

*Charter Township of Comstock  
Kalamazoo County, Michigan*

**FINANCIAL STATEMENTS**

*Year ended December 31, 2018*

---



Vredeveld Haefner LLC  
CPAs and Consultants

	<i>Page</i>
<b>INDEPENDENT AUDITOR’S REPORT</b>	3 - 4
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>	5 - 11
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide financial statements:	
Statement of net position	12
Statement of activities	13
Fund financial statements:	
Balance sheet - governmental funds	14 - 15
Statement of revenues, expenditures, and changes in fund balances - governmental funds	16 - 17
Statement of fiduciary assets and liabilities - Agency Fund	18
Notes to financial statements	19 - 30
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary comparison schedules:	
General Fund	31 - 32
Fire Operating Fund	33
Library Fund	34 – 35
Road Fund	36
<b>SUPPLEMENTARY INFORMATION</b>	
Combining balance sheet - nonmajor governmental funds	37
Combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds	38
<b>INTERNAL CONTROL AND COMPLIANCE</b>	
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	39-40

**(This page left intentionally blank)**



## Vredeveld Haefner LLC

CPAs and Consultants  
10302 20<sup>th</sup> Avenue  
Grand Rapids, MI 49534  
Fax (616) 828-0307

Douglas J. Vredeveld, CPA  
(616) 446-7474  
Peter S. Haefner, CPA  
(616) 460-9388

### INDEPENDENT AUDITORS' REPORT

June 14, 2019

Members of Board  
Charter Township of Comstock  
Kalamazoo, MI

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

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

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2018, and the respective changes in financial position 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 5 through 11 and the budgetary comparisons information on pages 31 through 36 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 Township's basic financial statements. The supplementary information (combining and individual fund financial statements) is presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2019 on our consideration of the Township'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 Township's internal control over financial reporting and compliance.

*Urodeuxeld Haefner LLC*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Charter Township of Comstock's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the Township's financial statements.

### **FINANCIAL HIGHLIGHTS**

- The Township's total net position increased by \$157,543 (1 percent) as a result of this year's activities
- Of the \$16,206,213 total net position reported, \$1,234,647 (8 percent) is available to be used to meet the Township's ongoing obligations to its citizens and customers, without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$975,721, which represents 40 percent of the actual total General Fund expenditures for the current fiscal year.

### **Overview of the financial statements**

The Township's annual report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide financial statements.
  - Governmental funds statements explain how general government services, like public safety, and parks and library, were financed in the short-term, as well as what remains for future spending.
  - Fiduciary funds statements provide information about the financial relationships in which the Township acts solely as an agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required supplementary information and other supplementary information that further explain and support the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2018 and 2017 is also presented.

### **Government-wide financial statements**

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

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

- Over time, increases or decreases in the Township's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements present governmental activities. These activities include functions most commonly associated with government (e.g., general government, public safety, public works, culture and recreation, etc.). Property taxes and intergovernmental revenues generally fund these services.

### **Fund financial statements**

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain other revenues.

The Township has two types of funds:

- *Governmental funds.* Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the Township. The Township is responsible for ensuring that the assets reported in the fiduciary funds are used for their intended purposes. The Township's fiduciary balances are reported in a separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE**

**Net position**

Total net position at the end of the fiscal year was \$16,206,213. Of this total, \$12,391,486 is invested in capital assets (net of related debt) and \$2,580,080 is restricted for various purposes.

*Condensed financial information  
Net position*

	<i>Governmental activities</i>	
	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 9,649,332	\$ 8,620,314
Capital assets	<u>12,856,154</u>	<u>13,141,978</u>
Total assets	<u>22,505,486</u>	<u>21,762,292</u>
Current and other liabilities	490,031	587,073
Long-term debt	<u>478,064</u>	<u>542,498</u>
Total liabilities	<u>968,095</u>	<u>1,129,571</u>
Deferred inflows of resources	<u>5,331,178</u>	<u>4,584,051</u>
Net position:		
Net investment in capital assets	12,391,486	12,599,480
Restricted	2,580,080	969,913
Unrestricted	<u>1,234,647</u>	<u>2,479,277</u>
Total net position	<u>\$ 16,206,213</u>	<u>\$ 16,048,670</u>

**Changes in net position**

The Township's total revenues are \$7,922,437. For 2018, 35 percent of the Township's revenues comes from charges for services, 36 percent comes from property taxes, and 17 percent comes from state shared revenue.

The total cost of the Township's programs and services was \$7,764,894. Approximately 40 percent of the Township's costs are related to public safety activities. General government costs are 19 percent of the total, culture and recreation costs account for 15 percent, and public works costs are 17 percent of total expenses.

*Condensed financial information  
Changes in net position*

	<u>Governmental activities</u>	
	<u>2018</u>	<u>2017</u>
Program revenues:		
Charges for services	\$ 2,800,014	\$ 2,553,205
Operating grants and contributions	844,838	239,676
Capital grants and contributions	-	131,826
General revenues:		
Property taxes	2,839,197	2,723,408
State grants	1,312,274	1,274,025
Franchise fees	113,770	129,032
Investment income	12,344	9,434
Gain on sale of asset	-	31,801
Insurance recoveries	-	90,352
	<u>7,922,437</u>	<u>7,182,759</u>
Expenses:		
General government	1,509,699	1,274,146
Public safety	3,117,150	2,107,936
Public works	1,298,444	1,583,795
Community and economic development	152,541	144,573
Health and welfare	491,916	536,386
Culture and recreation	1,181,842	1,139,103
Interest	13,302	17,243
	<u>7,764,894</u>	<u>6,803,182</u>
Changes in net position	<u>\$ 157,543</u>	<u>\$ 379,577</u>
Net position, end of year	<u>\$ 16,206,213</u>	<u>\$ 16,048,670</u>

**Governmental activities**

Net position increased by \$157,543 for 2018, compared to a \$379,577 increase in net position for 2017. Revenues were \$739,678 higher in 2018, primarily due to an increase operating contributions related to a federal grant. Total governmental expenses increased by \$961,712. The increase in public safety can be primarily attributed payments to the dispatch authority for construction of the new dispatch center, these contributions were funded by the federal grant.

The total cost of governmental activities this year was \$7,764,894. After subtracting the direct charges to those who directly benefited from the programs (\$2,800,014) and operating and capital grants (\$844,838), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$4,120,042.

**FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

**Governmental funds**

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$3,728,014, an increase of \$386,205 from the prior year.

The General Fund is the primary operating fund of the Township. Its fund balance increased by \$2,972 during the year, as revenues of \$2,443,178 exceeded expenditures of \$2,440,206. Year-end fund balance totals \$1,271,189.

The Fire Operating Fund experienced a decrease in fund balance of \$28,767, as revenues of \$2,289,410 were lower than expenditures of \$2,318,177. Fund balance at the end of the year totals \$76,787.

The Library Fund's \$106,938 increase in fund balance was the result of revenues of \$854,339 exceeding expenditures of \$747,401. Fund balance at the end of the year totals \$738,815.

The Road Fund's \$68,171 increase in fund balance was the result of revenues of \$517,641 exceeding expenditures of \$449,470. Fund balance at the end of the year totals \$68,173.

The Sewer and Water Improvement Fund experienced an \$212,413 increase in fund balance, which reflects the excess of revenues of \$333,656 over expenditures of \$121,243 for the year. The fund balance at the end of the year is \$1,299,797.

**General Fund budgetary highlights**

Expenditure budgets were amended during the year. The final expenditure budget totals were increased by \$36,375 over the original budget. Budget amendments were made among several activities within the General Fund.

Total actual revenues were lower than budgeted amounts by \$293,183, primarily due to lower than anticipated state grant revenue. Total expenditures were \$585,351 less than budgeted amounts. The largest variance was in capital outlay, primarily due to delayed projects. In total, these conditions resulted in a \$292,168 positive budget variance and a \$2,972 increase in fund balance compared to a budgeted decrease of \$289,196.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets**

The Township's investment in capital assets for its governmental activities as of December 31, 2018, amounts to \$12,856,154 (net of accumulated depreciation). This investment includes buildings and improvements, fire equipment and vehicles, and sewer and water infrastructure. The \$303,824 decrease in the Township's investment in capital assets for the current fiscal year reflects capital additions of \$542,292 net of depreciation of \$828,116.

Major capital asset acquisitions during the current year include:

- \$82,288 for library materials and equipment
- \$66,435 for park improvements
- \$206,758 for the purchase of vehicles
- \$59,490 for purchase of property
- \$25,725 for server
- \$37,892 for fire equipment

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

**Debt**

At the end of the fiscal year, the Township had total long-term debt outstanding in the amount of \$478,064. The Township's debt issues are backed by the full faith and credit of the Township.

Other long-term obligations of \$13,396 represent accrued compensated absences.

More detailed information about the Township's noncurrent liabilities is presented in Note 9 of the notes to the basic financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

There are no significant planned changes in the types of ongoing services to be provided or in related levels of expenditures for ongoing operations during the upcoming fiscal year.

**CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Scott Hess, Township Superintendent  
Charter Township of Comstock  
P.O. Box 449  
6138 King Highway  
Comstock, MI 49041-0449

Phone: (269) 381-2360

## **BASIC FINANCIAL STATEMENTS**

**STATEMENT OF NET POSITION**

December 31, 2018

	<u>Governmental activities</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 4,510,351
Investments	1,133,075
Prepays	142,810
Receivables, net	<u>3,790,896</u>
Total current assets	<u>9,577,132</u>
Noncurrent assets:	
Receivables, net	72,200
Capital assets not being depreciated	491,645
Capital assets, net of accumulated depreciation	<u>12,364,509</u>
Total noncurrent assets	<u>12,928,354</u>
Total assets	<u>22,505,486</u>
<b>LIABILITIES</b>	
Current liabilities:	
Payables	231,639
Unearned operating assessment revenue	258,392
Current portion of long-term obligations	<u>80,447</u>
Total current liabilities	570,478
Noncurrent liabilities - long-term obligations	<u>397,617</u>
Total liabilities	<u>968,095</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenues levied for the subsequent year	3,187,156
Assessments levied for the subsequent year	<u>2,144,022</u>
Total deferred inflows of resources	<u>5,331,178</u>
<b>NET POSITION</b>	
Net investment in capital assets	12,391,486
Restricted for:	
Public safety	306,837
Public works	1,476,438
Health and welfare	51,913
Culture and recreation	744,892
Unrestricted	<u>1,234,647</u>
Total net position	<u>\$ 16,206,213</u>

See notes to financial statements

**STATEMENT OF ACTIVITIES**

Year ended December 31, 2018

Functions/Programs	Expenses	Program revenues		Net (expenses)
		Charges for services	Operating grants and contributions	revenues and change in net position
				Governmental activities
Governmental activities:				
General government	1,509,699	284,529	\$ -	\$ (1,225,170)
Public safety	3,117,150	1,825,017	771,756	(520,377)
Public works	1,298,444	516,470	19,089	(762,885)
Community and economic development	152,541	6,766	-	(145,775)
Health and welfare	491,916	-	-	(491,916)
Culture and recreation	1,181,842	167,232	53,993	(960,617)
Interest on long-term debt	13,302	-	-	(13,302)
Total governmental activities	<u>\$ 7,764,894</u>	<u>\$ 2,800,014</u>	<u>\$ 844,838</u>	<u>\$ (4,120,042)</u>
General revenues:				
Property taxes				2,839,197
Franchise fees				113,770
State grants				1,312,274
Investment income				<u>12,344</u>
Total general revenues				<u>4,277,585</u>
Change in net position				157,543
Net position - beginning				<u>16,048,670</u>
Net position - ending				<u>\$ 16,206,213</u>

See notes to financial statements

Charter Township of Comstock

**BALANCE SHEET - governmental funds**

December 31, 2018

	<u>General</u>	<u>Fire Operating</u>
<b>ASSETS</b>		
Cash	\$ 981,699	\$ 709,478
Investments	263,964	108,591
Receivables, net	632,542	1,061,553
Prepays	<u>30,277</u>	<u>38,372</u>
Total assets	<u>\$ 1,908,482</u>	<u>\$ 1,917,994</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
Liabilities:		
Payables	\$ 115,031	\$ 72,949
Unearned operating assessment revenue	<u>-</u>	<u>-</u>
Total liabilities	<u>115,031</u>	<u>72,949</u>
Deferred inflows of resources:		
Property tax revenues levied for the subsequent year	522,262	
Assessments levied for the subsequent year	-	1,768,258
Unavailable special assessment	-	-
Unavailable interest	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>522,262</u>	<u>1,768,258</u>
Fund balances:		
Nonspendable - prepaids	30,277	38,372
Restricted for:		
Fire capital	-	-
Memorial	-	71,110
Police protection	-	-
Street lighting	-	-
Roads		
Library operating	-	-
Sewer and water improvements	-	-
Assigned for:		
Future year expenditures	265,191	-
Unassigned	<u>975,721</u>	<u>(32,695)</u>
Total fund balances	<u>1,271,189</u>	<u>76,787</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,908,482</u>	<u>\$ 1,917,994</u>

<u>Library</u>	<u>Roads</u>	<u>Sewer and Water Improvement</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>
\$ 821,592	\$ 380,214	\$ 724,622	\$ 892,746	\$ 4,510,351
253,254	-	507,266	-	1,133,075
486,767	489,426	161,149	1,031,659	3,863,096
10,884	-	1,525	51,913	132,971
<u>\$ 1,572,497</u>	<u>\$ 869,640</u>	<u>\$ 1,394,562</u>	<u>\$ 1,976,318</u>	<u>\$ 9,639,493</u>
\$ 37,916	\$ -	\$ 4,443	\$ -	\$ 230,339
-	-	-	258,392	258,392
<u>37,916</u>	<u>-</u>	<u>4,443</u>	<u>258,392</u>	<u>488,731</u>
794,518	801,467	-	1,068,909	3,187,156
-	-	-	375,764	2,144,022
-	-	90,322	-	90,322
1,248	-	-	-	1,248
<u>795,766</u>	<u>801,467</u>	<u>90,322</u>	<u>1,444,673</u>	<u>5,422,748</u>
10,884	-	1,525	51,913	132,971
-	-	-	170,685	170,685
-	-	-	-	71,110
-	-	-	32,509	32,509
-	-	-	18,146	18,146
-	68,173	-	-	68,173
727,931	-	-	-	727,931
-	-	1,298,272	-	1,298,272
-	-	-	-	265,191
-	-	-	-	943,026
<u>738,815</u>	<u>68,173</u>	<u>1,299,797</u>	<u>273,253</u>	<u>3,728,014</u>
<u>\$ 1,572,497</u>	<u>\$ 869,640</u>	<u>\$ 1,394,562</u>	<u>\$ 1,976,318</u>	<u>\$ 9,639,493</u>

See notes to financial statements

Reconciliation of the balance sheet to the statement of net position:

Total fund balance - total governmental funds (page 14)	\$ 3,728,014
Amounts reported for <i>governmental activities</i> in the statement of net position (page 12) are different because:	
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	12,856,154
Special assessments receivable and other receivables are not available to pay for the current period's expenditures and are deferred in the funds.	91,570
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(478,064)
Interest related to long-term liabilities is not due and payable in the current period and, therefore, is not reported in the funds.	(1,300)
Prepaid expenses and other charges are not current financial resources and, therefore, are not reported in the funds.	<u>9,839</u>
Net position of <i>governmental activities</i>	<u><u>\$ 16,206,213</u></u>

Charter Township of Comstock

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - governmental funds**

Year ended December 31, 2018

	<u>General</u>	<u>Fire Operating</u>
<b>REVENUES</b>		
Taxes	\$ 525,344	\$ -
Licenses and permits	116,695	-
State grants	1,333,342	-
Federal grants	-	726,771
Charges for services	442,455	-
Fines and forfeitures	7,400	-
Interest and rentals	12,344	35,367
Other	<u>5,598</u>	<u>1,527,272</u>
Total revenues	<u>2,443,178</u>	<u>2,289,410</u>
<b>EXPENDITURES</b>		
Current:		
General government	1,518,712	-
Public safety	98,605	2,226,371
Public works	114,925	-
Community and economic development	152,541	-
Health and welfare	-	-
Culture and recreation	367,930	-
Capital outlay	187,493	91,806
Debt service:		
Principal	-	-
Interest	<u>-</u>	<u>-</u>
Total expenditures	<u>2,440,206</u>	<u>2,318,177</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>2,972</u>	<u>(28,767)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Sale of fixed assets	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>-</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	2,972	(28,767)
<b>FUND BALANCES - BEGINNING</b>	<u>1,268,217</u>	<u>105,554</u>
<b>FUND BALANCES - ENDING</b>	<u><u>\$ 1,271,189</u></u>	<u><u>\$ 76,787</u></u>

<u>Library</u>	<u>Roads</u>	<u>Sewer and Water Improvement</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>
\$ 764,238	\$ 515,849	\$ -	\$ 1,033,766	\$ 2,839,197
-	-	-	-	116,695
52,877	-	-	-	1,386,219
-	-	-	-	726,771
5,211	-	288,017	-	735,683
25,188	-	-	-	32,588
5,709	1,792	19,954	4,095	79,261
1,116	-	25,685	421,111	1,980,782
<u>854,339</u>	<u>517,641</u>	<u>333,656</u>	<u>1,458,972</u>	<u>7,897,196</u>
-	-	-	-	1,518,712
-	-	-	501,608	2,826,584
-	449,470	121,243	213,489	899,127
-	-	-	-	152,541
-	-	-	491,916	491,916
723,758	-	-	-	1,091,688
23,643	-	-	177,642	480,584
-	-	-	77,830	77,830
-	-	-	13,902	13,902
<u>747,401</u>	<u>449,470</u>	<u>121,243</u>	<u>1,476,387</u>	<u>7,552,884</u>
<u>106,938</u>	<u>68,171</u>	<u>212,413</u>	<u>(17,415)</u>	<u>344,312</u>
-	-	-	41,893	41,893
-	-	-	41,893	41,893
106,938	68,171	212,413	24,478	386,205
631,877	2	1,087,384	248,775	3,341,809
<u>\$ 738,815</u>	<u>\$ 68,173</u>	<u>\$ 1,299,797</u>	<u>\$ 273,253</u>	<u>\$ 3,728,014</u>

See notes to financial statements

*Charter Township of Comstock*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - governmental funds (Continued)**

*Year ended December 31, 2018*

---

Reconciliation of the statement of revenues, expenditures, and changes  
in fund balances to the statement of activities:

Net change in fund balance - total governmental funds (page 16)	\$ 386,205
Amounts reported for <i>governmental activities</i> in the statement of activities (page 13) are different because:	
Capital assets:	
Assets acquired	542,292
Provision for depreciation	(828,116)
Long-term debt - principal repayments	77,830
Deferred inflows of resources - net decrease in unavailable revenue	(16,652)
Changes in other assets/liabilities:	
Net decrease in prepaid expenses	(2,657)
Net decrease in accrued interest expense	600
Net increase in compensated absences	<u>(1,959)</u>
Change in net position of <i>governmental activities</i>	<u>\$ 157,543</u>

*See notes to financial statements*

*Charter Township of Comstock*

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - Agency Fund**

*December 31, 2018*

---

**ASSETS**

Cash \$ 1,820,956

**LIABILITIES**

Due to other governmental units \$ 1,820,956

*See notes to financial statements*

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

The accounting policies of the Charter Township of Comstock, Michigan (the Township), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

*Reporting entity:*

As required by generally accepted accounting principles, these financial statements present only the Township (located in Kalamazoo County), as there are no other entities for which the Township is considered to be financially accountable.

*Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has been removed from these statements.

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

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

*Measurement focus, basis of accounting, and financial statement presentation:*

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

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

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivables due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the Township.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement focus, basis of accounting, and financial statement presentation (continued):*

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Operating Fund accounts for financial resources used for the operational costs of the Township's fire protection. Revenues are primarily derived from special assessments.

The Library Fund accounts for financial resources used for the operational costs of the Township's library. Revenues are primarily derived from property taxes.

The Road Fund accounts for financial resources used for road projects. Revenues are primarily derived from property taxes.

The Sewer and Water Improvement Fund accounts for financial resources used for the improvement and maintenance of utility lines within the Township. Revenues are primarily derived from special assessments and connection fees.

The Township also reports fiduciary funds, which account for assets held by the Township as an agent for individuals, private organizations, and other governments. The Township currently reports a single fiduciary fund (Agency Fund). Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

*Assets, liabilities, deferred inflows of resources, and net position:*

*Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled investment income is proportionately allocated to all funds.

*Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded, as the Township considers all receivables to be fully collectible.

*Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements. The Township follows the purchases method for prepaid items for the fund financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assets, liabilities, deferred inflows of resources, and net position* (continued):

*Capital assets* - Capital assets, which include property, equipment, and infrastructure assets (e.g., trails and sewer and water infrastructure), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$2,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date received. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning January 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	5 - 10 years
Vehicles	10 - 20 years
Infrastructure	20 - 50 years

*Compensated absences* - It is the Township's policy to permit employees to accumulate earned but unused sick pay benefits. Vested compensated absences are accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

*Unearned revenue* - Unearned revenue represents resources related to operating assessments, which have not yet been earned.

*Deferred inflows of resources* - The statement of net position and the governmental funds balance sheet include a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenues will not be recognized until a future event occurs. The Township has two items that are included in this category: property taxes and special assessments. Property tax revenues and certain operating special assessments, which are levied to finance the following period's budget, are deferred and recognized as an inflow of resources in the period that it was intended to finance. Other special assessment revenues, which are not recognized until available (collected not later than 60 days after the end of the Township's fiscal year) are deferred and recognized as an inflow of resources in the period that the assessments become available.

*Net position* - Net position represents the difference between assets, and liabilities and deferred inflows of resources. The Township reports three categories of net position, as follows: (1) *Net investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the Township's debt. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the Township.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assets, liabilities, deferred inflows of resources, and net position (continued):*

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

*Fund equity* - Governmental funds report restricted fund balance when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. The Township Board retains the authority to assign fund balances as to purpose. Unassigned fund balances are amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted or assigned to those purposes. Unassigned fund balance is the residual classification for the General Fund. When the Township incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Township's policy to use the restricted fund balance first, followed by assigned fund balance, and, finally, unassigned fund balance.

*Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, at which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the subsequent year.

*Use of estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

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

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's general and special revenue funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

*Excess of expenditures over appropriations* - The following schedule sets forth reportable budget variances:

<u>Fund</u>	<u>Function</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
General	Culture and recreation	\$ 340,100	\$ 367,930	\$ 27,830
Fire operating	Public safety	1,634,820	2,226,371	591,551
	Capital outlay	20,000	91,806	71,806

The Township budgeted for an end of year deficit in the Fire Fund of \$20,971. State statute does not permit a local unit to budget for an end of year deficit. The actual end of year fund balance of the fund was \$94,787.

**NOTE 3 - CASH AND INVESTMENTS**

The Township’s deposits and cash on hand were reported in the basic financial statements as follows:

	<u>Governmental activities</u>	<u>Fiduciary activity</u>	<u>Totals</u>
Deposits	\$ 4,508,701	\$ 1,820,956	\$ 6,329,657
Cash on hand	<u>1,650</u>	<u>-</u>	<u>1,650</u>
Total cash	<u>\$ 4,510,351</u>	<u>\$ 1,820,956</u>	<u>\$ 6,331,307</u>

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township’s investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township’s deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. The Township’s investment policy does not specifically address custodial credit risk for deposits. At December 31, 2018, \$5,431,906 of the Township’s bank balances of \$6,481,749 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Investments* - State statutes and the Township’s investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two (2) highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers’ acceptances; and e) mutual funds composed of otherwise legal investments. The Township’s investments are reported at fair market value. The Township’s investments are in accordance with statutory authority.

*Custodial credit risk.* Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Township will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Township’s investment policy does not contain requirements that would limit the exposure to custodial credit risk for investments. At year end, all of the above investment securities were uninsured and unregistered and held by the same broker-dealer (counterparty) that purchased the securities for the Township.

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

The Township’s holdings consist of the following:

<u>Investment type</u>	<u>Maturity</u>	<u>Moody Rating</u>	<u>S&amp;P Rating</u>	<u>Value</u>	<u>Percent of total</u>
U.S. government mortgage backed securities:					
Federal Home Loan Mortgage Corp.	September 15, 2043	Aaa		\$ 70,859	6.3%
Federal National Mortgage Association	June 25, 2039	Aaa		399,504	35.3%
Federal Home Loan Mortgage Corp.	September 15, 2032	Aaa		99,973	8.8%
Governmental National Mortgage Association	March 20, 2047	Aaa		129,225	11.4%
Federated governmental reserves		Aaa		5,385	0.5%
Michigan Class investment pool			AAAm	<u>428,129</u>	37.8%
Total investments				<u>\$1,133,075</u>	

*Interest rate risk.* Interest rate risk is the risk that the value of an investment will decrease as a result of an increase in market interest rates. Generally, longer investment maturities generate more sensitivity to changes in an investment’s fair value due to changes in market interest rates. The Township’s investment policy has no specific limitations with respect to maturities of investments.

*Credit risk.* Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally-recognized statistical rating organization. The Township’s investment policy does not contain requirements that would limit the exposure to credit risk for investments. Obligations of the U.S. government are not considered to have credit risk.

*Concentration of credit risk.* The Township’s investment policy places no limitations on the amount that can be invested in any one issuer.

Fair value measurement - 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. The MBIA CLASS Fund was measured at net asset value (or its equivalent) as a practical expedient, and, accordingly, has not been classified in the fair value hierarchy. The Township has the following recurring fair value measurements as of December 31, 2018:

- Cooperative Liquid Assets Securities System - Michigan, with a balance of \$428,129 at December 31, 2018, which is valued using net asset value.
- U.S. government and agency securities are valued using observable fair values of similar assets (Level 2).

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 4 - RECEIVABLES**

Receivables as of December 31, 2018, for the Township’s individual major funds and nonmajor funds, in the aggregate, were as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Property taxes</i>	<i>Special assessments</i>	<i>Intergovernmental</i>	<i>Totals</i>
Governmental:					
General	\$ 31,833	\$ 319,152	\$ -	\$ 281,557	\$ 632,542
Fire Operating	-	-	1,061,553	-	1,061,553
Library	-	486,767	-	-	486,767
Roads	-	489,426	-	-	489,426
Sewer and Water Improvement	-	-	90,888	70,261	161,149
Nonmajor funds	-	656,800	374,859	-	1,031,659
Total governmental funds	<u>\$ 31,833</u>	<u>\$ 1,952,145</u>	<u>\$ 1,527,300</u>	<u>\$ 351,818</u>	<u>\$3,863,096</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,200</u>	<u>\$ -</u>	<u>\$ 72,200</u>

All receivables are considered to be fully collectible.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS**

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

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated -				
Land	\$ 450,544	\$ -	\$ -	\$ 450,544
Construction in progress - fire truck	<u>-</u>	<u>41,101</u>	<u>-</u>	<u>41,101</u>
Subtotal	<u>450,544</u>	<u>41,101</u>	<u>-</u>	<u>491,645</u>
Capital assets being depreciated:				
Buildings and improvements	5,686,979	179,604	-	5,866,583
Equipment	3,474,054	137,905	(104,346)	3,507,613
Vehicles	2,588,524	183,682	(24,814)	2,747,392
Infrastructure	<u>14,418,987</u>	<u>-</u>	<u>-</u>	<u>14,418,987</u>
Subtotal	<u>26,168,544</u>	<u>501,191</u>	<u>(129,160)</u>	<u>26,540,575</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,391,969)	(154,572)	-	(2,546,541)
Equipment	(2,319,321)	(212,840)	104,346	(2,427,815)
Vehicles	(1,597,815)	(112,019)	24,814	(1,685,020)
Infrastructure	<u>(7,168,005)</u>	<u>(348,685)</u>	<u>-</u>	<u>(7,516,690)</u>
Subtotal	<u>(13,477,110)</u>	<u>(828,116)</u>	<u>129,160</u>	<u>(14,176,066)</u>
Total capital assets being depreciated, net	<u>12,691,434</u>	<u>(326,925)</u>	<u>-</u>	<u>12,364,509</u>
Governmental activities capital assets, net	<u>\$13,141,978</u>	<u>\$ (285,824)</u>	<u>\$ -</u>	<u>\$12,856,154</u>

**NOTE 5 - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental activities as follows:

General government	\$ 52,932
Public safety	263,934
Public works	366,699
Culture and recreation	<u>144,551</u>
 Total governmental activities	 <u>\$ 828,116</u>

**NOTE 6 - PAYABLES**

Payables as of December 31, 2018, for the Township’s individual major funds and nonmajor funds, in the aggregate, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Intergovern- mental</u>	<u>Totals</u>
Governmental:				
General	\$ 53,692	\$ 59,698	\$ 1,641	\$ 115,031
Fire Operating	31,978	38,471	2,500	72,949
Library	21,475	16,441	-	37,916
Sewer and Water Improvement	<u>4,443</u>	<u>-</u>	<u>-</u>	<u>4,443</u>
 Total governmental	 <u>\$ 111,588</u>	 <u>\$ 114,610</u>	 <u>\$ 4,141</u>	 <u>\$ 230,339</u>

**NOTE 7 - PROPERTY TAXES**

The 2017 taxable valuation of the Township approximated \$511,407,000, on which ad valorem taxes levied consisted of 0.9764 mills for operating purposes, 1.4854 mills for library operations, 1.0000 mills for senior services, 1.0000 mills for roads, and 1.0000 mills for road patrol, raising approximately \$500,000 for operating purposes, \$759,000 for library operations, \$511,000 for senior services, \$511,000 for roads, and \$511,000 for road patrol. These amounts are recognized in the respective fund financial statements as property tax revenue.

The 2018 taxable valuation of the Township approximated \$533,693,000, on which ad valorem taxes levied consisted of 0.9764 mills for operating purposes, 1.4854 mills for library operations, 1.0000 mills for senior services, 1.5000 mills for roads, and 1.0000 mills for road patrol, raising approximately \$521,000 for operating purposes, \$793,000 for library operations, \$534,000 for senior services, \$801,000 for roads, and \$534,000 for road patrol. These amounts are recognized in the respective fund financial statements as deferred inflows of resources, based upon the period for which the proceeds are budgeted and will be made available for the financing of operations.

**NOTE 8 - TAX ABATEMENTS**

The Township enters into property tax abatement agreements with local businesses under the State Act 198 of 1974 IFTs. Under the Acts, localities may grant property tax abatements of up to 50 percent of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the Township.

For the fiscal year ended December 31, 2018, the Township abated property taxes totaling \$67,795 under this program, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- A 50% property tax abatement to Landscape Forms LLC. The abatement amounted to approximately \$30,000.
- A 50% property tax abatement to Bell's Brewing. The abatement amounted to approximately \$17,000.
- A 50% property tax abatement to SIR Kalamazoo. The abatement amounted to approximately \$7,000.

**NOTE 9 - LONG-TERM OBLIGATIONS**

At December 31, 2018, long-term obligations are comprised of the following:

Governmental activities:

Installment purchase agreement:

\$800,000 Chemical Bank loan, due in quarterly installments of \$22,933,  
including interest of 6.85% through May 2024

\$ 464,668

Compensated absences

13,396

Total governmental activities long-term obligations

\$ 478,064

All debt is secured by the full faith and credit of the Township.

Long-term obligation activity for the year ended December 31, 2018, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
Bonds and notes:					
2014 installment purchase agreement	\$ 542,498	\$ -	\$ (77,830)	\$ 464,668	\$ 80,447
Total bonds and notes	542,498	-	(77,830)	464,668	80,447
Compensated absences	<u>11,437</u>	<u>4,453</u>	<u>(2,494)</u>	<u>13,396</u>	<u>-</u>
Total governmental activities long-term obligations	<u>\$ 553,935</u>	<u>\$ 4,453</u>	<u>\$ (80,324)</u>	<u>\$ 478,064</u>	<u>\$ 80,447</u>

**NOTE 9 - LONG-TERM OBLIGATIONS (Continued)**

At December 31, 2018, debt service requirements, excluding compensated absences, were as follows:

<i>Year ended</i>	<i>Governmental activities</i>	
	<i>Principal</i>	<i>Interest</i>
<u>December 31:</u>		
2019	\$ 80,447	\$ 11,285
2020	82,020	9,712
2021	84,296	7,436
2022	86,635	5,097
2023	89,039	2,693
2024	<u>42,231</u>	<u>290</u>
Totals	<u>\$ 464,668</u>	<u>\$ 36,513</u>

**NOTE 10 - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability up to \$7,000,000, property and casualty, and workers' compensation are managed through purchased commercial insurance.

**NOTE 11 - DEFINED CONTRIBUTION PENSION PLAN**

The Township and its full-time employees contribute to the Charter Township of Comstock 401(A) DC Pension Plan, a defined contribution pension plan, which is administered by a third-party administrator.

Benefit terms, including contribution requirements, for the Plan are established, and may be amended, by the Township Board. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Full-time employees are eligible to participate at the date of employment. The Township contributes 13% of the employee's base salary each month. Employees are permitted to make contributions to the Plan, up to applicable Internal Revenue Code limits. For the year ended December 31, 2018, the Township and eligible employees made contributions of \$190,293 and \$77,137, respectively. At December 31, 2018, the Township reported \$7,605 accrued liability as part of the contributions to the plan.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in Township contributions and earnings on Township contributions after completion of six (6) months of creditable service with the Township. Nonvested Township contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. For the year ended December 31, 2018, there were no forfeitures that reduced the Township's pension expense.

The Township is not a trustee of the defined contribution pension plan, nor is the Township responsible for investment management of the pension plan assets. Accordingly, plan assets, and changes therein, are not reported in these financial statements.

**NOTE 12 - DEFERRED COMPENSATION PLAN**

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The assets of the plan were held in trust (custodial account or annuity contract), as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Township's financial statements.

**NOTE 13 - JOINT VENTURE**

The Township is a member of the Kalamazoo Area Building Authority (the Authority), which is a joint venture of the Charter Townships of Comstock and Kalamazoo. The administrative board of the Authority consists of two members appointed by each participating unit and a member-at-large. The Authority was established to administer and enforce the Michigan State Construction Code within its constituent municipalities. Complete audited financial statements for the Authority can be obtained by contacting the Authority at 2322 Nazareth Road, Kalamazoo, MI 49048.

The Township does not expect to receive residual equity from the joint venture. The Township is unaware of any indication that the joint venture is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit or burden on the Township in the near future.

**NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, was issued by the GASB in January 2017 and will be effective for periods beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus 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.

Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, was issued by the GASB in June 2017 and will be effective for periods beginning after December 15, 2018. The objective of this Statement is to increase the usefulness of governments' 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 the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities

**REQUIRED SUPPLEMENTARY INFORMATION**

Charter Township of Comstock

**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended December 31, 2018

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES</b>				
Taxes	\$ 536,625	\$ 533,625	\$ 525,344	\$ (8,281)
Licenses and permits - franchise fees	131,000	131,000	116,695	(14,305)
State grants:				
State shared revenues	1,261,132	1,261,132	1,312,274	51,142
Local community stabilization revenue	25,000	25,000	-	(25,000)
Other	-	300,000	21,068	(278,932)
Total state grants	<u>1,286,132</u>	<u>1,586,132</u>	<u>1,333,342</u>	<u>(252,790)</u>
Charges for services:				
Tax collection fees	232,104	232,104	230,279	(1,825)
Park and recreation fees	129,400	129,400	129,877	477
Cemetery charges	23,000	23,000	35,142	12,142
Other	62,900	79,100	47,157	(31,943)
Total charges for services	<u>447,404</u>	<u>463,604</u>	<u>442,455</u>	<u>(21,149)</u>
Fines and forfeitures:				
Other	4,000	4,000	7,400	3,400
Total fines and forfeitures	<u>4,000</u>	<u>4,000</u>	<u>7,400</u>	<u>3,400</u>
Interest and rentals	10,000	10,000	12,344	2,344
Other	-	8,000	5,598	(2,402)
Total revenues	<u>2,415,161</u>	<u>2,736,361</u>	<u>2,443,178</u>	<u>(293,183)</u>

**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended December 31, 2018

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>EXPENDITURES</b>				
General government:				
Legislative	\$ 99,806	\$ 34,350	\$ 33,466	\$ 884
Supervisor	221,683	288,822	286,948	1,874
Elections	13,000	97,025	106,736	(9,711)
Assessor	183,518	182,770	181,472	1,298
Clerk	164,330	164,650	163,302	1,348
Board of review	4,326	4,850	2,898	1,952
Treasurer	165,043	171,042	168,557	2,485
Data processing	62,235	95,800	97,409	(1,609)
Building and grounds	234,383	216,501	210,929	5,572
Cemetery	54,010	62,100	60,258	1,842
Other	155,639	281,500	206,737	74,763
Total general government	<u>1,357,973</u>	<u>1,599,410</u>	<u>1,518,712</u>	<u>80,698</u>
Public safety - police protection	<u>72,114</u>	<u>107,125</u>	<u>98,605</u>	<u>8,520</u>
Public works:				
Highways and streets	229,122	130,000	3,745	126,255
Solid waste compactor	185,122	113,950	111,180	2,770
Total public works	<u>414,244</u>	<u>243,950</u>	<u>114,925</u>	<u>129,025</u>
Community and economic development - planning	<u>148,008</u>	<u>165,824</u>	<u>152,541</u>	<u>13,283</u>
Culture and recreation - parks and recreation	<u>289,691</u>	<u>340,100</u>	<u>367,930</u>	<u>(27,830)</u>
Capital outlay	<u>707,152</u>	<u>569,148</u>	<u>187,493</u>	<u>381,655</u>
Total expenditures	<u>2,989,182</u>	<u>3,025,557</u>	<u>2,440,206</u>	<u>585,351</u>
<b>NET CHANGES IN FUND BALANCES</b>	<b>\$ (574,021)</b>	<b>\$ (289,196)</b>	<b>\$ 2,972</b>	<b>\$ 292,168</b>
<b>FUND BALANCES - BEGINNING</b>	<u>1,268,217</u>	<u>1,268,217</u>	<u>1,268,217</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 694,196</u>	<u>\$ 979,021</u>	<u>\$ 1,271,189</u>	<u>\$ 292,168</u>

**BUDGETARY COMPARISON SCHEDULE - Fire Operating Fund**

Year ended December 31, 2018

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
<b>REVENUES</b>				
Federal grants	\$ -	\$ -	\$ 726,771	\$ 726,771
Interest and rentals	22,771	22,771	35,367	12,596
Other	<u>1,505,524</u>	<u>1,505,524</u>	<u>1,527,272</u>	<u>21,748</u>
Total revenues	<u>1,528,295</u>	<u>1,528,295</u>	<u>2,289,410</u>	<u>761,115</u>
<b>EXPENDITURES</b>				
Public safety	-	1,634,820	2,226,371	(591,551)
Capital outlay	-	<u>20,000</u>	<u>91,806</u>	<u>(71,806)</u>
Total expenditures	<u>-</u>	<u>1,654,820</u>	<u>2,318,177</u>	<u>(663,357)</u>
<b>NET CHANGES IN FUND BALANCES</b>	1,528,295	(126,525)	(28,767)	(97,758)
<b>FUND BALANCES - BEGINNING</b>	<u>105,554</u>	<u>105,554</u>	<u>105,554</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,633,849</u>	<u>\$ (20,971)</u>	<u>\$ 76,787</u>	<u>\$ (97,758)</u>

Charter Township of Comstock

**BUDGETARY COMPARISON SCHEDULE - Library Fund**

Year ended December 31, 2018

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
<b>REVENUES</b>				
Taxes	\$ 775,322	\$ 775,322	\$ 764,238	\$ (11,084)
State grants	40,500	40,500	52,877	12,377
Charges for services	3,100	3,100	5,211	2,111
Fines and forfeitures:				
County shared penal fines	18,000	18,000	17,840	(160)
Book fines	9,000	9,000	7,348	(1,652)
Total fines and forfeitures	27,000	27,000	25,188	(1,812)
Interest	1,100	1,100	5,709	4,609
Other	-	-	1,116	1,116
Total revenues	847,022	847,022	854,339	7,317
<b>EXPENDITURES</b>				
Culture and recreation:				
Legislative	14,600	14,600	7,078	7,522
Administrative	426,281	407,937	334,728	73,209
Adult services	290,148	288,855	270,994	17,861
Books and materials	114,030	141,813	110,379	31,434
Building operations and maintenance	-	-	579	(579)
Total culture and recreation	845,059	853,205	723,758	129,447

**BUDGETARY COMPARISON SCHEDULE - Library Fund (Continued)**

Year ended December 31, 2018

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
<b>EXPENDITURES (Continued)</b>				
Capital outlay	\$ 1,335	\$ 23,833	\$ 23,643	\$ 190
Total expenditures	<u>846,394</u>	<u>877,038</u>	<u>747,401</u>	<u>129,637</u>
<b>NET CHANGES IN FUND BALANCES</b>	628	(30,016)	106,938	136,954
<b>FUND BALANCES - BEGINNING</b>	<u>631,877</u>	<u>631,877</u>	<u>631,877</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 632,505</u>	<u>\$ 601,861</u>	<u>\$ 738,815</u>	<u>\$ 136,954</u>

Charter Township of Comstock

**BUDGETARY COMPARISON SCHEDULE - Road Operating Fund**

Year ended December 31, 2018

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
<b>REVENUES</b>				
Taxes	\$ 521,531	\$ 521,531	\$ 515,849	\$ (5,682)
Interest and rentals	<u>1,000</u>	<u>1,000</u>	<u>1,792</u>	<u>792</u>
Total revenues	<u>522,531</u>	<u>522,531</u>	<u>517,641</u>	<u>(4,890)</u>
<b>EXPENDITURES</b>				
Public works	521,531	521,531	449,470	72,061
<b>NET CHANGES IN FUND BALANCES</b>				
	1,000	1,000	68,171	67,171
<b>FUND BALANCES - BEGINNING</b>				
	<u>2</u>	<u>2</u>	<u>2</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>				
	<u>\$ 1,002</u>	<u>\$ 1,002</u>	<u>\$ 68,173</u>	<u>\$ 67,171</u>

**SUPPLEMENTARY INFORMATION**

**COMBINING BALANCE SHEET - nonmajor governmental funds**

December 31, 2018

	<i>Special revenue funds</i>		<i>Special revenue funds</i>		<i>Totals</i>
	<i>Street Lighting</i>	<i>Road Patrol</i>	<i>Senior Services</i>	<i>Fire Capital</i>	
<b>ASSETS</b>					
Cash	\$ 126,018	\$ 240,532	\$ 204,086	\$ 322,110	\$ 892,746
Receivables, net	150,520	326,288	330,512	224,339	1,031,659
Prepays	-	-	51,913	-	51,913
Total assets	<u>\$ 276,538</u>	<u>\$ 566,820</u>	<u>\$ 586,511</u>	<u>\$ 546,449</u>	<u>\$ 1,976,318</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Unearned special assessments	\$ 258,392	\$ -	\$ -	\$ -	\$ 258,392
Deferred inflows of resources:					
Property tax revenues levied for the subsequent year	-	534,311	534,598	-	1,068,909
Assessments levied for the subsequent year	-	-	-	375,764	375,764
Total deferred inflows of resources	-	<u>534,311</u>	<u>534,598</u>	<u>375,764</u>	<u>1,444,673</u>
Fund balances:					
Nonspendable - prepaids	-	-	51,913	-	51,913
Restricted for:					
Fire capital	-	-	-	170,685	170,685
Police protection	-	32,509	-	-	32,509
Roads	-	-	-	-	-
Street lighting	18,146	-	-	-	18,146
Total fund balances	<u>18,146</u>	<u>32,509</u>	<u>51,913</u>	<u>170,685</u>	<u>273,253</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 276,538</u>	<u>\$ 566,820</u>	<u>\$ 586,511</u>	<u>\$ 546,449</u>	<u>\$ 1,976,318</u>

Charter Township of Comstock

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - nonmajor governmental funds**

Year ended December 31, 2018

	<i>Special revenue funds</i>				<i>Totals</i>
	<i>Street Lighting</i>	<i>Road Patrol</i>	<i>Senior Services</i>	<i>Fire Capital</i>	
<b>REVENUES</b>					
Taxes	\$ -	\$ 515,914	\$ 517,852	\$ -	\$ 1,033,766
Interest and rentals	1,154	1,093	-	1,848	4,095
Other	175,747	-	-	245,364	421,111
Total revenues	<u>176,901</u>	<u>517,007</u>	<u>517,852</u>	<u>247,212</u>	<u>1,458,972</u>
<b>EXPENDITURES</b>					
Current:					
Public safety	-	501,608	-	-	501,608
Public works	213,489	-	-	-	213,489
Health and welfare	-	-	491,916	-	491,916
Capital outlay	-	-	-	177,642	177,642
Debt service:					
Principal	-	-	-	77,830	77,830
Interest	-	-	-	13,902	13,902
Total expenditures	<u>213,489</u>	<u>501,608</u>	<u>491,916</u>	<u>269,374</u>	<u>1,476,387</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(36,588)</u>	<u>15,399</u>	<u>25,936</u>	<u>(22,162)</u>	<u>(17,415)</u>
<b>OTHER FINANCING SOURCES</b>					
Sale of fixed assets	-	-	-	41,893	41,893
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,893</u>	<u>41,893</u>
<b>NET CHANGES IN FUND BALANCES</b>	(36,588)	15,399	25,936	19,731	24,478
<b>FUND BALANCES - BEGINNING</b>	<u>54,734</u>	<u>17,110</u>	<u>25,977</u>	<u>150,954</u>	<u>248,775</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 18,146</u>	<u>\$ 32,509</u>	<u>\$ 51,913</u>	<u>\$ 170,685</u>	<u>\$ 273,253</u>

**INTERNAL CONTROL AND COMPLIANCE**



## Vredeveld Haefner LLC

CPAs and Consultants  
10302 20<sup>th</sup> Avenue  
Grand Rapids, MI 49534  
Fax (616) 828-0307

Douglas J. Vredeveld, CPA  
(616) 446-7474  
Peter S. Haefner, CPA  
(616) 460-9388

### **INDEPENDENT AUDITORS' 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**

June 14, 2019

Members of Board  
Charter Township of Comstock  
Kalamazoo, MI

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, each major fund and the aggregate remaining fund information of the Charter Township of Comstock (the Township) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated June 14, 2019.

#### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the 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 Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 Township'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 Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Orlando Haefner LLC*