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# Charter Township of Chesterfield

Macomb County, Michigan

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**Financial Report**  
**with Supplemental Information**  
**December 31, 2018**

|   |       |
|---|-------|
| <b>Independent Auditor's Report</b>   | 1-2   |
| <b>Management's Discussion and Analysis</b>   | 3-5   |
| <b>Basic Financial Statements</b>   |       |
| Government-wide Financial Statements:   |       |
| Statement of Net Position   | 6     |
| Statement of Activities   | 7-8   |
| Fund Financial Statements:  |       |
| Governmental Funds:   |       |
| Balance Sheet   | 9     |
| Reconciliation of the Balance Sheet to the Statement of Net Position  | 10    |
| Statement of Revenue, Expenditures, and Changes in Fund Balances  | 11    |
| Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities | 12    |
| Proprietary Funds:  |       |
| Statement of Net Position   | 13    |
| Statement of Revenue, Expenses, and Changes in Net Position   | 14    |
| Statement of Cash Flows   | 15-16 |
| Fiduciary Funds - Statement of Fiduciary Assets and Liabilities   | 17    |
| Notes to Financial Statements   | 18-38 |
| <b>Required Supplemental Information</b>  | 39    |
| Budgetary Comparison Schedule - General Fund  | 40    |
| Budgetary Comparison Schedule - Major Special Revenue Fund  | 41    |
| Schedule of Changes in the Net Pension Liability and Related Ratios   | 42    |
| Schedule of Pension Contributions   | 43    |
| Schedule of Changes in the Net OPEB Liability and Related Ratios  | 44    |
| Schedule of OPEB Contributions  | 45    |
| Notes to Required Supplemental Information  | 46    |
| <b>Other Supplemental Information</b>   | 47    |
| Nonmajor Governmental Funds:  |       |
| Combining Balance Sheet   | 48    |
| Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  | 49    |

## **Independent Auditor's Report**

To the Board of Trustees  
Charter Township of Chesterfield

### **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 (the "Township") as of and for the year ended December 31, 2018 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2018 and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Emphasis of Matter***

As discussed in Note 12 to the financial statements, during the year ended December 31, 2018, the Township adopted new accounting guidance of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which establishes accounting and financial reporting standards for postemployment benefits other than pensions provided to the employees of state and local governments. Our opinion is not modified with respect to this matter.

To the Board of Trustees  
Charter Township of Chesterfield

**Other Matters**

*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, 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 an opinion 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 the purpose of additional analysis and is not a required part of the basic financial statements.

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

*Plante & Moran, PLLC*

May 22, 2019

# 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, 2018. 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 the reader 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 fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

### Township's Net Position

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                |                      |
|---------------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|                                       | 2018                    | 2017                 | 2018                     | 2017                 | 2018                 | 2017                 |
| <b>Assets</b>                         |                         |                      |                          |                      |                      |                      |
| Current and other assets              | \$ 34,803,631           | \$ 38,327,775        | \$ 18,085,968            | \$ 18,359,827        | \$ 52,889,599        | \$ 56,687,602        |
| Capital assets                        | 19,077,039              | 19,770,260           | 77,436,615               | 78,587,238           | 96,513,654           | 98,357,498           |
| Total assets                          | 53,880,670              | 58,098,035           | 95,522,583               | 96,947,065           | 149,403,253          | 155,045,100          |
| <b>Deferred Outflows of Resources</b> | 4,032,968               | 3,586,255            | 520,469                  | 486,548              | 4,553,437            | 4,072,803            |
| <b>Liabilities</b>                    |                         |                      |                          |                      |                      |                      |
| Current liabilities                   | 569,049                 | 801,140              | 3,252,132                | 3,027,231            | 3,821,181            | 3,828,371            |
| Noncurrent liabilities                | 20,761,150              | 12,332,739           | 32,723,822               | 33,167,075           | 53,484,972           | 45,499,814           |
| Total liabilities                     | 21,330,199              | 13,133,879           | 35,975,954               | 36,194,306           | 57,306,153           | 49,328,185           |
| <b>Deferred Inflows of Resources</b>  | 14,448,048              | 13,229,221           | 73,649                   | 23,255               | 14,521,697           | 13,252,476           |
| <b>Net Position</b>                   |                         |                      |                          |                      |                      |                      |
| Net investment in capital assets      | 16,789,531              | 17,190,351           | 49,027,553               | 48,372,154           | 65,817,084           | 65,562,505           |
| Restricted                            | 9,622,363               | 8,597,714            | 3,493,836                | 1,898,667            | 13,116,199           | 10,496,381           |
| Unrestricted                          | (4,276,503)             | 9,533,125            | 7,472,060                | 10,945,231           | 3,195,557            | 20,478,356           |
| Total net position                    | <b>\$ 22,135,391</b>    | <b>\$ 35,321,190</b> | <b>\$ 59,993,449</b>     | <b>\$ 61,216,052</b> | <b>\$ 82,128,840</b> | <b>\$ 96,537,242</b> |

Note: The Township implemented GASB Statement No. 75 in fiscal year 2018. Fiscal year 2017 amounts have not been modified to reflect the retroactive application of the change; however, the ending net position for that year was adjusted to property state the fiscal year 2018 beginning net position.

## Charter Township of Chesterfield

### Management's Discussion and Analysis (Continued)

The Township's combined net position increased by \$317,428 from a year ago, resulting in a total net position of \$82,128,840 at December 31, 2018. 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 \$(360,368) for the governmental activities. This represents a decrease of approximately 1.6 percent. The current level of unrestricted net position for our governmental activities stands at \$(4,276,503), or about (19.2) percent of expenses. Taking a look at the business-type activities, unrestricted net position decreased by \$3,473,171 related primarily to the implementation of GASB 75. This represents a decrease of approximately 31.7 percent.

#### **Township's Changes in Net Position**

|   | Governmental Activities |                      | Business-type Activities |                      | Total                |                      |
|---|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|   | 2018                    | 2017                 | 2018                     | 2017                 | 2018                 | 2017                 |
| <b>Revenue</b>                          |                         |                      |                          |                      |                      |                      |
| Program revenue:                        |                         |                      |                          |                      |                      |                      |
| Charges for services                    | \$ 3,181,604            | \$ 3,595,010         | \$ 15,241,494            | \$ 14,235,937        | \$ 18,423,098        | \$ 17,830,947        |
| Operating grants                        | 228,575                 | 287,082              | -                        | -                    | 228,575              | 287,082              |
| Capital grants                          | 550,011                 | 892,556              | 1,284,973                | 2,427,845            | 1,834,984            | 3,320,401            |
| General revenue:                        |                         |                      |                          |                      |                      |                      |
| Property taxes                          | 12,962,552              | 13,117,606           | -                        | -                    | 12,962,552           | 13,117,606           |
| State-shared revenue                    | 3,832,491               | 3,720,786            | -                        | -                    | 3,832,491            | 3,720,786            |
| Investment income                       | 244,333                 | 123,835              | 105,166                  | 52,067               | 349,499              | 175,902              |
| Other revenue                           | 917,125                 | 842,668              | (164)                    | -                    | 916,961              | 842,668              |
| Total revenue                           | 21,916,691              | 22,579,543           | 16,631,469               | 16,715,849           | 38,548,160           | 39,295,392           |
| <b>Expenses</b>                         |                         |                      |                          |                      |                      |                      |
| General government                      | 5,469,226               | 5,249,831            | -                        | -                    | 5,469,226            | 5,249,831            |
| Public safety                           | 15,028,656              | 14,245,625           | -                        | -                    | 15,028,656           | 14,245,625           |
| Public works                            | 819,920                 | 588,184              | -                        | -                    | 819,920              | 588,184              |
| Community and economic development      | 103,042                 | 35,747               | -                        | -                    | 103,042              | 35,747               |
| Recreation and culture                  | 794,404                 | 1,037,532            | -                        | -                    | 794,404              | 1,037,532            |
| Debt service                            | 61,811                  | 70,401               | -                        | -                    | 61,811               | 70,401               |
| Water and sewer                         | -                       | -                    | 15,709,484               | 15,804,846           | 15,709,484           | 15,804,846           |
| Brandenburg Park                        | -                       | -                    | 244,189                  | 246,206              | 244,189              | 246,206              |
| Total expenses                          | 22,277,059              | 21,227,320           | 15,953,673               | 16,051,052           | 38,230,732           | 37,278,372           |
| <b>Change in Net Position</b>           | (360,368)               | 1,352,223            | 677,796                  | 664,797              | 317,428              | 2,017,020            |
| <b>Net Position - Beginning of year</b> | 22,495,759              | 33,968,967           | 59,315,653               | 60,551,255           | 81,811,412           | 94,520,222           |
| <b>Net Position - End of year</b>       | <b>\$ 22,135,391</b>    | <b>\$ 35,321,190</b> | <b>\$ 59,993,449</b>     | <b>\$ 61,216,052</b> | <b>\$ 82,128,840</b> | <b>\$ 96,537,242</b> |

Note: The Township implemented GASB Statement No. 75 in fiscal year 2018. Fiscal year 2017 amounts have not been modified to reflect the retroactive application of the change; however, the ending net position for that year was adjusted to property state the fiscal year 2018 beginning net position.

Property taxes are the primary source of revenue for the governmental activities, providing approximately 59.1 percent of total revenue. State-shared revenue provides another 17.5 percent and charges for services provided 14.5 percent, leaving just 8.9 percent being provided by all other sources.

# **Charter Township of Chesterfield**

## **Management's Discussion and Analysis (Continued)**

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### **The Township's Funds**

Our analysis of the Township's major funds begins on page 9, 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 2018 include the General Fund and the Public Safety Fund.

The General Fund pays for a majority of the Township's governmental services. The General Fund ended 2018 with a fund balance of \$10,370,446. Revenue increased by \$83,591 due primarily to an increase in state-shared revenue that was partially offset by a decrease in charges for services. Expenditures increased by \$123,701 due to employee-related costs.

The Public Safety Fund is funded by a special assessment. These funds are expended exclusively for the operations of the police and fire departments. The Public Safety Fund ended 2018 with a fund balance of \$9,622,363. Revenue and expenditures for 2018 were \$12,771,453 and \$13,424,362, respectively.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township amended the budget to take into account unanticipated events during the year. The most significant budget amendments related to reallocation of departmental medical expenses from their respective budgeted line items to the general and administrative line, and an amendment to reduce budgeted capital outlay for planned projects that were not started before the end of the year. Actual revenue was above budgeted revenue by 1.3 percent. Actual expenditures were 4.0 percent below budget. The Township completed the year with actual revenue over expenditures in the General Fund of \$901,784 as compared to the budgeted amount of \$545,319, a positive variance of \$356,465.

### **Capital Assets and Debt Administration**

At the end of 2018, the Township had \$96,513,654 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, MI 48047.

# Charter Township of Chesterfield

## Statement of Net Position

December 31, 2018

|  | Primary Government      |                          |               | Component Unit                   |
|--|-------------------------|--------------------------|---------------|----------------------------------|
|  | Governmental Activities | Business-type Activities | Total         | Economic Development Corporation |
| <b>Assets</b>                                  |                         |                          |               |                                  |
| Cash and investments (Note 3)                  | \$ 27,332,475           | \$ 10,990,155            | \$ 38,322,630 | \$ 2,271                         |
| Receivables - Net:                             |                         |                          |               |                                  |
| Property taxes receivable                      | 5,965,026               | -                        | 5,965,026     | -                                |
| Special assessments receivable                 | 1,256                   | -                        | 1,256         | -                                |
| Receivables from sales to customers on account | -                       | 3,135,165                | 3,135,165     | -                                |
| Accrued interest receivable                    | 76,979                  | 53,083                   | 130,062       | -                                |
| Other receivables                              | 114,301                 | -                        | 114,301       | -                                |
| Due from other governmental units              | 961,232                 | 55,352                   | 1,016,584     | -                                |
| Internal balances (Note 5)                     | 35,043                  | (35,043)                 | -             | -                                |
| Inventory                                      | -                       | 324,163                  | 324,163       | -                                |
| Prepaid expenses and deposits                  | 317,319                 | 69,257                   | 386,576       | -                                |
| Restricted assets (Note 7)                     | -                       | 3,493,836                | 3,493,836     | -                                |
| Capital assets: (Note 4)                       |                         |                          |               |                                  |
| Assets not subject to depreciation             | 3,640,505               | 846,744                  | 4,487,249     | -                                |
| Assets subject to depreciation - Net           | 15,436,534              | 76,589,871               | 92,026,405    | -                                |
| Total assets                                   | 53,880,670              | 95,522,583               | 149,403,253   | 2,271                            |
| <b>Deferred Outflows of Resources</b>          |                         |                          |               |                                  |
| Deferred pension costs (Note 9)                | 2,205,781               | 254,540                  | 2,460,321     | -                                |
| Deferred OPEB costs (Note 10)                  | 1,827,187               | 265,929                  | 2,093,116     | -                                |
| Total deferred outflows of resources           | 4,032,968               | 520,469                  | 4,553,437     | -                                |
| <b>Liabilities</b>                             |                         |                          |               |                                  |
| Accounts payable                               | 389,844                 | 1,949,897                | 2,339,741     | -                                |
| Accrued liabilities and other                  | 179,205                 | 276,954                  | 456,159       | -                                |
| Unearned revenue                               | -                       | 1,025,281                | 1,025,281     | -                                |
| Noncurrent liabilities:                        |                         |                          |               |                                  |
| Due within one year: (Note 6)                  |                         |                          |               |                                  |
| Payable from restricted assets                 | -                       | 1,806,020                | 1,806,020     | -                                |
| Compensated absences                           | 777,789                 | 118,150                  | 895,939       | -                                |
| Current portion of long-term debt              | 323,901                 | -                        | 323,901       | -                                |
| Due in more than one year:                     |                         |                          |               |                                  |
| Net pension liability (Note 9)                 | 7,620,893               | 924,281                  | 8,545,174     | -                                |
| Net OPEB liability (Note 10)                   | 10,074,960              | 1,466,309                | 11,541,269    | -                                |
| Long-term debt (Note 6)                        | 1,963,607               | 28,409,062               | 30,372,669    | -                                |
| Total liabilities                              | 21,330,199              | 35,975,954               | 57,306,153    | -                                |
| <b>Deferred Inflows of Resources</b>           |                         |                          |               |                                  |
| Property taxes levied for the following year   | 13,727,711              | -                        | 13,727,711    | -                                |
| Deferred pension cost reductions (Note 9)      | 720,337                 | 73,649                   | 793,986       | -                                |
| Total deferred inflows of resources            | 14,448,048              | 73,649                   | 14,521,697    | -                                |
| <b>Net Position</b>                            |                         |                          |               |                                  |
| Net investment in capital assets               | 16,789,531              | 49,027,553               | 65,817,084    | -                                |
| Restricted:                                    |                         |                          |               |                                  |
| Public safety                                  | 5,101,058               | -                        | 5,101,058     | -                                |
| Fire equipment                                 | 4,521,305               | -                        | 4,521,305     | -                                |
| Debt service                                   | -                       | 2,834,562                | 2,834,562     | -                                |
| Water and sewer construction and maintenance   | -                       | 659,274                  | 659,274       | -                                |
| Unrestricted                                   | (4,276,503)             | 7,472,060                | 3,195,557     | 2,271                            |
| Total net position                             | \$ 22,135,391           | \$ 59,993,449            | \$ 82,128,840 | \$ 2,271                         |

# 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                                 | \$ 5,469,226                | \$ 950,356                  | \$ 17,532                          | \$ -                             |
| Public safety                                      | 15,028,656                  | 1,839,836                   | 78,123                             | -                                |
| Public works                                       | 819,920                     | 95,250                      | -                                  | 550,011                          |
| Community and economic development                 | 103,042                     | -                           | 103,042                            | -                                |
| Recreation and culture                             | 794,404                     | 296,162                     | 29,878                             | -                                |
| Interest on long-term debt                         | 61,811                      | -                           | -                                  | -                                |
| Total governmental activities                      | <u>22,277,059</u>           | <u>3,181,604</u>            | <u>228,575</u>                     | <u>550,011</u>                   |
| Business-type activities:                          |                             |                             |                                    |                                  |
| Sewer and Water Operations Fund                    | 15,709,484                  | 15,100,051                  | -                                  | 1,284,973                        |
| Brandenburg Park Fund                              | 244,189                     | 141,443                     | -                                  | -                                |
| Total business-type activities                     | <u>15,953,673</u>           | <u>15,241,494</u>           | <u>-</u>                           | <u>1,284,973</u>                 |
| Total primary government                           | <u><b>\$ 38,230,732</b></u> | <u><b>\$ 18,423,098</b></u> | <u><b>\$ 228,575</b></u>           | <u><b>\$ 1,834,984</b></u>       |
| Component units - Economic Development Corporation | <u><b>\$ 450</b></u>        | <u><b>\$ -</b></u>          | <u><b>\$ -</b></u>                 | <u><b>\$ -</b></u>               |

General revenue:  
 Property taxes  
 State-shared revenue  
 Investment income  
 Cable franchise fees  
 Gain (loss) on sale of capital assets  
 Other miscellaneous income

Total general revenue

### Change in Net Position

**Net Position** - Beginning of year, as restated (Note 12)

**Net Position** - End of year

## Statement of Activities

Year Ended December 31, 2018

| Net (Expense) Revenue and Changes in Net Position |                             |                      |  |  |
|---|-----------------------------|----------------------|--|--|
| Primary Government                                |                             |                      |  |  |
| Governmental<br>Activities                        | Business-type<br>Activities | Total                | Component Unit<br>- Economic<br>Development<br>Corporation |  |
| \$ (4,501,338)                                    | \$ -                        | \$ (4,501,338)       | \$ -   |  |
| (13,110,697)                                      | -                           | (13,110,697)         | -  |  |
| (174,659)   | -                           | (174,659)            | -  |  |
| -   | -                           | -                    | -  |  |
| (468,364)   | -                           | (468,364)            | -  |  |
| (61,811)  | -                           | (61,811)             | -  |  |
| (18,316,869)                                      | -                           | (18,316,869)         | -  |  |
| -   | 675,540                     | 675,540              | -  |  |
| -   | (102,746)                   | (102,746)            | -  |  |
| -   | 572,794                     | 572,794              | -  |  |
| (18,316,869)                                      | 572,794                     | (17,744,075)         | -  |  |
| -   | -                           | -                    | (450)  |  |
| 12,962,552  | -                           | 12,962,552           | -  |  |
| 3,832,491   | -                           | 3,832,491            | -  |  |
| 244,333   | 105,166                     | 349,499              | -  |  |
| 751,145   | -                           | 751,145              | -  |  |
| 66,357  | (164)                       | 66,193               | -  |  |
| 99,623  | -                           | 99,623               | -  |  |
| 17,956,501  | 105,002                     | 18,061,503           | -  |  |
| (360,368)   | 677,796                     | 317,428              | (450)  |  |
| 22,495,759  | 59,315,653                  | 81,811,412           | 2,721  |  |
| <b>\$ 22,135,391</b>                              | <b>\$ 59,993,449</b>        | <b>\$ 82,128,840</b> | <b>\$ 2,271</b>  |  |

# Charter Township of Chesterfield

## Governmental Funds Balance Sheet

December 31, 2018

|   | General Fund         | Public Safety<br>Fund | Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|-----------------------|-------------------|--------------------------------|
| <b>Assets</b>   |                      |                       |                   |                                |
| Cash and investments  | \$ 10,189,531        | \$ 16,707,693         | \$ 435,251        | \$ 27,332,475                  |
| Receivables - Net:  |                      |                       |                   |                                |
| Property taxes receivable   | 621,527              | 5,343,499             | -                 | 5,965,026                      |
| Special assessments receivable                                      | 1,256                | -                     | -                 | 1,256                          |
| Accrued interest receivable   | 44,048               | 31,670                | 1,261             | 76,979                         |
| Other receivables   | 34,301               | 80,000                | -                 | 114,301                        |
| Due from other governmental units                                   | 941,947              | 19,285                | -                 | 961,232                        |
| Due from other funds (Note 5)                                       | 35,043               | -                     | 12,347            | 47,390                         |
| Prepaid expenses and deposits                                       | 104,612              | 188,349               | 24,358            | 317,319                        |
|   | <b>\$ 11,972,265</b> | <b>\$ 22,370,496</b>  | <b>\$ 473,217</b> | <b>\$ 34,815,978</b>           |
| Total assets  |                      |                       |                   |                                |
| <b>Liabilities</b>  |                      |                       |                   |                                |
| Accounts payable  | \$ 122,242           | \$ 247,563            | \$ 20,039         | \$ 389,844                     |
| Due to other funds (Note 5)   | 12,347               | -                     | -                 | 12,347                         |
| Accrued liabilities and other                                       | -                    | 160,279               | -                 | 160,279                        |
|   | 134,589              | 407,842               | 20,039            | 562,470                        |
| Total liabilities   |                      |                       |                   |                                |
| <b>Deferred Inflows of Resources</b>                                |                      |                       |                   |                                |
| Unavailable revenue   | 79,810               | -                     | -                 | 79,810                         |
| Property taxes levied for the following year                        | 1,387,420            | 12,340,291            | -                 | 13,727,711                     |
|   | 1,467,230            | 12,340,291            | -                 | 13,807,521                     |
| Total deferred inflows of resources                                 |                      |                       |                   |                                |
| Total liabilities and deferred inflows of resources                 | 1,601,819            | 12,748,133            | 20,039            | 14,369,991                     |
| <b>Fund Balances</b>  |                      |                       |                   |                                |
| Nonspendable - Prepaids and deposits                                | 104,612              | 188,349               | 24,358            | 317,319                        |
| Restricted:   |                      |                       |                   |                                |
| Fire equipment  | -                    | 4,521,305             | -                 | 4,521,305                      |
| Public safety   | -                    | 4,912,709             | -                 | 4,912,709                      |
| Committed - Parks and recreation                                    | -                    | -                     | 428,820           | 428,820                        |
| Assigned:   |                      |                       |                   |                                |
| Subsequent year's budget  | 798,887              | -                     | -                 | 798,887                        |
| Future capital improvements   | 4,000,000            | -                     | -                 | 4,000,000                      |
| Senior center   | 60,022               | -                     | -                 | 60,022                         |
| Unassigned  | 5,406,925            | -                     | -                 | 5,406,925                      |
|   | 10,370,446           | 9,622,363             | 453,178           | 20,445,987                     |
| Total fund balances   |                      |                       |                   |                                |
| Total liabilities, deferred inflows of resources, and fund balances | <b>\$ 11,972,265</b> | <b>\$ 22,370,496</b>  | <b>\$ 473,217</b> | <b>\$ 34,815,978</b>           |

# Charter Township of Chesterfield

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position

December 31, 2018

|  |                             |
|--|-----------------------------|
| <b>Fund Balances Reported in Governmental Funds</b>  | \$ 20,445,987               |
| 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   | 19,077,039                  |
| Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds         | 79,810                      |
| Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds  | (2,287,508)                 |
| Accrued interest is not due and payable in the current period and is not reported in the funds   | (18,926)                    |
| Some employee fringe benefits 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: |                             |
| Employee compensated absences  | (777,789)                   |
| Pension benefits including deferrals   | (6,135,449)                 |
| Retiree healthcare benefits including deferrals  | (8,247,773)                 |
| <b>Net Position of Governmental Activities</b>   | <b><u>\$ 22,135,391</u></b> |

# Charter Township of Chesterfield

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances

**Year Ended December 31, 2018**

|  | General Fund                | Public Safety<br>Fund      | Nonmajor<br>Funds        | Total<br>Governmental<br>Funds |
|--|-----------------------------|----------------------------|--------------------------|--------------------------------|
| <b>Revenue</b>                                     |                             |                            |                          |                                |
| Property taxes                                     | \$ 1,252,707                | \$ 11,703,361              | \$ -                     | \$ 12,956,068                  |
| Special assessments                                | 7,668                       | -                          | -                        | 7,668                          |
| Intergovernmental:                                 |                             |                            |                          |                                |
| Federal grants                                     | 103,042                     | -                          | -                        | 103,042                        |
| State-shared revenue                               | 3,832,491                   | -                          | -                        | 3,832,491                      |
| Charges for services                               | 863,002                     | 634,554                    | 271,542                  | 1,769,098                      |
| Fines and forfeitures                              | -                           | 87,345                     | -                        | 87,345                         |
| Licenses and permits                               | 6,484                       | -                          | 1,017,924                | 1,024,408                      |
| Investment income:                                 |                             |                            |                          |                                |
| Investment income                                  | 90,639                      | 151,179                    | 2,515                    | 244,333                        |
| Rental income                                      | 222,250                     | -                          | -                        | 222,250                        |
| Other revenue:                                     |                             |                            |                          |                                |
| Other miscellaneous income                         | 124,480                     | 195,014                    | 11,832                   | 331,326                        |
| Cable franchise fees                               | 751,145                     | -                          | -                        | 751,145                        |
| Total revenue                                      | <u>7,253,908</u>            | <u>12,771,453</u>          | <u>1,303,813</u>         | <u>21,329,174</u>              |
| <b>Expenditures</b>                                |                             |                            |                          |                                |
| Current services:                                  |                             |                            |                          |                                |
| General government                                 | 5,251,625                   | -                          | -                        | 5,251,625                      |
| Public safety                                      | 188,065                     | 12,706,898                 | 1,095,929                | 13,990,892                     |
| Public works                                       | 188,103                     | -                          | -                        | 188,103                        |
| Community and economic development                 | 103,042                     | -                          | -                        | 103,042                        |
| Recreation and culture                             | 495,971                     | -                          | 197,498                  | 693,469                        |
| Capital outlay                                     | 13,068                      | 473,243                    | -                        | 486,311                        |
| Debt service:                                      |                             |                            |                          |                                |
| Principal  | 112,250                     | 201,250                    | -                        | 313,500                        |
| Interest on long-term debt                         | -                           | 42,971                     | -                        | 42,971                         |
| Total expenditures                                 | <u>6,352,124</u>            | <u>13,424,362</u>          | <u>1,293,427</u>         | <u>21,069,913</u>              |
| <b>Excess of Revenue Over (Under) Expenditures</b> | 901,784                     | (652,909)                  | 10,386                   | 259,261                        |
| <b>Other Financing Sources (Uses)</b>              |                             |                            |                          |                                |
| Transfers in (Note 5)                              | -                           | 10,208,934                 | 64,274                   | 10,273,208                     |
| Transfers out (Note 5)                             | (64,274)                    | -                          | (10,208,934)             | (10,273,208)                   |
| Sale of capital assets                             | 613                         | 66,338                     | -                        | 66,951                         |
| Total other financing (uses) sources               | <u>(63,661)</u>             | <u>10,275,272</u>          | <u>(10,144,660)</u>      | <u>66,951</u>                  |
| <b>Net Change in Fund Balances</b>                 | 838,123                     | 9,622,363                  | (10,134,274)             | 326,212                        |
| <b>Fund Balances - Beginning of year</b>           | <u>9,532,323</u>            | <u>-</u>                   | <u>10,587,452</u>        | <u>20,119,775</u>              |
| <b>Fund Balances - End of year</b>                 | <u><b>\$ 10,370,446</b></u> | <u><b>\$ 9,622,363</b></u> | <u><b>\$ 453,178</b></u> | <u><b>\$ 20,445,987</b></u>    |

## Charter Township of Chesterfield

### Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended December 31, 2018

|  |                            |
|--|----------------------------|
| <b>Net Change in Fund Balances Reported in Governmental Funds</b>  | \$ 326,212                 |
| 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   | 515,608                    |
| Depreciation expense   | (1,753,206)                |
| Loss on disposal of assets   | (594)                      |
| Donated capital assets   | 544,971                    |
| Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available   | (23,811)                   |
| Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)  | 292,401                    |
| Interest expense is recognized in the government-wide statements as it accrues   | 2,259                      |
| Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds | (264,208)                  |
| <b>Change in Net Position of Governmental Activities</b>   | <b><u>\$ (360,368)</u></b> |

# Charter Township of Chesterfield

## Proprietary Funds Statement of Net Position

December 31, 2018

|   | Major Enterprise<br>Fund - Sewer and<br>Water Operations<br>Fund | Nonmajor Enterprise<br>Fund - Brandenburg<br>Park Fund | Total Enterprise<br>Funds |
|---|--|--|---------------------------|
| <b>Assets</b>   |  |  |                           |
| Current assets:   |  |  |                           |
| Cash and investments (Note 3)   | \$ 10,512,540  | \$ 477,615   | \$ 10,990,155             |
| Receivables - Net:  |  |  |                           |
| Receivables from sales to customers on account                          | 3,135,165  | -  | 3,135,165                 |
| Accrued interest receivable   | 50,026   | 3,057  | 53,083                    |
| Due from other governmental units                                       | 55,352   | -  | 55,352                    |
| Inventory   | 324,163  | -  | 324,163                   |
| Prepaid expenses and deposits   | 68,734   | 523  | 69,257                    |
| Total current assets  | 14,145,980   | 481,195  | 14,627,175                |
| Noncurrent assets:  |  |  |                           |
| Restricted assets (Note 7)  | 3,493,836  | -  | 3,493,836                 |
| Capital assets: (Note 4)  |  |  |                           |
| Assets not subject to depreciation                                      | 846,744  | -  | 846,744                   |
| Assets subject to depreciation - Net                                    | 74,002,514   | 2,587,357  | 76,589,871                |
| Total noncurrent assets   | 78,343,094   | 2,587,357  | 80,930,451                |
| Total assets  | 92,489,074   | 3,068,552  | 95,557,626                |
| <b>Deferred Outflows of Resources</b>                                   |  |  |                           |
| Deferred pension costs  | 254,540  | -  | 254,540                   |
| Deferred OPEB costs   | 265,929  | -  | 265,929                   |
| Total deferred outflows of resources                                    | 520,469  | -  | 520,469                   |
| <b>Liabilities</b>  |  |  |                           |
| Current liabilities:  |  |  |                           |
| Accounts payable  | 1,946,793  | 3,104  | 1,949,897                 |
| Due to other funds (Note 5)   | 35,043   | -  | 35,043                    |
| Accrued liabilities and other   | 276,954  | -  | 276,954                   |
| Unearned revenue  | 1,025,281  | -  | 1,025,281                 |
| Compensated absences  | 118,150  | -  | 118,150                   |
| Total current liabilities   | 3,402,221  | 3,104  | 3,405,325                 |
| Noncurrent liabilities:   |  |  |                           |
| Payable from restricted assets  | 1,806,020  | -  | 1,806,020                 |
| Net pension liability (Note 9)  | 924,281  | -  | 924,281                   |
| Net OPEB liability (Note 10)  | 1,466,309  | -  | 1,466,309                 |
| Long-term debt (Note 6)   | 28,409,062   | -  | 28,409,062                |
| Total noncurrent liabilities  | 32,605,672   | -  | 32,605,672                |
| Total liabilities   | 36,007,893   | 3,104  | 36,010,997                |
| <b>Deferred Inflows of Resources - Deferred pension cost reductions</b> | 73,649   | -  | 73,649                    |
| <b>Net Position</b>   |  |  |                           |
| Net investment in capital assets  | 46,440,196   | 2,587,357  | 49,027,553                |
| Restricted:   |  |  |                           |
| Debt service  | 2,834,562  | -  | 2,834,562                 |
| Water and sewer construction and maintenance                            | 659,274  | -  | 659,274                   |
| Unrestricted  | 6,993,969  | 478,091  | 7,472,060                 |
| Total net position  | \$ 56,928,001  | \$ 3,065,448   | \$ 59,993,449             |

# Charter Township of Chesterfield

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position

**Year Ended December 31, 2018**

|  | Major Enterprise<br>Fund - Sewer<br>and Water<br>Operations Fund | Nonmajor<br>Enterprise Fund<br>- Brandenburg<br>Park Fund | Total Enterprise<br>Funds |
|--|--|---|---------------------------|
| <b>Operating Revenue</b>                                       |  |   |                           |
| Sale of water  | \$ 7,350,269   | \$ -  | \$ 7,350,269              |
| Sewage disposal charges  | 7,747,682  | -   | 7,747,682                 |
| Fees   | -  | 139,441   | 139,441                   |
| Other  | 2,100  | 2,002   | 4,102                     |
| Total operating revenue  | 15,100,051   | 141,443   | 15,241,494                |
| <b>Operating Expenses</b>                                      |  |   |                           |
| Cost of water  | 4,062,397  | -   | 4,062,397                 |
| Cost of sewage treatment                                       | 4,571,902  | -   | 4,571,902                 |
| Repairs and maintenance  | 127,407  | -   | 127,407                   |
| Billing and administrative costs                               | 216,863  | -   | 216,863                   |
| Personnel services   | 2,550,916  | 30,497  | 2,581,413                 |
| Supplies   | 228,248  | 5,597   | 233,845                   |
| Other services and charges                                     | 413,112  | 43,435  | 456,547                   |
| Contractual services   | 875  | -   | 875                       |
| Depreciation   | 2,543,766  | 164,660   | 2,708,426                 |
| Total operating expenses                                       | 14,715,486   | 244,189   | 14,959,675                |
| <b>Operating Income (Loss)</b>                                 | 384,565  | (102,746)   | 281,819                   |
| <b>Nonoperating Revenue (Expense)</b>                          |  |   |                           |
| Investment income  | 97,008   | 8,158   | 105,166                   |
| Interest expense   | (993,998)  | -   | (993,998)                 |
| Loss on sale of assets   | (164)  | -   | (164)                     |
| Total nonoperating (expense) revenue                           | (897,154)  | 8,158   | (888,996)                 |
| <b>Loss - Before capital contributions</b>                     | (512,589)  | (94,588)  | (607,177)                 |
| <b>Capital Contributions</b>                                   |  |   |                           |
| Capital contributed by grants and donations                    | 2,526  | -   | 2,526                     |
| Tap fees   | 733,324  | -   | 733,324                   |
| Benefit fees   | 238,079  | -   | 238,079                   |
| Lines donated by developers                                    | 311,044  | -   | 311,044                   |
| Total capital contributions                                    | 1,284,973  | -   | 1,284,973                 |
| <b>Change in Net Position</b>                                  | 772,384  | (94,588)  | 677,796                   |
| <b>Net Position - Beginning of year, as restated (Note 12)</b> | 56,155,617   | 3,160,036   | 59,315,653                |
| <b>Net Position - End of year</b>                              | <b>\$ 56,928,001</b>   | <b>\$ 3,065,448</b>                                       | <b>\$ 59,993,449</b>      |

## Charter Township of Chesterfield

### Proprietary Funds Statement of Cash Flows

Year Ended December 31, 2018

|   | Major Enterprise<br>Fund - Sewer<br>and Water<br>Operations Fund | Nonmajor<br>Enterprise Fund<br>- Brandenburg<br>Park Fund | Total Enterprise<br>Funds |
|---|--|---|---------------------------|
| <b>Cash Flows from Operating Activities</b>   |  |   |                           |
| Receipts from customers   | \$ 14,901,151  | \$ 141,443  | \$ 15,042,594             |
| Internal activity - Payments from other funds   | 96,903   | 1,050   | 97,953                    |
| Payments to suppliers   | (9,291,712)  | (46,065)  | (9,337,777)               |
| Payments to employees and fringes   | (2,662,197)  | (32,545)  | (2,694,742)               |
| Other receipts  | 205,780  | -   | 205,780                   |
| Net cash and investments provided by operating activities                             | 3,249,925  | 63,883  | 3,313,808                 |
| <b>Cash Flows from Capital and Related Financing Activities</b>                       |  |   |                           |
| Receipt of capital grants   | 2,526  | -   | 2,526                     |
| Tap fees  | 733,324  | -   | 733,324                   |
| Benefit fees  | 238,079  | -   | 238,079                   |
| Proceeds from sale of capital assets  | (164)  | -   | (164)                     |
| Purchase of capital assets  | (1,246,759)  | -   | (1,246,759)               |
| Principal and interest paid on capital debt   | (2,617,820)  | -   | (2,617,820)               |
| Net cash and investments used in capital and related financing activities             | (2,890,814)  | -   | (2,890,814)               |
| <b>Cash Flows Provided by Investing Activities - Interest received on investments</b> | 67,307   | 6,813   | 74,120                    |
| <b>Net Increase in Cash and Investments</b>   | 426,418  | 70,696  | 497,114                   |
| <b>Cash and Investments - Beginning of year</b>                                       | 13,579,958   | 406,919   | 13,986,877                |
| <b>Cash and Investments - End of year</b>   | <b>\$ 14,006,376</b>   | <b>\$ 477,615</b>   | <b>\$ 14,483,991</b>      |
| <b>Classification of Cash and Investments</b>   |  |   |                           |
| Cash and investments  | \$ 10,512,540  | \$ 477,615  | \$ 10,990,155             |
| Restricted cash   | 3,493,836  | -   | 3,493,836                 |
| Total cash and investments  | <b>\$ 14,006,376</b>   | <b>\$ 477,615</b>   | <b>\$ 14,483,991</b>      |

**Charter Township of Chesterfield**

**Proprietary Funds  
Statement of Cash Flows (Continued)**

**Year Ended December 31, 2018**

|   | Major Enterprise<br>Fund - Sewer<br>and Water<br>Operations Fund | Nonmajor<br>Enterprise Fund<br>- Brandenburg<br>Park Fund | Total Enterprise<br>Funds |
|---|--|---|---------------------------|
| <b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>  |  |   |                           |
| Operating income (loss)   | \$ 384,565   | \$ (102,746)  | \$ 281,819                |
| Adjustments to reconcile operating income (loss) to net cash from operating activities: |  |   |                           |
| Depreciation and amortization   | 2,543,766  | 164,660   | 2,708,426                 |
| Changes in assets and liabilities:  |  |   |                           |
| Receivables   | 6,880  | -   | 6,880                     |
| Due to and from other funds   | 96,903   | 1,050   | 97,953                    |
| Inventories   | (95,907)   | -   | (95,907)                  |
| Prepaid and other assets  | 39,291   | 340   | 39,631                    |
| Accounts payable  | 366,346  | 579   | 366,925                   |
| Net pension or OPEB liability   | 10,249   | -   | 10,249                    |
| Deferrals related to pension or OPEB  | 16,473   | -   | 16,473                    |
| Accrued and other liabilities   | (118,641)  | -   | (118,641)                 |
|   | <u>\$ 3,249,925</u>  | <u>\$ 63,883</u>  | <u>\$ 3,313,808</u>       |
| Net cash and investments provided by operating activities                               | <u>\$ 3,249,925</u>  | <u>\$ 63,883</u>  | <u>\$ 3,313,808</u>       |

**Noncash Investing, Capital, and Financing Activities** - During the year ended December 31, 2018, water and sewer line infrastructure totaling \$311,208 was donated to the Township by outside developers.

## Charter Township of Chesterfield

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### Fiduciary Funds Statement of Fiduciary Assets and Liabilities

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December 31, 2018

|                                    | <u>Agency Funds</u>         |
|------------------------------------|-----------------------------|
| <b>Assets</b>                      |                             |
| Cash and cash equivalents          | \$ 16,176,438               |
| Receivables - Net                  | <u>2,857</u>                |
| Total assets                       | <b><u>\$ 16,179,295</u></b> |
| <b>Liabilities</b>                 |                             |
| Due to other governmental units    | \$ 12,673,788               |
| Refundable deposits and bonds      | 1,457,061                   |
| Cash held on behalf of the library | <u>2,048,446</u>            |
| Total liabilities                  | <b><u>\$ 16,179,295</u></b> |

December 31, 2018

### Note 1 - Nature of Business

The Charter Township of Chesterfield (the "Township") is a municipality in the state of Michigan. Originally established as a general law township in 1842, the Township later became a charter township in 1989.

### Note 2 - Significant Accounting Policies

#### ***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. The following is a summary of the significant accounting policies used by the Township:

#### ***Reporting Entity***

The Charter Township of Chesterfield 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).

#### **Economic Development Corporation**

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 the Charter Township of Chesterfield. 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

#### ***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 revenue. 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.

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.

December 31, 2018

### Note 2 - Significant Accounting Policies (Continued)

#### ***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**

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 primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Public Safety Fund is a full-service department that provides public safety needs for the Township and its residents. The main source of revenue for the public safety department is a voter-approved special assessment on all real property.

#### **Proprietary Funds**

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 Operations 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**

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:

- The Agency Fund accounts for assets held by the Township in a trustee capacity. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

#### **Interfund Activity**

During the course of operations, the Township 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.

Furthermore, 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.

**Note 2 - Significant Accounting Policies (Continued)**

***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.

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."

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 and Cash Equivalents**

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**

Investments are reported at fair value or estimated 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.

**Restricted Assets**

A township ordinance requires amounts to be set aside in the Water and Sewer Operations Fund for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the Township's sewer lines.

Note 2 - Significant Accounting Policies (Continued)

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 acquisition value at the date of donation.

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

|                            | Depreciable Life -<br>Years |
|----------------------------|-----------------------------|
| Machinery and equipment    | 5-20                        |
| Buildings and improvements | 20                          |
| Infrastructure             | 20-100                      |

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 net 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 future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The Township reports deferred outflows related to pensions and OPEB, as detailed in Notes 9 and 10, respectively.

In addition to liabilities, the statement of net 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 future periods and will not be recognized as an inflow of resources (revenue) until that time. The Township reports deferred inflows related to receivables collected beyond the Township's period of availability, which are reported only in the governmental funds. The Township also reports deferred inflows related to pensions, as detailed in Note 9.

Net Position Flow Assumption

The Township will sometimes 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.

**Note 2 - Significant Accounting Policies (Continued)**

**Fund Balance Flow Assumptions**

The Township will sometimes 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. Furthermore, 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**

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's supervisor, 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.

**Property Tax Revenue**

Property taxes are levied on each December 1 and become an enforceable lien at that time; the tax is based 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.

The Township's 2018 property tax revenue was levied and collectible on December 1, 2017 and is recognized as revenue in the year ended December 31, 2018 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2017 taxable valuation of the Township totaled \$1.555 billion, on which ad valorem taxes levied consisted of 0.7886 mills for operating purposes and 8.0000 mills for public safety purposes. This resulted in \$1.2 million for operating and \$11.7 million for public safety purposes. These amounts are recognized in the respective General Fund and special revenue fund financial statements as tax revenue. A provision has been recorded for potential refunds related to disputed taxable values.

**Note 2 - Significant Accounting Policies (Continued)**

**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, Public Safety, and Water and Sewer 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.

**Other Postemployment Benefit Costs**

The Township offers retiree healthcare benefits to retirees. The Township records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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 Fund.

**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 are 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 - Significant Accounting Policies (Continued)**

***Upcoming Accounting Pronouncements***

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. 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, 2019.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. 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, 2021.

**Note 3 - 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.

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 \$44,180,798 of bank deposits (certificates of deposit and checking and savings accounts) that were 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 year end, the EDC had \$2,271 of bank deposits, all of which was covered by FDIC insurance.

**Note 3 - Deposits and Investments (Continued)**

***Credit Risk***

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

| Investment           | Fair Value   | Rating | Rating Organization |
|----------------------|--------------|--------|---------------------|
| Bank investment pool | \$ 2,044,641 | P1     | Standard & Poor's   |

***Fair Value Measurements***

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. The Township did not have any investments that were subject to the fair value hierarchy at December 31, 2018.

In instances whereby inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Township's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is presented in the following paragraphs.

***Investments in Entities that Calculate Net Asset Value per Share***

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

At December 31, 2018, the fair value of the Comerica J Fund Investment Pool was \$2,044,641, and there were no unfunded commitments, no restrictions on redemption frequency, and no redemption notice period.

The Comerica J Fund Investment Pool invests assets in a manner that will seek the highest investment return consistent with the preservation of principal and meet the daily liquidity needs of participants.

**December 31, 2018**

**Note 4 - Capital Assets**

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

**Governmental Activities**

|  | Balance<br>January 1,<br>2018 | Reclassifications | Additions           | Disposals and<br>Adjustments | Balance<br>December 31,<br>2018 |
|--|-------------------------------|-------------------|---------------------|------------------------------|---------------------------------|
| Capital assets not being depreciated:      |                               |                   |                     |                              |                                 |
| Land                                       | \$ 3,569,592                  | \$ -              | \$ -                | \$ -                         | \$ 3,569,592                    |
| Construction in progress                   | -                             | -                 | 70,913              | -                            | 70,913                          |
| Subtotal                                   | 3,569,592                     | -                 | 70,913              | -                            | 3,640,505                       |
| Capital assets being depreciated:          |                               |                   |                     |                              |                                 |
| Infrastructure                             | 16,548,401                    | -                 | 544,971             | -                            | 17,093,372                      |
| Buildings and improvements                 | 17,465,676                    | -                 | 23,718              | -                            | 17,489,394                      |
| Machinery and equipment                    | 10,386,703                    | -                 | 420,977             | (96,065)                     | 10,711,615                      |
| Subtotal                                   | 44,400,780                    | -                 | 989,666             | (96,065)                     | 45,294,381                      |
| Accumulated depreciation:                  |                               |                   |                     |                              |                                 |
| Infrastructure                             | 7,241,054                     | -                 | 430,004             | -                            | 7,671,058                       |
| Buildings and improvements                 | 13,045,432                    | -                 | 585,919             | -                            | 13,631,351                      |
| Machinery and equipment                    | 7,913,626                     | -                 | 737,283             | (95,471)                     | 8,555,438                       |
| Subtotal                                   | 28,200,112                    | -                 | 1,753,206           | (95,471)                     | 29,857,847                      |
| Net capital assets being depreciated       | 16,200,668                    | -                 | (763,540)           | (594)                        | 15,436,534                      |
| Net governmental activities capital assets | <u>\$ 19,770,260</u>          | <u>\$ -</u>       | <u>\$ (692,627)</u> | <u>\$ (594)</u>              | <u>\$ 19,077,039</u>            |

**Business-type Activities**

|   | Balance<br>January 1,<br>2018 | Reclassifications | Additions             | Disposals and<br>Adjustments | Balance<br>December 31,<br>2018 |
|---|-------------------------------|-------------------|-----------------------|------------------------------|---------------------------------|
| Capital assets not being depreciated:       |                               |                   |                       |                              |                                 |
| Land  | \$ 409,484                    | \$ -              | \$ -                  | \$ -                         | \$ 409,484                      |
| Construction in progress                    | 2,964,209                     | (2,964,209)       | 437,260               | -                            | 437,260                         |
| Subtotal                                    | 3,373,693                     | (2,964,209)       | 437,260               | -                            | 846,744                         |
| Capital assets being depreciated:           |                               |                   |                       |                              |                                 |
| Buildings and improvements                  | 11,119,191                    | -                 | 14,663                | (206,098)                    | 10,927,756                      |
| Machinery and equipment                     | 2,165,777                     | -                 | 776,270               | (297,523)                    | 2,644,524                       |
| Infrastructure                              | 95,577,623                    | 2,964,209         | 329,774               | -                            | 98,871,606                      |
| Subtotal                                    | 108,862,591                   | 2,964,209         | 1,120,707             | (503,621)                    | 112,443,886                     |
| Accumulated depreciation:                   |                               |                   |                       |                              |                                 |
| Buildings and improvements                  | 5,530,471                     | -                 | 570,822               | (206,098)                    | 5,895,195                       |
| Machinery and equipment                     | 1,984,618                     | -                 | 47,797                | (297,359)                    | 1,735,056                       |
| Infrastructure                              | 26,133,957                    | -                 | 2,089,807             | -                            | 28,223,764                      |
| Subtotal                                    | 33,649,046                    | -                 | 2,708,426             | (503,457)                    | 35,854,015                      |
| Net capital assets being depreciated        | 75,213,545                    | 2,964,209         | (1,587,719)           | (164)                        | 76,589,871                      |
| Net business-type activities capital assets | <u>\$ 78,587,238</u>          | <u>\$ -</u>       | <u>\$ (1,150,459)</u> | <u>\$ (164)</u>              | <u>\$ 77,436,615</u>            |

**December 31, 2018**

**Note 4 - Capital Assets (Continued)**

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

|                                |  |                     |
|--------------------------------|--|---------------------|
| Governmental activities:       |  |                     |
| General government             |  | \$ 411,178          |
| Public safety                  |  | 863,600             |
| Public works                   |  | 441,074             |
| Recreation and culture         |  | <u>37,354</u>       |
| Total governmental activities  |  | <u>\$ 1,753,206</u> |
| Business-type activities:      |  |                     |
| Water and Sewer Fund           |  | \$ 2,543,766        |
| Brandenburg Park Fund          |  | <u>164,660</u>      |
| Total business-type activities |  | <u>\$ 2,708,426</u> |

**Note 5 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

| Receivable Fund            | Payable Fund                    | Amount           |
|----------------------------|---------------------------------|------------------|
| General Fund               | Sewer and Water Operations Fund | \$ 35,043        |
| Nonmajor governmental fund | General Fund                    | <u>12,347</u>    |
|                            | Total                           | <u>\$ 47,390</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:

| Paying Fund (Transfer Out)  | Receiving Fund (Transfer In) | Amount               |
|-----------------------------|------------------------------|----------------------|
| Nonmajor governmental funds | Public Safety Fund           | \$ 10,208,934        |
| General Fund                | Nonmajor governmental funds  | <u>64,274</u>        |
|                             | Total                        | <u>\$ 10,273,208</u> |

The transfer from the nonmajor governmental funds to the General Fund represents the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations.

The transfers from the nonmajor governmental funds to the Public Safety Fund represent the transfer of remaining fund balance from the Fire Department Operating Fund, the Fire Department Equipment Fund, and the Police Department Fund of \$3,114,384, \$5,483,330, and \$1,611,220, respectively.

**Note 6 - 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 for the year ended December 31, 2018 can be summarized as follows:

**Governmental Activities**

|  | Interest<br>Rate<br>Ranges | Principal<br>Maturity<br>Ranges | Beginning<br>Balance | Additions         | Reductions          | Ending<br>Balance   | Due within<br>One Year |
|--|----------------------------|---------------------------------|----------------------|-------------------|---------------------|---------------------|------------------------|
| General obligation bonds:                    |                            |                                 |                      |                   |                     |                     |                        |
| Refunding Fire Station                       | 2.00% -                    | \$201,250 -                     |                      |                   |                     |                     |                        |
| Building Bonds                               | 3.00%                      | \$290,500                       | \$ 1,533,000         | \$ -              | \$ (201,250)        | \$ 1,331,750        | \$ 232,750             |
| Bond Refunding Premium                       | 2.00% -                    |                                 | 96,909               | -                 | (16,151)            | 80,758              | 16,151                 |
| 3.00%  | \$16,151                   |                                 |                      |                   |                     |                     |                        |
| 2007 Capital Improvement                     | 4.00% -                    | \$75,000 -                      |                      |                   |                     |                     |                        |
| Bonds  | 4.15%                      | \$100,000                       | 950,000              | -                 | (75,000)            | 875,000             | 75,000                 |
| Total bonds                                  |                            |                                 | 2,579,909            | -                 | (292,401)           | 2,287,508           | 323,901                |
| Compensated absences                         |                            |                                 | 661,040              | 777,789           | (661,040)           | 777,789             | 777,789                |
| Total governmental activities long-term debt |                            |                                 | <u>\$ 3,240,949</u>  | <u>\$ 777,789</u> | <u>\$ (953,441)</u> | <u>\$ 3,065,297</u> | <u>\$ 1,101,690</u>    |

December 31, 2018

**Note 6 - Long-term Debt (Continued)**

***Business-type Activities***

|  | Interest Rate Ranges | Principal Maturity Ranges | Beginning Balance    | Additions         | Reductions            | Ending Balance       | Due within One Year |
|--|----------------------|---------------------------|----------------------|-------------------|-----------------------|----------------------|---------------------|
| General obligation bonds:                                    |                      |                           |                      |                   |                       |                      |                     |
| Refunding D.P.W. Building Bonds                              | 2.00% - 3.00%        | \$373,750 - \$539,500     | \$ 2,847,000         | \$ -              | \$ (373,750)          | \$ 2,473,250         | \$ 432,250          |
| D.P.W Bond Refunding Premium                                 | 2.00% - 3.00%        | \$29,995                  | 179,973              | -                 | (29,995)              | 149,978              | 29,995              |
| Drainage District Drain bonds:                               |                      |                           |                      |                   |                       |                      |                     |
| North Gratiot Drain Refunding Bonds - 2015                   | 3.625% - 5.000%      | \$278,684 - \$456,568     | 6,439,388            | -                 | (278,684)             | 6,160,704            | 379,485             |
| North Gratiot Drain Refunding Bonds - Series 1 - 2015        | 3.625% - 5.000%      | \$20,513 - \$33,606       | 473,974              | -                 | (20,513)              | 453,461              | 27,932              |
| NG Bond Refunding Premium                                    | 3.625% - 5.000%      | \$14,382                  | 230,116              | -                 | (14,382)              | 215,734              | 14,382              |
| North Gratiot Interceptor - Series 2010 2, 3, and 4          | 3.25% - 4.75%        | \$139,524 - \$238,659     | 3,288,592            | -                 | (139,524)             | 3,149,068            | 143,195             |
| North Gratiot Interceptor - Series 2010                      | 3.25% - 4.75%        | \$2,031 - \$3,474         | 47,865               | -                 | (2,031)               | 45,834               | 2,084               |
| Oakland-Macomb Interceptor - Series 2010A                    | 2.50%                | \$46,532 - \$64,475       | 771,724              | -                 | (46,532)              | 725,192              | 47,715              |
| Oakland-Macomb Interceptor - Series 2010B                    | 1.15% - 5.90%        | \$11,042 - \$20,506       | 198,550              | -                 | (11,042)              | 187,508              | 11,633              |
| Oakland-Macomb Interceptor - Series 2011                     | 2.50%                | \$53,499 - \$77,223       | 1,035,124            | -                 | (53,499)              | 981,625              | 54,710              |
| Oakland-Macomb Interceptor - Series 2013                     | 2.00%                | \$117,802 - \$161,963     | 2,357,487            | -                 | (117,802)             | 2,239,685            | 120,079             |
| Oakland-Macomb Interceptor - Series 2014A                    | 2.000% - 3.125%      | \$16,352 - \$25,891       | 347,760              | -                 | (16,352)              | 331,408              | 16,625              |
| Macomb Interceptor Drainage District - Series 2015           | 2.50%                | \$10,972 - \$16,823       | 247,596              | -                 | (10,972)              | 236,624              | 11,337              |
| Macomb Interceptor Drainage District - Series 2017 Refunding | 3.45% - 5.50%        | \$164,421 - \$356,915     | 4,431,694            | -                 | (187,481)             | 4,244,213            | 164,421             |
| Macomb Interceptor Drainage District - Series 2017A          | 3.45% - 5.50%        | \$78,820 - \$280,997      | 4,249,943            | -                 | (78,820)              | 4,171,123            | 95,079              |
| MID Bond Refunding Premium                                   | 1.250% - 5.375%      | \$85,558                  | 1,540,037            | -                 | (85,558)              | 1,454,479            | 85,558              |
| Clintondale Pump Station Improvements                        | 2.00% - 4.50%        | \$91,883 - \$191,424      | 1,948,692            | -                 | (91,885)              | 1,856,807            | 99,540              |
| State Revolving Fund Loan 2012                               | 2.50%                | \$65,000 - \$98,389       | 1,203,389            | -                 | (65,000)              | 1,138,389            | 70,000              |
| <b>Total business-type activities</b>                        |                      |                           | <b>31,838,904</b>    | <b>-</b>          | <b>(1,623,822)</b>    | <b>30,215,082</b>    | <b>1,806,020</b>    |
| <b>Compensated absences</b>                                  |                      |                           | <b>94,767</b>        | <b>118,150</b>    | <b>(94,767)</b>       | <b>118,150</b>       | <b>118,150</b>      |
| <b>Total business-type activities long-term debt</b>         |                      |                           | <b>\$ 31,933,671</b> | <b>\$ 118,150</b> | <b>\$ (1,718,589)</b> | <b>\$ 30,333,232</b> | <b>\$ 1,924,170</b> |

**Note 6 - Long-term Debt (Continued)**

**Debt Service Requirements to Maturity**

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

| Years Ending<br>December 31 | Governmental Activities |                   |                     | Business-type Activities |                     |                      |
|-----------------------------|-------------------------|-------------------|---------------------|--------------------------|---------------------|----------------------|
|                             | Principal               | Interest          | Total               | Principal                | Interest            | Total                |
| 2019                        | \$ 307,750              | \$ 70,711         | \$ 378,461          | \$ 1,676,085             | \$ 1,072,643        | \$ 2,748,728         |
| 2020                        | 364,250                 | 59,756            | 424,006             | 1,770,336                | 1,008,197           | 2,778,533            |
| 2021                        | 378,250                 | 47,619            | 425,869             | 1,829,461                | 940,730             | 2,770,191            |
| 2022                        | 390,500                 | 35,038            | 425,538             | 1,890,540                | 870,847             | 2,761,387            |
| 2023                        | 366,000                 | 22,590            | 388,590             | 1,873,965                | 799,961             | 2,673,926            |
| 2024-2028                   | 400,000                 | 33,175            | 433,175             | 7,625,922                | 3,066,880           | 10,692,802           |
| 2029-2032                   | -                       | -                 | -                   | 8,216,085                | 1,497,152           | 9,713,237            |
| 2033-2037                   | -                       | -                 | -                   | 2,466,275                | 425,732             | 2,892,007            |
| 2038-2042                   | -                       | -                 | -                   | 1,046,222                | 107,804             | 1,154,026            |
| <b>Total</b>                | <b>\$ 2,206,750</b>     | <b>\$ 268,889</b> | <b>\$ 2,475,639</b> | <b>\$ 28,394,891</b>     | <b>\$ 9,789,946</b> | <b>\$ 38,184,837</b> |

**Note 7 - Restricted Assets**

Specific assets of the Water and Sewer Fund have been restricted for debt service, construction, and maintenance. Restricted assets 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.

At December 31, 2018, restricted assets are composed of the following:

|  |                     |
|--|---------------------|
| Restricted assets from bond ordinance:                   |                     |
| Cash and cash equivalents - Debt service                 | \$ 2,834,562        |
| Cash held at the county for construction and maintenance | 659,274             |
| <b>Total Water and Sewer Fund restricted assets</b>      | <b>\$ 3,493,836</b> |

**Note 8 - 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 9 - 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 statewide 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 that includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at [www.mersofmichigan.com](http://www.mersofmichigan.com) or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

***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. The vesting period is 10 years. Employees are eligible for nonduty 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 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. The vesting period is 10 years. Employees are eligible for nonduty 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. The vesting period is 10 years. Employees are eligible for nonduty 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***

The following members were covered by the benefit terms:

|   |                   |
|---|-------------------|
| Date of member count  | December 31, 2017 |
| Inactive plan members or beneficiaries currently receiving benefits | 70                |
| Inactive plan members entitled to but not yet receiving benefits    | 20                |
| Active plan members   | <u>139</u>        |
| Total employees covered by the plan                                 | <u><u>229</u></u> |

**Note 9 - 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 11.26 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 16.24 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 23.92 percent of annual covered payroll.

**Net Pension Liability**

The December 31, 2018 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2017 measurement date. The December 31, 2017 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

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

| Changes in Net Pension Liability                   | Increase (Decrease)     |                      |                       |
|--|-------------------------|----------------------|-----------------------|
|  | Total Pension Liability | Plan Net Position    | Net Pension Liability |
| <b>Balance at December 31, 2016</b>                | \$ 37,276,913           | \$ 26,951,719        | \$ 10,325,194         |
| Changes for the year:                              |                         |                      |                       |
| Service cost                                       | 810,701                 | -                    | 810,701               |
| Interest   | 2,951,678               | -                    | 2,951,678             |
| Differences between expected and actual experience | (5,825)                 | -                    | (5,825)               |
| Contributions - Employer                           | -                       | 1,556,385            | (1,556,385)           |
| Contributions - Employee                           | -                       | 425,881              | (425,881)             |
| Net investment income                              | -                       | 3,611,349            | (3,611,349)           |
| Benefit payments, including refunds                | (1,572,603)             | (1,572,603)          | -                     |
| Administrative expenses                            | -                       | (57,041)             | 57,041                |
| Net changes  | 2,183,951               | 3,963,971            | (1,780,020)           |
| <b>Balance at December 31, 2017</b>                | <b>\$ 39,460,864</b>    | <b>\$ 30,915,690</b> | <b>\$ 8,545,174</b>   |

**Note 9 - Pension Plan (Continued)**

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

For the year ended December 31, 2018, the Township recognized pension expense of \$1,610,619.

At December 31, 2018, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience                                | \$ 405,025                           | \$ 167,220                          |
| Changes in assumptions   | 871,223                              | -                                   |
| Net difference between projected and actual earnings on pension plan investments | -                                    | 626,766                             |
| Employer contributions to the plan subsequent to the measurement date            | 1,184,073                            | -                                   |
| Total  | <u>\$ 2,460,321</u>                  | <u>\$ 793,986</u>                   |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date of \$1,184,073 will reduce the net pension liability and, therefore, will not be included in future pension expense):

| Years Ending<br>December 31 | Amount            |
|-----------------------------|-------------------|
| 2019                        | \$ 387,322        |
| 2020                        | 301,188           |
| 2021                        | (169,702)         |
| 2022                        | (2,437)           |
| 2023                        | (33,278)          |
| Thereafter                  | (831)             |
| Total                       | <u>\$ 482,262</u> |

***Actuarial Assumptions***

The total pension liability in the December 31, 2017 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.75 percent, an investment rate of return (net of investment expenses) of 8.0 percent, and the RP-2014 mortality tables.

***Discount Rate***

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that township 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.

**Note 9 - Pension Plan (Continued)**

**Investment Rate of Return**

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, 2017, the measurement date, for each major asset class are summarized in the following table:

| Asset Class             | Target Allocation | Long-term<br>Expected Real<br>Rate of Return |
|-------------------------|-------------------|--|
| Global equity           | 55.50 %           | 6.65 %                                       |
| Global fixed income     | 18.50             | 1.76   |
| Real assets             | 13.50             | 7.72   |
| Diversifying strategies | 12.50             | 6.50   |

**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 8.0 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 or 1 percentage point higher than the current rate:

|                                   | 1 Percent<br>Decrease<br>(7.00%) | Current<br>Discount Rate<br>(8.00%) | 1 Percent<br>Increase<br>(9.00%) |
|-----------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| Net pension liability of the plan | \$ 13,481,354                    | \$ 8,545,174                        | \$ 4,402,340                     |

**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 of resources related to pensions, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have 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.

**Note 10 - Other Postemployment Benefit Plan**

**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 a single-employer plan administered by the Township.

**Benefits Provided**

The Chesterfield Township Retiree Health Care Plan provides healthcare, prescription drug, vision, dental, and life insurance benefits. Member coverage is dependent upon the hire date and employee group of the member. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan. As of January 1, 2018, the plan was closed to new entrants.

December 31, 2018

**Note 10 - Other Postemployment Benefit Plan (Continued)**

**Employees Covered by Benefit Terms**

The following members were covered by the benefit terms:

|   |                   |
|---|-------------------|
| Date of member count  | December 31, 2017 |
| Inactive plan members or beneficiaries currently receiving benefits | 104               |
| Active plan members   | <u>142</u>        |
| Total plan members  | <u><u>246</u></u> |

**Contributions**

Act 359 of 1947, as amended, grants the authority to establish and amend the contribution requirements of the Township and employees to the board. The board establishes contribution rates based on an actuarially determined rate per a funding valuation. For the year ended December 31, 2018, the Township's average contribution rate was 18.00 percent of covered employee payroll. Employees are not required to contribute to the plan.

**Net OPEB Liability**

The Township has chosen to use the December 31 measurement date as its measurement date for the net OPEB liability. The December 31, 2018 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2017, which used update procedures to roll forward the estimated liability to December 31, 2018.

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

| Changes in Net OPEB Liability       | Increase (Decrease)         |                             |                             |
|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                     | Total OPEB Liability        | Plan Net Position           | Net OPEB Liability          |
| <b>Balance at December 31, 2017</b> | \$ 32,922,409               | \$ 23,216,662               | \$ 9,705,747                |
| Changes for the year:               |                             |                             |                             |
| Service cost                        | 659,146                     | -                           | 659,146                     |
| Interest                            | 2,442,478                   | -                           | 2,442,478                   |
| Contributions - Employer            | -                           | 2,170,126                   | (2,170,126)                 |
| Net investment loss                 | -                           | (847,313)                   | 847,313                     |
| Benefit payments, including refunds | (1,371,226)                 | (1,371,226)                 | -                           |
| Administrative expenses             | -                           | (56,711)                    | 56,711                      |
| Net changes                         | <u>1,730,398</u>            | <u>(105,124)</u>            | <u>1,835,522</u>            |
| <b>Balance at December 31, 2018</b> | <u><u>\$ 34,652,807</u></u> | <u><u>\$ 23,111,538</u></u> | <u><u>\$ 11,541,269</u></u> |

The plan's fiduciary net position represents 66.7 percent of the total OPEB liability.

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2018, the Township recognized OPEB expense of \$1,912,533.

**December 31, 2018**

**Note 10 - Other Postemployment Benefit Plan (Continued)**

At December 31, 2018, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Net difference between projected and actual earnings on OPEB plan investments | \$ 2,093,116                         | \$ -                                |

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

| Years Ending<br>December 31 | Amount       |
|-----------------------------|--------------|
| 2019                        | \$ 523,279   |
| 2020                        | 523,279      |
| 2021                        | 523,279      |
| 2022                        | 523,279      |
| Total                       | \$ 2,093,116 |

**Actuarial Assumptions**

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using an inflation assumption of 2.50 percent; assumed salary increases (including inflation) of 3.75 percent; an investment rate of return (net of investment expenses) of 7.50 percent; a healthcare cost trend rate of 9.00 percent for 2018, decreasing 0.50 percent per year to an ultimate rate of 4.50 percent for 2028 and later years; and using the RP-2014 mortality tables. These assumptions were applied to all periods included in the measurement.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period from 2000-2013.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that township contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

December 31, 2018

**Note 10 - Other Postemployment Benefit Plan (Continued)**

**Investment Rate of Return**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2018 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

| Asset Class             | Target Allocation | Long-term<br>Expected Real<br>Rate of Return |
|-------------------------|-------------------|--|
| Global equity           | 55.50 %           | 6.65 %                                       |
| Global fixed income     | 18.50             | 1.76   |
| Real assets             | 13.50             | 7.72   |
| Diversifying strategies | 12.50             | 5.50   |

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the Township, calculated using the discount rate of 7.50 percent, as well as what the Township's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

|   | 1 Percent<br>Decrease<br>(6.50%) | Current Discount<br>Rate<br>(7.50%) | 1 Percent<br>Increase<br>(8.50%) |
|---|----------------------------------|-------------------------------------|----------------------------------|
| Net OPEB liability of the Chesterfield Township<br>Retiree Health Care Plan | \$ 17,107,362                    | \$ 11,541,269                       | \$ 7,010,736                     |

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following presents the net OPEB liability of the Township, calculated using the healthcare cost trend rate of 9.0 percent, decreasing by 0.5 percent per year until the rate is 4.5 percent, as well as what the Township's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

|   | 1 Percent<br>Decrease<br>(8.00%) | Current<br>Healthcare Cost<br>Trend Rate<br>(9.00%) | 1 Percent<br>Increase<br>(10.00%) |
|---|----------------------------------|---|-----------------------------------|
| Net OPEB liability of the Chesterfield Township<br>Retiree Health Care Plan | \$ 6,775,875                     | \$ 11,541,269                                       | \$ 17,475,467                     |

**OPEB Plan Fiduciary Net Position**

Detailed information about the plan's fiduciary net position is not available in the separately issued financial report. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have 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.

**Note 11 - Tax Abatements**

The Township uses the Industrial Facilities Tax exemption (PA 198 of 1974) to enter into agreements with local businesses to construct new industrial facilities or rehabilitate historical facilities. Under the program, the Township grants reductions of 50 percent of the property tax bill for new property.

For the fiscal year ended December 31, 2018, the Township abated \$14,745 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

There are no significant abatements made by other governments that reduce the Township's tax revenue.

**Note 12 - Change in Accounting Principle**

During the current year, the Township adopted Governmental Accounting Standards Board (GASB) Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the government-wide statements and the proprietary funds now include a liability for the unfunded portion of the Township's retiree healthcare costs. Some of the change in this net OPEB liability will be recognized immediately as a part of the OPEB expense measurement, and part will be deferred and recognized over future years. Refer to the other postemployment benefit plan footnote for further details. This change does not impact the General Fund or any other governmental fund.

The following financial statement line items for fiscal year 2018 were affected by the change in accounting principle:

|                                 | Net Position - Beginning of Year |               |                  |
|---------------------------------|----------------------------------|---------------|------------------|
|                                 | As Previously Reported           | As Restated   | Effect of Change |
| Governmental activities         | \$ 35,321,190                    | \$ 22,495,759 | \$ (12,825,431)  |
| Business-type activities        | 61,216,052                       | 59,315,653    | (1,900,399)      |
| Sewer and Water Operations Fund | 58,056,016                       | 56,155,617    | (1,900,399)      |

The impact on the prior year changes in net position could not be determined.

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## Required Supplemental Information

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# Charter Township of Chesterfield

## Required Supplemental Information Budgetary Comparison Schedule General Fund

**Year Ended December 31, 2018**

|  | Original Budget     | Amended Budget       | Actual               | Variance with Amended Budget |
|--|---------------------|----------------------|----------------------|------------------------------|
| <b>Revenue</b>                                     |                     |                      |                      |                              |
| Property taxes                                     | \$ 1,212,074        | \$ 1,217,568         | \$ 1,252,707         | \$ 35,139                    |
| Special assessments                                | 4,982               | 4,982                | 7,668                | 2,686                        |
| Intergovernmental:                                 |                     |                      |                      |                              |
| Federal grants                                     | 323,000             | 108,000              | 103,042              | (4,958)                      |
| State-shared revenue                               | 3,660,000           | 3,750,000            | 3,832,491            | 82,491                       |
| Charges for services                               | 859,440             | 883,876              | 863,002              | (20,874)                     |
| Licenses and permits                               | 7,450               | 6,200                | 6,484                | 284                          |
| Investment income                                  | 278,464             | 278,464              | 312,889              | 34,425                       |
| Other revenue                                      | 918,280             | 912,000              | 875,625              | (36,375)                     |
| <b>Total revenue</b>                               | <b>7,263,690</b>    | <b>7,161,090</b>     | <b>7,253,908</b>     | <b>92,818</b>                |
| <b>Expenditures</b>                                |                     |                      |                      |                              |
| Current services:                                  |                     |                      |                      |                              |
| General government:                                |                     |                      |                      |                              |
| Township board                                     | 82,174              | 69,190               | 72,802               | (3,612)                      |
| Township supervisor                                | 236,822             | 176,506              | 173,414              | 3,092                        |
| Accounting   | 396,733             | 288,086              | 265,712              | 22,374                       |
| Planning commission                                | 43,030              | 43,030               | 34,491               | 8,539                        |
| Zoning board of appeals                            | 8,580               | 4,380                | 1,997                | 2,383                        |
| Treasurer  | 498,882             | 376,767              | 366,804              | 9,963                        |
| Assessing  | 675,998             | 448,518              | 433,863              | 14,655                       |
| Board of review                                    | 1,580               | 1,891                | 1,951                | (60)                         |
| Clerk  | 435,724             | 313,012              | 303,074              | 9,938                        |
| Buildings and grounds                              | 1,495,831           | 1,127,246            | 1,108,934            | 18,312                       |
| Elections  | 175,002             | 185,061              | 184,080              | 981                          |
| Human resources                                    | 311,317             | 251,713              | 253,682              | (1,969)                      |
| General administration                             | 677,219             | 1,968,373            | 1,900,941            | 67,432                       |
| Anchor Bay Harbor storm sewer                      | 42,620              | 15,000               | 14,884               | 116                          |
| Planning and zoning administration                 | 196,157             | 136,665              | 134,996              | 1,669                        |
| Public safety                                      | 198,831             | 193,715              | 188,065              | 5,650                        |
| Public works                                       | 185,500             | 180,307              | 188,103              | (7,796)                      |
| Community and economic development                 | 88,000              | 108,500              | 103,042              | 5,458                        |
| Recreation and culture                             | 831,008             | 602,561              | 495,971              | 106,590                      |
| Capital outlay                                     | 590,200             | 13,000               | 13,068               | (68)                         |
| Debt service                                       | 112,250             | 112,250              | 112,250              | -                            |
| <b>Total expenditures</b>                          | <b>7,283,458</b>    | <b>6,615,771</b>     | <b>6,352,124</b>     | <b>263,647</b>               |
| <b>Excess of Revenue (Under) Over Expenditures</b> | <b>(19,768)</b>     | <b>545,319</b>       | <b>901,784</b>       | <b>356,465</b>               |
| <b>Other Financing (Uses) Sources</b>              |                     |                      |                      |                              |
| Transfers out                                      | (105,000)           | (60,000)             | (64,274)             | (4,274)                      |
| Sale of capital assets                             | 1,000               | 1,000                | 613                  | (387)                        |
| <b>Total other financing uses</b>                  | <b>(104,000)</b>    | <b>(59,000)</b>      | <b>(63,661)</b>      | <b>(4,661)</b>               |
| <b>Net Change in Fund Balance</b>                  | <b>(123,768)</b>    | <b>486,319</b>       | <b>838,123</b>       | <b>351,804</b>               |
| <b>Fund Balance - Beginning of year</b>            | <b>9,532,323</b>    | <b>9,532,323</b>     | <b>9,532,323</b>     | <b>-</b>                     |
| <b>Fund Balance - End of year</b>                  | <b>\$ 9,408,555</b> | <b>\$ 10,018,642</b> | <b>\$ 10,370,446</b> | <b>\$ 351,804</b>            |

## Charter Township of Chesterfield

### Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Public Safety Fund

Year Ended December 31, 2018

|   | Original Budget       | Amended<br>Budget   | Actual              | Variance with<br>Amended<br>Budget |
|---|-----------------------|---------------------|---------------------|------------------------------------|
| <b>Revenue</b>                                |                       |                     |                     |                                    |
| Property taxes                                | \$ 11,691,082         | \$ 11,695,172       | \$ 11,703,361       | \$ 8,189                           |
| Charges for services                          | 370,000               | 566,279             | 634,554             | 68,275                             |
| Fines and forfeitures                         | 85,000                | 89,678              | 87,345              | (2,333)                            |
| Investment income                             | 61,000                | 102,148             | 151,179             | 49,031                             |
| Other revenue                                 | 145,200               | 184,254             | 195,014             | 10,760                             |
| Total revenue                                 | 12,352,282            | 12,637,531          | 12,771,453          | 133,922                            |
| <b>Expenditures - Current - Public safety</b> | 13,708,859            | 13,200,021          | 13,424,362          | (224,341)                          |
| <b>Excess of Expenditures Over Revenue</b>    | (1,356,577)           | (562,490)           | (652,909)           | (90,419)                           |
| <b>Other Financing Sources</b>                |                       |                     |                     |                                    |
| Transfers in                                  | -                     | -                   | 10,208,934          | 10,208,934                         |
| Sale of capital assets                        | 20,000                | 71,083              | 66,338              | (4,745)                            |
| Total other financing sources                 | 20,000                | 71,083              | 10,275,272          | 10,204,189                         |
| <b>Net Change in Fund Balance</b>             | (1,336,577)           | (491,407)           | 9,622,363           | 10,113,770                         |
| <b>Fund Balance - Beginning of year</b>       | -                     | -                   | -                   | -                                  |
| <b>Fund Balance - End of year</b>             | <u>\$ (1,336,577)</u> | <u>\$ (491,407)</u> | <u>\$ 9,622,363</u> | <u>\$ 10,113,770</u>               |

## Charter Township of Chesterfield

### Required Supplemental Information Schedule of Changes in the Net Pension Liability and Related Ratios

|   | Last Four Plan Years |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 2017                 | 2016                 | 2015                 | 2014                 |
| <b>Total Pension Liability</b>  |                      |                      |                      |                      |
| Service cost  | \$ 810,701           | \$ 840,447           | \$ 775,641           | \$ 775,853           |
| Interest  | 2,951,678            | 2,800,172            | 2,533,808            | 2,361,993            |
| Differences between expected and actual experience                            | (5,825)              | (227,118)            | 708,794              | -                    |
| Changes in assumptions  | -                    | -                    | 1,524,640            | -                    |
| Benefit payments, including refunds   | (1,572,603)          | (1,437,067)          | (1,134,858)          | (975,371)            |
| <b>Net Change in Total Pension Liability</b>                                  | 2,183,951            | 1,976,434            | 4,408,025            | 2,162,475            |
| <b>Total Pension Liability - Beginning of year</b>                            | 37,276,913           | 35,300,479           | 30,892,454           | 28,729,979           |
| <b>Total Pension Liability - End of year</b>                                  | <b>\$ 39,460,864</b> | <b>\$ 37,276,913</b> | <b>\$ 35,300,479</b> | <b>\$ 30,892,454</b> |
| <b>Plan Fiduciary Net Position</b>  |                      |                      |                      |                      |
| Contributions - Employer  | \$ 1,556,385         | \$ 1,455,581         | \$ 1,402,474         | \$ 1,176,363         |
| Contributions - Member  | 425,881              | 264,803              | 370,116              | 598,677              |
| Net investment income (loss)  | 3,611,349            | 2,762,322            | (371,208)            | 1,383,459            |
| Administrative expenses   | (57,041)             | (54,461)             | (53,105)             | (51,236)             |
| Benefit payments, including refunds   | (1,572,603)          | (1,437,067)          | (1,134,858)          | (975,371)            |
| <b>Net Change in Plan Fiduciary Net Position</b>                              | 3,963,971            | 2,991,178            | 213,419              | 2,131,892            |
| <b>Plan Fiduciary Net Position - Beginning of year</b>                        | 26,951,719           | 23,960,541           | 23,747,122           | 21,615,230           |
| <b>Plan Fiduciary Net Position - End of year</b>                              | <b>\$ 30,915,690</b> | <b>\$ 26,951,719</b> | <b>\$ 23,960,541</b> | <b>\$ 23,747,122</b> |
| <b>Township's Net Pension Liability - Ending</b>                              | <b>\$ 8,545,174</b>  | <b>\$ 10,325,194</b> | <b>\$ 11,339,938</b> | <b>\$ 7,145,332</b>  |
| <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b> | 78.35 %              | 72.30 %              | 67.88 %              | 76.87 %              |
| <b>Covered Payroll</b>  | \$ 8,308,463         | \$ 8,624,344         | \$ 8,407,968         | \$ 8,349,251         |
| <b>Township's Net Pension Liability as a Percentage of Covered Payroll</b>    | 102.85 %             | 119.72 %             | 134.87 %             | 85.58 %              |

\* This schedule will be built prospectively.

# Charter Township of Chesterfield

## Required Supplemental Information Schedule of Pension Contributions

### Last Ten Fiscal Years Years Ended December 31

|  | 2018                | 2017                | 2016                | 2015                | 2014                | 2013                | 2012                | 2011                | 2010                | 2009                |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Actuarially determined contribution                                  | \$ 1,181,169        | \$ 1,290,876        | \$ 961,608          | \$ 975,401          | \$ 796,974          | \$ 844,706          | \$ 846,365          | \$ 1,040,372        | \$ 983,952          | \$ 852,980          |
| Contributions in relation to the actuarially determined contribution | 1,181,169           | 1,537,868           | 1,455,015           | 1,403,525           | 1,234,651           | 1,289,295           | 1,296,590           | 1,433,883           | 983,952             | 852,980             |
| <b>Contribution Excess</b>   | <b>\$ -</b>         | <b>\$ 246,992</b>   | <b>\$ 493,407</b>   | <b>\$ 428,124</b>   | <b>\$ 437,677</b>   | <b>\$ 444,589</b>   | <b>\$ 450,225</b>   | <b>\$ 393,511</b>   | <b>\$ -</b>         | <b>\$ -</b>         |
| <b>Covered Payroll</b>   | <b>\$ 8,308,463</b> | <b>\$ 8,624,344</b> | <b>\$ 8,407,968</b> | <b>\$ 8,349,251</b> | <b>\$ 8,011,355</b> | <b>\$ 8,710,926</b> | <b>\$ 8,898,872</b> | <b>\$ 8,818,977</b> | <b>\$ 9,184,765</b> | <b>\$ 9,680,239</b> |
| <b>Contributions as a Percentage of Covered Payroll</b>              | <b>14.22 %</b>      | <b>17.83 %</b>      | <b>17.31 %</b>      | <b>16.81 %</b>      | <b>15.41 %</b>      | <b>14.80 %</b>      | <b>14.57 %</b>      | <b>16.26 %</b>      | <b>10.71 %</b>      | <b>8.81 %</b>       |

#### Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date 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, 2018 were determined based on the actuarial valuation as of December 31, 2016. The most recent valuation is as of December 31, 2017.

Methods and assumptions used to determine contribution rates:

|                               |   |
|-------------------------------|---|
| Actuarial cost method         | Entry age   |
| Amortization method           | Level percent   |
| Remaining amortization period | 5 - 21 years  |
| Asset valuation method        | 10-year smoothed market   |
| Inflation                     | 2.50 percent  |
| Salary increase               | 3.75 percent  |
| Investment rate of return     | 8.00 percent  |
| Retirement age                | Experience-based table of rates is specific to the type of eligibility condition.   |
| Mortality                     | 50 percent male - 50 percent female blend of the RP-2014 Health Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and the RP-2014 Juvenile Morality Tables |
| Other information             | None  |

## Charter Township of Chesterfield

### Required Supplemental Information Schedule of Changes in the Net OPEB Liability and Related Ratios

|  | <b>Last Fiscal Year</b>     |
|--|-----------------------------|
|  | <u>2018</u>                 |
| <b>Total OPEB Liability</b>  |                             |
| Service cost   | \$ 659,146                  |
| Interest   | 2,442,478                   |
| Benefit payments, including refunds  | <u>(1,371,226)</u>          |
| <b>Net Change in Total OPEB Liability</b>                                  | 1,730,398                   |
| <b>Total OPEB Liability - Beginning of year</b>                            | <u>32,922,409</u>           |
| <b>Total OPEB Liability - End of year</b>                                  | <b><u>\$ 34,652,807</u></b> |
| <b>Plan Fiduciary Net Position</b>   |                             |
| Contributions - Employer   | \$ 2,170,126                |
| Net investment loss  | (847,313)                   |
| Administrative expenses  | (56,711)                    |
| Benefit payments, including refunds  | <u>(1,371,226)</u>          |
| <b>Net Change in Plan Fiduciary Net Position</b>                           | (105,124)                   |
| <b>Plan Fiduciary Net Position - Beginning of year</b>                     | <u>23,216,662</u>           |
| <b>Plan Fiduciary Net Position - End of year</b>                           | <b><u>\$ 23,111,538</u></b> |
| <b>Net OPEB Liability - Ending</b>   | <b><u>\$ 11,541,269</u></b> |
| <b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b> | 66.69 %                     |
| <b>Covered Employee Payroll</b>  | \$ 8,390,904                |
| <b>Net OPEB Liability as a Percentage of Covered Employee Payroll</b>      | 137.55 %                    |

\* Schedule is built prospectively upon implementation of GASB Statement No. 75.



***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. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

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

1. On or before September 1, the Township's supervisor, finance department, and respective department heads prepare a proposed operating budget for the fiscal year commencing on 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 budget document presents information by department. The legal level of budgetary control adopted by the governing body is the department level (i.e., the level at which expenditures may not legally exceed appropriations). 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 Charter Township of Chesterfield incurred the following expenditures that were in excess of the amounts budgeted, as follows:

|                                    | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|------------------------------------|---------------|---------------|-----------------|
| General Fund:                      |               |               |                 |
| Township board                     | \$ 69,190     | \$ 72,802     | \$ (3,612)      |
| Board of review                    | 1,891         | 1,951         | (60)            |
| Human resources                    | 251,713       | 253,682       | (1,969)         |
| Public works                       | 180,307       | 188,103       | (7,796)         |
| Capital outlay                     | 13,000        | 13,068        | (68)            |
| Public Safety Fund - Public safety | 13,200,021    | 13,424,362    | (224,341)       |

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

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## Other Supplemental Information

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# Charter Township of Chesterfield

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

**December 31, 2018**

|                                       | Special Revenue Funds     |                                   |                                   |                             |                              | Total             |
|---------------------------------------|---------------------------|-----------------------------------|-----------------------------------|-----------------------------|------------------------------|-------------------|
|                                       | Police Department<br>Fund | Fire Department<br>Operating Fund | Fire Department<br>Equipment Fund | Building<br>Inspection Fund | Parks and<br>Recreation Fund |                   |
| <b>Assets</b>                         |                           |                                   |                                   |                             |                              |                   |
| Cash and investments                  | \$ -                      | \$ -                              | \$ -                              | \$ 2,184                    | \$ 433,067                   | \$ 435,251        |
| Receivables - Net - Accrued interest  | -                         | -                                 | -                                 | -                           | 1,261                        | 1,261             |
| Due from other funds                  | -                         | -                                 | -                                 | 12,347                      | -                            | 12,347            |
| Prepaid expenses and deposits         | -                         | -                                 | -                                 | 24,358                      | -                            | 24,358            |
| Total assets                          | <u>\$ -</u>               | <u>\$ -</u>                       | <u>\$ -</u>                       | <u>\$ 38,889</u>            | <u>\$ 434,328</u>            | <u>\$ 473,217</u> |
| <b>Liabilities - Accounts payable</b> | \$ -                      | \$ -                              | \$ -                              | \$ 14,531                   | \$ 5,508                     | \$ 20,039         |
| <b>Fund Balances</b>                  |                           |                                   |                                   |                             |                              |                   |
| Nonspendable - Prepaids and deposits  | -                         | -                                 | -                                 | 24,358                      | -                            | 24,358            |
| Committed - Parks and recreation      | -                         | -                                 | -                                 | -                           | 428,820                      | 428,820           |
| Total fund balances                   | <u>-</u>                  | <u>-</u>                          | <u>-</u>                          | <u>24,358</u>               | <u>428,820</u>               | <u>453,178</u>    |
| Total liabilities and fund balances   | <u>\$ -</u>               | <u>\$ -</u>                       | <u>\$ -</u>                       | <u>\$ 38,889</u>            | <u>\$ 434,328</u>            | <u>\$ 473,217</u> |

# Charter Township of Chesterfield

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds

**Year Ended December 31, 2018**

|  | Special Revenue Funds     |                                   |                                   |                             |                              | Total             |
|--|---------------------------|-----------------------------------|-----------------------------------|-----------------------------|------------------------------|-------------------|
|  | Police Department<br>Fund | Fire Department<br>Operating Fund | Fire Department<br>Equipment Fund | Building<br>Inspection Fund | Parks and<br>Recreation Fund |                   |
| <b>Revenue</b>                                     |                           |                                   |                                   |                             |                              |                   |
| Charges for services                               | \$ -                      | \$ -                              | \$ -                              | \$ -                        | \$ 271,542                   | \$ 271,542        |
| Licenses and permits                               | -                         | -                                 | -                                 | 1,017,924                   | -                            | 1,017,924         |
| Investment income                                  | -                         | -                                 | -                                 | -                           | 2,515                        | 2,515             |
| Other revenue                                      | -                         | -                                 | -                                 | 11,832                      | -                            | 11,832            |
| Total revenue                                      | -                         | -                                 | -                                 | 1,029,756                   | 274,057                      | 1,303,813         |
| <b>Expenditures - Current services</b>             |                           |                                   |                                   |                             |                              |                   |
| Public safety                                      | -                         | -                                 | -                                 | 1,095,929                   | -                            | 1,095,929         |
| Recreation and culture                             | -                         | -                                 | -                                 | -                           | 197,498                      | 197,498           |
| Total expenditures                                 | -                         | -                                 | -                                 | 1,095,929                   | 197,498                      | 1,293,427         |
| <b>Excess of Revenue (Under) Over Expenditures</b> | -                         | -                                 | -                                 | (66,173)                    | 76,559                       | 10,386            |
| <b>Other Financing Sources (Uses)</b>              |                           |                                   |                                   |                             |                              |                   |
| Transfers in                                       | -                         | -                                 | -                                 | 64,274                      | -                            | 64,274            |
| Transfers out                                      | (1,611,220)               | (3,114,384)                       | (5,483,330)                       | -                           | -                            | (10,208,934)      |
| Total other financing (uses) sources               | (1,611,220)               | (3,114,384)                       | (5,483,330)                       | 64,274                      | -                            | (10,144,660)      |
| <b>Net Change in Fund Balances</b>                 | (1,611,220)               | (3,114,384)                       | (5,483,330)                       | (1,899)                     | 76,559                       | (10,134,274)      |
| <b>Fund Balances - Beginning of year</b>           | 1,611,220                 | 3,114,384                         | 5,483,330                         | 26,257                      | 352,261                      | 10,587,452        |
| <b>Fund Balances - End of year</b>                 | <u>\$ -</u>               | <u>\$ -</u>                       | <u>\$ -</u>                       | <u>\$ 24,358</u>            | <u>\$ 428,820</u>            | <u>\$ 453,178</u> |