

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

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**Financial Report  
with Supplemental Information  
December 31, 2016**

# Charter Township of Chesterfield

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## Contents

<b>Report Letter</b>	1-2
<b>Management's Discussion and Analysis</b>	3-6
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8-9
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	10
Reconciliation of the Balance Sheet to the Statement of Net Position	11
Statement of Revenue, Expenditures, and Changes in Fund Balances	12
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Proprietary Funds:	
Statement of Net Position	14
Statement of Revenue, Expenses, and Changes in Net Position	15
Statement of Cash Flows	16
Fiduciary Funds - Statement of Fiduciary Assets and Liabilities	17
Notes to Financial Statements	18-43
<b>Required Supplemental Information</b>	44
Budgetary Comparison Schedule - General Fund	45
Budgetary Comparison Schedule - Major Special Revenue Funds	46-48
Schedule of Funding Progress - OPEB	49
Schedule of Changes in the Net Pension Liability and Related Ratios	50
Schedule of Pension Contributions	51
Note to Required Supplemental Information	52
<b>Other Supplemental Information</b>	53
Nonmajor Governmental Funds:	
Combining Balance Sheet	54
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	55

## Independent Auditor's Report

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Charter Township of Chesterfield as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Charter Township of Chesterfield's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

**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, 2016, and the respective changes in its financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, major fund budgetary comparison schedules, schedule of changes in the net pension liability and related ratios, schedule of pension contributions, and OPEB schedule of funding progress, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Supplemental Information*

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

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

*Plante & Moran, PLLC*

May 8, 2017

# 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, 2016. Please read it in conjunction with the Township's financial statements.

### Using this Annual Report

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

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

### The Charter Township of Chesterfield as a Whole

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current and other assets	\$ 37,470,641	\$ 35,870,488	\$ 17,083,225	\$ 16,565,920	\$ 54,553,866	\$ 52,436,408
Capital assets	18,816,847	19,085,083	74,974,796	75,762,412	93,791,643	94,847,495
Total assets	56,287,488	54,955,571	92,058,021	92,328,332	148,345,509	147,283,903
<b>Deferred Outflows of Resources</b>	4,829,745	1,533,156	687,399	219,074	5,517,144	1,752,230
<b>Liabilities</b>						
Long-term liabilities	2,579,909	2,874,060	10,871,906	11,452,983	13,451,815	14,327,043
Other liabilities	11,435,757	7,942,686	21,322,259	20,658,856	32,758,016	28,601,542
Total liabilities	14,015,666	10,816,746	32,194,165	32,111,839	46,209,831	42,928,585
<b>Deferred Inflows of Resources</b>	13,132,600	13,051,564	-	-	13,132,600	13,051,564
<b>Net Position</b>						
Net investment in capital assets	15,942,787	15,911,622	46,833,214	47,124,217	62,776,001	63,035,839
Restricted	11,507,630	7,854,524	3,212,977	3,559,578	14,720,607	11,414,102
Unrestricted	6,518,550	8,854,271	10,505,064	9,751,772	17,023,614	18,606,043
Total net position	<b>\$ 33,968,967</b>	<b>\$ 32,620,417</b>	<b>\$ 60,551,255</b>	<b>\$ 60,435,567</b>	<b>\$ 94,520,222</b>	<b>\$ 93,055,984</b>

# Charter Township of Chesterfield

## Management's Discussion and Analysis (Continued)

The Township's combined net position increased by \$1,464,238 from a year ago, resulting in a total net position of \$94,520,222 at December 31, 2016. 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 \$2,335,721 for the governmental activities. This represents a decrease of approximately 26.4 percent. The current level of unrestricted net position for our governmental activities stands at \$6,518,550, or about 32.7 percent of expenses. Taking a look at the business-type activities, unrestricted net position increased by \$753,292. This represents an increase of approximately 7.7 percent.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 3,456,034	\$ 3,700,816	\$ 14,583,725	\$ 12,708,556	\$ 18,039,759	\$ 16,409,372
Operating grants and contributions	161,887	156,561	-	-	161,887	156,561
Capital grants and contributions	196,744	189,544	1,199,681	1,537,536	1,396,425	1,727,080
General revenue:						
Property taxes	13,062,004	12,549,403	-	-	13,062,004	12,549,403
State-shared revenue	3,459,006	3,374,464	-	-	3,459,006	3,374,464
Investment earnings	57,661	45,045	33,956	30,101	91,617	75,146
Franchise fees	796,000	798,311	-	-	796,000	798,311
Other revenue	76,924	63,600	-	-	76,924	63,600
Proceeds from sale of fixed assets	43,023	21,222	-	-	43,023	21,222
Total revenue	21,309,283	20,898,966	15,817,362	14,276,193	37,126,645	35,175,159
<b>Program Expenses</b>						
General government	3,915,543	3,482,978	-	-	3,915,543	3,482,978
Public safety	13,109,266	12,093,218	-	-	13,109,266	12,093,218
Street, sidewalks, and drains	1,948,429	1,743,104	-	-	1,948,429	1,743,104
Recreation and culture	909,866	920,012	-	-	909,866	920,012
Interest on long-term debt	77,629	85,993	-	-	77,629	85,993
Water and sewer	-	-	15,452,240	14,452,460	15,452,240	14,452,460
Brandenburg Park	-	-	249,434	195,234	249,434	195,234
Total program expenses	19,960,733	18,325,305	15,701,674	14,647,694	35,662,407	32,972,999
Transfers	-	(569,029)	-	569,029	-	-
<b>Change in Net Position</b>	<b>\$ 1,348,550</b>	<b>\$ 2,004,632</b>	<b>\$ 115,688</b>	<b>\$ 197,528</b>	<b>\$ 1,464,238</b>	<b>\$ 2,202,160</b>

Property taxes are the primary source of revenue for the governmental activities, providing approximately 61.3 percent of total revenue. State-shared revenue provides another 16.2 percent and charges for services provided 16.2 percent, leaving just 6.3 percent being provided by all other sources.

# **Charter Township of Chesterfield**

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

### **Governmental Activities**

The Township's total governmental revenue increased by \$410,317. The overall increase, which represents 1.96 percent, is primarily due to an increase in property tax collections. Total governmental expenses and transfers increased by \$1,066,399, or about 5.6 percent.

### **Business-type Activities**

The Township has two business-type activities. These include the Water and Sewer Fund and the Brandenburg Memorial Park Fund. Revenue for business-type activities was \$15,817,362. Revenue increased by \$1,541,196, or about 10.8 percent, from the prior year. The increase in revenue was primarily due to an increase in capital grants and charges for services. Expenses increased by \$1,053,980 from the prior year. Water and sewer treatment is provided to the Township's residents through the Detroit water and sewer department. Revenue from water and sewer operations was \$15,657,012, including contributions from developers. Revenue from the Township's operation of Brandenburg Memorial Park was \$160,350, including transfers in from other funds.

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

Our analysis of the Township's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2016 include the General Fund, Fire Department Operating Fund, Fire Department Equipment Fund, and Police Department Fund.

The General Fund pays for a majority of the Township's governmental services. The General Fund ended 2016 with a fund balance of \$8,516,776. Revenue decreased by \$328,091 due primarily to a decrease in reimbursements and charges for services. Expenditures had an increase of \$300,280 due to employee-related costs.

The Fire Department Operating Fund is funded through a property tax millage. These funds are expended exclusively for the operations of the fire department. The Fire Department Operating Fund ended 2016 with a fund balance of \$2,390,403. Revenue increased by \$184,123 due primarily to an increase in property taxes. Expenditures increased by \$23,818 due to an increase in employee-related costs.

The Fire Department Equipment Fund is funded through a property tax millage. These funds are expended exclusively for the housing, vehicles, and equipment used to support the Township's fire department. The Fire Department Equipment Fund ended 2016 with a fund balance of \$6,292,378. Revenue increased by \$76,765 primarily due to an increase in property taxes. Expenditures decreased by \$320,642 primarily due to an decrease in capital outlay purchases.

# **Charter Township of Chesterfield**

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

The Police Department Fund is funded by a special assessment. These funds are expended exclusively for the operations of the police department. The police department ended 2016 with a fund balance of \$2,824,849. Revenue increased by \$187,078 for 2016, primarily due to an increase in property tax collection and charges for services. Expenditures increased by \$195,625 primarily due to an increase in personnel costs and capital outlay.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township amended the budget to take into account unanticipated events during the year. Actual revenue was above budgeted revenue by 4.2 percent. Actual expenditures were 6.1 percent below budget. The Township completed the year with actual revenue over expenditures in the General Fund of \$553,979 as compared to the budgeted amount of (\$161,324), a positive variance of \$715,303.

### **Capital Asset and Debt Administration**

At the end of 2016, the Township had \$93,791,643 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines.

### **Contacting the Township's Management**

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

# Charter Township of Chesterfield

## Statement of Net Position December 31, 2016

	Primary Government			Component Unit - Economic Development Corporation
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 2)	\$ 23,163,412	\$ 9,523,699	\$ 32,687,111	\$ 3,021
Receivables - Net:				
Property taxes receivable	9,487,905	-	9,487,905	-
Receivables from sales to customers on account	-	2,788,138	2,788,138	-
Accrued interest receivable	6,691	17,912	24,603	-
Other receivables	140,359	-	140,359	-
Due from other governmental units	887,238	550,961	1,438,199	-
Special assessments receivable	7,066	-	7,066	-
Internal balances (Note 4)	(100,575)	100,575	-	-
Inventory	-	171,419	171,419	-
Prepaid expenses and deposits	495,707	120,573	616,280	-
Restricted assets (Note 6)	-	3,212,977	3,212,977	-
OPEB asset (Note 9)	3,382,838	596,971	3,979,809	-
Capital assets (Note 3):				
Assets not subject to depreciation	3,857,827	3,490,010	7,347,837	-
Assets subject to depreciation	14,959,020	71,484,786	86,443,806	-
Total assets	56,287,488	92,058,021	148,345,509	3,021
<b>Deferred Outflows of Resources</b> (Note 8)	4,829,745	687,399	5,517,144	-
<b>Liabilities</b>				
Accounts payable	378,970	1,222,337	1,601,307	-
Accrued liabilities and other	218,687	239,587	458,274	-
Unearned revenue	-	1,090,255	1,090,255	-
Noncurrent liabilities (Note 5):				
Due within one year:				
Compensated absences	616,887	87,528	704,415	-
Current portion of long-term debt	294,151	-	294,151	-
Due in more than one year:				
Payable from restricted assets	-	1,461,061	1,461,061	-
Net pension liability (Note 8)	9,927,062	1,412,876	11,339,938	-
Long-term debt	2,579,909	26,680,521	29,260,430	-
Total liabilities	14,015,666	32,194,165	46,209,831	-
<b>Deferred Inflows of Resources</b> - Property taxes levied for the following year	13,132,600	-	13,132,600	-
<b>Net Position</b>				
Net investment in capital assets	15,942,787	46,833,214	62,776,001	-
Restricted for:				
Debt service	-	2,559,812	2,559,812	-
Water and sewer construction and maintenance	-	653,165	653,165	-
Fire operating	2,390,403	-	2,390,403	-
Fire equipment	6,292,378	-	6,292,378	-
Unrestricted	9,343,399	10,505,064	19,848,463	3,021
Total net position	\$ 33,968,967	\$ 60,551,255	\$ 94,520,222	\$ 3,021

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

# Charter Township of Chesterfield

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,915,543	\$ 1,283,810	\$ 21,436	\$ -
Public safety	13,109,266	1,784,684	7,712	-
Public works	1,948,429	96,478	-	196,744
Recreation and culture	909,866	291,062	132,739	-
Interest on long-term debt	77,629	-	-	-
Total governmental activities	19,960,733	3,456,034	161,887	196,744
Business-type activities:				
Sewer and Water Operations Fund	15,452,240	14,423,985	-	1,199,681
Brandenburg Park Fund	249,434	159,740	-	-
Total business-type activities	15,701,674	14,583,725	-	1,199,681
Total primary government	<b>\$ 35,662,407</b>	<b>\$ 18,039,759</b>	<b>\$ 161,887</b>	<b>\$ 1,396,425</b>
Economic Development Corporation	\$ 400	\$ -	\$ -	\$ -

General revenue:

Property taxes  
 State-shared revenue  
 Investment income  
 Cable franchise fees  
 Other miscellaneous income  
 Gain on sale of fixed assets

Total general revenue

**Change in Net Position**

**Net Position** - Beginning of year

**Net Position** - End of year

**Statement of Activities**  
**Year Ended December 31, 2016**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit - Economic Development Corporation
\$ (2,610,297)	\$ -	\$ (2,610,297)	\$ -
(11,316,870)	-	(11,316,870)	-
(1,655,207)	-	(1,655,207)	-
(486,065)	-	(486,065)	-
(77,629)	-	(77,629)	-
(16,146,068)	-	(16,146,068)	-
-	171,426	171,426	-
-	(89,694)	(89,694)	-
-	81,732	81,732	-
(16,146,068)	81,732	(16,064,336)	-
-	-	-	(400)
13,062,004	-	13,062,004	-
3,459,006	-	3,459,006	-
57,661	33,956	91,617	-
796,000	-	796,000	-
76,924	-	76,924	-
43,023	-	43,023	-
17,494,618	33,956	17,528,574	-
1,348,550	115,688	1,464,238	(400)
32,620,417	60,435,567	93,055,984	3,421
<b>\$ 33,968,967</b>	<b>\$ 60,551,255</b>	<b>\$ 94,520,222</b>	<b>\$ 3,021</b>

# Charter Township of Chesterfield

## Governmental Funds Balance Sheet December 31, 2016

	General Fund	Police Department Fund	Fire Department Operating Fund	Fire Department Equipment Fund	Nonmajor Funds	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 7,968,286	\$ 4,946,721	\$ 3,405,483	\$ 6,493,130	\$ 349,792	\$ 23,163,412
Receivables:						
Property taxes receivable	967,121	5,073,138	2,917,327	530,319	-	9,487,905
Special assessments receivable	7,066	-	-	-	-	7,066
Accrued interest receivable	3,291	-	1,052	2,135	213	6,691
Other receivables	61,100	-	59,452	19,807	-	140,359
Due from other governmental units	860,430	26,808	-	-	-	887,238
Due from other funds (Note 4)	-	-	-	491	6,109	6,600
Prepaid expenses and deposits	208,842	147,265	111,815	3,599	24,186	495,707
<b>Total assets</b>	<b>\$ 10,076,136</b>	<b>\$ 10,193,932</b>	<b>\$ 6,495,129</b>	<b>\$ 7,049,481</b>	<b>\$ 380,300</b>	<b>\$ 34,194,978</b>
<b>Liabilities</b>						
Accounts payable	\$ 153,212	\$ 151,608	\$ 31,399	\$ 25,687	\$ 17,064	\$ 378,970
Due to other funds (Note 4)	36,946	50,068	20,161	-	-	107,175
Accrued liabilities and other	36,123	116,001	29,401	-	14,165	195,690
<b>Total liabilities</b>	<b>226,281</b>	<b>317,677</b>	<b>80,961</b>	<b>25,687</b>	<b>31,229</b>	<b>681,835</b>
<b>Deferred Inflows of Resources</b>						
Unavailable special assessment revenue	7,066	-	-	-	-	7,066
Property taxes levied for the following year	1,326,013	7,051,406	4,023,765	731,416	-	13,132,600
<b>Total deferred inflows of resources</b>	<b>1,333,079</b>	<b>7,051,406</b>	<b>4,023,765</b>	<b>731,416</b>	<b>-</b>	<b>13,139,666</b>
<b>Fund Balances</b>						
Nonspendable - Prepaids and deposits	208,842	147,265	111,815	3,599	24,186	495,707
Restricted:						
Fire operating	-	-	2,278,588	-	-	2,278,588
Fire equipment	-	-	-	6,288,779	-	6,288,779
Committed - Parks and recreation	-	-	-	-	324,885	324,885
Assigned:						
Senior center	55,727	-	-	-	-	55,727
Police	-	2,677,584	-	-	-	2,677,584
Unassigned	8,252,207	-	-	-	-	8,252,207
<b>Total fund balances</b>	<b>8,516,776</b>	<b>2,824,849</b>	<b>2,390,403</b>	<b>6,292,378</b>	<b>349,071</b>	<b>20,373,477</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 10,076,136</b>	<b>\$ 10,193,932</b>	<b>\$ 6,495,129</b>	<b>\$ 7,049,481</b>	<b>\$ 380,300</b>	<b>\$ 34,194,978</b>

# Charter Township of Chesterfield

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position December 31, 2016

<b>Fund Balance Reported in Governmental Funds</b>	\$ 20,373,477
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	18,816,847
Certain receivables are expected to be collected over several years in the General Fund and are not available to pay for current year expenditures	7,066
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(2,874,060)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(616,887)
Accrued interest is not due and payable in the current period and is not reported in the funds	(22,997)
Other postemployment benefits are contributed in excess of requirement and the asset is not reported in the funds	3,382,838
Deferred outflows of resources are not reported in the funds as they will be recognized over the deferral period	4,829,745
Net pension liability is not due and payable in the current period and is not reported in the funds	<u>(9,927,062)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 33,968,967</u></b>

# Charter Township of Chesterfield

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2016

	General Fund	Police Department Fund	Fire Department Operating Fund	Fire Department Equipment Fund	Nonmajor Funds	Total
<b>Revenue</b>						
Property taxes	\$ 1,261,235	\$ 6,874,618	\$ 4,155,801	\$ 764,656	\$ -	\$ 13,056,310
Licenses and permits	19,769	-	-	-	1,000,530	1,020,299
Federal grants	4,000	-	-	-	-	4,000
State-shared revenue	3,459,006	-	-	-	-	3,459,006
Charges for services	1,241,726	443,892	-	-	272,233	1,957,851
Fines and forfeitures	-	140,272	-	-	-	140,272
Investment income	19,999	9,857	7,677	19,593	535	57,661
Rental income	224,273	-	-	-	-	224,273
Other revenue:						
Special assessments	6,300	-	-	-	-	6,300
Cable franchise fees	796,000	-	-	-	-	796,000
Other miscellaneous income	115,051	154,714	33,831	26,331	23,917	353,844
<b>Total revenue</b>	<b>7,147,359</b>	<b>7,623,353</b>	<b>4,197,309</b>	<b>810,580</b>	<b>1,297,215</b>	<b>21,075,816</b>
<b>Expenditures</b>						
Current:						
General government	5,208,732	-	-	-	-	5,208,732
Public safety	-	8,437,684	3,202,513	242,869	1,004,868	12,887,934
Public works	233,804	-	-	-	-	233,804
Recreation and culture	538,337	-	-	-	224,395	762,732
Capital outlay	494,069	293,803	-	58,651	129,645	976,168
Debt service:						
Principal	75,000	-	-	208,250	-	283,250
Interest on long-term debt	43,438	-	-	52,133	-	95,571
<b>Total expenditures</b>	<b>6,593,380</b>	<b>8,731,487</b>	<b>3,202,513</b>	<b>561,903</b>	<b>1,358,908</b>	<b>20,448,191</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>553,979</b>	<b>(1,108,134)</b>	<b>994,796</b>	<b>248,677</b>	<b>(61,693)</b>	<b>627,625</b>
<b>Other Financing Sources (Uses)</b>						
Proceeds from sale of capital assets	66,188	17,767	-	-	-	83,955
Transfers in (Note 4)	-	3,500,000	-	-	11,055	3,511,055
Transfers out (Note 4)	(3,511,055)	-	-	-	-	(3,511,055)
<b>Total other financing (uses) sources</b>	<b>(3,444,867)</b>	<b>3,517,767</b>	<b>-</b>	<b>-</b>	<b>11,055</b>	<b>83,955</b>
<b>Net Change in Fund Balances</b>	<b>(2,890,888)</b>	<b>2,409,633</b>	<b>994,796</b>	<b>248,677</b>	<b>(50,638)</b>	<b>711,580</b>
<b>Fund Balances - Beginning of year</b>	<b>11,407,664</b>	<b>415,216</b>	<b>1,395,607</b>	<b>6,043,701</b>	<b>399,709</b>	<b>19,661,897</b>
<b>Fund Balances - End of year</b>	<b>\$ 8,516,776</b>	<b>\$ 2,824,849</b>	<b>\$ 2,390,403</b>	<b>\$ 6,292,378</b>	<b>\$ 349,071</b>	<b>\$ 20,373,477</b>

# Charter Township of Chesterfield

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2016**

**Net Change in Fund Balances - Total Governmental Funds** **\$ 711,580**

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	1,029,866
Depreciation expense	(1,448,821)
Donated capital assets	191,651

Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end (1,207)

Gain on disposal of assets (40,932)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 299,401

Interest expense is recorded when incurred in the statement of activities 1,791

Decrease in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment 30,804

OPEB contributions in excess of ARC which are recorded as an expenditure in governmental funds, but an addition to assets in the statement of net position 952,909

The change in the net pension liability is recorded when incurred in the statement of activities (378,492)

**Change in Net Position of Governmental Activities** **\$ 1,348,550**

# Charter Township of Chesterfield

## Proprietary Funds Statement of Net Position December 31, 2016

	Enterprise Funds		
	Major Enterprise Fund - Sewer and Water Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	Total
	Fund	Park Fund	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents (Note 2)	\$ 9,188,582	\$ 335,117	\$ 9,523,699
Receivables:			
Receivables from sales to customers on account	2,788,138	-	2,788,138
Accrued interest receivable	17,912	-	17,912
Due from other governmental units	550,961	-	550,961
Due from other funds (Note 4)	101,668	-	101,668
Inventory	171,419	-	171,419
Prepaid expenses and deposits	119,678	895	120,573
Total current assets	12,938,358	336,012	13,274,370
Noncurrent assets:			
Restricted assets (Note 6)	3,212,977	-	3,212,977
OPEB asset (Note 9)	596,971	-	596,971
Capital assets (Note 3):			
Assets not subject to depreciation	3,490,010	-	3,490,010
Assets subject to depreciation	68,567,787	2,916,999	71,484,786
Total noncurrent assets	75,867,745	2,916,999	78,784,744
Total assets	88,806,103	3,253,011	92,059,114
<b>Deferred Outflows of Resources</b>	687,399	-	687,399
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	1,219,379	2,958	1,222,337
Due to other funds	-	1,093	1,093
Accrued liabilities and other	239,587	-	239,587
Unearned revenue	1,090,255	-	1,090,255
Compensated absences	87,528	-	87,528
Total current liabilities	2,636,749	4,051	2,640,800
Noncurrent liabilities:			
Net pension liability (Note 8)	1,412,876	-	1,412,876
Payable from restricted assets	1,461,061	-	1,461,061
Long-term debt (Note 5)	26,680,521	-	26,680,521
Total noncurrent liabilities	29,554,458	-	29,554,458
Total liabilities	32,191,207	4,051	32,195,258
<b>Net Position</b>			
Net investment in capital assets	43,916,215	2,916,999	46,833,214
Restricted:			
Debt service	2,559,812	-	2,559,812
Water and sewer construction and maintenance	653,165	-	653,165
Unrestricted	10,173,103	331,961	10,505,064
Total net position	<u>\$ 57,302,295</u>	<u>\$ 3,248,960</u>	<u>\$ 60,551,255</u>

# Charter Township of Chesterfield

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended December 31, 2016

	Enterprise Funds		
	Major Enterprise Fund - Sewer and Water Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	Total
	Fund	Park Fund	Total
<b>Operating Revenue</b>			
Sale of water	\$ 6,975,097	\$ -	\$ 6,975,097
Sewage disposal charges	7,444,598	-	7,444,598
Fees	-	151,568	151,568
Other	4,290	8,172	12,462
Total operating revenue	14,423,985	159,740	14,583,725
<b>Operating Expense</b>			
Cost of water	3,780,127	-	3,780,127
Cost of sewage treatment	4,306,217	-	4,306,217
Repairs and maintenance	101,516	-	101,516
Billing and administrative costs	211,270	-	211,270
Personnel services	2,364,547	30,386	2,394,933
Supplies	358,376	7,855	366,231
Other services and charges	1,093,094	45,204	1,138,298
Depreciation	2,314,088	165,989	2,480,077
Total operating expense	14,529,235	249,434	14,778,669
<b>Operating Loss</b>	(105,250)	(89,694)	(194,944)
<b>Nonoperating Revenue (Expense)</b>			
Investment income	33,346	610	33,956
Interest expense	(923,005)	-	(923,005)
Total nonoperating (expense) revenue	(889,659)	610	(889,049)
<b>Loss - Before contributions</b>	(994,909)	(89,084)	(1,083,993)
<b>Capital Contributions</b>			
Capital contributed by grants and donation	561,347	-	561,347
Tap fees	409,421	-	409,421
Benefit fees	167,410	-	167,410
Lines donated by developers	61,503	-	61,503
Total capital contributions	1,199,681	-	1,199,681
<b>Change in Net Position</b>	204,772	(89,084)	115,688
<b>Net Position - Beginning of year</b>	57,097,523	3,338,044	60,435,567
<b>Net Position - End of year</b>	<u>\$ 57,302,295</u>	<u>\$ 3,248,960</u>	<u>\$ 60,551,255</u>

# Charter Township of Chesterfield

## Proprietary Funds Statement of Cash Flows Year Ended December 31, 2016

	Enterprise Funds		
	Major Enterprise Fund - Sewer and Water Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 14,029,806	\$ 159,740	\$ 14,189,546
Internal activity - Payments from (to) other funds	9,222	(75)	9,147
Payments to suppliers	(9,823,008)	(53,349)	(9,876,357)
Payments to employees	(2,348,221)	(29,293)	(2,377,514)
Other payments	(156,414)	(2,619)	(159,033)
Net cash provided by operating activities	<u>1,711,385</u>	<u>74,404</u>	<u>1,785,789</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Capital grants	561,347	-	561,347
Tap fees	409,421	-	409,421
Benefit fees	167,410	-	167,410
Purchase of capital assets	(513,291)	(10,975)	(524,266)
Principal and interest paid on capital debt	(2,526,310)	-	(2,526,310)
Net cash used in capital and related financing activities	<u>(1,901,423)</u>	<u>(10,975)</u>	<u>(1,912,398)</u>
<b>Cash Flows from Investing Activities</b> - Interest received on investments	<u>25,961</u>	<u>610</u>	<u>26,571</u>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<u>(164,077)</u>	<u>64,039</u>	<u>(100,038)</u>
<b>Cash and Cash Equivalents</b> - Beginning of year	<u>11,912,471</u>	<u>271,078</u>	<u>12,183,549</u>
<b>Cash and Cash Equivalents</b> - End of year	<u>\$ 11,748,394</u>	<u>\$ 335,117</u>	<u>\$ 12,083,511</u>
<b>Statement of Net Position Classification of Cash and Cash Equivalents</b>			
Cash and investments	\$ 9,188,582	\$ 335,117	\$ 9,523,699
Restricted cash	2,559,812	-	2,559,812
Total cash and cash equivalents	<u>\$ 11,748,394</u>	<u>\$ 335,117</u>	<u>\$ 12,083,511</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>			
Operating loss	\$ (105,250)	\$ (89,694)	\$ (194,944)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation and amortization	2,314,088	165,989	2,480,077
Changes in assets and liabilities:			
Receivables	(550,593)	(2,619)	(553,212)
Due from others	9,222	(75)	9,147
Inventories	111,080	-	111,080
Prepaid and other assets	(179,302)	(290)	(179,592)
Accounts payable	61,211	-	61,211
Accrued and other liabilities	50,929	1,093	52,022
Net cash provided by operating activities	<u>\$ 1,711,385</u>	<u>\$ 74,404</u>	<u>\$ 1,785,789</u>

**Noncash Investing, Capital, and Financing Activities** - During the year ended December 31, 2016, water and sewer line infrastructure totaling \$61,503 was donated to the Township by outside developers. The Township also incurred additional long-term debt and recorded the corresponding capital assets of \$937,170 for the Oakland-Macomb Interceptor - Series 2013, and \$169,524 for the Macomb Interceptor Drainage District - Series 2015.

# Charter Township of Chesterfield

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## Fiduciary Funds Statement of Fiduciary Assets and Liabilities December 31, 2016

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 5,340,901
Receivables - Net	<u>90</u>
Total assets	<b><u>\$ 5,340,991</u></b>
<b>Liabilities</b>	
Due to other governmental units	\$ 1,963,436
Cash held on behalf of the Library	2,012,553
Refundable deposits and bonds	<u>1,365,002</u>
Total liabilities	<b><u>\$ 5,340,991</u></b>

# Charter Township of Chesterfield

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## Notes to Financial Statements December 31, 2016

### Note I - Nature of Business and Significant Accounting Policies

#### Reporting Entity

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

**Discretely Presented Component Unit** - The Economic Development Corporation (EDC) was formed to alleviate and prevent conditions of unemployment and to assist and retain local industries and commercial enterprises in order to strengthen and revitalize the economy of 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.

#### Accounting and Reporting Principles

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

#### Report Presentation

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program 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.

# Charter Township of Chesterfield

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## Notes to Financial Statements December 31, 2016

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

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

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

#### **Fund Accounting**

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

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

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

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2016

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

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

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

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

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

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

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

#### **Basis of Accounting**

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

# Charter Township of Chesterfield

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## Notes to Financial Statements December 31, 2016

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

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

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

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

#### **Specific Balances and Transactions**

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

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

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

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2016

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

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

**Capital Assets** - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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:

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

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

# Charter Township of Chesterfield

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## Notes to Financial Statements December 31, 2016

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

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

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Due to the implementation of GASB Statement No. 68, the Township has deferred outflows of resources related to the defined benefit pension liability, consisting of the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings, the variance between projected and actual experience, changes in assumptions related to economic and demographic factors, and employer contributions made subsequent to the measurement date.

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

# Charter Township of Chesterfield

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## Notes to Financial Statements December 31, 2016

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

#### **Net Position Flow Assumption**

Sometimes the Township will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide 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.

#### **Fund Balance Flow Assumption**

Sometimes the Township will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### **Fund Balance Policies**

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

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

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

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

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

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2016

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

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

The Township's 2016 tax revenue is levied and collectible on December 1 2015 and is recognized as revenue in the year ended December 31, 2016, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2015 taxable valuation of the Township totaled \$1.488 billion, on which ad valorem taxes levied consisted of 0.8034 mills for operating purposes, 5.0 mills for police operating purposes, 2.7409 mills for fire operating purposes, and 0.4983 mills for acquisition of fire equipment. This resulted in \$1.3 million for operating, \$4.9 million for fire purposes, and \$6.9 million for police purposes. These amounts are recognized in the respective General and Special Revenue funds financial statements as tax revenue. A provision has been recorded for potential refunds related to disputed taxable values.

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

# Charter Township of Chesterfield

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## Notes to Financial Statements December 31, 2016

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

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

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

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

### **Note 2 - Deposits and Investments**

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

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2016

### Note 2 - Deposits and Investments (Continued)

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

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

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

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$37,636,478 of bank deposits (certificates of deposit and checking and savings accounts), of which \$3,250,000 was covered by federal depository insurance and \$34,386,478 was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

At the end of the year, the EDC had \$3,021 of bank deposits, all of which was covered by federal deposit insurance.

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

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pool	\$ 3,073,108	PI	Standard & Poor's

# Charter Township of Chesterfield

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## Notes to Financial Statements December 31, 2016

### Note 2 - Deposits and Investments (Continued)

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. The Township did not have any investments that were subject to the fair value hierarchy at December 31, 2016.

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 the net asset value (NAV) per share (or its equivalent) is presented on 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 are 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, 2016, the fair value of the Comerica J Fund Investment Pool was \$3,073,108 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 which will seek the highest investment return consistent with the preservation of principal and meet the daily liquidity needs of participants.

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2016

### Note 3 - Capital Assets

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

	Balance January 1, 2016	Reclassifications	Additions	Disposals	Balance December 31, 2016
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 3,453,320	\$ 13,899	\$ 143,305	\$ (40,932)	\$ 3,569,592
Construction in progress	-	-	288,235	-	288,235
Subtotal	3,453,320	13,899	431,540	(40,932)	3,857,827
Capital assets being depreciated:					
Infrastructure	15,469,597	-	191,651	-	15,661,248
Buildings and improvements	17,288,577	(151,696)	284,377	-	17,421,258
Machinery and equipment	8,999,597	137,797	313,949	(990,912)	8,460,431
Subtotal	41,757,771	(13,899)	789,977	(990,912)	41,542,937
Accumulated depreciation:					
Infrastructure	6,393,260	63	421,448	-	6,814,771
Buildings and improvements	11,486,776	383,298	585,167	-	12,455,241
Machinery and equipment	8,245,972	(383,361)	442,206	(990,912)	7,313,905
Subtotal	26,126,008	-	1,448,821	(990,912)	26,583,917
Net capital assets being depreciated	15,631,763	(13,899)	(658,844)	-	14,959,020
Net governmental activities capital assets	\$ 19,085,083	\$ -	\$ (227,304)	\$ (40,932)	\$ 18,816,847
<b>Business-type Activities</b>					
Capital assets not being depreciated:					
Land	\$ 409,484	\$ -	\$ -	\$ -	\$ 409,484
Construction in progress	4,892,669	(2,972,225)	1,160,082	-	3,080,526
Subtotal	5,302,153	(2,972,225)	1,160,082	-	3,490,010
Capital assets being depreciated:					
Infrastructure	85,957,924	2,972,225	444,043	-	89,374,192
Buildings and improvements	7,095,435	3,987,277	56,760	(20,281)	11,119,191
Machinery and equipment	6,016,294	(3,987,277)	31,576	-	2,060,593
Subtotal	99,069,653	2,972,225	532,379	(20,281)	102,553,976
Accumulated depreciation:					
Infrastructure	22,240,487	-	1,898,637	-	24,139,124
Buildings and improvements	3,654,876	863,279	516,230	(20,281)	5,014,104
Machinery and equipment	2,714,031	(863,279)	65,210	-	1,915,962
Subtotal	28,609,394	-	2,480,077	(20,281)	31,069,190
Net capital assets being depreciated	70,460,259	2,972,225	(1,947,698)	-	71,484,786
Net business-type capital assets	\$ 75,762,412	\$ -	\$ (787,616)	\$ -	\$ 74,974,796

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2016

### Note 3 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 367,846
Public safety	613,158
Public works	421,448
Recreation and culture	46,369
Total governmental activities	<u>\$ 1,448,821</u>

Business-type activities:

Water and Sewer Fund	\$ 2,314,088
Brandenburg Memorial Park Fund	165,989
Total business-type activities	<u>\$ 2,480,077</u>

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

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Oakland-Macomb Interceptor Drain	\$ 2,695,401	\$ 1,851
Macomb Interceptor Drainage District	169,522	99,286
SAW program	204,298	927,383
Sanitary sewer projects	93,777	156,761
Total	<u>\$ 3,162,998</u>	<u>\$ 1,185,281</u>

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2016

### Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
Fire Department Equipment Fund	General Fund	\$ 491
Water and Sewer Fund	General Fund	30,346
	Fire Department Operating Fund	20,161
	Police Department Fund	50,068
	Nonmajor enterprise fund	<u>1,093</u>
	Total Water and Sewer Fund	101,668
Nonmajor governmental fund	General Fund	<u>6,109</u>
	Total	<u>\$ 108,268</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:

Transfer to	Transfer from	Amount
Police Department Fund	General Fund	\$ 3,500,000
Nonmajor governmental funds	General Fund	<u>11,055</u>
	Total	<u>\$ 3,511,055</u>

The transfer from the General Fund to the Police Department Fund was a transfer of unrestricted resources to fund current and future police operations.

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

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2016

### Note 5 - Long-term Debt

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

Long-term debt activity can be summarized as follows:

	Interest Rate Range	Principal Maturity Range	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
General obligation bonds:							
Refunding Fire Station Building Bonds	2.00% - 3.00%	\$201,250 - \$290,500	\$ 1,944,250	\$ -	\$ (208,250)	\$ 1,736,000	\$ 203,000
Bond Refunding Premium	2.00% - 3.00%	\$16,151 - \$16,154	129,211	-	(16,151)	113,060	16,151
2007 Capital Improvement Bonds	4.00% - 4.15%	\$50,000 - \$100,000	1,100,000	-	(75,000)	1,025,000	75,000
Total bonds			3,173,461	-	(299,401)	2,874,060	294,151
Compensated absences			647,691	616,887	(647,691)	616,887	616,887
Total governmental activities			\$ 3,821,152	\$ 616,887	\$ (947,092)	\$ 3,490,947	\$ 911,038

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2016

### Note 5 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>							
General obligation bonds:							
Refunding D.P.W. Building Bonds	2.00% - 3.00%	\$373,750 - \$539,500	\$ 3,610,750	\$ -	\$ (386,750)	\$ 3,224,000	\$ 377,000
Bond Refunding Premium	2.00% - 3.00%	\$29,995 - \$29,998	239,963	-	(29,995)	209,968	29,995
Installment purchase agreements -							
Water and sewer improvements	2.25%	\$102,694 - \$122,255	122,255	-	(122,255)	-	-
Drainage District Drain Bonds:							
North Gratiot Drain	3.25% - 4.75%	\$193,636 - \$474,356	296,473	-	(296,473)	-	-
North Gratiot Drain Refunding Bonds - 2015	3.625% - 5.00%	\$276,708 - \$456,568	6,716,096	-	-	6,716,096	276,708
North Gratiot Interceptor - Series I	3.25% - 4.75%	\$14,257 - \$34,915	21,822	-	(21,822)	-	-
North Gratiot Drain Refunding Bonds - Series I - 2015	3.625% - 5.00%	\$20,367 - \$33,606	494,341	-	-	494,341	20,367
NG Bond Refunding Premium	3.625% - 5.00%	\$14,382 - \$14,386	258,880	-	(14,382)	244,498	14,382
North Gratiot Interceptor - Series 2, 3, and 4	3.25% - 4.75%	\$79,553 - \$238,659	3,557,849	-	(133,405)	3,424,444	135,852
North Gratiot Interceptor - Series 2, 3, and 4	3.25% - 4.75%	\$1,158 - \$3,474	51,784	-	(1,942)	49,842	1,977
Oakland-Macomb Interceptor - Series 2010B	2.50%	\$40,067 - \$64,474	861,633	-	(44,363)	817,270	45,546
Oakland-Macomb Interceptor - Series 2010B	1.15% - 5.9%	\$7,492 - \$20,506	219,450	-	(10,253)	209,197	10,647
Macomb Interceptor Drainage District - Series 2010	1.25% - 5.375%	\$199,512 - \$376,299	5,579,651	-	(209,872)	5,369,779	214,217
Oakland-Macomb Interceptor - Series 2011	2.00% - 4.50%	\$48,416 - \$77,223	1,138,007	-	(50,836)	1,087,171	52,047
Oakland-Macomb Interceptor - Series 2013	2.00%	\$110,971 - \$161,694	1,647,261	937,170	(113,247)	2,471,184	110,388
Oakland-Macomb Interceptor - Series 2014A	2.00% - 3.125%	\$15,262 - \$25,891	379,103	-	(15,536)	363,567	15,807
Macomb Interceptor Drainage District - Series 2015	2.50%	\$10,606 - \$16,823	-	169,524	(10,606)	158,918	6,902
Clintondale Pump Station Improvements	2.00% - 4.50%	\$53,599 - \$191,454	2,109,488	-	(76,570)	2,032,918	84,226
State Revolving Fund Loan 2012	2.50%	\$70,000 - \$115,000	1,333,389	-	(65,000)	1,268,389	65,000
Total business-type activities			28,638,195	1,106,694	(1,603,307)	28,141,582	1,461,061
Compensated absences			77,494	87,528	(77,494)	87,528	87,528
Total business-type activities			<u>\$28,715,689</u>	<u>\$1,194,222</u>	<u>\$(1,680,801)</u>	<u>\$28,229,110</u>	<u>\$1,548,589</u>

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

Years Ending December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 278,000	\$ 88,364	\$ 366,364	\$ 1,416,684	\$ 924,622	\$ 2,341,306
2018	276,250	80,221	356,471	1,437,927	880,860	2,318,787
2019	307,750	70,711	378,461	1,632,305	892,984	2,525,289
2020	364,250	59,756	424,006	1,719,162	773,096	2,492,258
2021	378,250	47,619	425,869	1,771,673	713,328	2,485,001
2022-2026	1,056,500	88,728	1,145,228	7,780,936	2,685,842	10,466,778
2027-2031	100,000	2,075	102,075	7,764,176	1,344,476	9,108,652
2032-2035	-	-	-	4,164,253	226,877	4,391,130
Total	<u>\$ 2,761,000</u>	<u>\$ 437,474</u>	<u>\$ 3,198,474</u>	<u>\$ 27,687,116</u>	<u>\$ 8,442,085</u>	<u>\$ 36,129,201</u>

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2016

### Note 6 - Restricted Assets

Specific assets of the Water and Sewer Fund have been restricted for debt service, and construction and maintenance. Restricted assets at December 31, 2016 consist of cash and cash equivalents and money held on deposit with other governmental units and are reserved in accordance with the water and sewer bond ordinance requirements. The following is the detail of restricted assets at December 31, 2016:

Restricted assets from bond ordinance:	
Cash and cash equivalents - Debt service	\$ 2,559,812
Cash held at the county for construction and maintenance	<u>653,165</u>
Total Water and Sewer Fund restricted assets	<u>\$ 3,212,977</u>

### Note 7 - Risk Management

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

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

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

### Note 8 - Pension Plan

**Plan Description** - The Township participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees Retirement System of Michigan (MERS or MERS of Michigan) that covers all full-time employees of the Township. MERS was established as a 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 which 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, Michigan 48917.

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2016

### Note 8 - Pension Plan (Continued)

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

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

Retirement benefits for general employees are calculated as 2.00 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 50 with 25 years of service. Vesting period is six years. Employees are eligible for nonduty disability benefits after six years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. An 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. 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. 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** - At the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	54
Inactive plan members entitled to but not yet receiving benefits	13
Active plan members	<u>147</u>
Total employees covered by MERS	<u><u>214</u></u>

# Charter Township of Chesterfield

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## Notes to Financial Statements December 31, 2016

### Note 8 - Pension Plan (Continued)

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

For general employees, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. Employees are required to contribute 2.00 percent of compensation. The Township makes employer contributions in accordance with funding requirements determined by the system's actuary. The Township's current rate is 9.64 percent of annual covered payroll.

For police patrol employees, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. Employees are required to contribute 4.50 percent of compensation. The Township makes employer contributions in accordance with funding requirements determined by the system's actuary. The Township's current rate is 12.86 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 17.60 percent of annual covered payroll.

#### **Net Pension Liability**

The net pension liability reported at December 31, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2016

### Note 8 - Pension Plan (Continued)

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2014</b>	\$ 30,892,454	\$ 23,747,122	\$ 7,145,332
Service cost	775,641	-	775,641
Interest	2,533,808	-	2,533,808
Differences between expected and actual experience	708,794	-	708,794
Changes in assumptions	1,524,640	-	1,524,640
Contributions - Employer	-	1,402,474	(1,402,474)
Contributions - Employee	-	370,116	(370,116)
Net investment income	-	(371,208)	371,208
Benefit payments, including refunds	(1,134,858)	(1,134,858)	-
Administrative expenses	-	(53,105)	53,105
Net changes	4,408,025	213,419	4,194,606
<b>Balance at December 31, 2015</b>	<b>\$ 35,300,479</b>	<b>\$ 23,960,541</b>	<b>\$ 11,339,938</b>

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

For the year ended December 31, 2016, the Township recognized pension expense of \$1,885,273. At December 31, 2016, the Township reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 607,538
Changes in assumptions	1,306,834
Net difference between projected and actual earnings on pension plan investments	2,141,971
Employer contributions to the plan subsequent to the measurement date	1,460,801
Total	<b>\$ 5,517,144</b>

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2016

### Note 8 - Pension Plan (Continued)

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$1,460,801), which will impact the net pension liability in fiscal year 2017, rather than pension expense.

<u>Years Ending December 31</u>	<u>Amount</u>
2017	\$ 876,088
2018	876,088
2019	876,088
2020	789,954
2021	319,062
Thereafter	319,063

**Actuarial Assumptions** - The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%	
Salary increases	3.75%	Annually
Investment rate of return	7.75%	Net of pension plan investment expense, including inflation

The mortality table used to project the mortality experience of nondisabled plan members was a 50 percent male - 50 percent female blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105 percent, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables. The mortality table used to project the mortality experience of disabled plan members was a 50 percent male - 50 percent female blend of the RP-2014 Disabled Retiree 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 assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

### Projected Cash Flows

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

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2016

### Note 8 - Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2015, the measurement date, for each major asset class are summarized in the following table:

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

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the Township, calculated using the discount rate of 8.00 percent, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00 percent) or 1 percentage point higher (9.00 percent) than the current rate:

	1 Percent Decrease (7.00%)	Current Discount Rate (8.00%)	1 Percent Increase (9.00%)
Net pension liability of the Township	\$ 15,853,792	\$ 11,338,938	\$ 7,568,815

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

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2016

### Note 9 - Other Postemployment Benefits

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

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

**Funding Progress** - For the year ended December 31, 2016, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2015. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 1,139,605
Interest on the prior year's net OPEB asset	(228,699)
Plus adjustment to the annual required contribution	<u>152,512</u>
Annual OPEB cost	1,063,418
Amounts contributed:	
Payments of current premiums	885,658
Advance funding	<u>1,298,830</u>
Total contributed	<u>2,184,488</u>
Increase in net OPEB asset	1,121,070
OPEB asset - Beginning of year	<u>2,858,739</u>
OPEB asset - End of year	<u>\$ 3,979,809</u>

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2016

### Note 9 - Other Postemployment Benefits (Continued)

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

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage Contributed	Net OPEB Asset
12/31/14	12/31/10	\$ 1,792,226	126.9 %	\$ 1,456,340
12/31/15	12/31/14	1,073,026	230.7	2,858,740
12/31/16	12/31/14	1,063,418	205.4	3,979,809

The funding progress of the plan is as follows:

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

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

### Note 10 - 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, 2016, the Township abated \$32,654 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.

# Charter Township of Chesterfield

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## Notes to Financial Statements December 31, 2016

### Note 11 - Change in Accounting

During the year, the Township adopted GASB Statement No. 72, *Fair Value Measurement and Application*. As a result, the notes to the financial statements now include enhanced disclosures about fair value measurement, the level of fair value hierarchy, and valuation techniques.

### Note 12 - Upcoming Accounting Pronouncements

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

In March 2016, the Governmental Accounting Standards Board issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which addresses the recognition and measurement of irrevocable split-interest agreements where the government is a beneficiary of the agreement. This standard will require the Township to recognize on the face of the financial statements any assets, liabilities, and deferred inflows of resources at the inception of the agreement. 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 2017 fiscal year.

The Governmental Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This standard defines an asset retirement obligation (ARO) as "a legally enforceable liability associated with the retirement of a tangible capital asset." Examples include the removal of a sewage treatment plant or the removal of wind turbines. The GASB recognizes that specific guidance did not exist for these types of AROs as there did for the closure and postclosure care costs for landfills. This statement provides guidance for measuring and recording other AROs and is effective for the Township's financial statements for the year ending December 31, 2019.

# **Charter Township of Chesterfield**

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## **Notes to Financial Statements December 31, 2016**

### **Note 12 - Upcoming Accounting Pronouncements (Continued)**

The Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*. This standard improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2019.

## **Required Supplemental Information**

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# Charter Township of Chesterfield

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 1,202,378	\$ 1,202,378	\$ 1,261,235	\$ 58,857
Licenses and permits	25,468	25,468	19,769	(5,699)
Federal grants	90,000	90,000	4,000	(86,000)
State-shared revenue	3,500,000	3,500,000	3,459,006	(40,994)
Charges for services	950,909	950,909	1,241,726	290,817
Investment income	17,610	17,610	19,999	2,389
Rental income	228,438	228,438	224,273	(4,165)
Other revenue	842,812	842,812	917,351	74,539
<b>Total revenue</b>	<b>6,857,615</b>	<b>6,857,615</b>	<b>7,147,359</b>	<b>289,744</b>
<b>Expenditures</b>				
Current:				
General government:				
Township board	66,720	66,720	69,178	(2,458)
Township supervisor	155,473	159,972	159,237	735
Accounting	270,179	270,179	254,933	15,246
Planning commission	43,070	35,070	33,719	1,351
Zoning Board of Appeals	10,370	5,370	5,793	(423)
Treasurer	354,973	354,973	333,960	21,013
Assessing	431,135	431,135	376,506	54,629
Board of review	2,250	2,250	413	1,837
Clerk	284,755	284,755	266,027	18,728
Elections	163,498	214,498	214,253	245
Buildings and grounds	1,107,192	1,109,630	1,049,372	60,258
Human resources	86,235	99,236	97,698	1,538
Planning and zoning administration	142,669	137,670	122,768	14,902
General administration	2,386,075	2,279,637	2,210,520	69,117
Anchor Bay Harbor storm sewer	59,500	19,500	14,355	5,145
<b>Total general government</b>	<b>5,564,094</b>	<b>5,470,595</b>	<b>5,208,732</b>	<b>261,863</b>
Streets, sidewalks, and drains	280,353	292,353	233,804	58,549
Recreation and culture	622,554	602,553	538,337	64,216
Capital outlay	535,000	535,000	494,069	40,931
Debt service	118,438	118,438	118,438	-
<b>Total expenditures</b>	<b>7,120,439</b>	<b>7,018,939</b>	<b>6,593,380</b>	<b>425,559</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(262,824)</b>	<b>(161,324)</b>	<b>553,979</b>	<b>715,303</b>
<b>Proceeds from Sale of Capital Assets</b>	<b>-</b>	<b>-</b>	<b>66,188</b>	<b>66,188</b>
<b>Other Financing Uses - Transfers out</b>	<b>(952,049)</b>	<b>(3,652,049)</b>	<b>(3,511,055)</b>	<b>140,994</b>
<b>Net Change in Fund Balance</b>	<b>(1,214,873)</b>	<b>(3,813,373)</b>	<b>(2,890,888)</b>	<b>922,485</b>
<b>Fund Balance - Beginning of year</b>	<b>11,407,664</b>	<b>11,407,664</b>	<b>11,407,664</b>	<b>-</b>
<b>Fund Balance - End of year</b>	<b>\$ 10,192,791</b>	<b>\$ 7,594,291</b>	<b>\$ 8,516,776</b>	<b>\$ 922,485</b>

# Charter Township of Chesterfield

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Police Department Fund Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 6,880,630	\$ 6,894,056	\$ 6,874,618	\$ (19,438)
Charges for services	544,500	544,500	443,892	(100,608)
Fines and forfeitures	75,000	75,000	140,272	65,272
Investment income	6,000	6,000	9,857	3,857
Other revenue	138,000	138,000	154,714	16,714
Total revenue	7,644,130	7,657,556	7,623,353	(34,203)
<b>Expenditures - Current - Public safety</b>	8,295,590	9,075,525	8,731,487	344,038
<b>Excess of Expenditures Over Revenue</b>	(651,460)	(1,417,969)	(1,108,134)	309,835
<b>Other Financing Sources</b>				
Proceeds from sale of capital assets	8,000	8,000	17,767	9,767
Transfers in	400,000	3,500,000	3,500,000	-
Total other financing sources	408,000	3,508,000	3,517,767	9,767
<b>Net Change in Fund Balance</b>	(243,460)	2,090,031	2,409,633	319,602
<b>Fund Balance - Beginning of year</b>	415,216	415,216	415,216	-
<b>Fund Balance - End of year</b>	<u>\$ 171,756</u>	<u>\$ 2,505,247</u>	<u>\$ 2,824,849</u>	<u>\$ 319,602</u>

# Charter Township of Chesterfield

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Department Operating Fund Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 4,098,744	\$ 4,098,744	\$ 4,155,801	\$ 57,057
Investment income	5,000	5,000	7,677	2,677
Other revenue	35,500	35,500	33,831	(1,669)
Total revenue	4,139,244	4,139,244	4,197,309	58,065
<b>Expenditures - Current - Public safety</b>	3,435,014	3,435,014	3,202,513	232,501
<b>Net Change in Fund Balance</b>	704,230	704,230	994,796	290,566
<b>Fund Balance - Beginning of year</b>	1,395,607	1,395,607	1,395,607	-
<b>Fund Balance - End of year</b>	<b>\$ 2,099,837</b>	<b>\$ 2,099,837</b>	<b>\$ 2,390,403</b>	<b>\$ 290,566</b>

# Charter Township of Chesterfield

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Department Equipment Fund Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 745,081	\$ 790,081	\$ 764,656	\$ (25,425)
Investment income	7,500	7,500	19,593	12,093
Other revenue	-	-	26,331	26,331
Total revenue	752,581	797,581	810,580	12,999
<b>Expenditures - Public safety</b>	1,050,440	650,440	561,903	88,537
<b>Net Change in Fund Balance</b>	(297,859)	147,141	248,677	101,536
<b>Fund Balance - Beginning of year</b>	6,043,701	6,043,701	6,043,701	-
<b>Fund Balance - End of year</b>	<b>\$ 5,745,842</b>	<b>\$ 6,190,842</b>	<b>\$ 6,292,378</b>	<b>\$ 101,536</b>

# Charter Township of Chesterfield

## Required Supplemental Information Schedule of Funding Progress - OPEB Year Ended December 31, 2016

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/08	\$ 2,392,850	\$ 15,120,552	\$ 12,727,702	15.8 %	\$ 9,680,329	131.5 %
12/31/10	5,721,742	22,094,781	16,373,039	25.9	8,818,977	185.7
12/31/14	14,678,963	24,337,074	9,698,111	60.2	9,452,094	102.6

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
12/31/14	12/31/10	\$ 1,818,184	126.9 %
12/31/15	12/31/14	1,111,838	230.7
12/31/16	12/31/14	1,139,605	191.7

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

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

# Charter Township of Chesterfield

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

	2016	2015
<b>Total Pension Liability</b>		
Service cost	\$ 775,641	\$ 775,853
Interest	2,533,808	2,361,993
Changes in benefit terms	-	-
Differences between expected and actual experience	708,794	-
Changes in assumptions	1,524,640	-
Benefit payments, including refunds	(1,134,858)	(975,371)
<b>Net Change in Total Pension Liability</b>	4,408,025	2,162,475
<b>Total Pension Liability - Beginning of year</b>	30,892,454	28,729,979
<b>Total Pension Liability - End of year</b>	<b>\$ 35,300,479</b>	<b>\$ 30,892,454</b>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 1,402,474	\$ 1,176,363
Contributions - Member	370,116	598,677
Net investment income	(371,208)	1,383,459
Administrative expenses	(53,105)	(51,236)
Benefit payments, including refunds	(1,134,858)	(975,371)
Other	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	213,419	2,131,892
<b>Plan Fiduciary Net Position - Beginning of year</b>	23,747,122	21,615,230
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 23,960,541</b>	<b>\$ 23,747,122</b>
<b>Township's Net Pension Liability - Ending</b>	<b>\$ 11,339,938</b>	<b>\$ 7,145,332</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	67.88 %	76.87 %
<b>Covered Employee Payroll</b>	\$ 8,407,968	\$ 8,349,251
<b>Township's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	134.9 %	85.6 %

# Charter Township of Chesterfield

## Required Supplemental Information Schedule of Pension Contributions Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 961,608	\$ 975,401	\$ 796,974	\$ 844,706	\$ 846,365	\$ 1,040,372	\$ 983,952	\$ 852,980	\$ 1,060,005	\$ 697,679
Contributions in relation to the actuarially determined contribution	1,455,015	1,403,525	1,234,651	1,289,295	1,296,590	1,433,883	983,952	852,980	1,060,005	697,679
Contribution excess	<u>\$ (493,407)</u>	<u>\$ (428,124)</u>	<u>\$ (437,677)</u>	<u>\$ (444,589)</u>	<u>\$ (450,225)</u>	<u>\$ (393,511)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 8,407,968	\$ 8,349,251	\$ 8,011,355	\$ 8,710,926	\$ 8,898,872	\$ 8,818,977	\$ 9,184,765	\$ 9,680,239	\$ 9,471,108	\$ 5,615,845
Contributions as a percentage of covered employee payroll	17.3 %	16.8 %	15.4 %	14.8 %	14.6 %	16.3 %	10.7 %	8.8 %	11.2 %	12.4 %

### Notes to Schedule of Township 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, 2016 were determined based on the actuarial valuation as of December 31, 2014. The most recent valuation is as of December 31, 2015.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent
Remaining amortization period	5-23 years
Asset valuation method	10-year smoothed market
Inflation	2.50 percent
Salary increases	3.75 percent
Investment rate of return	8.25 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 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent, RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables
Other information	None

# Charter Township of Chesterfield

## Note to Required Supplemental Information Year Ended December 31, 2016

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

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

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

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Township board	\$ 66,720	\$ 69,178	\$ (2,458)
Zoning Board of Appeals	5,370	5,793	(423)

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

## **Other Supplemental Information**

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# Charter Township of Chesterfield

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds December 31, 2016

	Special Revenue Funds		
	Building Inspection Fund	Parks and Recreation Fund	Total Nonmajor Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 17,499	\$ 332,293	\$ 349,792
Receivables - Net - Accrued interest	-	213	213
Due from other funds	6,109	-	6,109
Prepaid expenses	23,846	340	24,186
	<b>\$ 47,454</b>	<b>\$ 332,846</b>	<b>\$ 380,300</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 9,443	\$ 7,621	\$ 17,064
Accrued liabilities and other	14,165	-	14,165
	23,608	7,621	31,229
<b>Fund Balances</b>			
Nonspendable - Prepays	23,846	340	24,186
Committed - Parks and recreation	-	324,885	324,885
	23,846	325,225	349,071
	<b>\$ 47,454</b>	<b>\$ 332,846</b>	<b>\$ 380,300</b>

# Charter Township of Chesterfield

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended December 31, 2016

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Building Inspection Fund	Parks and Recreation Fund	
<b>Revenue</b>			
Licenses and permits	\$ 1,000,530	\$ -	\$ 1,000,530
Charges for services	-	272,233	272,233
Investment income	-	535	535
Other revenue	12,301	11,616	23,917
Total revenue	1,012,831	284,384	1,297,215
<b>Expenditures</b>			
Current:			
Public safety	1,004,868	-	1,004,868
Recreation and culture	-	224,395	224,395
Capital outlay	18,450	111,195	129,645
Total expenditures	1,023,318	335,590	1,358,908
<b>Excess of Expenditures Over Revenue</b>	(10,487)	(51,206)	(61,693)
<b>Other Financing Sources</b> - Transfers in	11,055	-	11,055
<b>Net Change in Fund Balances</b>	568	(51,206)	(50,638)
<b>Fund Balances</b> - Beginning of year	23,278	376,431	399,709
<b>Fund Balances</b> - End of year	<u>\$ 23,846</u>	<u>\$ 325,225</u>	<u>\$ 349,071</u>