

BATH CHARTER TOWNSHIP

REPORT ON FINANCIAL STATEMENTS
(with required and additional
supplementary information)

YEAR ENDED DECEMBER 31, 2019

**BATH CHARTER TOWNSHIP
CLINTON COUNTY, MICHIGAN
DECEMBER 31, 2019
BOARD OF TRUSTEES AND ADMINISTRATION**

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Kathleen McQueen	Clerk
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Denise McCrimmon	Trustee
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Bath Charter Township

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December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Bath Charter Township, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Bath Charter Township, Michigan, as of and for the year ended December 31, 2019, 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8 and budgetary comparison and retirement system information on pages 45-49 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2020, on our consideration of 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.

CHBW & Co., P.C.

Certified Public Accountants

**BATH CHARTER TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

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, 2019. 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, 2019:

- Total net position related to the Township's governmental and business-type activities increased by \$1,055,538.
- Total fund balances related to the Township's governmental funds decreased by \$32,545.
- Property tax revenue increased by \$370,858. The increase is primarily the result of a new District Library millage.

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.

**BATH CHARTER TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

Using this Annual Report - continued

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 maintains nine 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 two 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.

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.

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.

**BATH CHARTER TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

The Township as a Whole

The following table shows, in a condensed format, a comparative analysis of the net position as of December 31, 2019 and 2018:

	Governmental Activities December 31,		Business-type Activities December 31,		Totals December 31,	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 7,475,186	\$ 7,045,666	\$ 5,731,763	\$ 5,131,956	\$ 13,206,949	\$ 12,177,622
Capital assets, net	3,725,088	3,523,231	12,261,890	12,566,491	15,986,978	16,089,722
Total assets	11,200,274	10,568,897	17,993,653	17,698,447	29,193,927	28,267,344
Deferred outflows of resources	806,644	435,645	127,083	32,500	933,727	468,145
Liabilities						
Current liabilities	381,808	356,250	1,089,235	1,322,051	1,471,043	1,678,301
Noncurrent liabilities	2,252,231	1,516,815	6,900,687	7,375,449	9,152,918	8,892,264
Total liabilities	2,634,039	1,873,065	7,989,922	8,697,500	10,623,961	10,570,565
Deferred inflows of resources	3,575,550	3,292,319	-	-	3,575,550	3,292,319
Net position						
Net investment in capital assets	3,725,088	3,523,231	4,791,233	4,610,113	8,516,321	8,133,344
Restricted	342,685	326,873	-	-	342,685	326,873
Unrestricted	1,729,556	1,989,054	5,339,581	4,423,334	7,069,137	6,412,388
Total net position	\$ 5,797,329	\$ 5,839,158	\$ 10,130,814	\$ 9,033,447	\$ 15,928,143	\$ 14,872,605

Net position may serve over time as a useful indicator of a government's financial position. Bath Charter Township's assets exceeded liabilities by \$15,928,143 as of December 31, 2019. A significant portion of the Township's net position (53%) 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 (approximately 2%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$7,069,137) 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.

**BATH CHARTER TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

The Township as a Whole - continued

The Township's net position increased by \$1,055,538 during the current year as discussed below.

	Governmental Activities		Business-type Activities		Totals	
	December 31,		December 31,		December 31,	
	2019	2018	2019	2018	2019	2018
Revenue						
Program revenue:						
Charges for services	\$ 638,116	\$ 643,092	\$ 2,114,795	\$ 2,068,805	\$ 2,752,911	\$ 2,711,897
Operating grants and contributions	175,071	176,584	-	-	175,071	176,584
Capital grants and contributions	-	7,300	585,000	61,323	585,000	68,623
General revenue:						
Property taxes	2,965,047	2,594,189	-	-	2,965,047	2,594,189
State shared revenue	1,065,677	1,031,584	-	-	1,065,677	1,031,584
Local community stabilization share	21,242	22,061	-	-	21,242	22,061
Investment earnings	86,150	59,978	26,338	22,695	112,488	82,673
Equity interest in SCCMUA	-	-	12,946	86,602	12,946	86,602
Gain on sale of assets	31,260	-	-	-	31,260	-
Miscellaneous	49,583	110,885	103,052	84,183	152,635	195,068
Total revenue	5,032,146	4,645,673	2,842,131	2,323,608	7,874,277	6,969,281
Program Expenses						
General government	1,518,528	1,454,135	-	-	1,518,528	1,454,135
Public safety	2,157,633	2,033,393	-	-	2,157,633	2,033,393
Public works	1,003,625	776,493	-	-	1,003,625	776,493
Recreation and cultural	394,189	85,660	-	-	394,189	85,660
Sewer system	-	-	1,738,280	1,736,033	1,738,280	1,736,033
Water system	-	-	6,484	6,463	6,484	6,463
Total program expenses	5,073,975	4,349,681	1,744,764	1,742,496	6,818,739	6,092,177
Change in Net Position	\$ (41,829)	\$ 295,992	\$ 1,097,367	\$ 581,112	\$ 1,055,538	\$ 877,104

Governmental Activities

Governmental activities decreased the Township's net position by \$41,829 during fiscal year 2019. Key elements of this increase are as follows:

The Township's governmental activities' revenues totaled \$5,032,146 with the greatest revenue source being property taxes. Tax revenues increased approximately \$370,858 as a result of a new millage levied for the Bath District Library. Investment earnings increased \$29,815 and state shared revenue increased approximately \$34,093 during 2019.

The Township incurred expenses of \$5,073,975 during the year which was \$724,294 more than the prior year. This increase is largely due to payment to the Bath District Library related to their millage. 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 \$1,097,367 during fiscal year 2019 due to investments in capital improvements to the sewer system and tap-in fees on developments within the Township. The majority (75%) of the revenue of the business-type activities is generated through user charges.

**BATH CHARTER TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

The Township's Funds

Governmental Funds. The analysis of the Township's major funds begins on page 12, 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, 2019 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 \$2,009,256 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 \$5,194,144 and \$145,437, respectively. Net position for the Sewer System Fund increased by \$1,080,103, due primarily to tap in fees from new development, and the net position for the Water System Fund increased by \$17,264 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 and to reallocate expenditures. Budgetary-basis revenues and other financing sources were increased by \$236. Actual revenues and other financing sources came in \$91,242 more than the amended budget. This surplus is primarily due to State shared revenue coming in higher than anticipated. Budgetary basis expenditures and other financing uses were increased \$475,601 to adjust for increased public works costs and anticipated transfers out. Actual expenditures and other financing uses came in \$586,988 under budget, due primarily to less expenditures in public safety and transfers out than anticipated.

Capital Asset and Debt Administration

Capital Assets. At the end of the fiscal year, the Township had approximately \$26,884,633 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. During the year the Township continued to invest in its sewer system. Refer to Note 5 for further details related to the Township's capital assets.

Long-term Debt. The Township issued new debt of \$2,300,000 to refund existing debt at a savings and made principal payments on existing obligations in the amount of \$600,000. The carrying amount of the Township's obligation for compensated absences decreased by \$403. Refer to Note 6 for further details related to the Township's long-term debt.

**BATH CHARTER TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

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.

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, 2019**

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 3,660,583	\$ 1,764,184	\$ 5,424,767	\$ 127,155
Investments	1,516,791	103,243	1,620,034	-
Receivables	1,713,664	495,539	2,209,203	69,747
Due from other governmental units	200,483	-	200,483	-
Prepays	71,400	-	71,400	-
Total current assets	7,162,921	2,362,966	9,525,887	196,902
Noncurrent assets				
Investments	312,265	-	312,265	-
Investment in SCCMUA	-	3,368,797	3,368,797	-
Capital assets not being depreciated	1,215,560	-	1,215,560	-
Capital assets, net of accumulated depreciation	2,509,528	12,261,890	14,771,418	-
Total noncurrent assets	4,037,353	15,630,687	19,668,040	-
TOTAL ASSETS	11,200,274	17,993,653	29,193,927	196,902
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	127,083	127,083	-
Deferred outflows of resources related to pensions	806,644	-	806,644	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	806,644	127,083	933,727	-
LIABILITIES				
Current liabilities				
Accounts payable	95,233	1,662	96,895	31
Accrued wages	61,078	-	61,078	-
Accrued liabilities	46,129	-	46,129	-
Accrued interest payable	-	42,354	42,354	-
Unearned revenue	-	475,249	475,249	-
Current portion of compensated absences	179,368	-	179,368	-
Current portion of long-term debt	-	569,970	569,970	-
Total current liabilities	381,808	1,089,235	1,471,043	31
Noncurrent liabilities				
Noncurrent portion of long-term debt	-	6,900,687	6,900,687	-
Net pension liability	2,252,231	-	2,252,231	-
Total noncurrent liabilities	2,252,231	6,900,687	9,152,918	-
TOTAL LIABILITIES	2,634,039	7,989,922	10,623,961	31
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for subsequent year	3,377,860	-	3,377,860	69,747
Deferred inflows of resources related to pensions	197,690	-	197,690	-
TOTAL DEFERRED INFLOWS OF RESOURCES	3,575,550	-	3,575,550	69,747
NET POSITION				
Net investment in capital assets	3,725,088	4,791,233	8,516,321	-
Restricted for public safety	204,343	-	204,343	-
Restricted for public works	138,342	-	138,342	-
Unrestricted	1,729,556	5,339,581	7,069,137	127,124
TOTAL NET POSITION	\$ 5,797,329	\$ 10,130,814	\$ 15,928,143	\$ 127,124

See accompanying notes to financial statements.

**BATH CHARTER TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit (DDA)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities								
General government	\$ 1,518,528	\$ 414,153	\$ 73,965	\$ -	\$ (1,030,410)	\$ -	\$ (1,030,410)	\$ -
Public safety	2,157,633	200,561	3,254	-	(1,953,818)	-	(1,953,818)	-
Public works	1,003,625	-	97,852	-	(905,773)	-	(905,773)	-
Recreation and culture	394,189	23,402	-	-	(370,787)	-	(370,787)	-
Total governmental activities	5,073,975	638,116	175,071	-	(4,260,788)	-	(4,260,788)	-
Business-type activities								
Sewer system	1,738,280	2,094,395	-	585,000	-	941,115	941,115	-
Water system	6,484	20,400	-	-	-	13,916	13,916	-
Total business-type activities	1,744,764	2,114,795	-	585,000	-	955,031	955,031	-
Total primary government	\$ 6,818,739	\$ 2,752,911	\$ 175,071	\$ 585,000	(4,260,788)	955,031	(3,305,757)	-
Component Unit								
Downtown Development Authority	\$ 2,066	\$ -	\$ -	\$ -	-	-	-	(2,066)
General revenues								
Property taxes					2,965,047	-	2,965,047	55,433
State shared revenue					1,065,677	-	1,065,677	-
Local community stabilization share					21,242	-	21,242	-
Investment earnings					86,150	26,338	112,488	608
Equity interest in SCCMUA operations					-	12,946	12,946	-
Gain on sale of assets					31,260	-	31,260	-
Miscellaneous					49,583	103,052	152,635	-
Total general revenues					4,218,959	142,336	4,361,295	56,041
Change in net position					(41,829)	1,097,367	1,055,538	53,975
Restated net position, beginning of the year					5,839,158	9,033,447	14,872,605	73,149
Net position, end of the year					\$ 5,797,329	\$ 10,130,814	\$ 15,928,143	\$ 127,124

See accompanying notes to financial statements.

**BATH CHARTER TOWNSHIP
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2019**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,916,851	\$ 743,732	\$ 3,660,583
Investments	1,829,056	-	1,829,056
Receivables			
Accounts	42,585	1,753	44,338
Taxes	1,462,182	145,123	1,607,305
Special assessments	-	62,021	62,021
Due from other governmental units	200,483	-	200,483
Prepays	71,400	-	71,400
	<u>\$ 6,522,557</u>	<u>\$ 952,629</u>	<u>\$ 7,475,186</u>
LIABILITIES			
Accounts payable	\$ 88,029	\$ 7,204	\$ 95,233
Accrued wages	60,683	395	61,078
Accrued liabilities	46,129	-	46,129
	<u>194,841</u>	<u>7,599</u>	<u>202,440</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for subsequent year	2,969,952	407,908	3,377,860
FUND BALANCES			
Nonspendable	71,400	-	71,400
Restricted	-	342,685	342,685
Committed	183,210	194,437	377,647
Assigned	107,531	-	107,531
Unassigned	2,995,623	-	2,995,623
	<u>3,357,764</u>	<u>537,122</u>	<u>3,894,886</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 6,522,557</u>	<u>\$ 952,629</u>	<u>\$ 7,475,186</u>

See accompanying notes to financial statements.

**BATH CHARTER TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019**

Total fund balance - governmental funds \$ 3,894,886

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	\$ 7,494,761	
Accumulated depreciation is	<u>(3,769,673)</u>	
Capital assets, net		3,725,088

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	806,644	
Deferred inflows of resources related to pensions	<u>(197,690)</u>	
		608,954

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	(179,368)	
Net pension liability	<u>(2,252,231)</u>	
		<u>(2,431,599)</u>

Net position of governmental activities \$ 5,797,329

**BATH CHARTER TOWNSHIP
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2019**

	General Fund	Nonmajor Governmental Funds	Total
REVENUES			
Taxes	\$ 2,916,645	\$ 285,769	\$ 3,202,414
Special assessments	-	97,852	97,852
Licenses and permits	43,846	177,901	221,747
Intergovernmental	1,113,521	3,254	1,116,775
Charges for services	116,190	36,208	152,398
Interest and rents	149,333	1,177	150,510
Other	90,450	-	90,450
TOTAL REVENUES	4,429,985	602,161	5,032,146
EXPENDITURES			
Current			
General government	1,443,096	-	1,443,096
Public safety	2,009,256	201,361	2,210,617
Public works	870,844	88,271	959,115
Recreation and culture	86,935	285,769	372,704
Capital outlay	-	79,159	79,159
TOTAL EXPENDITURES	4,410,131	654,560	5,064,691
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	19,854	(52,399)	(32,545)
OTHER FINANCING SOURCES (USES)			
Transfers in	10,000	84,668	94,668
Transfers out	(84,668)	(10,000)	(94,668)
TOTAL OTHER FINANCING SOURCES (USES)	(74,668)	74,668	-
NET CHANGE IN FUND BALANCES	(54,814)	22,269	(32,545)
Fund balances, beginning of year	3,470,506	514,853	3,985,359
Prior period adjustment	(57,928)	-	(57,928)
Fund balances, end of year	\$ 3,357,764	\$ 537,122	\$ 3,894,886

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, 2019**

Net change in fund balances - total governmental funds \$ (32,545)

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	\$ 458,693	
Depreciation expense	<u>(256,836)</u>	
Excess of capital outlay over depreciation expense		201,857

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 compensated absences	403	
(Increase) in net pension liability	(735,416)	
Decrease in deferred inflows of resources related to pensions	152,873	
Increase in deferred outflows of resources related to pensions	<u>370,999</u>	
		<u>(211,141)</u>

Change in net position of governmental activities \$ (41,829)

**BATH CHARTER TOWNSHIP
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 DECEMBER 31, 2019**

	Business-type Activities		
	Sewer System	Nonmajor Enterprise Fund (Water System)	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,721,990	\$ 42,194	\$ 1,764,184
Investments	-	103,243	103,243
Accounts receivable	495,539	-	495,539
Total current assets	2,217,529	145,437	2,362,966
Noncurrent assets			
Investment in SCCMUA	3,368,797	-	3,368,797
Capital assets, net of accumulated depreciation	12,261,890	-	12,261,890
Total noncurrent assets	15,630,687	-	15,630,687
TOTAL ASSETS	17,848,216	145,437	17,993,653
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	127,083	-	127,083
LIABILITIES			
Current liabilities			
Accounts payable	1,662	-	1,662
Accrued interest payable	42,354	-	42,354
Unearned revenue	475,249	-	475,249
Current portion of long-term debt	569,970	-	569,970
Total current liabilities	1,089,235	-	1,089,235
Noncurrent liabilities			
Noncurrent portion of long-term debt	6,900,687	-	6,900,687
TOTAL LIABILITIES	7,989,922	-	7,989,922
NET POSITION			
Net investment in capital assets	4,791,233	-	4,791,233
Unrestricted	5,194,144	145,437	5,339,581
TOTAL NET POSITION	\$ 9,985,377	\$ 145,437	\$10,130,814

See accompanying notes to financial statements.

**BATH CHARTER TOWNSHIP
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 YEAR ENDED DECEMBER 31, 2019**

	Business-type Activities		
	Sewer System	Nonmajor Enterprise Fund (Water System)	Total
OPERATING REVENUES			
Charges for services	\$ 2,094,395	\$ 20,400	\$ 2,114,795
OPERATING EXPENSES			
Contractual services	1,092,244	-	1,092,244
Administrative expenses	45,000	6,000	51,000
Supplies	5,923	-	5,923
Other	142	484	626
Depreciation	339,631	-	339,631
TOTAL OPERATING EXPENSES	1,482,940	6,484	1,489,424
OPERATING INCOME	611,455	13,916	625,371
NONOPERATING REVENUES (EXPENSES)			
Equity interest in 2019 SCCMUA operations	12,946	-	12,946
Tap in fees	585,000	-	585,000
Investment earnings	22,990	3,348	26,338
Paying agent fees	(1,200)	-	(1,200)
Interest expense	(234,444)	-	(234,444)
Amortization of deferred charges	(5,417)	-	(5,417)
Amortization of bond premiums and discounts	(14,279)	-	(14,279)
Refunds and reimbursements	103,052	-	103,052
TOTAL NONOPERATING REVENUES (EXPENSES)	468,648	3,348	471,996
CHANGE IN NET POSITION	1,080,103	17,264	1,097,367
Net position, beginning of year	8,905,274	128,173	9,033,447
Net position, end of year	<u>\$ 9,985,377</u>	<u>\$ 145,437</u>	<u>\$10,130,814</u>

See accompanying notes to financial statements.

**BATH CHARTER TOWNSHIP
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2019**

	Business-type Activities		
	Sewer System	Nonmajor Enterprise Fund (Water System)	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 1,997,297	\$ 20,400	\$ 2,017,697
Cash paid for interfund services	(45,000)	(6,000)	(51,000)
Cash paid to suppliers	(1,334,404)	(484)	(1,334,888)
NET CASH PROVIDED BY OPERATING ACTIVITIES	617,893	13,916	631,809
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other receipts	103,052	-	103,052
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Tap in fees	585,000	-	585,000
Interest paid	(242,920)	-	(242,920)
Debt issuance	2,200,000	-	2,200,000
Payments on borrowings	(2,800,000)	-	(2,800,000)
Capital acquisitions	(35,030)	-	(35,030)
Paying agent fees	(1,200)	-	(1,200)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(294,150)	-	(294,150)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	(103,243)	(103,243)
Maturity of investments	-	100,000	100,000
Interest received	22,990	3,348	26,338
NET CASH PROVIDED BY INVESTING ACTIVITIES	22,990	105	23,095
NET INCREASE IN CASH AND CASH EQUIVALENTS	449,785	14,021	463,806
Cash and cash equivalents, beginning of year	1,272,205	28,173	1,300,378
Cash and cash equivalents, end of year	\$ 1,721,990	\$ 42,194	\$ 1,764,184

See accompanying notes to financial statements.

**BATH CHARTER TOWNSHIP
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS - CONTINUED
 YEAR ENDED DECEMBER 31, 2019**

	Business-type Activities		
	Sewer System	Nonmajor Enterprise Fund (Water System)	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 611,455	\$ 13,916	\$ 625,371
Depreciation	339,631	-	339,631
(Increase) in:			
Accounts receivable	(119,812)	-	(119,812)
Increase (decrease) in:			
Accounts payable	(236,095)	-	(236,095)
Unearned revenue	22,714	-	22,714
	<u>\$ 617,893</u>	<u>\$ 13,916</u>	<u>\$ 631,809</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 617,893</u></u>	<u><u>\$ 13,916</u></u>	<u><u>\$ 631,809</u></u>

Note: The Township also adjusted its equity interest in 2019 Southern Clinton County Municipal Utilities Authority operations in the Sewer System Fund by \$12,946, to reflect the current year activity at SCCMUA.

**BATH CHARTER TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2019**

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 2,698,276</u>
LIABILITIES	
Undistributed tax collections	<u>2,604,397</u>
NET POSITION	
Restricted for individuals and agencies	<u><u>\$ 93,879</u></u>

See accompanying notes to financial statements.

**BATH CHARTER TOWNSHIP
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 YEAR ENDED DECEMBER 31, 2019**

	Custodial Funds
ADDITIONS	
Collection of taxes for other governments	\$ 14,318,253
Deposits received	160,168
Total additions	14,478,421
DEDUCTIONS	
Payment of taxes collected for other governments	14,318,253
Return of deposits received	118,831
Total deductions	14,437,084
Net change in fiduciary net position	41,337
Net position, beginning of year	52,542
Net position, end of year	\$ 93,879

See accompanying notes to financial statements.

**BATH CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - 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 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 Trustees and provides services to its residents in many areas including general government, fire protection, law enforcement, and sewer utility services.

The financial statements of the Township have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township's more significant accounting policies are described below.

Reporting Entity

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.

DISCRETELY PRESENTED COMPONENT UNIT

Downtown Development Authority - The Downtown Development Authority (DDA) is governed by a nine 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.

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 of the 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**

**NOTE 1 - DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Joint Venture (continued)

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

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

For the year ended December 31, 2019, Bath Charter Township contributed \$1,035,167 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, 2019, 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.

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 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, 2018. A copy of the financial statements is available at the Commission's administrative offices. As of December 31, 2018, the Commission had total assets of \$822,468; total liabilities of \$18,393, and total net position of \$804,075. For the year ended December 31, 2018, the Commission had total operating revenues of \$366,986; total operating expenses of \$391,432; and an increase in net position of \$17,021.

**BATH CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

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.

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.

The Township also reports as fiduciary funds the tax collection fund and custodial fund (custodial funds).

**BATH CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Measurement Focus

The government-wide, proprietary, and fiduciary 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.

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 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 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 and custodial 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.

**BATH CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

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 the criteria of Special Revenue Funds and are reported as part of the General Fund for external reporting purposes in accordance with 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.
- 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.

Cash, Cash Equivalents, and Investments

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

Investments include certificates of deposit with an original maturity of greater than 90 days from the date of purchase. All investments are stated at fair value.

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.

**BATH CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

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 2019 tax is levied and collectible on December 31, 2019, 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, 2019, the Township levied 3.6409 mills for general governmental services, 3.0000 mills for police and fire services, and 0.6800 mills for the public library. The total taxable value for the 2018 levy for property within the Township was \$418,868,624.

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.

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 acquisition cost on the date received.

**BATH CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Capital Assets (continued)

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

Unearned Revenue

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

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, 2019, were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

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.

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.

**BATH CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Deferred Outflows/Inflows of Resources (continued)

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 expected and actual experience, changes in assumptions, 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 the statement of net position which corresponds to the Township's net pension liability and consists of differences between expected and actual experience. The Township also reports deferred inflows of resources in connection with long-term receivables that are not considered available to liquidate liabilities of the current period.

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.

Tax Abatements

The Township's tax revenues have been reduced by tax abatements. Management has determined these amounts to be immaterial to the financial statements.

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 2 - DEPOSITS 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.

**BATH CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

3. Commercial paper rated at the time of purchase within the two (2) 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.
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, 2019, the carrying amount of the Township's deposits was \$8,202,752 and the bank balance was \$8,160,415, of which \$1,404,782 was covered by federal depository insurance. The remaining balance of \$6,755,633 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.

Fair Value Measurements

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Township's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investments in Entities that Calculate Net Asset Value per Share

The Township holds shares or interests in an investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

**BATH CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Investments in Entities that Calculate Net Asset Value per Share - continued

The Michigan CLASS investment pool investment in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated “A1” or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, schools districts, authorities, and other public agencies.

At the year ended December 31, 2019, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency if Eligible	Redemption Notice Period
Michigan Class	\$ 1,979,745	\$ -	No restrictions	None

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, 2019, the Township did not have any investments that would be subject to rating. As of December 31, 2019, the Township investment in the MI Class investments was rated AAAM by S&P Global Ratings

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. As of December 31, 2019, the Township investment in the MI Class investments had a weighted average maturity of 44 days.

Concentration of Credit Risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township’s investment in a single issuer, by diversifying the investment portfolio 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.

**BATH CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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 1. The following summarizes the categorization of these amounts as of December 31, 2019:

	Primary Government	Component Unit	Fiduciary Funds	Total
Cash and cash equivalents	\$ 5,424,767	\$ 127,155	\$ 2,698,276	\$ 8,250,198
Investments - current	1,620,034	-	-	1,620,034
Investments - noncurrent	312,265	-	-	312,265
	\$ 7,357,066	\$ 127,155	\$ 2,698,276	\$ 10,182,497

NOTE 3 - 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	\$ 10,000
Transfers to nonmajor governmental funds from:	
General Fund	\$ 84,668

Transfers were used to move unrestricted resources to fund current year operating costs.

NOTE 4 - 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. 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 fiscal years.

**BATH CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - RISK MANAGEMENT (continued)

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 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

	Balance Jan. 1, 2019	Additions	Deletions	Balance Dec. 31, 2019
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,136,401	\$ 79,159	\$ -	\$ 1,215,560
Capital assets being depreciated				
Land improvements	925,061	75,704	-	1,000,765
Buildings and improvements	2,518,850	31,925	-	2,550,775
Machinery and equipment	626,941	35,829	(11,215)	651,555
Flowage rights	76,017	-	-	76,017
Vehicles	1,831,737	236,076	(177,762)	1,890,051
Office equipment and furniture	110,038	-	-	110,038
Subtotal	6,088,644	379,534	(188,977)	6,279,201
Less accumulated depreciation for:				
Land improvements	(717,402)	(35,722)	-	(753,124)
Buildings and improvements	(1,056,623)	(56,168)	-	(1,112,791)
Machinery and equipment	(428,874)	(40,796)	11,215	(458,455)
Flowage rights	(21,284)	(1,521)	-	(22,805)
Vehicles	(1,378,085)	(120,212)	177,762	(1,320,535)
Office equipment and furniture	(99,546)	(2,417)	-	(101,963)
Subtotal	(3,701,814)	(256,836)	188,977	(3,769,673)
Net capital assets being depreciated	2,386,830	122,698	-	2,509,528
Capital assets, net	\$ 3,523,231	\$ 201,857	\$ -	\$ 3,725,088

**BATH CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - CAPITAL ASSETS (continued)

Depreciation expense was charged to the following governmental activities:

General government	\$	83,209
Public safety		143,210
Public works		8,932
Recreation and culture		<u>21,485</u>
Total depreciation expense	\$	<u><u>256,836</u></u>

	<u>Balance Jan. 1, 2019</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance Dec. 31, 2019</u>
Business-type activities				
Capital assets not being depreciated				
Construction in progress	<u>\$ 2,738,382</u>	<u>\$ 35,030</u>	<u>\$ (2,773,412)</u>	<u>\$ -</u>
Capital assets being depreciated				
Sewer System	16,511,258	2,773,412	-	19,284,670
Equipment	<u>105,202</u>	<u>-</u>	<u>-</u>	<u>105,202</u>
Subtotal	<u>16,616,460</u>	<u>2,773,412</u>	<u>-</u>	<u>19,389,872</u>
Less accumulated depreciation for:				
Sewer System	(6,683,151)	(339,629)	-	(7,022,780)
Equipment	<u>(105,200)</u>	<u>(2)</u>	<u>-</u>	<u>(105,202)</u>
Subtotal	<u>(6,788,351)</u>	<u>(339,631)</u>	<u>-</u>	<u>(7,127,982)</u>
Net capital assets being depreciated	<u>9,828,109</u>	<u>2,433,781</u>	<u>-</u>	<u>12,261,890</u>
Capital assets, net	<u><u>\$ 12,566,491</u></u>	<u><u>\$ 2,468,811</u></u>	<u><u>\$ (2,773,412)</u></u>	<u><u>\$ 12,261,890</u></u>

**BATH CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations (including current portion) of the Township for the year ended December 31, 2019:

	Balance Jan. 1, 2018	Additions	Deletions	Balance Dec. 31, 2018	Amounts Due Within One Year
Governmental activities					
Other long-term obligations					
Compensated absences	\$ 179,771	\$ 193,975	\$ (194,378)	\$ 179,368	\$ 179,368
Business-type activities					
Other debt					
2009 General Obligation Bonds	2,400,000	-	(2,400,000)	-	-
2013 Refunding Bonds	1,175,000	-	(220,000)	955,000	180,000
2013 Sewer System Bonds	2,440,000	-	(85,000)	2,355,000	85,000
2018 General Obligation Bonds	1,895,000	-	(70,000)	1,825,000	75,000
2019 Refunding Bonds	-	2,300,000	(25,000)	2,275,000	220,000
Bond discounts/premiums	46,378	-	14,279	60,657	9,970
Total other debt	7,956,378	2,300,000	(2,785,721)	7,470,657	569,970
	<u>\$ 8,136,149</u>	<u>\$ 2,493,975</u>	<u>\$ (2,980,099)</u>	<u>\$ 7,650,025</u>	<u>\$ 749,338</u>

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

General Obligation Bonds

\$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%, payable semi-annually.	\$ 955,000
\$2,800,000 Bath Township General Obligation Bonds, Series 2013A, dated September 4, 2013, due in annual installments ranging from \$85,000 to \$175,000 through November 1, 2038, with interest ranging from 4.00% to 4.75%, payable semi-annually.	2,355,000
\$2,000,000 Bath Township General Obligation Bonds, Series 2018, dated May 2, 2018, due in annual installments ranging from \$75,000 to \$135,000 through November 1, 2037, with interest ranging from 3.00% to 5.00%, payable semi-annually.	1,825,000
\$2,300,000 Bath Township General Obligation Limited Tax Refunding Bonds, Series 2019, dated March 26, 2019, due in annual installments ranging from \$190,000 to \$220,000 through May 1, 2030, with interest of 2.71%, payable semi-annually.	<u>2,275,000</u>
	<u>\$ 7,410,000</u>

**BATH CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

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

<u>Year Ending December 31,</u>	Other Debt	
	Principal	Interest
2020	\$ 560,000	\$ 251,144
2021	565,000	234,500
2022	585,000	216,699
2023	590,000	198,198
2024	595,000	179,514
2025-2029	2,040,000	677,317
2030-2034	1,430,000	380,250
2035-2038	1,045,000	106,840
	\$ 7,410,000	\$ 2,244,462

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 \$179,368 at December 31, 2019, of which all has been classified as a current liability.

Advance Refunding - Current

On March 26, 2019, the Township defeased the portion of the 2009 General Obligation Bonds which were due and payable May 1, 2020 through May 1, 2030. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The Township issued 2019 General Obligation Limited Tax Refunding Bonds in the amount of \$2,300,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the Township's financial statements.

As a result of the advance refunding, the Township decreased its total debt service requirements by \$161,926, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$142,266.

**BATH CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - 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 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 these 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.

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% of the employee's three-year final average compensation times the employee's years of service with a maximum of 80% 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, 2018, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>25</u>
Total	<u><u>41</u></u>

**BATH CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - 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, 2019, the active employee contribution rate was 15.32% of annual payroll. Employer contributions were 10% based on annual payroll.

Net Pension Liability

The Township's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
<u>Changes in Net Pension Liability</u>			
Balances at December 31, 2017	<u>\$ 7,831,358</u>	<u>\$ 6,314,543</u>	<u>\$ 1,516,815</u>
Changes for the Year			
Service cost	276,549	-	276,549
Interest on total pension liability	624,167	-	624,167
Changes in benefits	(12,020)	-	(12,020)
Difference between expected and actual experience	(37,815)	-	(37,815)
Employer contributions	-	156,543	(156,543)
Employee contributions	-	224,185	(224,185)
Net investment income	-	(252,901)	252,901
Benefit payments, including employee refunds	(335,090)	(335,090)	-
Administrative expense	-	(12,362)	12,362
Net changes	<u>515,791</u>	<u>(219,625)</u>	<u>735,416</u>
Balances at December 31, 2018	<u>\$ 8,347,149</u>	<u>\$ 6,094,918</u>	<u>\$ 2,252,231</u>

**BATH CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT PLANS (continued)

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

For the year ended December 31, 2019, the Township recognized pension expenses of \$375,572. 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>
Differences in experience	\$ 85,159	\$ (197,690)
Differences in assumptions	100,908	-
Net difference between projected and actual earnings on pension plan investments	456,549	-
Contributions subsequent to the measurement date*	<u>164,028</u>	<u>-</u>
Total	<u>\$ 806,644</u>	<u>\$ (197,690)</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, 2020.

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>
2020	\$ 189,638
2021	91,353
2022	32,905
2023	131,030

Actuarial Assumptions

The total pension liability in the December 31, 2018, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary increases: 3.75% in the long-term plus a percentage based on age related scale to reflect merit, longevity, and promotional pay increases.

Investment rate of return: 7.75%, net of investment expenses, including inflation.

**BATH CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT PLANS (continued)

Actuarial Assumptions (continued)

The mortality table used to project the mortality experience of non-disabled plan members is a 50% Male - 50% Female blend of the following tables: 1. the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%, 2. the RP-2014 Employee Mortality Tables, and 3. the RP-2014 Juvenile Mortality Tables. The mortality table used to project the mortality experience of disabled plan members is a 50% Male - 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in valuation were based on the results of the 2009-2013 Five-Year Experience Study.

Discount Rate

The discount rate used to measure the total pension liability is 8.00%. 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	55.50%	6.15%
Global Fixed Income	18.50%	1.26%
Real Assets	13.50%	7.22%
Diversifying Strategies	12.50%	5.00%

**BATH CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - RETIREMENT PLANS (continued)

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 8.00%, as well as what the Township's net pension liability would be using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability	<u>\$ 3,422,645</u>	<u>\$ 2,252,231</u>	<u>\$ 1,293,336</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, 2019, the Township made contributions for all eligible participating employees equal to 10% of their base compensation.

For the year ended December 31, 2019, the Township made employer contributions to the retirement plan in the amount of \$3,450. There were no employee contributions for the year.

NOTE 8 - 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.).

**BATH CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DETAILS OF FUND BALANCE CLASSIFICATIONS (continued)

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.

	General Fund	Nonmajor Governmental Funds	Total
Fund Balances			
Nonspendable			
Prepays	\$ 71,400	\$ -	\$ 71,400
Restricted			
Public safety	-	204,343	204,343
Public works	-	138,342	138,342
Committed			
Budget stabilization	183,210	-	183,210
Cemetery	-	144,735	144,735
Capital projects	-	49,702	49,702
Assigned			
Subsequent year expenditures	60,163	-	60,163
Senior Center	30,518	-	30,518
Farmers' Market	16,850	-	16,850
Unassigned	2,995,623	-	2,995,623
	\$ 3,357,764	\$ 537,122	\$ 3,894,886

**BATH CHARTER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The Township has two funds that meet the criteria (custodial funds for tax collections and agency activities), which are presented in a statement of fiduciary net position and a statement of changes in fiduciary net position. As a result of the adoption of GASB No. 84, beginning net position of the Custodial Fund was restated by \$52,542.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improves financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows.

NOTE 10 - UPCOMING ACCOUNTING PRONOUNCEMENT

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement will increase the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021 fiscal year.

NOTE 11 - SUBSEQUENT EVENT

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of many businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Township expects this matter to potentially negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 12 - PRIOR PERIOD ADJUSTMENT/RESTATEMENT OF NET POSITION

Beginning net position for governmental activities and beginning fund balance for the General Fund were reduced by \$57,928 to correct for an understatement of accrued liabilities at December 31, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

**BATH CHARTER TOWNSHIP
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts			Variances with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current property taxes				
General	\$ 1,466,728	\$ 1,466,728	\$ 1,434,381	\$ (32,347)
Police and fire	1,249,480	1,249,480	1,244,897	(4,583)
Other	49,000	49,000	46,804	(2,196)
Trailer taxes	3,168	3,168	4,723	1,555
Tax collection fees	175,533	175,533	185,840	10,307
Total taxes	2,943,909	2,943,909	2,916,645	(27,264)
Licenses and permits				
Franchise fees	50,000	50,000	43,846	(6,154)
Intergovernmental				
State grants	9,500	7,821	7,673	(148)
State shared revenue	1,023,398	1,023,398	1,065,677	42,279
Metro act revenue	12,000	12,000	12,020	20
Local community stabilization	-	-	21,242	21,242
Liquor licenses	2,500	2,500	6,909	4,409
Total intergovernmental	1,047,398	1,045,719	1,113,521	67,802
Charges for services				
Administration fees	51,000	51,000	51,253	253
Court fees	30,200	30,200	24,612	(5,588)
Park and recreation fees	17,892	17,892	14,671	(3,221)
Police fees	1,500	1,500	2,992	1,492
Fire fees	-	-	27	27
Total charges for services	100,592	100,592	93,555	(7,037)
Interest and rents				
Interest - regular	60,000	60,000	83,999	23,999
Interest - tax collections	1,500	1,500	972	(528)
Rental fees	56,100	56,100	61,225	5,125
Total interest and rents	117,600	117,600	146,196	28,596
Other				
Refunds and rebates	-	-	6,608	6,608
Special assessments	1,000	1,000	-	(1,000)
Reimbursements	37,122	37,122	27,762	(9,360)
Other revenue	1,750	3,665	42,716	39,051
Total other	39,872	41,787	77,086	35,299
TOTAL REVENUES	4,299,371	4,299,607	4,390,849	91,242

**BATH CHARTER TOWNSHIP
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - CONTINUED
YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>			Variances with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
EXPENDITURES				
Current				
General government				
Township board	\$ 170,392	\$ 170,392	\$ 167,629	\$ 2,763
Supervisor	20,713	20,713	18,526	2,187
Superintendent	123,770	137,290	132,228	5,062
Elections	10,200	11,195	5,414	5,781
Assessor	155,025	155,025	113,377	41,648
Clerk	182,481	182,481	174,342	8,139
Board of review	3,115	3,115	1,746	1,369
Treasurer	207,718	207,718	204,974	2,744
Building and grounds	153,200	185,112	181,602	3,510
Other	336,358	387,858	323,910	63,948
Total general government	<u>1,362,972</u>	<u>1,460,899</u>	<u>1,323,748</u>	<u>137,151</u>
Public safety				
Police department	1,490,912	1,524,880	1,509,508	15,372
Fire department	690,077	690,077	499,748	190,329
Total public safety	<u>2,180,989</u>	<u>2,214,957</u>	<u>2,009,256</u>	<u>205,701</u>
Public works				
Department of public works	757,532	1,004,002	870,844	133,158
Recreation and culture				
Parks and recreation	97,459	100,195	86,935	13,260
TOTAL EXPENDITURES	<u>4,398,952</u>	<u>4,780,053</u>	<u>4,290,783</u>	<u>489,270</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(99,581)</u>	<u>(480,446)</u>	<u>100,066</u>	<u>580,512</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	10,000	10,000	-
Transfers out	(163,464)	(257,964)	(160,246)	97,718
TOTAL OTHER FINANCING SOURCES (USES)	<u>(153,464)</u>	<u>(247,964)</u>	<u>(150,246)</u>	<u>97,718</u>
Net change in fund balance (Budgetary basis)	<u>\$ (253,045)</u>	<u>\$ (728,410)</u>	(50,180)	<u>\$ 678,230</u>
Budgetary perspective difference			<u>(4,634)</u>	
Net change in fund balance (GAAP basis)			<u>\$ (54,814)</u>	

BATH CHARTER TOWNSHIP
SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS
LAST FIVE MEASUREMENT YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 12/31 OF EACH FISCAL YEAR)

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 276,549	\$ 256,295	\$ 256,152	\$ 227,767	\$ 232,409
Interest	624,167	590,207	567,512	502,305	460,276
Changes of benefit terms	(12,020)	(6,706)	3,987	(48,117)	-
Difference between expected and actual experience	(37,815)	(79,706)	(228,603)	255,479	-
Changes of assumptions	-	-	-	302,728	-
Benefit payments including employee refunds	(335,090)	(356,329)	(274,532)	(223,487)	(138,332)
Other	-	(1)	(1)	-	(1)
Net Change in Total Pension Liability	515,791	403,760	324,515	1,016,675	554,352
Total Pension Liability, beginning	<u>7,831,358</u>	<u>7,427,598</u>	<u>7,103,083</u>	<u>6,086,408</u>	<u>5,532,056</u>
Total Pension Liability, ending	<u>\$ 8,347,149</u>	<u>\$ 7,831,358</u>	<u>\$ 7,427,598</u>	<u>\$ 7,103,083</u>	<u>\$ 6,086,408</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 156,543	\$ 149,977	\$ 146,768	\$ 141,669	\$ 135,526
Contributions - employee	224,185	213,313	166,600	158,976	144,798
Net investment income	(252,901)	745,843	571,922	(77,388)	292,403
Benefit payments including employee refunds	(335,090)	(356,329)	(274,532)	(223,487)	(138,332)
Administrative expense	<u>(12,362)</u>	<u>(11,785)</u>	<u>(11,278)</u>	<u>(11,099)</u>	<u>(10,810)</u>
Net Change in Plan Fiduciary Net Position	(219,625)	741,019	599,480	(11,329)	423,585
Plan Fiduciary Net Position, beginning	<u>6,314,543</u>	<u>5,573,524</u>	<u>4,974,044</u>	<u>4,985,373</u>	<u>4,561,788</u>
Plan Fiduciary Net Position, ending	<u>\$ 6,094,918</u>	<u>\$ 6,314,543</u>	<u>\$ 5,573,524</u>	<u>\$ 4,974,044</u>	<u>\$ 4,985,373</u>
Employer Net Pension Liability	<u>\$ 2,252,231</u>	<u>\$ 1,516,815</u>	<u>\$ 1,854,074</u>	<u>\$ 2,129,039</u>	<u>\$ 1,101,035</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	73%	81%	75%	70%	82%
Covered employee payroll	\$ 1,561,542	\$ 1,462,870	\$ 1,457,065	\$ 1,395,633	\$ 1,424,074
Employer's Net Pension Liability as a percentage of covered employee payroll	144%	104%	127%	153%	77%

**BATH CHARTER TOWNSHIP
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST FIVE FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 12/31 OF EACH FISCAL YEAR)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 164,029	\$ 156,543	\$ 149,977	\$ 146,768	\$ 141,669
Contributions in relation to the actuarially determined contribution	<u>164,029</u>	<u>156,543</u>	<u>149,977</u>	<u>146,768</u>	<u>141,669</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,640,291	\$ 1,565,431	\$ 1,499,767	\$ 1,467,319	\$ 1,416,691
Contributions as a percentage of covered employee payroll	10%	10%	10%	10%	10%

**BATH CHARTER TOWNSHIP
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED DECEMBER 31, 2019**

NOTE 1 - BUDGET/GAAP RECONCILIATION

Bath Charter Township budgets the activities of the 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)	\$	(50,180)
To adjust for revenues and expenditures generated related to various activities accounted for in separate funds		(80,212)
To remove transfers out from the budgetary basis schedule		<u>75,578</u>
Net actual change in fund balance (GAAP Basis)	<u>\$</u>	<u>(54,814)</u>

NOTE 2 - EMPLOYEE RETIREMENT PLAN

Changes of benefits terms: There were no significant changes in benefit terms during plan year 2018.

Changes in assumptions: There were no changes in assumptions during plan year 2018.

OTHER SUPPLEMENTARY INFORMATION

**BATH CHARTER TOWNSHIP
GENERAL FUND
COMBINING BALANCE SHEET
DECEMBER 31, 2019**

	General Fund	Budget	
		Stabilization	Senior Center
ASSETS			
Cash and cash equivalents	\$ 2,681,604	\$ 183,210	\$ 34,672
Investments	1,829,056	-	-
Receivables			
Accounts	42,237	-	348
Taxes	1,462,182	-	-
Due from other governmental units	200,483	-	-
Prepays	71,400	-	-
TOTAL ASSETS	\$ 6,286,962	\$ 183,210	\$ 35,020
LIABILITIES			
Accounts payable	\$ 85,654	\$ -	\$ 1,860
Accrued wages	58,041	-	2,642
Accrued liabilities	46,129	-	-
TOTAL LIABILITIES	189,824	-	4,502
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for subsequent year	2,969,952	-	-
FUND BALANCES			
Nonspendable	71,400	-	-
Committed	-	183,210	-
Assigned	60,163	-	30,518
Unassigned	2,995,623	-	-
TOTAL FUND BALANCES	3,127,186	183,210	30,518
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 6,286,962	\$ 183,210	\$ 35,020

<u>Farmers'</u> <u>Market</u>	<u>Total</u>
\$ 17,365	\$ 2,916,851
-	1,829,056
-	42,585
-	1,462,182
-	200,483
-	71,400
<u>\$ 17,365</u>	<u>\$ 6,522,557</u>
\$ 515	\$ 88,029
-	60,683
-	46,129
<u>515</u>	<u>194,841</u>
-	<u>2,969,952</u>
-	71,400
-	183,210
16,850	107,531
-	2,995,623
<u>16,850</u>	<u>3,357,764</u>
<u>\$ 17,365</u>	<u>\$ 6,522,557</u>

**BATH CHARTER TOWNSHIP
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2019**

	<u>General Fund</u>	<u>Budget Stabilization</u>	<u>Senior Center</u>
REVENUES			
Taxes	\$ 2,916,645	\$ -	\$ -
Licenses and permits	43,846	-	-
Intergovernmental	1,113,521	-	-
Charges for services	93,555	-	22,635
Interest and rents	146,196	-	536
Other	77,086	-	9,047
	<u>4,390,849</u>	<u>-</u>	<u>32,218</u>
EXPENDITURES			
Current			
General government	1,323,748	-	102,278
Public safety	2,009,256	-	-
Public works	870,844	-	-
Recreation and culture	86,935	-	-
	<u>4,290,783</u>	<u>-</u>	<u>102,278</u>
	<u>100,066</u>	<u>-</u>	<u>(70,060)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	10,000	-	70,723
Transfers out	(160,246)	-	-
	<u>(150,246)</u>	<u>-</u>	<u>70,723</u>
	<u>(50,180)</u>	<u>-</u>	<u>663</u>
Fund balances, beginning of year	3,235,294	183,210	29,855
Prior period adjustment	(57,928)	-	-
Fund balances, end of year	<u>\$ 3,127,186</u>	<u>\$ 183,210</u>	<u>\$ 30,518</u>

<u>Farmers' Market</u>	<u>Total Before Eliminations</u>	<u>Eliminations</u>	<u>Total</u>
\$ -	\$ 2,916,645	\$ -	\$ 2,916,645
-	43,846	-	43,846
-	1,113,521	-	1,113,521
-	116,190	-	116,190
2,601	149,333	-	149,333
4,317	90,450	-	90,450
<u>6,918</u>	<u>4,429,985</u>	<u>-</u>	<u>4,429,985</u>
17,070	1,443,096	-	1,443,096
-	2,009,256	-	2,009,256
-	870,844	-	870,844
-	86,935	-	86,935
<u>17,070</u>	<u>4,410,131</u>	<u>-</u>	<u>4,410,131</u>
<u>(10,152)</u>	<u>19,854</u>	<u>-</u>	<u>19,854</u>
4,855	85,578	(75,578)	10,000
-	(160,246)	75,578	(84,668)
<u>4,855</u>	<u>(74,668)</u>	<u>-</u>	<u>(74,668)</u>
(5,297)	(54,814)	-	(54,814)
22,147	3,470,506	-	3,470,506
-	(57,928)	-	(57,928)
<u>\$ 16,850</u>	<u>\$ 3,357,764</u>	<u>\$ -</u>	<u>\$ 3,357,764</u>

**BATH CHARTER TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2019**

	Special			
	Police Training	Street Lighting	Drug Forfeiture	Cemetery
ASSETS				
Cash and cash equivalents	\$ 8,560	\$ 185,204	\$ 6,494	\$ 144,735
Receivables				
Accounts	-	-	-	-
Taxes	-	-	-	-
Special assessments	-	62,021	-	-
TOTAL ASSETS	<u>\$ 8,560</u>	<u>\$ 247,225</u>	<u>\$ 6,494</u>	<u>\$ 144,735</u>
LIABILITIES				
Accounts payable	\$ 694	\$ -	\$ -	\$ -
Accrued wages	-	-	-	-
TOTAL LIABILITIES	<u>694</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for subsequent year	-	108,883	-	-
FUND BALANCES				
Restricted	7,866	138,342	6,494	-
Committed	-	-	-	144,735
TOTAL FUND BALANCES	<u>7,866</u>	<u>138,342</u>	<u>6,494</u>	<u>144,735</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 8,560</u>	<u>\$ 247,225</u>	<u>\$ 6,494</u>	<u>\$ 144,735</u>

<u>Building and Zoning</u>	<u>Revenue Auto Theft Enforcement</u>	<u>Library</u>	<u>Capital Projects Capital Improvements</u>	<u>Total</u>
\$ 169,553	\$ 25,582	\$ 153,902	\$ 49,702	\$ 743,732
1,753	-	-	-	1,753
-	-	145,123	-	145,123
-	-	-	-	62,021
<u>\$ 171,306</u>	<u>\$ 25,582</u>	<u>\$ 299,025</u>	<u>\$ 49,702</u>	<u>\$ 952,629</u>
\$ 6,510	\$ -	\$ -	\$ -	\$ 7,204
395	-	-	-	395
<u>6,905</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,599</u>
<u>-</u>	<u>-</u>	<u>299,025</u>	<u>-</u>	<u>407,908</u>
164,401	25,582	-	-	342,685
-	-	-	49,702	194,437
<u>164,401</u>	<u>25,582</u>	<u>-</u>	<u>49,702</u>	<u>537,122</u>
<u>\$ 171,306</u>	<u>\$ 25,582</u>	<u>\$ 299,025</u>	<u>\$ 49,702</u>	<u>\$ 952,629</u>

**BATH CHARTER TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2019**

	Special			
	Police Training	Street Lighting	Drug Forfeiture	Cemetery
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Special assessments	-	97,852	-	-
Intergovernmental	3,254	-	-	-
Charges for services	-	-	-	19,798
Interest	13	334	13	323
TOTAL REVENUES	3,267	98,186	13	20,121
EXPENDITURES				
Current				
Public safety	1,813	-	-	-
Public works	-	84,508	-	3,763
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	1,813	84,508	-	3,763
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,454	13,678	13	16,358
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(10,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	(10,000)
NET CHANGE IN FUND BALANCES	1,454	13,678	13	6,358
Fund balances, beginning of year	6,412	124,664	6,481	138,377
Fund balances, end of year	<u>\$ 7,866</u>	<u>\$ 138,342</u>	<u>\$ 6,494</u>	<u>\$ 144,735</u>

Building and Zoning	Revenue		Capital Projects	Total
	Auto Theft Enforcement	Library	Capital Improvement	
\$ -	\$ -	\$ 285,769	\$ -	\$ 285,769
177,901	-	-	-	177,901
-	-	-	-	97,852
-	-	-	-	3,254
12,410	4,000	-	-	36,208
343	52	-	99	1,177
<u>190,654</u>	<u>4,052</u>	<u>285,769</u>	<u>99</u>	<u>602,161</u>
197,213	2,335	-	-	201,361
-	-	-	-	88,271
-	-	285,769	-	285,769
-	-	-	79,159	79,159
<u>197,213</u>	<u>2,335</u>	<u>285,769</u>	<u>79,159</u>	<u>654,560</u>
<u>(6,559)</u>	<u>1,717</u>	<u>-</u>	<u>(79,060)</u>	<u>(52,399)</u>
5,509	-	-	79,159	84,668
-	-	-	-	(10,000)
<u>5,509</u>	<u>-</u>	<u>-</u>	<u>79,159</u>	<u>74,668</u>
(1,050)	1,717	-	99	22,269
<u>165,451</u>	<u>23,865</u>	<u>-</u>	<u>49,603</u>	<u>514,853</u>
<u>\$ 164,401</u>	<u>\$ 25,582</u>	<u>\$ -</u>	<u>\$ 49,702</u>	<u>\$ 537,122</u>

**BATH CHARTER TOWNSHIP
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2019**

	Custodial Funds		
	Current Tax Collections	Custodial	Total
ASSETS			
Cash and cash equivalents	\$ 2,604,397	\$ 93,879	\$ 2,698,276
LIABILITIES			
Undistributed tax collections	2,604,397	-	2,604,397
NET POSITION			
Restricted for individuals and agencies	\$ -	\$ 93,879	\$ 93,879

**BATH CHARTER TOWNSHIP
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2019**

	Custodial Funds		Total
	Current Tax Collections	Custodial	
ADDITIONS			
Collection of taxes for other governments	\$ 14,318,253	\$ -	\$ 14,318,253
Deposits received	-	160,168	160,168
Total additions	<u>14,318,253</u>	<u>160,168</u>	<u>14,478,421</u>
DEDUCTIONS			
Payment of taxes collected for other governments	14,318,253	-	14,318,253
Return of deposits received	-	118,831	118,831
Total deductions	<u>14,318,253</u>	<u>118,831</u>	<u>14,437,084</u>
Net change in fiduciary net position	-	41,337	41,337
Net position, beginning of year	<u>-</u>	<u>52,542</u>	<u>52,542</u>
Net position, end of year	<u>\$ -</u>	<u>\$ 93,879</u>	<u>\$ 93,879</u>

**BATH CHARTER TOWNSHIP
 COMPONENT UNIT FUND
 BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY (DDA)
 DECEMBER 31, 2019**

ASSETS	
Cash and cash equivalents	\$ 127,155
Taxes receivable	<u>69,747</u>
	<u><u>\$ 196,902</u></u>
 LIABILITIES	
Accounts payable	\$ 31
 DEFERRED INFLOWS OF RESOURCES	
Property taxes levied for subsequent year	69,747
 FUND BALANCE	
Unassigned	<u>127,124</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u><u>\$ 196,902</u></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, 2019.

**BATH CHARTER TOWNSHIP
 COMPONENT UNIT FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - DOWNTOWN DEVELOPMENT AUTHORITY (DDA)
 YEAR ENDED DECEMBER 31, 2019**

REVENUES	
Taxes	\$ 55,433
Interest	<u>608</u>
TOTAL REVENUES	56,041
 EXPENDITURES	
Current	
Community and economic development	<u>2,066</u>
NET CHANGE IN FUND BALANCE	53,975
Fund balance, beginning of year	<u>73,149</u>
Fund balance, end of year	<u><u>\$ 127,124</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, 2019.

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

To the 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, 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, 2019, 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 26, 2020.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

CHBW & Co., P.C.

Certified Public Accountants