

**Charter Township of Chesterfield
Macomb County, Michigan**

**Financial Report
with Supplemental Information
December 31, 2015**

Charter Township of Chesterfield

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Chesterfield
Macomb County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Charter Township of Chesterfield as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise the Charter Township of Chesterfield'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Charter Township of Chesterfield as of December 31, 2015 and the respective changes in its financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Charter Township of Chesterfield

Emphasis of Matter

As discussed in Note 10 to the basic financial statements, during the year ended December 31, 2015, the Township adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, which establish accounting and financial reporting standards for defined benefit pensions provided to the employees of governmental employers through pension plans. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, major fund budgetary comparison schedules, schedule of changes in the net pension liability and related ratios, schedule of pension contributions, and OPEB schedule of funding progress, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental 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 Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Chesterfield's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, 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 other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

May 23, 2016

Charter Township of Chesterfield

Management's Discussion and Analysis

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

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

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

The Charter Township of Chesterfield as a Whole

The following table shows, in a condensed format, the net position as of the current date and compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2015*	2014	2015*	2014	2015	2014
Assets						
Current and other assets	\$ 35,870,488	\$ 35,665,849	\$ 16,565,920	\$ 18,942,341	\$ 52,436,408	\$ 54,608,190
Capital assets	19,085,083	19,634,475	75,762,412	73,330,287	94,847,495	92,964,762
Total assets	54,955,571	55,300,324	92,328,332	92,272,628	147,283,903	147,572,952
Deferred Outflows of Resources	1,533,156	-	219,074	-	1,752,230	-
Liabilities						
Long-term liabilities	9,126,041	3,173,461	27,938,847	27,793,509	37,064,888	30,966,970
Other liabilities	1,690,705	1,828,897	4,172,992	3,572,251	5,863,697	5,401,148
Total liabilities	10,816,746	5,002,358	32,111,839	31,365,760	42,928,585	36,368,118
Deferred Inflows of Resources	13,051,564	12,696,001	-	-	13,051,564	12,696,001
Net Position						
Net investment in capital assets	15,911,622	15,908,113	47,124,217	43,960,781	63,035,839	59,868,894
Restricted	7,854,524	8,247,128	3,559,578	11,180,297	11,414,102	19,427,425
Unrestricted	8,854,271	13,446,724	9,751,772	5,765,790	18,606,043	19,212,514
Total net position	<u>\$ 32,620,417</u>	<u>\$ 37,601,965</u>	<u>\$ 60,435,567</u>	<u>\$ 60,906,868</u>	<u>\$ 93,055,984</u>	<u>\$ 98,508,833</u>

* GASB Statement No. 68 was adopted by the Township as of January 1, 2015. The 2014 numbers have been adjusted to reflect the net pension liability as of December 31, 2014.

Charter Township of Chesterfield

Management's Discussion and Analysis (Continued)

The Township's combined net position increased \$2,202,160 from a year ago - resulting in a total net position of \$93,055,984 at December 31, 2015. As we look at the governmental activities separately from the business-type activities, we can see that unrestricted net position, the part of net position that can be used to finance day-to-day operations, decreased by \$4,592,453 for the governmental activities. This represents a decrease of approximately 34.2 percent. The current level of unrestricted net position for our governmental activities stands at \$8,854,271, or about 48.3 percent of expenses. Taking a look at the business-type activities, unrestricted net position increased by \$3,985,982. This represents an increase of approximately 69.1 percent.

The following table shows the changes of the net position during the current year and as compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue						
Program revenue:						
Charges for services	\$ 3,700,816	\$ 3,497,550	\$ 12,706,184	\$ 12,655,892	\$ 16,407,000	\$ 16,153,442
Operating grants and contributions	156,561	179,208	-	-	156,561	179,208
Capital grants and contributions	189,544	114,674	1,537,536	613,474	1,727,080	728,148
General revenue:						
Property taxes	12,549,403	11,058,316	-	-	12,549,403	11,058,316
State-shared revenue	3,374,464	3,371,856	-	-	3,374,464	3,371,856
Investment earnings	45,045	47,405	30,101	36,345	75,146	83,750
Franchise fees	798,311	743,608	-	-	798,311	743,608
Other revenue	63,600	50,220	-	-	63,600	50,220
Proceeds from sale of fixed assets	21,222	16,150	2,372	-	23,594	16,150
Total revenue	20,898,966	19,078,987	14,276,193	13,305,711	35,175,159	32,384,698
Program Expenses						
General government	3,482,978	4,144,902	-	-	3,482,978	4,144,902
Public safety	12,093,218	12,145,061	-	-	12,093,218	12,145,061
Street, sidewalks, and drains	1,743,104	1,649,703	-	-	1,743,104	1,649,703
Recreation and culture	920,012	925,889	-	-	920,012	925,889
Interest on long-term debt	85,993	112,558	-	-	85,993	112,558
Water and sewer	-	-	14,452,460	13,305,083	14,452,460	13,305,083
Brandenburg Park	-	-	195,234	131,558	195,234	131,558
Total program expenses	18,325,305	18,978,113	14,647,694	13,436,641	32,972,999	32,414,754
Transfers	(569,029)	(1,407,303)	569,029	1,407,303	-	-
Change in Net Position	\$ 2,004,632	\$ (1,306,429)	\$ 197,528	\$ 1,276,373	\$ 2,202,160	\$ (30,056)

Property taxes are the primary source of revenue for the governmental activities, providing approximately 60 percent of total revenue. State-shared revenue provides another 16.1 percent and charges for services provided 17.7 percent, leaving just 6.2 percent being provided by all other sources.

Charter Township of Chesterfield

Management's Discussion and Analysis (Continued)

Governmental Activities

The Township's total governmental revenue increased by \$1,819,979. The overall increase, which represents 9.5 percent, is primarily due to an increase in property tax collections. Total governmental expenses and transfers increased by \$185,466 or about 1.1 percent.

Business-type Activities

The Township has two business-type activities. These include the Water and Sewer Fund and the Brandenburg Memorial Park Fund. Revenue for business-type activities was \$14,276,193. Revenue increased by \$970,482, or about 7.3 percent, from the prior year. The increase in revenue was primarily due to an increase in capital grants and charges for services. Expenses increased by \$1,211,053 from the prior year. Water and sewer treatment is provided to the Township's residents through the Detroit water and sewer department. Revenue from water and sewer operations was \$14,124,561, including contributions from developers. Revenue from the Township's operation of Brandenburg Memorial Park was \$720,661, including transfers in from other funds.

The Township's Funds

Our analysis of the Township's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2015 include the General Fund, Fire Department Operating Fund, Fire Department Equipment Fund, and Police Department Equipment Fund.

The General Fund pays for a majority of the Township's governmental services. The General Fund ended 2015 with a fund balance of \$11,407,664. Revenue decreased by \$212,702 due primarily to a decrease in reimbursements and charges for services. Expenditures had an increase of \$255,249 due to employee-related costs.

The Fire Department Operating Fund is funded through a property tax millage. These funds are expended exclusively for the operations of the fire department. The Fire Department Operating Fund ended 2015 with a fund balance of \$1,395,607. Revenues increased by \$1,268,144 due primarily to an increase in property taxes. Expenditures increased by \$185,195 due to an increase in employee-related costs.

The Fire Department Equipment Fund is funded through a property tax millage. These funds are expended exclusively for the housing, vehicles, and equipment used to support the Township fire department. The Fire Department Equipment Fund ended 2015 with a fund balance of \$6,043,701. Revenue increased by \$65,950 primarily due to an increase in property taxes. Expenditures increased \$369,706 primarily due to an increase in equipment and capital outlay purchases.

Charter Township of Chesterfield

Management's Discussion and Analysis (Continued)

The Police Department Fund is funded by a special assessment. These funds are expended exclusively for the operations of the police department. The police department ended 2015 with a fund balance of \$415,216. Revenue increased by \$322,020 from 2014, primarily due to an increase in property tax collection and charges for services. Expenditures increased by \$542,309 primarily due to an increase in personnel costs and capital outlay.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account unanticipated events during the year. Actual revenue was above budgeted revenue by 2.9 percent. Actual expenditures were 10.2 percent below budget. The Township completed the year with actual revenue over expenditures in the General Fund of \$1,182,350 as compared to the budgeted amount of \$255,995, a positive variance of \$926,355.

Capital Asset and Debt Administration

At the end of 2015, the Township had \$94,847,495 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Chesterfield Township Finance Department or the clerk's office at 47275 Sugarbush, Chesterfield Township, Michigan 48047.

Charter Township of Chesterfield

Statement of Net Position December 31, 2015

	Primary Government			Component Unit - Economic Development Corporation
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 2)	\$ 26,364,912	\$ 9,275,714	\$ 35,640,626	\$ 3,421
Receivables - Net:				
Property taxes receivable	5,829,243	-	5,829,243	-
Receivables from sales to customers on account	-	2,393,959	2,393,959	-
Accrued interest receivable	6,256	10,527	16,783	-
Due from other governmental units	882,276	387,772	1,270,048	-
Special assessments receivable	8,273	-	8,273	-
Internal balances (Note 4)	(117,919)	117,919	-	-
Inventory	-	282,499	282,499	-
Prepaid expenses and deposits	467,518	109,141	576,659	-
Restricted assets (Note 6)	-	3,559,578	3,559,578	-
OPEB asset (Note 9)	2,429,929	428,811	2,858,740	-
Capital assets (Note 3):				
Assets not subject to depreciation	3,453,320	5,302,153	8,755,473	-
Assets subject to depreciation	15,631,763	70,460,259	86,092,022	-
Total assets	54,955,571	92,328,332	147,283,903	3,421
Deferred Outflows of Resources (Note 8)				
Net difference between projected and actual earnings on pension plan investments	301,469	43,067	344,536	-
Employer contributions to the plan subsequent to the measurement date	1,231,687	176,007	1,407,694	-
Total deferred outflows of resources	1,533,156	219,074	1,752,230	-
Liabilities				
Accounts payable	501,104	1,494,525	1,995,629	-
Accrued liabilities and other	242,509	248,799	491,308	-
Unearned revenue	-	759,475	759,475	-
Noncurrent liabilities (Note 5):				
Due within one year:				
Compensated absences	647,691	77,494	725,185	-
Current portion of long-term debt	299,401	-	299,401	-
Due in more than one year:				
Payable from restricted assets	-	1,592,699	1,592,699	-
Net pension liability (Note 8)	6,251,981	893,351	7,145,332	-
Long-term debt	2,874,060	27,045,496	29,919,556	-
Total liabilities	10,816,746	32,111,839	42,928,585	-
Deferred Inflows of Resources - Property taxes levied for the following year	13,051,564	-	13,051,564	-
Net Position				
Net investment in capital assets	15,911,622	47,124,217	63,035,839	-
Restricted for:				
Debt service	-	2,907,835	2,907,835	-
Water and sewer construction and maintenance	-	651,743	651,743	-
Fire operating	1,395,607	-	1,395,607	-
Fire equipment	6,043,701	-	6,043,701	-
Police fund	415,216	-	415,216	-
Unrestricted	8,854,271	9,751,772	18,606,043	3,421
Total net position	\$ 32,620,417	\$ 60,435,567	\$ 93,055,984	\$ 3,421

The Notes to Financial Statements are an
Integral Part of this Statement.

Charter Township of Chesterfield

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,482,978	\$ 1,858,784	\$ 12,226	\$ -
Public safety	12,093,218	1,484,729	78,701	-
Public works	1,743,104	91,053	-	189,544
Recreation and culture	920,012	266,250	65,634	-
Interest on long-term debt	85,993	-	-	-
Total governmental activities	18,325,305	3,700,816	156,561	189,544
Business-type activities:				
Sewer and Water Operations Fund	14,452,460	12,557,380	-	1,537,536
Brandenburg Park Fund	195,234	151,176	-	-
Total business-type activities	14,647,694	12,708,556	-	1,537,536
Total primary government	<u>\$ 32,972,999</u>	<u>\$ 16,409,372</u>	<u>\$ 156,561</u>	<u>\$ 1,727,080</u>
Economic Development Corporation	<u>\$ 422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Gain on sale of fixed assets				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year - As restated				
Net Position - End of year				

Statement of Activities
Year Ended December 31, 2015

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit - Economic Development Corporation
\$ (1,611,968)	\$ -	\$ (1,611,968)	\$ -
(10,529,788)	-	(10,529,788)	-
(1,462,507)	-	(1,462,507)	-
(588,128)	-	(588,128)	-
(85,993)	-	(85,993)	-
(14,278,384)	-	(14,278,384)	-
-	(357,544)	(357,544)	-
-	(44,058)	(44,058)	-
-	(401,602)	(401,602)	-
(14,278,384)	(401,602)	(14,679,986)	-
-	-	-	(422)
12,549,403	-	12,549,403	-
3,374,464	-	3,374,464	-
45,045	30,101	75,146	-
798,311	-	798,311	-
63,600	-	63,600	-
21,222	-	21,222	-
16,852,045	30,101	16,882,146	-
(569,029)	569,029	-	-
2,004,632	197,528	2,202,160	(422)
30,615,785	60,238,039	90,853,824	3,843
\$ 32,620,417	\$ 60,435,567	\$ 93,055,984	\$ 3,421

Charter Township of Chesterfield

Governmental Funds Balance Sheet December 31, 2015

	General Fund	Police Department Fund	Fire Department Operating Fund	Fire Department Equipment Fund	Nonmajor Funds	Total
Assets						
Cash and cash equivalents	\$ 11,478,499	\$ 4,456,781	\$ 3,563,259	\$ 6,438,133	\$ 428,240	\$ 26,364,912
Receivables:						
Property taxes receivable	614,045	2,954,005	1,913,307	347,886	-	5,829,243
Special assessments receivable	8,273	-	-	-	-	8,273
Accrued interest receivable	2,314	-	962	2,841	139	6,256
Due from other governmental units	843,408	38,868	-	-	-	882,276
Due from other funds (Note 4)	75	27	-	-	29,783	29,885
Prepaid expenses and deposits	190,012	144,238	106,694	665	25,909	467,518
Total assets	<u>\$ 13,136,626</u>	<u>\$ 7,593,919</u>	<u>\$ 5,584,222</u>	<u>\$ 6,789,525</u>	<u>\$ 484,071</u>	<u>\$ 33,588,363</u>
Liabilities						
Accounts payable	\$ 254,511	\$ 138,893	\$ 35,477	\$ 1,137	\$ 71,086	\$ 501,104
Due to other funds (Note 4)	69,378	57,737	20,689	-	-	147,804
Accrued liabilities and other	63,351	104,579	36,481	34	13,276	217,721
Total liabilities	387,240	301,209	92,647	1,171	84,362	866,629
Deferred Inflows of Resources						
Unavailable special assessment revenue	8,273	-	-	-	-	8,273
Property taxes levied for the following year	1,333,449	6,877,494	4,095,968	744,653	-	13,051,564
Total deferred inflows of resources	1,341,722	6,877,494	4,095,968	744,653	-	13,059,837
Fund Balances						
Nonspendable - Prepaids and deposits	190,012	144,238	106,694	665	25,909	467,518
Restricted:						
Police	-	270,978	-	-	-	270,978
Fire operating	-	-	1,288,913	-	-	1,288,913
Fire equipment	-	-	-	6,043,036	-	6,043,036
Committed - Parks and recreation	-	-	-	-	373,800	373,800
Assigned:						
Subsequent year's budget	1,214,871	-	-	-	-	1,214,871
Senior center	52,035	-	-	-	-	52,035
Unassigned	9,950,746	-	-	-	-	9,950,746
Total fund balances	<u>11,407,664</u>	<u>415,216</u>	<u>1,395,607</u>	<u>6,043,701</u>	<u>399,709</u>	<u>19,661,897</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,136,626</u>	<u>\$ 7,593,919</u>	<u>\$ 5,584,222</u>	<u>\$ 6,789,525</u>	<u>\$ 484,071</u>	<u>\$ 33,588,363</u>

Charter Township of Chesterfield

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position December 31, 2015

Fund Balance Reported in Governmental Funds	\$ 19,661,897
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	19,085,083
Certain receivables are expected to be collected over several years in the General Fund and are not available to pay for current year expenditures	8,273
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(3,173,461)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(647,691)
Accrued interest is not due and payable in the current period and is not reported in the funds	(24,788)
Other postemployment benefits are contributed in excess of requirement and the asset is not reported in the funds	2,429,929
Deferred outflows of resources - pension difference between projected and actual investment earnings as well as contributions made to the plan after the measurement date	1,533,156
Net pension liability is not due and payable in the current period and is not reported in the funds	<u>(6,251,981)</u>
Net Position of Governmental Activities	<u>\$ 32,620,417</u>

Charter Township of Chesterfield

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2015

	General Fund	Police Department Fund	Fire Department Operating Fund	Fire Department Equipment Fund	Nonmajor Funds	Total
Revenue						
Property taxes	\$ 1,170,100	\$ 6,673,312	\$ 3,976,859	\$ 723,432	\$ -	\$ 12,543,703
Licenses and permits	36,795	-	-	-	744,630	781,425
State-shared revenue	3,374,464	-	-	-	-	3,374,464
Charges for services	1,436,811	475,991	-	-	251,845	2,164,647
Fines and forfeitures	-	96,836	-	-	-	96,836
Investment income	21,995	6,387	5,822	10,383	458	45,045
Rental income	493,707	-	-	-	-	493,707
Other revenue:						
Special assessments	8,611	-	-	-	-	8,611
Cable franchise fees	798,311	-	-	-	-	798,311
Other miscellaneous income	134,656	183,749	30,505	-	41,152	390,062
Total revenue	7,475,450	7,436,275	4,013,186	733,815	1,038,085	20,696,811
Expenditures						
Current:						
General government	4,994,860	-	-	-	-	4,994,860
Public safety	-	8,228,542	3,178,695	313,022	982,158	12,702,417
Public works	236,389	-	-	-	-	236,389
Recreation and culture	551,908	-	-	-	214,254	766,162
Capital outlay	130,412	307,320	-	301,440	36,900	776,072
Debt service:						
Principal	325,000	-	-	211,750	-	536,750
Interest on long-term debt	54,531	-	-	56,333	-	110,864
Total expenditures	6,293,100	8,535,862	3,178,695	882,545	1,233,312	20,123,514
Excess of Revenue Over (Under) Expenditures	1,182,350	(1,099,587)	834,491	(148,730)	(195,227)	573,297
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	-	14,676	-	6,546	-	21,222
Transfers in (Note 4)	-	-	-	-	251,379	251,379
Transfers out (Note 4)	(785,408)	-	-	-	(35,000)	(820,408)
Total other financing (uses) sources	(785,408)	14,676	-	6,546	216,379	(547,807)
Net Change in Fund Balances	396,942	(1,084,911)	834,491	(142,184)	21,152	25,490
Fund Balances - Beginning of year	11,010,722	1,500,127	561,116	6,185,885	378,557	19,636,407
Fund Balances - End of year	\$11,407,664	\$ 415,216	\$ 1,395,607	\$ 6,043,701	\$ 399,709	\$ 19,661,897

Charter Township of Chesterfield

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2015

Net Change in Fund Balances - Total Governmental Funds \$ 25,490

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	825,425
Depreciation expense	(1,560,650)
Donated capital assets	185,833

Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(4,900)
---	---------

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	552,901
---	---------

Interest expense is recorded when incurred in the statement of activities	8,720
---	-------

Decrease in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	23,046
--	--------

OPEB contributions in excess of ARC which are recorded as an expenditure in governmental funds, but an addition to assets in the statement of net position	1,192,040
--	-----------

The change in the net pension liability is recorded when incurred in the statement of activities	<u>756,727</u>
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Change in Net Position of Governmental Activities \$ 2,004,632

Charter Township of Chesterfield

Proprietary Funds Statement of Net Position December 31, 2015

	Enterprise Funds		
	Major Enterprise Fund - Sewer and Water Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	Total
Assets			
Current assets:			
Cash and cash equivalents (Note 2)	\$ 9,004,636	\$ 271,078	\$ 9,275,714
Receivables:			
Receivables from sales to customers on account	2,393,959	-	2,393,959
Accrued interest receivable	10,527	-	10,527
Due from other governmental units	387,772	-	387,772
Due from other funds (Note 4)	117,994	-	117,994
Inventory	282,499	-	282,499
Prepaid expenses and deposits	108,536	605	109,141
Total current assets	12,305,923	271,683	12,577,606
Noncurrent assets:			
Restricted assets (Note 6)	3,559,578	-	3,559,578
OPEB asset (Note 9)	428,811	-	428,811
Capital assets (Note 3):			
Assets not subject to depreciation	5,302,153	-	5,302,153
Assets subject to depreciation	67,388,246	3,072,013	70,460,259
Total noncurrent assets	76,678,788	3,072,013	79,750,801
Total assets	88,984,711	3,343,696	92,328,407
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	43,067	-	43,067
Employer contributions to the plan subsequent to the measurement date	176,007	-	176,007
Total deferred outflows	219,074	-	219,074
Liabilities			
Current liabilities:			
Accounts payable	1,488,948	5,577	1,494,525
Due to other funds	-	75	75
Accrued liabilities and other	248,799	-	248,799
Unearned revenue	759,475	-	759,475
Compensated absences	77,494	-	77,494
Total current liabilities	2,574,716	5,652	2,580,368
Noncurrent liabilities:			
Net pension liability (Note 8)	893,351	-	893,351
Payable from restricted assets	1,592,699	-	1,592,699
Long-term debt (Note 5)	27,045,496	-	27,045,496
Total noncurrent liabilities	29,531,546	-	29,531,546
Total liabilities	32,106,262	5,652	32,111,914
Net Position			
Net investment in capital assets	44,052,204	3,072,013	47,124,217
Restricted:			
Debt service	2,907,835	-	2,907,835
Water and sewer construction and maintenance	651,743	-	651,743
Unrestricted	9,485,741	266,031	9,751,772
Total net position	\$ 57,097,523	\$ 3,338,044	\$ 60,435,567

The Notes to Financial Statements are an
Integral Part of this Statement.

Charter Township of Chesterfield

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended December 31, 2015

	Enterprise Funds		
	Major Enterprise Fund - Sewer and Water Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	Total
	Fund	Park Fund	Total
Operating Revenue			
Sale of water	\$ 5,607,130	\$ -	\$ 5,607,130
Sewage disposal charges	6,947,878	-	6,947,878
Fees	-	143,227	143,227
Other	2,372	7,949	10,321
Total operating revenue	12,557,380	151,176	12,708,556
Operating Expense			
Cost of water	3,367,160	-	3,367,160
Cost of sewage treatment	4,166,543	-	4,166,543
Repairs and maintenance	64,913	-	64,913
Billing and administrative costs	195,560	-	195,560
Personnel services	2,399,075	33,603	2,432,678
Supplies	229,653	2,452	232,105
Other services and charges	849,243	46,308	895,551
Depreciation	2,294,198	112,871	2,407,069
Total operating expense	13,566,345	195,234	13,761,579
Operating Loss	(1,008,965)	(44,058)	(1,053,023)
Nonoperating Revenue (Expense)			
Investment income	29,645	456	30,101
Interest expense	(886,115)	-	(886,115)
Total nonoperating (expense) revenue	(856,470)	456	(856,014)
Loss - Before contributions	(1,865,435)	(43,602)	(1,909,037)
Capital Contributions			
Capital contributed by grants and donation	477,010	-	477,010
Tap fees	485,870	-	485,870
Benefit fees	184,560	-	184,560
Lines donated by developers	390,096	-	390,096
Total capital contributions	1,537,536	-	1,537,536
Transfers in	-	569,029	569,029
Change in Net Position	(327,899)	525,427	197,528
Net Position - Beginning of year - As restated	57,425,422	2,812,617	60,238,039
Net Position - End of year	<u>\$ 57,097,523</u>	<u>\$ 3,338,044</u>	<u>\$ 60,435,567</u>

Charter Township of Chesterfield

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2015

	Enterprise Funds		
	Major Enterprise Fund - Sewer and Water Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 12,702,926	\$ 151,176	\$ 12,854,102
Internal activity - Payments from other funds	232,688	8,384	241,072
Payments to suppliers	(8,536,546)	(48,508)	(8,585,054)
Payments to employees	(2,231,181)	(33,603)	(2,264,784)
Other payments	(267,824)	(4,582)	(272,406)
Net cash provided by operating activities	1,900,063	72,867	1,972,930
Cash Flows from Noncapital Financing Activities - Transfers from other funds	-	569,029	569,029
Cash Flows from Capital and Related Financing Activities			
Capital grants	477,010	-	477,010
Tap fees	485,870	-	485,870
Benefit fees	184,560	-	184,560
Purchase of capital assets	(3,040,611)	(573,802)	(3,614,413)
Principal and interest paid on capital debt	(2,452,111)	-	(2,452,111)
Net cash used in capital and related financing activities	(4,345,282)	(573,802)	(4,919,084)
Cash Flows from Investing Activities - Interest received on investments	34,466	456	34,922
Net (Decrease) Increase in Cash and Cash Equivalents	(2,410,753)	68,550	(2,342,203)
Cash and Cash Equivalents - Beginning of year	14,323,224	202,528	14,525,752
Cash and Cash Equivalents - End of year	<u>\$ 11,912,471</u>	<u>\$ 271,078</u>	<u>\$ 12,183,549</u>
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and investments	\$ 9,004,636	\$ 271,078	\$ 9,275,714
Restricted cash	2,907,835	-	2,907,835
Total cash and cash equivalents	<u>\$ 11,912,471</u>	<u>\$ 271,078</u>	<u>\$ 12,183,549</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (1,008,965)	\$ (44,058)	\$ (1,053,023)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation and amortization	2,294,198	112,871	2,407,069
Changes in assets and liabilities:			
Receivables	(122,278)	(4,582)	(126,860)
Due from others	232,688	8,384	241,072
Inventories	(90,550)	-	(90,550)
Prepaid and other assets	(233,094)	252	(232,842)
Accounts payable	631,966	-	631,966
Accrued and other liabilities	196,098	-	196,098
Net cash provided by operating activities	<u>\$ 1,900,063</u>	<u>\$ 72,867</u>	<u>\$ 1,972,930</u>

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2015, water and sewer line infrastructure totaling \$390,096 was donated to the Township by outside developers. The Township also incurred additional long-term debt and recorded the corresponding capital assets of \$834,685 for the Oakland-Macomb Interceptor - Series 2013.

Charter Township of Chesterfield

Fiduciary Funds Statement of Fiduciary Assets and Liabilities December 31, 2015

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 6,599,048
Receivables - Net	<u>9</u>
Total assets	<u>\$ 6,599,057</u>
Liabilities	
Accounts payable	\$ 18,150
Due to other governmental units	3,537,972
Cash held on behalf of the Library	2,041,457
Refundable deposits and bonds	<u>1,001,478</u>
Total liabilities	<u>\$ 6,599,057</u>

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2015

Note I - Nature of Business and Significant Accounting Policies

Reporting Entity

The Charter Township of Chesterfield (the "Township") is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component unit, an entity for which the Township is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township (see discussion below for description).

Discretely Presented Component Unit - The Economic Development Corporation (EDC) was formed to alleviate and prevent conditions of unemployment, and to assist and retain local industries and commercial enterprises in order to strengthen and revitalize the economy of Chesterfield Township. The EDC board is composed of nine members, of which not more than three can be members of the Township Board. The EDC does not issue separate financial statements.

Accounting and Reporting Principles

The Township follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives: the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (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. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2015

Note I - Nature of Business and Significant Accounting Policies (Continued)

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

Fund Accounting

The Township accounts for its various activities in several different funds, in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures for which specific revenue was used. The various funds are aggregated into three broad fund types:

Governmental Funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The Township reports the following funds as "major" governmental funds:

- The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Police Department Fund is a full-service department that provides public safety needs for the Township and its residents. The main source of revenue for the police department comes from a voter-approved special assessment millage on all real property.
- The Fire Department Operating Fund accounts for the operations related to its full-service fire department. The main source of revenue for the Fire Department Operating Fund comes from a voter-approved millage on real and personal property. The approved millage for the Fire Department Operating Fund is to be used for fire operations.
- The Fire Department Equipment Fund accounts for the purchase of fire equipment related to its full-service fire department. The main source of revenue for the Fire Department Equipment Fund comes from a voter-approved millage on real and personal property. The approved millage for the Fire Department Equipment Fund is to be used for the purchase of fire equipment.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2015

Note I - Nature of Business and Significant Accounting Policies (Continued)

Proprietary Funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the Township). The Township reports the following fund as a “major” enterprise fund:

- The Water and Sewer Fund accounts for the results of operations that provide water and sewer services to citizens, financed primarily by a user charge for the provision of those services.

Fiduciary Funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include the following:

- Agency Funds - The agency funds account for assets held by the Township in a trustee capacity. The agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Interfund Activity - During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2015

Note I - Nature of Business and Significant Accounting Policies (Continued)

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare related-costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Township considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, special assessments will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow of resources."

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash, Cash Equivalents, and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No provision has been made in the financial statements for noncollection.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2015

Note I - Nature of Business and Significant Accounting Policies (Continued)

Restricted Assets - A Township ordinance requires amounts to be set aside in the Water and Sewer Major Enterprise Fund for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, along with amounts on deposit at the County being held for the construction or debt service of the Township's sewer lines.

Capital Assets - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 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 estimated fair market value at the date of donation.

Infrastructure, intangibles, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	Life-Years
Machinery and equipment	5 to 20
Buildings and improvements	20
Infrastructure	20 to 100

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick, vacation pay, and comp time benefits. A liability for unused sick leave is reported in the governmental funds because the Township has a policy to pay employees for unused sick time at the beginning of each year. All unused sick, vacation pay, and comp time are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations and unused sick leave as of year end. The liability in the proprietary fund financial statements is reported in the "accrued liabilities and other" category as it is all current. Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund and the Water and Sewer Operations Fund.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2015

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Due to the implementation of GASB 68, the Township has deferred outflows of resources related to the defined benefit pension liability, consisting of the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings, as well as employer contributions made subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Township has only two types of items that qualify for reporting in this category. Deferred inflows are reported in the governmental funds and on the government-wide financial statements related to property taxes levied for the following year's budget. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 and proprietary fund 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.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2015

Note I - Nature of Business and Significant Accounting Policies (Continued)

Fund Balance Flow Assumption

Sometimes the Township will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund 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 fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund Equity - In the fund financial statements, governmental funds report the following components of fund balance:

Nonspendable - Amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation to be used for a specific purpose.

Committed - Amounts that have been formally set aside by the board to be used for specific purposes. Commitments are made and can be rescinded only via resolution of the board of trustees.

Assigned - Intent to spend resources on specific purposes expressed by the governing body or the finance director in conjunction with the Township superintendent, who is authorized by resolution approved by the governing body to make assignments.

Unassigned - Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes 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, committed, or assigned to those purposes.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2015

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed. Unpaid property taxes become a lien on the property on March 1 of the second year following the year of the levy.

The Township's 2015 tax revenue is levied and collectible on December 1, 2014 and is recognized as revenue in the year ended December 31, 2015, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2014 taxable valuation of the Township totaled \$1.449 billion, on which ad valorem taxes levied consisted of 0.8061 mills for operating purposes, 5.0 mills for police operating purposes, 2.7500 mills for fire operating purposes, and 0.5000 mills for acquisition of fire equipment. This resulted in \$1.2 million for operating, \$4.7 million for fire purposes, and \$6.7 million for police purposes. These amounts are recognized in the respective General and Special Revenue Funds financial statements as tax revenue. A provision has been recorded for potential refunds related to disputed taxable values.

Pension - The Township offers a defined benefit pension plan to its employees through the Municipal Employees' Retirement System of Michigan (MERS). The Township records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Township's Pension Plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General, Police Department, Fire Department Operating, and the Sewer and Water Funds will be used to liquidate the net pension liability, based on whichever fund an employee or retiree is assigned and to which fund the employee's pension costs are charged.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2015

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Other Postemployment Benefit Costs - The Township offers retiree healthcare benefits to retirees. The Township receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the Township reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any. The General Fund and Water and Sewer Fund are used to liquidate these liabilities.

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund is from charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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. Actual results could differ from those estimates.

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The Township is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2015

Note 2 - Deposits and Investments (Continued)

The Township has designated nine banks for the deposit of its funds.

The investment policy adopted by the Township board in accordance with Public Act 196 of 1997 has authorized investment in U.S. treasuries, U.S. agencies, instrumentalities, certificates of deposit, commercial paper (meeting certain rating and maturity requirements), investment pools, and mutual funds. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to two types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$36,447,674 of bank deposits (certificates of deposit and checking and savings accounts), of which \$3,250,000 was covered by federal depository insurance and \$33,197,674 was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

At the end of the year, the EDC had \$3,421 of bank deposits, all of which was covered by federal deposit insurance.

Credit Risk - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not place additional limitations relating to credit risk. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pool	\$ 3,061,774	PI	Standard & Poor's

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2015

Note 3 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance January 1, 2015	Reclassifications	Additions	Disposals	Balance December 31, 2015
Governmental Activities					
Capital assets not being depreciated - Land	\$ 3,453,320	\$ -	\$ -	\$ -	\$ 3,453,320
Capital assets being depreciated:					
Infrastructure	15,283,764	-	185,833	-	15,469,597
Buildings and improvements	17,199,697	-	88,880	-	17,288,577
Machinery and equipment	8,263,052	-	736,545	-	8,999,597
Subtotal	40,746,513	-	1,011,258	-	41,757,771
Accumulated depreciation:					
Infrastructure	5,970,651	-	422,609	-	6,393,260
Buildings and improvements	10,912,471	-	574,305	-	11,486,776
Machinery and equipment	7,682,236	-	563,736	-	8,245,972
Subtotal	24,565,358	-	1,560,650	-	26,126,008
Net capital assets being depreciated	16,181,155	-	(549,392)	-	15,631,763
Net governmental activities capital assets	\$ 19,634,475	\$ -	\$ (549,392)	\$ -	\$ 19,085,083
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 409,484	\$ -	\$ -	\$ -	\$ 409,484
Construction in progress	3,408,889	(1,407,303)	2,891,083	-	4,892,669
Subtotal	3,818,373	(1,407,303)	2,891,083	-	5,302,153
Capital assets being depreciated:					
Infrastructure	84,630,062	-	1,327,862	-	85,957,924
Buildings and improvements	7,095,435	-	-	-	7,095,435
Machinery and equipment	3,988,742	1,407,303	620,249	-	6,016,294
Subtotal	95,714,239	1,407,303	1,948,111	-	99,069,653
Accumulated depreciation:					
Infrastructure	20,389,293	-	1,851,194	-	22,240,487
Buildings and improvements	3,305,780	-	349,096	-	3,654,876
Machinery and equipment	2,507,252	-	206,779	-	2,714,031
Subtotal	26,202,325	-	2,407,069	-	28,609,394
Net capital assets being depreciated	69,511,914	1,407,303	(458,958)	-	70,460,259
Net business-type capital assets	\$ 73,330,287	\$ -	\$ 2,432,125	\$ -	\$ 75,762,412

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2015

Note 3 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 379,114
Public safety	712,698
Public works	422,610
Recreation and culture	46,228
	<u>1,560,650</u>
Total governmental activities	<u>\$ 1,560,650</u>

Business-type activities:

Water and Sewer Fund	\$ 2,294,198
Brandenburg Memorial Park Fund	112,871
	<u>2,407,069</u>
Total business-type activities	<u>\$ 2,407,069</u>

Construction Commitments - The Township has active construction projects at year end. At year end, the Township's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Sanitary sewer project	\$ 930,648	\$ 413,382
Watermain projects	1,294,572	1,859,317
SAW program	139,094	265,906
OMID project	1,534,506	2,586,259
	<u>3,898,820</u>	<u>5,124,864</u>
Total	<u>\$ 3,898,820</u>	<u>\$ 5,124,864</u>

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2015

Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Nonmajor enterprise fund	\$ 75
Police Department Fund	General Fund	27
Nonmajor governmental fund	General Fund	29,783
Water and Sewer Fund	General Fund	39,568
	Fire Department Operating Fund	20,689
	Police Department Fund	<u>57,737</u>
	Total Water and Sewer Fund	<u>117,994</u>
	Total	<u>\$ 147,879</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are composed of the following:

Receivable Fund	Payable Fund	Amount
Nonmajor governmental funds	General Fund	\$ 251,379
Nonmajor enterprise fund	General Fund	534,029
	Nonmajor governmental funds	<u>35,000</u>
	Total nonmajor enterprise fund	<u>569,029</u>
	Total	<u>\$ 820,408</u>

The transfer from the General Fund to the nonmajor governmental funds represents the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations. The transfer from the General Fund to the nonmajor enterprise fund represents the use of unrestricted resources to finance Brandenburg Park fund activities, whereas the transfer from the nonmajor governmental funds to the nonmajor enterprise fund represents committed resources for parks and recreation to finance Brandenburg Park Fund activities.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2015

Note 5 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the Township) are received.

Long-term debt activity can be summarized as follows:

	Interest Rate Range	Principal Maturity Range	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds:							
Refunding Fire Station Building Bonds	2.00% - 3.00%	\$201,250 - \$290,500	\$ 2,156,000	\$ -	\$ (211,750)	\$ 1,944,250	\$ 208,250
Bond Refunding Premium	2.00% - 3.00%	\$16,151 - \$16,154	145,362	-	(16,151)	129,211	16,151
2007 Capital Improvement Bonds	4.00% - 4.15%	\$50,000 - \$100,000	1,150,000	-	(50,000)	1,100,000	75,000
Installment purchase agreements - Police building	6.00% - 6.25%	\$155,000 - \$275,000	275,000	-	(275,000)	-	-
Total bonds and notes payable			3,726,362	-	(552,901)	3,173,461	299,401
Compensated absences			670,737	647,691	(670,737)	647,691	647,691
Total governmental activities			\$ 4,397,099	\$ 647,691	\$ (1,223,638)	\$ 3,821,152	\$ 947,092

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2015

Note 5 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
General obligation bonds:							
Refunding D.P.W. Building Bonds	2.00% - 3.00%	\$373,750 - \$539,500	\$ 4,004,000	\$ -	\$ (393,250)	\$ 3,610,750	\$ 386,750
Bond Refunding Premium	2.00% - 3.00%	\$29,995 - \$29,998	269,958	-	(29,995)	239,963	29,995
Installment purchase agreements -							
Water and sewer improvements	2.25%	\$102,694 - \$122,255	244,510	-	(122,255)	122,255	122,255
Drainage District Drain Bonds:							
North Gratiot Drain	3.25% - 4.75%	\$193,636 - \$474,356	7,550,173	-	(7,253,700)	296,473	296,473
North Gratiot Drain Refunding Bonds - 2015	3.625% - 5.00%	\$276,708 - \$456,568	-	6,716,096	-	6,716,096	-
North Gratiot Interceptor - Series I	3.25% - 4.75%	\$14,257 - \$34,915	555,733	-	(533,911)	21,822	21,822
North Gratiot Drain Refunding Bonds - Series I - 2015	3.625% - 5.00%	\$20,367 - \$33,606	-	494,341	-	494,341	-
NG Bond Refunding Premium	3.625% - 5.00%	\$14,382 - \$14,386	-	258,880	-	258,880	14,382
North Gratiot Interceptor - Series 2, 3, and 4	3.25% - 4.75%	\$79,553 - \$238,659	3,688,806	-	(130,957)	3,557,849	133,404
North Gratiot Interceptor - Series 2, 3, and 4	3.25% - 4.75%	\$1,158 - \$3,474	53,690	-	(1,906)	51,784	1,942
Oakland-Macomb Interceptor - Series 2010B	2.5%	\$40,067 - \$64,474	904,813	-	(43,180)	861,633	44,363
Oakland-Macomb Interceptor - Series 2010B	1.15% - 5.9%	\$7,492 - \$20,506	229,309	-	(9,859)	219,450	10,253
Macomb Interceptor Drainage District	1.25% - 5.375%	\$199,512 - \$376,299	5,786,181	-	(206,530)	5,579,651	209,872
Oakland-Macomb Interceptor - Series 2011	2.00% - 4.50%	\$48,416 - \$77,223	1,187,632	-	(49,625)	1,138,007	50,836
Oakland-Macomb Interceptor - Series 2013	2.00%	\$110,971 - \$161,694	923,545	834,686	(110,970)	1,647,261	113,247
Oakland-Macomb Interceptor - Series 2014A	2.00% - 3.125%	\$15,262 - \$25,891	394,366	-	(15,263)	379,103	15,535
Clintondale Pump Station Improvements	2.00% - 4.50%	\$53,599 - \$191,454	2,178,401	-	(68,913)	2,109,488	76,570
State Revolving Fund Loan 2012	2.50%	\$70,000 - \$115,000	1,398,389	-	(65,000)	1,333,389	65,000
Total business-type activities			29,369,506	8,304,003	(9,035,314)	28,638,195	1,592,699
Compensated absences			83,902	77,494	(83,902)	77,494	77,494
Total business-type activities			<u>\$ 29,453,408</u>	<u>\$ 8,381,497</u>	<u>\$ (9,119,216)</u>	<u>\$ 28,715,689</u>	<u>\$ 1,670,193</u>

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 283,250	\$ 95,569	\$ 378,819	\$ 1,548,322	\$ 962,478	\$ 2,510,800
2017	278,000	88,364	366,364	1,414,919	920,422	2,335,341
2018	276,250	80,221	356,471	1,435,507	876,719	2,312,226
2019	307,750	70,711	378,461	1,629,157	826,118	2,455,275
2020	364,250	59,756	424,006	1,715,418	769,513	2,484,931
2021-2025	1,334,750	130,122	1,464,872	8,078,240	2,955,547	11,033,787
2026-2030	200,000	8,300	208,300	7,203,711	1,606,065	8,809,776
2031-2035	-	-	-	5,114,078	390,275	5,504,353
Total	<u>\$ 3,044,250</u>	<u>\$ 533,043</u>	<u>\$ 3,577,293</u>	<u>\$ 28,139,352</u>	<u>\$ 9,307,137</u>	<u>\$ 37,446,489</u>

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2015

Note 6 - Restricted Assets

Specific assets of the Water and Sewer Fund have been restricted for debt service, and construction and maintenance. Restricted assets at December 31, 2015 consist of cash and cash equivalents and money held on deposit with other governmental units and are reserved in accordance with the water and sewer bond ordinance requirements. The following is the detail of restricted assets at December 31, 2015:

Restricted assets from bond ordinance:

Cash and cash equivalents - Debt service	\$ 2,907,835
Cash held at County for construction and maintenance	<u>651,743</u>
Total Water and Sewer Fund restricted assets	<u>\$ 3,559,578</u>

Note 7 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical claims and participates in the Michigan Municipal League Risk Pool for claims relating to workers' compensation and participates in the Michigan Townships Participating Plan for claims relating to property and general liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Note 8 - Pension Plan

Plan Description - The Township participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS or MERS of Michigan) that covers all full-time employees of the Township. MERS was established as a state-wide public employee pension plan by the Michigan legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmichigan.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2015

Note 8 - Pension Plan (Continued)

Benefits Provided - The Plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers all union and nonunion full time employees segregated by the groups as outlined below.

Retirement benefits for general employees are calculated as 2.00 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 50 with 25 years of service. Vesting period is six years. Employees are eligible for non-duty disability benefits after six years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. An employees who leaves service may withdraw his or her contributions plus any accumulated interest.

Retirement benefits for police patrol employees are calculated as 2.25 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 50 with 25 years of service. Vesting period is 10 years. Employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Retirement benefits for police command employees are calculated as 2.25 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 50 with 25 years of service. Vesting period is 10 years. Employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Employees Covered by Benefit Terms - At the December 31, 2014 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	42
Inactive plan members entitled to but not yet receiving benefits	13
Active plan members	146
	<hr/>
Total employees covered by MERS	201

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2015

Note 8 - Pension Plan (Continued)

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

For general employees, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. Employees are required to contribute 2.00 percent of compensation. The Township makes employer contributions in accordance with funding requirements determined by the system's actuary. The Township's current rate is 9.89 percent of annual covered payroll.

For police patrol employees, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. Employees are required to contribute 4.50 percent of compensation. The Township makes employer contributions in accordance with funding requirements determined by the system's actuary. The Township's current rate is 12.49 percent of annual covered payroll.

For police command employees, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. Employees are required to contribute 4.50 percent of compensation. The Township makes employer contributions in accordance with funding requirements determined by the system's actuary. The Township's current rate is 16.41 percent of annual covered payroll.

Net Pension Liability

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

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2015

Note 8 - Pension Plan (Continued)

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2014	\$ 28,729,979	\$ 21,615,230	\$ 7,114,749
Service cost	775,853	-	775,853
Interest	2,361,993	-	2,361,993
Contributions - Employer	-	1,176,363	(1,176,363)
Contributions - Employee	-	598,677	(598,677)
Net investment income	-	1,383,459	(1,383,459)
Benefit payments, including refunds	(975,371)	(975,371)	-
Administrative expenses	-	(51,236)	51,236
Net changes	2,162,475	2,131,892	30,583
Balance at December 31, 2015	<u>\$ 30,892,454</u>	<u>\$ 23,747,122</u>	<u>\$ 7,145,332</u>

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended December 31, 2015, the Township recognized pension expense of \$862,409. At December 31, 2015, the Township reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 344,536
Employer contributions to the plan subsequent to the measurement date	1,407,694
Total	<u>\$ 1,752,230</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$1,407,694), which will impact the net pension liability in fiscal year 2016, rather than pension expense.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2015

Note 8 - Pension Plan (Continued)

<u>Years Ending December 31</u>	<u>Amount</u>
2016	\$ 86,134
2017	86,134
2018	86,134
2019	86,134

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

Inflation	3 % - 4 %
Salary increases	4.50 % In the long term, 1 percent, 2 percent, and 3 percent for calendar years 2014, 2015, and 2016, respectively, including inflation
Investment rate of return	8.25 % Net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period from January 1, 2009 through December 31, 2013.

Discount Rate - The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

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

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2015

Note 8 - Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2014, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Global equity	58 %	5.00 %
Global fixed income	20 %	2.20 %
Real assets	12 %	4.20 %
Diversifying strategies	10 %	6.60 %

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Township, calculated using the discount rate of 8.25 percent, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.25 percent) or 1 percentage point higher (9.25 percent) than the current rate:

	1 Percent Decrease (7.25%)	Current Discount Rate (8.25%)	1 Percent Increase (9.25%)
Net pension liability of the Township	\$ 11,084,843	\$ 7,145,332	\$ 3,845,826

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position has been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2015

Note 9 - Other Postemployment Benefits

Plan Description - The Township provides postretirement benefits other than pension benefits to all full time employees of the Township through the Chesterfield Township Retiree Health Care Plan. These benefits include certain healthcare and life insurance benefits. All employees with 15 years of service and who are at least 55 years old at retirement are eligible to receive these benefits. This plan is an agent-sponsored multiple employer plan administered by the Michigan Municipal Employees' Retirement System. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the System for these employees was established by negotiation with the Township's collective bargaining units. The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). However, as shown below, the Township has made contributions to advance-fund these benefits, as determined by the board of trustees through annual budget resolutions. Currently, the retirees are not required to contribute.

Funding Progress - For the year ended December 31, 2015, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2014. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 1,111,838
Interest on the prior year's net OPEB asset	(116,507)
Plus adjustment to the annual required contribution	<u>77,695</u>
Annual OPEB cost	1,073,026
Amounts contributed:	
Payments of current premiums	547,986
Advance funding	<u>1,927,440</u>
Total contributed	2,475,426
Increase in net OPEB asset	1,402,400
OPEB asset - Beginning of year	<u>1,456,340</u>
OPEB asset - End of year	<u>\$ 2,858,740</u>

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2015

Note 9 - Other Postemployment Benefits (Continued)

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and prior year were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage Contributed	Net OPEB Asset
12/31/13	12/31/10	\$ 1,741,007	116.7	\$ 974,001
12/31/14	12/31/10	1,792,226	126.9	1,456,340
12/31/15	12/31/14	1,073,026	230.7	2,858,740

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Annual Covered Payroll (c)	Ratio of UAAL to Covered Payroll
12/31/08	\$ 2,392,850	\$ 15,120,552	\$ 12,727,702	15.8 %	\$ 9,680,329	131.5
12/31/10	5,721,742	22,094,781	16,373,039	25.9	8,818,977	185.7
12/31/14	14,678,963	24,377,074	9,698,111	60.2	9,452,094	102.2

Actuarial Methods and Assumptions - The valuations used the entry age normal cost method. Significant actuarial assumptions used include (a) an 7.5 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using a market value approach. The unfunded actuarial accrued liability is amortized as a level of percent of active member payroll over a period of 30 years.

Note 10 - Change in Accounting

During the current year, the Township adopted GASB statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. As a result, the government-wide statements and the proprietary funds now include a liability for our unfunded legacy costs. Some of the changes in this net pension liability will be recognized immediately as part of the pension expense measurement, and part will be deferred and recognized over future years. Refer to the pension note for further details. This change does not impact the General Fund or any other governmental fund.

The financial statements for the year ended December 31, 2015 have been restated in order to reflect this change in accounting. Under GASB Statement Nos. 68 and 71, the Township is now reflecting a liability for the difference between the total pension liability and the value of assets to offset the liability.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2015

Note 10 - Change in Accounting (Continued)

The effect of this change is as follows:

	Governmental Activities	Business-type Activities	Sewer and Water Operations Fund
Net position - December 31, 2014 - As previously reported	\$ 37,601,965	\$ 60,906,868	\$ 58,094,251
Previous net pension asset	(1,510,628)	(205,995)	(205,995)
Net pension liability	<u>(5,475,552)</u>	<u>(462,834)</u>	<u>(462,834)</u>
Net position - December 31, 2014 - As restated	<u>\$ 30,615,785</u>	<u>\$ 60,238,039</u>	<u>\$ 57,425,422</u>

Note 11 - Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the Township's 2016 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Township to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Chesterfield Township Retiree Health Care Plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2018.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2015

Note 11 - Upcoming Accounting Pronouncements (Continued)

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement will require governments to disclose in their financial statements information related to tax abatement agreements. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016 fiscal year.

Required Supplemental Information

Charter Township of Chesterfield

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,176,960	\$ 1,176,960	\$ 1,170,100	\$ (6,860)
Licenses and permits	34,760	34,760	36,795	2,035
State-shared revenue	3,400,000	3,400,000	3,374,464	(25,536)
Charges for services	1,450,028	1,450,028	1,436,811	(13,217)
Investment income	17,201	17,201	21,995	4,794
Rental income	389,540	389,540	493,707	104,167
Other revenue	796,808	796,808	941,578	144,770
Total revenue	7,265,297	7,265,297	7,475,450	210,153
Expenditures				
Current:				
General government:				
Township board	46,200	46,200	64,872	(18,672)
Township supervisor	123,370	123,370	145,443	(22,073)
Accounting	261,600	261,600	253,566	8,034
Planning commission	41,070	41,070	35,671	5,399
Zoning Board of Appeals	7,970	7,970	6,512	1,458
Treasurer	332,740	332,740	320,992	11,748
Assessing	398,110	398,110	396,235	1,875
Board of review	2,750	2,750	434	2,316
Clerk	251,510	251,510	272,530	(21,020)
Elections	104,650	104,650	118,656	(14,006)
Buildings and grounds	1,091,530	1,091,530	895,149	196,381
Human resources	83,345	83,345	83,486	(141)
Planning and zoning administration	140,375	140,375	112,143	28,232
General administration	2,359,000	2,359,000	2,276,987	82,013
Anchor Bay Harbor storm sewer	53,500	53,500	12,184	41,316
Total general government	5,297,720	5,297,720	4,994,860	302,860
Streets, sidewalks, and drains	276,330	276,330	236,389	39,941
Recreation and culture	630,712	630,712	551,908	78,804
Capital outlay	425,000	425,000	130,412	294,588
Debt service	379,540	379,540	379,531	9
Total expenditures	7,009,302	7,009,302	6,293,100	716,202
Excess of Revenue Over Expenditures	255,995	255,995	1,182,350	926,355
Other Financing Uses - Transfers out	(1,500,670)	(1,500,670)	(785,408)	715,262
Net Change in Fund Balance	(1,244,675)	(1,244,675)	396,942	1,641,617
Fund Balance - Beginning of year	11,010,722	11,010,722	11,010,722	-
Fund Balance - End of year	\$ 9,766,047	\$ 9,766,047	\$ 11,407,664	\$ 1,641,617

Charter Township of Chesterfield

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Police Department Fund Year Ended December 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 6,693,630	\$ 6,693,630	\$ 6,673,312	\$ (20,318)
Charges for services	518,000	518,000	475,991	(42,009)
Fines and forfeitures	75,000	75,000	96,836	21,836
Investment income	10,000	10,000	6,387	(3,613)
Other revenue	84,000	84,000	183,749	99,749
Total revenue	7,380,630	7,380,630	7,436,275	55,645
Expenditures - Current - Public safety	7,741,180	7,741,180	8,535,862	(794,682)
Excess of Expenditures Over Revenue	(360,550)	(360,550)	(1,099,587)	(739,037)
Other Financing Sources				
Proceeds from sale of capital assets	8,000	8,000	14,676	6,676
Transfers in	352,550	352,550	-	(352,550)
Total other financing sources	360,550	360,550	14,676	(345,874)
Net Change in Fund Balance	-	-	(1,084,911)	(1,084,911)
Fund Balance - Beginning of year	1,500,127	1,500,127	1,500,127	-
Fund Balance - End of year	<u>\$ 1,500,127</u>	<u>\$ 1,500,127</u>	<u>\$ 415,216</u>	<u>\$ (1,084,911)</u>

Charter Township of Chesterfield

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Department Operating Fund Year Ended December 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 3,992,180	\$ 3,992,180	\$ 3,976,859	\$ (15,321)
Investment income	3,000	3,000	5,822	2,822
Other revenue	27,000	27,000	30,505	3,505
Total revenue	4,022,180	4,022,180	4,013,186	(8,994)
Expenditures - Current - Public safety	3,319,730	3,319,730	3,178,695	141,035
Net Change in Fund Balance	702,450	702,450	834,491	132,041
Fund Balance - Beginning of year	561,116	561,116	561,116	-
Fund Balance - End of year	<u>\$ 1,263,566</u>	<u>\$ 1,263,566</u>	<u>\$ 1,395,607</u>	<u>\$ 132,041</u>

Charter Township of Chesterfield

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Department Equipment Fund Year Ended December 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 725,790	\$ 725,790	\$ 723,432	\$ (2,358)
Investment income	7,500	7,500	10,383	2,883
Total revenue	733,290	733,290	733,815	525
Expenditures - Current - Public safety	1,268,950	1,268,950	882,545	386,405
Excess of Expenditures Over Revenue	(535,660)	(535,660)	(148,730)	386,930
Other Financing Sources -				
Proceeds from sale of capital assets	-	-	6,546	6,546
Net Change in Fund Balance	(535,660)	(535,660)	(142,184)	393,476
Fund Balance - Beginning of year	6,185,885	6,185,885	6,185,885	-
Fund Balance - End of year	<u>\$ 5,650,225</u>	<u>\$ 5,650,225</u>	<u>\$ 6,043,701</u>	<u>\$ 393,476</u>

Charter Township of Chesterfield

Required Supplemental Information Schedule of Funding Progress - OPEB Year Ended December 31, 2015

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/08	\$ 2,392,850	\$ 15,120,552	\$ 12,727,702	15.8	\$ 9,680,329	131.5
12/31/10	5,721,742	22,094,781	16,373,039	25.9	8,818,977	185.7
12/31/14	14,678,963	24,337,074	9,658,111	60.2	9,452,094	102.2

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
12/31/13	12/31/10	\$ 1,759,202	116.7
12/31/14	12/31/10	1,818,184	126.9
12/31/15	12/31/14	1,111,838	230.7

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2014, the latest actuarial valuation, follows:

Amortization method	Level percent
Amortization period (perpetual)	30 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	4.5%
*Includes inflation at	4.5%
Cost of living adjustments	None

Charter Township of Chesterfield

Required Supplemental Information Schedule of Changes in the Net Pension Liability and Related Ratios Last Ten Fiscal Years

	<u>2015</u>
Total Pension Liability	
Service cost	\$ 775,853
Interest	2,361,993
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds	<u>(975,371)</u>
Net change in total pension liability	2,162,475
Total pension liability - Beginning of year	<u>28,729,979</u>
Total pension liability - End of year	<u>\$ 30,892,454</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 1,176,363
Contributions - Member	598,677
Net investment income	1,383,459
Administrative expenses	(51,236)
Benefit payments, including refunds	(975,371)
Other	<u>-</u>
Net change in plan fiduciary net position	2,131,892
Plan fiduciary net position - Beginning of year	<u>21,615,230</u>
Plan fiduciary net position - End of year	<u>\$ 23,747,122</u>
Township's net pension liability - Ending	<u>\$ 7,145,332</u>
Plan fiduciary net position as a % of total pension liability	76.87 %
Covered employee payroll	\$ 8,349,251
Township's net pension liability as a % of covered employee payroll	85.6 %

Charter Township of Chesterfield

Required Supplemental Information Schedule of Pension Contributions Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 975,401	\$ 796,974	\$ 844,706	\$ 846,365	\$ 1,040,372	\$ 983,952	\$ 852,980	\$ 1,060,005	\$ 697,679	\$ 460,980
Contributions in relation to the actuarially determined contribution	1,403,525	1,234,651	1,289,295	1,296,590	1,433,883	983,952	852,980	1,060,005	697,679	460,980
Contribution excess	<u>\$ (428,124)</u>	<u>\$ (437,677)</u>	<u>\$ (444,589)</u>	<u>\$ (450,225)</u>	<u>\$ (393,511)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 8,349,251	\$ 8,011,355	\$ 8,710,926	\$ 8,898,872	\$ 8,818,977	\$ 9,184,765	\$ 9,680,239	\$ 9,471,108	\$ 5,615,845	\$ 5,149,977
Contributions as a percentage of covered employee payroll	16.8 %	15.4 %	14.8 %	14.6 %	16.3 %	10.7 %	8.8 %	11.2 %	12.4 %	9.0 %

Notes to Schedule of Township Contributions

Actuarial valuation information relative to the determination of contributions:

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported. Contributions for the Township's fiscal year ended December 31, 2015 were determined based on the actuarial valuation as of December 31, 2013. The most recent valuation is as of December 31, 2014.

Valuation Date

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry age
Amortization method	Level percent
Remaining amortization period	24 years
Asset valuation method	10-year smoothed market
Inflation	4.5%
Salary increases	4.5%
Investment rate of return	8.0%
Retirement age	Experience-based table of rates is specific to the type of eligibility condition
Mortality	1994 Group Annuity Mortality Table of a 50 percent male and 50 female blend
Other information	None

Charter Township of Chesterfield

Note to Required Supplemental Information Year Ended December 31, 2015

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end; encumbrances are not included as expenditures. During the year, the budget was amended in a legally permissible manner.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before September 1, the Township supervisor, finance department, and respective department heads prepare a proposed operating budget for the fiscal year commencing January 1 and submit it to the board. One to two study sessions are held at an open meeting with the board in order to answer any questions. The budget must be adopted through a passage of a budget resolution no later than the last board meeting in December.
2. Public hearings are conducted to obtain citizen comments.
3. The legislative budget is adopted by fund on a departmental basis. Line item detail is provided as a general guideline. Throughout the year, the board receives requests to amend the activity budget. All amendments by departments must be approved by a vote of the Township Board.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Township had the following expenditures over budget:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Township Board	\$ 46,200	\$ 64,872	\$ (18,672)
Township supervisor	123,370	145,443	(22,073)
Clerk	251,510	272,530	(21,020)
Elections	104,650	118,656	(14,006)
Human resources	83,345	83,486	(141)
Police Department Fund - Public safety	7,741,180	8,535,862	(794,682)

The budget overages related to unanticipated expenditures and transfers in which the budget was not amended.

Other Supplemental Information

Charter Township of Chesterfield

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds December 31, 2015

	Special Revenue Funds		
	Building Inspection Fund	Parks and Recreation Fund	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 8,429	\$ 419,811	\$ 428,240
Receivables - Net - Accrued interest	-	139	139
Due from other funds	29,783	-	29,783
Prepaid expenses	23,278	2,631	25,909
	\$ 61,490	\$ 422,581	\$ 484,071
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 24,936	\$ 46,150	\$ 71,086
Accrued liabilities and other	13,276	-	13,276
	38,212	46,150	84,362
Fund Balances			
Nonspendable - Prepaids	23,278	2,631	25,909
Committed - Parks and recreation	-	373,800	373,800
	23,278	376,431	399,709
	\$ 61,490	\$ 422,581	\$ 484,071

Charter Township of Chesterfield

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended December 31, 2015

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Building Inspection Fund	Parks and Recreation Fund	
Revenue			
Licenses and permits	\$ 744,630	\$ -	\$ 744,630
Charges for services	-	251,845	251,845
Investment income	-	458	458
Other revenue	31,719	9,433	41,152
Total revenue	776,349	261,736	1,038,085
Expenditures			
Current:			
Public safety	982,158	-	982,158
Recreation and culture	-	214,254	214,254
Capital outlay	36,900	-	36,900
Total expenditures	1,019,058	214,254	1,233,312
Excess of Revenue (Under) Over Expenditures	(242,709)	47,482	(195,227)
Other Financing Sources (Uses)			
Transfers in	251,379	-	251,379
Transfers out	-	(35,000)	(35,000)
Total other financing sources (uses)	251,379	(35,000)	216,379
Net Change in Fund Balances	8,670	12,482	21,152
Fund Balances - Beginning of year	14,608	363,949	378,557
Fund Balances - End of year	\$ 23,278	\$ 376,431	\$ 399,709