

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY

MANISTEE, MICHIGAN

MARCH 31, 2020



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749
www.bcbcpa.com

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

MARCH 31, 2020

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditor's Report	i-iii
Management's Discussion and Analysis	iv-xii
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	1-2
Statement of Activities	3
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4
Reconciliation of the Balance Sheet to the Statement of Net Position	5
Statement of Revenues, Expenditures and Changes in Fund Balances	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	7
Proprietary Funds	
Statement of Net Position	8-9
Statement of Revenues, Expenses and Changes in Fund Net Position	10
Statement of Cash Flows	11-12
Fiduciary Funds	
Statement of Fiduciary Net Position	13
Statement of Changes in Fiduciary Net Position	14
Notes to Financial Statements	15-32
Required Supplementary Information	
Budgetary Comparison Schedule – Major Governmental Funds	33-34
Combining Fund Financial Statements	
Component Units	
Combining Balance Sheet	35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	36



Baird, Cotter & Bishop, P.C.

SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749

www.bcbcpa.com

June 26, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors consider 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 unit, each major fund, and the aggregate remaining fund information of Charter Township of Filer, Manistee County, Manistee, Michigan as of March 31, 2020, 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 33-34 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, Manistee County, Manistee, 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 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 26, 2020, on our consideration of Charter Township of Filer, Manistee County, Manistee, 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, Manistee County, Manistee, Michigan'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, Manistee County, Manistee, 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, 2020

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, 2020. 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 \$8,983,996 (*net position*). Of this amount, \$3,005,686 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 \$3,545,471, an increase of \$140,783 in comparison with the prior year. Of this amount, \$2,459,342 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 \$2,459,342.
- ❖ The Township’s total outstanding long-term debt decreased by \$237,000 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, 2020

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, 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, Garbage and Refuse Collection Fund, and Fire Hall Debt Fund, which are considered to be major funds.

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.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2020

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 Custodial Fund reports resources held by the Township in a custodial capacity for other governments.

The fiduciary fund financial statements can be found on pages 13-14 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 35-36 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 15-32 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, 2020

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 \$8,983,996 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	
	2020	2019	2020	2019	2020	2019
<u>Assets</u>						
Current Assets	\$ 3,598,440	\$ 3,452,409	\$ 625,494	\$ 1,190,955	\$ 4,223,934	\$ 4,643,364
Restricted Assets	0	0	2,023,385	1,911,962	2,023,385	1,911,962
Capital Assets	1,403,313	1,427,057	5,480,531	5,391,244	6,883,844	6,818,301
Total Assets	5,001,753	4,879,466	8,129,410	8,494,161	13,131,163	13,373,627
<u>Liabilities</u>						
Current Liabilities	52,969	47,721	245,198	769,505	298,167	817,226
Long-Term Liabilities	180,000	260,000	3,669,000	3,827,000	3,849,000	4,087,000
Total Liabilities	232,969	307,721	3,914,198	4,596,505	4,147,167	4,904,226
<u>Net Position</u>						
Net Investment in						
Capital Assets	1,223,313	1,167,057	1,653,531	1,407,244	2,876,844	2,574,301
Restricted for Specific Purpose	1,078,081	1,001,777	2,023,385	1,911,962	3,101,466	2,913,739
Unrestricted	2,467,390	2,402,911	538,296	578,450	3,005,686	2,981,361
Total Net Position	\$ 4,768,784	\$ 4,571,745	\$ 4,215,212	\$ 3,897,656	\$ 8,983,996	\$ 8,469,401

The largest portion of the Township's net position, \$3,101,466 represents resources that are subject to external restrictions. An additional portion of the Township's net position, \$3,005,686 represents unrestricted resources that may be used to meet the government's ongoing obligations to its citizens and creditors. The remaining balance of \$2,876,844 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, 2020

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 \$514,595 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,*

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$ 75,390	\$ 68,749	\$ 728,500	\$ 722,283	\$ 803,890	\$ 791,032
Operating Grants and Contributions	11,188	10,194	22,500	0	33,688	10,194
Capital Grants and Contributions	0	0	146,724	492,852	146,724	492,852
General Revenues						
Taxes	520,775	523,115	0	0	520,775	523,115
State Sources	382,802	356,392	0	0	382,802	356,392
Investment Earnings	5,435	4,260	58,180	61,204	63,615	65,464
Other	4,796	43,637	1,203	237	5,999	43,874
Total Revenues	<u>1,000,386</u>	<u>1,006,347</u>	<u>957,107</u>	<u>1,276,576</u>	<u>1,957,493</u>	<u>2,282,923</u>
<u>Expenses</u>						
General Government	345,622	317,386	0	0	345,622	317,386
Planning and Zoning	68,059	35,155	0	0	68,059	35,155
Public Safety	110,056	100,388	0	0	110,056	100,388
Public Works	232,190	171,196	0	0	232,190	171,196
Culture and Recreation	33,720	37,933	0	0	33,720	37,933
Capital Outlay	0	0	0	0	0	0
Interest on Long-Term Debt	13,700	17,600	0	0	13,700	17,600
Water & Sewer	0	0	639,551	485,761	639,551	485,761
Total Expenses	<u>803,347</u>	<u>679,658</u>	<u>639,551</u>	<u>485,761</u>	<u>1,442,898</u>	<u>1,165,419</u>
 Change in Net Position	 197,039	 326,689	 317,556	 790,815	 514,595	 1,117,504
Beginning Net Position	<u>4,571,745</u>	<u>4,245,056</u>	<u>3,897,656</u>	<u>3,106,841</u>	<u>8,469,401</u>	<u>7,351,897</u>
Ending Net Position	<u>\$ 4,768,784</u>	<u>\$ 4,571,745</u>	<u>\$ 4,215,212</u>	<u>\$ 3,897,656</u>	<u>\$ 8,983,996</u>	<u>\$ 8,469,401</u>

Governmental Activities The governmental activities accounted for an increase of \$197,039 in the Township's net position. The most significant portion of the revenue for all governmental activities of the

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2020

Township comes from property taxes. The Township's millages in 2019 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 \$345,622 in fiscal year 2019-2020 on General Government, \$232,190 on Public Works and \$110,056 on Public Safety expenses.

Business-Type Activities The Township's business-type activities accounted for an increase of \$317,556 in the Township's net position, leaving the Township's net position from business-type activities for the fiscal year ended March 31, 2020, at \$4,215,212.

The Water Fund accounts for \$319,274 of the increase while the remaining decrease in net position is related to the Sewer Fund, \$1,718. Total operating expenses for the Water Fund were \$323,020 while the Sewer Fund had \$210,135 in expenses for the fiscal year ended March 31, 2020.

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, 2020, the Township's governmental funds reported combined fund balances of \$3,545,471, an increase of \$140,783 in comparison with the prior year. Of this amount, \$2,459,342 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 (\$8,048), 2) legally required to be maintained intact, 3) restricted for particular purposes (\$1,078,081), 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 \$64,479, bringing the balance to \$2,466,893. Of this amount, \$7,551 is in nonspendable form through prepaid expenditures, the remaining balance of \$2,459,342 is unassigned. The reason for the increase in fund balance is mostly due to conservative spending. The board monitors its spending and strives to stay within budget and not run in the negative.

Fire Operating Fund – The Fire Operating Fund increased its fund balance in this fiscal year by \$5,712, bringing the balance to \$276,925. 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.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2020

Liquor Law Enforcement Fund – The Liquor Law Enforcement Fund increased its fund balance minimally in this fiscal year by \$1,368, bringing the balance to \$44,362, all of which is restricted from liquor enforcement. The primary reason for the increase in fund balance is due to an increase in liquor license fees.

Garbage and Refuse Collection Fund – The Garbage and Refuse Collection Fund increased its fund balance in this fiscal year by \$77,701, bringing the balance to \$729,620. 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 \$8,477, bringing the balance to \$27,671. 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 \$304,293 in unrestricted net position. The net position of this fund increased by \$319,274 in 2020. The primary reason for the increase in net position is due to expenses being less than charges for services received during the fiscal year.

Sewer Fund – The Sewer Fund ended the year with \$2,478,974 in net position. The net position of this fund decreased by \$1,718 in 2020. The primary reason for the decrease in net position is due to the depreciation expense of \$86,560.

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 \$5,000.
- Buildings and Grounds increase \$10,000.
- Planning and Zoning increase \$15,000.
- Capital Outlay increase \$50,000.
- Contingency decrease \$20,000.

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

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Total Revenues	<u>\$ 610,971</u>	<u>\$ 610,971</u>	<u>\$ 614,502</u>
Total Expenditures	<u>\$ 610,971</u>	<u>\$ 670,971</u>	<u>\$ 550,023</u>

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2020

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, highways, streets and bridges, culture and recreation 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, 2020, amounted to \$6,883,844 (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	
	2020	2019	2020	2019	2020	2019
Land	\$ 409,800	\$ 409,800	\$ 25,407	\$ 25,407	\$ 435,207	\$ 435,207
Land Improvements	28,196	18,356	0	0	28,196	18,356
Buildings and Improvements	1,450,904	1,439,977	0	0	1,450,904	1,439,977
Machinery and Equipment	227,641	227,641	298,976	121,078	526,617	348,719
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	4,356,375	4,299,651	4,356,375	4,299,651
Subtotal	2,737,655	2,716,888	6,591,872	6,357,250	9,329,527	9,074,138
Accumulated Depreciation	(1,334,342)	(1,289,831)	(1,111,341)	(966,006)	(2,445,683)	(2,255,837)
Net Capital Assets	\$ 1,403,313	\$ 1,427,057	\$ 5,480,531	\$ 5,391,244	\$ 6,883,844	\$ 6,818,301

Major capital asset events during fiscal year included the following:

- ❖ Township Hall Sound System - \$2,475
- ❖ Fire Hall Electrical Upgrades – 8,452
- ❖ Magoon Creek Engineering - \$9,840
- ❖ Digital Water Meter Readers - \$177,898
- ❖ Sewer System - \$56,724

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, 2020, the Township had total debt outstanding of \$4,007,000. More information on the Township’s long-term debt is available in the Notes to Financial Statements section of this document.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2020

Economic Outlook and Condition

There is uncertainty surrounding future state funding for local governments as a result of COVID-19. The Township's budget was prepared in March and did not factor any adverse impact for the 2020-2021 year. As more guidance becomes available and the situation becomes clearer, the Township will act accordingly.

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, 2020

	<u>PRIMARY GOVERNMENT</u>			<u>COMPONENT UNITS</u>
	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS- TYPE ACTIVITIES</u>	<u>TOTALS</u>	
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash and Cash Equivalents	\$ 3,421,783	\$ 457,059	\$ 3,878,842	\$ 1,116,690
Receivables				
Accounts	11,351	156,387	167,738	0
Taxes	18,215	0	18,215	4,354
Interest	0	5,652	5,652	0
Due from Other Governments	139,043	4,670	143,713	0
Prepaid Expenses	8,048	1,726	9,774	17,622
 Total Current Assets	 3,598,440	 625,494	 4,223,934	 1,138,666
<u>RESTRICTED ASSETS</u>				
Special Assessment Receivables	0	1,400,408	1,400,408	0
Cash and Cash Equivalents	0	622,977	622,977	0
 Total Restricted Assets	 0	 2,023,385	 2,023,385	 0
<u>CAPITAL ASSETS</u>				
Land	409,800	25,407	435,207	0
Land Improvements	28,196	0	28,196	0
Buildings and Improvements	1,450,904	0	1,450,904	0
Machinery and Equipment	227,641	298,976	526,617	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
Sewer System	0	4,356,375	4,356,375	0
 Total Capital Assets	 2,737,655	 6,591,872	 9,329,527	 0
Less Accumulated Depreciation	(1,334,342)	(1,111,341)	(2,445,683)	0
 Net Capital Assets	 1,403,313	 5,480,531	 6,883,844	 0
 TOTAL ASSETS	 5,001,753	 8,129,410	 13,131,163	 1,138,666

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, 2020

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS	
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	26,408	35,299	61,707	3,856
Salaries Payable	11,772	4,004	15,776	0
Interest Payable	0	47,671	47,671	0
Due to Component Unit - DDA	14,789	0	14,789	0
Unearned Revenue	0	224	224	0
Current Portion of Long-Term Debt	0	158,000	158,000	0
Total Current Liabilities	52,969	245,198	298,167	3,856
 <u>LONG-TERM LIABILITIES</u>				
Bonds Payable - Net of Current Portion	180,000	3,669,000	3,849,000	0
TOTAL LIABILITIES	232,969	3,914,198	4,147,167	3,856
 <u>NET POSITION</u>				
Net Investment in Capital Assets	1,223,313	1,653,531	2,876,844	0
Restricted for Debt Service	27,671	2,023,385	2,051,056	0
Restricted for Fire Protection	276,428	0	276,428	0
Restricted for Liquor Law Enforcement	44,362	0	44,362	0
Restricted for Garbage and Refuse Collection	729,620	0	729,620	0
Unrestricted	2,467,390	538,296	3,005,686	1,134,810
TOTAL NET POSITION	\$ 4,768,784	\$ 4,215,212	\$ 8,983,996	\$ 1,134,810

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, 2020

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	\$ 345,622	\$ 63,757	\$ 0	\$ 0	\$ (281,865)	\$ 0	\$ (281,865)	\$ 0
Planning and Zoning	68,059	0	0	0	(68,059)	0	(68,059)	0
Public Safety	110,056	11,633	7,024	0	(91,399)	0	(91,399)	0
Public Works	232,190	0	4,164	0	(228,026)	0	(228,026)	0
Culture and Recreation	33,720	0	0	0	(33,720)	0	(33,720)	0
Interest on Long-Term Debt	13,700	0	0	0	(13,700)	0	(13,700)	0
Total Governmental Activities	803,347	75,390	11,188	0	(716,769)	0	(716,769)	0
<u>BUSINESS-TYPE ACTIVITIES</u>								
Water and Sewer System	639,551	728,500	22,500	146,724	0	258,173	258,173	0
TOTAL PRIMARY GOVERNMENT	\$ 1,442,898	\$ 803,890	\$ 33,688	\$ 146,724	(716,769)	258,173	(458,596)	0
<u>COMPONENT UNITS</u>								
Economic Development	\$ 211,782	\$ 0	\$ 0	\$ 0	0	0	0	(211,782)
<u>GENERAL REVENUES</u>								
Taxes					520,775	0	520,775	135,470
State Sources					382,802	0	382,802	12,398
Investment Earnings					5,435	58,180	63,615	1,175
Other					4,796	1,203	5,999	0
Total General Revenues					913,808	59,383	973,191	149,043
Change in Net Position					197,039	317,556	514,595	(62,739)
<u>NET POSITION</u> - Beginning of Year					4,571,745	3,897,656	8,469,401	1,197,549
<u>NET POSITION</u> - End of Year					\$ 4,768,784	\$ 4,215,212	\$ 8,983,996	\$ 1,134,810

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, 2020

	MAJOR FUNDS					TOTALS
	GENERAL	FIRE OPERATING	LIQUOR LAW ENFORCEMENT	GARBAGE AND REFUSE COLLECTION	FIRE HALL DEBT SERVICE	
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 2,399,504	\$ 281,623	\$ 44,362	\$ 696,196	\$ 98	\$3,421,783
Receivables						
Accounts	11,351	0	0	0	0	11,351
Taxes	8,235	2,462	0	4,924	2,594	18,215
Due from Other Funds	0	0	0	0	24,979	24,979
Due from Other Governments	101,108	0	0	37,935	0	139,043
Prepaid Expenditures	7,551	497	0	0	0	8,048
TOTAL ASSETS	\$ 2,527,749	\$ 284,582	\$ 44,362	\$ 739,055	\$ 27,671	\$3,623,419
<u>LIABILITIES AND FUND BALANCES</u>						
<u>LIABILITIES</u>						
Accounts Payable	\$ 11,014	\$ 5,959	\$ 0	\$ 9,435	\$ 0	\$ 26,408
Salaries Payable	10,074	1,698	0	0	0	11,772
Due to Other Funds	24,979	0	0	0	0	24,979
Due to Component Unit - DDA	14,789	0	0	0	0	14,789
Total Liabilities	60,856	7,657	0	9,435	0	77,948
<u>FUND BALANCES</u>						
Nonspendable						
Prepaid Expenditures	7,551	497	0	0	0	8,048
Restricted for:						
Debt Service	0	0	0	0	27,671	27,671
Fire Protection	0	276,428	0	0	0	276,428
Liquor Law Enforcement	0	0	44,362	0	0	44,362
Garbage and Refuse Collection	0	0	0	729,620	0	729,620
Unassigned	2,459,342	0	0	0	0	2,459,342
Total Fund Balance	2,466,893	276,925	44,362	729,620	27,671	3,545,471
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,527,749	\$ 284,582	\$ 44,362	\$ 739,055	\$ 27,671	\$3,623,419

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, 2020

Total Fund Balances for Governmental Funds \$ 3,545,471

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	28,196	
Buildings and Improvements	1,450,904	
Machinery and Equipment	227,641	
Furniture and Fixtures	3,000	
Vehicles	618,114	
Accumulated Depreciation	<u>(1,334,342)</u>	1,403,313

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

Bonds Payable		<u>(180,000)</u>
---------------	--	------------------

NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 4,768,784</u></u>
---	--	----------------------------

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, 2020

	MAJOR FUNDS					TOTALS
	GENERAL	FIRE OPERATING	LIQUOR LAW ENFORCEMENT	GARBAGE AND REFUSE COLLECTION	FIRE HALL DEBT SERVICE	
<u>REVENUES</u>						
Taxes	\$ 243,156	\$ 68,201	\$ 0	\$ 136,419	\$ 72,999	\$ 520,775
Licenses and Permits	52,896	0	0	0	0	52,896
State Sources	298,665	12,529	5,024	62,813	12,959	391,990
Charges for Services	4,386	11,633	0	0	0	16,019
Interest and Rents	11,164	731	0	0	15	11,910
Other Revenue	4,235	2,561	0	0	0	6,796
Total Revenues	614,502	95,655	5,024	199,232	85,973	1,000,386
<u>EXPENDITURES</u>						
General Government	329,697	0	0	0	0	329,697
Planning and Zoning	68,059	0	0	0	0	68,059
Public Safety	0	89,943	3,656	0	750	94,349
Public Works	110,659	0	0	121,531	0	232,190
Culture and Recreation	41,608	0	0	0	0	41,608
Debt Service						
Principal	0	0	0	0	80,000	80,000
Interest	0	0	0	0	13,700	13,700
Total Expenditures	550,023	89,943	3,656	121,531	94,450	859,603
Excess of Revenues Over Expenditures	64,479	5,712	1,368	77,701	(8,477)	140,783
<u>FUND BALANCES</u> - Beginning of Year	2,402,414	271,213	42,994	651,919	36,148	3,404,688
<u>FUND BALANCES</u> - End of Year	\$ 2,466,893	\$ 276,925	\$ 44,362	\$ 729,620	\$ 27,671	\$ 3,545,471

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, 2020

Net Change in Fund Balance - Total Governmental Funds	\$ 140,783
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	(44,511)
Capital Outlay	20,767
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>80,000</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 197,039</u></u>

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, 2020

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTALS</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and Cash Equivalents	\$ 172,312	\$ 284,747	\$ 457,059
Accounts Receivable	139,320	17,067	156,387
Interest Receivable	0	5,652	5,652
Due from Other Governments	3,465	1,205	4,670
Prepaid Expense	1,726	0	1,726
	<hr/>	<hr/>	<hr/>
Total Current Assets	316,823	308,671	625,494
	<hr/>	<hr/>	<hr/>
<u>RESTRICTED ASSETS</u>			
Special Assessments Receivable	0	1,400,408	1,400,408
Bond Reserve Account	135,094	0	135,094
Bond Interest and Redemption	435,712	47,671	483,383
Repairs, Replacement, and Improvement	0	4,500	4,500
	<hr/>	<hr/>	<hr/>
Total Restricted Assets	570,806	1,452,579	2,023,385
	<hr/>	<hr/>	<hr/>
<u>NONCURRENT ASSETS</u>			
<u>CAPITAL ASSETS</u>			
Land	0	25,407	25,407
Machinery and Equipment	298,976	0	298,976
Vehicles	22,367	0	22,367
Water System	1,888,747	0	1,888,747
Sewer System	0	4,356,375	4,356,375
	<hr/>	<hr/>	<hr/>
Total Capital Assets	2,210,090	4,381,782	6,591,872
Less Accumulated Depreciation	(988,951)	(122,390)	(1,111,341)
Net Capital Assets	<hr/>	<hr/>	<hr/>
	1,221,139	4,259,392	5,480,531
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	2,108,768	6,020,642	8,129,410
	<hr/>	<hr/>	<hr/>

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, 2020

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTALS</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	8,782	26,517	35,299
Interest Payable	0	47,671	47,671
Salaries Payable	3,524	480	4,004
Unearned Revenue	224	0	224
Current Portion of Long-Term Debt	85,000	73,000	158,000
Total Current Liabilities	97,530	147,668	245,198
<u>LONG-TERM LIABILITIES</u>			
Bonds Payable (Net of Current Portion)	275,000	3,394,000	3,669,000
TOTAL LIABILITIES	372,530	3,541,668	3,914,198
<u>NET POSITION</u>			
Net Investment in Capital Assets	861,139	792,392	1,653,531
Restricted for Debt Service	570,806	1,452,579	2,023,385
Unrestricted	304,293	234,003	538,296
TOTAL NET POSITION	\$ 1,736,238	\$ 2,478,974	\$ 4,215,212

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, 2020

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTALS</u>
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 644,469	\$ 84,031	\$ 728,500
Miscellaneous	1,203	0	1,203
Total Operating Revenue	<u>645,672</u>	<u>84,031</u>	<u>729,703</u>
<u>OPERATING EXPENSES</u>			
Wages and Fringe Benefits	40,139	5,516	45,655
Office Supplies	833	4	837
Professional Services	171,070	106,709	277,779
Operating Supplies	12,207	0	12,207
Vehicle Expense	3,394	0	3,394
Printing and Publishing	697	0	697
Utilities	33,918	1,006	34,924
Repairs and Maintenance	0	10,000	10,000
Depreciation	58,775	86,560	145,335
Administrative	0	340	340
Miscellaneous	1,987	0	1,987
Total Operating Expenses	<u>323,020</u>	<u>210,135</u>	<u>533,155</u>
Operating Income (Loss)	<u>322,652</u>	<u>(126,104)</u>	<u>196,548</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
State Grants	0	22,500	22,500
Contribution From Component Unit - DDA	0	90,000	90,000
Interest Income	6,685	51,495	58,180
Interest Expense	(10,063)	(96,333)	(106,396)
Total Nonoperating Revenues (Expenses)	<u>(3,378)</u>	<u>67,662</u>	<u>64,284</u>
Capital Contributions	0	56,724	56,724
Change in Net Position	319,274	(1,718)	317,556
<u>TOTAL NET POSITION</u> - Beginning of Year	<u>1,416,964</u>	<u>2,480,692</u>	<u>3,897,656</u>
<u>TOTAL NET POSITION</u> - End of Year	<u>\$ 1,736,238</u>	<u>\$ 2,478,974</u>	<u>\$ 4,215,212</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, 2020

	WATER FUND	SEWER FUND	TOTALS
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>			
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 647,306	\$ 85,456	\$ 732,762
Cash Payments to Suppliers for Goods and Services	(225,629)	(246,242)	(471,871)
Cash Payments to Employees for Services Provided	(38,520)	(5,036)	(43,556)
Net Cash Provided by (Used for) Operating Activities	<u>383,157</u>	<u>(165,822)</u>	<u>217,335</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and Construction of Capital Assets	(177,898)	(56,724)	(234,622)
Collections on Special Assessments	0	52,332	52,332
Contributions from Local Units	0	90,000	90,000
Principal Paid on Bonds	(85,000)	(72,000)	(157,000)
State Grant	0	22,500	22,500
Interest Paid on Bonds	(10,063)	(95,700)	(105,763)
Due to Other Funds	0	(241,386)	(241,386)
Due to Component Unit	0	(399,147)	(399,147)
Capital Contributions	0	56,724	56,724
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(272,961)</u>	<u>(643,401)</u>	<u>(916,362)</u>
Cash Flows from Investing Activities			
Interest Income	6,685	56,222	62,907
Net Increase (Decrease) in Cash and Cash Equivalents	116,881	(753,001)	(636,120)
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>626,237</u>	<u>1,089,919</u>	<u>1,716,156</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 743,118</u>	<u>\$ 336,918</u>	<u>\$ 1,080,036</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, 2020

	<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)	\$ 322,652	\$ (126,104)	\$ 196,548
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation and Amortization	58,775	86,560	145,335
(Increase) Decrease in Current Assets			
Accounts Receivable	1,476	1,425	2,901
Due from Other Governments	(2,467)	(1,205)	(3,672)
Prepaid Expense	3,016	0	3,016
Increase (Decrease) in Current Liabilities			
Accounts Payable	(2,072)	(126,978)	(129,050)
Accrued Expenses	1,619	480	2,099
Retainage Payable	0	0	0
Unearned Revenue	158	0	158
Total Adjustments	60,505	(39,718)	20,787
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 383,157</u>	<u>\$ (165,822)</u>	<u>\$ 217,335</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, 2020

	<u>CUSTODIAL FUND TAX COLLECTION FUND</u>
<u>ASSETS</u>	
Cash	\$ 22,723
<u>LIABILITIES</u>	
Due to Other Governments and Individuals	<u> 22,723</u>
<u>NET POSITION</u>	<u><u>\$ 0</u></u>

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

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
MARCH 31, 2020

	<u>CUSTODIAL FUND</u> <u>TAX</u> <u>COLLECTION</u> <u>FUND</u>
<u>ADDITIONS</u>	
Property Taxes Collected for Other Governments	\$ 5,055,479
Miscellaneous	370
	<hr/>
TOTAL ADDITIONS	5,055,849
	<hr/>
<u>DEDUCTIONS</u>	
Property Taxes Distributed to Other Governments	5,055,479
Miscellaneous	370
	<hr/>
TOTAL DEDUCTIONS	5,055,849
	<hr/>
Net Increase (Decrease) in Fiduciary Net Position	0
<u>NET POSITION</u> - Beginning of Year	<hr/> 0
<u>NET POSITION</u> - End of Year	<hr/> <hr/> \$ 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, 2020

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 the State 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, 2020

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 *Custodial 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, 2020

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

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

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 custodial 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 April 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		
General Government		
Township Board	\$ 123,500	\$ 166,486
Board of Review	2,200	2,648
Planning and Zoning	62,100	68,059
Fire Operating		
Public Safety	85,446	89,943

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

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

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.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

- i) The investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

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,” the “bond reserve” and the “repairs, replacement and improvements” 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

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

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 \$224

7. *Long-Term Obligations*

In the government-wide financial statements, 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

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

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.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

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 2019 taxable valuation of Filer Township totaled \$147,427,894, 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 \$205,700 for operating purposes, \$73,800 for fire protection, \$147,600 for refuse collection and general operating purposes, and \$73,800 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, 2020.

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, 2020, \$4,566,557 of the government's bank balance of \$3,278,259 was exposed to custodial credit risk because it was uninsured and uncollateralized. As of the same date, the discretely presented component units had \$1,116,690 of the total bank balance of \$410,813 exposed to custodial credit risk. The risk is spread amongst the

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

Township's General, Water, and Sewer 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.

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.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

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 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:

	<u>Total</u>
Deposits - including Fiduciary Funds of \$22,723	<u>\$ 4,524,542</u>

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

	<u>Total</u>
Cash - Fiduciary Funds	\$ 22,723
Cash - Governmental Funds	3,421,783
Cash - Enterprise Funds	457,059
Restricted Cash - Enterprise Funds	<u>622,977</u>
	<u>\$ 4,524,542</u>

B. Receivables

Receivables as of March 31, 2020, for the government's individual major funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Fire Operating	Garbage and Refuse Collection	Fire Hall and Debt Service	Water	Sewer	Total
Receivables							
Accounts	\$ 11,351	\$ 0	\$ 0	\$ 0	\$ 139,320	\$ 17,067	\$ 167,738
Taxes	8,235	2,462	4,924	2,594	0	0	18,215
Interest	0	0	0	0	0	5,652	5,652
Due from Other							
Governments	101,108	0	37,935	0	3,465	1,205	143,713
Special Assessments	0	0	0	0	0	1,400,408	1,400,408
Total Receivables	<u>\$120,694</u>	<u>\$ 2,462</u>	<u>\$ 42,859</u>	<u>\$2,594</u>	<u>\$ 142,785</u>	<u>\$ 1,424,332</u>	<u>\$ 1,735,726</u>

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

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	9,840	0	28,196
Buildings and Improvements	1,439,977	10,927	0	1,450,904
Machinery and Equipment	227,641	0	0	227,641
Furniture and Fixtures	3,000	0	0	3,000
Vehicles	618,114	0	0	618,114
Total Capital Assets, Being Depreciated	2,307,088	20,767	0	2,327,855
Less Accumulated Depreciation for:				
Land Improvements	4,926	918	0	5,844
Buildings and Improvements	481,624	27,853	0	509,477
Machinery and Equipment	187,237	13,095	0	200,332
Furniture and Fixtures	3,000	0	0	3,000
Vehicles	613,044	2,645	0	615,689
Total Accumulated Depreciation	1,289,831	44,511	0	1,334,342
Total Capital Assets, Being Depreciated, Net	1,017,257	(23,744)	0	993,513
Governmental Activities Capital Assets, Net	\$ 1,427,057	\$ (23,744)	\$ 0	\$ 1,403,313

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2020, were:

Receivable Fund	Payable Fund	Amount
Fire Hall Debt Service	General Fund	\$ 24,979

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, 2020, 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 2019-2020 fiscal year.

E. Long-Term Obligations

1. Primary Government

The following is a summary of long-term obligation transactions of the Charter Township of Filer for the year ended March 31, 2020:

Governmental Activities:

	GENERAL OBLIGATION BOND
Balance at April 1, 2019	\$ 260,000
Increases	0
Decreases	(80,000)
Balance at March 31, 2020	\$ 180,000
Due Within One Year	\$ 0

Long-term obligations at March 31, 2020, is comprised of the following individual issues:

General Obligation Bonds

\$850,000 General Obligation Bonds for the fire hall, due in annual installments of \$85,000 to \$95,000 plus semi-annual interest payments at 5.50% through 4/1/2022.

\$ 180,000

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

The annual requirements to amortize these obligations outstanding as of March 31, 2020, including interest payments of \$14,576, are as follows:

YEAR ENDING MARCH 31,	GENERAL OBLIGATION BOND
2020	
PRINCIPAL	\$ 0
INTEREST	4,770
TOTAL	4,770
2021	
PRINCIPAL	85,000
INTEREST	7,288
TOTAL	92,288
2022	
PRINCIPAL	95,000
INTEREST	2,518
TOTAL	97,518
GRAND TOTAL	
PRINCIPAL	180,000
INTEREST	14,576
TOTAL	\$ 194,576

Business Type Activities:

	BONDS
Balance at April 1, 2019	\$ 3,984,000
Increases	0
Decreases	(157,000)
Balance at March 31, 2020	\$ 3,827,000
Due Within One Year	\$ 158,000

Long-term obligations at March 31, 2020, is comprised of the following individual issues:

Revenue Bonds

\$1,490,000 Water Supply System Revenue Bonds due in annual installments of \$85,000 to \$95,000 plus semi-annual interest payments at 2.5% through 10/1/2023. \$ 360,000

Capital Improvement Bonds

\$3,838,000 Capital Improvement 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. 3,467,000

\$3,827,000

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

The annual requirements to amortize these debts outstanding as of March 31, 2020, including interest payments of \$2,037,096, are as follows:

YEAR ENDING MARCH 31,	REVENUE BONDS	CAPITAL IMPROVEMENT BONDS	TOTAL
2021			
PRINCIPAL	\$ 85,000	\$ 73,000	\$ 158,000
INTEREST	7,938	97,501	105,439
TOTAL	92,938	170,501	263,439
2022			
PRINCIPAL	90,000	74,000	164,000
INTEREST	5,750	95,480	101,230
TOTAL	95,750	169,480	265,230
2023			
PRINCIPAL	90,000	75,000	165,000
INTEREST	3,500	93,431	96,931
TOTAL	93,500	168,431	261,931
2024			
PRINCIPAL	95,000	76,000	171,000
INTEREST	1,187	91,355	92,542
TOTAL	96,187	167,355	263,542
2025			
PRINCIPAL	0	77,000	77,000
INTEREST	0	89,252	89,252
TOTAL	0	166,252	166,252
2026-2030			
PRINCIPAL	0	400,000	400,000
INTEREST	0	413,737	413,737
TOTAL	0	813,737	813,737
2031-2035			
PRINCIPAL	0	425,000	425,000
INTEREST	0	357,018	357,018
TOTAL	0	782,018	782,018
2036-2040			
PRINCIPAL	0	450,000	450,000
INTEREST	0	296,862	296,862
TOTAL	0	746,862	746,862
2041-2045			
PRINCIPAL	0	483,000	483,000
INTEREST	0	232,913	232,913
TOTAL	0	715,913	715,913

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

YEAR ENDING MARCH 31,	REVENUE BONDS	CAPITAL IMPROVEMENT BONDS	TOTAL
2046-2050			
PRINCIPAL	0	496,000	496,000
INTEREST	0	156,819	156,819
TOTAL	0	652,819	652,819
2051-2055			
PRINCIPAL	0	509,000	509,000
INTEREST	0	80,644	80,644
TOTAL	0	589,644	589,644
2055-2057			
PRINCIPAL	0	329,000	329,000
INTEREST	0	13,709	13,709
TOTAL	0	342,709	342,709
GRAND TOTAL			
PRINCIPAL	360,000	3,467,000	3,827,000
INTEREST	18,375	2,018,721	2,037,096
TOTAL	\$ 378,375	\$ 5,485,721	\$ 5,864,096

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.

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 \$94,242 while total wages were \$196,125. The Township's contribution for the year ended March 31, 2020 was \$7,068, and there were no employee contributions. Administration fees amounted to \$3,521. 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.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

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, 2020, the Township's property taxes were reduced by \$1,633 under this program.

F. Related Party Transaction

During the year, the Downtown Development Authority (DDA), a component unit of the Township, contributed \$146,724 towards the sewer system construction.

G. Subsequent Event

Subsequent to year-end, the Township Board approved fire engine repairs up to the amount of \$20,000. No adjustments were made to the financial statements.

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2020

	<u>GENERAL FUND</u>			<u>FIRE OPERATING FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>						
Taxes	\$ 256,533	\$ 256,533	\$ 243,156	\$ 64,629	\$ 64,629	\$ 68,201
Licenses and Permits	49,000	49,000	52,896	0	0	0
State Sources	215,165	215,165	298,665	0	0	12,529
Charges for Services	4,548	4,548	4,386	10,757	10,757	11,633
Interest and Rents	9,600	9,600	11,164	200	200	731
Other Revenue	76,125	76,125	4,235	2,600	2,600	2,561
Total Revenues	610,971	610,971	614,502	78,186	78,186	95,655
<u>EXPENDITURES</u>						
General Government						
Township Board	123,500	123,500	166,486	0	0	0
Supervisor	21,800	21,800	21,618	0	0	0
Elections	5,200	10,200	5,499	0	0	0
Assessor	34,400	34,400	33,877	0	0	0
Clerk	24,400	24,400	24,245	0	0	0
Board of Review	2,200	2,200	2,648	0	0	0
Treasurer	25,300	25,300	24,673	0	0	0
Building and Grounds	40,900	50,900	50,651	0	0	0
Planning and Zoning	47,100	62,100	68,059	0	0	0
Public Safety						
Fire	0	0	0	75,446	85,446	89,943
Liquor Law Enforcement	0	0	0	0	0	0
Public Works						
Highways, Streets and Bridges	108,781	108,781	63,176	0	0	0
Drains and Hydrant Rentals	2,000	2,000	0	0	0	0
Street Lighting	45,000	45,000	42,887	0	0	0
Refuse	0	0	0	0	0	0
Wastewater	5,000	5,000	4,596	0	0	0
Culture and Recreation	104,000	104,000	41,608	0	0	0
Capital Outlay	0	50,000	0	0	0	0
Contingency	21,390	1,390	0	2,740	0	0
Total Expenditures	610,971	670,971	550,023	78,186	85,446	89,943
Excess of Revenues Over Expenditures	0	(60,000)	64,479	0	(7,260)	5,712
<u>FUND BALANCE</u> - Beginning of Year	0	60,000	2,402,414	0	10,000	271,213
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 2,466,893	\$ 0	\$ 2,740	\$ 276,925

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2020

	<u>LIQUOR LAW ENFORCEMENT FUND</u>			<u>GARBAGE AND REFUSE COLLECTION FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>						
Taxes	\$ 0	\$ 0	\$ 0	\$ 129,865	\$ 129,865	\$ 136,419
Licenses and Permits	0	0	0	0	0	0
State Sources	4,200	4,200	5,024	17,617	17,617	62,813
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	 4,200	 4,200	 5,024	 147,482	 147,482	 199,232
<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	4,058	4,058	3,656	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	142,320	142,320	121,531
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	142	142	0	5,162	5,162	0
 Total Expenditures	 4,200	 4,200	 3,656	 147,482	 147,482	 121,531
 Excess of Revenues Over Expenditures	 0	 0	 1,368	 0	 0	 77,701
<u>FUND BALANCE</u> - Beginning of Year	0	0	42,994	0	0	651,919
 <u>FUND BALANCE</u> - End of Year	 \$ 0	 \$ 0	 \$ 44,362	 \$ 0	 \$ 0	 \$ 729,620

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

COMPONENT UNITS

COMBINING BALANCE SHEET
MARCH 31, 2020

	ECONOMIC DEVELOPMENT CORPORATION	DOWNTOWN DEVELOPMENT AUTHORITY	TOTALS
<u>ASSETS</u>			
Cash	\$ 1,301	\$ 1,115,389	\$ 1,116,690
Taxes Receivable	0	4,354	4,354
Due From Primary Government	0	17,622	17,622
TOTAL ASSETS	\$ 1,301	\$ 1,137,365	\$ 1,138,666
 <u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 0	\$ 3,856	\$ 3,856
 <u>FUND BALANCES</u>			
Unassigned	1,301	1,133,509	1,134,810
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,301	\$ 1,137,365	\$ 1,138,666

CHARTER TOWNSHIP OF FILER, MANISTEE COUNTY
MANISTEE, MICHIGAN

COMPONENT UNITS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2020

	ECONOMIC DEVELOPMENT CORPORATION	DOWNTOWN DEVELOPMENT AUTHORITY	TOTALS
<u>REVENUES</u>			
Taxes	\$ 0	\$ 135,470	\$ 135,470
State Sources	0	12,398	12,398
Interest and Rents	8	1,167	1,175
Total Revenues	8	149,035	149,043
<u>EXPENDITURES</u>			
Economic Development	0	211,782	211,782
Excess (Deficiency) of Revenues Over Expenditures	8	(62,747)	(62,739)
<u>FUND BALANCES</u> - Beginning of Year	1,293	1,196,256	1,197,549
<u>FUND BALANCES</u> - End of Year	\$ 1,301	\$ 1,133,509	\$ 1,134,810

