

***Charter Township of Texas
Kalamazoo County, Michigan***

FINANCIAL STATEMENTS

Year ended December 31, 2020



Vredeveld Haefner LLC
CPAs and Consultants

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INDEPENDENT AUDITOR'S REPORT



Vredeveld Haefner LLC

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INDEPENDENT AUDITORS' REPORT

June 5, 2021

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, 2020, 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, 2020, 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 33 through 36 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.

Uredewald Haefner LLC

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, 2020. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net position increased by \$674,035 as a result of this year's activities.
- Of the \$21,673,881 total net position reported, \$8,206,904 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 \$2,523,282, which represents 152 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 government services, like general government, 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 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 government-wide financial statements for 2020 and 2019 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 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 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 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.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$21,673,881. Of this total, \$12,328,774 is invested in capital assets, \$1,138,203 is restricted for various purposes, and \$8,206,094 is unrestricted.

Condensed financial information
Net position

	Governmental activities	
	2020	2019
Current and other assets	\$ 13,441,297	\$ 12,174,206
Capital assets	<u>12,328,774</u>	<u>12,305,631</u>
Total assets	<u>25,770,071</u>	<u>24,479,837</u>
Current and other liabilities	761,215	592,245
Long-term debt	<u>827,194</u>	<u>1,284,996</u>
Total liabilities	<u>1,588,409</u>	<u>1,877,241</u>
Deferred inflows of resources	<u>2,507,781</u>	<u>1,602,750</u>
Net position:		
Net investment in capital assets	12,328,774	11,195,119
Restricted	1,138,203	2,367,799
Unrestricted	<u>8,206,904</u>	<u>7,436,928</u>
Total net position	<u>\$ 21,673,881</u>	<u>\$ 20,999,846</u>

Changes in net position

The Township's total revenues were \$5,207,440. During the 2020 fiscal year, 24 percent of the Township's revenues came from property taxes, 27 percent came from charges for services, 11 percent came from operating grants, and 30 percent came from state shared revenue.

The total cost of the Township's programs and services totaled \$4,533,405. Approximately 30 percent of the Township's costs relates to public safety costs, 23 percent to general governmental activities, and 40 percent to public works.

Condensed financial information

Changes in net position

	Governmental activities	
	2020	2019
Program revenues:		
Charges for services	\$ 1,424,137	\$ 1,591,752
Operating grants and contributions	565,313	884,506
Capital grants and contributions	150,000	842,283
General revenues:		
Property taxes	1,237,232	1,184,916
State shared revenue	1,568,247	1,544,769
Franchise fees	133,321	137,292
Investment return	101,570	155,449
Gain on asset sale	27,620	38,179
Total revenues	<u>5,207,440</u>	<u>6,379,146</u>
Expenses:		
General government	1,041,048	1,052,357
Public safety	1,351,299	1,323,464
Public works	1,813,972	1,938,669
Community and economic development	180,166	344,830
Recreation and culture	119,925	206,605
Interest on long-term debt	26,995	24,155
Total expenses	<u>4,533,405</u>	<u>4,890,080</u>
Changes in net position	<u>\$ 674,035</u>	<u>\$ 1,489,066</u>
Net position, end of year	<u>\$ 21,673,881</u>	<u>\$ 20,999,846</u>

Governmental activities

The \$674,035 increase in net position for 2020 is \$815,031 less than the \$1,489,066 increase in 2019. Revenues decreased by \$1,171,706, due in large part to a decrease of \$1,161,476 in operating and capital grants, due to recognition of a \$1,420,636 capital grant for the purchase of flood mitigation equipment in the prior year. Expenses decreased by \$356,675 compared to 2019, which was primarily due to decreases in community and economic development costs and in public works costs.

The total cost of governmental activities this year was \$4,533,405. After subtracting the direct charges to those who directly benefited from the programs (\$1,424,137), operating grants (\$565,313) and capital grants (\$150,000), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$2,393,955.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds

The Township's governmental funds reported combined ending fund balances of \$9,097,008 at the end of 2020, representing an increase of \$540,915 from the previous year.

The General Fund is the primary operating fund of the Township. Fund balance increased by \$520,510 during the year, as revenues of \$2,806,171 and the sale of capital assets of \$27,620, were higher than expenditures of \$1,659,870 and total transfers out of \$653,411. The total fund balance was \$4,517,364 at year end.

The Road Enhancement Fund experienced a decrease in fund balance of \$31,415 during the current year, as revenues of \$414,475 and a transfer from the General Fund of \$150,000 were not sufficient to cover current year expenditures of \$595,890. Total fund balance was \$16,350 at year end.

The Fire Improvement Fund experienced an increase in fund balance of \$201,010 during the current year, as revenues of \$523,413 and a transfer from the General Fund of \$466,411 covered current year expenditures of \$788,814. Total fund balance at year end was \$1,279,633.

The Sewer and Water Fund experienced an increase in fund balance of \$355,582, as revenues of \$672,952 were higher than expenditures of \$317,370. Total fund balance at year end was \$2,240,792.

Proprietary fund

The Building Inspections Fund experienced a \$41,061 increase in net position as expenses of \$239,532 were exceeded by revenues of \$280,593. Additional levels of charges for services contributed to the fund's increased revenue and related expenses. The fund's net position was \$464,736 at year end.

General Fund budgetary highlights

The Township made amendments to the General Fund budgeted revenues and expenditures during the year to decrease budgeted revenues by \$6,000 and increase budgeted costs by \$74,781. Actual revenues were \$13,968 less than budgeted, while expenditures were \$624,442 less than the amounts appropriated. Proceeds from capital asset sales were \$620 higher than budgeted. These variances resulted in a \$611,094 positive budget variance, with a \$520,510 increase in fund balance, compared to a budget that expected a \$90,584 decrease in fund balance.

Positive expenditure variances primarily resulted from lower than anticipated costs for general government, community and economic development, and capital outlay functions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Township's investment in capital assets for its governmental activities as of December 31, 2020, amounts to \$12,328,774 (net of accumulated depreciation). This investment includes buildings and improvements, fire equipment and vehicles, and sewer and water infrastructure. The \$26,016 increase in the Township's investment in capital assets for the current fiscal year reflects \$626,134 in capital asset additions less \$600,118 for depreciation expenses.

Major capital asset acquisitions during the current year include:

- \$214,905 for flooding equipment
- \$366,280 for 6th street project cost ongoing through the year

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

Debt

At the end of the fiscal year, the Township had an installment purchase notes with balances outstanding totaling \$827,194, a decrease of \$457,802. Principal repayments were made in a timely manner. Other long-term obligations consisted of a liability for compensated absences of \$33,650.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Township plans to primarily use current revenues to provide essential services in fiscal year 2021 in order to maintain current fund balances. Expenditures are expected to increase by nominal amounts compared to fiscal year 2020. The ongoing costs of providing essential services for the citizens of the Township will again need to be monitored in order to maintain the financial condition and operational capabilities of the Township.

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
Emily Beutel, 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, 2020

	<u>Primary government</u>	<u>Component unit</u>
	<u>Governmental activities</u>	
ASSETS		
Current assets:		
Cash	\$ 7,989,274	\$ 194,075
Investments	2,670,599	-
Receivables, net	2,060,379	47,214
Advance to component unit	23,263	-
Prepaid expenses	55,673	-
	<u>12,799,188</u>	<u>241,289</u>
Noncurrent assets:		
Receivables, net	491,270	-
Advance to component unit	150,839	-
Capital assets not being depreciated	1,654,574	122,329
Capital assets, net of depreciation	10,674,200	93,215
	<u>12,970,883</u>	<u>215,544</u>
Total noncurrent assets		
	<u>25,770,071</u>	<u>456,833</u>
Total assets		
LIABILITIES		
Current liabilities:		
Payables	456,834	460
Unearned assessment revenue	269,671	-
Advance from primary government	-	23,263
Notes payable	468,548	-
	<u>1,195,053</u>	<u>23,723</u>
Total current liabilities		
Noncurrent liabilities:		
Compensated absences	34,710	-
Advance from primary government	-	150,839
Notes payable	358,646	-
	<u>393,356</u>	<u>150,839</u>
Total noncurrent liabilities		
Total liabilities	<u>1,588,409</u>	<u>174,562</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes levied for the subsequent year	1,731,513	71,908
Assessments levied for the subsequent year	776,268	-
	<u>2,507,781</u>	<u>71,908</u>
Total deferred inflows of resources		
NET POSITION		
Net investment in capital assets	12,328,774	113,605
Restricted for:		
Public safety	446,794	-
Public works	584,690	-
Debt services	106,719	-
Unrestricted	8,206,904	96,758
	<u>21,673,881</u>	<u>210,363</u>
Total net position	<u>\$ 21,673,881</u>	<u>\$ 210,363</u>

See notes to financial statements

Charter Township of Texas
STATEMENT OF ACTIVITIES
Year ended December 31, 2020

	<u>Program revenues</u>				<u>Net revenues (expenses) and changes in net position</u>	
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Primary government</u>	
					<u>Governmental activities</u>	<u>Component unit</u>
Functions/Programs						
Primary government:						
Governmental activities:						
General government	\$ 1,041,048	\$ 399,644	\$ -	\$ -	\$ (641,404)	
Public safety	1,351,299	290,428	62,355	-	(998,516)	
Public works	1,813,972	707,353	502,958	-	(603,661)	
Community and economic development	180,166	23,215	-	-	(156,951)	
Recreation and culture	119,925	-	-	150,000	30,075	
Interest on long-term debt	26,995	3,497	-	-	(23,498)	
Total primary government	<u>\$ 4,533,405</u>	<u>\$ 1,424,137</u>	<u>\$ 565,313</u>	<u>\$ 150,000</u>	<u>\$ (2,393,955)</u>	
Component unit - DDA	<u>\$ 42,980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ (42,980)</u>
General revenues:						
Property taxes:						
Operating					784,707	115,220
Emergency services					452,525	
State shared revenue					1,568,247	-
Franchise fees					133,321	-
Investment return					101,570	901
Gain on sale of assets					27,620	-
Total general revenues					<u>3,067,990</u>	<u>116,121</u>
Changes in net position					674,035	73,141
Net position - beginning					<u>20,999,846</u>	<u>137,222</u>
Net position - ending					<u>\$ 21,673,881</u>	<u>\$ 210,363</u>

See notes to financial statements

BALANCE SHEET - governmental funds

December 31, 2020

		<i>Special revenue</i>		<i>Capital project</i>		
	<i>General</i>	<i>Road Enhancement</i>	<i>Fire Improvement</i>	<i>Sewer and Water</i>	<i>Nonmajor funds</i>	<i>Total governmental funds</i>
ASSETS						
Cash	\$ 2,927,286	\$ 600,048	\$ 1,578,445	\$ 1,691,599	\$ 937,012	\$ 7,734,390
Investments	1,608,105	-	279,371	582,410	-	2,469,886
Receivables	907,441	317,625	411,075	117,352	798,156	2,551,649
Advance to component unit	174,102	-	-	-	-	174,102
Prepaid items	44,082	-	3,730	5,599	-	53,411
Total assets	<u>\$ 5,661,016</u>	<u>\$ 917,673</u>	<u>\$ 2,272,621</u>	<u>\$ 2,396,960</u>	<u>\$ 1,735,168</u>	<u>\$ 12,983,438</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Payables	\$ 133,818	\$ 125,055	\$ 50,906	\$ 57,680	\$ 76,148	\$ 443,607
Unearned special assessments	-	-	-	-	269,671	269,671
Total liabilities	<u>133,818</u>	<u>125,055</u>	<u>50,906</u>	<u>57,680</u>	<u>345,819</u>	<u>713,278</u>
Deferred inflows of resources:						
Property taxes levied for the subsequent year	789,431	-	942,082	-	-	1,731,513
Assessments levied for the subsequent year	-	776,268	-	-	-	776,268
Unavailable advance to component unit	174,102	-	-	-	-	174,102
Unavailable special assessments	46,301	-	-	98,488	346,480	491,269
Total deferred inflows of resources	<u>1,009,834</u>	<u>776,268</u>	<u>942,082</u>	<u>98,488</u>	<u>346,480</u>	<u>3,173,152</u>
Fund balances:						
Nonspendable for:						
Prepaid items	44,082	-	3,730	5,599	-	53,411
Restricted for:						
Road maintenance	-	-	-	-	3,501	3,501
Street lighting	-	-	-	-	34,261	34,261
Public transportation	-	-	-	-	3,408	3,408
Private lake maintenance	-	-	-	-	385,840	385,840
Flood mitigation	-	-	-	-	59,192	59,192
Debt service	-	-	-	-	393,044	393,044
Committed for:						
Building improvements	500,000	-	-	-	-	500,000
Parks and recreation	150,000	-	-	-	-	150,000
Assigned for:						
Road maintenance	300,000	16,350	-	-	-	316,350
Fire protection	150,000	-	899,024	-	-	1,049,024
Fire capital	125,000	-	376,879	-	-	501,879
Parks and recreation	400,000	-	-	-	-	400,000
Flood mitigation	25,000	-	-	-	-	25,000
Sidewalks and trails	250,000	-	-	-	-	250,000
Sewer improvements	-	-	-	1,656,174	-	1,656,174
Water improvements	-	-	-	579,019	-	579,019
Capital outlay	-	-	-	-	163,623	163,623
Cemetery	45,000	-	-	-	-	45,000
Building improvements	5,000	-	-	-	-	5,000
Unassigned	<u>2,523,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,523,282</u>
Total fund balances	<u>4,517,364</u>	<u>16,350</u>	<u>1,279,633</u>	<u>2,240,792</u>	<u>1,042,869</u>	<u>9,097,008</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,661,016</u>	<u>\$ 917,673</u>	<u>\$ 2,272,621</u>	<u>\$ 2,396,960</u>	<u>\$ 1,735,168</u>	<u>\$ 12,983,438</u>

See notes to financial statements

BALANCE SHEET - governmental funds (Continued)

December 31, 2020

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

Total fund balance - total governmental funds (page 13)	\$ 9,097,008
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.	665,371
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	12,309,988
Net position of the Building Inspections Fund that has been combined with those of <i>governmental activities</i> .	464,736
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(827,194)
Interest payable is not due in the current period and, therefore, is not reported in the funds	(2,378)
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds	<u>(33,650)</u>
Net position of <i>governmental activities</i>	<u>\$ 21,673,881</u>

Charter Township of Texas

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

Year ended December 31, 2020

		<i>Special revenue</i>	
	<i>General</i>	<i>Road Enhancement</i>	<i>Fire Improvement</i>
REVENUES			
Taxes	\$ 1,128,671	\$ -	\$ 452,525
Licenses and permits	133,784	-	-
Federal grants	-	-	62,355
State grants	1,360,484	-	-
Charges for services	63,508	-	-
Fines and forfeitures	1,302	-	-
Interest and rentals	86,282	75	7,944
Other:			
Special assessments	9,582	414,400	-
Miscellaneous	22,558	-	589
Total revenues	<u>2,806,171</u>	<u>414,475</u>	<u>523,413</u>
EXPENDITURES			
Current:			
General government	980,406	-	-
Public safety	232,449	-	788,814
Public works	53,030	595,890	-
Community and economic development	173,935	-	-
Recreation and culture	50,192	-	-
Capital outlay	143,918	-	-
Debt service:			
Principal	21,300	-	-
Interest	4,640	-	-
Total expenditures	<u>1,659,870</u>	<u>595,890</u>	<u>788,814</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,146,301</u>	<u>(181,415)</u>	<u>(265,401)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	27,620	-	-
Transfers in	-	150,000	466,411
Transfers out	(653,411)	-	-
Net other financing sources (uses)	<u>(625,791)</u>	<u>150,000</u>	<u>466,411</u>
NET CHANGES IN FUND BALANCES	520,510	(31,415)	201,010
FUND BALANCES - BEGINNING	<u>3,996,854</u>	<u>47,765</u>	<u>1,078,623</u>
FUND BALANCES - ENDING	<u>\$ 4,517,364</u>	<u>\$ 16,350</u>	<u>\$ 1,279,633</u>

<u>Capital Project</u>		
<u>Sewer and Water</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>
\$ -	\$ -	\$ 1,581,196
-	-	133,784
-	-	62,355
219,958	150,000	1,730,442
400,746	-	464,254
-	-	1,302
28,054	8,026	130,381
24,194	691,176	1,139,352
-	-	23,147
<u>672,952</u>	<u>849,202</u>	<u>5,266,213</u>
-	-	980,406
-	-	1,021,263
72,972	483,936	1,205,828
-	-	173,935
-	-	50,192
244,398	447,189	835,505
-	436,502	457,802
-	23,347	27,987
<u>317,370</u>	<u>1,390,974</u>	<u>4,752,918</u>
<u>355,582</u>	<u>(541,772)</u>	<u>513,295</u>
-	-	27,620
-	37,000	653,411
-	-	(653,411)
<u>-</u>	<u>37,000</u>	<u>27,620</u>
355,582	(504,772)	540,915
<u>1,885,210</u>	<u>1,547,641</u>	<u>8,556,093</u>
<u>\$ 2,240,792</u>	<u>\$ 1,042,869</u>	<u>\$ 9,097,008</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, 2020

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)	\$ 540,915
Amounts reported for <i>governmental activities</i> in the statement of activities (page 12) are different because:	
Capital assets:	
Assets acquired	626,134
Provision for depreciation	(600,118)
Changes in deferred inflows of resources	
Net decrease in unavailable special assessments	(366,986)
Net decrease in advance to component unit	(22,665)
Long-term debt - principal payments	457,802
Changes in other assets/liabilities:	
Net increase in compensated absences	(3,100)
Net decrease in interest payable	992
Change in net position of the Building Inspections Fund has been combined with those of the <i>governmental activities</i>	<u>41,061</u>
Change in net position of <i>governmental activities</i>	<u>\$ 674,035</u>

See notes to financial statements

STATEMENT OF NET POSITION - *proprietary fund**December 31, 2020*

	<u><i>Building Inspections</i></u>
ASSETS	
Cash	\$ 254,884
Investments	200,713
Prepays	2,262
Capital assets, net of \$25,681 accumulated depreciation	<u>18,786</u>
Total assets	<u>476,645</u>
LIABILITIES	
Payables	10,849
Compensated absences	<u>1,060</u>
Total liabilities	<u>11,909</u>
NET POSITION	
Investment in capital assets	18,786
Unrestricted	<u>445,950</u>
Total net position	<u><u>\$ 464,736</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, 2020*

	<u>Building Inspections</u>
OPERATING REVENUES	
Charges for services - licenses and permits	\$ 277,291
OPERATING EXPENSES	
Salaries and fringe benefits	191,901
Other	39,758
Depreciation	<u>7,873</u>
Total operating expenses	<u>239,532</u>
OPERATING INCOME	37,759
NONOPERATING REVENUES	
Interest revenue	<u>3,302</u>
CHANGE IN NET POSITION	41,061
NET POSITION - BEGINNING	<u>423,675</u>
NET POSITION - ENDING	<u><u>\$ 464,736</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, 2020

	<i>Building Inspections</i>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 277,291
Payments to employees	(145,176)
Payments to suppliers	<u>(85,620)</u>
Net cash provided by operating activities	<u>46,495</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>(5,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	3,636
Interest received	<u>3,302</u>
Net cash provided by investing activities	<u>6,938</u>
NET INCREASE IN CASH	48,433
CASH - BEGINNING	<u>206,451</u>
CASH - ENDING	<u><u>\$ 254,884</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 37,759
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	7,873
(Increase) decrease in prepaids	(14)
Increase (decrease) in accounts payable	347
Increase (decrease) in accrued payroll	340
Increase (decrease) in compensated absences	<u>190</u>
Net cash provided by operating activities	<u><u>\$ 46,495</u></u>

See notes to financial statements

STATEMENT OF FIDUCIARY NET POSITION - *custodial funds*

December 31, 2020

	<u><i>Tax</i></u>	<u><i>Custodial</i></u>	<u><i>Total</i></u>
ASSETS			
Cash	<u>\$ 8,362,238</u>	<u>\$ 1,870</u>	<u>\$ 8,364,108</u>
LIABILITIES			
Due to other governments	<u>8,362,238</u>	<u>-</u>	<u>8,362,238</u>
NET POSITION			
Restricted for - Farmers market	<u>\$ -</u>	<u>\$ 1,870</u>	<u>\$ 1,870</u>

See notes to financial statements

STATEMENT OF CHANGES IN FIDUCIARY NET POSTION - *custodial funds*

Year ended December 31, 2020

	<u>Tax</u>	<u>Custodial</u>	<u>Total</u>
ADDITIONS			
Property taxes collected for other governments	\$ 32,797,308	\$ -	\$ 32,797,308
Collection of county fees	-	915	915
Collection of escrow deposits	-	2,400	2,400
Farmers market collections	-	41,622	41,622
Other collections	-	3,660	3,660
	<u>32,797,308</u>	<u>48,597</u>	<u>32,845,905</u>
Total additions			
	<u>32,797,308</u>	<u>48,597</u>	<u>32,845,905</u>
DEDUCTIONS			
Property taxes distributed to other governments	32,797,308	-	32,797,308
Payment of county collections	-	915	915
Distributions for farmers market benefit	-	41,076	41,076
Distributions to others	-	6,060	6,060
	<u>32,797,308</u>	<u>48,051</u>	<u>32,845,359</u>
Total deductions			
	<u>32,797,308</u>	<u>48,051</u>	<u>32,845,359</u>
NET CHANGE IN FIDUCIARY NET POSITION	-	546	546
NET POSITION - BEGINNING	-	1,324	1,324
NET POSTION - ENDING	<u>\$ -</u>	<u>\$ 1,870</u>	<u>\$ 1,870</u>

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 funds, even though the latter are 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 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 in a fiduciary capacity for other governments and individuals. The Township currently reports two fiduciary funds (Tax Collection and General Custodial funds). 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 equity:

Bank deposits - Cash is 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.

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 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 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, interest revenues, and advances to component unit, 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 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 activity. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

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

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Road enhancement	Public works	Road enhancements	\$ 576,626	\$ 595,890	\$ 19,264

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>Custodial funds</u>	<u>Component unit</u>	<u>Total</u>
Deposits	\$ 7,988,774	\$ 8,364,108	\$ 194,075	\$ 16,546,957
Investments	2,670,599	-	-	2,670,599
Cash on hand	<u>500</u>	<u>-</u>	<u>-</u>	<u>500</u>
Totals	<u>\$ 10,659,873</u>	<u>\$ 8,364,108</u>	<u>\$ 194,075</u>	<u>\$ 19,218,056</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, 2020, \$17,516,597 of the Township's bank balance of \$19,922,060 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 consist of the following:

<u>Investments</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Michigan CLASS Investment Pool	\$ 2,670,599	AAAm	Standard and Poor's

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. The Township's investment policy does not contain requirements that would limit exposure to credit risk for investments. The credit quality ratings of the Township's investments are identified above.

NOTE 3 - CASH AND INVESTMENTS (Continued)

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 interest rates. The Township's investment policy has no specific limitations with respect to maturities of investments.

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 Michigan CLASS Investment Pool was valued using Level 1 (Money Market Fund) and Level 2 (Commercial Paper and Repurchase Agreements) Inputs.

NOTE 4 - RECEIVABLES

Receivables as of December 31, 2020, for the Township's individual major, nonmajor governmental funds, and component unit, in the aggregate, were as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Property taxes</i>	<i>Special assessments</i>	<i>Interest</i>	<i>Intergovernmental</i>	<i>Totals</i>
Governmental:						
General	\$ 33,482	\$ 342,265	\$ 52,843	\$ 1,487	\$ 477,364	\$ 907,441
Road Enhancement	-	-	317,625	-	-	317,625
Fire Improvement	-	411,075	-	-	-	411,075
Sewer and Water	11,056	-	104,592	1,704	-	117,352
Flood mitigation	-	-	-	-	-	-
Nonmajor	-	-	648,156	-	150,000	798,156
Total governmental	<u>\$ 44,538</u>	<u>\$ 753,340</u>	<u>\$ 1,123,216</u>	<u>\$ 3,191</u>	<u>\$ 627,364</u>	<u>\$ 2,551,649</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 491,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 491,270</u>
Component unit - DDA	<u>\$ -</u>	<u>\$ 47,214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,214</u>

NOTE 5 - PROPERTY TAXES

The 2019 taxable valuation of the Township approximated \$918,803,000, on which ad valorem taxes levied consisted of 0.8470 mills for operating purposes and 0.4933 mills for fire operations, raising approximately \$768,000 and \$453,000, respectively. These amounts are recognized in the respective fund financial statements as property tax revenue.

The 2020 taxable valuation of the Township approximated \$949,185,000, on which ad valorem taxes levied consisted of 0.8429 mills for operating purposes and 0.9933 mills for fire operations, raising approximately \$789,000 and \$942,000, 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, 2020, 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	\$ 503,003	\$ -	\$ -	\$ 503,003
Construction in progress	<u>785,291</u>	<u>366,280</u>	<u>-</u>	<u>1,151,571</u>
Total capital assets not being depreciated	<u>1,288,294</u>	<u>366,280</u>	<u>-</u>	<u>1,654,574</u>
Capital assets being depreciated:				
Buildings	1,788,060	-	-	1,788,060
Improvements	1,633,555	-	-	1,633,555
Furniture and equipment	1,776,337	264,854	-	2,041,191
Vehicles	1,439,026	-	-	1,439,026
Infrastructure	<u>11,899,567</u>	<u>-</u>	<u>-</u>	<u>11,899,567</u>
Subtotal	<u>18,536,545</u>	<u>264,854</u>	<u>-</u>	<u>18,801,399</u>
Less accumulated depreciation for:				
Buildings	(522,851)	(45,110)	-	(567,961)
Improvements	(472,083)	(92,099)	-	(564,182)
Furniture and equipment	(695,133)	(166,234)	-	(861,367)
Vehicles	(845,129)	(55,576)	-	(900,705)
Infrastructure	<u>(4,984,012)</u>	<u>(248,972)</u>	<u>-</u>	<u>(5,232,984)</u>
Subtotal	<u>(7,519,208)</u>	<u>(607,991)</u>	<u>-</u>	<u>(8,127,199)</u>
Total capital assets being depreciated, net	<u>11,017,337</u>	<u>(343,137)</u>	<u>-</u>	<u>10,674,200</u>
Governmental activities capital assets, net	<u>\$ 12,305,631</u>	<u>\$ 23,143</u>	<u>\$ -</u>	<u>\$ 12,328,774</u>
Component unit:				
Capital assets not being depreciated - land	<u>\$ 122,329</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,329</u>
Capital assets being depreciated - land improvements	163,964	-	-	163,964
Less accumulated depreciation	<u>(64,201)</u>	<u>(6,548)</u>	<u>-</u>	<u>(70,749)</u>
Total capital assets being depreciated, net	<u>99,763</u>	<u>(6,548)</u>	<u>-</u>	<u>93,215</u>
Component unit capital assets, net	<u>\$ 222,092</u>	<u>\$ (6,548)</u>	<u>\$ -</u>	<u>\$ 215,544</u>

NOTE 6 - CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	\$ 37,577
Public safety	100,622
Public works	389,563
Community and economic development	5,861
Recreation and culture	<u>74,368</u>
Total governmental activities	<u>\$ 607,991</u>

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A summary of interfund transfers for the year ended December 31, 2020, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Road Enhancement	\$ 150,000	General	\$ <u>653,411</u>
Fire Improvement	466,411		
Nonmajor	<u>37,000</u>		
	<u>\$ 653,411</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 nonmajor funds represents support to finance operating and capital expenditures.

NOTE 8 - PAYABLES

Payables as of December 31, 2020, for the Township's individual major funds, nonmajor governmental funds, in the aggregate, and component unit were as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Payroll</i>	<i>Intergovern- mental</i>	<i>Customer Deposits</i>	<i>Totals</i>
Governmental:					
General	\$ 40,649	\$ 22,291	\$ 58,211	\$ 12,667	\$ 133,818
Road enhancement	-	-	125,055	-	125,055
Fire Improvement	24,649	26,257	-	-	50,906
Sewer and Water	16,273	-	41,407	-	57,680
Nonmajor	<u>76,148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,148</u>
Total governmental	<u>\$ 157,719</u>	<u>\$ 48,548</u>	<u>\$ 224,673</u>	<u>\$ 12,667</u>	<u>\$ 443,607</u>
Proprietary - Building Inspections	<u>\$ 644</u>	<u>\$ 10,205</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,849</u>
Component unit - DDA	<u>\$ 460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 460</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 advanced \$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.

During year ending December 31, 2019 the primary government borrowed \$1,325,000 from Southern Michigan Bank and Trust in an Installment purchase agreement. The loan will be paid back over 3 years at an interest rate of 2.33% per annum with final payment due on June 1, 2022.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - NONCURRENT LIABILITIES (Continued)

Long-term liability activity for the year ended December 31, 2020, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Primary government:					
Governmental activities:					
Notes payable:					
2017 Installment purchase agreement	\$ 174,484	\$ -	\$ (21,300)	\$ 153,184	\$ 21,816
2019 Installment purchase agreement	<u>1,110,512</u>	<u>-</u>	<u>(436,502)</u>	<u>674,010</u>	<u>446,732</u>
Total	<u>1,284,996</u>	<u>-</u>	<u>(457,802)</u>	<u>827,194</u>	<u>468,548</u>
Compensated absences	<u>\$ 31,420</u>	<u>\$ 20,380</u>	<u>\$ (17,090)</u>	<u>\$ 34,710</u>	<u>\$ -</u>
Component unit - Downtown Development Authority:					
Advance from primary government	<u>\$ 196,766</u>	<u>\$ -</u>	<u>\$ (22,664)</u>	<u>\$ 174,102</u>	<u>\$ 23,263</u>

At December 31, 2020, debt service requirements, with the exception of compensated absences, are as follows:

<u>Year ended December 31:</u>	<u>Governmental activities</u>		<u>Component unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 468,548	\$ 17,241	\$ 23,263	\$ 4,390
2022	249,706	6,159	23,880	3,773
2023	23,059	2,881	24,517	3,136
2024	23,707	2,233	25,173	2,479
2025	24,373	1,567	25,851	1,802
2026 - 2028	<u>37,801</u>	<u>1,061</u>	<u>51,418</u>	<u>1,677</u>
Totals	<u>\$ 827,194</u>	<u>\$ 31,142</u>	<u>\$ 174,102</u>	<u>\$ 17,257</u>

All debt is secured by the full faith and credit of the Township. All outstanding debt of the Township is direct borrowing or direct placement debt.

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, 2020, the Township and eligible employees made contributions of \$98,161 and \$-0-, respectively. At December 31, 2020 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 - 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.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended December 31, 2020

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Taxes	\$ 1,096,997	\$ 1,096,997	\$ 1,128,671	\$ 31,674
Licenses and permits	140,400	140,400	133,784	(6,616)
State grants	1,355,932	1,355,932	1,360,484	4,552
Charges for services	118,000	112,000	63,508	(48,492)
Fines and forfeitures	2,500	2,500	1,302	(1,198)
Interest and rentals	85,445	85,445	86,282	837
Other:				
Miscellaneous	17,284	17,284	22,558	5,274
Special assessments	9,581	9,581	9,582	1
Total revenues	2,826,139	2,820,139	2,806,171	(13,968)
EXPENDITURES				
General government:				
Legislative - Township Board	30,650	30,650	29,346	1,304
Supervisor	18,550	18,550	17,822	728
Superintendent	149,750	149,750	124,252	25,498
Election	81,000	81,000	54,479	26,521
Assessor	113,390	113,390	98,720	14,670
Clerk	148,900	148,900	123,499	25,401
Board of review	5,900	5,900	3,629	2,271
Treasurer	143,660	143,660	142,445	1,215
Hall and grounds	63,200	63,200	49,551	13,649
Cemetery	26,000	26,000	14,578	11,422
Other	522,450	535,038	322,085	212,953
Total general government	1,303,450	1,316,038	980,406	335,632
Public safety - police	265,200	265,200	232,449	32,751
Public works:				
Street lights	11,500	11,500	6,133	5,367
Drains	35,000	35,000	13,070	21,930
Streets	-	5,000	3,461	1,539
Sanitation and refuse collection	38,850	36,850	30,366	6,484
Total public works	85,350	88,350	53,030	35,320
Community and economic development - planning and zoning	255,519	255,519	173,935	81,584

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended December 31, 2020

	<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	\$ 63,000	\$ 63,000	\$ 50,192	\$ 12,808
Capital outlay	225,300	270,300	143,918	126,382
Debt service				
Principal	10,348	21,215	21,300	(85)
Interest	1,364	4,690	4,640	50
Total expenditures	2,209,531	2,284,312	1,659,870	624,442
EXCESS OF REVENUES OVER EXPENDITURES	616,608	535,827	1,146,301	610,474
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	27,000	27,000	27,620	620
Transfers out	(653,411)	(653,411)	(653,411)	-
Total other financing sources (uses)	(626,411)	(626,411)	(625,791)	620
NET CHANGES IN FUND BALANCES	(9,803)	(90,584)	520,510	611,094
FUND BALANCES - BEGINNING	3,996,854	3,996,854	3,996,854	-
FUND BALANCES - ENDING	<u>\$ 3,987,051</u>	<u>\$ 3,906,270</u>	<u>\$ 4,517,364</u>	<u>\$ 611,094</u>

BUDGETARY COMPARISON SCHEDULE - Road Enhancement Fund

Year ended December 31, 2020

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Interest	\$ 3,500	\$ 3,500	\$ 75	\$ (3,425)
Other - special assessments	<u>381,540</u>	<u>381,540</u>	<u>414,400</u>	<u>32,860</u>
Total revenues	385,040	385,040	414,475	29,435
EXPENDITURES				
Public works	<u>545,000</u>	<u>576,626</u>	<u>595,890</u>	<u>(19,264)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(159,960)	(191,586)	(181,415)	10,171
OTHER FINANCING SOURCES				
Transfers in	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(9,960)	(41,586)	(31,415)	10,171
FUND BALANCES - BEGINNING	<u>47,765</u>	<u>47,765</u>	<u>47,765</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 37,805</u>	<u>\$ 6,179</u>	<u>\$ 16,350</u>	<u>\$ 10,171</u>

BUDGETARY COMPARISON SCHEDULE - Fire Improvement Fund

Year ended December 31, 2020

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Taxes	\$ 453,017	\$ 453,017	\$ 452,525	\$ (492)
Federal grants	-	112,355	62,355	(50,000)
Interest	12,500	12,500	7,944	(4,556)
Other - miscellaneous	1,000	1,000	589	(411)
Total revenues	466,517	578,872	523,413	(55,459)
EXPENDITURES				
Public safety - fire protection	841,067	903,422	788,814	114,608
Capital outlay	20,000	20,000	-	20,000
Total expenditures	861,067	923,422	788,814	134,608
DEFICIENCY OF REVENUES OVER EXPENDITURES	(394,550)	(344,550)	(265,401)	79,149
OTHER FINANCING SOURCES				
Transfers in	466,411	466,411	466,411	-
NET CHANGES IN FUND BALANCES	71,861	121,861	201,010	79,149
FUND BALANCES - BEGINNING	1,078,623	1,078,623	1,078,623	-
FUND BALANCES - ENDING	\$ 1,150,484	\$ 1,200,484	\$ 1,279,633	\$ 79,149

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET - nonmajor governmental funds

December 31, 2020

	Special revenue								Capital project		Debt service		Totals
	Road Improvement	Street Lighting	CCTA	Eagle Lake #1	Eagle Lake #2	Eagle Lake Drive	Crooked Lake #1	Crooked Lake #2	Michigan DNR Land and Water	Flood Mitigation	Flood Mitigation		
ASSETS													
Cash	\$ 5,089	\$ 133,778	\$ 12,385	\$ 101,933	\$ 127,326	\$ 7,130	\$ 103,276	\$ 104,322	\$ 13,623	\$ 117,824	\$ 210,326	\$ 937,012	
Receivables	1,774	50,141	3,958	-	37,214	1,260	-	24,611	150,000	-	529,198	798,156	
Total assets	\$ 6,863	\$ 183,919	\$ 16,343	\$ 101,933	\$ 164,540	\$ 8,390	\$ 103,276	\$ 128,933	\$ 163,623	\$ 117,824	\$ 739,524	\$ 1,735,168	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES													
Liabilities:													
Payables	\$ -	\$ 11,484	\$ 5,795	\$ -	\$ -	\$ -	\$ -	\$ 237	\$ -	\$ 58,632	\$ -	\$ 76,148	
Unearned special assessments	3,362	138,174	7,140	-	71,650	2,340	-	47,005	-	-	-	269,671	
Total liabilities	3,362	149,658	12,935	-	71,650	2,340	-	47,242	-	58,632	-	345,819	
Deferred inflows of resources -													
Unavailable special assessments	-	-	-	-	-	-	-	-	-	-	346,480	346,480	
Fund balances:													
Restricted for:													
Road maintenance	3,501	-	-	-	-	-	-	-	-	-	-	3,501	
Street lighting	-	34,261	-	-	-	-	-	-	-	-	-	34,261	
Private lake maintenance	-	-	-	101,933	92,890	6,050	103,276	81,691	-	-	-	385,840	
Public transportation	-	-	3,408	-	-	-	-	-	-	-	-	3,408	
Flood mitigation	-	-	-	-	-	-	-	-	-	59,192	-	59,192	
Debt service	-	-	-	-	-	-	-	-	-	-	393,044	393,044	
Assigned for - capital projects	-	-	-	-	-	-	-	-	163,623	-	-	163,623	
Total fund balances	3,501	34,261	3,408	101,933	92,890	6,050	103,276	81,691	163,623	59,192	393,044	1,042,869	
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,863	\$ 183,919	\$ 16,343	\$ 101,933	\$ 164,540	\$ 8,390	\$ 103,276	\$ 128,933	\$ 163,623	\$ 117,824	\$ 739,524	\$ 1,735,168	

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

Year ended December 31, 2020

	<i>Special revenue</i>							<i>Capital project</i>		<i>Debt service</i>		
	<i>Road Improvement</i>	<i>Street Lighting</i>	<i>CCTA</i>	<i>Eagle Lake #1</i>	<i>Eagle Lake #2</i>	<i>Eagle Lake Drive</i>	<i>Crooked Lake #1</i>	<i>Crooked Lake #2</i>	<i>Michigan DNR Land and Water</i>	<i>Flood Mitigation</i>	<i>Flood Mitigation</i>	<i>Totals</i>
REVENUES												
State grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,000	\$ -	\$ -	\$ 150,000
Interest	3	27	4	69	39	4	76	48	176	141	7,439	8,026
Other - special assessments	3,362	133,310	8,656	-	79,217	2,340	-	53,088	-	-	411,203	691,176
Total revenues	3,365	133,337	8,660	69	79,256	2,344	76	53,136	150,176	141	418,642	849,202
EXPENDITURES												
Current - public works	2,623	130,711	28,812	24,685	38,008	1,599	36,547	5,256	790	214,905	-	483,936
Capital outlay	-	-	-	-	-	-	-	-	278,813	168,376	-	447,189
Debt service:												
Principal	-	-	-	-	-	-	-	-	-	-	436,502	436,502
Interest	-	-	-	-	-	-	-	-	-	-	23,347	23,347
Total expenditures	2,623	130,711	28,812	24,685	38,008	1,599	36,547	5,256	279,603	383,281	459,849	1,390,974
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	742	2,626	(20,152)	(24,616)	41,248	745	(36,471)	47,880	(129,427)	(383,140)	(41,207)	(541,772)
OTHER FINANCING SOURCES												
Transfers in	-	-	12,000	-	-	-	-	-	-	25,000	-	37,000
NET CHANGES IN FUND BALANCES	742	2,626	(8,152)	(24,616)	41,248	745	(36,471)	47,880	(129,427)	(358,140)	(41,207)	(504,772)
FUND BALANCES - BEGINNING	2,759	31,635	11,560	126,549	51,642	5,305	139,747	33,811	293,050	417,332	434,251	1,547,641
FUND BALANCES - ENDING	\$ 3,501	\$ 34,261	\$ 3,408	\$ 101,933	\$ 92,890	\$ 6,050	\$ 103,276	\$ 81,691	\$ 163,623	\$ 59,192	\$ 393,044	\$ 1,042,869

BALANCE SHEET - component unit

December 31, 2020

ASSETS

Cash	\$ 194,075
Receivables	<u>47,214</u>
Total assets	<u>\$ 241,289</u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND FUND BALANCES**

Liabilities - accounts payable	\$ 460
Deferred inflows of resources - property tax revenues levied for the subsequent year	71,908
Fund balance - restricted for public works	<u>168,921</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 241,289</u>

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

Fund balance	\$ 168,921
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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.	215,544
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Long-term advance from primary government is not reported in the fund.	<u>(174,102)</u>
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Net position of the <i>component unit</i>	<u>\$ 210,363</u>
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Charter Township of Texas

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

Year ended December 31, 2020

REVENUES

Taxes	\$ 115,220
Interest	<u>901</u>
Total revenues	<u>116,121</u>

EXPENDITURES

Current - public works	31,444
Debt services:	
Principal	22,664
Interest	<u>4,988</u>
Total expenditures	<u>59,096</u>

NET CHANGE IN FUND BALANCE 57,025

FUND BALANCE - BEGINNING 111,896

FUND BALANCE - ENDING \$ 168,921

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

Net change in fund balance \$ 57,025

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

Capital assets - provision for depreciation	(6,548)
Advance from primary government - principal payments	<u>22,664</u>
Change in net position of <i>component unit</i>	<u><u>\$ 73,141</u></u>

BUDGETARY COMPARISON SCHEDULE - component unit

Year ended December 31, 2020

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 107,800	\$ 107,800	\$ 115,220	\$ 7,420
Interest	825	825	901	76
Other	2,000	2,000	-	(2,000)
Total revenues	110,625	110,625	116,121	5,496
EXPENDITURES				
Current - public works	92,850	92,850	31,444	61,406
Debt services:				
Principal	22,664	22,664	22,664	-
Interest	4,988	4,988	4,988	-
Total expenditures	120,502	120,502	59,096	61,406
NET CHANGES IN FUND BALANCES	(9,877)	(9,877)	57,025	66,902
FUND BALANCES - BEGINNING	111,896	111,896	111,896	-
FUND BALANCES - ENDING	<u>\$ 102,019</u>	<u>\$ 102,019</u>	<u>\$ 168,921</u>	<u>\$ 66,902</u>