

**CHARTER TOWNSHIP OF FORT GRATIOT  
St. Clair County, Michigan**

**ANNUAL FINANCIAL REPORT  
with Supplementary Information**

**FOR THE YEAR ENDED  
DECEMBER 31, 2018**



**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**TABLE OF CONTENTS**  
**DECEMBER 31, 2018**

	<u>Page Number</u>
<b>Independent Auditor's Report</b>	1
<b>Management's Discussion and Analysis</b>	3
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet for	
Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund	
Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures,	
and Changes in Fund Balances of Governmental Funds	
to the Statement of Activities	15
Statement of Net Position - Proprietary Fund	16
Statement of Revenues, Expenses, and Changes in Net	
Position - Proprietary Fund	17
Statement of Cash Flows - Proprietary Fund	18
Statement of Net Position - Fiduciary Funds	19
Notes to the Financial Statements	20
<b>Required Supplementary Information:</b>	
Budgetary Comparison Information:	
Schedule of Revenues, Expenditures, and Changes	
in Fund Balance - Budget and Actual -	
General Fund	40
Fire Fund	42
Police Fund	43
Garbage Collection Fund	44
Retiree Health Benefits Schedules:	
Schedule of Changes in OPEB Liability and Related Ratios	45
Schedule of Contributions	46

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**TABLE OF CONTENTS**  
**DECEMBER 31, 2018**

	<u>Page Number</u>
<b>Supplementary Information:</b>	
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds -	
Combining Balance Sheet	47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	48
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -	
Parks Fund	49
Inspections Fund	50
Blue Water Area Transportation Fund	51
Water and Sewer Funds -	
Combining Schedule of Net Position	52
Combining Schedule of Revenues, Expenses, and Changes in Net Position	54
Agency Funds -	
Combining Statement of Assets and Liabilities	56

## INDEPENDENT AUDITOR'S REPORT

To the Members of the Board  
Charter Township of Fort Gratiot  
Fort Gratiot, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Fort Gratiot, Michigan (the "Township"), as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township'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 Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Fort Gratiot, Michigan, as of December 31, 2018 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.

## ***Implementation of GASB Statement No. 75***

As discussed in Note 17 to the financial statements, the Township implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. The statement required the Township to record the OPEB liability in the government-wide and proprietary fund financial statements and enhanced financial reporting of the Township's OPEB liability and the related note disclosures of the Plan. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Fort Gratiot, Michigan's basic financial statements. The combining and individual nonmajor governmental fund statements, the water and sewer fund combining schedules, and the combining statements of assets and liabilities of the agency funds (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Certified Public Accountants

April 24, 2019

# CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

## Management's Discussion and Analysis

### OVERVIEW OF THE FINANCIAL STATEMENTS

The Charter Township of Fort Gratiot's (the "Township") 2018 annual report is presented in conformity with the requirements of GASB Statement No. 34. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental, proprietary, and agency funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

#### *Government-wide Financial Statements*

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

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

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

**Governmental activities** - most of the Township's basic services are included here, such as the police, fire, public works, and general administration. Property taxes, state-shared revenue, and charges for services, provide most of the funding.

**Business-type activities** - the Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer operations are treated as business-type activities.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

**Governmental funds** - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

**Proprietary funds** - Services for which the Township charges customers a fee are generally reported in the Water and Sewer Fund, a proprietary fund. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

**Fiduciary funds** - The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

### FINANCIAL OVERVIEW (Government-wide financial analysis)

The Township has combined total net position of \$23,318,572. This is an increase from 2017 of \$94,525. Government-type activities comprise \$9,382,371 and business-type activities make up \$13,936,201 of the total net position. In a condensed format, the table below shows net position as of the December 31, 2018 and 2017.

	Governmental Activities		Business-type Activities	
	2018	2017*	2018	2017*
Assets -				
Current assets	\$ 6,171,351	\$ 5,646,855	\$ 2,392,430	\$ 2,512,620
Restricted assets	64,729	72,651	1,602,418	2,533,791
Noncurrent assets	8,110,594	7,943,425	13,529,402	12,982,624
	<u>14,346,674</u>	<u>13,662,931</u>	<u>17,524,250</u>	<u>18,029,035</u>
Liabilities -				
Current liabilities	176,946	163,060	609,988	560,516
Liabilities payable from restricted assets	-	-	175,143	159,830
Non-current liabilities	1,369,139	1,419,118	2,798,712	3,004,711
	<u>1,546,085</u>	<u>1,582,178</u>	<u>3,583,843</u>	<u>3,725,057</u>
Deferred Inflows of Resources	<u>3,418,218</u>	<u>3,160,684</u>	<u>4,206</u>	<u>-</u>
Net Position -				
Net investment in capital assets	7,280,430	7,057,739	11,035,822	11,225,372
Restricted	577,795	433,007	1,537,275	1,537,365
Unrestricted	1,524,146	1,429,323	1,363,104	1,541,241
	<u>9,382,371</u>	<u>8,920,069</u>	<u>13,936,201</u>	<u>14,303,978</u>
Total Net Position	<u>\$ 9,382,371</u>	<u>\$ 8,920,069</u>	<u>\$ 13,936,201</u>	<u>\$ 14,303,978</u>

\* The 2017 balances have been restated to reflect the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The Township governmental activities experienced a net change in position of \$462,302. The business-type activities experienced a net change in position of \$(367,777).

The following table shows the changes in net position for 2018 and 2017:

	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Revenues -				
Program revenues:				
Charges for services	\$ 1,076,576	\$ 930,078	\$ 3,694,196	\$ 3,564,871
Operating grants and contributions	63,651	62,454	120,941	146,787
Capital grants and contributions	3,920	435	-	-
General revenues				
Property taxes	2,482,147	2,210,583	-	-
Unrestricted grants	1,163,215	1,127,661	-	-
Unrestricted investments	1,749	9,452	21,107	19,933
	<u>4,791,258</u>	<u>4,340,663</u>	<u>3,836,244</u>	<u>3,731,591</u>
Program Expenses -				
General government	942,439	1,038,208	-	-
Public safety	1,708,281	1,564,881	-	-
Public works	1,256,559	1,047,199	-	-
Community and economic development	115,947	96,784	-	-
Recreation and cultural	305,730	260,019	-	-
Water and sewer operations	-	-	4,204,021	3,820,406
	<u>4,328,956</u>	<u>4,007,091</u>	<u>4,204,021</u>	<u>3,820,406</u>
Change in net position	<u>\$ 462,302</u>	<u>\$ 333,572</u>	<u>\$( 367,777)</u>	<u>\$( 88,815)</u>

### ***Governmental Activities***

Revenues for governmental activities totaled \$4,791,258 in 2018. Of this amount, \$2,482,147 was received from taxes or special service assessments, which was an increase of \$271,564 from the prior year. The next largest revenue source was unrestricted grant revenue of \$1,163,215, an increase of \$35,554 from 2017.

### ***Business-type Activities***

The Township has one business-type activity, the water and sewer operations. Total revenues including interest income were \$3,836,244 and expenses were \$4,204,021 for a change in net position of \$(367,777). During the year, the charges for services increased by \$129,325 or approximately 4% primarily as a result of rate increases. Expenses increased by \$383,615 or approximately 10% primarily as a result of increases from the City of Port Huron for water purchases and sewer treatment.

## **FINANCIAL ANALYSIS OF MAJOR TOWNSHIP FUNDS AND BUDGETS**

### ***Governmental Fund***

The General Fund ended 2018 with a fund balance of \$1,924,291, with \$1,520 nonspendable for prepaid expenditures, \$739,378 committed for specific purposes, \$298,411 assigned for the 2019 budget, and the remaining \$884,982 unassigned. The commitments at December 31, 2018 were \$700,000 for budget stabilization and \$39,378 for retirees' health insurance. The final 2018 budget expected expenditures to exceed revenues by \$188,833. The General Fund had revenues over expenditures of \$120,170.

The Townships other major governmental funds had the following change in fund balance:

- The Fire Fund had revenues over expenditures of \$68,582.
- The Police Fund had revenues over expenditures of \$16,790.
- The Garbage Collection Fund had expenditures over revenues of \$37,146.



Over the course of the year, the Township administration and Board monitors the budgets and, if necessary, amends the budget to take into account unanticipated events that occur during the year. The only significant budget adjustments in the General Fund were to increase other revenues by \$64,306 for increased donations and miscellaneous revenue and to increase expenditures for Public Works Cemetery by \$40,000 to reset various headstones.

Since the original budget and amended budgets are estimates of what is expected, there are differences between the budget and actual results. The only significant differences were as follows:

- Intergovernmental Revenues were over budget by \$49,616 due to more than anticipated funding from the State of Michigan.
- Transfers Out were under budget by \$76,306 because the Inspection Fund did not need the 2018 allocation.

*Proprietary Funds – See prior discussion of Business-type Activities*

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### ***Capital Assets***

The Township had \$20,556,416 invested in capital assets for its governmental and business-type activities (net of accumulated depreciation) as of December 31, 2018. The investment in capital assets includes land, land improvements, buildings, machinery and equipment, vehicles and water and sewer lines. During the year, the Township added capital assets of \$443,434 in governmental activities and \$1,114,198 in business-type activities. The governmental activities' capital expenditures included \$11,000 for land purchase, \$53,163 for shared road improvements, \$295,942 for a fire truck chassis, \$55,050 for land improvements, \$11,549 for security upgrades, and \$16,730 for various equipment purchases. The business-type activities' capital expenditures included \$1,097,198 for pump projects and \$17,000 for driveway resurfacing.

Additional information on the Township's capital assets can be found in Note 7 to the financial statements.

### ***Long-term Debt***

At December 31, 2018, the Township had \$3,323,744 in long-term debt, compared to \$3,589,534 at December 31, 2017, a decrease of \$265,790. No new debt was issued during the year.

Additional information on the Township's long-term debt can be found in Note 9 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

For 2019, the Township adopted a General Fund that anticipates revenues of \$1,928,201 and expenditures of \$2,226,612.

## **CONTACTING THE TOWNSHIP**

This financial report is designed to provide a general overview of the Township's finances to our residents and other interested parties in understanding the Township's financial condition. If you have questions about this report or need additional financial information, please contact the Township at (810) 385-4489.

## **BASIC FINANCIAL STATEMENTS**

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>Assets:</b>			
Cash and cash equivalents	\$ 2,166,918	\$ 1,703,961	\$ 3,870,879
Receivables	4,000,907	635,101	4,636,008
Inventory	-	55,374	55,374
Internal balances	2,006	( 2,006)	-
Prepaid expenses/deposits	1,520	-	1,520
Restricted assets			
Cash and cash equivalents	-	1,294,572	1,294,572
Investments	64,729	-	64,729
Receivables	-	307,846	307,846
Capital assets (net of accumulated depreciation)			
Assets not being depreciated	1,865,803	-	1,865,803
Assets being depreciated	6,244,791	12,445,822	18,690,613
Sewer capacity rights	-	1,083,580	1,083,580
Total Assets	<u>14,346,674</u>	<u>17,524,250</u>	<u>31,870,924</u>
<b>Liabilities:</b>			
Payables and accrued liabilities	122,311	573,373	695,684
Advances and deposits	54,635	36,615	91,250
Liabilities payable from restricted assets			
Accounts payable	-	49,107	49,107
Bonds payable (current)	-	110,000	110,000
Accrued interest	-	16,036	16,036
Non-current liabilities			
Due within one year	50,996	102,342	153,338
Due in more than one year	779,168	2,281,238	3,060,406
OPEB liability	538,975	415,132	954,107
Total Liabilities	<u>1,546,085</u>	<u>3,583,843</u>	<u>5,129,928</u>
<b>Deferred Inflows of Resources:</b>			
Taxes levied for subsequent period	3,412,758	-	3,412,758
Related to the OPEB plan	5,460	4,206	9,666
Total Deferred Inflows of Resources	<u>3,418,218</u>	<u>4,206</u>	<u>3,422,424</u>
<b>Net Position:</b>			
Net investment in capital assets	7,280,430	11,035,822	18,316,252
Restricted			
Acquisition/construction of capital assets	7,681	975,021	982,702
Debt retirement	-	562,254	562,254
Cemetery perpetual care			
Expendable	29,249	-	29,249
Nonexpendable	35,480	-	35,480
Parks and recreation	104,906	-	104,906
Public safety	377,263	-	377,263
Public works	23,216	-	23,216
Unrestricted	<u>1,524,146</u>	<u>1,363,104</u>	<u>2,887,250</u>
Total Net Position	<u>\$ 9,382,371</u>	<u>\$ 13,936,201</u>	<u>\$ 23,318,572</u>

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

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General Government	\$ 942,439	\$ 52,299	\$ -	\$ -
Public Safety	1,708,281	250,084	9,328	-
Public Works	1,256,559	729,844	5,538	-
Community and Economic Development	115,947	5,000	-	-
Recreation and Culture	305,730	39,349	48,785	3,920
Total governmental activities	<u>4,328,956</u>	<u>1,076,576</u>	<u>63,651</u>	<u>3,920</u>
Business-type activities:				
Utilities (Water/Sewer)	<u>4,204,021</u>	<u>3,694,196</u>	<u>120,941</u>	<u>-</u>
Total Primary Government	<u>\$ 8,532,977</u>	<u>\$ 4,770,772</u>	<u>\$ 184,592</u>	<u>\$ 3,920</u>

General revenues:

Property taxes

Grants and contribution not restricted to specific programs

Unrestricted investment income

Total general revenues

Change in net position

Net position at beginning of year, as restated

Net position at end of year

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

Net (Expense) Revenue and Change in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$( 890,140)	\$ -	\$( 890,140)
( 1,448,869)	-	( 1,448,869)
( 521,177)	-	( 521,177)
( 110,947)	-	( 110,947)
( 213,676)	-	( 213,676)
( 3,184,809)	-	( 3,184,809)
-	( 388,884)	( 388,884)
( 3,184,809)	( 388,884)	( 3,573,693)
2,482,147	-	2,482,147
1,163,215	-	1,163,215
1,749	21,107	22,856
3,647,111	21,107	3,668,218
462,302	( 367,777)	94,525
8,920,069	14,303,978	23,224,047
\$ 9,382,371	\$ 13,936,201	\$ 23,318,572

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2018**

	General	Fire	Police	Garbage Collection
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 1,450,036	\$ 454,644	\$ 110,538	\$ 23,216
Receivables -				
Property taxes	601,613	804,415	831,970	-
Accounts	45,677	-	-	-
Special assessments	36,476	-	-	666,655
Due from other governmental units - State	337,818	-	-	-
Due from other funds	170,184	-	-	-
Prepays/deposits	1,520	-	-	-
	2,643,324	1,259,059	942,508	689,871
<b>Restricted Assets:</b>				
Investments	-	-	-	-
<b>Total Assets</b>	<b>\$ 2,643,324</b>	<b>\$ 1,259,059</b>	<b>\$ 942,508</b>	<b>\$ 689,871</b>
<b>Liabilities:</b>				
Accounts payable	\$ 18,925	\$ 12,595	\$ 61,205	\$ -
Accrued liabilities	11,884	14,195	-	-
Advances and deposits	50,135	4,500	-	-
<b>Total Liabilities</b>	80,944	31,290	61,205	-
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue - special assessments	36,476	-	-	-
Taxes levied for subsequent period	601,613	804,415	831,970	666,655
<b>Total Deferred Inflows of Resources</b>	638,089	804,415	831,970	666,655
<b>Fund Balance:</b>				
Nonspendable -				
Prepays/Deposits	1,520	-	-	-
Perpetual Care	-	-	-	-
Restricted -				
Cemetery	-	-	-	-
Fire	-	423,354	-	-
Police	-	-	49,333	-
Garbage Collection	-	-	-	23,216
Parks	-	-	-	-
Inspections	-	-	-	-
Fire Capital	-	-	-	-
Committed -				
Budget Stabilization	700,000	-	-	-
Retirees Health Insurance	39,378	-	-	-
Assigned - 2019 Budget	298,411	-	-	-
Unassigned	884,982	-	-	-
<b>Total Fund Balance</b>	1,924,291	423,354	49,333	23,216
<b>Total Liabilities, Deferred Inflows of     Resources, and Fund Balance</b>	<b>\$ 2,643,324</b>	<b>\$ 1,259,059</b>	<b>\$ 942,508</b>	<b>\$ 689,871</b>

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

Other Governmental Funds	Total Governmental Funds
\$ 128,484	\$ 2,166,918
508,105	2,746,103
-	45,677
-	703,131
-	337,818
-	170,184
-	1,520
<u>636,589</u>	<u>6,171,351</u>
64,729	64,729
<u>\$ 701,318</u>	<u>\$ 6,236,080</u>
\$ -	\$ 92,725
3,507	29,586
-	54,635
<u>3,507</u>	<u>176,946</u>
-	36,476
<u>508,105</u>	<u>3,412,758</u>
<u>508,105</u>	<u>3,449,234</u>
-	1,520
35,480	35,480
29,249	29,249
-	423,354
-	49,333
-	23,216
104,906	104,906
12,390	12,390
7,681	7,681
-	700,000
-	39,378
-	298,411
-	884,982
<u>189,706</u>	<u>2,609,900</u>
<u>\$ 701,318</u>	<u>\$ 6,236,080</u>

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**RECONCILIATION OF THE BALANCE SHEET FOR**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018**

Fund Balances - total governmental funds	\$ 2,609,900
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.	
Capital assets	10,693,394
Accumulated depreciation	( 2,582,800)
Certain OPEB contributions and changes to OPEB plan liabilities are reported as deferred outflows/inflows of resources in the statement of net position.	
Deferred inflows of resources	( 5,460)
Other long - term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.	
Special assessments	36,476
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	
OPEB liability	( 538,975)
Drain district notes	( 830,164)
Net position of governmental activities	\$ <u>9,382,371</u>

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



**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Fire	Police	Garbage Collection
<b>Revenues:</b>				
Taxes	\$ 504,205	\$ 737,350	\$ 744,264	\$ -
Licenses and permits	188,777	-	-	-
Intergovernmental -				
Federal/State	991,611	-	9,328	-
Local	-	-	-	-
Charges for services	42,725	58,700	-	-
Special assessments	86,001	-	-	579,881
Fines and forfeits	12,498	-	-	-
Interest and rent	12,809	1,695	669	345
Other	60,852	-	-	-
Total Revenues	1,899,478	797,745	754,261	580,226
<b>Expenditures:</b>				
Current -				
General Government	938,767	-	-	-
Public Safety	5,976	708,606	737,471	-
Public Works	419,302	-	-	617,372
Community and Economic Development	115,947	-	-	-
Recreation and Cultural	274,316	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	1,754,308	708,606	737,471	617,372
Excess of Revenues Over (Under) Expenditures	145,170	89,139	16,790	( 37,146)
<b>Other Financing Sources (Uses):</b>				
Sale of assets	-	40,385	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	( 25,000)	( 60,942)	-	-
Total Other Financing Uses	( 25,000)	( 20,557)	-	-
Net Change in Fund Balance	120,170	68,582	16,790	( 37,146)
Fund Balances at beginning of year	1,804,121	354,772	32,543	60,362
Fund Balances at end of year	\$ 1,924,291	\$ 423,354	\$ 49,333	\$ 23,216

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

Other Governmental Funds	Total Governmental Funds
\$ 496,328	\$ 2,482,147
-	188,777
-	1,000,939
48,785	48,785
138,506	239,931
-	665,882
-	12,498
( 7,334)	8,184
14,365	75,217
<u>690,650</u>	<u>4,722,360</u>
-	938,767
162,497	1,614,550
253,770	1,290,444
-	115,947
18,641	292,957
295,942	295,942
<u>730,850</u>	<u>4,548,607</u>
( 40,200)	173,753
-	40,385
85,942	85,942
-	( 85,942)
<u>85,942</u>	<u>40,385</u>
45,742	214,138
<u>143,964</u>	<u>2,395,762</u>
<u>\$ 189,706</u>	<u>\$ 2,609,900</u>

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Net change in fund balances - total governmental funds	\$	214,138
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay		443,434
Depreciation expense	(	268,302)
Net book value of assets sold/disposed	(	7,963)
<p>Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Special assessments		36,476
<p>The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net position.</p>		
Payment on drain notes		55,522
Changes in deferred outflows/inflows of resources as a result of difference between expected and actual experience.	(	5,460)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the funds.</p>		
Increase in OPEB liability	(	<u>5,543)</u>
Change in net position of governmental activities	\$	<u><u>462,302</u></u>

The notes to the financial statements are an integral part of this statement.

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND - WATER AND SEWER FUND**  
**DECEMBER 31, 2018**

**Assets:**

Current Assets:	
Cash and cash equivalents	\$ 1,703,961
Accounts receivable	635,101
Inventory	55,374
Total Current Assets	2,394,436
Restricted Assets:	
Cash and cash equivalents	1,294,572
Due from other governmental units	44,196
Special assessment receivable	263,650
Total Restricted Assets	1,602,418
Noncurrent Assets:	
Capital Assets, net	12,445,822
Sewer Capacity Rights	1,083,580
Total Noncurrent Assets	13,529,402
Total Assets	17,526,256

**Liabilities:**

Current Liabilities:	
Accounts payable	559,320
Accrued expenses	14,053
Due to other funds	2,006
Contracts payable (current portion)	102,342
Deposits	36,615
Total Current Liabilities	714,336
Current Liabilities - (Payable from restricted assets):	
Accounts payable	49,107
Bonds payable (current portion)	110,000
Accrued interest	16,036
Total Current Liabilities - (Payable from restricted assets)	175,143
Long-term Liabilities (less current portions):	
OPEB liability	415,132
Contracts payable	981,238
Bonds payable	1,300,000
Total Long-term Liabilities (less current portions)	2,696,370
Total Liabilities	3,585,849

**Deferred Inflows of Resources:**

Related to the OPEB plan	4,206
	4,206

**Net Position:**

Net investment in capital assets	11,035,822
Reserved -	
Equipment replacement	975,021
Debt retirement	562,254
Unrestricted	1,363,104
Total Net Position	\$ 13,936,201

The notes to the financial statements are an integral part of this statement.

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND - WATER AND SEWER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**Operating Revenues:**

Charges for services - user charges	\$ 3,561,623
Penalty on delinquent accounts	41,576
Other revenue	137,211
Total Operating Revenues	3,740,410

**Operating Expenses:**

Salaries and fringes	761,328
Water purchases	1,461,549
Sewer plant charges	945,022
Supplies	28,757
Utilities	45,952
Repairs and maintenance	353,621
Insurances	39,846
Professional services	11,328
Other	40,465
Depreciation	467,152
Total Operating Expenses	4,155,020

Operating Loss	( 414,610)
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**Non-Operating Revenues (Expenses):**

Tap and privilege fees	74,727
Interest earned	21,107
Interest expense and paying agent fees	( 49,001)
Total Non-Operating Revenues	46,833

Net Loss	( 367,777)
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Net position at beginning of year, as restated	14,303,978
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Net position end of year	\$ 13,936,201
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The accompanying notes are an integral part of these financial statements.

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND - WATER AND SEWER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**Cash Flows From Operating Activities:**

Cash receipts from customers	\$ 3,635,533
Cash payments to suppliers	( 2,843,980)
Cash payments to employees	( 750,602)
Cash receipts other	137,211
Net Cash Provided by Operating Activities	<u>178,162</u>

**Cash Flows From Capital and Related Financing Activities:**

Special assessments/tap and privilege fees	114,033
Bond payments	( 110,000)
Interest payments	( 49,966)
Acquisition/construction/disposal of capital assets	( 1,114,198)
Net Cash Used in Capital and Related Financing Activities	<u>( 1,160,131)</u>

**Cash Flows From Investing Activities:**

Interest earned	21,107
Sale of investments	751,217
Net Cash Provided by Investing Activities	<u>772,324</u>

Net Decrease in Cash and Cash Equivalents for the year	( 209,645)
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Cash and Cash Equivalents at Beginning of Year	<u>3,208,178</u>
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Cash and Cash Equivalents at End of Year	<u><u>\$ 2,998,533</u></u>
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**Reconciliation of Net Loss to**

**Net Cash Provided by Operating Activities:**

Operating loss for the year	\$( 414,610)
Adjustments to reconcile operating income to Net Cash Provided by Operating Activities -	
Depreciation	467,152
Change in assets and liabilities:	
Receivables	28,628
Prepaid expenses	26,526
Inventory	( 5,765)
Accounts payable/accrued expenses	62,367
Due to other funds	1,683
Deposits	3,706
OPEB liability	8,475
Net Cash Provided by Operating Activities	<u><u>\$ 178,162</u></u>

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

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2018**

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 1,563,469
Prepaid expense	<u>37,061</u>
Total Assets	<u><u>\$ 1,600,530</u></u>
<b>Liabilities:</b>	
Due to other funds	\$ 168,178
Undistributed taxes and interest	<u>1,432,352</u>
Total Liabilities	<u><u>\$ 1,600,530</u></u>

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

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. Reporting Entity -**

The Charter Township of Fort Gratiot, Michigan (the "Township"), a Municipal Corporation, was organized as a Township on June 13, 1866 under provisions of the constitution and general law of the State of Michigan and became a Charter Law Township on August 21, 1979 under Public Act 359, the Charter Township Act. The Township is one of twenty-three townships in St. Clair County and covers an area of approximately 16 square miles. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and four (4) Trustees and provides services to its residents in many areas including law enforcement, fire protection, water, sewer, roads, parks and natural resources, and planning and economic development.

**B. Government-wide and Fund Financial Statements -**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation -**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. (Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Agency funds do not have a measurement focus. They do, however, use the accrued basis of accounting to recognize receivables and payables.) Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are intended to finance (the December 2017 levy in 2018). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days after year-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, other post-employment benefits, and claims and judgement are recorded only when payment is due.

State shared revenue, interest, licenses, and permits associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes, which are levied on December 1 and are due through the following February, are budgeted and recognized as revenue in the subsequent year. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

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

**Fire Fund** - is a special revenue fund used to account for taxes and other related revenues restricted for fire service of the Township.

**Police Fund** - is a special revenue fund used to account for a tax levy for the purpose of providing police protection for the Township.

**Garbage Collection Fund** - is a special revenue fund used to account for assessments for the purpose of providing garbage and rubbish collection for the Township.

The Township reports the following major proprietary fund:

**Water and Sewer Fund** - is used to account for the treatment and distribution of water and sanitary sewer services to residential and commercial users.

Additionally, the Township reports the following fund types:

**Governmental Fund Types -**

**Special Revenue Funds** - are used to account for and report the proceeds of specific revenue sources that are restricted or committed for expenditures for specific purposes other than debt service or capital projects.

**Capital Projects Fund** - is used to account for revenue and report financial resources that are restricted, committed, or assigned for acquisition and/or construction of capital assets not being financed by proprietary funds.

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**Permanent Fund** - is used to account for resources that are legally restricted to the extent that only earnings and not principal may be used for the perpetual care of the Township cemetery.

**Fiduciary Fund Type -**

**Agency Funds** - are used to account for assets held by the Township as an agent for other governments and other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would understate the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal on-going operations. The principal operating revenues of the Enterprise Fund are charges to customers for sale and services. Operating expenses from Enterprise Funds includes costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance -**

**Deposits and Investments -**

The Township's cash and cash equivalents are considered to be cash on hand and demand deposits.

State statutes authorize the Township to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

Investments in a common trust fund, for which a quoted market value is not readily available, are stated at net asset value (NAV) as determined by the fund manager. Because of the inherent uncertainty of valuations, the fair market values used may differ from values that would have been used had a ready market existed.

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**Receivables and Payables -**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans. All other outstanding balances between funds are reported as “due to/from other funds.”). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

**Inventories and Prepaid Items -**

All inventories are valued at cost, determined by the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

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

**Sewer Capacity Rights -**

The Township has entered into a contract with the City of Port Huron, Michigan (the “City”) to provide sanitary sewer services to the Township. In connection, the City has issued various bond issues to upgrade and improve to the wastewater facility for which the Township is responsible for their share of the debt costs; however, the Township has no direct ownership interest. The Township’s portion of the debt has been recorded in the Water and Sewer Fund with an offsetting intangible asset “sewer capacity rights.” The “sewer capacity rights” are amortized over the life of the debt, which is considered the minimum life of the contract with the City, and are recorded as treatment costs.

**Property Tax Calendar -**

The Township’s property tax is levied each December 1 on the taxable value of property located in the Township as of the proceeding December 31. Property taxes are recognized as revenues in the year they were intended to finance expenditures/expenses (the 2017 levy is recognized in 2018).

The Township also collects taxes for various other municipalities and school districts. The collection and remittance of these taxes are accounted for in the Current Tax Collection Fund.

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**Capital Assets -**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, 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 Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

	<u>Primary Government (in years)</u>
Land improvements	3-60
Buildings and improvements	5-60
Utility systems	60
Machinery and equipment	3-25

**Long-term Obligations -**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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 issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Deferred Outflows/Inflows of Resources -**

In addition to assets, the statement of net position reports 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 (expenses/expenditures) until then. The Township does not have any items that qualify for reporting in this category.

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This 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 (revenues) until that time. The Township reports taxes levied for subsequent periods in the government-wide statement of net position (accrual basis of accounting) and the governmental fund balance sheet (modified accrual basis of accounting). These amounts are deferred and recognized as an inflow of resources in the period the tax levy is for. Deferred inflows of resources related to other postemployment benefits (OPEB) liabilities are reported in the statements of net position, which are amortized over the expected remaining service lives of the participants.

**Fund Balance -**

In the fund financial statements, governmental funds reported fund balances in one or more of the following classifications:

*Nonspendable fund balance* – the portion of fund balance that is not in a spendable form or is required to be maintained intact.

*Restricted fund balance* – the portion of the fund balance that is mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation.

*Committed fund balance* – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action via Board resolution (e.g. to establish, modify or rescind) of the highest level of decision-making authority (Township Board).

*Assigned fund balance* – the portion of fund balance that reflects the Township's intended use of resources. Such intent currently must be determined by the Township Board. Also, amounts in excess of nonspendable, restricted and committed fund balance in funds other than the General Fund is reported as assigned.

*Unassigned fund balance* – the portion of fund balance in the General Fund that cannot be classified into one of the four categories above.

When different classifications of fund balance are present, it is the Township's policy that expenditures are to be spent from the restricted fund balance first, if appropriate, followed in order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

**Estimates -**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**Upcoming Accounting Pronouncements -**

The Governmental Accounting Standards Board (GASB) issued the following statements that will have an impact on the Township's financial statements when adopted. The Township is currently evaluating the implications of the pronouncements.

GASB Statement No. 84, *Fiduciary Activities*, was issued in January 2017 and will become effective for the Township's December 31, 2020 fiscal year. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB Statement No. 87, *Leases*, was issued in June 2017 and will become effective for the Township's December 31, 2021 fiscal year. The objective of the statement is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use of an underlying asset. Under this statement, a lease is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

**Budgetary Compliance -**

Annual budgets are adopted for the General and Special Revenue Funds on a basis consistent with accounting principles generally accepted in the United States of America and are not significantly different from the modified accrual basis used to reflect actual results.

The Township Supervisor and the Clerk prepare and submit the proposed operating budgets for the year commencing January 1. The budgets include proposed expenditures and resources to finance them.

Prior to December 31, the proposed budget is presented to the Township Board. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Township Resolution. After the budget is adopted, all amendments must be approved by the Township Board.

The Township's approved budgets were adopted at the activity (department) level in the General Fund and the total expenditure level for the Special Revenue Fund. However, for control purposes all budgets are maintained at the object (account) level. These are the legally enacted levels under the State of Michigan Uniform Budgeting and Accounting Act.

The Township does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - (cont'd):**

Michigan Public Act 621 of 1978, Section 18, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated at the legally enacted level. The Michigan Department of Treasury requires the reporting of any significant overages at the legal level of budgetary control level (any overages at the legal level of budgetary control greater than 10% of total expenditures and the overage itself is larger than 10%). During the fiscal year ended December 31, 2018, the Township did not have any overages that exceeded this threshold.

**NOTE 3 - DEPOSITS AND INVESTMENTS:**

**Carrying Amount -**

As of December 31, 2018, the carrying amount of the deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Total
Cash On Hand -			
Petty cash	\$ 1,000	\$ -	\$ 1,000
Deposits with Financial Institutions -			
Checking	5,104,482	1,563,469	6,667,951
Savings	59,969	-	59,969
	5,164,451	1,563,469	6,727,920
Investments -			
Total return common trust fund	64,729	-	64,729
	\$ 5,230,180	\$ 1,563,469	\$ 6,793,649

**Deposits -**

The Township's investment policy and Act 217 PA 1982, as amended, authorizes the Township to deposit in certificates of deposit, savings accounts, depository accounts, or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States; but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

The Township Board's investment policy allows the Township to invest in investment instruments that are legal under Public Act 40 of the Michigan Compiled Laws. The Township Treasurer is responsible for investing Township funds.

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):**

***Custodial Credit Risk - Deposits*** - Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Township's deposits may not be returned. As an indication of the level of deposit custodial credit risk assumed by the Township at December 31, 2018, the Township's deposits consist of demand deposits and savings accounts. The bank balance of the Township's deposits was \$6,750,717, of which \$388,560 was insured by depository insurance and the remaining balance of \$6,362,157 was uninsured and uncollateralized.

**Investments -**

Act 20 PA 1994 as amended by Act 1997 PA 1999 authorizes the Township to invest surplus funds in bonds, securities and other direct obligations or repurchase agreements consisting of these financial instruments of the United States government or an agency or instrumentality of the United States; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of the political subdivisions that at the time of purchase are rated as investment grades by not less than one standard rating service, mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118; investment pools organized under the local government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

As of December 31, 2018, the Township was invested in an investment common trust fund through Comerica Bank with a fair market value of \$64,729. The fair value of the investments held is estimated based on the net asset value by the fund manager. The redemption frequency is daily with no redemption notice period. The fund invests in a mix of equities and bonds in U.S. and foreign maturities. As of December 31, 2018, the asset was 100% in equities. This fund has been reported as a restricted investment since it is perpetual care assets that were donated to the Township and use is restricted.

***Custodial Credit Risk*** - is the risk that in the event of a bank failure, the Township's deposits or investments may not be returned. The Township investment policy does not address credit risk.

***Interest Rate Risk*** - is the risk that the market value of securities of the Township's portfolio will fall due to changes in the market interest rates. The Township investment policy does not address interest rate risk.

***Credit Risk*** - is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State laws limit the types on investment and "grades" of investments that the Township can purchase.

***Concentration of Credit Risk*** - is the risk of loss attributed to the magnitude of the Township's investment in a single issuer. The Township investment policy does not address concentration of credit risk.



**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 4 - TAXES:**

The Township property taxes are levied each December on the assessed valuation of the property located in the Township as of the preceding December 31. On December 1, the property tax attachment is an enforceable lien on property and is payable by the last day of the following February.

Assessed values are established annually by the Township and are equalized by the State at an estimated percentage of the current market value. Real and personal property in the Township for the 2018 levy has a State Equalized Value of \$509,608,209 and a taxable value of \$416,414,657.

The millage rates levied by the Township for 2018 revenues (2017 taxes) were 0.7015 for General Operating, 0.6203 for the Blue Water Area Transportation service, 1.8500 for Police Protection, 1.9600 for Fire Services, 0.6000 for Fire Capital Improvements, and 0.1231 for Street Lights.

The County of St. Clair has established a Tax Collection Revolving Fund whereby all local units of government are paid for the delinquent real property taxes each year.

**NOTE 5 - RECEIVABLES:**

Receivables in the governmental and business-type activities at December 31, 2018 are as follows:

	Governmental Activities	Business-type Activities
Property taxes	\$ 2,746,103	\$ -
Special assessments	703,131	263,650
Accounts	45,677	635,101
Due from fiduciary funds	168,178	-
Due from other governmental units	337,818	44,196
	\$ 4,000,907	\$ 942,947

**NOTE 6 - INTERFUND RECEIVABLE, PAYABLES, AND TRANSFERS:**

The composition of interfund balances as of December 31, 2018 was as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 2,006 (a)
	Current Tax Collection Fund	83,334 (b)
	Imprest Payroll Fund	84,844 (c)
		\$ 170,184

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 6 - INTERFUND RECEIVABLE, PAYABLES, AND TRANSFERS - (cont'd):**

**Transfers In/Out -**

Receiving Fund	Expending Fund	Amount
Inspections Fund	General Fund	\$ 25,000 (d)
Fire Capital Fund	Fire Fund	60,942 (e)
		\$ 85,942

- |  |                                |
|--|--------------------------------|
| (a) Reimbursement for cost                       | (c) Annual appropriation       |
| (b) Amount owed for undistributed taxes/interest | (d) Transfer for capital costs |
| (c) Cash flow for payroll and fringes            |                                |

**NOTE 7 - CAPITAL ASSETS:**

**Primary Government -**

Capital asset activity of the Township for the year ended December 31, 2018 was as follows:

	Jan. 1, 2018 Balance	Additions/ Adjustments	Deletions/ Adjustments	Dec. 31, 2018 Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated				
Land	\$ 1,558,861	\$ 11,000	\$ -	\$ 1,569,861
Construction in progress	-	295,942	-	295,942
Total capital assets, not being depreciated	1,558,861	306,942	-	1,865,803
Capital assets, being depreciated				
Land improvements	2,543,728	55,050	26,874	2,571,904
Shared roads	623,189	53,163	-	676,352
Buildings & improvements	3,794,446	11,549	11,111	3,794,884
Machinery & equipment	2,183,763	16,730	416,042	1,784,451
Total capital assets, being depreciated	9,145,126	136,492	454,027	8,827,591
Less accumulated depreciation				
Land improvements	583,979	82,554	26,874	639,659
Shared roads	234,668	32,489	-	267,157
Buildings & improvements	266,249	69,418	3,148	332,519
Machinery & equipment	1,675,666	83,841	416,042	1,343,465
Total accumulated depreciation	2,760,562	268,302	446,064	2,582,800
Total capital asset being depreciated, net	6,384,564	( 131,810)	7,963	6,244,791
Governmental activities capital assets, net	\$ 7,943,425	\$ 175,132	\$ 7,963	\$ 8,110,594

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 7 - CAPITAL ASSETS - (cont'd):**

	<u>Jan. 1, 2018</u> <u>Balance</u>	<u>Additions/</u> <u>Adjustments</u>	<u>Deletions/</u> <u>Adjustments</u>	<u>Dec. 31, 2018</u> <u>Balance</u>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated				
Construction in progress	\$ 55,859	\$ 1,097,198	\$ 1,153,057	\$ -
Capital assets, being depreciated				
Building & improvements	1,322,529	17,000	-	1,339,529
Utility systems	21,485,146	1,153,057	-	22,638,203
Equipment	<u>1,091,006</u>	<u>-</u>	<u>-</u>	<u>1,091,006</u>
Total capital assets, being depreciated	<u>23,898,681</u>	<u>1,170,057</u>	<u>-</u>	<u>25,068,738</u>
Less accumulated depreciation				
Building & improvements	258,938	31,126	-	290,064
Utility systems	11,034,092	386,354	-	11,420,446
Equipment	<u>862,734</u>	<u>49,672</u>	<u>-</u>	<u>912,406</u>
Total accumulated depreciation	<u>12,155,764</u>	<u>467,152</u>	<u>-</u>	<u>12,622,916</u>
Total business-type activities, being depreciated	<u>11,742,917</u>	<u>702,905</u>	<u>-</u>	<u>12,445,822</u>
Business-type activities capital assets, net	<u>\$ 11,798,776</u>	<u>\$ 1,800,103</u>	<u>\$ 1,153,057</u>	<u>\$ 12,445,822</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
General Government	\$ 46,238
Public Safety	99,540
Public Works	74,281
Recreational and Cultural	<u>48,243</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 268,302</u>
 <b>Business-type Activities:</b>	
Water and Sewer Operation	<u>\$ 467,152</u>

**Purchase Commitment -**

The Township has committed to the following contract at December 31, 2018 (this commitment does not include any change orders made after December 31, 2018):

	<u>Contract</u> <u>Amount</u>	<u>Payments</u> <u>Through</u> <u>12/31/18</u>	<u>Accounts</u> <u>Payable/</u> <u>Retention</u>	<u>Remaining</u> <u>Balance</u> <u>12/31/18</u>
Fire Truck Purchase - Rosenbauer	\$ 1,114,824	\$ 295,942	\$ -	\$ 818,882

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 8 - PAYABLES:**

Payables in the governmental and business-type activities at December 31, 2018 are as follows:

	Governmental Activities	Business-type Activities
Accounts payable	\$ 31,560	\$ 56,216
Due to other governmental units	61,165	552,211
Accrued wages and fringe benefits	29,586	14,053
	\$ 122,311	\$ 622,480

**NOTE 9 - LONG-TERM DEBT:**

**Primary Government -**

The following is a summary of changes in long-term liabilities (including current portion) of the Township for the year ended December 31, 2018:

	Jan. 1, 2018 Balance	Additions	Reductions	Dec. 31, 2018 Balance	Due Within One Year
<b>Governmental Activities:</b>					
Drain Districts	\$ 885,686	\$ -	\$ 55,522	\$ 830,164	\$ 50,996
<b>Business-type Activities:</b>					
Limited Tax General Obligation Bonds -					
2004 Special Assessment	155,000	-	20,000	135,000	20,000
2006 Special Assessment	370,000	-	40,000	330,000	40,000
2017 Capital Improvements	995,000	-	50,000	945,000	50,000
Contracts Payable	1,183,848	-	100,268	1,083,580	102,342
Total Business-type Activities	2,703,848	-	210,268	2,493,580	212,342
Total Primary Government	\$ 3,589,534	\$ -	\$ 265,790	\$ 3,323,744	\$ 263,338

Significant details regarding outstanding long-term liabilities (including current portions) are presented as follows:

**Governmental Activities -**

**Drain Districts -**

The St. Clair County Drain Commission has made improvements to the following drains and levied multi-year assessment against the Township as follows:

Galbraith (10-year assessment through 2021) with interest of 3.5%	\$ 8,305
Gossman (15-year assessment through 2027) with interest of 2.75%	240,144
Forrest Manor (30-year assessment through 2045) with interest of 3.25%	581,715
	\$ 830,164

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 9 - LONG-TERM DEBT - (cont'd):**

**Business-type Activities -**

**Bonds Payable -**

The Township has also issued three limited tax general obligation bond issues for the purpose of water and sewer main extensions and capital improvements. The bonds are to be repaid from special assessments and capital charges.

The \$360,000 2004 Special Assessment Bonds, dated November 15, 2004, due in annual installments ranging from \$20,000 to \$25,000 through April 1, 2024, with interest ranging from 4.20 to 4.60 percent, payable semi-annually. \$ 135,000

The \$680,000 2006 Special Assessment Bonds, dated December 1, 2006, due in annual installments ranging from \$40,000 to \$50,000 through September 1, 2026, with interest ranging from 4.15 to 4.35 percent, payable semi-annually. 330,000

The \$995,000 2017 Capital Improvement Bonds, dated September 6, 2017, due in annual installments ranging from \$50,000 to \$85,000 through September 1, 2032, with interest ranging from 3.00 to 3.50 percent, payable semi-annually. 945,000  
1,410,000

**Contracts Payable -**

The sewer treatment agreement with the City of Port Huron, Michigan authorizes the City to issue debt to pay for capital improvements and renovations at the treatment plant and include the debt costs as part of the annual treatment costs. Should the Township terminate the contract, the Township would be responsible for their share (13.83%) of any outstanding debt. As of December 31, 2016, the City had two bond issues outstanding totaling \$9,265,000, of which Fort Gratiot's share amounts to \$1,183,848. The Township's portion of the bonds is due in installments ranging from \$26,969 to \$114,789 including interest of 2.50%. 1,083,580  
\$ 2,493,580

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 9 - LONG-TERM DEBT - (cont'd):**

**Annual Debt Requirements:**

The annual requirements to pay the debt outstanding at December 31, 2018 for the following bonds and contracts of the Primary Government:

	Drains		Limited Tax General Obligation Bonds		Contract Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 50,996	\$ 29,176	\$ 110,000	\$ 49,178	\$ 102,342	\$ 41,460
2020	50,996	27,320	115,000	45,173	105,108	38,765
2021	50,996	25,287	115,000	41,003	108,566	35,940
2022	48,228	23,457	125,000	36,661	114,789	32,837
2023	48,228	21,648	125,000	32,036	114,787	29,517
2024-2028	214,456	81,193	500,000	98,163	150,058	123,524
2029-2033	107,725	52,543	320,000	27,938	193,620	82,031
2034-2038	107,725	35,030	-	-	194,310	26,173
2039-2043	107,725	17,517	-	-	-	-
2044-2045	43,089	2,104	-	-	-	-
	<u>\$ 830,164</u>	<u>\$ 315,275</u>	<u>\$ 1,410,000</u>	<u>\$ 330,152</u>	<u>\$ 1,083,580</u>	<u>\$ 410,247</u>

**NOTE 10 - SEWAGE DISPOSAL SYSTEM AGREEMENT:**

The Charter Township of Fort Gratiot does not operate or own a Sanitary Sewage Disposal Plant; instead, the Township/County has entered into an agreement with the City of Port Huron (the "City") to accept and dispose of the Township's sanitary sewage. The agreement provides, among other things, that the City shall reserve a capacity of 8.02 million gallons per day (MGD) in the sewage treatment plant, for which the Township made a lump sum payment. Further, the Township shall reimburse the City for its respective share of the annual operating costs, including capital purchases and debt retirement.

In connection, the City of Port Huron has issued bonds to make improvements and renovations to the plant. As noted above, the cost to repay these bonds is included in the annual treatment cost from the City. The Township share of these bond issues amount to \$1,083,580 at December 31, 2018, which has been recorded as Sewer Capacity Rights and Contracts Payable.

**NOTE 11 - WATER SUPPLY SYSTEM AGREEMENT:**

The Charter Township of Fort Gratiot does not own a water filtration plant; instead, the Township/County has entered into an agreement with the City of Port Huron to provide the Township's water supply. Under the agreement, dated October 16, 1968, the Township/County agreed to purchase various minimum quantities at such rates as the City may establish and is reasonable, plus a metered service charge. The contract is for an indefinite period but it may be terminated by either party upon one-year written notice.

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 12 - DEFINED CONTRIBUTION PENSION PLAN:**

The Township provides pension benefits to substantially all full-time employees through a deferred contribution plan, which is administered by a third-party administrator. In a deferred contribution plan, benefits depend solely on amounts contributed to the plan plus any investment earnings. The Township contributes 9% of the employee's base compensation. In addition, each employee can make non-deductible, voluntary contributions of 5-10%. All contributions, both employer and employee, become 100% vested at the time of the contribution.

For the year ended December 31, 2018, the Township contributed \$100,447 and the employees contributed \$400.

**NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS:**

**Plan Description/Benefit -**

In addition to the pension benefits described in Note 12, the Township provides postemployment benefits through a single-employer defined benefit healthcare plan (the "OPEB Plan") to employees that were hired on or before February 11, 2011, are currently social security eligibility age, had ten (10) years of continuous Township full-time employment or term of office, and were employed full-time by the Township at the time of retirement and were insured by the Township's healthcare policy. Eligible employees can receive reimbursement for health insurance up to \$250 for a single person or \$500 for a couple.

Management of the OPEB Plan is provided by the Township Board, which consists of 7 members. The OPEB Plan does not issue a publicly-available financial report, as it is audited within the financial report of the Township.

**OPEB Plan Membership -**

At December 31, 2018, OPEB Plan membership consisted of 13 active members and 9 inactive members or beneficiaries receiving benefits.

**Contributions -**

During the year ended December 31, 2018, annually determined contributions were \$188,406 and actual contributions of \$37,500 were made. The valuation, dated December 31, 2018, determined a required contribution of 27.2% of covered payroll.

The contributions of OPEB Plan members and the Township are established and may be amended by the Township Board. Most administrative costs consist of processing retiree health insurance payments of the OPEB Plan and are paid with Township resources.

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (cont'd):**

**Methods and Assumptions -**

Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the OPEB Plan as understood by the employer and OPEB Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of the sharing of benefit costs between the employer and OPEB Plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in the OPEB liability and the value of assets (none at December 31, 2018) consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

**Retirement Age of Active Employees** - Based on the required retirement age for the covered group, active plan members were assumed to retire at age 55 with 20 years of service or after 30 continuous years of service for the water and sewer departments.

**Marital Status** - Marital status of members at the calculation date was assumed to continue throughout retirement.

**Mortality** - Life expectancies were based on mortality tables from the National Center for Health Statistics. The United States Life Tables for Males and for Females were obtained from the Center for Disease Control ([www.cdc.gov](http://www.cdc.gov)). The most recent data are the life tables for males and females, 2015 version (Tables 2 and 3 from the National Vital Statistics Report, Vol. 67, No. 7 dated November 13, 2018).

**Turnover** - Nongroup-specific age-based turnover data from GASB Statement No. 45 was used as the basis for assigning active members a probability of remaining employment until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

**Payroll Growth Rate** - The expected long-term payroll growth rate assumption of 3.50 percent was based on standards set by Michigan Public Act 202.

**Discount Rate** - A discount rate of 3.64% was used. The discount rate was based on the S&P Municipal Bond 20-Year High Grade Index.



**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (cont'd):**

The OPEB liability of the Township has been measured as of December 31, 2018. The total OPEB liability was determined by an alternative method valuation as of that date and is composed of the following:

Beginning Balance	\$	944,295
Service cost		27,838
Interest on OPEB liability		31,556
Expected and actual differences	(	12,082)
Benefit payments	(	<u>37,500)</u>
Ending Balance	\$	<u>954,107</u>

As of December 31, 2018, the Township did not have any assets set aside to offset the OPEB liability.

**OPEB Expense and Deferred Inflows of Resources Related to OPEB -**

For the year ended December 31, 2018, the Township recognized OPEB expenses of \$56,978 for the OPEB Plan in the government-wide and proprietary fund financial statements of the primary government. At December 31, 2018, the Township reported deferred inflows of resources related to OPEB from the following sources:

Difference between expected and actual experience	\$	<u>9,666</u>
---	----	--------------

The amounts of deferred inflows of resources related to OPEB (excluding contributions) will be recognized in OPEB expense as follows:

2019	\$	2,416
2020		2,416
2021		2,416
2022		<u>2,418</u>
	\$	<u>9,666</u>

**Sensitivity of the OPEB Liability to Changes in the Discount Rate -**

The following presents the OPEB liability of the Township, calculated using the discount rate of 3.64% as well as what the OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.64%) or one-percentage-point higher (4.64%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
OPEB liability	\$ <u>1,036,707</u>	\$ <u>954,107</u>	\$ <u>878,269</u>

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 14 - RESTRICTED ASSETS:**

The restricted assets of \$64,729 in the Cemetery Perpetual Care Fund for perpetual care and \$1,602,418 in the Utilities Fund are for capital improvements/debt retirement.

**NOTE 15 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, injuries to employees, medical benefits provided to employees, etc. The Township has purchased insurance coverage for each of these types of losses; however, the Township would be responsible should the limits of coverage be exceeded.

**NOTE 16 - RESTRICTED NET POSITION:**

The net position has been restricted in the entity-wide statement of net position at December 31, 2018 for the following purposes:

**Governmental Activities:**

Fire Capital Fund		\$ <u>7,681</u>
Parks and Recreation - Parks Fund		<u>104,906</u>
Public Safety - Fire Fund	\$ 423,354	
OPEB Liability	( <u>99,227</u> )	324,127
Inspection Fund	12,390	
OPEB Liability	( <u>8,587</u> )	3,803
Police Fund		<u>49,333</u>
		<u>377,263</u>
Public Works - Garbage Fund		<u>23,216</u>
Cemetery Perpetual Care - Expendable Funds		29,249
Nonexpendable Funds		<u>35,480</u>
		<u>64,729</u>
Total Restricted Net Position - Governmental Activities		<u>577,795</u>

**Business-type Activities (Water and Sewer Fund):**

Acquisition/Construction of Capital Assets		975,021
Debt Retirement		<u>562,254</u>
Total Restricted Net Position - Business-type Activities		<u>1,537,275</u>
Total Restricted Net Position		<u>\$ 2,115,070</u>

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 17 - CHANGE IN ACCOUNTING PRINCIPLE:**

During the year, the Township adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement requires the OPEB liability and related deferred outflows of resources and deferred inflows of resources for the Township be reported on the statement of net position and within the note disclosures. In addition, the allocation of the OPEB obligation between the governmental and the business-type activities (water and sewer fund) was modified to more accurately report where the liability will be paid. The effect of implementing this statement and modifying the allocation increased net position at December 31, 2017 of governmental activities by \$58,859 and decreased net position in the business-type activities by \$259,368.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 493,757	\$ 481,757	\$ 504,205	\$ 22,448
Licenses and permits	191,800	191,800	188,777	( 3,023)
Intergovernmental	938,195	941,995	991,611	49,616
Charges for services	38,400	38,400	42,725	4,325
Special assessments	83,542	83,542	86,001	2,459
Fines and forfeits	11,000	11,000	12,498	1,498
Interest and rent	7,050	7,050	12,809	5,759
Other revenues	12,500	76,806	60,852	( 15,954)
Total Revenues	<u>1,776,244</u>	<u>1,832,350</u>	<u>1,899,478</u>	<u>67,128</u>
<b>Expenditures:</b>				
General Government -				
Legislative	46,410	46,410	39,157	7,253
Supervisor	85,944	89,744	87,588	2,156
Elections	27,841	27,841	24,130	3,711
Assessor	161,359	161,359	140,001	21,358
Clerk's Department	253,206	253,206	249,556	3,650
Board of Review	2,788	2,788	2,602	186
Treasurer's Department	144,081	144,081	131,963	12,118
Township Hall	319,197	324,922	288,970	35,952
	<u>1,040,826</u>	<u>1,050,351</u>	<u>963,967</u>	<u>86,384</u>
Less: Reimbursement from other funds	( 25,200)	( 25,200)	( 25,200)	-
	<u>1,015,626</u>	<u>1,025,151</u>	<u>938,767</u>	<u>86,384</u>
Public Safety -				
Ordinance Enforcement	6,228	6,228	5,976	252
Public Works -				
Street Lights	132,523	132,523	128,529	3,994
Cemetery	63,144	103,144	86,209	16,935
Road Maintenance and Construction	110,810	110,810	111,600	( 790)
Drains at Large and Watershed	95,641	95,641	92,964	2,677
	<u>402,118</u>	<u>442,118</u>	<u>419,302</u>	<u>22,816</u>
Community and Economic Development -				
Planning Commission	14,604	14,604	9,294	5,310
Community Planning	99,386	125,947	98,008	27,939
Zoning Board	10,319	10,319	8,645	1,674
	<u>124,309</u>	<u>150,870</u>	<u>115,947</u>	<u>34,923</u>

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Expenditures - (cont'd):</b>				
Recreation and Cultural -				
Parks and Recreation	\$ 20,109	\$ 23,429	\$ 19,760	\$ 3,669
Buildings and Grounds	263,908	272,081	254,556	17,525
	<u>284,017</u>	<u>295,510</u>	<u>274,316</u>	<u>21,194</u>
Total Expenditures	<u>1,832,298</u>	<u>1,919,877</u>	<u>1,754,308</u>	<u>165,569</u>
Excess of Revenues Over (Under) Expenditures	( 56,054)	( 87,527)	145,170	232,697
<b>Other Financing Sources (Uses):</b>				
Transfers out	( 101,306)	( 101,306)	( 25,000)	76,306
Net Change in Fund Balance	( 157,360)	( 188,833)	120,170	309,003
Fund Balance at Beginning of Year	<u>1,804,121</u>	<u>1,804,121</u>	<u>1,804,121</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,646,761</u>	<u>\$ 1,615,288</u>	<u>\$ 1,924,291</u>	<u>\$ 309,003</u>

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**FIRE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 751,172	\$ 751,172	\$ 737,350	\$( 13,822)
Charges for services	44,000	44,000	58,700	14,700
Interest	-	-	1,695	1,695
	<u>795,172</u>	<u>795,172</u>	<u>797,745</u>	<u>2,573</u>
<b>Expenditures:</b>				
Public Safety -				
Salaries	490,086	490,086	418,665	71,421
Fringe benefits	119,196	119,196	111,586	7,610
Supplies	21,500	21,500	18,982	2,518
Professional fees	8,000	8,000	9,401	( 1,401)
Uniforms	8,000	8,000	9,144	( 1,144)
Gas and oil	8,000	8,000	6,699	1,301
Communications	2,500	2,500	2,934	( 434)
Utilities	14,000	14,000	16,315	( 2,315)
Repairs and maintenance	39,000	39,000	30,172	8,828
Education and training	6,000	6,000	2,267	3,733
Insurance	53,440	53,440	62,405	( 8,965)
Miscellaneous	10,700	10,700	7,210	3,490
Capital outlay	14,500	14,500	12,826	1,674
	<u>794,922</u>	<u>794,922</u>	<u>708,606</u>	<u>86,316</u>
Excess of revenues over (under) expenditures	<u>250</u>	<u>250</u>	<u>89,139</u>	<u>88,889</u>
<b>Other Financing Sources:</b>				
Sale of assets	-	-	40,385	40,385
Transfers out	-	-	( 60,942)	( 60,942)
	<u>-</u>	<u>-</u>	<u>( 20,557)</u>	<u>( 20,557)</u>
Net Change in Fund Balance	250	250	68,582	68,332
Fund Balance at Beginning of Year	<u>354,772</u>	<u>354,772</u>	<u>354,772</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 355,022</u>	<u>\$ 355,022</u>	<u>\$ 423,354</u>	<u>\$ 68,332</u>

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**POLICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 756,764	\$ 746,072	\$ 744,264	\$( 1,808)
Intergovernmental	9,000	9,000	9,328	328
Interest and rent	-	-	669	669
	<u>765,764</u>	<u>755,072</u>	<u>754,261</u>	<u>( 811)</u>
<b>Expenditures:</b>				
Public Safety	<u>736,485</u>	<u>737,343</u>	<u>737,471</u>	<u>( 128)</u>
Net Change in Fund Balance	29,279	17,729	16,790	( 939)
Fund Balance at Beginning of Year	<u>32,543</u>	<u>32,543</u>	<u>32,543</u>	<u>-</u>
Fund Balance at End of Year	<u><u>\$ 61,822</u></u>	<u><u>\$ 50,272</u></u>	<u><u>\$ 49,333</u></u>	<u><u>\$( 939)</u></u>



**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**GARBAGE COLLECTION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Special assessments	\$ 578,150	\$ 578,150	\$ 579,881	\$ 1,731
Interest	-	-	345	345
	<u>578,150</u>	<u>578,150</u>	<u>580,226</u>	<u>2,076</u>
<b>Expenditures:</b>				
Public Works	<u>612,000</u>	<u>619,000</u>	<u>617,372</u>	<u>1,628</u>
Net Change in Fund Balance	( 33,850)	( 40,850)	( 37,146)	3,704
Fund Balance at Beginning of Year	<u>60,362</u>	<u>60,362</u>	<u>60,362</u>	<u>-</u>
Fund Balance at End of Year	<u><u>\$ 26,512</u></u>	<u><u>\$ 19,512</u></u>	<u><u>\$ 23,216</u></u>	<u><u>\$ 3,704</u></u>

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**RETIREE HEALTH BENEFITS**  
**SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS**  
**PLAN FISCAL YEAR**

	2018
<b>Total OPEB Liability:</b>	
Service Cost	\$ 27,838
Interest	31,556
Differences between expected and actual experience	( 12,082)
Benefit payments, including refunds	<u>( 37,500)</u>
Change in total OPEB liability	9,812
Total OPEB liability, beginning of year	<u>944,295</u>
Total OPEB liability, end of year	<u><u>\$ 954,107</u></u>
 <b>Covered Employee Payroll</b>	 \$ 692,277
 <b>Township's Net OPEB Liability as a Percentage of Covered Employee Payroll</b>	 137.8%

GASB Statement No. 75 was implemented for fiscal year ended December 31, 2018. These schedules are being built prospectively. Ultimately, 10 years will be presented.

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**RETIREE HEALTH BENEFITS**  
**SCHEDULE OF CONTRIBUTIONS**  
**FISCAL YEAR**

	<u>Annual Determined Contribution</u>	<u>Contributions in Relation to the Annual Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2018	\$ 188,406	\$ 37,500	\$ 150,906	\$ 692,277	5.42%

**Valuation Date:** December 31, 2018

**Methods and Assumptions Used to Determine Contribution Rates:**

Simplified Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	5 years, Closed
Salary Increases	3.50%
Investment Rate of Return	3.64%
Years of Service	10 years of continuous service
Mortality	National Center for Health Statistics 2015 version (Tables 2 and 3 from the National Vital Statistics Report, Vol. 67 No. 7 dated November 13, 2018)

GASB Statement No. 75 was implemented for fiscal year ended December 31, 2018. These schedules are being built prospectively. Ultimately, 10 years will be presented.

## **SUPPLEMENTARY INFORMATION**

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2018**

	Special Revenue Funds			Capital Projects Fund	Permanent Fund	Total
	Parks	Inspections	Blue Water Area Transportation	Fire	Cemetery Perpetual Care	
<b>Assets:</b>						
<b>Current assets -</b>						
Cash and cash equivalents	\$ 104,906	\$ 15,897	\$ -	\$ 7,681	\$ -	\$ 128,484
Property tax receivable	-	-	258,276	249,829	-	508,105
	<u>104,906</u>	<u>15,897</u>	<u>258,276</u>	<u>257,510</u>	<u>-</u>	<u>636,589</u>
<b>Restricted assets -</b>						
Investments	-	-	-	-	64,729	64,729
Total Assets	<u>\$ 104,906</u>	<u>\$ 15,897</u>	<u>\$ 258,276</u>	<u>\$ 257,510</u>	<u>\$ 64,729</u>	<u>\$ 701,318</u>
<b>Liabilities:</b>						
Accrued liabilities	\$ -	\$ 3,507	\$ -	\$ -	\$ -	\$ 3,507
<b>Deferred Inflows of Revenues:</b>						
Unavailable revenue - receivable	-	-	258,276	249,829	-	508,105
<b>Fund Balances:</b>						
Nonspendable for:						
Perpetual Care	-	-	-	-	35,480	35,480
Restricted for:						
Cemetery	-	-	-	-	29,249	29,249
Parks	104,906	-	-	-	-	104,906
Inspections	-	12,390	-	-	-	12,390
Fire capital	-	-	-	7,681	-	7,681
Total Fund Balance	<u>104,906</u>	<u>12,390</u>	<u>-</u>	<u>7,681</u>	<u>64,729</u>	<u>189,706</u>
Total Liabilities and Fund Balance	<u>\$ 104,906</u>	<u>\$ 15,897</u>	<u>\$ 258,276</u>	<u>\$ 257,510</u>	<u>\$ 64,729</u>	<u>\$ 701,318</u>

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Special Revenue Funds			Capital Projects Fund	Permanent Fund	Total
	Parks	Inspections	Blue Water Area Transportation	Fire	Cemetery Perpetual Care	
<b>Revenues:</b>						
Taxes	\$ -	\$ -	\$ 253,770	\$ 242,558	\$ -	\$ 496,328
Intergovernmental	48,785	-	-	-	-	48,785
Charges for services	-	138,506	-	-	-	138,506
Interest and rent	293	172	-	123	( 7,922)	( 7,334)
Other	8,090	6,275	-	-	-	14,365
Total Revenues	57,168	144,953	253,770	242,681	( 7,922)	690,650
<b>Expenditures:</b>						
Current -						
Public Safety	-	162,497	-	-	-	162,497
Public Works	-	-	253,770	-	-	253,770
Recreation and Cultural	18,641	-	-	-	-	18,641
Capital Outlay	-	-	-	295,942	-	295,942
Total Expenditures	18,641	162,497	253,770	295,942	-	730,850
Excess of Revenues Over (Under)						
Expenditures	38,527	( 17,544)	-	( 53,261)	( 7,922)	( 40,200)
<b>Other Financing Sources:</b>						
Transfers In	-	25,000	-	60,942	-	85,942
Net Change in Fund Balance	38,527	7,456	-	7,681	( 7,922)	45,742
Fund Balances at Beginning of Year	66,379	4,934	-	-	72,651	143,964
Fund Balances at End of Year	\$ 104,906	\$ 12,390	\$ -	\$ 7,681	\$ 64,729	\$ 189,706

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**PARKS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental	\$ 47,572	\$ 47,572	\$ 48,785	\$ 1,213
Interest	10	10	293	283
Other	-	-	8,090	8,090
	<u>47,582</u>	<u>47,582</u>	<u>57,168</u>	<u>9,586</u>
<b>Expenditures:</b>				
Recreation and Cultural -				
Salaries	297	297	-	297
Fringe benefits	123	123	-	123
Professional fees	-	-	1,206	( 1,206)
Repair and maintenance	47,162	47,162	3,200	43,962
Miscellaneous	-	-	14,235	( 14,235)
	<u>47,582</u>	<u>47,582</u>	<u>18,641</u>	<u>28,941</u>
Net Change in Fund Balance	-	-	38,527	38,527
Fund Balance at Beginning of Year	<u>66,379</u>	<u>66,379</u>	<u>66,379</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 66,379</u>	<u>\$ 66,379</u>	<u>\$ 104,906</u>	<u>\$ 38,527</u>

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**INSPECTIONS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Permits	\$ 64,650	\$ 76,750	\$ 138,506	\$ 61,756
Interest	-	-	172	172
Other	3,000	3,000	6,275	3,275
	<u>67,650</u>	<u>79,750</u>	<u>144,953</u>	<u>65,203</u>
<b>Expenditures:</b>				
Public Safety -				
Salaries	106,106	116,106	106,744	9,362
Fringe benefits	26,125	26,765	24,991	1,774
Supplies	2,200	2,200	-	2,200
Transportation	1,700	1,700	758	942
Professional fees	1,000	1,000	1,000	-
Education and training	2,000	2,000	750	1,250
Miscellaneous	28,665	30,125	28,254	1,871
	<u>167,796</u>	<u>179,896</u>	<u>162,497</u>	<u>17,399</u>
Excess of Revenues Under Expenditures	( 100,146)	( 100,146)	( 17,544)	82,602
<b>Other Financing Sources:</b>				
Transfers in	<u>100,146</u>	<u>100,146</u>	<u>25,000</u>	<u>( 75,146)</u>
Net Change in Fund Balance	-	-	7,456	7,456
Fund Balance at Beginning of Year	<u>4,934</u>	<u>4,934</u>	<u>4,934</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 4,934</u>	<u>\$ 4,934</u>	<u>\$ 12,390</u>	<u>\$ 7,456</u>



**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**BLUE WATER AREA TRANSPORTATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 254,717	\$ 254,717	\$ 253,770	\$( 947)
<b>Expenditures:</b>				
Public Works	254,717	254,717	253,770	947
Net Change in Fund Balance	-	-	-	-
Fund Balance at Beginning of Year	-	-	-	-
Fund Balance at End of Year	\$ -	\$ -	\$ -	\$ -

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**COMBINING SCHEDULE OF NET POSITION**  
**WATER AND SEWER FUNDS**  
**DECEMBER 31, 2018**

	Unrestricted	Restricted		
	Water & Sewer Fund	Capital Replacement	Utility Bond Debt	Brace/Tice Bond Debt
<b>Assets:</b>				
Current Assets -				
Cash and cash equivalents	\$ 1,703,961	\$ -	\$ -	\$ -
Accounts receivable	635,101	-	-	-
Inventory	55,374	-	-	-
Total Current Assets	<u>2,394,436</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted Assets -				
Cash and cash equivalents	-	923,194	44,728	106,195
Receivables	-	66,592	4,978	49,229
Due from other governmental units	-	44,196	-	-
Total Restricted Assets	<u>-</u>	<u>1,033,982</u>	<u>49,706</u>	<u>155,424</u>
Noncurrent Assets -				
Capital Assets, net	12,445,822	-	-	-
Sewer capacity rights	1,083,580	-	-	-
Total Noncurrent Assets	<u>13,529,402</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>15,923,838</u>	<u>1,033,982</u>	<u>49,706</u>	<u>155,424</u>
<b>Liabilities:</b>				
Current Liabilities -				
Accounts payable	559,320	-	-	-
Contracts payable (current portion)	102,342	-	-	-
Accrued expenses	14,053	-	-	-
Deposits	36,615	-	-	-
Due to other funds	2,006	-	-	-
Total Current Liabilities	<u>714,336</u>	<u>-</u>	<u>-</u>	<u>-</u>
Current Liabilities (payable from restricted assets) -				
Accounts payable	-	49,107	-	-
Bonds payable (current portion)	-	50,000	-	20,000
Accrued interest	-	9,854	-	1,489
Total Current Liabilities (Payable from restricted assets)	<u>-</u>	<u>108,961</u>	<u>-</u>	<u>21,489</u>
Long-term Liabilities (less current portions) -				
OPEB liability	415,132	-	-	-
Contracts payable	981,238	-	-	-
Bonds payable	-	895,000	-	115,000
Total Long-term Liabilities (less current portion)	<u>1,396,370</u>	<u>895,000</u>	<u>-</u>	<u>115,000</u>
Total Liabilities	<u>2,110,706</u>	<u>1,003,961</u>	<u>-</u>	<u>136,489</u>
<b>Deferred Inflows of Resources:</b>				
Related to the OPEB plan	<u>4,206</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Position:</b>				
Net investment in capital assets	12,445,822	-	-	-
Restricted - Equipment Replacement	-	30,021	-	-
Debt Retirement	-	-	49,706	18,935
Unrestricted	<u>1,363,104</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ 13,808,926</u>	<u>\$ 30,021</u>	<u>\$ 49,706</u>	<u>\$ 18,935</u>

<u>Krafft Bond Debt</u>	<u>Total Restricted</u>	<u>Total</u>	<u>Eliminations</u>	<u>Total</u>
\$ -	\$ -	\$ 1,703,961	\$ -	\$ 1,703,961
-	-	635,101	-	635,101
-	-	55,374	-	55,374
<u>-</u>	<u>-</u>	<u>2,394,436</u>	<u>-</u>	<u>2,394,436</u>
220,455	1,294,572	1,294,572	-	1,294,572
142,851	263,650	263,650	-	263,650
-	44,196	44,196	-	44,196
<u>363,306</u>	<u>1,602,418</u>	<u>1,602,418</u>	<u>-</u>	<u>1,602,418</u>
-	-	12,445,822	-	12,445,822
-	-	1,083,580	-	1,083,580
<u>-</u>	<u>-</u>	<u>13,529,402</u>	<u>-</u>	<u>13,529,402</u>
<u>363,306</u>	<u>1,602,418</u>	<u>17,526,256</u>	<u>-</u>	<u>17,526,256</u>
-	-	559,320	-	559,320
-	-	102,342	-	102,342
-	-	14,053	-	14,053
-	-	36,615	-	36,615
-	-	2,006	-	2,006
<u>-</u>	<u>-</u>	<u>714,336</u>	<u>-</u>	<u>714,336</u>
-	49,107	49,107	-	49,107
40,000	110,000	110,000	-	110,000
4,693	16,036	16,036	-	16,036
<u>44,693</u>	<u>175,143</u>	<u>175,143</u>	<u>-</u>	<u>175,143</u>
-	-	415,132	-	415,132
-	-	981,238	-	981,238
290,000	1,300,000	1,300,000	-	1,300,000
<u>290,000</u>	<u>1,300,000</u>	<u>2,696,370</u>	<u>-</u>	<u>2,696,370</u>
<u>334,693</u>	<u>1,475,143</u>	<u>3,585,849</u>	<u>-</u>	<u>3,585,849</u>
-	-	4,206	-	4,206
-	-	12,445,822	( 1,410,000)	11,035,822
-	30,021	30,021	945,000	975,021
28,613	97,254	97,254	465,000	562,254
-	-	1,363,104	-	1,363,104
<u>\$ 28,613</u>	<u>\$ 127,275</u>	<u>\$ 13,936,201</u>	<u>\$ -</u>	<u>\$ 13,936,201</u>

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**WATER AND SEWER FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Unrestricted	Restricted		
	Water & Sewer Fund	Capital Replacement	Utility Bond Debt	Brace/Tice Bond Debt
<b>Operating Revenues:</b>				
Charges for services - user charges	\$ 3,312,518	\$ 249,105	\$ -	\$ -
Penalty on delinquent accounts	41,576	-	-	-
Other revenue	16,270	120,941	-	-
Total Operating Revenues	<u>3,370,364</u>	<u>370,046</u>	<u>-</u>	<u>-</u>
<b>Operating Expenses:</b>				
Salaries and fringes	761,328	-	-	-
Water purchases	1,461,549	-	-	-
Sewer plant charges	945,022	-	-	-
Supplies	28,757	-	-	-
Utilities	45,952	-	-	-
Repairs and maintenance	219,242	134,379	-	-
Insurances	39,846	-	-	-
Professional services	11,328	-	-	-
Other	40,465	-	-	-
Depreciation	467,152	-	-	-
Total Operating Expenses	<u>4,020,641</u>	<u>134,379</u>	<u>-</u>	<u>-</u>
Operating Income (Loss)	<u>( 650,277)</u>	<u>235,667</u>	<u>-</u>	<u>-</u>
<b>Non-Operating Revenues (Expenses):</b>				
Special assessments and tap/privilege fees	-	74,727	-	-
Interest earned	4,988	6,621	269	1,667
Interest expense and fees	-	( 26,154)	-	( 6,922)
Total Non-Operating Revenues (Expenses)	<u>4,988</u>	<u>55,194</u>	<u>269</u>	<u>( 5,255)</u>
Net Income (Loss) Before Transfers	<u>( 645,289)</u>	<u>290,861</u>	<u>269</u>	<u>( 5,255)</u>
<b>Transfers:</b>				
Transfer In	1,159,018	-	-	60,000
Transfer Out	-	( 1,159,018)	( 60,000)	-
	<u>1,159,018</u>	<u>( 1,159,018)</u>	<u>( 60,000)</u>	<u>60,000</u>
Net Income (Loss)	513,729	( 868,157)	( 59,731)	54,745
Net Position (Deficit) at Beginning of Year, as restated	<u>13,295,197</u>	<u>898,178</u>	<u>109,437</u>	<u>( 35,810)</u>
Net Position at End of Year	<u>\$ 13,808,926</u>	<u>\$ 30,021</u>	<u>\$ 49,706</u>	<u>\$ 18,935</u>

<u>Krafft Bond Debt</u>	<u>Total Restricted</u>	<u>Total</u>	<u>Eliminations</u>	<u>Total</u>
\$ -	\$ 249,105	\$ 3,561,623	\$ -	\$ 3,561,623
-	-	41,576	-	41,576
-	120,941	137,211	-	137,211
<u>-</u>	<u>370,046</u>	<u>3,740,410</u>	<u>-</u>	<u>3,740,410</u>
-	-	761,328	-	761,328
-	-	1,461,549	-	1,461,549
-	-	945,022	-	945,022
-	-	28,757	-	28,757
-	-	45,952	-	45,952
-	134,379	353,621	-	353,621
-	-	39,846	-	39,846
-	-	11,328	-	11,328
-	-	40,465	-	40,465
-	-	467,152	-	467,152
<u>-</u>	<u>134,379</u>	<u>4,155,020</u>	<u>-</u>	<u>4,155,020</u>
<u>-</u>	<u>235,667</u>	<u>( 414,610)</u>	<u>-</u>	<u>( 414,610)</u>
-	74,727	74,727	-	74,727
7,562	16,119	21,107	-	21,107
<u>( 15,925)</u>	<u>( 49,001)</u>	<u>( 49,001)</u>	<u>-</u>	<u>( 49,001)</u>
<u>( 8,363)</u>	<u>41,845</u>	<u>46,833</u>	<u>-</u>	<u>46,833</u>
<u>( 8,363)</u>	<u>277,512</u>	<u>( 367,777)</u>	<u>-</u>	<u>( 367,777)</u>
-	60,000	1,219,018	( 1,219,018)	-
<u>-</u>	<u>( 1,219,018)</u>	<u>( 1,219,018)</u>	<u>1,219,018</u>	<u>-</u>
<u>-</u>	<u>( 1,159,018)</u>	<u>-</u>	<u>-</u>	<u>-</u>
( 8,363)	( 881,506)	( 367,777)	-	( 367,777)
<u>36,976</u>	<u>1,008,781</u>	<u>14,303,978</u>	<u>-</u>	<u>14,303,978</u>
<u>\$ 28,613</u>	<u>\$ 127,275</u>	<u>\$ 13,936,201</u>	<u>\$ -</u>	<u>\$ 13,936,201</u>

## **FIDUCIARY FUNDS**

**CHARTER TOWNSHIP OF FORT GRATIOT**  
**St. Clair County, Michigan**

**AGENCY FUNDS**  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES**  
**DECEMBER 31, 2018**

	Current Tax Collection	Other Tax Collection	Imprest Payroll	Total
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,484,034	\$ 29,774	\$ 49,661	\$ 1,563,469
Prepaid expense	-	-	37,061	37,061
	<u>\$ 1,484,034</u>	<u>\$ 29,774</u>	<u>\$ 86,722</u>	<u>\$ 1,600,530</u>
<b>Liabilities:</b>				
Due to other funds	\$ 83,334	-	\$ 84,844	\$ 168,178
Undistributed taxes and interest	1,400,700	29,774	1,878	1,432,352
	<u>\$ 1,484,034</u>	<u>\$ 29,774</u>	<u>\$ 86,722</u>	<u>\$ 1,600,530</u>