
**Bath Charter Township
Clinton County, Michigan**

FINANCIAL STATEMENTS

December 31, 2015

Bath Charter Township
Clinton County, Michigan
December 31, 2015

BOARD OF TRUSTEES AND ADMINISTRATION

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Bath Charter Township

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Bath Charter Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Bath Charter Township, Michigan, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Bath Charter Township, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bath Charter Township, Michigan, as of December 31, 2015, 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.

Emphasis of a Matter

As described in Note J to the financial statements, the Township adopted the provisions of Government Accounting Standards Board (GASB) Statement 68 "*Accounting and Financial reporting for Pensions*" and GASB 71 "*Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*". The implementation of these pronouncements had effects on the beginning net position, deferred inflows and deferred outflows. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages ii-vi and budgetary comparison and retirement system information on pages 31-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bath Charter Township, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2016, on our consideration of the Bath Charter Township, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bath Charter Township, Michigan's internal control over financial reporting and compliance.

Condon, Heckt, Bisher, Wade & Co., P.C.

Certified Public Accountants

Hillsdale, Michigan
June 1, 2016

Bath Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2015

The discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2015. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2015:

- Total net position related to the Township's governmental and business-type activities increased \$523,795.
- Total fund balances related to the Township's governmental funds increased by \$111,548.
- Investment earnings decreased approximately \$285,541 from the prior year. The decrease is the result of fluctuations in market interest rates and changes in market value of investments held by the Township.
- Capital assets, net of depreciation, decreased approximately \$203,322 from the prior year. The majority of this decrease is related to current year depreciation expense.

Using this Annual Report

This discussion and analysis is intended to serve as an introduction to Bath Charter Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide Financial Statements. The statement of net position and the statement of activities provide information about the activities of Bath Charter Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). In addition, both government-wide financial statements include a column for the Township's discretely presented component unit.

Fund Financial Statements. The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of Bath Charter Township in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which Bath Charter Township acts solely as a trustee or agent for the benefit of those outside the government.

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

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

Bath Charter Township
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2015

Using this Annual Report - continued

Bath Charter Township maintains nine (9) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Other Supplementary Information section of this report.

The Township adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary Funds. Bath Charter Township maintains three (3) proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses Enterprise Funds to account for its sewer system and water system activity. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the Township's various functions. Bath Charter Township uses an Internal Service Fund to account for potential future employee sick and vacation payouts. Because the services provided by employees of the Township predominantly benefit governmental rather than business-type functions, the activities of the Internal Service Fund have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-30 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, such as this MD&A and the General Fund budgetary comparison schedule. Combining statements referred to earlier in connection with nonmajor governmental funds are presented as other supplementary information.

The Township as a Whole

The following table shows, in a condensed format, a comparative analysis of the net assets as of December 31, 2015 and 2014:

	Governmental Activities December 31,		Business-type Activities December 31,		Totals December 31,	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$ 6,242,069	\$ 5,977,964	\$ 6,012,012	\$ 5,792,837	\$ 12,254,081	\$ 11,770,801
Capital assets, net	3,820,774	3,758,119	9,953,262	10,219,239	13,774,036	13,977,358
Total assets	10,062,843	9,736,083	15,965,274	16,012,076	26,028,117	25,748,159
Deferred outflows of resources	203,899	135,526	48,750	54,167	252,649	189,693
Liabilities						
Current liabilities	390,435	361,959	908,178	864,665	1,298,613	1,226,624
Noncurrent liabilities	1,381,035	1,310,268	7,003,665	7,430,696	8,384,700	8,740,964
Total liabilities	1,771,470	1,672,227	7,911,843	8,295,361	9,683,313	9,967,588
Deferred inflows of resources	2,726,531	2,623,137	-	-	2,726,531	2,623,137

Bath Charter Township
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

The Township as a Whole - continued

	Governmental Activities December 31,		Business-type Activities December 31,		Totals December 31,	
	2015	2014	2015	2014	2015	2014
Net position						
Net investment in capital assets	\$ 3,480,774	\$ 3,324,775	\$ 4,634,126	\$ 4,478,072	\$ 8,114,900	\$ 7,802,847
Restricted	174,673	81,586	-	-	174,673	81,586
Unrestricted	2,113,294	2,169,884	3,468,055	3,292,810	5,581,349	5,462,694
Total net position	<u>\$ 5,768,741</u>	<u>\$ 5,576,245</u>	<u>\$ 8,102,181</u>	<u>\$ 7,770,882</u>	<u>\$ 13,870,922</u>	<u>\$ 13,347,127</u>

Net position may serve over time as a useful indicator of a government's financial position. Bath Charter Township's assets exceeded liabilities by \$13,870,922 as of December 31, 2015. A significant portion of the Township's net position (58 percent) reflects its investment in capital assets (e.g., land, buildings, equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net position (less than 2 percent) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$5,581,349) may be used to meet the Township's ongoing obligations to citizens and creditors.

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

The Township's net position increased by \$523,795 during the current year as discussed below (Note: The 2014 columns are prior to the implementation of GASB Statement No. 68 which was effective for fiscal years beginning after June 15, 2014).

	Governmental Activities December 31,		Business-type Activities December 31,		Totals December 31,	
	2015	2014	2015	2014	2015	2014
Revenue						
Program revenue:						
Charges for services	\$ 655,690	\$ 654,232	\$ 1,454,894	\$ 1,470,109	\$ 2,110,584	\$ 2,124,341
Operating grants and contributions	182,377	198,134	-	-	182,377	198,134
Capital grants and contributions	-	-	604,294	220,414	604,294	220,414
General revenue:						
Property taxes	2,395,682	2,281,093	-	-	2,395,682	2,281,093
State shared revenue	906,884	901,471	-	-	906,884	901,471
Investment earnings	77,054	288,913	23,690	97,372	100,744	386,285
Equity interest in SCCMUA	-	-	109,766	111,756	109,766	111,756
Miscellaneous	54,936	42,313	71,321	78,417	126,257	120,730
Total revenue	<u>4,272,623</u>	<u>4,366,156</u>	<u>2,263,965</u>	<u>1,978,068</u>	<u>6,536,588</u>	<u>6,344,224</u>
Program Expenses						
General government	1,340,041	1,293,513	-	-	1,340,041	1,293,513
Public safety	1,971,460	1,950,167	-	-	1,971,460	1,950,167
Public works	606,397	588,397	-	-	606,397	588,397
Recreation and cultural	140,757	114,759	-	-	140,757	114,759
Sewer system	-	-	1,926,666	1,869,403	1,926,666	1,869,403
Water system	-	-	6,000	6,000	6,000	6,000
Interest on long-term debt	21,472	25,121	-	-	21,472	25,121
Total program expenses	<u>4,080,127</u>	<u>3,971,957</u>	<u>1,932,666</u>	<u>1,875,403</u>	<u>6,012,793</u>	<u>5,847,360</u>
Change in Net Position	<u>\$ 192,496</u>	<u>\$ 394,199</u>	<u>\$ 331,299</u>	<u>\$ 102,665</u>	<u>\$ 523,795</u>	<u>\$ 496,864</u>

Bath Charter Township
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2015

Governmental Activities

Governmental activities increased the Township's net position by \$192,496 during fiscal year 2015. Key elements of this increase are as follows:

The Township's governmental activities' revenues totaled \$4,272,623 with the greatest revenue source being property taxes. Tax revenues increased approximately \$114,589. Investment earnings decreased \$211,859 and state shared revenue increased approximately \$5,413 during 2015.

The Township incurred expenses of \$4,080,127 during the year which was \$108,170 more than the prior year. The majority of governmental expense is associated with the public safety function, which includes fire and police services.

Business-type Activities

Business-type activities increased the Township's net position by \$331,299 during fiscal year 2015. The increase in net position was partially due to an increase in tap-in-fees for development within the Township. The majority (64%) of the revenue of the business-type activities is generated through user charges.

The Township's Funds

Governmental Funds. The analysis of the Township's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not Bath Charter Township as a whole. Bath Charter Township's Board of Trustees creates funds to help manage money for specific purposes. The Township's major governmental fund for the fiscal year ended December 31, 2015 was the General Fund.

The General Fund pays for most of the Township's governmental services. The most significant service provided during the fiscal year was for public safety, which incurred expenditures of \$1,778,542 for the fiscal year. Public Safety services are partially supported by a police and fire millage, which is recorded in the General Fund.

Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer System Fund and the Water System Fund at the end of the year amounted to \$3,333,489 and \$134,566, respectively. Net position for the Sewer System Fund increased by \$324,553 and the net position for the Water System Fund increased by \$6,746 for the fiscal year.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendments were made to recognize differences in anticipated revenues, to reign in and reallocate expenditures, and delay anticipated capital projects. Budgetary-basis revenues and other financing sources were increased by \$113,248, primarily to adjust for anticipated refund, rebates, and other revenues. Actual revenues came in \$162,620 less than the amended budget. This deficit is due to refunds, rebates, and other revenues coming in lower than anticipated. Budgetary basis expenditures and other financing uses were increased \$214,140 to adjust for increased public safety costs and anticipated operating transfers to other funds. Actual expenditures and other financing uses came in \$239,791 under budget, due primarily to tighter budgetary control.

Bath Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2015

Capital Asset and Debt Administration

Capital Assets. At the end of the fiscal year, the Township had approximately \$23,153,412 invested in a broad range of capital assets, including buildings, land, equipment, and utilities. In addition, the Township has made certain investments in roads and drains within Bath Charter Township. These assets are not reported in Bath Charter Township's fund statements because under Michigan law these roads and drains are the property of the Clinton County Road and Drain Commissions, respectively. Refer to Note D on pages 21 and 22 for further details related to the Township's capital assets.

Long-term Debt. The Township made principal payments on existing obligations in the amount of \$513,344. The carrying amount of the Township's obligation for compensated absences decreased by \$4,410. Refer to Note E on pages 22 and 23 for further details related to the Township's long-term debt.

Current Economic Factors

Bath Charter Township continues to maintain a stable financial outlook due to conservative budgeting and fiscal management and to a significant growth curve in new residential and commercial construction. In addition, Bath Township's tax base, though lowered, was not hit as severely by the Great Recession as were many communities throughout Michigan.

This is not to say that Bath Township does not face some challenges. While Township growth has been significant for more than a decade, the new residents represent additional demands for services and infrastructure improvements, particularly in the sanitary sewer system, which requires additional resources.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Superintendent or Treasurer at the Township Hall.

BASIC FINANCIAL STATEMENTS

Bath Charter Township
STATEMENT OF NET POSITION
December 31, 2015

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,189,596	\$ 1,147,846	\$ 3,337,442	\$ 384
Investments	1,392,092	1,127,064	2,519,156	-
Receivables	1,247,556	360,205	1,607,761	-
Due from other governmental units	151,667	-	151,667	-
Prepays	85,653	-	85,653	-
Total current assets	5,066,564	2,635,115	7,701,679	384
Noncurrent assets				
Investments	1,175,505	282,719	1,458,224	-
Investment in SCCMUA	-	3,094,178	3,094,178	-
Capital assets not being depreciated	1,136,401	286,887	1,423,288	-
Capital assets, net of accumulated depreciation	2,684,373	9,666,375	12,350,748	-
Total noncurrent assets	4,996,279	13,330,159	18,326,438	-0-
TOTAL ASSETS	10,062,843	15,965,274	26,028,117	384
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	48,750	48,750	-
Deferred outflows of resources related to pensions	203,899	-	203,899	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	203,899	48,750	252,649	-0-
LIABILITIES				
Current liabilities				
Accounts payable	152,392	83,194	235,586	-
Accrued wages	29,224	-	29,224	-
Accrued liabilities	18,673	-	18,673	-
Accrued interest payable	3,222	45,807	49,029	-
Unearned revenue	-	352,146	352,146	-
Current portion of compensated absences	126,924	-	126,924	-
Current portion of long-term debt	60,000	427,031	487,031	-
Total current liabilities	390,435	908,178	1,298,613	-0-
Noncurrent liabilities				
Noncurrent portion of long-term debt	280,000	7,003,665	7,283,665	-
Net pension liability	1,101,035	-	1,101,035	-
Total noncurrent liabilities	1,381,035	7,003,665	8,384,700	-0-
TOTAL LIABILITIES	1,771,470	7,911,843	9,683,313	-0-
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for subsequent year	2,726,531	-	2,726,531	-
NET POSITION				
Net investment in capital assets	3,480,774	4,634,126	8,114,900	-
Restricted for public safety	125,422	-	125,422	-
Restricted for street lights	49,251	-	49,251	-
Unrestricted	2,113,294	3,468,055	5,581,349	384
TOTAL NET POSITION	\$ 5,768,741	\$ 8,102,181	\$ 13,870,922	\$ 384

See accompanying notes to financial statements.

Bath Charter Township
STATEMENT OF ACTIVITIES
Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit (DDA)
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities								
General government	\$ 1,340,041	417,379	82,417	\$ -	\$ (840,245)	\$ -	\$ (840,245)	\$ -
Public safety	1,971,460	200,568	2,394	-	(1,768,498)	-	(1,768,498)	-
Public works	606,397	-	95,847	-	(510,550)	-	(510,550)	-
Recreation and culture	140,757	37,743	1,719	-	(101,295)	-	(101,295)	-
Interest expense	21,472	-	-	-	(21,472)	-	(21,472)	-
Total governmental activities	4,080,127	655,690	182,377	-0-	(3,242,060)	-0-	(3,242,060)	-0-
Business-type activities								
Sewer system	1,926,666	1,449,694	-	604,294	-	127,322	127,322	-
Water system	6,000	5,200	-	-	-	(800)	(800)	-
Total business-type activities	1,932,666	1,454,894	-0-	604,294	-0-	126,522	126,522	-0-
Total primary government	<u>\$ 6,012,793</u>	<u>\$ 2,110,584</u>	<u>\$ 182,377</u>	<u>\$ 604,294</u>	(3,242,060)	126,522	(3,115,538)	-0-
Component Unit								
Downtown Development Authority	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	-	-	-0-	-
General revenues								
Property taxes					2,395,682	-	2,395,682	384
State shared revenue					906,884	-	906,884	-
Investment earnings					77,054	23,690	100,744	-
Equity interest in SCCMUA operations					-	109,766	109,766	-
Miscellaneous					54,936	71,321	126,257	-
Total general revenues					3,434,556	204,777	3,639,333	384
Change in net position					192,496	331,299	523,795	384
Restated net position, beginning of the year					5,576,245	7,770,882	13,347,127	-
Net position, end of the year					<u>\$ 5,768,741</u>	<u>\$ 8,102,181</u>	<u>\$ 13,870,922</u>	<u>\$ 384</u>

See accompanying notes to financial statements.

Bath Charter Township

Governmental Funds

BALANCE SHEET

December 31, 2015

	General Fund	Nonmajor Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 1,730,168	\$ 459,428	\$ 2,189,596
Investments	2,567,597	-	2,567,597
Receivables			
Accounts	24,853	-	24,853
Taxes	1,181,564	-	1,181,564
Special assessments	-	41,139	41,139
Due from other governmental units	151,667	-	151,667
Prepays	84,472	1,181	85,653
TOTAL ASSETS	\$ 5,740,321	\$ 501,748	\$ 6,242,069
LIABILITIES			
Accounts payable	\$ 86,248	\$ 66,144	\$ 152,392
Accrued wages	29,115	109	29,224
Accrued liabilities	18,673	-	18,673
TOTAL LIABILITIES	134,036	66,253	200,289
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for subsequent year	2,630,684	95,847	2,726,531
FUND BALANCES			
Nonspendable	84,472	1,181	85,653
Restricted	-	176,785	176,785
Committed	183,210	161,682	344,892
Assigned	229,754	-	229,754
Unassigned	2,478,165	-	2,478,165
TOTAL FUND BALANCES	2,975,601	339,648	3,315,249
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 5,740,321	\$ 501,748	\$ 6,242,069

See accompanying notes to financial statements.

Bath Charter Township

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

December 31, 2015

Total fund balance - governmental funds **\$ 3,315,249**

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 as assets in the governmental funds.

The cost of capital assets is	\$ 7,379,072	
Accumulated depreciation is	(3,558,298)	
Capital assets, net		3,820,774

Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	203,899
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities at year end consist of:

Compensated absences	(126,924)	
Accrued interest payable	(3,222)	
Net pension liability	(1,101,035)	
Bonds and notes payable	(340,000)	
		(1,571,181)

Net position of governmental activities	\$ 5,768,741
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See accompanying notes to financial statements.

Bath Charter Township

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2015

	General Fund	Nonmajor Governmental Funds	Total
REVENUES			
Taxes	\$ 2,615,552	\$ -	\$ 2,615,552
Licenses and permits	50,079	182,573	232,652
Intergovernmental	940,449	2,394	942,843
Charges for services	138,455	38,417	176,872
Interest and rents	136,693	4	136,697
Other	71,835	96,172	168,007
TOTAL REVENUES	3,953,063	319,560	4,272,623
EXPENDITURES			
Current			
General government	1,255,872	3,137	1,259,009
Public safety	1,778,542	177,123	1,955,665
Public works	529,788	70,452	600,240
Recreation and culture	118,175	-	118,175
Debt service	39,651	75,992	115,643
Capital outlay	4,396	107,947	112,343
TOTAL EXPENDITURES	3,726,424	434,651	4,161,075
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	226,639	(115,091)	111,548
OTHER FINANCING SOURCES (USES)			
Transfers in	7,500	231,931	239,431
Transfers out	(231,931)	(7,500)	(239,431)
TOTAL OTHER FINANCING SOURCES (USES)	(224,431)	224,431	-0-
NET CHANGE IN FUND BALANCES	2,208	109,340	111,548
Fund balances, beginning of year	2,973,393	230,308	3,203,701
Fund balances, end of year	\$ 2,975,601	\$ 339,648	\$ 3,315,249

See accompanying notes to financial statements.

Bath Charter Township

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2015

Net change in fund balances - total governmental funds **\$ 111,548**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 306,249	
Depreciation expense	(243,594)	
Excess of capital outlay over depreciation expense		62,655

The internal service fund is used by the Township to charge the costs of certain activities to individual funds.

Decrease in net assets of internal service fund	(17,894)
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Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Principal retirement	93,344
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	827	
Decrease in compensated absences	4,410	
(Increase) in net pension liability	(130,767)	
Increase in deferred outflows of resources related to pensions	68,373	
		(57,157)

Change in net position of governmental activities	\$ 192,496
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See accompanying notes to financial statements.

Bath Charter Township
Proprietary Funds
STATEMENT OF NET POSITION
December 31, 2015

	Business-type Activities			Governmental Activities
	Sewer System	Nonmajor Enterprise Fund (Water System)	Total	Internal Service Fund (Employee Sick and Vacation)
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,143,226	\$ 4,620	\$ 1,147,846	\$ -
Investments	1,127,064	-	1,127,064	-
Receivables				
Accounts	357,735	-	357,735	-
Special assessments	2,470	-	2,470	-
Total current assets	2,630,495	4,620	2,635,115	-0-
Noncurrent assets				
Investments	152,773	129,946	282,719	-
Investment in SCCMUA	3,094,178	-	3,094,178	-
Capital assets not being depreciated	286,887	-	286,887	-
Capital assets, net of accumulated depreciation	9,666,375	-	9,666,375	-
Total noncurrent assets	13,200,213	129,946	13,330,159	-0-
TOTAL ASSETS	15,830,708	134,566	15,965,274	-0-
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	48,750	-	48,750	-
LIABILITIES				
Current liabilities				
Accounts payable	83,194	-	83,194	-
Accrued interest payable	45,807	-	45,807	-
Unearned revenue	352,146	-	352,146	-
Current portion of long-term debt	427,031	-	427,031	-
Total current liabilities	908,178	-0-	908,178	-0-
Noncurrent liabilities				
Noncurrent portion of long-term debt	7,003,665	-	7,003,665	-
TOTAL LIABILITIES	7,911,843	-0-	7,911,843	-0-
NET POSITION				
Net investment in capital assets	4,634,126	-	4,634,126	-
Unrestricted	3,333,489	134,566	3,468,055	-
TOTAL NET POSITION	\$ 7,967,615	\$ 134,566	\$ 8,102,181	\$ -0-

See accompanying notes to financial statements.

Bath Charter Township

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31, 2015

	Business-type Activities			Governmental Activities
	Sewer System	Nonmajor Enterprise Fund (Water System)	Total	Internal Service Fund (Employee Sick and Vacation)
OPERATING REVENUES				
Charges for services	\$ 1,449,694	\$ 5,200	\$ 1,454,894	\$ -
OPERATING EXPENSES				
Contractual services	1,283,163	-	1,283,163	-
Administrative expenses	40,000	6,000	46,000	-
Supplies	4,688	-	4,688	-
Other	83	-	83	17,894
Depreciation	311,923	-	311,923	-
TOTAL OPERATING EXPENSES	1,639,857	6,000	1,645,857	17,894
OPERATING (LOSS)	(190,163)	(800)	(190,963)	(17,894)
NONOPERATING REVENUES (EXPENSES)				
Equity interest in 2015 SCCMUA operations	109,766	-	109,766	-
Tap in fees	539,625	-	539,625	-
Special assessments	2,798	-	2,798	-
Interest revenue	16,144	7,546	23,690	-
Paying agent fees	(2,000)	-	(2,000)	-
Interest expense	(281,423)	-	(281,423)	-
Amortization of deferred charges	(3,386)	-	(3,386)	-
Grant revenue	61,871	-	61,871	-
Refunds and reimbursements	71,321	-	71,321	-
TOTAL NONOPERATING REVENUES (EXPENSES)	514,716	7,546	522,262	-0-
CHANGE IN NET POSITION	324,553	6,746	331,299	(17,894)
Net position, beginning of year	7,643,062	127,820	7,770,882	17,894
Net position, end of year	\$ 7,967,615	\$ 134,566	\$ 8,102,181	\$ -0-

See accompanying notes to financial statements.

Bath Charter Township
Proprietary Funds
STATEMENT OF CASH FLOWS
Year Ended December 31, 2015

	Business-type Activities			Governmental Activities
		Nonmajor Enterprise Fund (Water System)		Internal Service Fund (Employee Sick and Vacation)
	Sewer System		Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 1,468,800	\$ 5,200	\$ 1,474,000	\$ -
Cash paid for interfund services	(229,716)	(53,000)	(282,716)	-
Cash paid to employees	-	-	-0-	(17,894)
Cash paid to suppliers	(1,265,214)	-	(1,265,214)	-
NET CASH (USED) BY OPERATING ACTIVITIES	(26,130)	(47,800)	(73,930)	(17,894)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Tap in fees	539,625	-	539,625	-
Special assessments	2,798	-	2,798	-
Interest paid	(283,188)	-	(283,188)	-
Payments on borrowings	(420,000)	-	(420,000)	-
Capital acquisitions	(45,946)	-	(45,946)	-
Paying agent fees	(2,000)	-	(2,000)	-
Grant receipts	61,871	-	61,871	-
Other receipts	71,321	-	71,321	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(75,519)	-0-	(75,519)	-0-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(926,732)	3,927	(922,805)	-
Maturity of investments	1,133,292	32,173	1,165,465	-
Interest received	16,144	7,546	23,690	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	222,704	43,646	266,350	-0-
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	121,055	(4,154)	116,901	(17,894)
Cash and cash equivalents, beginning of year	1,022,171	8,774	1,030,945	17,894
Cash and cash equivalents, end of year	\$ 1,143,226	\$ 4,620	\$ 1,147,846	\$ -0-

See accompanying notes to financial statements.

Bath Charter Township

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2015

	Business-type Activities			Governmental Activities
		Nonmajor Enterprise Fund (Water System)	Total	Internal Service Fund (Employee Sick and Vacation)
	Sewer System			
Reconciliation of operating (loss) to net cash (used) by operating activities				
Operating (loss)	\$ (190,163)	\$ (800)	\$ (190,963)	\$ (17,894)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities				
Depreciation	311,923	-	311,923	-
(Decrease) in:				
Receivables	1,548	-	1,548	-
Increase (decrease) in:				
Accounts payable	22,720	-	22,720	-
Due to other funds	(189,716)	(47,000)	(236,716)	-
Unearned revenue	17,558	-	17,558	-
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (26,130)</u>	<u>\$ (47,800)</u>	<u>\$ (73,930)</u>	<u>\$ (17,894)</u>

Note: The Township also adjusted its equity interest in 2015 Southern Clinton County Municipal Utilities Authority operations in the Sewer System Fund by \$109,766, to reflect the current year activity at SCCMUA.

Bath Charter Township
Fiduciary Funds
STATEMENT OF ASSETS AND LIABILITIES
December 31, 2015

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 2,560,141</u>
LIABILITIES	
Due to other governmental units	
County	\$ 31,207
Schools	2,485,316
Clinton Area Transit System	36,228
Due to individuals and agencies	<u>7,390</u>
TOTAL LIABILITIES	<u>\$ 2,560,141</u>

See accompanying notes to financial statements.

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bath Charter Township, Michigan (the Township), was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an appointed Township Superintendent and 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 general government, fire protection, law enforcement, and sewer utility services.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of Bath Charter Township (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government.

BLENDING COMPONENT UNIT

- a. Building Authority - The Building Authority is governed by a five (5) member board appointed by the Township Board. Its purpose is to provide for the acquisition and construction of certain public buildings for the use of the Township.

DISCRETELY PRESENTED COMPONENT UNIT

- a. Downtown Development Authority - The Downtown Development Authority (DDA) is governed by a nine (9) member board appointed by the Township Board. Its purpose is to promote the revitalization, development, and use of certain properties.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of Bath Charter Township contain all the funds controlled by the Township Board.

2. Joint Venture

Bath Charter Township is a member of the Southern Clinton County Municipal Utilities Authority (SCCMUA). The purpose of the Authority is to operate, maintain, administer, and manage a sewage disposal system for the benefit of the constituent municipalities.

The governing body of the Authority is appointed by the constituent municipalities, and representation is based upon the purchased capacity of each municipality. Bath Charter Township currently is represented by two (2) of the ten (10) members of the Authority board. The annual budget of the Authority is submitted to the constituent municipalities and must be approved by a 2/3 vote of the members-elect of the Authority.

Bath Charter Township
NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Joint Venture - continued

The members of the Authority and approximate percentage of responsibility are as follows:

Bath Charter Township	17 %
DeWitt Charter Township	56 %
City of DeWitt	11 %
Watertown Township	16 %

For the year ended December 31, 2015, Bath Charter Township contributed \$965,350 to cover its share of operational costs and reserve activities.

Additionally, an investment in SCCMUA is recorded to reflect the current carrying value at December 31, 2015, of the cumulative effect of SCCMUA operations relating to the Township equity share in the joint venture from inception-to-date. Bath Charter Township had recorded their portion of the initial cost of construction of the Authority facilities as capital assets in the Sewer and Water System (Enterprise) Funds, however the portion of those costs relating to the Water System has been eliminated as the Township transferred ownership of its water system to the Lansing Board of Water & Light during the fiscal year ended December 31, 1999.

3. Related Organizations

The Township participates in the following activity which is considered to be a related organization in relation to the Township due to the Township appointing all of the Board Members of the organization. There is no ongoing day-to-day financial interest or responsibility.

Bath Charter Township Housing Commission - The Township appoints all of the five (5) Commission members. The Township does not have an ongoing day-to-day financial interest or responsibility for the Commission. The Commission operates a low income housing project within the County which is subsidized by HUD in accordance with the U.S. Housing Act of 1937 and is regulated by the Department of HUD.

Accounting principles generally accepted in the United States of America allows, because the Commission is legally separate and fiscally independent, for the Commission's financial information to be presented within the Township's notes to the financial statements only instead of in the body of the financial statements. The following financial information was obtained from the most recent audited financial statements available of the Commission for their year ended December 31, 2015. A copy of the financial statements is available at the Commission's administrative offices. As of December 31, 2015, the Commission had total assets of \$1,015,615; total liabilities of \$16,195, and total net position of \$999,420. For the year ended December 31, 2015, the Commission had total operating revenues of \$327,742; total operating expenses of \$388,441; and a decrease in net position of \$47,656.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of these 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.

Bath Charter Township
NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - continued

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The Township reports the following major governmental fund:

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

The Township reports the following major enterprise fund:

- The Sewer System Fund is used to account for the operations required to provide sewer services to the general public; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

Additionally, the Township reports an internal service fund to account for assets to be utilized to pay accrued employee sick and vacation balances upon separation from employment with the Township.

The Township also reports agency funds to account for assets held by the Township as an agent for other governments, private organizations, or individuals. Agency funds are, by nature, custodial; therefore, operation results are not measured. The Township's agency funds are the Current Tax Collections Fund and the Trust and Agency Fund.

5. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for agency funds since assets equal liabilities.

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenues recognition in the governmental fund financial statements is sixty (60) days. Revenues which are considered measurable, but not available, are recorded as a receivable and unavailable revenue. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period. Significant revenues susceptible to accrual include certain intergovernmental revenues and charges for services. Most licenses and permits, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

The proprietary funds are accounting for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from provided services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expense not meeting this definition are reported as nonoperating revenues and expenses.

If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources if they are needed.

7. Budgets and Budgetary Accounting

The General Fund's budget shown as required supplementary information was prepared on the same modified accrual basis used to reflect actual results. The Township budgets and accounts for certain activities using separate funds even though these activities do not meet requirements of Special Revenue Funds and are reported in the General Fund under GASB Statement No. 54.

The Township employs the following procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to September 1, the Superintendent submits a proposed operating budget for the fiscal year commencing the following January 1 to the Township Board. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to December 15, the budget is adopted through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.

Bath Charter Township
NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Budgets and Budgetary Accounting - continued

- d. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- e. Formal budgetary integration is employed as a management control device during the year.
- f. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at December 31 are not carried forward to the following fiscal year.
- g. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year.

8. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, and investment trust fund accounts. The cash and cash equivalents are recorded at cost, which approximates market value.

Investments include mutual funds, commercial debt, U.S. Government Securities, and certificates of deposit with an original maturity of greater than 90 days from the date of purchase. Investments are recorded at market value in accordance with GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

9. Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services, amounts owed to the Township from special assessment, and taxes levied that have not been collected.

10. Property Tax

Bath Charter Township bills and collects its own property taxes and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1 of the year following the levy. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection.

The Township's property tax is levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Although the Township's 2015 tax is levied and collectible on December 31, 2015, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of Township operations.

The Township is permitted to levy up to \$5 per \$1,000 of taxable valuation for general governmental service and additional amounts for special and debt services. For the year ended December 31, 2015, the Township levied 3.7220 mills for general governmental services and 3.0000 mills for police and fire services. The total taxable value for the 2014 levy for property within the Township was \$365,257,954.

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Interfund Transactions

During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

12. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and business-type activities columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	15 - 20 years
Buildings and improvements	10 - 50 years
Machinery and equipment	5 - 30 years
Vehicles	2 - 8 years
Sewer system and improvements	15 - 40 years
Flowage rights	50 years

13. Unearned Revenue

Unearned revenue consists of sewer usage fees the Township bills in advance of services provided.

14. Compensated Absences

Township employees are granted sick and vacation leave in varying amounts. In the event of termination, an employee is paid for accumulated sick and vacation time. All employees with accumulated unused sick and vacation time pay at December 31, 2015, were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

15. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Bath Charter Township
NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

16. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position/fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of net position and balance sheet 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/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Township reports deferred outflows of resources in the statement of net position which correspond to debt refunding and the Township's net pension liability. The deferred amounts on refunding results from the difference between the par amount of the refunding bonds and the par amount of the new bonds. This amount is deferred and amortized over the shorter of the life of the refunded debt or the life of the new debt. The deferred amounts related to the Township's net pension liability consist of differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date.

The Township reports deferred inflows of resources in certain funds in connection with long-term receivables that are not considered available to liquidate liabilities of the current period.

17. Net Pension Liability

The net pension liability is deemed to be a noncurrent liability and is recognized on the Township's government-wide financial statements.

18. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit 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 the 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 belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.

Bath Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2015, the carrying amounts of the Township's deposits were \$9,045,699 and the bank balance was \$9,048,858, of which \$4,614,015 was covered by federal depository insurance. The remaining balance of \$4,434,843 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Investments

As of December 31, 2015, the carrying amounts and market values for the investments were as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Weighted Average Maturity</u>	<u>Rating</u>	<u>%</u>
Insured or registered for which the securities are held by the Township's agent in the Township's name				
Addison Michigan Community Schools	\$ 26,688	19.1 years	N/A	3.22%
Center Line Michigan Public Schools	9,964	5.3 years	N/A	1.20%
Kalamazoo Michigan	100,986	7.8 years	N/A	12.17%
Oakland Macomb County Community Schools	123,362	1.2 years	N/A	14.87%
Ottawa County Michigan	20,225	12.7 years	AAA	2.44%
Buena Vista Township Michigan	49,672	16 years	N/A	5.99%
Federal Home Loan Mortgage Corporation	200,948	24 years	Aaa	24.22%
Government National Mortgage Association	142,384	21.5 years	Aaa	17.16%
Federal National Mortgage Association	127,733	26.4 years	Aaa	15.40%
	801,962			
Uncategorized pooled investment funds	27,686	N/A	N/A	3.34%
	<u>\$ 829,648</u>			

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2015, the Township's investments were rated by Moody's as noted above.

Bath Charter Township
NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Interest Rate Risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics.

Custodial Credit Risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio by security type to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Custodial Credit Risk

The Township will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments that are in possession of an outside party by diversifying its investments by institution to ensure that potential losses on individual securities do not exceed the income generated by the remainder of the portfolio.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2015:

	Primary Government	Component Unit	Fiduciary Funds	Total
Cash and cash equivalents	\$ 3,337,442	\$ 384	\$ 2,560,141	\$ 5,897,967
Investments - current	2,519,156	-	-	2,519,156
Investments - noncurrent	1,458,224	-	-	1,458,224
	<u>\$ 7,314,822</u>	<u>\$ 384</u>	<u>\$ 2,560,141</u>	<u>\$ 9,875,347</u>

NOTE C: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to General Fund from:	
Nonmajor governmental funds	<u>\$ 7,500</u>

Transfers to nonmajor governmental funds from:	
General Fund	<u>\$ 231,931</u>

Transfers to the nonmajor governmental funds from the General Fund were to fund current year operating costs and debt service.

Bath Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE D: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

	Balance Jan. 1, 2015	Additions	Deletions	Balance Dec. 31, 2015
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,130,628	\$ 5,773	\$ -	\$ 1,136,401
Capital assets being depreciated				
Land improvements	875,061	-	-	875,061
Buildings and improvements	2,326,159	141,652	-	2,467,811
Machinery and equipment	616,091	7,776	-	623,867
Flowage rights	76,017	-	-	76,017
Vehicles	2,070,940	151,048	(116,060)	2,105,928
Office equipment and furniture	93,987	-	-	93,987
Subtotal	6,058,255	300,476	(116,060)	6,242,671
Less accumulated depreciation for:				
Land improvements	(578,854)	(34,595)	-	(613,449)
Buildings and improvements	(836,089)	(53,215)	-	(889,304)
Machinery and equipment	(275,257)	(46,277)	-	(321,534)
Flowage rights	(15,203)	(1,520)	-	(16,723)
Vehicles	(1,631,374)	(103,956)	112,029	(1,623,301)
Office equipment and furniture	(93,987)	-	-	(93,987)
Subtotal	(3,430,764)	(239,563)	112,029	(3,558,298)
Net capital assets being depreciated	2,627,491	60,913	(4,031)	2,684,373
Capital assets, net	<u>\$ 3,758,119</u>	<u>\$ 66,686</u>	<u>\$ (4,031)</u>	<u>\$ 3,820,774</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 55,175
Public safety	151,210
Public works	14,627
Recreation and culture	22,582
Total depreciation expense	<u>\$ 243,594</u>

The current year depreciation expense in the Governmental Activities of \$239,563 has been adjusted by \$4,031 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE D: CAPITAL ASSETS - CONTINUED

	Balance Jan. 1, 2015	Additions	Deletions	Balance Dec. 31, 2015
Business-type activities				
Capital assets not being depreciated				
Construction in progress	\$ 286,887	\$ -	\$ -	\$ 286,887
Capital assets being depreciated				
Sewer System	15,336,305	45,946	-	15,382,251
Equipment	105,202	-	-	105,202
Subtotal	15,441,507	45,946	-0-	15,487,453
Less accumulated depreciation for:				
Sewer System	(5,417,722)	(306,803)	-	(5,724,525)
Equipment	(91,433)	(5,120)	-	(96,553)
Subtotal	(5,509,155)	(311,923)	-0-	(5,821,078)
Net capital assets being depreciated	9,932,352	(265,977)	-0-	9,666,375
Capital assets, net	<u>\$ 10,219,239</u>	<u>\$ (265,977)</u>	<u>\$ -0-</u>	<u>\$ 9,953,262</u>

NOTE E: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended December 31, 2015:

	Balance Jan. 1, 2015	Additions	Deletions	Balance Dec. 31, 2015	Amounts Due Within One Year
Governmental activities					
2000 Building Authority Bonds	\$ 395,000	\$ -	\$ (55,000)	\$ 340,000	\$ 60,000
Siren purchase agreement	38,344	-	(38,344)	-0-	-
Compensated absences	131,334	176,807	(181,217)	126,924	126,924
	564,678	176,807	(274,561)	466,924	186,924
Business-type activities					
2009 General Obligation Bonds	3,100,000	-	(150,000)	2,950,000	150,000
2013 Refunding Bonds	2,005,000	-	(200,000)	1,805,000	200,000
2013 Sewer System Bonds	2,740,000	-	(70,000)	2,670,000	75,000
Bond discounts/premiums	7,727	-	(2,031)	5,696	2,031
	7,852,727	-0-	(422,031)	7,430,696	427,031
	<u>\$ 8,417,405</u>	<u>\$ 176,807</u>	<u>\$ (696,592)</u>	<u>\$ 7,897,620</u>	<u>\$ 613,955</u>

Bath Charter Township
NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE E: LONG-TERM DEBT - CONTINUED

Significant details regarding outstanding long-term debt (including current portion) are presented below:

General Obligation Bonds

\$900,000 Building Authority Bonds, Series 2000, dated August 1, 2000, due in annual installments ranging from \$60,000 to \$75,000 through May 1, 2020, with interest ranging from 5.60 to 5.80 percent, payable semi-annually.	\$ 340,000
\$3,500,000 Bath Township General Obligation Bonds, Series 2009, dated December 22, 2009, due in annual installments ranging from \$150,000 to \$200,000 through May 1, 2030, with interest ranging from 3.40 to 4.70 percent, payable semi-annually.	2,950,000
\$2,225,000 Bath Township General Obligation Refunding Bonds, Series 2013, dated January 30, 2013, due in annual installments ranging from \$180,000 to \$220,000 through November 1, 2024, with interest ranging from 2.00 to 2.50 percent, payable semi-annually.	1,805,000
\$2,800,000 Bath Township General Obligation Bonds, Series 2013A, dated September 4, 2013, due in annual installments ranging from \$75,000 to \$175,000 through November 1, 2038, with interest ranging from 3.00 to 4.75 percent, payable semi-annually.	<u>2,670,000</u>
	<u>\$ 7,765,000</u>

The annual requirements to pay the debt principal and interest outstanding are as follows:

Year Ending December 31,	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 485,000	\$ 289,938
2017	555,000	274,238
2018	565,000	256,323
2019	575,000	237,733
2020	540,000	218,213
2121-2025	2,260,000	840,615
2026-2030	1,575,000	472,565
2031-2035	710,000	221,490
2036-2038	<u>500,000</u>	<u>48,202</u>
	<u>\$ 7,765,000</u>	<u>\$ 2,859,317</u>

Compensated absences

Individual employees have vested rights upon termination of employment to receive payments for unused sick and vacation time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to approximately \$126,924 at December 31, 2015, of which all has been classified as a current liability.

Bath Charter Township
NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE F: RETIREMENT PLANS

Defined Benefit Plan

The Township participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan's Legislature under Public Act 135 of 1945 and administered by a nine (9) member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing MERS website at www.mersofmich.com.

Summary of Significant Accounting Policies

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purposes, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

A Benefits Provided

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. Public Act 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The MERS plan covers all eligible employees of the Township. The plan is open to new hires.

Retirement benefits for employees are calculated at 2.50 percent of the employee's three-year final average compensation times the employee's years of service with a maximum of 80 percent of final average compensation. Normal retirement age is 60 with an unreduced benefit at age 55 with 20 years of service or a reduced benefit at age 50 with 25 years of service or age 55 with 15 years of service. Deferred retirement benefits vest after 10 years of credited service, but are not paid until the date retirement would have occurred had the member remained an employee. Employees are eligible for non-duty disability benefits after 6 years of service and for duty related disability benefits upon hire. Disability benefits are determined in the same manner as retirement benefits but are payable immediately and if duty-related without an actuarial reduction for retirement before age 60 is not applied. An employee who leaves service may withdraw his or her contributions, plus any accrued interest.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Township Board, generally after negotiations of those terms with the effected unions.

At the December 31, 2014, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>25</u>
Total	<u><u>35</u></u>

Bath Charter Township
NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE F: RETIREMENT PLANS - CONTINUED

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended December 31, 2014, the active employee contribution rate was 10.64% of annual payroll. Employer contributions were 10% based on annual payroll.

Net Pension Liability

The net pension liability reported at December 31, 2015 was determined using a measure of the total liability and the pension net position as of December 31, 2014. The December 31, 2014, total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
<u>Changes in Net Pension Liability</u>			
Balances at December 31, 2013	\$ 5,532,056	\$ 4,561,788	\$ 970,268
Changes for the Year			
Service cost	232,409	-	232,409
Interest on total pension liability	460,276	-	460,276
Employer contributions	-	135,526	(135,526)
Employee contributions	-	144,798	(144,798)
Net investment income	-	292,403	(292,403)
Benefit payments, including employee refunds	(138,332)	(138,332)	-
Administrative expense	-	(10,810)	10,810
Other changes	(1)	-	(1)
Net changes	554,352	423,585	130,767
Balances at December 31, 2014	<u>\$ 6,086,408</u>	<u>\$ 4,985,373</u>	<u>\$ 1,101,035</u>

Bath Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE F: RETIREMENT PLANS - CONTINUED

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015, the Township recognized pension expenses of \$204,063. The Township reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 62,230	\$ -
Contributions subsequent to the measurement date*	<u>141,669</u>	<u>-</u>
Total	<u>\$ 203,899</u>	<u>\$ -0-</u>

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending December 31, 2016.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense</u>
2016	\$ (15,558)
2017	(15,558)
2018	(15,558)
2019	(15,556)

Actuarial assumptions

The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3%-4%

Salary increases: 4.5% in the long-term (1%, 2%, and 3% for calendar years 2014, 2015, and 2016, respectively).

Investment rate of return: 8.0%, net of investment expenses, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008.

Bath Charter Township
NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE F: RETIREMENT PLANS - CONTINUED

Discount Rate

The discount rate used to measure the total pension liability is 8.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers.

Projected Cash Flows

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.50%	5.02%
Global Fixed Income	20.00%	2.18%
Real Assets	12.50%	4.23%
Diversifying Strategies	10.00%	6.56%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the employer, calculated using the discount rates of 8.25%, as well as what the City's net pension liability would be using a discount rate that is 1% lower (7.25%) or 1% higher (9.25%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability	<u>\$ 1,975,017</u>	<u>\$ 1,101,035</u>	<u>\$ 379,703</u>

Defined Contribution Plan

Bath Charter Township is the sponsor of a defined contribution retirement plan for the sole benefit of the Board Members for the Township. The Bath Charter Township Pension Plan is a money purchase defined contribution pension benefit plan. The plan is administered by the John Hancock Life Insurance Company. Contributions are based on a pre-established wage-based contribution schedule with the Township contributing 100% of the amount. Employees may elect to contribute additional amounts ranging from 1 to 10 percent of their compensation. During the year ended December 31, 2015, the Township made contributions for all eligible participating employees equal to 10% of their base compensation.

For the year ended December 31, 2015, the Township made employer contributions to the retirement plan in the amount of \$2,113. There were no employee contributions for the year.

Bath Charter Township
NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE G: RISK MANAGEMENT

The Township participates in the Michigan Township Participating Plan (the Plan) with other municipalities for auto, property, wrongful acts, law enforcement, crime, inland marine, and liability losses. The Plan is organized under Public Act 138 of 1982, as amended. The Plan, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to the transfer of risk to U.S. Specialty Insurance Company ("USSIC") backing the Michigan Township Participating Plan under a master policy for the period July 1, 2011 to July 1, 2019. Due to this Master Policy purchase, there is no pooling of risk between members but instead it is commercial insurance. Settled claims relating to this insurance have not exceeded the amount of insurance coverage in any of the past three (3) fiscal years.

The Township also participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

NOTE H: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The following are the five classifications of fund balance under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, Bath Charter Township's highest level of decision-making authority is the Board of Trustees. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution.

For assigned fund balance, the Township Trustees are authorized to assign amounts to a specific purpose. The authorization has been delegated by the Township Trustees to the Township Superintendent.

For the classification of fund balances, Bath Charter Township considers restricted amounts to have been spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, Bath Charter Township considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Bath Charter Township
NOTES TO FINANCIAL STATEMENTS

December 31, 2015

NOTE H: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

	General Fund	Nonmajor Governmental Funds	Total
Fund Balances			
Nonspendable			
Prepays	\$ 84,472	\$ 1,181	\$ 85,653
Restricted			
Public safety	-	125,422	125,422
Street lights	-	49,251	49,251
Debt service	-	2,112	2,112
Committed			
Budget stabilization	183,210	-	183,210
Cemetery	-	112,557	112,557
Capital projects	-	49,125	49,125
Assigned			
Senior Center	20,007	-	20,007
Farmers' Market	10,418	-	10,418
Library	27,034	-	27,034
Capital projects	172,295	-	172,295
Unassigned	2,478,165	-	2,478,165
	<u>\$ 2,975,601</u>	<u>\$ 339,648</u>	<u>\$ 3,315,249</u>

NOTE I: RESTATEMENT OF BEGINNING NET POSITION

Beginning net position has been restated for governmental activities due to a change in accounting principles.

	Governmental Activities
Beginning net position	\$ 6,410,987
Deferred outflows of contributions	135,526
Net pension liability	(970,268)
Restated beginning net position	<u>\$ 5,576,245</u>

NOTE J: CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented during the year. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, was implemented during the year as it is required to be applied simultaneously with the provisions of GASB Statement No. 68. The statement addresses and issue regarding the application of the transition provisions of GASB Statement No. 68 and amends paragraph 137 of GASB Statement No. 68 and requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

Bath Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE K: UPCOMING ACCOUNTING PRONOUNCEMENTS

In March 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Township is currently evaluating the impact this standard will have on the financial statements when adopted for the 2016 fiscal year.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Bath Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)

Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Current property taxes				
General	\$ 1,361,692	\$ 1,276,692	\$ 1,299,769	\$ 23,077
Police and fire	1,097,549	1,104,324	1,095,580	(8,744)
Other	53,000	60,533	47,865	(12,668)
Trailer taxes	2,000	2,000	7,812	5,812
Tax collection fees	155,000	158,252	164,526	6,274
Total taxes	2,669,241	2,601,801	2,615,552	13,751
Licenses and permits				
Franchise fees	40,000	40,000	50,079	10,079
Intergovernmental				
State grants	-	16,752	16,716	(36)
State shared revenue	923,296	923,296	906,884	(16,412)
Metro act revenue	10,000	10,000	9,609	(391)
Liquor licenses	6,300	6,300	7,240	940
Total intergovernmental	939,596	956,348	940,449	(15,899)
Charges for services				
Administration fees	46,000	93,000	46,000	(47,000)
Court fees	34,150	34,150	32,676	(1,474)
Park and recreation fees	20,425	23,969	24,859	890
Fire fees	-	-	5	5
Police fees	1,650	1,650	1,314	(336)
Other	-	-	6,655	6,655
Total charges for services	102,225	152,769	111,509	(41,260)
Interest and rents				
Interest - regular	120,000	100,000	70,491	(29,509)
Interest - tax collections	3,000	3,000	6,559	3,559
Rental fees	55,000	55,000	59,643	4,643
Total interest and rents	178,000	158,000	136,693	(21,307)
Other				
Refunds and rebates	-	70,392	339	(70,053)
Reimbursements	18,555	18,555	38,806	20,251
Other revenue	3,750	66,750	8,568	(58,182)
Total other	22,305	155,697	47,713	(107,984)
TOTAL REVENUES	3,951,367	4,064,615	3,901,995	(162,620)

Bath Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - CONTINUED

Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current				
General government				
Township board	\$ 161,022	\$ 161,722	\$ 169,520	\$ (7,798)
Supervisor	15,037	15,037	14,142	895
Superintendent	112,173	112,173	110,033	2,140
Elections	6,300	11,300	4,478	6,822
Assessor	129,809	131,809	104,442	27,367
Clerk	164,711	172,711	170,501	2,210
Board of review	2,615	2,615	1,347	1,268
Treasurer	175,590	182,090	172,409	9,681
Building and grounds	130,500	129,500	102,730	26,770
Other	324,936	350,746	311,798	38,948
Total general government	1,222,693	1,269,703	1,161,400	108,303
Public safety				
Police department	1,427,643	1,572,819	1,489,628	83,191
Fire department	285,160	283,041	288,914	(5,873)
Total public safety	1,712,803	1,855,860	1,778,542	77,318
Public works				
Department of public works	614,477	570,277	529,788	40,489
Recreation and culture				
Parks and recreation	80,834	80,834	68,947	11,887
Debt service				
Principal	37,228	37,228	38,494	(1,266)
Interest	2,267	2,267	1,157	1,110
Total debt service	39,495	39,495	39,651	(156)
TOTAL EXPENDITURES	3,670,302	3,816,169	3,578,328	237,841
EXCESS OF REVENUES OVER EXPENDITURES	281,065	248,446	323,667	75,221

Bath Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - CONTINUED

Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 7,500	\$ 7,500	\$ 7,500	\$ -0-
Transfers out	(285,756)	(354,029)	(352,079)	1,950
TOTAL OTHER FINANCING (USES)	(278,256)	(346,529)	(344,579)	1,950
Net change in fund balance (Budgetary basis)	<u>\$ 2,809</u>	<u>\$ (98,083)</u>	(20,912)	<u>\$ 77,171</u>
Budgetary perspective difference			<u>23,120</u>	
Net change in fund balance (GAAP basis)			<u>\$ 2,208</u>	

Bath Charter Township

Defined Benefit Pension Plan

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

Last Fiscal Year (Ultimately ten fiscal years will be displayed)

(Amounts were determined as of 12/31 of the previous fiscal year)

	<u>2015</u>
Total Pension Liability	
Service cost	\$ 232,409
Interest	460,276
Benefit payments including employee refunds	(138,332)
Other	<u>(1)</u>
Net Change in Total Pension Liability	554,352
Total Pension Liability, beginning	<u>5,532,056</u>
Total Pension Liability, ending	<u><u>\$ 6,086,408</u></u>
Plan Fiduciary Net Position	
Contributions - employer	135,526
Contributions - employee	144,798
Net Investment income	292,403
Benefit payments including employee refunds	(138,332)
Administrative expense	<u>(10,810)</u>
Net Change in Plan Fiduciary Net Position	423,585
Plan Fiduciary Net Position, beginning	<u>4,561,788</u>
Plan Fiduciary Net Position, ending	<u><u>\$ 4,985,373</u></u>
Employer Net Pension Liability	<u><u>\$ 1,101,035</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	82%
Covered Employee Payroll	\$ 1,424,074
Employer's Net Pension Liability as a percentage of covered employee payroll	77%

Bath Charter Township

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Fiscal Year (Ultimately ten fiscal years will be displayed)

(Amounts were determined as of 12/31 of each fiscal year)

	<u>2015</u>
Actuarially determined contributions	\$ 141,669
Contributions in relation to the actuarially determined contribution	<u>141,669</u>
Contribution deficiency (excess)	<u>\$ -0-</u>
Covered employee payroll	\$ 1,416,691
Contributions as a percentage of covered employee payroll	10%

Bath Charter Township

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended December 31, 2015

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

The Township's budgeted expenditures in the General Fund have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended December 31, 2015, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
General Fund			
Township board	\$ 161,722	\$ 169,520	\$ 7,798
Public Safety			
Fire department	283,041	288,914	5,873
Debt Service			
Principal	37,228	38,494	1,266

NOTE B: BUDGET/GAAP RECONCILIATION

Bath Charter Township budgets the activities of the Library, Senior Center, and Farmers' Market separately from the General Fund. For financial statement purposes and the GAAP-basis basic financial statements, however, the activities of the above mentioned funds are combined with the General Fund as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The budgetary perspective difference shown on the General Fund Budgetary Comparison Schedule (Non-GAAP budgetary basis) reconciles the change in fund balance to the GAAP-basis basic financial statements and the details related to these amounts are as follows:

Net change in fund balance (Budgetary Basis)	\$ (20,912)
To adjust for revenues and expenditures generated related to various activities accounted for in separate funds	(97,028)
To remove transfers out from the budgetary basis schedule	<u>120,148</u>
Net actual change in fund balance (GAAP Basis)	<u>\$ 2,208</u>

OTHER SUPPLEMENTARY INFORMATION

Bath Charter Township
General Fund
COMBINING BALANCE SHEET

December 31, 2015

	General Fund	Budget Stabilization	Library
ASSETS			
Cash and cash equivalents	\$ 1,486,431	\$ 183,210	\$ 27,718
Investments	2,567,597	-	-
Receivables			
Accounts	24,853	-	-
Taxes receivable	1,181,564	-	-
Due from other governmental units	151,667	-	-
Prepays	84,472	-	-
TOTAL ASSETS	\$ 5,496,584	\$ 183,210	\$ 27,718
LIABILITIES			
Accounts payable	\$ 84,555	\$ -	\$ 133
Accrued wages	27,740	-	551
Accrued liabilities	18,673	-	-
TOTAL LIABILITIES	130,968	-0-	684
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for subsequent year	2,630,684	-	-
FUND BALANCES			
Nonspendable	84,472	-	-
Committed	-	183,210	-
Assigned	172,295	-	27,034
Unassigned	2,478,165	-	-
TOTAL FUND BALANCES	2,734,932	183,210	27,034
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 5,496,584	\$ 183,210	\$ 27,718

Senior Center	Farmers' Market	Total
\$ 21,829	\$ 10,980	\$ 1,730,168
-	-	2,567,597
-	-	24,853
-	-	1,181,564
-	-	151,667
-	-	84,472
<u>\$ 21,829</u>	<u>\$ 10,980</u>	<u>\$ 5,740,321</u>
\$ 998	\$ 562	\$ 86,248
824	-	29,115
-	-	18,673
1,822	562	134,036
-	-	2,630,684
-	-	84,472
-	-	183,210
20,007	10,418	229,754
-	-	2,478,165
<u>20,007</u>	<u>10,418</u>	<u>2,975,601</u>
<u>\$ 21,829</u>	<u>\$ 10,980</u>	<u>\$ 5,740,321</u>

Bath Charter Township

General Fund

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2015

	General Fund	Budget Stabilization	Library
REVENUES			
Taxes	\$ 2,615,552	\$ -	\$ -
Licenses and permits	50,079	-	-
Intergovernmental	940,449	-	-
Charges for services	111,509	-	-
Interest and rents	136,693	-	-
Other	47,713	-	2,510
TOTAL REVENUES	3,901,995	-0-	2,510
EXPENDITURES			
Current			
General government	1,161,400	-	-
Public safety	1,778,542	-	-
Public works	529,788	-	-
Recreation and culture	68,947	-	49,228
Debt service	39,651	-	-
Capital outlay	-	-	291
TOTAL EXPENDITURES	3,578,328	-0-	49,519
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	323,667	-0-	(47,009)
OTHER FINANCING SOURCES (USES)			
Transfers in	7,500	-	60,661
Transfers out	(352,079)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(344,579)	-0-	60,661
NET CHANGE IN FUND BALANCES	(20,912)	-0-	13,652
Fund balances, beginning of year	2,755,844	183,210	13,382
Fund balances, end of year	<u>\$ 2,734,932</u>	<u>\$ 183,210</u>	<u>\$ 27,034</u>

Senior Center	Farmers' Market	Total Before Eliminations	Eliminations	Total
\$ -	\$ -	\$ 2,615,552	\$ -	\$ 2,615,552
-	-	50,079	-	50,079
-	-	940,449	-	940,449
22,201	4,745	138,455	-	138,455
-	-	136,693	-	136,693
14,286	7,326	71,835	-	71,835
36,487	12,071	3,953,063	-0-	3,953,063
70,717	23,755	1,255,872	-	1,255,872
-	-	1,778,542	-	1,778,542
-	-	529,788	-	529,788
-	-	118,175	-	118,175
-	-	39,651	-	39,651
4,105	-	4,396	-	4,396
74,822	23,755	3,726,424	-0-	3,726,424
(38,335)	(11,684)	226,639	-0-	226,639
49,487	10,000	127,648	(120,148)	7,500
-	-	(352,079)	120,148	(231,931)
49,487	10,000	(224,431)	-0-	(224,431)
11,152	(1,684)	2,208	-0-	2,208
8,855	12,102	2,973,393	-	2,973,393
\$ 20,007	\$ 10,418	\$ 2,975,601	\$ -0-	\$ 2,975,601

Bath Charter Township
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
December 31, 2015

	Special			
	Police Training	Street Lighting	Drug Forfeiture	Cemetery
ASSETS				
Cash and cash equivalents	\$ 6,282	\$ 103,959	\$ 9,826	\$ 112,557
Special assessments receivable	-	41,139	-	-
Prepays	-	-	-	-
TOTAL ASSETS	<u>\$ 6,282</u>	<u>\$ 145,098</u>	<u>\$ 9,826</u>	<u>\$ 112,557</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued wages	-	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-	-0-
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for subsequent year	-	95,847	-	-
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	6,282	49,251	9,826	-
Committed	-	-	-	112,557
TOTAL FUND BALANCES	<u>6,282</u>	<u>49,251</u>	<u>9,826</u>	<u>112,557</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 6,282</u>	<u>\$ 145,098</u>	<u>\$ 9,826</u>	<u>\$ 112,557</u>

Revenue		Capital Projects	Debt Service	
Building and Zoning	Auto Theft Enforcement	Capital Improvements	Debt Service	Total
\$ 100,526	\$ 24,820	\$ 99,346	\$ 2,112	\$ 459,428
-	-	-	-	41,139
1,181	-	-	-	1,181
<u>\$ 101,707</u>	<u>\$ 24,820</u>	<u>\$ 99,346</u>	<u>\$ 2,112</u>	<u>\$ 501,748</u>
\$ 15,923	\$ -	\$ 50,221	\$ -	\$ 66,144
109	-	-	-	109
16,032	-0-	50,221	-0-	66,253
-	-	-	-	95,847
1,181	-	-	-	1,181
84,494	24,820	-	2,112	176,785
-	-	49,125	-	161,682
<u>85,675</u>	<u>24,820</u>	<u>49,125</u>	<u>2,112</u>	<u>339,648</u>
<u>\$ 101,707</u>	<u>\$ 24,820</u>	<u>\$ 99,346</u>	<u>\$ 2,112</u>	<u>\$ 501,748</u>

Bath Charter Township

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2015

		Special		
	Police Training	Street Lighting	Drug Forfeiture	Cemetery
REVENUES				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,394	-	-	-
Charges for services	-	-	-	22,250
Interest	-	-	-	-
Other				
Special assessments	-	95,847	-	-
Other	-	-	-	325
TOTAL REVENUES	2,394	95,847	-0-	22,575
EXPENDITURES				
Current				
General government	-	-	-	3,137
Public safety	895	-	364	-
Public works	-	70,452	-	-
Debt service	-	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	895	70,452	364	3,137
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,499	25,395	(364)	19,438
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(7,500)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	-0-	(7,500)
NET CHANGE IN FUND BALANCES	1,499	25,395	(364)	11,938
Fund balances, beginning of year	4,783	23,856	10,190	100,619
Fund balances, end of year	\$ 6,282	\$ 49,251	\$ 9,826	\$ 112,557

Revenue		Capital Projects	Debt Service	
Building and Zoning	Auto Theft Enforcement	Capital Improvements	Debt Service	Total
\$ 182,573	\$ -	\$ -	\$ -	\$ 182,573
-	-	-	-	2,394
9,267	6,900	-	-	38,417
-	-	-	4	4
-	-	-	-	95,847
-	-	-	-	325
191,840	6,900	-0-	4	319,560
-	-	-	-	3,137
174,672	1,192	-	-	177,123
-	-	-	-	70,452
-	-	-	75,992	75,992
-	-	107,947	-	107,947
174,672	1,192	107,947	75,992	434,651
17,168	5,708	(107,947)	(75,988)	(115,091)
44,835	-	111,253	75,843	231,931
-	-	-	-	(7,500)
44,835	-0-	111,253	75,843	224,431
62,003	5,708	3,306	(145)	109,340
23,672	19,112	45,819	2,257	230,308
\$ 85,675	\$ 24,820	\$ 49,125	\$ 2,112	\$ 339,648

Bath Charter Township

Agency Funds

COMBINING STATEMENT OF ASSETS AND LIABILITIES

December 31, 2015

	Current Tax Collections	Trust and Agency	Total
ASSETS			
Cash and cash equivalents	<u>\$ 2,557,062</u>	<u>\$ 3,079</u>	<u>\$ 2,560,141</u>
LIABILITIES			
Due to other governmental units			
County	\$ 29,789	\$ 1,418	\$ 31,207
Schools	2,485,316	-	2,485,316
Clinton Area Transit System	36,228	-	36,228
Due to individuals and agencies	<u>5,729</u>	<u>1,661</u>	<u>7,390</u>
TOTAL LIABILITIES	<u>\$ 2,557,062</u>	<u>\$ 3,079</u>	<u>\$ 2,560,141</u>

Bath Charter Township

Component Unit Fund

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY (DDA)

December 31, 2015

ASSETS	
Cash and cash equivalents	<u>\$ 384</u>
LIABILITIES	<u>\$ -</u>
FUND BALANCE	
Unassigned	<u> 384</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 384</u>

Note: Reconciliation of the governmental fund balance sheet to the statement of net position for this component unit is not required as the fund balance was equal to the component unit's net position as of December 31, 2015.

Bath Charter Township

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - DOWNTOWN DEVELOPMENT AUTHORITY (DDA)

Year Ended December 31, 2015

REVENUES	
Taxes	\$ 384
EXPENDITURES	
Community and economic development	<u>-</u>
NET CHANGE IN FUND BALANCE	384
Fund balance, beginning of year	<u>-</u>
Fund balance, end of year	<u><u>\$ 384</u></u>

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit's governmental fund to the statement of activities is not required as the net change in fund balance was equal to the change in net position for the year ended December 31, 2015.

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

To the Board of Trustees
Bath Charter Township, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bath Charter Township, Michigan as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Bath Charter Township's basic financial statements and have issued our report thereon dated June 1, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bath Charter Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned costs as item 2015-1.

Bath Charter Township's Response to Findings

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

Purpose of this Report

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

Condon, Hecht, Bisher, Wade & Co., P.C.

Certified Public Accountants

BATH CHARTER TOWNSHIP

SCHEDULE OF FINDINGS YEAR ENDED DECEMBER 31, 2015

Finding: 2015-1 Budget Overages

Compliance Finding

Requirement: Michigan Public Act 621 of 1978, as amended, provides that the District adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

Condition: As noted in Note A of the required supplementary information to the financial statements, various expenditures exceeded the amounts appropriated.

Cause: This condition is a result of not adequately monitoring budgeted and actual expenditures near the end of the year, in order to properly amend the budget.

Effect: The Township had instances of budgetary noncompliance relative to State law.

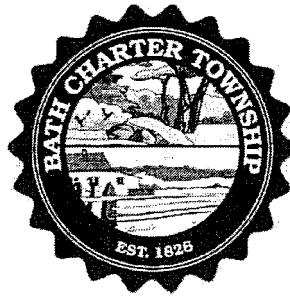
Recommendation: The Township should closely monitor expenditures throughout the year in order to recognize expenditure overruns in a timely fashion and amend the budget as necessary.

Paula Clark
Supervisor

Kathleen McQueen
Clerk

Jeff Garrity
Treasurer

Dan Wietecha
Superintendent



Ryan Fewins-Bliss
Trustee

Cindy Cronk
Trustee

Walter Pett
Trustee

Leon Puttler
Trustee

June 1, 2016

Management has discussed this deficiency and reviewed budget and purchasing policies with department heads.

Management will closely monitor expenditures throughout the year to ensure timely budget amendments to avoid overages. Management will also closely monitor expenditures which cover multiple years to ensure that the costs are allocated to the appropriate years.

On behalf of Bath Charter Township,

Dan Wietecha
Superintendent



Certified Public Accountants

184 West Carleton Road
Hillsdale, Michigan 49242
Phone: 517.439.9331
Fax: 517.439.1894
chbwcpa.com

June 1, 2016

Board of Trustees
Bath Charter Township, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bath Charter Township for the year ended December 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 1, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Bath Charter Township are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by Bath Charter Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Bath Charter Township's financial statements were:

Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the estimate of the useful lives of depreciable capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

The disclosure of net pension liability and the related deferred inflows/outflows in Note F to the financial statements which describes the Township's allocation of the State of Michigan's defined pension plan.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misclassifications

Professional standards require us to accumulate all known and likely misclassifications identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misclassifications. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Thomas S. Condon / Donna J. Hecht / Stephen W. Bisher / Jason M. Wade

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 1, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Bath Charter Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Bath Charter Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the budgetary comparison schedules and the schedules of funding progress and employer contributions, which are (is) required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Trustees and management of Bath Charter Township and is not intended to be, and should not be, used by anyone other than these specified parties.

Candon, Hecht, Bisher, Wade & Co., P.C.

Certified Public Accountants