

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY

MANISTEE, MICHIGAN

MARCH 31, 2019



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CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

MARCH 31, 2019

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June 24, 2019

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Charter Township of Filer
Manistee County
Manistee, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Charter Township of Filer, Manistee County, Manistee, Michigan as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Charter Township of Filer, Manistee County, Manistee, Michigan as of March 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iv through xii and 32-33 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 Charter Township of Filer, Michigan's basic financial statements. The combining fund financial statements section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2019, on our consideration of Charter Township of Filer, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter Township of Filer's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charter Township of Filer, Michigan's internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2019

Management's Discussion and Analysis

As management of Charter Township of Filer ("the Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

- ❖ The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$8,469,401 (*net position*). Of this amount, \$2,981,361 represents unrestricted net position, which may be used to meet the Township's ongoing obligations to citizens and creditors.
- ❖ At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$3,404,688, an increase of \$262,410 in comparison with the prior year. Of this amount, \$2,370,085 is available for spending at the Township's discretion (*unassigned fund balance*).
- ❖ At the end of the current fiscal year, unrestricted fund balance (the total of *committed, assigned, and unassigned* components of fund balance) for the general fund was \$2,370,085.
- ❖ The Township's total outstanding long-term debt increased by \$2,160,000 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis provided here are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents financial information on all of the Township's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2019

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, planning and zoning, public safety, public works, culture and recreation, capital outlay, and interest on long-term debt. The business-type activities of the Township include water and sewer utility services.

The government-wide financial statements include not only the Township itself (known as the *primary government*), but also a legally separate Downtown Development Authority and the Economic Development Authority for which the Township is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 1-3 of this report.

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Operating Fund, Liquor Law Enforcement Fund, Fire Hall Debt Fund and Garbage and Refuse Collection Fund, which are considered to be major funds.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2019

The Township adopts an annual appropriated budget for the General Fund, Fire Operating Fund, Liquor Law Enforcement Fund and the Garbage and Refuse Collection Fund. A budgetary comparison has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 4-7 of this report.

Proprietary Funds The Township maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprise funds to account for its water and sewer activities.

Proprietary funds provide the same type of information as the governmental-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 8-12 of this report.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The Township maintains one type of fiduciary fund. The Agency Fund reports resources held by the Township in a custodial capacity for other governments. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on page 13 of this report.

Component Units The Township's financial report includes reporting on separate legal entities for which the Township has some level of financial responsibility. These funds are shown in a separate column. The Township's component units include the Downtown Development Authority and the Economic Development Corporation.

The component unit statements can be found on pages 34-35 of this report.

Notes to Financial Statements The notes provide additional information that is necessary to acquire a full understanding of the data provided in the governmental-wide and fund financial statements. The notes can be found on pages 14-31 of this report.

Other Information In addition to the basic financial statements and accompanying notes, this report also presents *Required Supplementary Information* (RSI) that explains and supports the information presented in the financial statements.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2019

Government-Wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of Charter Township of Filer, assets exceeded liabilities by \$8,469,401 at the close of the most recent fiscal year.

Charter Township of Filer

Net Position

March 31,

	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	2019	2018	2019	2018	2019	2018
<u>Assets</u>						
Current Assets	\$ 3,452,409	\$ 3,196,150	\$ 1,190,955	\$ 1,197,691	\$ 4,643,364	\$ 4,393,841
Restricted Assets	0	0	1,911,962	1,740,096	1,911,962	1,740,096
Capital Assets	1,427,057	1,437,778	5,391,244	3,030,085	6,818,301	4,467,863
Total Assets	4,879,466	4,633,928	8,494,161	5,967,872	13,373,627	10,601,800
<u>Liabilities</u>						
Current Liabilities	47,721	58,416	769,505	1,192,031	817,226	1,250,447
Long-Term Liabilities	260,000	335,000	3,827,000	1,669,000	4,087,000	2,004,000
Total Liabilities	307,721	393,416	4,596,505	2,861,031	4,904,226	3,254,447
<u>Net Position</u>						
Net Investment in						
Capital Assets	1,167,057	1,102,778	1,407,244	1,281,085	2,574,301	2,383,863
Restricted for Specific Purpose	1,001,777	911,895	1,911,962	1,772,336	2,913,739	2,684,231
Unrestricted	2,402,911	2,225,839	578,450	53,420	2,981,361	2,279,259
Total Net Position	\$ 4,571,745	\$ 4,240,512	\$ 3,897,656	\$ 3,106,841	\$ 8,469,401	\$ 7,347,353

The largest portion of the Township's net position, \$2,981,361 represents unrestricted resources that may be used to meet the government's ongoing obligations to its citizens and creditors.

An additional portion of the Township's net position, \$2,913,739 represents resources that are subject to external restrictions. The remaining balance of \$2,574,301 represents its investment in capital assets (e.g. land, buildings, machinery, equipment, vehicles, water and sewer systems, and others), less any related outstanding debt that was used to acquire those assets. The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2019

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Township's overall net position increased by \$1,117,504 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for the governmental activities and business-type activities.

*Charter Township of Filer
Change in Net Position
Year Ended March 31,*

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$ 68,749	\$ 102,757	\$ 722,283	\$ 484,313	\$ 791,032	\$ 587,070
Operating Grants and Contributions	10,194	9,996	0	1,524,998	10,194	1,534,994
Capital Grants and Contributions	0	404,800	492,852	474,543	492,852	879,343
General Revenues						
Taxes	523,115	530,302	0	0	523,115	530,302
State Sources	356,392	343,330	0	0	356,392	343,330
Investment Earnings	4,260	3,395	61,204	1,605	65,464	5,000
Other	43,637	43,750	237	232	43,874	43,982
Transfers In (Out)	0	215,979	0	(215,979)	0	0
Total Revenues	1,006,347	1,654,309	1,276,576	2,269,712	2,282,923	3,924,021
<u>Expenses</u>						
General Government	317,386	374,077	0	0	317,386	374,077
Planning and Zoning	35,155	71,131	0	0	35,155	71,131
Public Safety	100,388	103,384	0	0	100,388	103,384
Public Works	171,196	135,804	0	0	171,196	135,804
Culture and Recreation	37,933	31,743	0	0	37,933	31,743
Capital Outlay	0	962	0	0	0	962
Interest on Long-Term Debt	17,600	21,170	0	0	17,600	21,170
Water & Sewer	0	0	485,761	319,842	485,761	319,842
Total Expenses	679,658	738,271	485,761	319,842	1,165,419	1,058,113
Change in Net Position	326,689	916,038	790,815	1,949,870	1,117,504	2,865,908
Beginning Net Position (Restated)	4,245,056	3,324,474	3,106,841	1,156,971	7,351,897	4,481,445
Ending Net Position	\$ 4,571,745	\$ 4,240,512	\$ 3,897,656	\$ 3,106,841	\$ 8,469,401	\$ 7,347,353

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2019

Governmental Activities The governmental activities accounted for an increase of \$326,689 in the Township's net position. The most significant portion of the revenue for all governmental activities of the Township comes from property taxes. The Township's millages in 2018 were 1.3955 mills for the operating purposes, 0.5000 mills for fire protection, 1.0000 mills for refuse collection and 0.5000 mills for the fire hall bond payoff.

The Township's governmental activities expenses are dominated by General Government, Public Works and Public Safety expenses. The Township spent \$317,386 in fiscal year 2018-2019 on General Government, \$171,196 on Public Works and \$100,388 on Public Safety expenses.

Business-Type Activities The Township's business-type activities accounted for an increase of \$790,815 in the Township's net position, leaving the Township's net position from business-type activities for the fiscal year ended March 31, 2019, at \$3,897,656.

The Water Fund accounts for \$342,912 of the increase while the remaining increase in net position is related to the Sewer Fund, \$447,903. Total operating expenses for the Water Fund were \$309,482 while the Sewer Fund had \$82,201 in expenses for the fiscal year ended March 31, 2019.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Township itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Township Board.

At March 31, 2019, the Township's governmental funds reported combined fund balances of \$3,404,688, an increase of \$262,410 in comparison with the prior year. Of this amount, \$2,370,085 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is 1) not in spendable form (\$32,826), 2) legally required to be maintained intact, 3) restricted for particular purposes (\$1,001,777), 4) committed for particular purposes, or 5) assigned for particular purposes.

General Fund – The General Fund is the main operating fund of the Township. The General Fund increased its fund balance in this fiscal year by \$172,507, bringing the balance to \$2,402,414. Of this amount, \$32,329 is in nonspendable form through prepaid expenditures, the remaining balance of \$2,370,085 is unassigned. The reason for the increase in fund balance is mostly due to an increase in personal property tax reimbursements and the Township lowering expenses by \$126,068 during the fiscal year. The board monitors its spending and strives to stay within budget and not run in the negative.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2019

Fire Operating Fund – The Fire Operating Fund increased its fund balance in this fiscal year by \$20,518, bringing the balance to \$271,213. The fund balance is restricted for fire safety expenditures, except for \$497 of nonspendable fund balance from prepaid expenditures. The public safety expenditures this year were less than the amount of taxes brought in as well as fire run revenues.

Liquor Law Enforcement Fund – The Liquor Law Enforcement Fund increased its fund balance minimally in this fiscal year by \$140, bringing the balance to \$42,994, all of which is restricted from liquor enforcement.

Garbage and Refuse Collection Fund – The Garbage and Refuse Collection Fund increased its fund balance in this fiscal year by \$77,155, bringing the balance to \$651,919. The entire fund balance is restricted for garbage collection. The primary reason for the increase in fund balance is due to an increase in personal property tax reimbursements.

Fire Hall Debt Service Fund – The Fire Hall Debt Service Fund decreased its fund balance in this fiscal year by \$7,910, bringing the balance to \$36,148. The entire fund balance is restricted for debt service. The primary reason for the decrease in fund balance is due to taxes received being less than the debt service payments.

Proprietary Funds The Township's proprietary funds provide virtually the same information as the government-wide statements; however more detail may be found in the fund financial statements.

Water Fund – The Water Fund ended this fiscal year with \$350,764 in unrestricted net position. The net position of this fund increased by \$342,912 in 2019. The primary reason for the increase in net position is due to expenditures being less than charges for services received during the fiscal year.

Sewer Fund – The Sewer Fund ended the year with \$2,480,692 in net position. The net position of this fund increased by \$447,903 in 2019. The primary reason for the increase in net position is due to capital contributions during the year.

General Fund Budgetary Highlights

During the year, there were the following budget amendments in appropriations between the original budget and final amended budget:

- Election increase \$2,000.
- Buildings and Grounds increase \$30,000.
- Culture and Recreation increase \$10,000.

These line items were amended to more adequately reflect actual spending during the year.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2019

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Revenues	\$ 522,156	\$ 522,156	\$ 624,247
Total Expenditures	\$ 503,881	\$ 545,881	\$ 451,740

The final budget compared to actual results for revenues varied primarily due to state sources and other revenues. The final budget compared to the actual results for expenditures varied primarily due to township board, building and grounds, planning and zoning, highways, streets and bridges, wastewater and capital outlay expenses.

Capital Asset and Debt Administration

Capital Assets The Township's investment in capital assets for the governmental and business-type activities as of March 31, 2019, amounted to \$6,818,301 (net of accumulated depreciation). Capital assets of the Township include land purchased in excess of \$5,000, buildings and improvements purchased that cost in excess of \$1,000, and personal property purchased in excess of \$2,000 and have an expected useful life of over one year. The Township has invested in a broad range of capital assets, as detailed below:

*Charter Township of Filer
Capital Assets as of March 31,*

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	\$ 409,800	\$ 409,800	\$ 25,407	\$ 25,407	\$ 435,207	\$ 435,207
Land Improvements	18,356	18,356	0	0	18,356	18,356
Buildings and Improvements	1,439,977	1,423,297	0	0	1,439,977	1,423,297
Machinery and Equipment	227,641	206,933	121,078	89,892	348,719	296,825
Furniture and Fixtures	3,000	3,000	0	0	3,000	3,000
Vehicles	618,114	618,114	22,367	22,367	640,481	640,481
Water Systems	0	0	1,888,747	1,888,747	1,888,747	1,888,747
Construction in Progress	0	0	4,299,651	1,889,419	4,299,651	1,889,419
Subtotal	2,716,888	2,679,500	6,357,250	3,915,832	9,074,138	6,595,332
Accumulated Depreciation	(1,289,831)	(1,241,722)	(966,006)	(885,747)	(2,255,837)	(2,127,469)
Net Capital Assets	\$ 1,427,057	\$ 1,437,778	\$ 5,391,244	\$ 3,030,085	\$ 6,818,301	\$ 4,467,863

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2019

Major capital asset events during fiscal year included the following:

- ❖ Building Improvements - \$8,499
- ❖ A/C Unit - \$8,181
- ❖ Alarm System - \$11,898
- ❖ Election Equipment - \$8,810
- ❖ Digital Water Meter Readers - \$31,186
- ❖ Sewer System - \$4,299,651

Additional information regarding the Township's capital assets can be found in the Notes to Financial Statements section.

Long-Term Debt As of March 31, 2019, the Township had total debt outstanding of \$4,244,000. More information on the Township's long-term debt is available in the Notes to Financial Statements section of this document.

Economic Outlook and Condition

State-shared revenues are expected to remain near the level recorded in 2018/2019. The Township continues to make progress towards a new wastewater system for Township residents, which is expected to be mostly completed by the end of the next fiscal year.

These factors were considered in preparing the Township's budgets for the 2019/2020 fiscal year.

Contacting the Township's Finance Department

This financial report is designed to provide the wide variety of users of this document with a general overview of the Township's finances and demonstrate the Township's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the Charter Township of Filer, 2505 Filer City Road, Manistee, Michigan 49660 or call us at (231) 723-3138.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

STATEMENT OF NET POSITION
MARCH 31, 2019

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS	
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash and Cash Equivalents	\$ 3,022,072	\$ 1,256,934	\$ 4,279,006	\$ 764,495
Receivables				
Accounts	10,924	159,288	170,212	0
Taxes	18,836	0	18,836	367
Interest	0	10,379	10,379	0
External Party Receivable (Fiduciary Fund)	492	0	492	0
Internal Balances	241,386	(241,386)	0	0
Due from Other Governments	125,873	998	126,871	0
Due from Primary Government	0	0	0	413,937
Prepaid Expenses	32,826	4,742	37,568	18,750
Total Current Assets	3,452,409	1,190,955	4,643,364	1,197,549
<u>RESTRICTED ASSETS</u>				
Special Assessment Receivables	0	1,452,740	1,452,740	0
Cash and Cash Equivalents	0	459,222	459,222	0
Total Restricted Assets	0	1,911,962	1,911,962	0
<u>CAPITAL ASSETS</u>				
Land	409,800	25,407	435,207	0
Land Improvements	18,356	0	18,356	0
Buildings and Improvements	1,439,977	0	1,439,977	0
Machinery and Equipment	227,641	121,078	348,719	0
Furniture and Fixtures	3,000	0	3,000	0
Vehicles	618,114	22,367	640,481	0
Water System	0	1,888,747	1,888,747	0
Construction in Progress	0	4,299,651	4,299,651	0
Total Capital Assets	2,716,888	6,357,250	9,074,138	0
Less Accumulated Depreciation	(1,289,831)	(966,006)	(2,255,837)	0
Net Capital Assets	1,427,057	5,391,244	6,818,301	0
TOTAL ASSETS	4,879,466	8,494,161	13,373,627	1,197,549

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

STATEMENT OF NET POSITION
MARCH 31, 2019

	<u>PRIMARY GOVERNMENT</u>			<u>COMPONENT UNITS</u>
	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS- TYPE ACTIVITIES</u>	<u>TOTALS</u>	
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	20,453	164,349	184,802	0
Salaries Payable	12,478	1,905	14,383	0
Interest Payable	0	47,038	47,038	0
Due to Component Unit	14,790	399,147	413,937	0
Unearned Revenue	0	66	66	0
Current Portion of Long-Term Debt	0	157,000	157,000	0
 Total Current Liabilities	 47,721	 769,505	 817,226	 0
 <u>LONG-TERM LIABILITIES</u>				
Bonds Payable - Net of Current Portion	260,000	3,827,000	4,087,000	0
 TOTAL LIABILITIES	 307,721	 4,596,505	 4,904,226	 0
 <u>NET POSITION</u>				
Net Investment in Capital Assets	1,167,057	1,407,244	2,574,301	0
Restricted for Debt Service	36,148	1,911,962	1,948,110	0
Restricted for Fire Protection	270,716	0	270,716	0
Restricted for Liquor Law Enforcement	42,994	0	42,994	0
Restricted for Garbage and Refuse Collection	651,919	0	651,919	0
Unrestricted	2,402,911	578,450	2,981,361	1,197,549
 TOTAL NET POSITION	 \$ 4,571,745	 \$ 3,897,656	 \$ 8,469,401	 \$ 1,197,549

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2019

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING	CAPITAL	PRIMARY GOVERNMENT			COMPONENT UNITS
			GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
<u>PRIMARY GOVERNMENT</u>								
<u>GOVERNMENTAL ACTIVITIES</u>								
General Government	\$ 317,386	\$ 51,915	\$ 0	\$ 0	\$ (265,471)	\$ 0	\$ (265,471)	\$ 0
Planning and Zoning	35,155	0	0	0	(35,155)	0	(35,155)	0
Public Safety	100,388	16,834	6,076	0	(77,478)	0	(77,478)	0
Public Works	171,196	0	4,118	0	(167,078)	0	(167,078)	0
Culture and Recreation	37,933	0	0	0	(37,933)	0	(37,933)	0
Interest on Long-Term Debt	17,600	0	0	0	(17,600)	0	(17,600)	0
Total Governmental Activities	679,658	68,749	10,194	0	(600,715)	0	(600,715)	0
<u>BUSINESS-TYPE ACTIVITIES</u>								
Water and Sewer System	485,761	722,283	0	492,852	0	729,374	729,374	0
TOTAL PRIMARY GOVERNMENT	\$ 1,165,419	\$ 791,032	\$ 10,194	\$ 492,852	(600,715)	729,374	128,659	0
<u>COMPONENT UNITS</u>								
Economic Development	\$ 547,561	\$ 0	\$ 0	\$ 0	0	0	0	(547,561)
<u>GENERAL REVENUES</u>								
Taxes					523,115	0	523,115	151,537
State Sources					356,392	0	356,392	14,132
Investment Earnings					4,260	61,204	65,464	1,502
Other					43,637	237	43,874	0
Total General Revenues					927,404	61,441	988,845	167,171
Change in Net Position					326,689	790,815	1,117,504	(380,390)
NET POSITION - Beginning of Year (Restated)					4,245,056	3,106,841	7,351,897	1,577,939
NET POSITION - End of Year					\$ 4,571,745	\$ 3,897,656	\$ 8,469,401	\$ 1,197,549

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2019

	MAJOR FUNDS					TOTALS
	GENERAL	FIRE OPERATING	LIQUOR LAW ENFORCEMENT	GARBAGE AND REFUSE COLLECTION	FIRE HALL DEBT SERVICE	
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 2,080,479	\$ 271,564	\$ 43,254	\$ 624,153	\$ 2,622	\$3,022,072
Receivables						
Accounts	10,924	0	0	0	0	10,924
Taxes	8,555	2,567	0	5,134	2,580	18,836
Due from Other Funds	241,878	0	0	0	30,946	272,824
Due from Other Governments	92,863	0	0	33,010	0	125,873
Prepaid Expenditures	32,329	497	0	0	0	32,826
TOTAL ASSETS	\$ 2,467,028	\$ 274,628	\$ 43,254	\$ 662,297	\$ 36,148	\$3,483,355
<u>LIABILITIES AND FUND BALANCES</u>						
<u>LIABILITIES</u>						
Accounts Payable	\$ 9,021	\$ 1,054	\$ 0	\$ 10,378	\$ 0	\$ 20,453
Salaries Payable	9,857	2,361	260	0	0	12,478
Due to Other Funds	30,946	0	0	0	0	30,946
Due to Component Unit	14,790	0	0	0	0	14,790
Total Liabilities	64,614	3,415	260	10,378	0	78,667
<u>FUND BALANCES</u>						
Nonspendable						
Prepaid Expenditures	32,329	497	0	0	0	32,826
Restricted for:						
Debt Service	0	0	0	0	36,148	36,148
Fire Protection	0	270,716	0	0	0	270,716
Liquor Law Enforcement	0	0	42,994	0	0	42,994
Garbage and Refuse Collection	0	0	0	651,919	0	651,919
Unassigned	2,370,085	0	0	0	0	2,370,085
Total Fund Balance	2,402,414	271,213	42,994	651,919	36,148	3,404,688
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,467,028	\$ 274,628	\$ 43,254	\$ 662,297	\$ 36,148	\$3,483,355

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
MARCH 31, 2019

Total Fund Balances for Governmental Funds \$ 3,404,688

Amounts reported for governmental activities in the
Statement of Net Position are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$ 409,800	
Land Improvements	18,356	
Buildings & Improvements	1,439,977	
Machinery and Equipment	227,641	
Furniture and Fixtures	3,000	
Vehicles	618,114	
Accumulated Depreciation	<u>(1,289,831)</u>	1,427,057

Long-term liabilities are not due and payable in the current period
and therefore are not reported in the funds.

Bonds Payable		<u>(260,000)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 4,571,745</u></u>
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The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2019

	MAJOR FUNDS					TOTALS
	GENERAL	FIRE OPERATING	LIQUOR LAW ENFORCEMENT	GARBAGE AND REFUSE COLLECTION	FIRE HALL DEBT SERVICE	
<u>REVENUES</u>						
Taxes	\$ 244,269	\$ 68,490	\$ 0	\$ 136,987	\$ 73,369	\$ 523,115
Licenses and Permits	47,725	0	0	0	0	47,725
State Sources	281,014	11,556	4,076	55,883	12,057	364,586
Charges for Services	4,190	16,834	0	0	0	21,024
Interest and Rents	9,998	558	0	0	14	10,570
Other Revenue	37,051	2,276	0	0	0	39,327
Total Revenues	624,247	99,714	4,076	192,870	85,440	1,006,347
<u>EXPENDITURES</u>						
General Government	325,123	0	0	0	0	325,123
Planning and Zoning	35,155	0	0	0	0	35,155
Public Safety	0	79,196	3,936	0	750	83,882
Public Works	55,481	0	0	115,715	0	171,196
Culture and Recreation	35,981	0	0	0	0	35,981
Debt Service						
Principal	0	0	0	0	75,000	75,000
Interest	0	0	0	0	17,600	17,600
Total Expenditures	451,740	79,196	3,936	115,715	93,350	743,937
Excess of Revenues Over Expenditures	172,507	20,518	140	77,155	(7,910)	262,410
<u>FUND BALANCES</u> - Beginning of Year (Restated)	2,229,907	250,695	42,854	574,764	44,058	3,142,278
<u>FUND BALANCES</u> - End of Year	\$ 2,402,414	\$ 271,213	\$ 42,994	\$ 651,919	\$ 36,148	\$ 3,404,688

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2019

Net Change in Fund Balance - Total Governmental Funds \$ 262,410

Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures. These costs are allocated over their estimated useful lives as depreciation in the Statement of Activities. Additionally, the gain or loss on sale or disposal of capital assets is recorded in the Statement of Activities.

Depreciation Expense	(48,109)
Capital Outlay	37,388

Repayments of principal on long-term debt are an expenditure in the governmental funds, but not in the Statement of Activities (where they are a reduction of liabilities).	<u>75,000</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 326,689</u></u>
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The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF NET POSITION
MARCH 31, 2019

	WATER FUND	SEWER FUND	TOTALS
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and Cash Equivalents	\$ 217,053	\$ 1,039,881	\$ 1,256,934
Accounts Receivable	140,796	18,492	159,288
Interest Receivable	0	10,379	10,379
Due from Other Governments	998	0	998
Prepaid Expense	4,742	0	4,742
	<hr/>	<hr/>	<hr/>
Total Current Assets	363,589	1,068,752	1,432,341
<u>RESTRICTED ASSETS</u>			
Special Assessments Receivable	0	1,452,740	1,452,740
Bond Reserve Account	131,638	3,000	134,638
Bond Interest and Redemption	277,546	47,038	324,584
	<hr/>	<hr/>	<hr/>
Total Restricted Assets	409,184	1,502,778	1,911,962
<u>NONCURRENT ASSETS</u>			
<u>CAPITAL ASSETS</u>			
Land	0	25,407	25,407
Machinery and Equipment	121,078	0	121,078
Vehicles	22,367	0	22,367
Water System	1,888,747	0	1,888,747
Sewer System	0	4,299,651	4,299,651
	<hr/>	<hr/>	<hr/>
Total Capital Assets	2,032,192	4,325,058	6,357,250
Less Accumulated Depreciation	(930,176)	(35,830)	(966,006)
Net Capital Assets	<hr/>	<hr/>	<hr/>
	1,102,016	4,289,228	5,391,244
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	1,874,789	6,860,758	8,735,547

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF NET POSITION
MARCH 31, 2019

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTALS</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	10,854	153,495	164,349
Interest Payable	0	47,038	47,038
Due to Other Funds	0	241,386	241,386
Due to Component Unit	0	399,147	399,147
Salaries Payable	1,905	0	1,905
Unearned Revenue	66	0	66
Current Portion of Long-Term Debt	85,000	72,000	157,000
Total Current Liabilities	97,825	913,066	1,010,891
 <u>LONG-TERM LIABILITIES</u>			
Revenue Bonds Payable (Net of Current Portion)	360,000	3,467,000	3,827,000
TOTAL LIABILITIES	457,825	4,380,066	4,837,891
 <u>NET POSITION</u>			
Net Investment in Capital Assets	657,016	750,228	1,407,244
Restricted for Debt Service	409,184	1,502,778	1,911,962
Unrestricted	350,764	227,686	578,450
TOTAL NET POSITION	\$ 1,416,964	\$ 2,480,692	\$ 3,897,656

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY

MANISTEE, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
YEAR ENDED MARCH 31, 2019

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTALS</u>
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 660,261	\$ 62,022	\$ 722,283
Miscellaneous	237	0	237
Total Operating Revenue	<u>660,498</u>	<u>62,022</u>	<u>722,520</u>
<u>OPERATING EXPENSES</u>			
Wages and Fringe Benefits	27,571	0	27,571
Office Supplies	695	395	1,090
Professional Services	179,252	44,961	224,213
Operating Supplies	15,368	0	15,368
Vehicle Expense	1,266	0	1,266
Printing and Publishing	405	0	405
Utilities	35,793	675	36,468
Repairs and Maintenance	2,160	0	2,160
Depreciation	44,429	35,830	80,259
Administrative	0	340	340
Miscellaneous	2,543	0	2,543
Total Operating Expenses	<u>309,482</u>	<u>82,201</u>	<u>391,683</u>
Operating Income (Loss)	<u>351,016</u>	<u>(20,179)</u>	<u>330,837</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Contribution From Component Unit	0	90,000	90,000
Interest Income	4,021	57,183	61,204
Interest Expense	(12,125)	(81,953)	(94,078)
Total Nonoperating Revenues (Expenses)	<u>(8,104)</u>	<u>65,230</u>	<u>57,126</u>
Capital Contributions	0	402,852	402,852
Change in Net Position	342,912	447,903	790,815
<u>TOTAL NET POSITION</u> - Beginning of Year	<u>1,074,052</u>	<u>2,032,789</u>	<u>3,106,841</u>
<u>TOTAL NET POSITION</u> - End of Year	<u>\$ 1,416,964</u>	<u>\$ 2,480,692</u>	<u>\$ 3,897,656</u>

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2019

	WATER FUND	SEWER FUND	TOTALS
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>			
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 646,678	\$ 43,530	\$ 690,208
Cash Payments to Suppliers for Goods and Services	(256,763)	(166,770)	(423,533)
Cash Payments to Employees for Services Provided	(27,729)	0	(27,729)
Net Cash Provided by (Used for) Operating Activities	362,186	(123,240)	238,946
Cash Flows from Capital and Related Financing Activities			
Acquisition and Construction of Capital Assets	(31,186)	(2,410,232)	(2,441,418)
Collections on Special Assessments	0	40,018	40,018
Contributions from Local Units	0	90,000	90,000
Principal Paid on Bonds	(80,000)	(146,000)	(226,000)
Proceeds from Revenue Bonds	0	2,461,000	2,461,000
Interest Paid on Bonds	(12,125)	(34,915)	(47,040)
Capital Contributions	0	402,852	402,852
Net Cash Provided by (Used for) Capital and Related Financing Activities	(123,311)	402,723	279,412
Cash Flows from Investing Activities			
Interest Income	4,021	46,804	50,825
Net Increase (Decrease) in Cash and Cash Equivalents	242,896	326,287	569,183
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	383,341	763,632	1,146,973
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	\$ 626,237	\$ 1,089,919	\$ 1,716,156

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2019

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTALS</u>
<u>RECONCILIATION OF OPERATING INCOME</u>			
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>			
Operating Income (Loss)	\$ 351,016	\$ (20,179)	\$ 330,837
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation and Amortization	44,429	35,830	80,259
(Increase) Decrease in Current Assets			
Accounts Receivable	(13,619)	(18,492)	(32,111)
Due from Other Governments	(452)	407,000	406,548
Prepaid Expense	77	0	77
Increase (Decrease) in Current Liabilities			
Accounts Payable	(18,906)	(472,669)	(491,575)
Due to Other Funds	0	(100)	(100)
Accrued Expenses	(158)	0	(158)
Retainage Payable	0	(54,630)	(54,630)
Unearned Revenue	(201)	0	(201)
Total Adjustments	11,170	(103,061)	(91,891)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 362,186</u>	<u>\$ (123,240)</u>	<u>\$ 238,946</u>

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION
MARCH 31, 2019

	<u>AGENCY FUND TAX COLLECTION FUND</u>
<u>ASSETS</u>	
Cash	\$ 20,908
<u>LIABILITIES</u>	
Due to Other Funds	492
Due to Other Governments	20,416
TOTAL LIABILITIES	20,908
<u>NET POSITION</u>	\$ 0

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary governmental is financially accountable.

B. Reporting Entity

Filer Township is a Charter Township located in Manistee County, Michigan. The Township is governed by an elected seven-member board. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the primary government.

DISCRETELY PRESENTED COMPONENT UNITS

Downtown Development Authority (DDA) – The DDA was established pursuant to the provisions of Act No. 197 of the Public Acts of Michigan 1975. The members of the governing board of the Downtown Development Authority are appointed by the Township Board. The Authority's budget must be approved by the Township Board.

Economic Development Corporation – (EDC) – The EDC has a very small balance left in the bank account, and there is no activity in this fund anymore, besides a small amount of interest income each year.

Financial statements of the individual component units are included as supplemental information in the annual financial report of the Charter Township of Filer, Michigan. The component units do not issue separate financial reports.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

As discussed earlier, the Township has two discretely presented component units. While the Downtown Development Authority and Economic Development Corporation are considered to be major component units, they are nevertheless shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between government's water functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The Charter Township of Filer reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Operating Fund* is used to account for the financial activity of the fire department activities.

The *Liquor Law Enforcement Fund* accounts for revenue sources that are legally restricted to expenditures for liquor law enforcement.

The *Garbage and Refuse Collection Fund* accounts for revenue sources that are legally restricted to expenditures for garbage and refuse collection within the Township.

The *Fire Hall Debt Service Fund* accounts for activities related to paying off the bonds related to the new fire hall.

The Charter Township of Filer reports the following major proprietary funds:

The *Water Fund* records financial activity of the water system which provides water to customers.

The *Sewer Fund* records financial activity of the sewer system which operates the sanitary sewer system provided to residents.

Additionally, the Charter Township of Filer reports the following fiduciary fund:

The *Agency Fund* accounts for property taxes collected by the Township on behalf of other governmental units, as well as the Township's General Fund, Fire Operating Fund, Garbage and Refuse Collection Fund and Fire Hall Debt Fund.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, transfers between the funds included in business-type activities are eliminated so that only the net amount is included as internal transfers in the business type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is

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received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

F. Budgetary Information

1. Budgetary Basis of Accounting

- Prior to March 1, the Township supervisor submits to the Township Board a proposed operating budget for all governmental funds for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- The Township Board holds a public hearing and adopts a resolution approving the budgets.
- All transfers of budget amounts between functions within the General Fund and any revisions that alter the total expenditures of any fund must be approved by the Township Board. General Fund expenditures may not legally exceed budgeted appropriations at the major function level. Expenditures in all other governmental funds may not exceed appropriations at the total fund level.
- Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
- Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). All appropriations lapse at year end. Budgeted amounts are as originally adopted, or as amended by the Township Board from time to time throughout the year. The Township amended the budget various times during the current fiscal year.
- Encumbrance accounting is not employed in governmental funds.

2. Excess of Expenditures Over Appropriations

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Supervisor	\$ 20,800	\$ 20,856
Elections	10,100	18,696
Public Works		
Street Lighting	41,000	44,275
Wastewater	0	11,206

These overages were funded by greater than anticipated revenues and available fund balance.

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G. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

1. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments, including certificates of deposit.

2. Investments

The Township's investment policy is in compliance with state law and authorizes the Township to invest in the following:

- a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b) Repurchase agreements consisting of instruments listed above are documented by a written agreement and are fully collateralized by delivery to an independent third-party custodian.
- c) Commercial paper rated at the time of purchase within the highest classifications established by not less than 2 national rating services and that matures not more than 270 days after the date of purchase provided that no more than 3 percent of the total portfolio may be invested in any one issuer's obligation.
- d) Bankers' acceptances of United States banks.
- e) Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- f) Mutual funds registered under the federal investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - i. The purchase of securities on a when-issued or delayed delivery basis.
 - ii. The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - iii. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- g) Obligations described in subdivisions (a) through (f) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967.
- h) The investment pools organized under the Local Government Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.
- i) The investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

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3. *Inventories and Prepaid Items*

Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. There were no material inventories at year end.

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

4. *Restricted Assets*

Certain resources of the Water and Sewer Fund, which are set aside for repayment of revenue bonds, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "bond redemption" and the "bond reserve" accounts are used to report resources set aside to make current debt service payments and to make up potential future deficiencies in the funds available for debt service.

5. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as land with an initial, individual cost of more than \$5,000 (amount not rounded); buildings and improvements with an initial, individual cost of more than \$1,000 (amount not rounded); and personal property with an initial, individual cost of more than \$2,000 (amount not rounded) 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 at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government, as well as the component unit are depreciated using the straight-line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Infrastructure	50
Land Improvements	20-50
Machinery and Equipment	5-10
Vehicles	5-10

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6. *Unearned Revenue*

Unearned revenue arises when resources are received by the Township before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The Township has minimal unearned revenue in the water fund of \$66.

7. *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Deferred Outflows/Inflows of Resources*

In addition to assets, the *Statement of Net Position* will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government does not have any items that qualify for reporting in this category.

In addition to liabilities, *Statement of Net Position* will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has no items that qualify for reporting in this category.

9. *Net Position Flow Assumption*

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

10. *Fund Balance Flow Assumptions*

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the

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governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

11. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

12. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

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2. *Property Taxes*

Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and county taxes are levied and due July 1 and become delinquent after September 14. The remaining millages are levied and due December 1 and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations

The 2018 taxable valuation of Filer Township totaled \$145,302,920, on which ad valorem taxes levied consisted of 1.3955 mills for the operating purposes, 0.5000 mills for fire protection, 1.0000 mills for refuse collection and 0.5000 mills for fire hall debt service payments. These levies raised approximately \$202,770 for operating purposes, \$72,651 for fire protection, \$145,303 for refuse collection and general operating purposes, and \$72,651 for fire hall debt service payments. These amounts are recognized in the respective General Fund, Fire Operating Fund, Garbage and Refuse Collection Fund and the Fire Hall Debt Service Fund statements as tax revenue.

3. *Proprietary Funds Operating and Nonoperating Revenues and Expenses*

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 water and sewer fund are charges to customers for services. Operating expenses for the water and sewer fund include cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Violations of Legal or Contractual Provisions*

Note I.F.2, on the Excess of Expenditures Over Appropriations, describes a budgetary violation that occurred for the year ended March 31, 2019.

III. DETAILED NOTES ON ALL FUNDS

A. *Cash Deposits with Financial Institutions*

The Township's deposits and investments are all on deposit with various banking institutions. Other than interest bearing bank accounts and certificates of deposit, the Township has no investments.

Custodial credit risk – deposits. In the case of deposits, this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2019, \$3,270,038 of the government's bank balance of \$4,837,145 was exposed to custodial credit risk because it was uninsured and uncollateralized. As of the same date, the discretely presented component units had \$44,796 of the total bank balance of \$750,539 exposed to custodial credit risk. The risk is spread amongst the Township's funds. Although the Township's investment policy does not directly address custodial credit risk, it typically limits its exposure by controlling who holds the Township's deposits.

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Interest rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs).

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

Fair Market Value Disclosure - The Township is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There are two types

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of valuation techniques most commonly used and vary depending on the level of investment. These two techniques are the market approach and income approach. The market approach uses prices and other relevant information generated by the market transactions involving identical or similar assets and liabilities. The income approach discounts future amounts to a single current amount and the discount rate used in the process should reflect current market expectations about risks associated with those future cash flows.

The Township does not have any investments that are subject to fair value disclosure.

The carrying amount of deposits and investments is as follows:

	Total
Deposits - including Fiduciary Funds of \$20,908	\$ 4,759,136

The above amounts are reported in the financial statements as follows:

	Total
Cash - Fiduciary Funds	\$ 20,908
Cash - Governmental Funds	3,022,072
Cash - Enterprise Funds	1,256,934
Restricted Cash - Enterprise Funds	459,222
	\$ 4,759,136

B. Receivables

Receivables as of March 31, 2019, for the government's individual major funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Fire Operating	Fire Hall Debt Service	Garbage and Refuse Collection	Water	Sewer	Total
Receivables							
Accounts	\$ 10,924	\$ 0	\$ 0	\$ 0	\$140,796	\$ 18,492	\$ 170,212
Taxes	8,555	2,567	2,580	5,134	0	0	18,836
Interest	0	0	0	0	0	10,379	10,379
Due from							
Other Governments	92,863	0	0	33,010	998	0	126,871
Special Assessments	0	0	0	0	0	1,492,758	1,492,758
Total Receivables	\$112,342	\$ 2,567	\$ 2,580	\$ 38,144	\$141,794	\$1,521,629	\$1,819,056

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Amounts due from other governments include amounts due from state sources for various projects and programs.

By ordinance, the Township can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 409,800	\$ 0	\$ 0	\$ 409,800
Capital Assets, Being Depreciated				
Land Improvements	18,356	0	0	18,356
Buildings and Improvements	1,423,297	16,680	0	1,439,977
Machinery and Equipment	206,933	20,708	0	227,641
Furniture and Fixtures	3,000	0	0	3,000
Vehicles	618,114	0	0	618,114
Total Capital Assets, Being Depreciated	2,269,700	37,388	0	2,307,088
Less Accumulated Depreciation for:				
Land Improvements	4,008	918	0	4,926
Buildings and Improvements	454,450	27,174	0	481,624
Machinery and Equipment	172,903	14,334	0	187,237
Furniture and Fixtures	3,000	0	0	3,000
Vehicles	607,361	5,683	0	613,044
Total Accumulated Depreciation	1,241,722	48,109	0	1,289,831
Total Capital Assets, Being Depreciated, Net	1,027,978	(10,721)	0	1,017,257
Governmental Activities Capital Assets, Net	\$1,437,778	\$ (10,721)	\$ 0	\$1,427,057

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	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 25,407	\$ 0	\$ 0	\$ 25,407
Capital Assets, Being Depreciated				
Machinery and Equipment	89,892	31,186	0	121,078
Vehicles	22,367	0	0	22,367
Water System	1,888,747	0	0	1,888,747
Sewer System	0	4,299,651	0	4,299,651
Construction in Progress	1,889,419	0	(1,889,419)	0
Total Capital Assets, Being Depreciated	3,890,425	4,330,837	(1,889,419)	6,331,843
Less Accumulated Depreciation for:				
Machinery and Equipment	54,118	6,281	0	60,399
Vehicles	21,994	373	0	22,367
Water System	809,635	37,775	0	847,410
Sewer System	0	35,830	0	35,830
Total Accumulated Depreciation	885,747	80,259	0	966,006
Total Capital Assets, Being Depreciated, Net	3,004,678	4,250,578	(1,889,419)	5,365,837
Business-Type Activities Capital Assets, Net	\$ 3,030,085	\$ 4,250,578	\$ (1,889,419)	\$ 5,391,244

Depreciation expense was charged to the following activities:

Governmental Activities	
General Government	\$ 17,988
Public Safety	28,169
Recreation and Culture	1,952
Total Depreciation Expense - Governmental Activities	\$ 48,109
Business Type Activities	
Water	\$ 44,429
Sewer	35,830
	\$ 80,259

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D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2019, were:

<u>FUNDS</u>	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 241,878	\$ 30,946
Debt Service		
Fire Hall Debt Service	30,946	0
Agency Fund - Tax Fund	0	492
Sewer Fund	0	241,386
TOTAL FUNDS	\$ 272,824	\$ 272,824

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at March 31, 2019, are expected to be repaid within one year.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. There were no transfers during 2018-2019 fiscal year.

E. Long-Term Debt

1. Primary Government

The following is a summary of debt transactions of the Charter Township of Filer for the year ended March 31, 2019:

Governmental and Business Type Activities:

	REVENUE BONDS	GENERAL OBLIGATION BONDS	TOTAL
Debt Payable at April 1, 2018	\$ 525,000	\$ 1,559,000	\$ 2,084,000
New Debt Incurred	0	2,461,000	2,461,000
Debt Retired	(80,000)	(221,000)	(301,000)
Debt Payable at March 31, 2019	\$ 445,000	\$ 3,799,000	\$ 4,244,000
Due Within One Year	\$ 85,000	\$ 72,000	\$ 157,000

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Revenue Bonds

\$1,490,000 Water Supply System Revenue Bonds due in annual installments of \$80,000 to \$95,000 plus semi-annual interest payments at 2.5% through 10/1/2023. \$ 445,000

General Obligation Bonds

\$850,000 General Obligation Bonds for the fire hall, due in annual installments of \$75,000 to \$95,000 plus semi-annual interest payments at 5.50% through 4/1/2022. 260,000

\$3,838,000 General Obligation Bonds for the sewer system, due in annual installments of \$35,000 to \$126,000 plus semi-annual interest payments at up to 2.75% through 8/1/2057. 3,539,000

3,539,000
\$4,244,000

The annual requirements to amortize these debts outstanding as of March 31, 2019, including interest payments of \$2,174,928, are as follows:

YEAR ENDING MARCH 31,	REVENUE BONDS	GENERAL OBLIGATION BONDS	TOTAL
2020			
PRINCIPAL	\$ 85,000	\$ 72,000	\$ 157,000
INTEREST	10,063	113,195	123,258
TOTAL	<u>95,063</u>	<u>185,195</u>	<u>280,258</u>
2021			
PRINCIPAL	85,000	153,000	238,000
INTEREST	7,938	107,041	114,979
TOTAL	<u>92,938</u>	<u>260,041</u>	<u>352,979</u>
2022			
PRINCIPAL	90,000	159,000	249,000
INTEREST	5,750	100,515	106,265
TOTAL	<u>95,750</u>	<u>259,515</u>	<u>355,265</u>
2023			
PRINCIPAL	90,000	170,000	260,000
INTEREST	3,500	93,431	96,931
TOTAL	<u>93,500</u>	<u>263,431</u>	<u>356,931</u>
2024			
PRINCIPAL	95,000	76,000	171,000
INTEREST	1,187	91,355	92,542
TOTAL	<u>96,187</u>	<u>167,355</u>	<u>263,542</u>

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YEAR ENDING MARCH 31,	REVENUE BONDS	GENERAL OBLIGATION BONDS	TOTAL
2025-2029			
PRINCIPAL	0	395,000	395,000
INTEREST	0	424,669	424,669
TOTAL	0	819,669	819,669
2030-2034			
PRINCIPAL	0	420,000	420,000
INTEREST	0	368,638	368,638
TOTAL	0	788,638	788,638
2035-2039			
PRINCIPAL	0	445,000	445,000
INTEREST	0	309,169	309,169
TOTAL	0	754,169	754,169
2040-2044			
PRINCIPAL	0	475,000	475,000
INTEREST	0	246,084	246,084
TOTAL	0	721,084	721,084
2045-2049			
PRINCIPAL	0	498,000	498,000
INTEREST	0	173,649	173,649
TOTAL	0	671,649	671,649
2050-2054			
PRINCIPAL	0	502,000	502,000
INTEREST	0	94,545	94,545
TOTAL	0	596,545	596,545
2055-2057			
PRINCIPAL	0	434,000	434,000
INTEREST	0	24,200	24,200
TOTAL	0	458,200	458,200
GRAND TOTAL			
PRINCIPAL	445,000	3,799,000	4,244,000
INTEREST	28,438	2,146,490	2,174,928
TOTAL	\$ 473,438	\$ 5,945,490	\$ 6,418,928

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

The Township continues to carry commercial insurance for various risks of loss, including general liability, property and casualty, employee health and accident insurance, and workers' disability compensation. The Township has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

B. Retirement Benefits

The Township participates in a defined contribution plan covering all elected officials, the Fire Chief, Class I employees, and all other full-time employees. The Township contributes 7.5% based on annual compensation while plan members may make additional voluntary contributions. Covered wages were \$96,100 while total wages were \$181,542. The Township's contribution for the year ended March 31, 2019 was \$6,346, and there were no employee contributions. Administration fees amounted to \$3,225. The Board has the authority to establish and amend the plan.

C. Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

D. Commitments and Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required, and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the Township.

E. GASB 77 - Tax Abatements

Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements in the footnotes of the financial statements:

INDUSTRIAL FACILITIES EXEMPTION

Municipalities within the boundaries of the Township entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended to enable renovation and expansion of aging facilities, assist in the building of new facilities and promote the establishment of high tech facilities. This results in a 50% reduction to the Township's property tax revenue. For the fiscal year ended March 31, 2019, the Township's property taxes were reduced by \$6,152 under this program.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

F. Related Party Transaction

During the year, the Downtown Development Authority (DDA), a component unit of the Township, contributed \$492,852 towards the sewer system construction.

G. Subsequent Event

Subsequent to year-end, the Township Board approved local road improvements with the approximate cost of \$74,000. No adjustments were made to the financial statements.

H. Prior Period Adjustment

During the fiscal year, adjustments were made to the fund balance stated in the March 31, 2018 audit report. The prior period fund balance was restated to adjust for prepaid expenditures by the Township that should have been accounted for as such and, therefore the adjustment is for the purpose of recording pension payments in the proper accounting period. The following table summarizes the adjustments made to beginning fund balance and net position:

	<u>Fund Balance</u>	<u>Net Position</u>
General Fund and Governmental Activities - As Previously Reported as of March 31, 2018	\$ 2,225,363	\$ 4,240,512
Prepaid Expenditures/Expenses	4,544	4,544
	<hr/>	<hr/>
General Fund and Governmental Activities - Restated as of March 31, 2018	\$ 2,229,907	\$ 4,245,056
	<hr/>	<hr/>

I. Upcoming Accounting Pronouncements

Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, was issued by the GASB in January 2017 and will be effective for the Township's 2020 fiscal year-end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Townships with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2019

	<u>GENERAL FUND</u>			<u>FIRE OPERATING FUND</u>		
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>BUDGET</u>	<u>BUDGET</u>	
<u>REVENUES</u>						
Taxes	\$ 235,483	\$ 235,483	\$ 244,269	\$ 74,652	\$ 74,652	\$ 68,490
Licenses and Permits	49,188	49,188	47,725	0	0	0
State Sources	218,422	218,422	281,014	0	0	11,556
Charges for Services	50	50	4,190	10,757	10,757	16,834
Interest and Rents	7,391	7,391	9,998	200	200	558
Other Revenue	11,622	11,622	37,051	2,600	2,600	2,276
Total Revenues	522,156	522,156	624,247	88,209	88,209	99,714
<u>EXPENDITURES</u>						
General Government						
Township Board	163,000	163,000	146,052	0	0	0
Supervisor	20,800	20,800	20,856	0	0	0
Elections	8,100	10,100	18,696	0	0	0
Assessor	33,500	33,500	33,499	0	0	0
Clerk	23,200	23,200	22,612	0	0	0
Board of Review	2,400	2,400	1,860	0	0	0
Treasurer	23,200	23,200	21,839	0	0	0
Building and Grounds	56,300	86,300	59,709	0	0	0
Planning and Zoning	57,100	57,100	35,155	0	0	0
Public Safety						
Fire	0	0	0	85,122	90,462	79,196
Liquor Law Enforcement	0	0	0	0	0	0
Public Works						
Highways, Streets and Bridges	30,000	30,000	0	0	0	0
Drains and Hydrant Rentals	2,000	2,000	0	0	0	0
Street Lighting	41,000	41,000	44,275	0	0	0
Refuse	0	0	0	0	0	0
Wastewater	0	0	11,206	0	0	0
Culture and Recreation	34,500	44,500	35,981	0	0	0
Capital Outlay	8,781	8,781	0	0	0	0
Contingency	0	0	0	3,087	3,087	0
Total Expenditures	503,881	545,881	451,740	88,209	93,549	79,196
Excess of Revenues Over Expenditures	18,275	(23,725)	172,507	0	(5,340)	20,518
<u>FUND BALANCE - Beginning of Year (Restated)</u>	0	45,000	2,229,907	0	5,340	250,695
<u>FUND BALANCE - End of Year</u>	<u>\$ 18,275</u>	<u>\$ 21,275</u>	<u>\$ 2,402,414</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 271,213</u>

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2019

	<u>LIQUOR LAW ENFORCEMENT FUND</u>			<u>GARBAGE AND REFUSE COLLECTION</u>		
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>BUDGET</u>	<u>BUDGET</u>	
<u>REVENUES</u>						
Taxes	\$ 0	\$ 0	\$ 0	\$ 130,898	\$ 130,898	\$ 136,987
Licenses and Permits	0	0	0	0	0	0
State Sources	3,965	3,965	4,076	18,405	18,405	55,883
Charges for Services	0	0	0	0	0	0
Interest and Rents	0	0	0	0	0	0
Other Revenue	0	0	0	0	0	0
Total Revenues	3,965	3,965	4,076	149,303	149,303	192,870
<u>EXPENDITURES</u>						
General Government						
Township Board	0	0	0	0	0	0
Supervisor	0	0	0	0	0	0
Elections	0	0	0	0	0	0
Assessor	0	0	0	0	0	0
Clerk	0	0	0	0	0	0
Board of Review	0	0	0	0	0	0
Treasurer	0	0	0	0	0	0
Building and Grounds	0	0	0	0	0	0
Planning and Zoning	0	0	0	0	0	0
Public Safety						
Fire	0	0	0	0	0	0
Liquor Law Enforcement	3,826	4,826	3,936	0	0	0
Public Works						
Highways, Streets and Bridges	0	0	0	0	0	0
Drains and Hydrant Rentals	0	0	0	0	0	0
Street Lighting	0	0	0	0	0	0
Refuse	0	0	0	144,078	144,078	115,715
Wastewater	0	0	0	0	0	0
Culture and Recreation	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Contingency	139	139	0	5,225	5,225	0
Total Expenditures	3,965	4,965	3,936	149,303	149,303	115,715
Excess of Revenues Over Expenditures	0	(1,000)	140	0	0	77,155
<u>FUND BALANCE</u> - Beginning of Year (Restated)	0	1,000	42,854	0	0	574,764
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 42,994	\$ 0	\$ 0	\$ 651,919

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CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

COMPONENT UNITS

COMBINING BALANCE SHEET
MARCH 31, 2019

	<u>ECONOMIC DEVELOPMENT CORPORATION</u>	<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash	\$ 1,293	\$ 763,202	\$ 764,495
Taxes Receivable	0	367	367
Due From Primary Government	0	413,937	413,937
Prepaid Expenditures	0	18,750	18,750
	\$ 1,293	\$ 1,196,256	\$ 1,197,549
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 0	\$ 0	\$ 0
<u>FUND BALANCES</u>			
Unassigned	1,293	1,196,256	1,197,549
	\$ 1,293	\$ 1,196,256	\$ 1,197,549
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,293	\$ 1,196,256	\$ 1,197,549

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

COMPONENT UNITS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2019

	<u>ECONOMIC DEVELOPMENT CORPORATION</u>	<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>	<u>TOTALS</u>
<u>REVENUES</u>			
Taxes	\$ 0	\$ 151,537	\$ 151,537
State Sources	0	14,132	14,132
Interest and Rents	12	1,490	1,502
Total Revenues	12	167,159	167,171
<u>EXPENDITURES</u>			
Economic Development	0	547,561	547,561
Excess (Deficiency) of Revenues Over Expenditures	12	(380,402)	(380,390)
<u>FUND BALANCES</u> - Beginning of Year	1,281	1,576,658	1,577,939
<u>FUND BALANCES</u> - End of Year	\$ 1,293	\$ 1,196,256	\$ 1,197,549



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June 24, 2019

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Township Board
Charter Township of Filer
Manistee County
Manistee, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Charter Township of Filer, as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise Charter Township of Filer's basic financial statements and have issued our report thereon dated June 24, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items (2019-01, 2019-02) that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Charter Township of Filer's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Charter Township of Filer's Response to Findings

Charter Township of Filer's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Charter Township of Filer's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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June 24, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Township Board
Charter Township of Filer
Manistee County
Manistee, Michigan

Report on Compliance for Each Major Federal Program

We have audited Charter Township of Filer's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Charter Township of Filer's major federal programs for the year ended March 31, 2019. Charter Township of Filer's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Charter Township of Filer's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Charter Township of Filer's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Charter Township of Filer's compliance

Opinion on Each Major Federal Program

In our opinion, Charter Township of Filer complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2019.

Report on Internal Control over Compliance

Management of Charter Township of Filer is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Charter Township of Filer's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Charter Township of Filer's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MARCH 31, 2019

<u>Federal Grantor/Pass-Through Agency/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Awards Expended</u>
<u>U.S. Department of Agriculture</u>		
Direct Program		
Water and Waste Disposal Systems for Rural Communities (Total federal loan programs expended \$2,461,000 in current year plus beginning balance of \$1,224,000 for total loan balance of \$3,685,000)	10.760	\$ <u>2,461,000</u>
<u>Total U.S. Department of Agriculture</u>		<u>2,461,000</u>
<u>Total Federal Awards</u>		<u>\$ 2,461,000</u>
Reconciliation to financial statements:		
Current year amount recorded as Bonds Payable within the Sewer Fund		<u>\$ 2,461,000</u>

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED MARCH 31, 2019

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(A) Basis of Presentation

The accompanying schedule of expenditures of federal awards (“the Schedule”) includes the federal grant activity of Charter Township of Filer, Michigan (“the Township”) for the year ended March 31, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of Charter Township of Filer, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Township.

(B) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on *the accrual basis* of accounting. Such expenditures reported on the schedule are recognized following the cost principles contained in Subpart E of the Uniform Guidance or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. For purposes of charging indirect costs to federal awards, the Township has not elected to use the 10% de minimis cost rate. The Township does not pass through federal funds to sub recipients.

(C) Balance of Federal Loan Program

Funding has been provided for water improvements by the United States Department of Agriculture Rural Development. Information for the project at and for the year ended March 31, 2019 is as follows:

Authorized	<u>\$ 3,685,000</u>
Loan Balance at March 31, 2019	<u>\$ 3,539,000</u>
<u>2019 Activity</u>	
Proceeds	\$ 2,461,000
Expenditures:	
Capital Outlay	\$ 2,461,000
Debt Service :	
Principal	\$ 146,000
Interest and Fiscal Charges	\$ 81,953

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED MARCH 31, 2019

Financial Statement Findings

2018-01 - *Segregation of Incompatible Duties and Documented Independent Review*

Type: Material Weakness.

Criteria: Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the government. A key element of internal control is the segregation of incompatible duties.

Condition: The government has several accounting functions that are performed by the same individual and are not subject to a documented independent review and approval.

Cause: This condition is primarily the result of staffing constraints typical of smaller governmental units. Some of the control activities may be occurring on a routine basis but are not being documented.

Effect: As a result of this condition, the government is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented or detected by management on a timely basis.

Recommendation: There are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties. Recognizing this fact, we encourage the government to mitigate this risk by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

View of Responsible Officials: Management recognizes that this limitation is a natural outgrowth of the small number of full-time staff and applies its judgment in determining how best to allocate the government's resources to provide an appropriate balance between sound internal controls and fiscal prudence.

Status: Uncorrected.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED MARCH 31, 2019

2018-02 - *Preparation of Financial Statements in Accordance with GAAP*

Type: Material Weakness.

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government's internal controls over the preparation of financial statements in accordance with GAAP are incomplete. Instead, the government relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and noted prior to approving them and accepting responsibility for their content and presentation.

Status: Uncorrected.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED MARCH 31, 2019

Federal Award Findings and Questioned Costs

None reported

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified: X Yes No

Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified: Yes X No

Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2019

Section II - Financial Statement Findings

2019-01 - *Segregation of Incompatible Duties and Documented Independent Review*

Type: Material Weakness.

Criteria: Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the government. A key element of internal control is the segregation of incompatible duties.

Condition: The government has several accounting functions that are performed by the same individual and are not subject to a documented independent review and approval.

Cause: This condition is primarily the result of staffing constraints typical of smaller governmental units. Some of the control activities may be occurring on a routine basis but are not being documented.

Effect: As a result of this condition, the government is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented or detected by management on a timely basis.

Recommendation: There are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties. Recognizing this fact, we encourage the government to mitigate this risk by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

View of Responsible Officials: Management recognizes that this limitation is a natural outgrowth of the small number of full-time staff, and applies its judgment in determining how best to allocate the government's resources to provide an appropriate balance between sound internal controls and fiscal prudence

Corrective Action: In deciding what internal control procedures should be implemented, the Township has considered the costs of implementing them and weighed those costs against the benefits to be derived from their implementation and determined that it is in the best interest of the Township not to add additional staff. The persons responsible for the corrective action is the Township Board. Unless circumstances change, the Township Board will not add additional staff and realizes this comment will be repeated in subsequent years.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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2019-02 - *Preparation of Financial Statements in Accordance with GAAP*

Type: Material Weakness.

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government's internal controls over the preparation of financial statements in accordance with GAAP are incomplete. Instead, the government relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and noted prior to approving them and accepting responsibility for their content and presentation.

Corrective Action: The Township has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and determined that it is in the best interest of the Township to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation. The persons responsible for the corrective action is the Township Board. Unless circumstances change, the Township Board will continue to rely on its external auditors and realizes this comment will be repeated in subsequent years.

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Section III - Federal Award Findings and Questioned Costs

None reported

