total expenditures	<u>1,758,942</u>	<u>370,619</u>	<u>1,246,693</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>958,695</u>	<u>211</u>	<u>(835,441)</u>
OTHER FINANCING SOURCES (USES)			
Loan proceeds	225,000	-	-
Transfers in	-	120,000	756,943
Transfers out	(885,943)	-	-
Net other financing sources (uses)	<u>(660,943)</u>	<u>120,000</u>	<u>756,943</u>
NET CHANGES IN FUND BALANCES	297,752	120,211	(78,498)
FUND BALANCES - BEGINNING	<u>3,668,189</u>	<u>41,625</u>	<u>754,747</u>
FUND BALANCES - ENDING	<u>\$ 3,965,941</u>	<u>\$ 161,836</u>	<u>\$ 676,249</u>

<u>Sewer and Water</u>	<u>Michigan DNR Grant</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>
\$ -	\$ -	\$ -	\$ 1,416,979
-	-	-	145,143
15,960	300,000	-	1,589,066
228,913	-	-	355,889
-	-	-	4,417
35,555	67	292	91,095
14,844	-	476,275	881,294
-	-	-	87,742
<u>295,272</u>	<u>300,067</u>	<u>476,567</u>	<u>4,571,625</u>
-	-	-	877,375
-	-	-	881,732
744,365	-	341,647	1,499,081
-	-	-	168,351
-	722	-	21,299
-	11,433	135,038	1,148,110
-	-	-	9,849
-	-	-	3,662
<u>744,365</u>	<u>12,155</u>	<u>476,685</u>	<u>4,609,459</u>
<u>(449,093)</u>	<u>287,912</u>	<u>(118)</u>	<u>(37,834)</u>
-	-	-	225,000
-	-	9,000	885,943
-	-	-	(885,943)
-	-	9,000	225,000
(449,093)	287,912	8,882	187,166
<u>2,546,960</u>	<u>89</u>	<u>200,610</u>	<u>7,212,220</u>
<u>\$ 2,097,867</u>	<u>\$ 288,001</u>	<u>\$ 209,492</u>	<u>\$ 7,399,386</u>

See notes to financial statements

Charter Township of Texas

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended December 31, 2017

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 15) \$ 187,166

Amounts reported for *governmental activities* in the statement of activities (page 12) are different because:

Capital assets:

Assets acquired	1,072,867
Basis of disposed assets	(98,828)
Provision for depreciation	(434,543)

Changes in deferred inflows of resources

Net decrease in unavailable special assessments	(27,081)
Net decrease in unavailable grant revenue	(300,000)
Net decrease in unavailable interest revenue	(18,250)
Net increase in advance to component unit	109,907

Long-term debt:

Loan proceeds	(225,000)
Principal payments	9,849

Changes in other assets/liabilities:

Net increase in compensated absences	(2,740)
--------------------------------------	---------

Change in net position of the Building Inspections Fund has been combined with those of the *governmental activities*

36,441

Change in net position of *governmental activities*

\$ 309,788

STATEMENT OF NET POSITION - *proprietary fund*

December 31, 2017

	<u>Building Inspections</u>
ASSETS	
Cash	\$ 449,874
Capital assets, net of \$4,397 accumulated depreciation	<u>28,419</u>
Total assets	<u>478,293</u>
LIABILITIES	
Payables	18,768
Compensated absences	<u>8,900</u>
Total liabilities	<u>27,668</u>
NET POSITION	
Investment in capital assets	28,419
Unrestricted	<u>422,206</u>
Total net position	<u><u>\$ 450,625</u></u>

The assets, liabilities, and net position of the Building Inspections Fund have been combined with those of *governmental activities*.

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION - *proprietary fund*

December 31, 2017

	<i>Building Inspections</i>
OPERATING REVENUES	
Charges for services - licenses and permits	\$ 289,474
OPERATING EXPENSES	
Salaries and fringe benefits	197,728
Other	50,378
Depreciation	5,834
Total operating expenses	<u>253,940</u>
OPERATING INCOME	35,534
NONOPERATING REVENUES	
Loss on sale of assets	(1,679)
Interest revenue	<u>2,586</u>
CHANGE IN NET POSITION	36,441
NET POSITION - BEGINNING	<u>414,184</u>
NET POSITION - ENDING	<u><u>\$ 450,625</u></u>

The revenues and expenses of the Building Inspections Fund have been combined with those of governmental activities.

STATEMENT OF CASH FLOWS - proprietary fund

Year ended December 31, 2017

	<i>Building Inspections</i>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 289,474
Payments to employees	(166,473)
Payments to suppliers	<u>(70,955)</u>
Net cash provided by operating activities	<u>52,046</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of capital assets	5,500
Acquisition of capital assets	<u>(25,116)</u>
Net cash used in capital and related financing activities	<u>(19,616)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	<u>2,586</u>
NET INCREASE IN CASH	35,016
CASH - BEGINNING	<u>414,858</u>
CASH - ENDING	<u>\$ 449,874</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 35,534
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	5,834
Decrease in accounts payable	(163)
Increase in accrued payroll	12,051
Increase in compensated absences	<u>(1,210)</u>
Net cash provided by operating activities	<u>\$ 52,046</u>

See notes to financial statements

Charter Township of Texas

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - Agency Fund

December 31, 2017

ASSETS

Cash \$ 8,378,265

LIABILITIES

Customer deposits \$ 6,298

Due to other governmental units 8,371,967

Total liabilities \$ 8,378,265

See notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charter Township of Texas, 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 the Township (the primary government, located in Kalamazoo County), and the component unit described below, for which the Township is financially accountable. The active discretely presented component is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

Discretely presented component unit - Downtown Development Authority:

The component unit's governing body is appointed by the Township Board and its budgets must be approved by the Township Board. Separate financial statements for the component unit have not been issued, as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component unit.

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.

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, the proprietary fund, and the fiduciary fund, even though the latter is excluded from 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 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

State grants, licenses and permits, and charges for services 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.

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 Road Enhancement Fund accounts for financial resources used for road improvement projects. Revenues are primarily derived from special assessments.

The Fire Improvement Fund accounts for financial resources used for the operational and capital costs of the Township's public safety functions. Revenues are primarily derived from property taxes.

The Sewer and Water Capital Projects Fund accounts for financial resources used for the expansion and repairs and maintenance of sewer and water lines located in the Township. Revenues are primarily derived from connection fees.

The MDNR grant Fund accounts for financial resources used for trail projects. Revenues are primarily derived from grant revenues.

The Township reports one proprietary fund, its Building Inspections Fund, which accounts for operations (1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Township also reports fiduciary funds, which account for assets held by the Township as an agent for individuals, private organizations, and other governments. The Township currently reports a single fiduciary fund (Agency Fund). Fiduciary funds are custodial in nature (assets equal liabilities) and do 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 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 relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and 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 net position or equity:

Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled investment income is proportionately allocated to all funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Receivables - In general, outstanding balances between funds are reported as “due to/from other funds.” No allowance for uncollectible accounts has been recorded, as the Township considers all receivables to be fully collectible.

Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 (\$10,000 for infrastructure assets) 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 acquisition value as of the date received. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets retroactively.

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

Buildings and improvements	15 - 60 years
Equipment	3 - 5 years
Vehicles	3 - 20 years
Sewer and water systems	50 years

Compensated absences - It is the Township’s policy to permit employees to accumulate earned but unused sick pay benefits. Vested compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Unearned revenue - Unearned revenue represents resources related to special assessments which have not yet been earned due to performance of service.

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. Property taxes and assessments, which are levied to finance the following period's budget, are deferred and recognized as revenue in the period that they are intended to finance. Special assessment and interest revenues, which are not available (collected later than 60 days after the end of the Township's fiscal year), are deferred in governmental funds and recognized as revenue in the period that they become 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fund equity - Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally 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 Township Board retains the authority to assign fund balances as to purpose. Unassigned fund balances are amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted or assigned to those purposes. 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.

Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14 (with the final collection date of February 28), at which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the subsequent year.

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 governmental funds. The budget document presents information by fund, function, and department. 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. There were no reportable budget variances at year end.

NOTE 3 – CASH AND INVESTMENTS

The Township and component unit’s cash were reported in the basic financial statements as follows:

	<u>Governmental activities</u>	<u>Fiduciary activity</u>	<u>Component unit</u>	<u>Total</u>
Deposits	\$ 7,226,473	\$ 8,378,265	\$ 106,971	\$ 15,711,709
Investments	<u>1,965,454</u>	<u>-</u>	<u>-</u>	<u>1,965,454</u>
Totals	<u>\$ 9,191,927</u>	<u>\$ 8,378,265</u>	<u>\$ 106,971</u>	<u>\$ 17,677,163</u>

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

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. The Township’s investment policy does not specifically address custodial credit risk for deposits. As of December 31, 2017, \$14,177,559 of the Township’s bank balance of \$17,547,699 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments - State statutes and the Township’s investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) mutual funds composed of otherwise legal investments.

The Township’s investments are subject to several types of risk, which are discussed below:

Credit risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. At year end, the credit quality ratings of the Township’s investments are as follows:

	Fair Value	Rating	Rating Organization
CLASS – Michigan investment pool	\$1,965,454	AAAm	S&P

Interest rate risk. Interest rate risk is the risk that the value of an investment will decrease as a result of an increase in market interest rates. Generally, longer investment maturities generate more sensitivity to changes in an investment’s fair value due to changes in market rates. The Township’s investment policy has no specific limitations with respect to maturities of investments. Investments in investment pools and money market funds are not subject to interest rate risk.

The Township’s investments consist of holdings in the Cooperative Liquid Assets Securities System - Michigan (CLASS). which is a local government investment pool established under Michigan state statutes for participating Michigan municipalities. This pool, which is a nonrisk categorized qualifying investment, is carried at fair market value. The fair value of the Township’s position in the pool is the same as the value of its pool shares. The fund operates like a money market fund with each share valued at \$1, and is rated AAAm by Standard and Poor’s (credit risk); it is not subject to regulatory oversight; the pool issues a separate report, which is available at 15309 Meadowwood Drive, Grand Haven, Michigan, 49417.

Fair value measurement - The Township categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The MBIA CLASS Fund was measured at net asset value (or its equivalent) as a practical expedient, and, accordingly, has not been classified in the fair value hierarchy.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES

Receivables as of December 31, 2017, for the Township’s individual major and nonmajor governmental funds, in the aggregate, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Interest</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Intergovernmental</u>	<u>Totals</u>
Governmental:						
General	\$ 35,343	\$ 6,637	\$ 248,053	\$ 78,497	\$ 207,596	\$ 576,126
Road Enhancement	-	-	-	124,312	-	124,312
Fire Improvement	-	-	145,799	-	7,652	153,451
Sewer and Water	-	-	-	83,202	-	83,202
MDNR	-	-	-	-	30,000	30,000
Nonmajor funds	-	-	-	145,254	-	145,254
Total governmental funds	<u>\$ 35,343</u>	<u>\$ 6,637</u>	<u>\$ 393,852</u>	<u>\$ 431,265</u>	<u>\$ 245,248</u>	<u>\$ 1,112,345</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,037</u>	<u>\$ -</u>	<u>\$ 149,037</u>
Component unit - DDA	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,356</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,356</u>

NOTE 5 - PROPERTY TAXES

The 2016 taxable valuation of the Township approximated \$779,100,000, on which ad valorem taxes levied consisted of 0.8570 mills for operating purposes and 0.4992 mills for fire operations, raising approximately \$667,000 and \$388,000, respectively. This amount is recognized in the respective fund financial statements as property tax revenue.

The 2017 taxable valuation of the Township approximated \$803,395,000, on which ad valorem taxes levied consisted of 0.8528 mills for operating purposes and 0.4967 mills for fire operations, raising approximately \$682,000 and \$399,000, respectively. These amounts are recognized in the respective fund financial statements as deferred tax revenue, based upon the period for which the proceeds are budgeted and will be made available for the financing of operations.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 568,600	\$ -	\$ (45,000)	\$ 523,600
Construction in progress	670,548	54,331	(670,548)	54,331
Total capital assets not being depreciated	<u>1,239,148</u>	<u>54,331</u>	<u>(715,548)</u>	<u>577,931</u>
Capital assets being depreciated:				
Buildings	1,808,140	-	(20,080)	1,788,060
Improvements	819,634	830,678	(49,844)	1,600,468
Furniture and equipment	1,198,599	93,661	(424,098)	868,162
Vehicles	1,042,154	586,339	(218,773)	1,409,720
Infrastructure	11,696,045	203,522	-	11,899,567
Subtotal	<u>16,564,572</u>	<u>1,714,200</u>	<u>(712,795)</u>	<u>17,565,977</u>
Less accumulated depreciation for:				
Buildings	(385,257)	(54,861)	7,488	(432,630)
Improvements	(332,878)	(53,080)	49,844	(336,114)
Furniture and equipment	(876,528)	(56,820)	423,128	(510,220)
Vehicles	(864,532)	(35,123)	171,328	(728,327)
Infrastructure	(4,245,576)	(240,493)	-	(4,486,069)
Subtotal	<u>(6,704,771)</u>	<u>(440,377)</u>	<u>651,788</u>	<u>(6,493,360)</u>
Total capital assets being depreciated, net	<u>9,859,801</u>	<u>1,273,823</u>	<u>(61,007)</u>	<u>11,072,617</u>
Governmental activities capital assets, net	<u>\$ 11,098,949</u>	<u>\$ 1,328,154</u>	<u>\$ (776,555)</u>	<u>\$ 11,650,548</u>
Component unit:				
Capital assets not being depreciated - land	\$ 122,329	\$ -	\$ -	\$ 122,329
Capital assets being depreciated - land improvements	163,964	-	-	163,964
Less accumulated depreciation	<u>(44,555)</u>	<u>(6,549)</u>	<u>-</u>	<u>(51,104)</u>
Total capital assets being depreciated, net	<u>119,409</u>	<u>(6,549)</u>	<u>-</u>	<u>112,860</u>
Component unit capital assets, net	<u>\$ 241,738</u>	<u>\$ (6,549)</u>	<u>\$ -</u>	<u>\$ 235,189</u>

NOTE 6 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 36,014
Public safety	91,726
Public works	261,124
Recreation and culture	<u>51,513</u>
 Total governmental activities	 <u>\$ 440,377</u>

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A summary of interfund transfers for the year ended December 31, 2017, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Road Enhancement	\$ 120,000	General	<u>\$ 885,943</u>
Fire Improvement	756,943		
Non-major funds	<u>9,000</u>		
	<u>\$ 885,943</u>		

The transfers to the Road Enhancement Fund and Fire Improvement Fund represent support to cover expenditures that could not be covered by current tax revenues.

The transfer to the non-major funds represents support to finance capital expenditures.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - PAYABLES

Payables as of December 31, 2017, for the Township’s individual major funds and nonmajor governmental funds, in the aggregate, were as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Payroll</i>	<i>Intergovern- mental</i>	<i>Totals</i>
Governmental:				
General	\$ 21,435	\$ 6,555	\$ -	\$ 27,990
Fire Improvement	25,593	18,887	-	44,480
Sewer and Water	-	-	484,598	484,598
Nonmajor funds	<u>14,511</u>	<u>-</u>	<u>-</u>	<u>14,511</u>
Total governmental funds	<u>\$ 61,539</u>	<u>\$ 25,442</u>	<u>\$ 484,598</u>	<u>\$ 571,579</u>
Proprietary:				
Building Inspection Fund	<u>\$ 524</u>	<u>\$ 18,244</u>	<u>\$ -</u>	<u>\$ 18,768</u>

NOTE 9 - NONCURRENT LIABILITIES

During the year ended December 31, 2013, the primary government advanced \$119,699 to the component unit. The advance will be collected over 15 years at an interest rate of 1.5% per annum. The first five years are interest only payments, followed by a ten-year period of principal and interest collections.

During year ending December 31, 2017 the primary government advances \$120,000 to the component unit. The advance will be collected over 10 years at an interest rate of 3.79% per annum.

During year ending December 31, 2017 the primary government borrowed \$225,000 from Chemical bank in an Installment purchase agreement. The loan will be paid back over 8 years at an interest rate of 2.79% per annum with final payment due on March 1, 2027.

Long-term liability activity for the year ended December 31, 2017, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Primary government:					
Governmental activities:					
Notes payable:					
2017 Installment purchase agreement	\$ -	\$ 225,000	\$ (9,849)	\$ 215,151	\$ 20,076
Compensated absences	<u>30,360</u>	<u>17,720</u>	<u>(16,190)</u>	<u>31,890</u>	<u>-</u>
Component unit - Downtown Development Authority:					
Advance from primary government	<u>\$ 119,699</u>	<u>\$ 120,000</u>	<u>\$ (10,093)</u>	<u>\$ 229,606</u>	<u>\$ 10,475</u>

NOTE 9 - NONCURRENT LIABILITIES (Continued)

At December 31, 2017, debt service requirements, with the exception of compensated absences, are as follows:

<i>Year ended June 30:</i>	<i>Governmental activities</i>		<i>Component unit</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2018	\$ 20,076	\$ 5,864	\$ 10,475	\$ 4,165
2019	20,640	5,300	22,084	5,568
2020	21,220	4,720	22,665	4,988
2021	21,816	4,124	23,263	4,390
2022	22,429	3,511	23,880	3,773
2023 - 2027	108,970	7,742	114,721	8,902
2028	-	-	12,518	192
Totals	<u>\$ 215,151</u>	<u>\$ 31,261</u>	<u>\$ 229,606</u>	<u>\$ 31,978</u>

All debt is secured by the full faith and credit of the Township.

NOTE 10 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability of up to \$4,000,000, building contents and property, and workers' compensation coverage are managed through purchased commercial insurance.

NOTE 11 - DEFINED CONTRIBUTION PENSION PLAN

The Township contributes to the Texas Charter Township Group Pension Plan, a defined contribution pension plan, which is administered by a third party administrator. The plan covers all elected officials, full-time and certain part-time employees, who are eligible to participate after ninety days of employment, and for fire fighters who are eligible to participate after completing a probationary period.

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 as described above. The Township contributes 10% of each qualified employee's total earnings to the plan. Employees are permitted to make voluntary contributions to the Plan, up to applicable Internal Revenue Code limits. For the year ended December 31, 2017, the Township and eligible employees made contributions of \$87,536 and \$-0-, respectively. At December 31, 2017, 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 immediately.

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 12 - CONTINGENT LIABILITY:

The Township is contingently liable for \$132,197 of \$179,842 disputed contracts with the City of Portage that are owed for contractual connection fees related to the South Contract Areas.

NOTE 13 - PRIOR PERIOD ADJUSTMENT:

Prior period adjustments were recorded in 2017 to correct timing errors in recording accounts receivable that resulted in a restatement of beginning general fund balance and beginning net position in the government wide financial statements. previously not recorded. Net position, as of December 31, 2016, included in the financial statements, represents a restated balance as presented below.

	<u>Fund Balance</u>	<u>Net position</u>
	<u>General</u>	<u>Governmental</u>
	<u>Fund</u>	<u>activities</u>
Beginning of year, as previously reported	\$ 3,589,759	\$ 19,095,666
Prior period adjustment - understatement of accounts receivable	<u>78,430</u>	<u>78,430</u>
Beginning of year, as restated	<u>\$ 3,668,189</u>	<u>\$ 19,174,096</u>

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended December 31, 2017

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Taxes	\$ 937,097	\$ 937,097	\$ 1,018,028	\$ 80,931
Licenses and permits	140,225	140,225	145,143	4,918
State grants	1,179,409	1,179,409	1,273,106	93,697
Charges for services	96,120	96,120	126,976	30,856
Fines and forfeitures	4,000	4,000	4,417	417
Interest and rentals	12,600	12,600	50,336	37,736
Other				
Miscellaneous	2,200	16,511	80,076	63,565
Special assessments	-	24,250	19,555	(4,695)
	<u>2,371,651</u>	<u>2,410,212</u>	<u>2,717,637</u>	<u>307,425</u>
Total revenues				
EXPENDITURES				
General government:				
Legislative - Township Board	29,350	29,350	28,812	538
Supervisor	112,835	112,835	110,182	2,653
Election	14,225	14,225	852	13,373
Assessor	101,290	101,290	90,412	10,878
Clerk	114,900	114,900	106,414	8,486
Board of review	4,660	4,660	4,263	397
Treasurer	128,050	128,050	116,077	11,973
Hall and grounds	86,808	86,808	60,644	26,164
Cemetery	25,500	25,500	14,705	10,795
Other	435,570	430,070	345,014	85,056
	<u>1,053,188</u>	<u>1,047,688</u>	<u>877,375</u>	<u>170,313</u>
Total general government				
Public safety - police	<u>261,550</u>	<u>261,550</u>	<u>254,415</u>	<u>7,135</u>
Public works:				
Street lights	5,000	5,000	6,978	(1,978)
Drains	1,115	1,115	350	765
Sanitation and refuse collection	33,500	39,000	35,122	3,878
	<u>39,615</u>	<u>45,115</u>	<u>42,450</u>	<u>2,665</u>
Total public works				
Community and economic development - planning and zoning	<u>189,100</u>	<u>189,100</u>	<u>168,351</u>	<u>20,749</u>

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended December 31, 2017

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
EXPENDITURES (Continued)				
Recreation and culture - parks and recreation	\$ 45,000	\$ 45,000	\$ 20,577	\$ 24,423
Debt service				
Principal	-	9,849	9,849	-
Interest	-	3,662	3,662	-
Capital outlay	930,500	1,200,550	382,263	818,287
Total expenditures	<u>2,518,953</u>	<u>2,802,514</u>	<u>1,758,942</u>	<u>1,043,572</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(147,302)	(392,302)	958,695	1,350,997
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	225,000	225,000	-
Transfers out	<u>(595,411)</u>	<u>(1,422,571)</u>	<u>(885,943)</u>	<u>536,628</u>
Total other financing sources (uses)	<u>(595,411)</u>	<u>(1,197,571)</u>	<u>(660,943)</u>	<u>536,628</u>
NET CHANGES IN FUND BALANCES	(742,713)	(1,589,873)	297,752	1,887,625
FUND BALANCES - BEGINNING	<u>3,668,189</u>	<u>3,668,189</u>	<u>3,668,189</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 2,925,476</u>	<u>\$ 2,078,316</u>	<u>\$ 3,965,941</u>	<u>\$ 1,887,625</u>

BUDGETARY COMPARISON SCHEDULE - Road Enhancement Fund

Year ended December 31, 2017

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Interest	\$ 212	\$ 212	\$ 210	\$ (2)
Other - special assessments	<u>387,631</u>	<u>387,631</u>	<u>370,620</u>	<u>(17,011)</u>
Total revenues	387,843	387,843	370,830	(17,013)
EXPENDITURES				
Public works - road maintenance	<u>500,000</u>	<u>500,000</u>	<u>370,619</u>	<u>129,381</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(112,157)	(112,157)	211	112,368
OTHER FINANCING SOURCES				
Transfers in	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>-</u>
NET CHANGES IN FUND BALANCES				
	7,843	7,843	120,211	112,368
FUND BALANCES - BEGINNING				
	<u>41,625</u>	<u>41,625</u>	<u>41,625</u>	<u>-</u>
FUND BALANCES - ENDING				
	<u>\$ 49,468</u>	<u>\$ 49,468</u>	<u>\$ 161,836</u>	<u>\$ 112,368</u>

BUDGETARY COMPARISON SCHEDULE - Fire Improvement Fund

Year ended December 31, 2017

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Taxes	\$ 391,000	\$ 391,000	\$ 398,951	\$ 7,951
Interest	550	550	4,635	4,085
Other - miscellaneous	<u>2,500</u>	<u>2,500</u>	<u>7,666</u>	<u>5,166</u>
Total revenues	<u>394,050</u>	<u>394,050</u>	<u>411,252</u>	<u>17,202</u>
EXPENDITURES				
Public safety - fire protection	712,048	712,048	627,317	84,731
Capital outlay	<u>145,000</u>	<u>681,628</u>	<u>619,376</u>	<u>62,252</u>
Total expenditures	<u>857,048</u>	<u>1,393,676</u>	<u>1,246,693</u>	<u>146,983</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(462,998)</u>	<u>(999,626)</u>	<u>(835,441)</u>	<u>164,185</u>
OTHER FINANCING SOURCES				
Transfers in	<u>466,669</u>	<u>757,201</u>	<u>756,943</u>	<u>(258)</u>
NET CHANGES IN FUND BALANCES	3,671	(242,425)	(78,498)	163,927
FUND BALANCES - BEGINNING	<u>754,747</u>	<u>754,747</u>	<u>754,747</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 758,418</u>	<u>\$ 512,322</u>	<u>\$ 676,249</u>	<u>\$ 163,927</u>

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET - nonmajor governmental funds

December 31, 2017

	<i>Special revenue funds</i>							<i>Totals</i>
	<i>Road Improvement</i>	<i>Street Lighting</i>	<i>CCTA</i>	<i>Eagle Lake #1 & #2</i>	<i>Eagle Lake Drive</i>	<i>Crooked Lake #1</i>	<i>Crooked Lake #2</i>	
ASSETS								
Cash	\$ 10,871	\$ 140,031	\$ 30,261	\$ 131,366	\$ 5,492	\$ 110,343	\$ 38,241	\$ 466,605
Receivables	1,148	28,949	4,962	66,170	900	22,500	20,625	145,254
Total assets	<u>\$ 12,019</u>	<u>\$ 168,980</u>	<u>\$ 35,223</u>	<u>\$ 197,536</u>	<u>\$ 6,392</u>	<u>\$ 132,843</u>	<u>\$ 58,866</u>	<u>\$ 611,859</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Payables	\$ -	\$ 8,349	\$ 5,472	\$ -	\$ 690	\$ -	\$ -	\$ 14,511
Unearned special assessments	3,060	101,492	8,481	166,108	2,340	55,500	50,875	387,856
Total liabilities	<u>3,060</u>	<u>109,841</u>	<u>13,953</u>	<u>166,108</u>	<u>3,030</u>	<u>55,500</u>	<u>50,875</u>	<u>402,367</u>
Fund balances:								
Restricted for:								
Road maintenance	8,959	-	-	-	-	-	-	8,959
Street lighting	-	59,139	-	-	-	-	-	59,139
Private lake maintenance	-	-	-	31,428	3,362	77,343	7,991	120,124
Public transportaion	-	-	21,270	-	-	-	-	21,270
Total fund balances	<u>8,959</u>	<u>59,139</u>	<u>21,270</u>	<u>31,428</u>	<u>3,362</u>	<u>77,343</u>	<u>7,991</u>	<u>209,492</u>
Total liabilities and fund balances	<u>\$ 12,019</u>	<u>\$ 168,980</u>	<u>\$ 35,223</u>	<u>\$ 197,536</u>	<u>\$ 6,392</u>	<u>\$ 132,843</u>	<u>\$ 58,866</u>	<u>\$ 611,859</u>

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

Year ended December 31, 2017

	<i>Special revenue funds</i>							<i>Totals</i>
	<i>Road Improvement</i>	<i>Street Lighting</i>	<i>CCTA</i>	<i>Eagle Lake #1 & #2</i>	<i>Eagle Lake Drive</i>	<i>Crooked Lake #1</i>	<i>Crooked Lake #2</i>	
REVENUES								
Interest	\$ 5	\$ 79	\$ 18	\$ 117	\$ 2	\$ 59	\$ 12	\$ 292
Other:								
Special assessments	<u>3,060</u>	<u>98,442</u>	<u>8,828</u>	<u>257,930</u>	<u>1,640</u>	<u>55,500</u>	<u>50,875</u>	<u>476,275</u>
Total revenues	<u>3,065</u>	<u>98,521</u>	<u>8,846</u>	<u>258,047</u>	<u>1,642</u>	<u>55,559</u>	<u>50,887</u>	<u>476,567</u>
EXPENDITURES								
Current:								
Public works	169	110,190	21,826	128,209	1,439	32,360	47,454	341,647
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,038</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,038</u>
Total expenditures	<u>169</u>	<u>110,190</u>	<u>21,826</u>	<u>263,247</u>	<u>1,439</u>	<u>32,360</u>	<u>47,454</u>	<u>476,685</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,896	(11,669)	(12,980)	(5,200)	203	23,199	3,433	(118)
OTHER FINANCING SOURCES								
Transfers in	<u>-</u>	<u>-</u>	<u>9,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,000</u>
NET CHANGES IN FUND BALANCES	2,896	(11,669)	(3,980)	(5,200)	203	23,199	3,433	8,882
FUND BALANCES - BEGINNING	<u>6,063</u>	<u>70,808</u>	<u>25,250</u>	<u>36,628</u>	<u>3,159</u>	<u>54,144</u>	<u>4,558</u>	<u>200,610</u>
FUND BALANCES - ENDING	<u>\$ 8,959</u>	<u>\$ 59,139</u>	<u>\$ 21,270</u>	<u>\$ 31,428</u>	<u>\$ 3,362</u>	<u>\$ 77,343</u>	<u>\$ 7,991</u>	<u>\$ 209,492</u>

Charter Township of Texas

BALANCE SHEET - component unit

December 31, 2017

ASSETS

Cash	\$ 106,971
Receivables	<u>15,356</u>
Total assets	<u>\$ 122,327</u>

**DEFERRED INFLOWS OF RESOURCES
AND FUND BALANCES**

Deferred inflows of resources - property tax revenues levied for the subsequent year	\$ 24,120
Fund balance - restricted for public works	<u>98,207</u>
Total deferred inflows of resources and fund balance	<u>\$ 122,327</u>

Reconciliation of the balance sheet with the statement of net position:

Fund balance	\$ 98,207
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Amounts reported for the *component unit* in the statement of net position (page 11) are different because:

Capital assets used are not financial resources and, therefore, are not reported in the fund. 235,189

Long-term advance from primary government is not reported in the fund. (229,606)

Net position of the *component unit* \$ 103,790

Charter Township of Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - *component unit*

Year ended December 31, 2017

REVENUES

Taxes	\$ 41,641
Interest	625
Other	<u>23,326</u>
Total revenues	<u>65,592</u>

EXPENDITURES

Current - public works	42,529
Debt services:	
Principal	10,093
Interest	<u>6,348</u>
Total expenditures	<u>58,970</u>

NET CHANGE IN FUND BALANCE 6,622

FUND BALANCE - BEGINNING 91,585

FUND BALANCE - ENDING \$ 98,207

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

Net change in fund balance \$ 6,622

Amounts reported for the *component unit* in the statement of activities (page 12) are different because:

Capital assets - provision for depreciation (6,549)

Advance from primary government:

Issuance	(120,000)
Principal payments	<u>10,093</u>

Change in net position of *component unit* \$ (109,834)

Charter Township of Texas

BUDGETARY COMPARISON SCHEDULE - component unit

Year ended December 31, 2017

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 31,000	\$ 31,000	\$ 41,641	\$ 10,641
Interest	1,500	1,500	625	(875)
Other	<u>-</u>	<u>-</u>	<u>23,326</u>	<u>23,326</u>
Total revenues	<u>32,500</u>	<u>32,500</u>	<u>65,592</u>	<u>33,092</u>
EXPENDITURES				
Current				
Public works	60,790	69,565	42,529	27,036
Debt services:				
Principal	-	-	10,093	(10,093)
Interest	<u>1,800</u>	<u>1,800</u>	<u>6,348</u>	<u>(4,548)</u>
Total expenditures	<u>62,590</u>	<u>71,365</u>	<u>58,970</u>	<u>12,395</u>
NET CHANGES IN FUND BALANCES	(30,090)	(38,865)	6,622	45,487
FUND BALANCES - BEGINNING	<u>91,585</u>	<u>91,585</u>	<u>91,585</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 61,495</u>	<u>\$ 52,720</u>	<u>\$ 98,207</u>	<u>\$ 45,487</u>