
Charter Township of Chesterfield

Macomb County, Michigan

Financial Report
with Supplemental Information
December 31, 2019

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements	
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 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	16-17
Fiduciary Funds:	
Statement of Fiduciary Net Position	18
Statement of Changes in Fiduciary Net Position	19
Notes to Financial Statements	20-44
Required Supplemental Information	45
Budgetary Comparison Schedule - General Fund	46
Budgetary Comparison Schedule - Major Special Revenue Fund	47
Schedule of Changes in the Net Pension Liability and Related Ratios	48
Schedule of Pension Contributions	49
Schedule of Changes in the Net OPEB Liability and Related Ratios	50
Schedule of OPEB Contributions	51
Schedule of OPEB Investment Returns	52
Notes to Required Supplemental Information	53
Other Supplemental Information	54
Nonmajor Governmental Funds:	
Combining Balance Sheet	55
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	56
Fiduciary Funds:	
Combining Statement of Fiduciary Net Position	57
Combining Statement of Changes in Fiduciary Net Position	58

Independent Auditor's Report

To the Board of Trustees
Charter Township of Chesterfield

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Charter Township of Chesterfield (the "Township") as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the Charter Township of Chesterfield's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Charter Township of Chesterfield as of December 31, 2019 and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the basic financial statements, during the year ended December 31, 2019, the Township adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which provides guidance on the identification and reporting of fiduciary activities. Our opinion is not modified with respect to this matter.

To the Board of Trustees
Charter Township of Chesterfield

Required Supplemental Information

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

Other Supplemental Information

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

Plante & Moreau, PLLC

June 2, 2020

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, 2019. Please read it in conjunction with the Township's financial statements.

Using This Annual Report

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

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

The Township's Net Position

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets:						
Cash and investments	\$ 30,908,371	\$ 27,332,475	\$ 11,643,032	\$ 10,990,155	\$ 42,551,403	\$ 38,322,630
Receivables	7,154,661	7,153,837	3,381,238	3,208,557	10,535,899	10,362,394
Other assets	411,756	317,319	3,819,822	3,887,256	4,231,578	4,204,575
Capital assets	19,490,317	19,077,039	76,102,344	77,436,615	95,592,661	96,513,654
Total assets	57,965,105	53,880,670	94,946,436	95,522,583	152,911,541	149,403,253
Deferred Outflows of Resources	6,083,361	4,032,968	854,445	520,469	6,937,806	4,553,437
Liabilities						
Current liabilities	3,230,299	569,049	3,003,259	3,252,132	6,233,558	3,821,181
Noncurrent liabilities	17,655,895	20,761,150	30,614,948	32,723,822	48,270,843	53,484,972
Total liabilities	20,886,194	21,330,199	33,618,207	35,975,954	54,504,401	57,306,153
Deferred Inflows of Resources	20,094,016	14,448,048	856,625	73,649	20,950,641	14,521,697
Net Position						
Net investment in capital assets	17,526,710	16,789,531	47,693,285	49,027,553	65,219,995	65,817,084
Restricted	8,388,445	9,622,363	3,320,261	3,493,836	11,708,706	13,116,199
Unrestricted	(2,846,899)	(4,276,503)	10,312,503	7,472,060	7,465,604	3,195,557
Total net position	\$ 23,068,256	\$ 22,135,391	\$ 61,326,049	\$ 59,993,449	\$ 84,394,305	\$ 82,128,840

Charter Township of Chesterfield

Management's Discussion and Analysis (Continued)

The Township's combined net position increased by \$2,265,465 from a year ago, resulting in a total net position of \$84,394,305 at December 31, 2019. 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, increased by \$1,429,604 for the governmental activities. This represents an increase of approximately 33.4 percent. The current level of unrestricted net position for our governmental activities stands at \$(2,846,899), or about (14.9) percent of expenses. Taking a look at the business-type activities, unrestricted net position increased by \$2,840,443 related primarily to the implementation of Governmental Accounting Standards Board (GASB) 75. This represents an increase of approximately 38.0 percent.

Township's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue						
Program revenue:						
Charges for services	\$ 3,347,524	\$ 3,181,604	\$ 15,701,005	\$ 15,241,494	\$ 19,048,529	\$ 18,423,098
Operating grants	54,837	228,575	-	-	54,837	228,575
Capital grants	258,772	550,011	1,702,362	1,284,973	1,961,134	1,834,984
General revenue:						
Property taxes	13,702,331	12,962,552	-	-	13,702,331	12,962,552
State-shared revenue	3,986,045	3,832,491	-	-	3,986,045	3,832,491
Investment income	322,137	244,333	148,841	105,166	470,978	349,499
Other revenue	882,287	917,125	-	(164)	882,287	916,961
Total revenue	22,553,933	21,916,691	17,552,208	16,631,469	40,106,141	38,548,160
Expenses						
General government	6,120,372	5,469,226	-	-	6,120,372	5,469,226
Public safety	13,298,755	15,028,656	-	-	13,298,755	15,028,656
Public works	1,098,189	819,920	-	-	1,098,189	819,920
Community and economic development	166,869	103,042	-	-	166,869	103,042
Recreation and culture	884,819	794,404	-	-	884,819	794,404
Debt service	52,064	61,811	-	-	52,064	61,811
Water and sewer	-	-	15,980,572	15,709,484	15,980,572	15,709,484
Brandenburg Park	-	-	239,036	244,189	239,036	244,189
Total expenses	21,621,068	22,277,059	16,219,608	15,953,673	37,840,676	38,230,732
Change in Net Position	932,865	(360,368)	1,332,600	677,796	2,265,465	317,428
Net Position - Beginning of year	22,135,391	22,495,759	59,993,449	59,315,653	82,128,840	81,811,412
Net Position - End of year	\$ 23,068,256	\$ 22,135,391	\$ 61,326,049	\$ 59,993,449	\$ 84,394,305	\$ 82,128,840

Property taxes are the primary source of revenue for the governmental activities, providing approximately 60.8 percent of total revenue. State-shared revenue provides another 17.7 percent, and charges for services provided 14.8 percent, leaving just 6.7 percent being provided by all other sources.

Charter Township of Chesterfield

Management's Discussion and Analysis (Continued)

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's 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 2019 include the General Fund and the Public Safety Fund.

The General Fund pays for a majority of the Township's governmental services. The General Fund ended 2019 with a fund balance of \$11,029,975. Revenue increased by \$194,202 due primarily to an increase in state-shared revenue and property taxes that was partially offset by a decrease in charges for services. Expenditures increased by \$679,279 due to employee-related costs.

The Public Safety Fund is funded by a special assessment. These funds are expended exclusively for the operations of the police and fire departments. The Public Safety Fund ended 2019 with a fund balance of \$8,338,445. Revenue and expenditures for 2019 were \$13,261,976 and \$14,557,359, respectively.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account unanticipated events during the year. Actual revenue was below budgeted revenue by 1.4 percent. Actual expenditures were 5.1 percent below budget. The Township completed the year with actual revenue over expenditures in the General Fund of \$659,529 as compared to the amended budgeted amount of \$367,461, a positive variance of \$292,068.

Capital Assets and Debt Administration

At the end of 2019, the Township's governmental and business-type activities combined had approximately \$95.6 million in historical cost invested in a wide range of capital assets, including land, buildings, public safety equipment, computer equipment, water and sewer lines, and township infrastructure, such as roads and bridges. The infrastructure represents a usage right to these assets. The value of the infrastructure assets for governmental activities, net of depreciation contained in this report, is \$9.1 and \$9.4 million for 2019 and 2018, respectively. The business-type activities' infrastructure for 2019 and 2018 (including construction in progress), net of depreciation, is \$70.0 million and \$71.0 million, respectively. Additionally, the value of buildings and improvements for the governmental activities, net of depreciation, is \$4.6 million and \$3.8 million (including construction in progress) for 2019 and 2018, respectively. The large increase is mainly due to the fire station renovation. The business-type activities' buildings and improvements, net of depreciation, are \$4.6 million for 2019 and \$5.0 million for 2018. See Note 4 for additional information.

The majority of the debt reported in these financial statements is related to the construction of the abovementioned infrastructure and is reported as a liability on the statement of net position (see Note 6 for additional information). The debt is scheduled to be paid through 2042 and has approximately \$28.5 million outstanding as of the end of 2019.

Economic Factors and Next Year's Budgets and Rates

In early March, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, and the State of Michigan declared a state of emergency. First identified in late 2019 and now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, the State of Michigan has implemented measures to combat the outbreak that have impacted business operations. As of the date of issuance of the financial statements, the Township's future operating costs, revenue, and any recovery from emergency funding, federal, state, or local, cannot be estimated. The Township's budget for 2020 is reflective of anticipated revenue and costs. The economic downturn may have a significant impact on the revenue of the Township along with the future changes in the healthcare insurance as the Federal Health Care Reform program continues to evolve.

Charter Township of Chesterfield

Management's Discussion and Analysis (Continued)

Contacting the Township's Management

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

Charter Township of Chesterfield

Statement of Net Position

December 31, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
Assets				
Cash and investments (Note 3)	\$ 30,908,371	\$ 11,643,032	\$ 42,551,403	\$ 1,971
Receivables - Net:				
Property taxes receivable	5,992,658	-	5,992,658	-
Special assessments receivable	72,065	-	72,065	-
Receivables from sales to customers on account	-	3,267,005	3,267,005	-
Accrued interest receivable	86,758	65,291	152,049	-
Other receivables	31,618	-	31,618	-
Due from other governmental units	977,003	43,501	1,020,504	-
Internal balances (Note 5)	(5,441)	5,441	-	-
Inventory	15,034	389,285	404,319	-
Prepaid expenses and deposits	396,722	110,276	506,998	-
Restricted assets (Note 7)	-	3,320,261	3,320,261	-
Capital assets: (Note 4)				
Assets not subject to depreciation	4,965,341	604,543	5,569,884	-
Assets subject to depreciation - Net	14,524,976	75,497,801	90,022,777	-
Total assets	57,965,105	94,946,436	152,911,541	1,971
Deferred Outflows of Resources				
Deferred pension costs (Note 9)	4,455,338	611,606	5,066,944	-
Deferred OPEB costs (Note 10)	1,628,023	242,839	1,870,862	-
Total deferred outflows of resources	6,083,361	854,445	6,937,806	-
Liabilities				
Accounts payable	1,059,642	1,490,941	2,550,583	-
Due to other governmental units	1,065,719	-	1,065,719	-
Refundable deposits and bonds	1,088,204	-	1,088,204	-
Accrued liabilities and other	16,734	248,583	265,317	-
Unearned revenue	-	1,263,735	1,263,735	-
Noncurrent liabilities:				
Due within one year: (Note 6)				
Payable from restricted assets	-	1,900,271	1,900,271	-
Compensated absences	813,418	120,797	934,215	-
Current portion of long-term debt	380,401	-	380,401	-
Due in more than one year:				
Net pension liability (Note 9)	11,256,134	1,544,719	12,800,853	-
Net OPEB liability (Note 10)	3,622,736	540,373	4,163,109	-
Long-term debt (Note 6)	1,583,206	26,508,788	28,091,994	-
Total liabilities	20,886,194	33,618,207	54,504,401	-
Deferred Inflows of Resources				
Property taxes levied for the following year	14,337,890	-	14,337,890	-
Deferred pension cost reductions (Note 9)	118,268	15,674	133,942	-
Deferred OPEB cost reductions (Note 10)	5,637,858	840,951	6,478,809	-
Total deferred inflows of resources	20,094,016	856,625	20,950,641	-
Net Position				
Net investment in capital assets	17,526,710	47,693,285	65,219,995	-
Restricted:				
Public safety	5,938,057	-	5,938,057	-
Fire equipment	2,400,388	-	2,400,388	-
Debt service	-	2,671,881	2,671,881	-
Water and sewer construction and maintenance	-	648,380	648,380	-
Building inspection	50,000	-	50,000	-
Unrestricted	(2,846,899)	10,312,503	7,465,604	1,971
Total net position	\$ 23,068,256	\$ 61,326,049	\$ 84,394,305	\$ 1,971

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	\$ 6,120,372	\$ 897,344	\$ 42,318	\$ -
Public safety	13,298,755	2,034,606	11,605	-
Public works	1,098,189	100,618	-	258,772
Community and economic development	166,869	-	-	-
Recreation and culture	884,819	314,956	914	-
Interest on long-term debt	52,064	-	-	-
Total governmental activities	21,621,068	3,347,524	54,837	258,772
Business-type activities:				
Sewer and Water Operations Fund	15,980,572	15,571,928	-	1,604,862
Brandenburg Park Fund	239,036	129,077	-	97,500
Total business-type activities	16,219,608	15,701,005	-	1,702,362
Total primary government	<u>\$ 37,840,676</u>	<u>\$ 19,048,529</u>	<u>\$ 54,837</u>	<u>\$ 1,961,134</u>
Component units - Economic Development Corporation	<u>\$ 300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Gain on sale of capital assets				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended December 31, 2019

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit - Economic Development Corporation
Governmental Activities	Business-type Activities	Total	
\$ (5,180,710)	\$ -	\$ (5,180,710)	\$ -
(11,252,544)	-	(11,252,544)	-
(738,799)	-	(738,799)	-
(166,869)	-	(166,869)	-
(568,949)	-	(568,949)	-
(52,064)	-	(52,064)	-
(17,959,935)	-	(17,959,935)	-
-	1,196,218	1,196,218	-
-	(12,459)	(12,459)	-
-	1,183,759	1,183,759	-
(17,959,935)	1,183,759	(16,776,176)	-
-	-	-	(300)
13,702,331	-	13,702,331	-
3,986,045	-	3,986,045	-
322,137	148,841	470,978	-
749,413	-	749,413	-
7,565	-	7,565	-
125,309	-	125,309	-
18,892,800	148,841	19,041,641	-
932,865	1,332,600	2,265,465	(300)
22,135,391	59,993,449	82,128,840	2,271
\$ 23,068,256	\$ 61,326,049	\$ 84,394,305	\$ 1,971

Charter Township of Chesterfield

Governmental Funds Balance Sheet

December 31, 2019

	General Fund	Public Safety Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 3)	\$ 13,170,732	\$ 16,259,185	\$ 554,446	\$ 29,984,363
Receivables - Net:				
Property taxes receivable	517,544	5,475,114	-	5,992,658
Special assessments receivable	72,065	-	-	72,065
Accrued interest receivable	51,184	34,395	1,179	86,758
Other receivables	31,618	-	-	31,618
Due from other governmental units	955,694	21,309	-	977,003
Due from other funds (Note 5)	8,903	24,532	29,731	63,166
Inventory	15,034	-	-	15,034
Prepaid expenses and deposits	186,109	186,248	24,365	396,722
	\$ 15,008,883	\$ 22,000,783	\$ 609,721	\$ 37,619,387
Liabilities				
Accounts payable	\$ 325,163	\$ 654,217	\$ 25,762	\$ 1,005,142
Due to other governmental units	1,065,719	-	-	1,065,719
Due to other funds (Note 5)	35,467	-	-	35,467
Refundable deposits and bonds	1,088,204	-	-	1,088,204
Accrued liabilities and other	304	-	-	304
	2,514,857	654,217	25,762	3,194,836
Deferred Inflows of Resources				
Unavailable revenue	134,282	-	-	134,282
Property taxes levied for the following year	1,329,769	13,008,121	-	14,337,890
	1,464,051	13,008,121	-	14,472,172
Fund Balances				
Nonspendable - Prepaids and deposits	201,143	186,248	24,365	411,756
Restricted:				
Fire equipment	-	2,400,388	-	2,400,388
Public safety	-	5,751,809	-	5,751,809
Building inspection	-	-	27,894	27,894
Committed - Parks and recreation	-	-	531,700	531,700
Assigned:				
Subsequent year's budget	1,096,975	-	-	1,096,975
Budget stabilization	2,109,420	-	-	2,109,420
Senior center	21,831	-	-	21,831
Unassigned	7,600,606	-	-	7,600,606
	11,029,975	8,338,445	583,959	19,952,379
Total liabilities, deferred inflows of resources, and fund balances	\$ 15,008,883	\$ 22,000,783	\$ 609,721	\$ 37,619,387

See notes to financial statements.

Charter Township of Chesterfield

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

December 31, 2019

Fund Balances Reported in Governmental Funds	\$ 19,952,379
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	19,490,317
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	134,282
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(1,963,607)
Accrued interest is not due and payable in the current period and is not reported in the funds	(16,430)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(813,418)
Pension benefits including deferrals	(6,919,064)
Retiree healthcare benefits including deferrals	(7,632,571)
Internal service funds are included as part of governmental activities	<u>836,368</u>
Net Position of Governmental Activities	<u><u>\$ 23,068,256</u></u>

Charter Township of Chesterfield

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2019

	General Fund	Public Safety Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Property taxes	\$ 1,346,387	\$ 12,350,113	\$ -	\$ 13,696,500
Special assessments	55,448	-	-	55,448
Intergovernmental:				
Federal grants	31,337	-	-	31,337
State-shared revenue	3,986,045	-	-	3,986,045
Charges for services	755,066	448,038	289,267	1,492,371
Fines and forfeitures	-	95,806	-	95,806
Licenses and permits	5,831	-	1,316,612	1,322,443
Investment income:				
Investment income	122,507	191,564	4,027	318,098
Rental income	266,198	-	-	266,198
Other revenue:				
Other miscellaneous income	129,878	176,455	35,350	341,683
Cable franchise fees	749,413	-	-	749,413
Total revenue	<u>7,448,110</u>	<u>13,261,976</u>	<u>1,645,256</u>	<u>22,355,342</u>
Expenditures				
Current services:				
General government	5,300,611	-	-	5,300,611
Public safety	244,590	12,434,092	1,083,498	13,762,180
Public works	456,723	-	-	456,723
Community and economic development	166,869	-	-	166,869
Recreation and culture	538,105	-	188,155	726,260
Capital outlay	215,255	1,854,056	-	2,069,311
Debt service:				
Principal	109,250	232,750	-	342,000
Interest on long-term debt	-	36,461	-	36,461
Total expenditures	<u>7,031,403</u>	<u>14,557,359</u>	<u>1,271,653</u>	<u>22,860,415</u>
Excess of Revenue Over (Under) Expenditures	416,707	(1,295,383)	373,603	(505,073)
Other Financing Sources (Uses)				
Transfers in (Note 5)	242,822	-	-	242,822
Transfers out (Note 5)	-	-	(242,822)	(242,822)
Sale of capital assets	-	11,465	-	11,465
Total other financing sources (uses)	<u>242,822</u>	<u>11,465</u>	<u>(242,822)</u>	<u>11,465</u>
Net Change in Fund Balances	659,529	(1,283,918)	130,781	(493,608)
Fund Balances - Beginning of year	<u>10,370,446</u>	<u>9,622,363</u>	<u>453,178</u>	<u>20,445,987</u>
Fund Balances - End of year	<u><u>\$ 11,029,975</u></u>	<u><u>\$ 8,338,445</u></u>	<u><u>\$ 583,959</u></u>	<u><u>\$ 19,952,379</u></u>

Charter Township of Chesterfield

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

Year Ended December 31, 2019

Net Change in Fund Balances Reported in Governmental Funds	\$ (493,608)
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	2,069,311
Depreciation expense	(1,784,648)
Loss on disposal of assets	(3,900)
Donated capital assets	132,515
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	54,472
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	323,901
Interest expense is recognized in the government-wide statements as it accrues	2,496
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(204,042)
Internal service funds are included as part of governmental activities:	<u>836,368</u>
Change in Net Position of Governmental Activities	<u><u>\$ 932,865</u></u>

Charter Township of Chesterfield

Proprietary Funds Statement of Net Position

December 31, 2019

	Enterprise Funds			Governmental Activities
	Major Enterprise Fund - Sewer and Water Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	Total Enterprise Funds	Internal Service Fund - Health Care Fund
Assets				
Current assets:				
Cash and investments (Note 3)	\$ 11,139,205	\$ 503,827	\$ 11,643,032	\$ 924,008
Receivables - Net:				
Receivables from sales to customers on account	3,267,005	-	3,267,005	-
Accrued interest receivable	62,486	2,805	65,291	-
Due from other governmental units	43,501	-	43,501	-
Due from other funds (Note 5)	5,441	-	5,441	-
Inventory	389,285	-	389,285	-
Prepaid expenses and deposits	109,515	761	110,276	-
Total current assets	15,016,438	507,393	15,523,831	924,008
Noncurrent assets:				
Restricted assets (Note 7)	3,320,261	-	3,320,261	-
Capital assets: (Note 4)				
Assets not subject to depreciation	476,684	127,859	604,543	-
Assets subject to depreciation - Net	73,073,361	2,424,440	75,497,801	-
Total noncurrent assets	76,870,306	2,552,299	79,422,605	-
Total assets	91,886,744	3,059,692	94,946,436	924,008
Deferred Outflows of Resources				
Deferred pension costs (Note 9)	611,606	-	611,606	-
Deferred OPEB costs (Note 10)	242,839	-	242,839	-
Total deferred outflows of resources	854,445	-	854,445	-
Liabilities				
Current liabilities:				
Accounts payable	1,489,289	1,652	1,490,941	54,500
Due to other funds (Note 5)	-	-	-	33,140
Accrued liabilities and other	248,583	-	248,583	-
Unearned revenue	1,263,735	-	1,263,735	-
Compensated absences (Note 6)	120,797	-	120,797	-
Total current liabilities	3,122,404	1,652	3,124,056	87,640
Noncurrent liabilities:				
Payable from restricted assets	1,900,271	-	1,900,271	-
Net pension liability (Note 9)	1,544,719	-	1,544,719	-
Net OPEB liability (Note 10)	540,373	-	540,373	-
Long-term debt (Note 6)	26,508,788	-	26,508,788	-
Total noncurrent liabilities	30,494,151	-	30,494,151	-
Total liabilities	33,616,555	1,652	33,618,207	87,640
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 9)	15,674	-	15,674	-
Deferred OPEB cost reductions (Note 10)	840,951	-	840,951	-
Total deferred inflows of resources	856,625	-	856,625	-
Net Position				
Net investment in capital assets	45,140,986	2,552,299	47,693,285	-
Restricted:				
Debt service	2,671,881	-	2,671,881	-
Water and sewer construction and maintenance	648,380	-	648,380	-
Unrestricted	9,806,762	505,741	10,312,503	836,368
Total net position	\$ 58,268,009	\$ 3,058,040	\$ 61,326,049	\$ 836,368

Charter Township of Chesterfield

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

Year Ended December 31, 2019

	Enterprise Funds			Governmental Activities
	Major Enterprise Fund - Sewer and Water Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	Total Enterprise Funds	Internal Service Fund - Health Care Fund
Operating Revenue				
Sale of water	\$ 7,395,001	\$ -	\$ 7,395,001	\$ -
Sewage disposal charges	8,176,927	-	8,176,927	-
Fees	-	128,213	128,213	-
Other	-	864	864	-
Charges to other funds	-	-	-	2,920,294
Total operating revenue	15,571,928	129,077	15,701,005	2,920,294
Operating Expenses				
Cost of water	4,153,668	-	4,153,668	-
Cost of sewage treatment	4,745,753	-	4,745,753	-
Cost of insurance claims	-	-	-	2,087,965
Repairs and maintenance	115,766	-	115,766	-
Billing and administrative costs	181,820	-	181,820	-
Personnel services	2,649,518	36,259	2,685,777	-
Supplies	160,992	2,336	163,328	-
Other services and charges	421,627	37,524	459,151	-
Contractual services	1,634	-	1,634	-
Depreciation	2,629,669	162,917	2,792,586	-
Total operating expenses	15,060,447	239,036	15,299,483	2,087,965
Operating Income (Loss)	511,481	(109,959)	401,522	832,329
Nonoperating Revenue (Expense)				
Investment income	143,790	5,051	148,841	4,039
Interest expense	(920,125)	-	(920,125)	-
Total nonoperating (expense) revenue	(776,335)	5,051	(771,284)	4,039
(Loss) Income - Before capital contributions	(264,854)	(104,908)	(369,762)	836,368
Capital Contributions				
Capital contributed by grants and donations	-	97,500	97,500	-
Tap fees	1,158,589	-	1,158,589	-
Benefit fees	212,916	-	212,916	-
Lines donated by developers	233,357	-	233,357	-
Total capital contributions	1,604,862	97,500	1,702,362	-
Change in Net Position	1,340,008	(7,408)	1,332,600	836,368
Net Position - Beginning of year	56,928,001	3,065,448	59,993,449	-
Net Position - End of year	\$ 58,268,009	\$ 3,058,040	\$ 61,326,049	\$ 836,368

Charter Township of Chesterfield

Proprietary Funds Statement of Cash Flows

Year Ended December 31, 2019

	Enterprise Funds			Governmental Activities
	Major Enterprise Fund - Sewer and Water Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	Total Enterprise Funds	Internal Service Fund - Health Care Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 15,440,088	\$ 129,077	\$ 15,569,165	\$ -
Internal activity - Payments (to) from other funds	(40,484)	-	(40,484)	2,953,434
Payments to suppliers	(10,322,240)	(39,352)	(10,361,592)	-
Payments to employees and fringes	(2,315,713)	(38,457)	(2,354,170)	-
Claims paid	-	-	-	(2,033,465)
Other receipts	11,851	-	11,851	-
Net cash and investments provided by operating activities	2,773,502	51,268	2,824,770	919,969
Cash Flows from Capital and Related Financing Activities				
Receipt of capital grants	-	97,500	97,500	-
Tap fees	1,158,589	-	1,158,589	-
Benefit fees	212,916	-	212,916	-
Purchase of capital assets	(1,097,099)	(127,859)	(1,224,958)	-
Principal and interest paid on capital debt	(2,726,148)	-	(2,726,148)	-
Net cash and investments used in capital and related financing activities	(2,451,742)	(30,359)	(2,482,101)	-
Cash Flows Provided by Investing Activities -				
Interest received on investments	131,330	5,303	136,633	4,039
Net Increase in Cash and Investments	453,090	26,212	479,302	924,008
Cash and Investments - Beginning of year	14,006,376	477,615	14,483,991	-
Cash and Investments - End of year	\$ 14,459,466	\$ 503,827	\$ 14,963,293	\$ 924,008
Classification of Cash and Investments				
Cash and investments	\$ 11,139,205	\$ 503,827	\$ 11,643,032	\$ 924,008
Restricted cash	3,320,261	-	3,320,261	-
Total cash and investments	\$ 14,459,466	\$ 503,827	\$ 14,963,293	\$ 924,008

Charter Township of Chesterfield

Proprietary Funds Statement of Cash Flows (Continued)

Year Ended December 31, 2019

	Enterprise Funds			Governmental Activities
	Major Enterprise Fund - Sewer and Water Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	Total Enterprise Funds	Internal Service Fund - Health Care Fund
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 511,481	\$ (109,959)	\$ 401,522	\$ 832,329
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	2,629,669	162,917	2,792,586	-
Changes in assets and liabilities:				
Receivables	(119,989)	-	(119,989)	-
Due to and from other funds	(40,484)	-	(40,484)	33,140
Inventories	(65,122)	-	(65,122)	-
Prepaid and other assets	(40,781)	(238)	(41,019)	-
Net pension or OPEB asset	840,951	-	840,951	-
Accounts payable	(457,504)	(1,452)	(458,956)	-
Estimated claims liability	-	-	-	54,500
Net pension or OPEB liability	(305,498)	-	(305,498)	-
Deferrals related to pension or OPEB	(391,951)	-	(391,951)	-
Accrued and other liabilities	212,730	-	212,730	-
Net cash and investments provided by operating activities	<u>\$ 2,773,502</u>	<u>\$ 51,268</u>	<u>\$ 2,824,770</u>	<u>\$ 919,969</u>

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2019, water and sewer line infrastructure totaling \$233,357 was donated to the Township by outside developers.

Charter Township of Chesterfield

**Fiduciary Funds
Statement of Fiduciary Net Position**

December 31, 2019

	Other Postemployment Benefits Fund	Custodial Funds	Total Fiduciary Funds
Assets			
Cash and cash equivalents	\$ -	\$ 15,025,487	\$ 15,025,487
Investments - Interest in pooled investments	26,832,143	-	26,832,143
Total assets	26,832,143	15,025,487	41,857,630
Liabilities - Unremitted tax collections	-	12,803,808	12,803,808
Net Position			
Restricted:			
Postemployment benefits other than pension	26,832,143	-	26,832,143
Individuals, organizations, and other governments	-	2,221,679	2,221,679
Total net position	<u>\$ 26,832,143</u>	<u>\$ 2,221,679</u>	<u>\$ 29,053,822</u>

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2019

	<u>Other Postemployment Benefits Fund</u>	<u>Custodial Funds</u>	<u>Total Fiduciary Funds</u>
Additions			
Investment income:			
Interest and dividends	\$ -	\$ 39,375	\$ 39,375
Net increase in fair value of investments	<u>3,149,006</u>	<u>-</u>	<u>3,149,006</u>
Net investment income	3,149,006	39,375	3,188,381
Contributions:			
Employer contributions	1,694,979	-	1,694,979
Library	<u>-</u>	<u>2,005,335</u>	<u>2,005,335</u>
Total contributions	1,694,979	2,005,335	3,700,314
Property tax collections	<u>-</u>	<u>46,967,114</u>	<u>46,967,114</u>
Total additions	4,843,985	49,011,824	53,855,809
Deductions			
Benefit payments	1,078,579	-	1,078,579
Administrative expenses	44,801	1,306,492	1,351,293
Tax disbursements	<u>-</u>	<u>46,967,114</u>	<u>46,967,114</u>
Total deductions	<u>1,123,380</u>	<u>48,273,606</u>	<u>49,396,986</u>
Net Increase in Fiduciary Net Position	3,720,605	738,218	4,458,823
Net Position - Beginning of year, as restated (Note 12)	<u>23,111,538</u>	<u>1,483,461</u>	<u>24,594,999</u>
Net Position - End of year	<u><u>\$ 26,832,143</u></u>	<u><u>\$ 2,221,679</u></u>	<u><u>\$ 29,053,822</u></u>

December 31, 2019

Note 1 - Nature of Business

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

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The Township follows accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Township:

Reporting Entity

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

Discretely Presented Component Units

Economic Development Corporation

The Economic Development Corporation (EDC) was formed to alleviate and prevent conditions of unemployment and to assist and retain local industries and commercial enterprises in order to strengthen and revitalize the economy of the Charter Township of Chesterfield. The EDC board is composed of nine members, of which no more than three can be members of the township board. The EDC does not issue separate financial statements

Other Postemployment Benefits Fund

The Other Postemployment Benefits Fund is governed by the township board. Although it is legally separate from the Township, it is reported as a fiduciary component unit because the Township appoints a voting majority to the board and the plan imposes a financial burden on the Township.

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.

Note 2 - 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

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

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

Proprietary Funds

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

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

The Township's Internal Service Fund is used to allocate insurance costs to the various funds on a full accrual basis so that the full costs are recognized and allocated to the various funds in the year that the costs are incurred.

Fiduciary Funds

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

- The Other Postemployment Benefits Fund accumulates resources for future retiree healthcare payments to retirees.
- The Current Tax Account collects taxes on behalf of all the taxing authorities (state, county, school district, township, and the various smaller authorities)
- The Trust and Agency Fund reports resources for the library for which the Township has no administrative involvement.

Note 2 - Significant Accounting Policies (Continued)

Interfund Activity

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

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

Basis of Accounting

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

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

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

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

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments

Investments are reported at fair value or estimated fair value.

Note 2 - Significant Accounting Policies (Continued)

Receivables and Payables

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

Inventories and Prepaid Items

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

Restricted Assets

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

Capital Assets

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

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

	Depreciable Life - Years
	<hr/>
Machinery and equipment	5-20
Buildings and improvements	20
Infrastructure	20-100

Long-term Obligations

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

Note 2 - Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The Township reports deferred outflows related to pensions and OPEB, as detailed in Notes 9 and 10, respectively.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Township reports deferred inflows related to receivables collected beyond the Township's period of availability, which are reported only in the governmental funds. The Township also reports deferred inflows related to property taxes levied for the following year, along with pensions and OPEB, as detailed in Notes 9 and 10, respectively.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

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

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

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

Note 2 - 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 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2019 property tax revenue was levied and collectible on December 1, 2018 and is recognized as revenue in the year ended December 31, 2019 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2018 taxable valuation of the Township totaled \$1.626 billion, on which ad valorem taxes levied consisted of 0.7776 mills for operating purposes and 8.0000 mills for public safety purposes. This resulted in \$1.3 million for operating and \$12.3 million for public safety purposes. These amounts are recognized in the respective General Fund and special revenue fund financial statements as tax revenue. A provision has been recorded for potential refunds related to disputed taxable values.

Pension

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

Other Postemployment Benefit Costs

The Township offers retiree healthcare benefits to retirees. The Township records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General, Public Safety, and Sewer and Water Operations funds will be used to liquidate the net OPEB liability, based on whichever fund an employee or retiree is assigned and to which fund the employee's pension costs are charged.

Note 2 - Significant Accounting Policies (Continued)

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 Sewer and Water Operations Fund.

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Sewer and Water Operations Fund and Internal Service Fund are charges to customers for sales and services. The Sewer and Water Operations 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.

Upcoming Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2022.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the Township's financial statements for the December 31, 2021 fiscal year.

Note 2 - Significant Accounting Policies (Continued)

The GASB issued Statement No. 92, *Omnibus*, to address eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intraentity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The Township does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

Note 3 - Deposits and Investments

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

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

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$40,256,136 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Township believes that, due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation (FDIC) insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

At year end, the EDC had \$1,971 of bank deposits, all of which was covered by FDIC insurance.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.

Investment	Fair Value	Weighted- average Maturity (Years)
Fiduciary Funds		
MERS Total Market Portfolio	\$ 26,832,143	N/A

Note 3 - Deposits and Investments (Continued)

Credit Risk

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

Investment	Fair Value	Rating	Rating Organization
Primary government - Bank investment pool	\$ 2,086,813	P1	Standard & Poor's
Fiduciary funds - MERS Total Market Portfolio	26,832,143	N/A	N/A

Fair Value Measurements

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. The Township did not have any investments that were subject to the fair value hierarchy at December 31, 2019.

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

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

Investments in Entities that Calculate Net Asset Value per Share

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

At December 31, 2019, the fair value of the Comerica J Fund Investment Pool was \$2,086,813, and the fair value of the MERS Total Market Portfolio was \$26,832,143. There were no unfunded commitments, no restrictions on redemption frequency, and no redemption notice period.

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

The MERS Total Market Portfolio is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes, included real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. The Municipal Employees' Retirement System (MERS) manages the asset allocation and monitors the underlying investment managers of the MERS Total Market Portfolio.

December 31, 2019

Note 4 - Capital Assets

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

Governmental Activities

	Balance January 1, 2019	Reclassifications and Adjustments	Additions	Disposals	Balance December 31, 2019
Capital assets not being depreciated:					
Land	\$ 3,569,592	\$ 32,818	\$ -	\$ -	\$ 3,602,410
Construction in progress	70,913	-	1,295,918	(3,900)	1,362,931
Subtotal	3,640,505	32,818	1,295,918	(3,900)	4,965,341
Capital assets being depreciated:					
Infrastructure	17,093,372	-	132,515	-	17,225,887
Buildings and improvements	17,489,394	(46,718)	67,503	-	17,510,179
Machinery and equipment	10,711,615	13,900	705,890	(12,000)	11,419,405
Subtotal	45,294,381	(32,818)	905,908	(12,000)	46,155,471
Accumulated depreciation:					
Infrastructure	7,671,058	-	426,615	-	8,097,673
Buildings and improvements	13,631,351	(9,729)	581,272	-	14,202,894
Machinery and equipment	8,555,438	9,729	776,761	(12,000)	9,329,928
Subtotal	29,857,847	-	1,784,648	(12,000)	31,630,495
Net capital assets being depreciated	15,436,534	(32,818)	(878,740)	-	14,524,976
Net governmental activities capital assets	<u>\$ 19,077,039</u>	<u>\$ -</u>	<u>\$ 417,178</u>	<u>\$ (3,900)</u>	<u>\$ 19,490,317</u>

December 31, 2019

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance January 1, 2019	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2019
Capital assets not being depreciated:					
Land	\$ 409,484	\$ -	\$ -	\$ -	\$ 409,484
Construction in progress	437,260	(437,260)	195,059	-	195,059
Subtotal	846,744	(437,260)	195,059	-	604,543
Capital assets being depreciated:					
Buildings and improvements	10,927,756	-	189,242	-	11,116,998
Machinery and equipment	2,644,524	-	202,946	-	2,847,470
Infrastructure	98,871,606	437,260	871,068	-	100,179,934
Subtotal	112,443,886	437,260	1,263,256	-	114,144,402
Accumulated depreciation:					
Buildings and improvements	5,895,195	-	565,883	-	6,461,078
Machinery and equipment	1,735,056	-	90,874	-	1,825,930
Infrastructure	28,223,764	-	2,135,829	-	30,359,593
Subtotal	35,854,015	-	2,792,586	-	38,646,601
Net capital assets being depreciated	76,589,871	437,260	(1,529,330)	-	75,497,801
Net business-type activities capital assets	<u>\$ 77,436,615</u>	<u>\$ -</u>	<u>\$ (1,334,271)</u>	<u>\$ -</u>	<u>\$ 76,102,344</u>

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

Governmental activities:	
General government	\$ 380,145
Public safety	930,527
Public works	437,685
Recreation and culture	36,291
Total governmental activities	<u>\$ 1,784,648</u>
Business-type activities:	
Sewer and Water Operations Fund	\$ 2,629,669
Brandenburg Park Fund	162,917
Total business-type activities	<u>\$ 2,792,586</u>

Construction Commitments

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

	Spent to Date	Remaining Commitment
Fire Station No 1	\$ 1,249,803	\$ 962,701

December 31, 2019

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Internal Service Fund	\$ 8,903
Public Safety Fund	Internal Service Fund	17,312
	General Fund	<u>7,220</u>
	Total Public Safety Fund	24,532
Sewer and Water Operations Fund	Internal Service Fund	5,441
Nonmajor governmental fund	General Fund	28,247
	Internal Service Fund	<u>1,484</u>
	Total nonmajor governmental fund	<u>29,731</u>
	Total	<u><u>\$ 68,607</u></u>

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

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
Nonmajor governmental funds	General Fund	\$ 242,822

The transfer from the nonmajor governmental funds to General Fund represents the repayment of amounts transferred in prior years.

December 31, 2019

Note 6 - Long-term Debt

Long-term debt activity for the year ended December 31, 2019 can be summarized as follows:

Governmental Activities

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds and contracts payable -							
Other debt -							
General Obligation Bonds:							
Refunding Fire Station	2.00% -	\$201,250 -					
Building Bonds	3.00%	\$290,500	\$ 1,331,750	\$ -	\$ (232,750)	\$ 1,099,000	\$ 264,250
Bond Refunding	2.00% -						
Premium	3.00%	\$16,151	80,758	-	(16,151)	64,607	16,151
2007 Capital	4.00% -	\$75,000 -					
Improvement Bonds	4.15%	\$100,000	875,000	-	(75,000)	800,000	100,000
Total bonds and contracts payable			2,287,508	-	(323,901)	1,963,607	380,401
Compensated absences			777,789	813,418	(777,789)	813,418	813,418
Total governmental activities long- term debt			<u>\$ 3,065,297</u>	<u>\$ 813,418</u>	<u>\$(1,101,690)</u>	<u>\$ 2,777,025</u>	<u>\$ 1,193,819</u>

December 31, 2019

Note 6 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -							
Direct borrowings and direct placements - Drainage							
District Drain bonds:							
North Gratiot Drain							
Refunding Bonds - 2015	3.625% - 5.00%	\$278,684 - \$456,5668	\$ 6,160,704	\$ -	\$ (379,485)	\$ 5,781,219	\$ 383,439
North Gratiot Drain							
Refunding Bonds - Series 1 - 2015	3.625% - 5.00%	\$20,513 - \$33,606	453,461	-	(27,932)	425,529	28,223
NG Bond Refunding							
Premium	3.625% - 5.00%	\$14,382	215,734	-	(14,383)	201,351	14,382
North Gratiot Interceptor - Series 2010 2, 3, and 4							
	3.25% - 4.75%	\$139,524 - \$238,659	3,149,068	-	(143,193)	3,005,875	146,867
North Gratiot Interceptor - Series 2010							
	3.25% - 4.75%	\$2,031 - \$3,474	45,834	-	(2,084)	43,750	2,138
Oakland-Macomb							
Interceptor - Series 2010A							
	2.50%	\$46,532 - \$64,475	725,192	-	(47,716)	677,476	49,095
Oakland-Macomb							
Interceptor - Series 2010B							
	1.15% - 5.90%	\$11,042 - \$20,506	187,508	-	(11,632)	175,876	12,225
Oakland-Macomb							
Interceptor - Series 2011							
	2.50%	\$53,499 - \$77,223	981,625	-	(54,710)	926,915	56,162
Oakland-Macomb							
Interceptor - Series 2013							
	2.00%	\$117,802 - \$161,693	2,239,705	-	(120,099)	2,119,606	122,564
Oakland-Macomb							
Interceptor - Series 2014A							
	2.00% - 3.125%	\$16,352 - \$25,891	331,408	-	(16,624)	314,784	17,170
Macomb Interceptor							
Drainage District - Series 2015							
	2.50%	\$10,972 - \$16,823	236,624	-	(11,337)	225,287	11,703
Macomb Interceptor							
Drainage District - Series 2017 Refunding							
	3.45% - 5.50%	\$172,776 - \$356,915	4,244,213	-	(164,422)	4,079,791	172,776
Macomb Interceptor							
Drainage District - Series 2017A							
	3.45% - 5.50%	\$78,820 - \$280,997	4,171,123	-	(95,080)	4,076,043	100,027
MID Bond Refunding							
Premium	1.25% - 5.375%	N/A	1,454,479	-	(85,558)	1,368,921	85,558
Clintondale Pump Station							
Improvements							
	2.00% - 4.50%	\$91,883 - \$191,424	1,856,807	-	(99,541)	1,757,266	107,197
State Revolving Fund							
Loan 2012							
	2.50%	\$98,389	1,138,389	-	(70,000)	1,068,389	70,000
Total direct borrowings and direct placements principal outstanding							
			27,591,874	-	(1,343,796)	26,248,078	1,379,526
Other debt - General							
Obligation Bonds:							
Refunding D.P.W. Building Bonds							
	2.00% - 3.00%	\$373,750 - \$539,500	2,473,250	-	(432,250)	2,041,000	490,750
D.P.W Bond Refunding							
Premium	2.00% - 3.00%	\$29,995	149,978	-	(29,997)	119,981	29,995

December 31, 2019

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Total other debt principal outstanding			\$ 2,623,228	\$ -	\$ (462,247)	\$ 2,160,981	\$ 520,745
Total bonds and contracts payable			30,215,102	-	(1,806,043)	28,409,059	1,900,271
Compensated absences			118,150	120,797	(118,150)	120,797	120,797
Total business-type activities long-term debt			<u>\$ 30,333,252</u>	<u>\$ 120,797</u>	<u>\$ (1,924,193)</u>	<u>\$ 28,529,856</u>	<u>\$ 2,021,068</u>

General Obligation Bonds and Contracts

The Township issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. The Township's qualified bonds are fully guaranteed by the State of Michigan. County contractual agreements and installment purchase agreements are also general obligations of the Township.

County Contractual Obligations

The above contractual obligations to the county are the result of the county issuance of bonds on the Township's behalf. The Township has pledged substantially all revenue of the Sewer and Water Operations Fund, net of operating expenses, to repay the obligations. In addition, it has pledged to raise property taxes, to the extent permitted by law, if necessary to fund the obligation to repay the county. Proceeds from the county bonds provided financing for the construction of multiple drainage projects. The remaining principal and interest to be paid on the bonds total \$33,272,166. During the current year, net revenue of the system was \$3,142,832 compared to the annual debt requirements of \$2,233,915.

Special Assessment Bonds

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.

Note 6 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

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

Years Ending December 31	Governmental Activities				
	Other Debt				
	Principal	Interest	Total		
2020	\$ 364,250	\$ 59,756	\$ 424,006		
2021	378,250	47,619	425,869		
2022	390,500	35,038	425,538		
2023	366,000	22,590	388,590		
2024	100,000	14,500	114,500		
2025-2029	300,000	18,675	318,675		
2030-2034	-	-	-		
2035-2039	-	-	-		
2040-2042	-	-	-		
Total	\$ 1,899,000	\$ 198,178	\$ 2,097,178		

Years Ending December 31	Business-type Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2020	\$ 1,279,586	\$ 954,329	\$ 490,750	\$ 53,869	\$ 2,778,534
2021	1,312,711	901,973	516,750	38,756	2,770,190
2022	1,351,040	847,934	539,500	22,913	2,761,387
2023	1,379,965	792,551	494,000	7,410	2,673,926
2024	1,420,221	735,637	-	-	2,155,858
2025-2029	7,875,134	2,755,948	-	-	10,631,082
2030-2034	7,522,254	1,200,724	-	-	8,722,978
2035-2039	1,733,495	343,696	-	-	2,077,191
2040-2042	803,400	61,563	-	-	864,963
Total	\$ 24,677,806	\$ 8,594,355	\$ 2,041,000	\$ 122,948	\$ 35,436,109

Note 7 - Restricted Assets

Specific assets of the Sewer and Water Operations Fund have been restricted for debt service, construction, and maintenance. Restricted assets consist of cash and cash equivalents and money held on deposit with other governmental units and are reserved in accordance with the water and sewer bond ordinance requirements.

At December 31, 2019, restricted assets are composed of the following:

Restricted assets from bond ordinance:	
Cash and cash equivalents - Debt service	\$ 2,671,881
Cash held at the county for construction and maintenance	648,380
Total Sewer and Water Operations Fund restricted assets	\$ 3,320,261

Note 8 - Risk Management

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

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

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

Note 9 - Pension Plan

Plan Description

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

Benefits Provided

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

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

Retirement benefits for general employees are calculated as 2.00 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 50 with 25 years of service. The vesting period is 6 years for employees hired prior to January 1, 2014 and 10 years for those hired after January 1, 2014. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

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

Note 9 - Pension Plan (Continued)

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

Retirement benefits for fire fighter employees are calculated as 2.00 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 50 with 25 years of service. The vesting period is 6 years for employees hired prior to January 1, 2018 and 10 years for those hired after. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	December 31, 2018
Date of member count	
Inactive plan members or beneficiaries currently receiving benefits	80
Inactive plan members entitled to but not yet receiving benefits	16
Active plan members	<u>144</u>
Total employees covered by the plan	<u><u>240</u></u>

Contributions

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

For general employees, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. Employees are required to contribute 2.00 percent of compensation. The Township makes employer contributions in accordance with funding requirements determined by the system's actuary. The Township's current rate is 11.46 percent of annual covered payroll.

For police patrol employees, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. Employees are required to contribute 4.50 percent of compensation. The Township makes employer contributions in accordance with funding requirements determined by the system's actuary. The Township's current rate is 16.28 percent of annual covered payroll.

For police command employees, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. Employees are required to contribute 4.50 percent of compensation. The Township makes employer contributions in accordance with funding requirements determined by the system's actuary. The Township's current rate is 23.53 percent of annual covered payroll.

December 31, 2019

Note 9 - Pension Plan (Continued)

For fire fighter employees, the plan provides that the employees contribute amounts necessary to fund the actuarially determined benefits. Employees are required to contribute 2.00 percent of compensation.

Net Pension Liability

The December 31, 2019 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2018 measurement date. The December 31, 2018 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2017	\$ 39,460,864	\$ 30,915,690	\$ 8,545,174
Changes for the year:			
Service cost	831,908	-	831,908
Interest	3,118,147	-	3,118,147
Differences between expected and actual experience	584,885	-	584,885
Contributions - Employer	-	1,184,073	(1,184,073)
Contributions - Employee	-	375,088	(375,088)
Net investment loss	-	(1,219,724)	1,219,724
Benefit payments, including refunds	(1,799,965)	(1,799,965)	-
Administrative expenses	-	(60,176)	60,176
Net changes	2,734,975	(1,520,704)	4,255,679
Balance at December 31, 2018	<u>\$ 42,195,839</u>	<u>\$ 29,394,986</u>	<u>\$ 12,800,853</u>

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

For the year ended December 31, 2019, the Township recognized pension expense of \$2,394,920.

At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 791,173	\$ (133,942)
Changes in assumptions	653,417	-
Net difference between projected and actual earnings on pension plan investments	2,216,447	-
Employer contributions to the plan subsequent to the measurement date	1,405,907	-
Total	<u>\$ 5,066,944</u>	<u>\$ (133,942)</u>

Note 9 - Pension Plan (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date of \$1,405,907 will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending December 31	Amount
2020	\$ 1,134,857
2021	663,967
2022	831,232
2023	800,391
2024	96,648
Total	<u>\$ 3,527,095</u>

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.75 percent, an investment rate of return (net of investment expenses) of 8 percent, and the RP-2014 mortality tables.

Discount Rate

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

Projected Cash Flows

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

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2018, 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	55.50 %	6.15 %
Global fixed income	18.50	1.26
Real assets	13.50	7.22
Diversifying strategies	12.50	5.00

December 31, 2019

Note 9 - Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Township, calculated using the discount rate of 8.0 percent, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (7.00%)	Current Discount Rate (8.00%)	1 Percent Increase (9.00%)
Net pension liability of the plan	\$ 17,959,938	\$ 12,800,853	\$ 8,457,606

Pension Plan Fiduciary Net Position

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

Note 10 - Other Postemployment Benefit Plan

Plan Description

The Township provides postretirement benefits other than pension benefits to all full-time employees of the Township through the Chesterfield Township Retiree Health Care Plan. These benefits include certain healthcare and life insurance benefits. All employees with 15 years of service and who are at least 55 years old at retirement are eligible to receive these benefits. This plan is a single-employer plan administered by the Township.

Benefits Provided

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

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	December 31, 2019
Inactive plan members or beneficiaries currently receiving benefits	75
Active plan members	113
Total plan members	188

Contributions

Act 359 of 1947, as amended, grants the authority to establish and amend the contribution requirements of the Township and employees to the board. The board establishes contribution rates based on an actuarially determined rate per a funding valuation. For the year ended December 31, 2019, the Township's average contribution rate was 19.15 percent of covered employee payroll. Employees are not required to contribute to the plan.

December 31, 2019

Note 10 - Other Postemployment Benefit Plan (Continued)

Net OPEB Liability

The Township has chosen to use the December 31 measurement date as its measurement date for the net OPEB liability. The December 31, 2019 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2018, which used update procedures to roll forward the estimated liability to December 31, 2019.

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at December 31, 2018	\$ 34,652,807	\$ 23,111,538	\$ 11,541,269
Changes for the year:			
Service cost	683,864	-	683,864
Interest	2,584,159	-	2,584,159
Differences between expected and actual experience	(7,482,902)	-	(7,482,902)
Changes in assumptions	1,635,903	-	1,635,903
Contributions - Employer	-	1,694,979	(1,694,979)
Net investment income	-	3,149,006	(3,149,006)
Benefit payments, including refunds	(1,078,580)	(1,078,580)	-
Administrative expenses	-	(44,801)	44,801
Net changes	(3,657,556)	3,720,604	(7,378,160)
Balance at December 31, 2019	\$ 30,995,251	\$ 26,832,142	\$ 4,163,109

The plan's fiduciary net position represents 86.6 percent of the total OPEB liability.

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

For the year ended December 31, 2019, the Township recognized OPEB expense of \$1,017,882.

At December 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (6,478,809)
Changes in assumptions	1,416,390	-
Net difference between projected and actual earnings on OPEB plan investments	454,472	-
Total	\$ 1,870,862	\$ (6,478,809)

Note 10 - Other Postemployment Benefit Plan (Continued)

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

Years Ending December 31	Amount
2020	\$ (540,142)
2021	(540,142)
2022	(540,142)
2023	(1,063,421)
2024	(784,579)
Thereafter	<u>(1,139,521)</u>
Total	<u>\$ (4,607,947)</u>

Actuarial Assumptions

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using an inflation assumption of 2.50 percent; assumed salary increases (including inflation) of 3.75 percent; an investment rate of return (net of investment expenses) of 7.50 percent; a healthcare cost trend rate of 9.00 percent for 2019, decreasing 0.50 percent per year to an ultimate rate of 4.50 percent for 2029 and later years; and the RP-2014 mortality tables. These assumptions were applied to all periods included in the measurement.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period from 2000-2013.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that township contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2019 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55.50 %	6.15 %
Global fixed income	18.50	1.26
Real assets	13.50	7.22
Diversifying strategies	12.50	5.00

December 31, 2019

Note 10 - Other Postemployment Benefit Plan (Continued)

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

The following presents the net OPEB liability of the Township, calculated using the discount rate of 7.0 percent, as well as what the Township's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.00%)	Current Discount Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net OPEB liability of the Chesterfield Township Retiree Health Care Plan	\$ 8,536,904	\$ 4,163,109	\$ 558,958

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

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

	1 Percentage Point Decrease (8.00%)	Current Healthcare Cost Trend Rate (9.00%)	1 Percentage Point Increase (10.00%)
Net OPEB liability of the Chesterfield Township Retiree Health Care Plan	\$ 107,869	\$ 4,163,109	\$ 9,175,894

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established by an investment policy and may be amended by the township board by a majority vote of its members. It is the policy of the township board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the township board's allocation policy as of December 31, 2019.

Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 13.54 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

OPEB 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 OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Assumption Changes

A decrease was made in the discount rate, decreasing from 7.50 percent to 7.00 percent.

Note 11 - Tax Abatements

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

For the fiscal year ended December 31, 2019, the Township abated \$13,934 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

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

Note 12 - Change in Accounting Principle

During the current year, the Township adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which established criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, the accounting for fiduciary component units, custodial funds, along with escrow and performance deposits, has changed. Beginning net position for the Other Postemployment Benefits Fund and custodial funds were adjusted to account for the impact of now recording the escrow and performance deposits within the General Fund, and accounting for custodial activity was also changed. The impact of adoption is included below.

The following financial statement line items for fiscal year 2019 were affected by the change in accounting principle:

	Other Postemployment Benefits Fund	Custodial Funds
Net position - Beginning of year, as previously reported	\$ -	\$ -
Adjustment for GASB Statement No. 84	23,111,538	1,483,461
Net position - Beginning of year, as restated	<u>\$ 23,111,538</u>	<u>\$ 1,483,461</u>

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

Note 13 - Subsequent Events

The United States and the State of Michigan declared a state of emergency in early March 2020 due to the global coronavirus disease 2019 (COVID-19) pandemic. COVID-19 will have a financial impact on subsequent periods of the Township. The impact on the Township's future operating costs, revenue, and any recovery from emergency funding, federal, state, or local, cannot be estimated.

Subsequent to year end, the Township's investment portfolio within the Township's OPEB plan has experienced a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

Required Supplemental Information

Charter Township of Chesterfield

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,266,926	\$ 1,266,926	\$ 1,346,387	\$ 79,461
Special assessments	5,220	5,220	55,448	50,228
Intergovernmental:				
Federal grants	405,300	405,300	31,337	(373,963)
State-shared revenue	3,840,000	3,840,000	3,986,045	146,045
Charges for services	852,206	852,206	755,066	(97,140)
Licenses and permits	6,474	6,474	5,831	(643)
Investment income	297,240	297,240	388,705	91,465
Other revenue	879,551	879,551	879,291	(260)
Total revenue	7,552,917	7,552,917	7,448,110	(104,807)
Expenditures				
Current services:				
General government:				
Township board	76,090	76,090	78,061	(1,971)
Township supervisor	180,896	180,896	174,078	6,818
Accounting	299,150	344,030	328,045	15,985
Planning commission	42,030	42,030	38,816	3,214
Zoning board of appeals	8,080	8,080	4,348	3,732
Treasurer	389,548	389,548	362,213	27,335
Assessing	485,135	485,135	411,669	73,466
Board of review	3,080	3,080	2,175	905
Clerk	325,732	325,732	301,941	23,791
Buildings and grounds	1,225,893	1,229,433	1,126,031	103,402
Elections	86,369	96,232	97,071	(839)
Human resources	274,142	300,642	308,281	(7,639)
General administration	1,888,303	1,933,303	1,839,783	93,520
Anchor Bay Harbor storm sewer	35,500	35,500	28,873	6,627
Planning and zoning administration	145,624	226,034	199,226	26,808
Public safety	251,827	251,827	244,590	7,237
Public works	155,500	208,000	456,723	(248,723)
Community and economic development	90,000	90,000	166,869	(76,869)
Recreation and culture	687,154	653,154	538,105	115,049
Capital outlay	1,562,000	417,460	215,255	202,205
Debt service	109,250	109,250	109,250	-
Total expenditures	8,321,303	7,405,456	7,031,403	374,053
Excess of Revenue (Under) Over Expenditures	(768,386)	147,461	416,707	269,246
Other Financing Sources - Transfers	-	220,000	242,822	22,822
Net Change in Fund Balance	(768,386)	367,461	659,529	292,068
Fund Balance - Beginning of year	10,370,446	10,370,446	10,370,446	-
Fund Balance - End of year	\$ 9,602,060	\$ 10,737,907	\$ 11,029,975	\$ 292,068

Charter Township of Chesterfield

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

Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
Property taxes	\$ 12,351,837	\$ 12,351,837	\$ 12,350,113	\$ (1,724)
Charges for services	370,000	446,500	448,038	1,538
Fines and forfeitures	95,000	95,000	95,806	806
Investment income	80,000	165,000	191,564	26,564
Other revenue	161,750	256,750	176,455	(80,295)
Total revenue	13,058,587	13,315,087	13,261,976	(53,111)
Expenditures - Current - Public safety	<u>14,968,444</u>	<u>14,295,219</u>	<u>14,557,359</u>	<u>(262,140)</u>
Excess of Expenditures Over Revenue	(1,909,857)	(980,132)	(1,295,383)	(315,251)
Other Financing Sources - Sale of capital assets	<u>30,000</u>	<u>30,000</u>	<u>11,465</u>	<u>(18,535)</u>
Net Change in Fund Balance	(1,879,857)	(950,132)	(1,283,918)	(333,786)
Fund Balance - Beginning of year	<u>9,622,363</u>	<u>9,622,363</u>	<u>9,622,363</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 7,742,506</u>	<u>\$ 8,672,231</u>	<u>\$ 8,338,445</u>	<u>\$ (333,786)</u>

Charter Township of Chesterfield

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

	Last Five Plan Years				
	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 831,908	\$ 810,701	\$ 840,447	\$ 775,641	\$ 775,853
Interest	3,118,147	2,951,678	2,800,172	2,533,808	2,361,993
Differences between expected and actual experience	584,885	(5,825)	(227,118)	708,794	-
Changes in assumptions	-	-	-	1,524,640	-
Benefit payments, including refunds	(1,799,965)	(1,572,603)	(1,437,067)	(1,134,858)	(975,371)
Net Change in Total Pension Liability	2,734,975	2,183,951	1,976,434	4,408,025	2,162,475
Total Pension Liability - Beginning of year	39,460,864	37,276,913	35,300,479	30,892,454	28,729,979
Total Pension Liability - End of year	\$ 42,195,839	\$ 39,460,864	\$ 37,276,913	\$ 35,300,479	\$ 30,892,454
Plan Fiduciary Net Position					
Contributions - Employer	\$ 1,184,073	\$ 1,556,385	\$ 1,455,581	\$ 1,402,474	\$ 1,176,363
Contributions - Member	375,088	425,881	264,803	370,116	598,677
Net investment (loss) income	(1,219,724)	3,611,349	2,762,322	(371,208)	1,383,459
Administrative expenses	(60,176)	(57,041)	(54,461)	(53,105)	(51,236)
Benefit payments, including refunds	(1,799,965)	(1,572,603)	(1,437,067)	(1,134,858)	(975,371)
Net Change in Plan Fiduciary Net Position	(1,520,704)	3,963,971	2,991,178	213,419	2,131,892
Plan Fiduciary Net Position - Beginning of year	30,915,690	26,951,719	23,960,541	23,747,122	21,615,230
Plan Fiduciary Net Position - End of year	\$ 29,394,986	\$ 30,915,690	\$ 26,951,719	\$ 23,960,541	\$ 23,747,122
Township's Net Pension Liability - Ending	\$ 12,800,853	\$ 8,545,174	\$ 10,325,194	\$ 11,339,938	\$ 7,145,332
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	69.66 %	78.35 %	72.30 %	67.88 %	76.87 %
Covered Payroll	\$ 8,723,965	\$ 8,308,463	\$ 8,624,344	\$ 8,407,968	\$ 8,349,251
Township's Net Pension Liability as a Percentage of Covered Payroll	146.73 %	102.85 %	119.72 %	134.87 %	85.58 %

This schedule will be built prospectively.

Charter Township of Chesterfield

Required Supplemental Information Schedule of Pension Contributions

Last Ten Fiscal Years Years Ended December 31

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 1,434,455	\$ 1,181,169	\$ 1,290,876	\$ 961,608	\$ 975,401	\$ 796,974	\$ 844,706	\$ 846,365	\$ 1,040,372	\$ 983,952
Contributions in relation to the actuarially determined contribution	1,434,455	1,181,169	1,537,868	1,455,015	1,403,525	1,234,651	1,289,295	1,296,590	1,433,883	983,952
Contribution Excess	\$ -	\$ -	\$ 246,992	\$ 493,407	\$ 428,124	\$ 437,677	\$ 444,589	\$ 450,225	\$ 393,511	\$ -
Covered Payroll	\$ 8,723,965	\$ 8,308,463	\$ 8,624,344	\$ 8,407,968	\$ 8,349,251	\$ 8,011,355	\$ 8,710,926	\$ 8,898,872	\$ 8,818,977	\$ 9,184,765
Contributions as a Percentage of Covered Payroll	16.44 %	14.22 %	17.83 %	17.31 %	16.81 %	15.41 %	14.80 %	14.57 %	16.26 %	10.71 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported. Contributions for the Township's fiscal year ended December 31, 2019 were determined based on the actuarial valuation as of December 31, 2017. The most recent valuation is as of December 31, 2018.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent
Remaining amortization period	20 years
Asset valuation method	10-year smoothed market
Inflation	2.50 percent
Salary increase	3.75 percent
Investment rate of return	8.00 percent
Retirement age	Experience-based table of rates is specific to the type of eligibility condition.
Mortality	50 percent male - 50 percent female blend of the RP-2014 Health Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and the RP-2014 Juvenile Mortality Tables
Other information	None

Charter Township of Chesterfield

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

	Last Two Fiscal Years	
	2019	2018
Total OPEB Liability		
Service cost	\$ 683,864	\$ 659,146
Interest	2,584,159	2,442,478
Differences between expected and actual experience	(7,482,902)	-
Changes in assumptions	1,635,903	-
Benefit payments, including refunds	(1,078,580)	(1,371,226)
Net Change in Total OPEB Liability	(3,657,556)	1,730,398
Total OPEB Liability - Beginning of year	34,652,807	32,922,409
Total OPEB Liability - End of year	\$ 30,995,251	\$ 34,652,807
Plan Fiduciary Net Position		
Contributions - Employer	\$ 1,694,979	\$ 2,170,126
Net investment income (loss)	3,149,006	(847,313)
Administrative expenses	(44,801)	(56,711)
Benefit payments, including refunds	(1,078,580)	(1,371,226)
Net Change in Plan Fiduciary Net Position	3,720,604	(105,124)
Plan Fiduciary Net Position - Beginning of year	23,111,538	23,216,662
Plan Fiduciary Net Position - End of year	\$ 26,832,142	\$ 23,111,538
Net OPEB Liability - Ending	\$ 4,163,109	\$ 11,541,269
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	86.57 %	66.69 %
Covered Employee Payroll	\$ 8,852,445	\$ 8,390,904
Net OPEB Liability as a Percentage of Covered Employee Payroll	47.03 %	137.55 %

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

Charter Township of Chesterfield

Required Supplemental Information Schedule of OPEB Contributions

Last Ten Fiscal Years Years Ended December 31

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 1,583,871	\$ 1,552,095	\$ 1,251,756	\$ 1,139,605	\$ 1,111,838	\$ 1,818,184	\$ 1,759,202	\$ 1,702,303	\$ 1,320,363	\$ 1,263,506
Contributions in relation to the actuarially determined contribution	1,694,979	2,170,126	2,404,571	2,184,488	2,475,426	2,274,565	2,032,253	1,713,027	1,466,638	1,419,238
Contribution Excess	\$ 111,108	\$ 618,031	\$ 1,152,815	\$ 1,044,883	\$ 1,363,588	\$ 456,381	\$ 273,051	\$ 10,724	\$ 146,275	\$ 155,732
Covered Employee Payroll	\$ 8,852,445	\$ 8,390,904	\$ 8,087,618	\$ 9,452,094	\$ 9,452,094	\$ 9,452,094	\$ 8,818,977	\$ 8,818,977	\$ 8,818,977	\$ 8,818,977
Contributions as a Percentage of Covered Employee Payroll	19.15 %	25.86 %	29.73 %	23.11 %	26.19 %	24.06 %	23.04 %	19.42 %	16.63 %	16.09 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, one to two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age as a percentage of payroll
Amortization method	Level dollar over a closed 30 years
Remaining amortization period	5 - 30 years
Asset valuation method	Market value of assets
Inflation	2.50 percent
Healthcare cost trend rates	9.00 percent decreasing 0.50 percent per year to an ultimate rate of 4.50 percent after 10 years
Salary increase	3.75 percent
Investment rate of return	7.50 percent
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	50 percent male - 50 percent female blend of the RP-2014 Health Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and the RP-2014 Juvenile Mortality Tables

Charter Township of Chesterfield

**Required Supplemental Information
Schedule of OPEB Investment Returns**

**Last Two Fiscal Years
Years Ended December 31**

	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	13.54 %	(3.64)%

This schedule is intended to show information for 10 years. Additional years' information will be reported as it becomes available.

Charter Township of Chesterfield

Notes to Required Supplemental Information

December 31, 2019

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

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

1. On or before September 1, the Township's supervisor, finance department, and respective department heads prepare a proposed operating budget for the fiscal year commencing on January 1 and submit it to the board. One to two study sessions are held at an open meeting with the board in order to answer any questions. The budget must be adopted through a passage of a budget resolution no later than the last board meeting in December.
2. Public hearings are conducted to obtain citizen comments.
3. The budget document presents information by department. The legal level of budgetary control adopted by the governing body is the department level (i.e., the level at which expenditures may not legally exceed appropriations). Line item detail is provided as a general guideline. Throughout the year, the board receives requests to amend the activity budget. All amendments by departments must be approved by a vote of the township board.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Charter Township of Chesterfield incurred the following expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Township board	\$ 76,090	\$ 78,061	\$ (1,971)
Elections	96,232	97,071	(839)
Human resources	300,642	308,281	(7,639)
Public works	208,000	456,723	(248,723)
Community and economic development	90,000	166,869	(76,869)
Public Safety Fund - Public safety	14,295,219	14,557,359	(262,140)

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

Pension Information

Changes in Assumptions

During 2015, the assumed rate of return decreased from 8.25 percent to 8.00 percent. The mortality tables were updated from the 1994 Group Mortality Table to the tables included on the schedule of pension contributions.

OPEB Information

Changes in Assumptions

During 2019, a decrease was made in the discount rate, decreasing from 7.50 percent to 7.00 percent.

Other Supplemental Information

Charter Township of Chesterfield

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

December 31, 2019

	Special Revenue Funds		
	Building Inspection Fund	Parks and Recreation Fund	Total
Assets			
Cash and investments	\$ 18,269	\$ 536,177	\$ 554,446
Receivables - Net - Accrued interest	-	1,179	1,179
Due from other funds	29,731	-	29,731
Prepaid expenses and deposits	22,106	2,259	24,365
	\$ 70,106	\$ 539,615	\$ 609,721
Total assets			
Liabilities - Accounts payable	\$ 20,106	\$ 5,656	\$ 25,762
Fund Balances			
Nonspendable - Prepaids and deposits	22,106	2,259	24,365
Restricted - Building inspection	27,894	-	27,894
Committed - Parks and recreation	-	531,700	531,700
	50,000	533,959	583,959
Total fund balances			
	\$ 70,106	\$ 539,615	\$ 609,721
Total liabilities and fund balances			

Charter Township of Chesterfield

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

Year Ended December 31, 2019

	Special Revenue Funds		Total
	Building Inspection Fund	Parks and Recreation Fund	
Revenue			
Charges for services	\$ -	\$ 289,267	\$ 289,267
Licenses and permits	1,316,612	-	1,316,612
Investment income	-	4,027	4,027
Other revenue	35,350	-	35,350
Total revenue	1,351,962	293,294	1,645,256
Expenditures - Current services			
Public safety	1,083,498	-	1,083,498
Recreation and culture	-	188,155	188,155
Total expenditures	1,083,498	188,155	1,271,653
Excess of Revenue Over Expenditures	268,464	105,139	373,603
Other Financing Uses - Transfers out	(242,822)	-	(242,822)
Net Change in Fund Balances	25,642	105,139	130,781
Fund Balances - Beginning of year	24,358	428,820	453,178
Fund Balances - End of year	\$ 50,000	\$ 533,959	\$ 583,959

Charter Township of Chesterfield

Other Supplemental Information
Combining Statement of Fiduciary Net Position
Fiduciary Funds

December 31, 2019

	Custodial Funds		Total
	Trust and Agency	Current Tax Account	
Assets - Cash and investments	\$ 2,221,679	\$ 12,803,808	\$ 15,025,487
Liabilities - Unremitted tax collections	-	12,803,808	12,803,808
Net Position - Restricted - Individuals, organizations, and other governments	2,221,679	-	2,221,679
Total net position	<u><u>\$ 2,221,679</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,221,679</u></u>

Charter Township of Chesterfield

Other Supplemental Information
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year Ended December 31, 2019

	Custodial Funds		
	Trust and Agency	Current Tax Account	Total
Additions			
Investment income	\$ 39,375	\$ -	\$ 39,375
Contributions	2,005,335	-	2,005,335
Property tax collections	-	46,967,114	46,967,114
Total additions	2,044,710	46,967,114	49,011,824
Deductions			
Administrative expenses	1,306,492	-	1,306,492
Tax disbursements	-	46,967,114	46,967,114
Total deductions	1,306,492	46,967,114	48,273,606
Net Increase in Fiduciary Net Position	738,218	-	738,218
Net Position - Beginning of year, as restated	1,483,461	-	1,483,461
Net Position - End of year	\$ 2,221,679	\$ -	\$ 2,221,679