

***Charter Township of Comstock  
Kalamazoo County, Michigan***

**FINANCIAL STATEMENTS**

*Year ended December 31, 2019*

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Vredeveld Haefner LLC  
CPAs and Consultants

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**INDEPENDENT AUDITOR'S REPORT**



## Vredeveld Haefner LLC

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### INDEPENDENT AUDITORS' REPORT

June 22, 2020

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, the discretely presented component unit, 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, 2019, 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, the discretely presented component unit, and the aggregate remaining fund information of the Township, as of December 31, 2019, 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 32 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 22, 2020 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 the effectiveness of 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, 2019. Please read it in conjunction with the Township's financial statements.

### **FINANCIAL HIGHLIGHTS**

- The Township's total net position increased by \$1,374,598 (8 percent) as a result of this year's activities
- Of the \$17,580,811 total net position reported, \$1,336,264 (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 \$549,141, which is 20 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 government services, like general government, 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 2019 and 2018 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, 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 are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as police, fire, and general government activities. Property taxes, assessments, and state grants finance most of these activities.
- *Component units* - The Township includes one other entities in its report - the Downtown Development Authority. Although legally separate, the "component units" is important because the Township is financially accountable for the Authority.

#### **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 and activities are reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. 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 \$17,580,811. Of this total, \$13,070,975 is invested in capital assets (net of related debt) and \$3,173,572 is restricted for various purposes. Consequently, unrestricted net position was \$1,336,264, which represents 8 percent of the total.

*Condensed financial information*

*Net position*

	<i>Governmental activities</i>	
	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 10,414,760	\$ 9,649,332
Capital assets	<u>13,455,328</u>	<u>12,856,154</u>
Total assets	<u>23,870,088</u>	<u>22,505,486</u>
Current and other liabilities	670,856	490,031
Long-term debt	<u>396,585</u>	<u>478,064</u>
Total liabilities	<u>1,067,441</u>	<u>968,095</u>
Deferred inflows of resources	<u>5,221,836</u>	<u>5,331,178</u>
Net position:		
Net investment in capital assets	13,070,975	12,391,486
Restricted	3,173,572	2,580,080
Unrestricted	<u>1,336,264</u>	<u>1,234,647</u>
Total net position	<u>\$ 17,580,811</u>	<u>\$ 16,206,213</u>

**Changes in net position**

The Township's total revenues are \$8,936,724. For 2019, 39 percent of the Township's revenues comes from charges for services, 36 percent comes from property taxes, and 15 percent comes from state grants.

The total cost of the Township's programs and services was \$7,562,126. Approximately 36 percent of the Township's costs are related to public safety activities. General government costs are 20 percent of the total, culture and recreation costs account for 15 percent, and public works costs are 20 percent of total expenses.

*Condensed financial information  
Changes in net position*

	<i>Governmental activities</i>	
	<u>2019</u>	<u>2018</u>
Program revenues:		
Charges for services	\$ 3,468,418	\$ 2,800,014
Operating grants and contributions	434,773	844,838
Capital grants and contributions	310,000	-
General revenues:		
Property taxes	3,209,369	2,839,197
State grants	1,364,852	1,312,274
Franchise fees	118,913	113,770
Investment income	30,399	12,344
	<u>8,936,724</u>	<u>7,922,437</u>
Total revenues		
Expenses:		
General government	1,493,479	1,509,699
Public safety	2,709,563	3,117,150
Public works	1,503,412	1,298,444
Community and economic development	136,168	152,541
Health and welfare	585,913	491,916
Culture and recreation	1,122,174	1,181,842
Interest	11,417	13,302
	<u>7,562,126</u>	<u>7,764,894</u>
Total expenses		
Changes in net position	\$ <u>1,374,598</u>	\$ <u>157,543</u>
Net position, end of year	\$ <u>17,580,811</u>	\$ <u>16,206,213</u>

**Governmental activities**

Net position increased by \$1,374,598 for 2019, compared to a \$157,543 increase in net position for 2018. Revenues were \$1,014,287 higher in 2019, primarily due to an increase in charges for services. Total governmental expenses decreased by \$202,768. The decrease in public safety can be primarily attributed to prior year contributions for the dispatch center.

The total cost of governmental activities this year was \$7,562,126. After subtracting the direct charges to those who directly benefited from the programs (\$3,468,418) and operating and capital grants (\$744,773), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$3,348,935.

**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 \$4,400,901, an increase of \$672,887 from the prior year.

The General Fund is the primary operating fund of the Township. Its fund balance increased by \$78,045 during the year, as revenues of \$2,864,829 exceeded expenditures of \$2,786,784. Year-end fund balance totals \$1,349,234.

The Fire Operating Fund experienced an increase in fund balance of \$3,724, as revenues of \$2,120,103 and other financing sources of \$17,898 were higher than expenditures of \$2,134,277. Fund balance at the end of the year totals \$98,511.

The Library Fund's \$129,702 increase in fund balance was the result of revenues of \$887,963 exceeding expenditures of \$758,261. Fund balance at the end of the year totals \$868,517.

The Road Fund's \$168,635 increase in fund balance was the result of revenues of \$808,324 exceeding expenditures of \$639,689. Fund balance at the end of the year totals \$236,808.

The Sewer and Water Improvement Fund experienced an \$225,152 increase in fund balance, which reflects the excess of revenues of \$472,094 over expenditures of \$246,942 for the year. The fund balance at the end of the year is \$1,524,949.

**General Fund budgetary highlights**

Expenditure budgets were amended during the year. The final expenditure budget totals were increased by \$192,264 over the original budget. Budget amendments were made among several activities within the General Fund.

Total actual revenues were lower than budgeted amounts by \$102,027, as all revenues functions were over budget. Total expenditures were \$433,473 less than budgeted amounts. The largest variance was in capital outlay, primarily due to delayed projects. In total, these conditions resulted in a \$535,500 positive budget variance and a \$78,045 increase in fund balance compared to a budgeted decrease of \$457,455.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets**

The Township's investment in capital assets for its governmental activities as of December 31, 2019, amounts to \$13,455,328 (net of accumulated depreciation). This investment includes buildings and improvements, fire equipment and vehicles, and sewer and water infrastructure. The \$599,174 increase in the Township's investment in capital assets for the current fiscal year reflects capital additions of \$1,482,466 net of depreciation of \$883,292.

Major capital asset acquisitions during the current year include:

- \$60,090 for library materials and equipment
- \$606,322 for park improvements
- \$150,669 for the purchase of fire vehicles
- \$43,410 for the purchase of a fire memorial
- \$144,651 for a server

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 \$384,353. The Township's debt issues are backed by the full faith and credit of the Township.

\$12,232 of long-term debt represents 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.

COVID-19 has created uncertainties that are likely to negatively impact our operations and financial condition. While it is difficult to estimate the financial impact of COVID-19, we expect certain revenues to decline. Because economic activity has weakened, state shared revenue and code inspection fees are expected to decrease, and interest revenue will be reduced due to lower interest rates.

**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, 2019

	<u>Primary government</u>	<u>Component unit</u>
	<u>Governmental activities</u>	<u>Downtown Development Authority</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 4,671,903	\$ 1,160
Investments	2,225,161	-
Prepays	11,097	-
Receivables, net	<u>3,455,611</u>	<u>841</u>
Total current assets	<u>10,363,772</u>	<u>2,001</u>
Noncurrent assets:		
Receivables, net	50,988	-
Capital assets not being depreciated	1,056,866	-
Capital assets, net of accumulated depreciation	<u>12,398,462</u>	<u>-</u>
Total noncurrent assets	<u>13,506,316</u>	<u>-</u>
Total assets	<u>23,870,088</u>	<u>2,001</u>
<b>LIABILITIES</b>		
Current liabilities:		
Payables	384,921	-
Unearned operating assessment revenue	285,935	-
Current portion of long-term obligations	<u>82,020</u>	<u>-</u>
Total current liabilities	752,876	-
Noncurrent liabilities - long-term obligations	<u>314,565</u>	<u>-</u>
Total liabilities	<u>1,067,441</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property tax revenues levied for the subsequent year	4,827,514	1,636
Assessments levied for the subsequent year	<u>394,322</u>	<u>-</u>
Total deferred inflows of resources	<u>5,221,836</u>	<u>1,636</u>
<b>NET POSITION</b>		
Net investment in capital assets	13,070,975	-
Restricted for:		
Public safety	409,026	-
Public works	1,853,246	-
Culture and recreation	911,300	-
Unrestricted	<u>1,336,264</u>	<u>365</u>
Total net position	<u>\$ 17,580,811</u>	<u>\$ 365</u>

See notes to financial statements

**STATEMENT OF ACTIVITIES**

Year ended December 31, 2019

Functions/Programs	Expenses	Program revenues		Governmental activities	Net (expenses) revenues and change in net position	Component units
		Charges for services	Operating grants and contributions		Capital grants and contributions	
<b>Governmental activities:</b>						
General government	\$ 1,493,479	\$ 360,730	\$ 19,779	\$ -	\$ (1,112,970)	
Public safety	2,709,563	2,259,442	288,826	-	(161,295)	
Public works	1,503,412	657,865	58,614	-	(786,933)	
Community and economic development	136,168	2,175	-	-	(133,993)	
Health and welfare	585,913	-	-	-	(585,913)	
Culture and recreation	1,122,174	146,516	67,554	310,000	(598,104)	
Interest on long-term debt	11,417	41,690	-	-	30,273	
<b>Total governmental activities</b>	<b>\$ 7,562,126</b>	<b>\$ 3,468,418</b>	<b>\$ 434,773</b>	<b>\$ 310,000</b>	<b>\$ (3,348,935)</b>	
<b>Component units:</b>						
Downtown Development Authority	\$ -	\$ -	\$ -	\$ -		\$ -
<b>General revenues:</b>						
<b>Property taxes:</b>						
Operating					545,723	365
Roads					801,222	-
Library					794,139	-
Road patrol					534,285	-
Seniors					534,000	-
Franchise fees					118,913	-
State shared revenue					1,364,852	-
Investment income					30,399	-
<b>Total general revenues</b>					<b>4,723,533</b>	<b>365</b>
Change in net position					1,374,598	365
Net position - beginning					16,206,213	-
Net position - ending					<b>\$ 17,580,811</b>	<b>\$ 365</b>



Charter Township of Comstock

**BALANCE SHEET - governmental funds**

December 31, 2019

	<u>General</u>	<u>Fire Operating</u>	<u>Library</u>
<b>ASSETS</b>			
Cash	\$ 863,603	\$ 1,073,451	\$ 1,093,743
Investments	678,754	154,617	158,738
Receivables, net	<u>596,739</u>	<u>1,304,691</u>	<u>461,854</u>
Total assets	<u>\$ 2,139,096</u>	<u>\$ 2,532,759</u>	<u>\$ 1,714,335</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Payables	\$ 221,212	\$ 68,169	\$ 23,586
Unearned operating assessment revenue	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>221,212</u>	<u>68,169</u>	<u>23,586</u>
Deferred inflows of resources:			
Property tax revenues levied for the subsequent year	538,650	2,366,079	819,449
Assessments levied for the subsequent year	-	-	-
Unavailable special assessment	-	-	-
Unavailable grant revenue	30,000	-	-
Unavailable interest	<u>-</u>	<u>-</u>	<u>2,783</u>
Total deferred inflows of resources	<u>568,650</u>	<u>2,366,079</u>	<u>822,232</u>
Fund balances:			
Restricted for:			
Fire capital	-	-	-
Fire operating	-	98,511	-
Police protection	-	-	-
Street lighting	-	-	-
Roads	-	-	-
Library operating	-	-	868,517
Softball	10,000	-	-
Sewer and water improvements	-	-	-
Assigned for:			
Capital projects	790,093	-	-
Unassigned	<u>549,141</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,349,234</u>	<u>98,511</u>	<u>868,517</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,139,096</u>	<u>\$ 2,532,759</u>	<u>\$ 1,714,335</u>



<u>Roads</u>	<u>Sewer and Water Improvement</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>
\$ 305,803	\$ 414,697	\$ 920,606	\$ 4,671,903
-	1,027,763	205,289	2,225,161
-	162,735	980,580	3,506,599
<u>\$ 305,803</u>	<u>\$ 1,605,195</u>	<u>\$ 2,106,475</u>	<u>\$ 10,403,663</u>
\$ 68,995	\$ 1,659	\$ -	\$ 383,621
-	-	285,935	285,935
<u>68,995</u>	<u>1,659</u>	<u>285,935</u>	<u>669,556</u>
-	-	1,103,336	4,827,514
-	-	394,322	394,322
-	78,587	-	78,587
-	-	-	30,000
-	-	-	2,783
<u>-</u>	<u>78,587</u>	<u>1,497,658</u>	<u>5,333,206</u>
-	-	244,886	244,886
-	-	-	98,511
-	-	65,094	65,094
-	-	12,902	12,902
236,808	-	-	236,808
-	-	-	868,517
-	-	-	10,000
-	1,524,949	-	1,524,949
-	-	-	790,093
-	-	-	549,141
<u>236,808</u>	<u>1,524,949</u>	<u>322,882</u>	<u>4,400,901</u>
<u>\$ 305,803</u>	<u>\$ 1,605,195</u>	<u>\$ 2,106,475</u>	<u>\$ 10,403,663</u>

See notes to financial statements

**BALANCE SHEET - governmental funds (Continued)**

December 31, 2019

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

Total fund balance - total governmental funds (page 14)	\$ 4,400,901
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.	13,455,328
Special assessments receivable and other receivables are not available to pay for the current period's expenditures and are deferred in the funds.	81,370
Unavailable grants receivable are not available to pay for the current period's expenditures and are deferred in the funds.	30,000
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.	(396,585)
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>11,097</u>
Net position of <i>governmental activities</i>	<u>\$ 17,580,811</u>

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN

## FUND BALANCES - governmental funds

Year ended December 31, 2019

	<u>General</u>	<u>Fire Operating</u>	<u>Library</u>	<u>Roads</u>	<u>Sewer and Water Improvement</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>
<b>REVENUES</b>							
Taxes	\$ 545,723	\$ -	\$ 794,139	\$ 801,222	\$ -	\$ 1,068,285	\$ 3,209,369
Licenses and permits	133,338	-	-	-	-	-	133,338
State grants	1,654,631	-	46,585	-	-	-	1,701,216
Federal grants	-	288,826	-	-	-	-	288,826
Charges for services	480,226	-	4,653	-	391,025	-	875,904
Fines and forfeitures	5,982	-	24,825	-	-	-	30,807
Interest and rentals	28,863	17,556	16,597	7,102	41,691	9,642	121,451
Other	16,066	1,813,721	1,164	-	39,378	638,236	2,508,565
Total revenues	<u>2,864,829</u>	<u>2,120,103</u>	<u>887,963</u>	<u>808,324</u>	<u>472,094</u>	<u>1,716,163</u>	<u>8,869,476</u>
<b>EXPENDITURES</b>							
Current:							
General government	1,442,482	-	-	-	-	-	1,442,482
Public safety	124,281	2,082,474	-	-	-	503,952	2,710,707
Public works	124,527	-	-	639,689	246,942	264,982	1,276,140
Community and economic development	136,168	-	-	-	-	-	136,168
Health and welfare	-	-	-	-	-	585,913	585,913
Culture and recreation	453,970	-	707,985	-	-	-	1,161,955
Capital outlay	505,356	51,803	50,276	-	-	218,100	825,535
Debt service:							
Principal	-	-	-	-	-	80,315	80,315
Interest	-	-	-	-	-	11,417	11,417
Total expenditures	<u>2,786,784</u>	<u>2,134,277</u>	<u>758,261</u>	<u>639,689</u>	<u>246,942</u>	<u>1,664,679</u>	<u>8,230,632</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>78,045</u>	<u>(14,174)</u>	<u>129,702</u>	<u>168,635</u>	<u>225,152</u>	<u>51,484</u>	<u>638,844</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Insurance proceeds	-	17,898	-	-	-	-	17,898
Sale of fixed assets	-	-	-	-	-	16,145	16,145
Net other financing sources (uses)	<u>-</u>	<u>17,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,145</u>	<u>34,043</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>78,045</u>	<u>3,724</u>	<u>129,702</u>	<u>168,635</u>	<u>225,152</u>	<u>67,629</u>	<u>672,887</u>
<b>FUND BALANCES - BEGINNING (as restated)</b>	<u>1,271,189</u>	<u>94,787</u>	<u>738,815</u>	<u>68,173</u>	<u>1,299,797</u>	<u>255,253</u>	<u>3,728,014</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,349,234</u>	<u>\$ 98,511</u>	<u>\$ 868,517</u>	<u>\$ 236,808</u>	<u>\$ 1,524,949</u>	<u>\$ 322,882</u>	<u>\$ 4,400,901</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - *governmental funds* (Continued)

Year ended December 31, 2019

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)	\$ 672,887
Amounts reported for <i>governmental activities</i> in the statement of activities (page 13) are different because:	
Capital assets:	
Assets acquired	1,482,466
Provision for depreciation	(883,292)
Long-term debt - principal repayments	80,315
Deferred inflows of resources - net decrease in unavailable revenue	19,800
Changes in other assets/liabilities:	
Net increase in prepaid expenses	1,258
Net decrease in compensated absences	<u>1,164</u>
Change in net position of <i>governmental activities</i>	<u>\$ 1,374,598</u>

*Charter Township of Comstock*

**STATEMENT OF FIDUCIARY NET POSITION - *custodial funds***

*December 31, 2019*

	<u><i>Tax</i></u>	<u><i>Custodial</i></u>
<b>ASSETS</b>		
Cash	\$ 2,432,026	\$ 102,981
<b>LIABILITIES</b>		
Due to others	<u>2,432,026</u>	<u>-</u>
<b>NET POSITION</b>		
Fire escrows help for disbursement	<u>\$ -</u>	<u>\$ 102,981</u>

*See notes to financial statements*

**STATEMENT OF CHANGES IN FIDUCIARY NET POSTION - *custodial funds***

December 31, 2019

	<u>Tax</u>	<u>Custodial</u>
<b>ADDITIONS</b>		
Property taxes collected for other governments	\$ 19,902,848	\$ 24,309
Collection of county fees	-	1,896
Collection of other deposits	-	139,496
	<hr/>	<hr/>
Total additions	19,902,848	165,701
 <b>DEDUCTIONS</b>		
Property taxes distributed to other governments	19,902,848	24,309
Distributions to county	-	1,896
Distributions individuals	-	45,265
	<hr/>	<hr/>
Total deductions	19,902,848	71,470
 <b>NET CHANGE IN FIDUCIARY NET POSITION</b>	-	94,231
 <b>NET POSITION - BEGINNING</b>	<hr/>	<hr/>
	-	8,750
 <b>NET POSTION - ENDING</b>	<hr/> <hr/>	<hr/> <hr/>
	\$ -	\$ 102,981

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 the Township and the Downtown Development Area (located in Kalamazoo County), as there are no other entities for which the Township is considered to be financially accountable.

*Discretely presented component units:*

*Downtown Development Authority* - The Authority was established pursuant to Public Act 197 of 1975, as amended, to correct and prevent deterioration and promote economic growth within the downtown district. The Township appoints the voting majority of the board and is financially accountable for the Authority.

*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 nonmajor special revenue funds used to account for the resources legally restricted for a specific purpose.

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 the following fiduciary fund types:

The Custodial Funds (Tax and General Custodial) account for the collection and disbursement of taxes and other monies due to other units of government and individuals.

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 equity:*

*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 equity (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 equity (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 activity 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>Activity</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	Legislative	\$ 28,850	\$ 34,640	\$ 5,790
		Clerk	165,550	170,042	4,492
Fire operating	Public safety	Public safety	1,804,251	2,082,474	278,223
	Capital outlay	Capital outlay	20,000	51,803	31,803

**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>DDA</u>	<u>Totals</u>
Deposits	\$ 4,670,253	\$ 2,535,007	\$ 1,160	\$ 7,206,420
Cash on hand	<u>1,650</u>	<u>-</u>	<u>-</u>	<u>1,650</u>
Total cash	<u>\$ 4,671,903</u>	<u>\$ 2,535,007</u>	<u>\$ 1,160</u>	<u>\$ 7,208,070</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, 2019, \$6,349,267 of the Township’s bank balances of \$7,498,197 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 below 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		\$ 79,533	3.6%
Federal National Mortgage Association	June 25, 2039	Aaa		296,229	13.3%
Federal Home Loan Mortgage Corp.	September 15, 2032	Aaa		59,550	2.7%
Governmental National Mortgage Association	March 20, 2047	Aaa		560,752	25.2%
Federated governmental reserves		Aaa		9,941	0.4%
Michigan Class investment pool			AAAm	<u>1,219,156</u>	54.8%
Total investments				<u>\$2,225,161</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 Township has the following recurring fair value measurements as of December 31, 2019:

- Michigan Class, with a balance of \$1,219,156 at December 31, 2019, which is valued using net asset value (Level 1).
- 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, 2019, for the Township’s individual major funds and nonmajor funds, in the aggregate, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Intergovernmental</u>	<u>Totals</u>
Governmental:					
General	\$ 29,796	\$ 301,768	\$ -	\$ 265,175	\$ 596,739
Fire Operating	17,897	1,286,794	-	-	1,304,691
Library	2,783	459,071	-	-	461,854
Sewer and Water Improvement	-	-	79,021	83,714	162,735
Nonmajor	-	622,051	358,529	-	980,580
Total governmental	<u>\$ 50,476</u>	<u>\$ 2,669,684</u>	<u>\$ 437,550</u>	<u>\$ 348,889</u>	<u>\$3,506,599</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,988</u>	<u>\$ -</u>	<u>\$ 50,988</u>
Component unit - DDA	<u>\$ -</u>	<u>\$ 841</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 841</u>

All receivables are considered to be fully collectible.

**NOTE 5 - CAPITAL ASSETS**

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

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 450,544	\$ -	\$ -	\$ 450,544
Construction in progress - fire truck	<u>41,101</u>	<u>606,322</u>	<u>(41,101)</u>	<u>606,322</u>
Subtotal	<u>491,645</u>	<u>606,322</u>	<u>(41,101)</u>	<u>1,056,866</u>
Capital assets being depreciated:				
Buildings and improvements	5,866,583	127,390	-	5,993,973
Equipment	3,507,613	397,807	(114,755)	3,790,665
Vehicles	2,747,392	247,397	-	2,994,789
Infrastructure	<u>14,418,987</u>	<u>144,651</u>	<u>-</u>	<u>14,563,638</u>
Subtotal	<u>26,540,575</u>	<u>917,245</u>	<u>(114,755)</u>	<u>27,343,065</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,546,541)	(251,668)	-	(2,798,209)
Equipment	(2,427,815)	(140,860)	114,755	(2,453,920)
Vehicles	(1,685,020)	(141,477)	-	(1,826,497)
Infrastructure	<u>(7,516,690)</u>	<u>(349,287)</u>	<u>-</u>	<u>(7,865,977)</u>
Subtotal	<u>(14,176,066)</u>	<u>(883,292)</u>	<u>114,755</u>	<u>(14,944,603)</u>
Total capital assets being depreciated, net	<u>12,364,509</u>	<u>33,953</u>	<u>-</u>	<u>12,398,462</u>
Governmental activities capital assets, net	<u>\$12,856,154</u>	<u>\$ 640,275</u>	<u>\$ (41,101)</u>	<u>\$13,455,328</u>

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

Depreciation expense was charged to governmental activities as follows:

General government	\$ 61,509
Public safety	310,473
Public works	368,652
Culture and recreation	<u>142,658</u>
 Total governmental activities	 <u>\$ 883,292</u>

**NOTE 6 - PAYABLES**

Payables as of December 31, 2019, 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	\$ 109,503	\$ 44,199	\$ 67,510	\$ 221,212
Road	68,995	-	-	68,995
Fire Operating	23,866	44,303	-	68,169
Library	6,418	17,168	-	23,586
Sewer and Water Improvement	<u>1,659</u>	<u>-</u>	<u>-</u>	<u>1,659</u>
 Total governmental	 <u>\$ 210,441</u>	 <u>\$ 105,670</u>	 <u>\$ 67,510</u>	 <u>\$ 383,621</u>

**NOTE 7 - PROPERTY TAXES**

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 property tax revenue.

The 2019 taxable valuation of the Township approximated \$555,648,000, 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, and 1.0000 mills for road patrol, raising approximately \$538,000 for operating purposes, \$819,000 for library operations, \$552,000 for senior services, and \$552,000 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, 2019, the Township abated property taxes totaling \$91,673 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 \$3,000.
- A 50% property tax abatement to Bell’s Brewing. The abatement amounted to approximately \$15,000.
- A 50% property tax abatement to SIR Kalamazoo. The abatement amounted to approximately \$7,000.
- A 50% property tax abatement to Benteler. The abatement amounted to approximately \$5,000.

**NOTE 9 - LONG-TERM OBLIGATIONS**

At December 31, 2019, 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 \$ 384,353

Compensated absences 12,232

Total governmental activities long-term obligations \$ 396,585

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

Long-term obligation activity for the year ended December 31, 2019, 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	\$ 464,668	\$ -	\$ (80,315)	\$ 384,353	\$ 82,020
Total bonds and notes	464,668	-	(80,315)	384,353	82,020
Compensated absences	<u>13,396</u>	<u>4,394</u>	<u>(5,558)</u>	<u>12,232</u>	<u>-</u>
Total governmental activities long-term obligations	<u>\$ 478,064</u>	<u>\$ 4,394</u>	<u>\$ (85,873)</u>	<u>\$ 396,585</u>	<u>\$ 82,020</u>

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

At December 31, 2019, 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>		
2020	\$ 82,020	\$ 9,712
2021	84,296	7,436
2022	86,635	5,097
2023	89,039	2,693
2024	<u>42,363</u>	<u>290</u>
Totals	<u>\$ 384,353</u>	<u>\$ 25,228</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, 2019, the Township and eligible employees made contributions of \$223,691 and \$27,795, respectively. At December 31, 2019, the Township reported \$8,855 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, 2019, 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. 87, Leases, was issued by the GASB in June 2017 and will be effective for periods beginning after December 15, 2019. 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

**NOTE 15 - PRIOR PERIOD ADJUSTMENT**

A prior period adjustment has been recorded in 2019 that resulted in a restatement of fund balance. Fund balance as of December 31, 2019, included in the government-wide financial statements, represent restated balance as presented below. The following schedule identifies the nature and amount of the adjustment recorded.

	<u>Governmental</u>	
	<u>Fire fund</u>	<u>Nonmajor</u>
Fund balance, beginning of year, as previously reported	\$ 76,787	\$ 170,685
Cumulative effect of prior period adjustment:		
Accrual recorded in incorrect fund	<u>18,000</u>	<u>(18,000)</u>
Fund balance, beginning of year, after effect of the prior period adjustment	<u>\$ 94,787</u>	<u>\$ 152,685</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

Charter Township of Comstock

**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended December 31, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<i>Variance with final budget positive (negative)</i>
<b>REVENUES</b>				
Taxes	\$ 541,437	\$ 541,437	\$ 545,723	\$ 4,286
Licenses and permits - franchise fees	<u>131,500</u>	<u>131,500</u>	<u>133,338</u>	<u>1,838</u>
State grants:				
State shared revenues	1,326,831	1,326,831	1,364,852	38,021
Local community stabilization revenue	-	-	19,779	19,779
Other	<u>300,000</u>	<u>300,000</u>	<u>270,000</u>	<u>(30,000)</u>
Total state grants	<u>1,626,831</u>	<u>1,626,831</u>	<u>1,654,631</u>	<u>27,800</u>
Charges for services:				
Tax collection fees	244,784	244,784	262,483	17,699
Park and recreation fees	127,050	127,050	120,245	(6,805)
Cemetery charges	23,000	23,000	24,347	1,347
Other	<u>52,900</u>	<u>52,900</u>	<u>73,151</u>	<u>20,251</u>
Total charges for services	<u>447,734</u>	<u>447,734</u>	<u>480,226</u>	<u>32,492</u>
Fines and forfeitures:				
Other	<u>5,300</u>	<u>5,300</u>	<u>5,982</u>	<u>682</u>
Interest and rentals	<u>10,000</u>	<u>10,000</u>	<u>28,863</u>	<u>18,863</u>
Other	<u>-</u>	<u>-</u>	<u>16,066</u>	<u>16,066</u>
Total revenues	<u>2,762,802</u>	<u>2,762,802</u>	<u>2,864,829</u>	<u>102,027</u>

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

Year ended December 31, 2019

	<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	\$ 28,850	\$ 28,850	\$ 34,640	\$ (5,790)
Supervisor	289,310	289,310	280,419	8,891
Elections	52,003	52,003	51,982	21
Assessor	191,320	191,320	179,277	12,043
Clerk	165,550	165,550	170,042	(4,492)
Board of review	6,800	6,800	692	6,108
Treasurer	176,080	176,080	175,165	915
Data processing	131,650	131,650	99,872	31,778
Building and grounds	200,050	200,050	165,348	34,702
Cemetery	63,100	63,100	37,569	25,531
Other	<u>259,650</u>	<u>259,650</u>	<u>247,476</u>	<u>12,174</u>
Total general government	<u>1,564,363</u>	<u>1,564,363</u>	<u>1,442,482</u>	<u>121,881</u>
Public safety - police protection	<u>186,240</u>	<u>186,240</u>	<u>124,281</u>	<u>61,959</u>
Public works:				
Solid waste compactor	<u>130,250</u>	<u>130,250</u>	<u>124,527</u>	<u>5,723</u>
Community and economic development - planning	<u>199,800</u>	<u>199,800</u>	<u>136,168</u>	<u>63,632</u>
Culture and recreation - parks and recreation	<u>377,340</u>	<u>459,604</u>	<u>453,970</u>	<u>5,634</u>
Capital outlay	<u>570,000</u>	<u>680,000</u>	<u>505,356</u>	<u>174,644</u>
Total expenditures	<u>3,027,993</u>	<u>3,220,257</u>	<u>2,786,784</u>	<u>433,473</u>
<b>NET CHANGES IN FUND BALANCES</b>	(265,191)	(457,455)	78,045	535,500
<b>FUND BALANCES - BEGINNING</b>	<u>1,271,189</u>	<u>1,271,189</u>	<u>1,271,189</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,005,998</u>	<u>\$ 813,734</u>	<u>\$ 1,349,234</u>	<u>\$ 535,500</u>

Charter Township of Comstock

**BUDGETARY COMPARISON SCHEDULE - Fire Operating Fund**

Year ended December 31, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES</b>				
Federal grants	\$ 60,000	\$ 60,000	\$ 288,826	\$ 228,826
Interest and rentals	4,500	4,500	17,556	13,056
Other	<u>1,815,446</u>	<u>1,815,446</u>	<u>1,813,721</u>	<u>(1,725)</u>
Total revenues	<u>1,879,946</u>	<u>1,879,946</u>	<u>2,120,103</u>	<u>240,157</u>
<b>EXPENDITURES</b>				
Public safety	1,771,425	1,804,251	2,082,474	(278,223)
Capital outlay	<u>20,000</u>	<u>20,000</u>	<u>51,803</u>	<u>(31,803)</u>
Total expenditures	<u>1,791,425</u>	<u>1,824,251</u>	<u>2,134,277</u>	<u>(310,026)</u>
<b>OTHER FINANCING SOURCES</b>				
Insurance proceeds	<u>-</u>	<u>-</u>	<u>17,898</u>	<u>17,898</u>
<b>NET CHANGES IN FUND BALANCES</b>	88,521	55,695	3,724	51,971
<b>FUND BALANCES - BEGINNING (as restated)</b>	<u>94,787</u>	<u>94,787</u>	<u>94,787</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 183,308</u>	<u>\$ 150,482</u>	<u>\$ 98,511</u>	<u>\$ 51,971</u>

Charter Township of Comstock

**BUDGETARY COMPARISON SCHEDULE - Library Fund**

Year ended December 31, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES</b>				
Taxes	\$ 799,908	\$ 799,908	\$ 794,139	\$ (5,769)
State grants	8,000	8,000	46,585	38,585
Charges for services	3,300	3,300	4,653	1,353
Fines and forfeitures:				
County shared penal fines	20,000	20,000	19,805	(195)
Book fines	6,000	6,000	5,020	(980)
Total fines and forfeitures	26,000	26,000	24,825	(1,175)
Interest	1,150	1,150	16,597	15,447
Other	-	-	1,164	1,164
Total revenues	838,358	838,358	887,963	49,605
<b>EXPENDITURES</b>				
Culture and recreation:				
Legislative	14,500	14,500	6,909	7,591
Administrative	356,118	356,118	298,891	57,227
Adult services	301,410	301,410	247,815	53,595
Books and materials	164,330	164,330	154,370	9,960
Total culture and recreation	836,358	836,358	707,985	128,373
Capital outlay	2,000	77,000	50,276	26,724
Total expenditures	838,358	913,358	758,261	155,097
<b>NET CHANGES IN FUND BALANCES</b>	-	(75,000)	129,702	204,702
<b>FUND BALANCES - BEGINNING</b>	738,815	738,815	738,815	-
<b>FUND BALANCES - ENDING</b>	<u>\$ 738,815</u>	<u>\$ 663,815</u>	<u>\$ 868,517</u>	<u>\$ 204,702</u>



Charter Township of Comstock

**BUDGETARY COMPARISON SCHEDULE - Road Operating Fund**

Year ended December 31, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES</b>				
Taxes	\$ 800,205	\$ 800,205	\$ 801,222	\$ 1,017
Interest and rentals	1,000	1,000	7,102	6,102
Total revenues	<u>801,205</u>	<u>801,205</u>	<u>808,324</u>	<u>7,119</u>
<b>EXPENDITURES</b>				
Public works	<u>800,000</u>	<u>800,000</u>	<u>639,689</u>	<u>160,311</u>
<b>NET CHANGES IN FUND BALANCES</b>	1,205	1,205	168,635	167,430
<b>FUND BALANCES - BEGINNING</b>	<u>68,173</u>	<u>68,173</u>	<u>68,173</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 69,378</u>	<u>\$ 69,378</u>	<u>\$ 236,808</u>	<u>\$ 167,430</u>

**SUPPLEMENTARY INFORMATION**

Charter Township of Comstock

**COMBINING BALANCE SHEET - nonmajor governmental funds**

December 31, 2018

	<u>Special revenue funds</u>		<u>Special revenue funds</u>		<u>Totals</u>
	<u>Street Lighting</u>	<u>Road Patrol</u>	<u>Senior Services</u>	<u>Fire Capital</u>	
<b>ASSETS</b>					
Cash	\$ 134,542	\$ 307,706	\$ 258,894	\$ 219,464	\$ 920,606
Investments	-	-	-	205,289	205,289
Receivables, net	144,075	309,056	312,994	214,455	980,580
Total assets	<u>\$ 278,617</u>	<u>\$ 616,762</u>	<u>\$ 571,888</u>	<u>\$ 639,208</u>	<u>\$ 2,106,475</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Unearned special assessments	\$ 265,715	\$ -	\$ 20,220	\$ -	\$ 285,935
Deferred inflows of resources:					
Property tax revenues levied for the subsequent year	-	551,668	551,668	-	1,103,336
Assessments levied for the subsequent year	-	-	-	394,322	394,322
Total deferred inflows of resources	-	551,668	551,668	394,322	1,497,658
Fund balances:					
Restricted for:					
Fire capital	-	-	-	244,886	244,886
Police protection	-	65,094	-	-	65,094
Roads	-	-	-	-	-
Street lighting	12,902	-	-	-	12,902
Total fund balances	<u>12,902</u>	<u>65,094</u>	<u>-</u>	<u>244,886</u>	<u>322,882</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 278,617</u>	<u>\$ 616,762</u>	<u>\$ 571,888</u>	<u>\$ 639,208</u>	<u>\$ 2,106,475</u>

Charter Township of Comstock

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

Year ended December 31, 2019

	<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	\$ -	\$ 534,285	\$ 534,000	\$ -	\$ 1,068,285
Interest and rentals	1,540	2,252	-	5,850	9,642
Other	258,198	-	-	380,038	638,236
	<u>259,738</u>	<u>536,537</u>	<u>534,000</u>	<u>385,888</u>	<u>1,716,163</u>
Total revenues					
<b>EXPENDITURES</b>					
Current:					
Public safety	-	503,952	-	-	503,952
Public works	264,982	-	-	-	264,982
Health and welfare	-	-	585,913	-	585,913
Capital outlay	-	-	-	218,100	218,100
Debt service:					
Principal	-	-	-	80,315	80,315
Interest	-	-	-	11,417	11,417
	<u>264,982</u>	<u>503,952</u>	<u>585,913</u>	<u>309,832</u>	<u>1,664,679</u>
Total expenditures					
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(5,244)</u>	<u>32,585</u>	<u>(51,913)</u>	<u>76,056</u>	<u>51,484</u>
<b>OTHER FINANCING SOURCES</b>					
Sale of fixed assets	-	-	-	16,145	16,145
	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,145</u>	<u>16,145</u>
Total other financing sources					
<b>NET CHANGES IN FUND BALANCES</b>	(5,244)	32,585	(51,913)	92,201	67,629
<b>FUND BALANCES - BEGINNING</b>	<u>18,146</u>	<u>32,509</u>	<u>51,913</u>	<u>152,685</u>	<u>255,253</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 12,902</u>	<u>\$ 65,094</u>	<u>\$ -</u>	<u>\$ 244,886</u>	<u>\$ 322,882</u>

*Charter Township of Comstock*

**BALANCE SHEET - component units**

*December 31, 2019*

	<b><i>Downtown Development Authority</i></b>
<b>ASSETS</b>	
Cash	\$ 1,160
Receivables	<u>841</u>
Total assets	<u><u>\$ 2,001</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	
Liabilities - payables	\$ -
Deferred inflows of resources - property tax revenues levied for the subsequent year	1,636
Fund balance - unassigned	<u>365</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 2,001</u></u>

*Charter Township of Comstock*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**

**BALANCES - component units**

*Year ended December 31, 2019*

	<u><i>Downtown Development Authority</i></u>
<b>REVENUES</b>	
Property taxes	\$ 365
Interest	-
	<hr/>
Total revenues	365
	<hr/>
<b>EXPENDITURES</b>	
Current - public works	-
Capital outlay	-
	<hr/>
Total expenditures	-
	<hr/>
<b>NET CHANGES IN FUND BALANCES</b>	365
	<hr/>
<b>FUND BALANCES - BEGINNING</b>	-
	<hr/>
<b>FUND BALANCES - ENDING</b>	<u>\$ 365</u>

**INTERNAL CONTROL AND COMPLIANCE**



## Vredevelde Haefner LLC

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### **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 22, 2020

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, 2019, 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 22, 2020.

#### ***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*