

Charter Township of Van Buren

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

Charter Township of Van Buren

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Van Buren

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, the General Fund, and the aggregate remaining fund information of the Charter Township of Van Buren (the "Township") as of and for the year ended December 31, 2016, which collectively comprise the Charter Township of Van Buren's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Trustees
Charter Township of Van Buren

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, the aggregate discretely presented component units, the General Fund, and the aggregate remaining fund information of the Charter Township of Van Buren as of December 31, 2016, and the respective changes in its financial position and cash flows, where applicable, 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 17 to the basic financial statements, the 2015 basic financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Van Buren'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.

To the Board of Trustees
Charter Township of Van Buren

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.

Report on Partial Comparative Information

We have previously audited the Charter Township of Van Buren's December 31, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 2, 2016. In our opinion, the partial comparative information presented herein for the Enterprise Fund as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Such information does not include all of the information required to constitute a full presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Township's financial statements for the year ended December 31, 2015, from which such partial information was derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2017 on our consideration of the Charter Township of Van Buren's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter Township of Van Buren's internal control over financial reporting and compliance.

Plante & Moran, PLLC

June 5, 2017

Charter Township of Van Buren

Management's Discussion and Analysis

Overview of the Financial Statements

The Charter Township of Van Buren's (the "Township") 2016 annual report is presented in conformity with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34. This annual report consists of four parts: management's discussion and analysis; the basic financial statements; required supplemental information; and other supplemental information, which presents combined statements for nonmajor governmental funds. Basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government and report the Township's operations in more detail than the government-wide statements.

Government-wide Statements

The government-wide statements report information about the Township as a whole, using accounting methods similar to those used by private sector companies. The statement of net position (deficit) includes all of the Township's assets and liabilities. Revenue and expenses for the current year are accounted for in the statement of activities, utilizing the full-accrual method of accounting. Full-accrual accounting recognizes revenue and expenses as they are earned or incurred, regardless of when they are received or paid.

The two government-wide statements report the Township's net position and how it has changed. Net position, the difference between the Township's assets and liabilities, is one way to measure the Township's financial health.

The government-wide financial statements of the Township are divided into three categories:

- **Governmental Activities** - Most of the Township's basic services are included here, such as public safety, public works, community services, economic development, and general administration. Property taxes, state-shared revenue, landfill royalties, and charges for services provide most of the funding.
- **Business-type Activities** - The Township charges fees to customers to help defray the costs of certain services that it provides. The Township's water and sewer system is treated as a business-type activity.
- **Component Units** - The Township includes two other entities in its report and both are Tax Incremental Financing Authorities (TIFAs): the Downtown Development Authority (DDA), pursuant to 1975 PA 197, as amended; and the Local Development Financing Authority (LDFA), pursuant to 1986 PA 281, as amended.

Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and areas of spending. Some funds are required by state law and by bond covenants. The Township board establishes other funds to control and manage money for particular purposes.

The Township has three types of funds:

- **Governmental Funds** - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets that can readily be converted to cash, flow in and out. Balances left at year end are available for spending or may be returned to the fund balance. Current Township accounting practice returns unspent monies to fund balance at year end. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.
- **Proprietary Funds** - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like government-wide statements, provide both long- and short-term financial information. The Township's Water and Sewer Fund is considered proprietary.
- **Fiduciary Funds** - The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations. The Township's fiduciary funds include the OPEB Trust Fund, which are monies held in trust for pension and other employee benefits, and Agency Funds, which track the liabilities due to other governmental units.

Financial Overview

The Township has a combined total net position of \$72.8 million. This is a decrease from 2015 of approximately \$3.8 million. In 2016, the Township conformed to the requirements of GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This is the third reporting period the Township has been subject to this GASB statement, which requires that potential liabilities of a governmental entity be accounted for, at present value, in its financial reporting process. In the case of the Township, this potential liability exists in bonds issued within the Township's LDFA.

Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

Regarding the Township's total net position, business-type activities comprise \$81.3 million and governmental activities comprise negative \$8.5 million. In a condensed format, the table below shows a comparison of the net position as of the current date to the prior year (in thousands):

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 18,735	\$ 19,755	\$ 37,481	\$ 39,184	\$ 56,216	\$ 58,939
Capital assets	19,321	19,347	61,295	62,663	80,616	82,010
Total assets	38,056	39,102	98,776	101,847	136,832	140,949
Deferred Outflows	2,059	561	-	-	2,059	-
Liabilities						
Current liabilities	1,389	3,541	3,498	3,752	4,887	7,293
Long-term liabilities	42,568	34,189	13,952	15,035	56,520	49,224
Total liabilities	43,957	37,730	17,450	18,787	61,407	56,517
Deferred Inflows	4,691	4,722	-	-	4,691	4,722
Net Position (Deficit) (As Restated)						
Net investment in capital assets	16,986	16,678	46,154	45,953	63,140	62,631
Restricted	537	647	21,143	23,685	21,680	24,332
Unrestricted	(26,056)	(23,774)	14,029	13,422	(12,027)	(10,352)
Total net position (deficit)	<u>\$ (8,533)</u>	<u>\$ (6,449)</u>	<u>\$ 81,326</u>	<u>\$ 83,060</u>	<u>\$ 72,793</u>	<u>\$ 76,611</u>

During the year, the unrestricted net position (the portion of net position that can be used to finance day-to-day operations) decreased by \$2.28 million for the governmental activities from 2015.

Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

The following table shows the changes in net position for 2016 (in thousands):

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue						
Program revenue:						
Charges for services	\$ 2,668	\$ 2,499	\$ 8,448	\$ 8,147	\$ 11,116	\$ 10,646
Operating grants and contributions	426	4,597	-	-	426	4,597
Capital grants and contributions	2,236	345	-	-	2,236	345
General revenue:						
Property taxes	4,822	4,694	-	3	4,822	4,697
State-shared revenue	2,373	2,312	-	-	2,373	2,312
Other miscellaneous revenue	354	345	-	-	354	345
Investment income	91	89	355	339	446	428
Landfill royalties	4,052	3,883	-	-	4,052	3,883
Total revenue	17,022	18,764	8,803	8,489	25,825	27,253
Program Expenses						
General government	3,562	2,941	-	-	3,562	2,941
Public safety	12,845	10,057	-	-	12,845	10,057
Public works	484	877	10,537	10,227	11,021	11,104
Community and economic development	900	333	-	-	900	333
Recreation and culture	1,200	1,131	-	-	1,200	1,131
Interest on long-term debt	115	128	-	-	115	128
Total program expenses	19,106	15,467	10,537	10,227	29,643	25,694
Change in Net Position	\$ (2,084)	\$ 3,297	\$ (1,734)	\$ (1,738)	\$ (3,818)	\$ 1,559

Revenue for governmental activities totaled \$17.022 million in 2016. Charges for services such as court fines, building licenses and permits, and recreation fees accounted for \$2.67 million in revenue, an increase of \$169,000 over the 2015 figure. A total of \$4.8 million was received in the form of property tax collections, up slightly from 2015. An increase in landfill royalties brought in \$4.1 million and state-shared revenue increased to \$2.37 million compared to the prior year.

Program expenses for 2016 governmental activities generally increased, with the exceptions of public works and interest on long-term debt.

Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

Business-type Activities

The Township has one business-type activity, the water and sewer operation. Revenue for business-type activities was \$8.8 million while expenses were \$10.5 million, with revenue decreasing and expenses increasing over the 2015 figures. Water is provided to the Township's residents via the Detroit Water and Sewerage Department (DWSD). Sewage treatment is provided by contracts with: Downriver Utility Wastewater Authority (DUWA); Rouge Valley Sewerage Disposal System (RVSDS); South Huron Valley Utility Authority (SHVUA); and Ypsilanti Community Utilities Authority (YCUA).

The Township became one of the member communities of the Great Lakes Water Authority (GLWA) in October 2014, shortly after its inception. On June 12, 2015, the Great Lakes Water Authority board approved a 40-year lease with DWSD, assuming much of DWSD's operations. This historic regionalization of water control will allow Detroit to fund improvements to aging water infrastructure, such as repairs to old treatment facilities and leaking pipes. Lease payments are restricted revenue that must be used for water purposes and cannot be diverted to Detroit's General Fund. GLWA formally assumed operations from DWSD on January 1, 2016.

Financial Analysis of the Township Funds and Budgets

The General Fund increased its fund balance by approximately \$1.5 million as of December 31, 2016, bringing the fund balance total to \$12,300,000. Due to the implementation of GASB Statement No. 54, the Landfill Fund is included in the General Fund for financial reporting purposes. Among the uses for the assigned funds are future land and municipal facility needs, French Landing Dam, senior bequest activities, computer networking equipment, sidewalk maintenance, compensated absences, and future obligation. Assigned funds are not fund commitments and serve to highlight areas of long-term debt and other obligations, payments for which may exceed one year in duration.

Actual revenue exceeded the amended budget by \$359,489. Categories that fell short of budgetary expectations include federal grants and other revenue. Better-than-expected revenue received from state-shared revenue/grants and also from charges for services contributed most heavily to the budget exceedance.

In nearly all categories, actual expenditures were under budget, contributing to the positive net variance. Expenditures exceeded the amended budget in only a few categories. The greatest variance occurred in the fire category at \$1,343,037, which is attributable to the purchase of a self-contained breathing apparatus from the AFG FEMA grant for \$1,483,279.

Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

The General Fund budget is amended throughout the year as deemed necessary. Overall, the difference between the General Fund's 2016 original budget and the amended budget reflects both some increased revenue and some decreased costs. Staff worked diligently to contain costs and the budget was amended to more properly reflect those efforts. Line item adjustments are made primarily to prevent expenditures from exceeding budgeted amounts and serve to project figures that more closely track actual experience.

All financial operations of the Township are monitored on a routine basis with monthly financial reports being provided to the board of trustees. Appropriate accounting measures are in place to ensure proper checks and balances among and between accounting functions and in accordance with recommendations from both professional accountants and the Governmental Accounting Standards Board (GASB). The GASB periodically issues mandated proclamations which are implemented consistent with the schedule delineated in each new statement.

Capital Asset and Debt Administration

At the end of 2016, the Township had approximately \$81 million invested in a broad range of capital assets, net of related accumulated depreciation, including: land; buildings; sidewalks; vehicles; police and fire equipment; and water and sewer lines.

Debt related to the water and sewer system totaling \$13.61 million is recorded as a liability in the business-type activities in the statement of net position. Debt related to capital improvements of \$1.985 million is recorded as a liability in the governmental-type activities on the same statement.

Economic Factors and Next Year's Budgets and Rates

The Township's 2016 equalized valuation totaled \$1,160,185,200, which represents an approximate 2.75 percent increase from 2015. The 2016 taxable value is \$969,499,077, which represents a 1.03 percent decrease from 2015. Of the 2016 equalized valuations by use, 57 percent is residential; 17 percent is industrial; 15 percent is commercial; 1 percent is agricultural; 3 percent is utility personal property; and 7 percent is commercial and industrial personal property.

Despite the continuance of a difficult economic climate, the Township has once again earned a rating of A+ from Standard & Poor's. This rating is considered "investment grade" and is favorable in the market place for bonding and interest rate purposes. Many factors contributed to the Township's ability to preserve the A+ credit rating, according to Standard & Poor's "RatingsDirect® Summary" dated July 21, 2015. Rationale provided for the rating included the assessments: "Strong budgetary performance;" "Very strong liquidity;" "Very strong budgetary flexibility;" and "Strong institutional framework score."

Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

Landfill tipping fees continue to be a heavily relied-upon source of revenue by which the Township funds routine municipal services. In 2016, the \$14.6 million General Fund (amended) budget was financed with an approximate \$2.9 million transfer of Landfill Funds. As a result of the Host Community Agreement with Waste Management, Inc., the Township will continue to receive tipping fees and Township residents will continue to receive free garbage collection, disposal, curbside recycling, and yard waste pick-up. Additionally, Waste Management, Inc. provides grant funds to the Township, totaling \$365,000 annually, that are specifically earmarked for public safety, recreation, and environmental services (included in the above transfer).

The 2016 property tax revenue resulted from the 2015 millage rate of 4.9144 mills, comprised of 0.9144 for general operating and 4.0 for public safety. The Township's general operating millage rate is delineated by state statute and reflects a Headlee rollback. The Township's millage for public safety services is voter-approved and expires on December 31, 2017, and due to the annual Headlee multiplier being 1.0 (as opposed to a fraction of 1.0), has not been "rolled back." A ballot question to secure a new millage to replace the expiring millage, for the purpose of providing dedicated funding for public safety services, was presented to the Township's residents for their consideration in November 2016 and was approved overwhelmingly. The new public safety millage will be 6.5 mills starting with the 2017 winter tax levy.

Township Services: Departmental Highlights

Township growth continued steadily throughout 2016. Pressure to maintain satisfactory levels of services to both its private and business residents is reflected in its budgetary needs and is detailed in the ensuing annual financial statements. Some of the Township's activities which most greatly impacted departmental budgets over the year are highlighted in this section of discussion.

Developmental Services. Confidence appears to be strong in the Township's economic stance as growth continues in both the commercial and industrial districts. This department was engaged in a hefty schedule of 47 major projects during 2016. Some multi-year projects were concluded, while a host of new projects commenced. A "big box" corporation completed construction and opened a distribution depot with a truck terminal. Several smaller businesses broke ground, completed their respective projects, and opened. Other projects are in progress. Some existing businesses strengthened their roots in the Township with significant renovation and expansion projects, including a vehicle dealership with a new repair center. A hotel seeks to expand its operations to better service nearby airport activity and has plans under review.

In 2016, a vacant position in the Building Department necessitated the use of contracted staff to perform building inspections and plan review. The periodic use of a temporary staff was necessary to perform various clerical tasks, much of it generated by the Township's burgeoning growth.

Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

Township growth is further reflected in the inspections, permits, and licensing activities. Our building official performed 3,787 inspections during 2016. This total does not include any inspections performed by the Public Safety Department's fire inspector or code enforcement officers. A total of 2,112 permits were issued from the Developmental Services Department during 2016 and demand is not expected to subside.

The Community Block Development Grant (CBDG), administered under this department, financed several successful projects that were completed over the year, including the demolition of blighted properties.

Public Safety. The department operates 24 hours per day, seven days per week, and is the Township's largest budgeted segment in the General Fund. Collaborative efforts as a means to providing optimal services continue to be a major goal. The Police and Fire Divisions collaborate with each other and with other Township departments to increase operational efficiency while managing costs. Through collaborative efforts with the City of Belleville, the department provides dispatch services for their police and fire. The Fire Division maintains collaborative agreements with the fire departments of: the City of Belleville; the City of Romulus; Sumpter Township; the Charter Township of Ypsilanti; and the Detroit Metropolitan Airport to provide automatic mutual aid. Partnerships with the Van Buren Civic Fund and the Downtown Development Authority helped to generate the funding for an Emergency Alert Siren (EAS) System, which includes 13 "early warning" sirens that were placed throughout the Township.

In 2016, the Public Safety Department focused on upgrading and more fully staffing its Dispatch Center to better address the volume of emergencies called in daily. After engaging in an extended interview and hiring process to find qualified individuals that were uniquely suited to handle the rigors of dispatch work, staff was increased from seven to 10 full-time employees. Now fully staffed, overtime costs have dropped significantly. Staff was also increased in the Fire Division with the hiring of a full-time fire marshal and a permanent, part-time fire inspector. Both will help with the increased volume of plan reviews, inspections, and code enforcement activities.

Highlighted equipment costs incurred in the Fire Division during 2016 included the purchase of self-contained breathing apparatuses; nine sets of turnout gear; rescue equipment, including an e-draulic Jaws-of-Life and a combo set of cutters/spreaders; and two vehicles - one administrative and one EMS.

Liability and risk management is a permanent concern in public safety and the department investigated and is preparing to engage in a service agreement with Lexipol, a provider of risk management resources for public safety organizations. Revamping outdated policies and procedures within the police department is needed and also is integral in preparation for applying for State accreditation.

Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

Relative to building and grounds, major projects completed to preserve and maintain infrastructure included refurbishing and upgrading the Township Hall fueling station; replacing some HVAC units; and replacing various aging and damaged assets such as carpets and lighting. Importantly, a schedule was established, to be updated annually, to address all Township building facilities projects that do not qualify as capital and to increase visibility of facilities' conditions and maintenance needs. Preservation of the taxpayers' assets is an ongoing priority. Also, much time and effort were spent in planning and preparing for Township Hall renovations. Reconfiguration of the cramped, combined office spaces for the Developmental Services, Public Services, and the Township's DDA has improved work flow and customer service. A new, wheel-chair-height, "ADA" counter will be installed in the clerk's office to better accommodate our residents' needs. Construction was completed in August 2016.

Water and sewer's operational technology was improved when the SCADA system was moved from a Windows XP platform to a "cloud," allowing staff to become more mobile in the use of data and information. The SCADA system monitors sanitary sewer lift stations, the equalization basin, alarm conditions, and controls tank water levels. Work on more fully utilizing GPS capabilities to take advantage of the efficiencies offered by the technology continues to be a staff priority.

Information Technology. The department continues to keep Township administration running efficiently by upgrading and implementing better equipment and software solutions. In 2015, the Township migrated from Springbrook's financial management and utility billing software to BS&A. Costs related to the purchasing and installation of BS&A's integrated municipal solutions software dominated this department's budget and staff time during 2016. Additionally, per the department's obsolescence schedule, outdated computer equipment was updated or replaced.

Cable Department. During 2016, the department discovered a new area of services it was able to provide when it collaborated with Developmental Services and Public Safety departments to provide necessary documentation to help bring a code violator into compliance. A drone was utilized to capture video footage of several unsafe structures and unsecured construction sites which proved instrumental in supporting legal proceedings. The increased use of videography and support staff continues to pressure this department's budgetary needs.

Recreational Services. Governor Snyder's state-wide Iron Belle Trail project was brought to our attention in 2015. The Township's parks and recreation staff is working to plan for and implement the changes that will be needed to install an integrated network of recreational trails traversing our Township. Staff worked to secure alternative funding sources and applied for the first round of grants from the DNR for the purpose of hiring an engineering firm. Easements are needed for 30 properties along the route that tracks along the south side of Huron River Drive. A survey circulated during the year revealed the residents' desire to increase the number of connecting trails throughout the Township.

Participation levels, consistent with the Township's growing population, stressed the department's resources during 2016. Finding adequate space to accommodate this department's functions is an ongoing issue.

Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

September Days Senior Center. Per SEMCOG's forecasted population statistics, the Township's senior population (aged 65+) is projected to grow by 153 percent from 2010 through 2040. A membership roster of more than 2,000 with program attendances exceeding 34,000 participants exerted much budgetary pressure over the course of the year. Staffing continues to be augmented by the many senior volunteers who donate their time and efforts. For a nominal fee, the Township provides the benefits of a full-service, multi-purpose agency assisting persons over the age of 50. Monitoring grant opportunities and replenishing volunteer staff continues to be a department priority.

Requests for Information - Contact Us

This report is intended to aid our residents and other interested parties in understanding the Township's financial condition and to show the Township's accountability for money it receives. Current assessing, budget, and tax information is posted on the Township's website at www.vanburen-mi.org. Should you have further questions, please contact the supervisor's office.

Charter Township of Van Buren

Statement of Net Position (Deficit) December 31, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 13,520,480	\$ 13,490,333	\$ 27,010,813	\$ 7,579,170
Receivables:				
Property taxes receivable	2,862,632	-	2,862,632	-
Receivables from sales to customers on account	-	2,377,910	2,377,910	-
Other receivables	1,197,796	334,383	1,532,179	10,805
Due from other governmental units	549,307	-	549,307	-
Special assessments	174,473	391	174,864	-
Internal balances	(250)	250	-	-
Prepaid expenses	201,268	40,182	241,450	2,107
Restricted assets (Note 7)	-	21,143,926	21,143,926	1,176,856
Capital assets (Note 4):				
Assets not subject to depreciation	4,326,918	1,628,959	5,955,877	-
Assets subject to depreciation	14,993,716	59,665,712	74,659,428	340,685
Long-term assessment receivable	-	395	395	-
Deposits	229,409	93,703	323,112	-
Total assets	38,055,749	98,776,144	136,831,893	9,109,623
Deferred Outflows of Resources (Note 13)				
Bond refunding loss being amortized	-	-	-	344,510
Deferred outflows related to pension	2,059,040	-	2,059,040	-
Total deferred outflows of resources	2,059,040	-	2,059,040	344,510
Liabilities				
Accounts payable	289,595	706,746	996,341	77,811
Refundable deposits, bonds, etc.	404,075	1,105,398	1,509,473	-
Accrued liabilities and other	331,286	157,040	488,326	192,085
Noncurrent liabilities (Note 6):				
Due within one year:				
Compensated absences	13,797	2,364	16,161	6,985
Current portion of long-term debt	350,000	1,526,589	1,876,589	361,926
Due in more than one year:				
Compensated absences	104,989	26,263	131,252	-
Net other postemployment benefits (Note 11)	14,410,399	310,586	14,720,985	-
Nonexchange financial guarantee (Note 14)	20,802,980	-	20,802,980	-
Accrued interest - Capital appreciation bonds	-	-	-	7,867,396
Net pension liability	5,265,051	-	5,265,051	-
Long-term debt - Net of current portion	1,985,000	13,614,515	15,599,515	25,519,419
Total liabilities	43,957,172	17,449,501	61,406,673	34,025,622
Deferred Inflows of Resources (Note 13) -				
Property taxes levied for the following year	4,690,798	-	4,690,798	1,179,363
Net Position (Deficit)				
Net investment in capital assets	16,985,634	46,153,567	63,139,201	340,685
Restricted for:				
Special assessment debt repayment	-	21,143,926	21,143,926	-
Debt service	-	-	-	531,549
Museum	75,355	-	75,355	-
Law enforcement	192,829	-	192,829	-
911 service	206,490	-	206,490	-
Community Development Block Grant	16,165	-	16,165	-
PEG fees	46,650	-	46,650	-
Unrestricted	(26,056,304)	14,029,150	(12,027,154)	(26,623,086)
Total net position (deficit)	\$ (8,533,181)	\$ 81,326,643	\$ 72,793,462	\$ (25,750,852)

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

Charter Township of Van Buren

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,562,011	\$ 88,137	\$ 113,094	\$ -
Public safety	12,844,859	1,467,253	140,126	1,488,260
Public works	483,994	621,405	-	747,694
Community and economic development	900,748	93,269	106,176	-
Recreation and culture	1,200,106	398,415	66,332	-
Interest on long-term debt	114,609	-	-	-
Total governmental activities	19,106,327	2,668,479	425,728	2,235,954
Business-type activities	10,537,583	8,448,974	-	-
Total primary government	<u>\$ 29,643,910</u>	<u>\$ 11,117,453</u>	<u>\$ 425,728</u>	<u>\$ 2,235,954</u>
Component units:				
Downtown Development Authority	\$ 1,292,971	\$ -	\$ 8,421	\$ -
Local Development Finance Authority	1,242,300	-	75,561	-
Total component units	<u>\$ 2,535,271</u>	<u>\$ -</u>	<u>\$ 83,982</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Other miscellaneous income				
Landfill royalties				
Total general revenue				
Change in Net Position				
Net Position (Deficit) - As restated - Beginning of year (Note 17)				
Net Position (Deficit) - End of year				

Statement of Activities
Year Ended December 31, 2016

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (3,360,780)	\$ -	\$ (3,360,780)	\$ -
(9,749,220)	-	(9,749,220)	-
885,105	-	885,105	-
(701,303)	-	(701,303)	-
(735,359)	-	(735,359)	-
(114,609)	-	(114,609)	-
(13,776,166)	-	(13,776,166)	-
-	(2,088,609)	(2,088,609)	-
(13,776,166)	(2,088,609)	(15,864,775)	-
-	-	-	(1,284,550)
-	-	-	(1,166,739)
-	-	-	(2,451,289)
4,822,481	851	4,823,332	1,775,349
2,372,668	-	2,372,668	-
91,168	354,290	445,458	55,770
353,796	-	353,796	-
4,051,579	-	4,051,579	-
11,691,692	355,141	12,046,833	1,831,119
(2,084,474)	(1,733,468)	(3,817,942)	(620,170)
(6,448,707)	83,060,111	76,611,404	(25,130,682)
\$ (8,533,181)	\$ 81,326,643	\$ 72,793,462	\$ (25,750,852)

Charter Township of Van Buren

Governmental Funds Balance Sheet December 31, 2016

	General Fund	Nonmajor Funds	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 13,042,316	\$ 478,164	\$ 13,520,480
Receivables:			
Property taxes receivable	2,862,632	-	2,862,632
Special assessments receivable	174,473	-	174,473
Other receivables	1,197,796	-	1,197,796
Due from other governmental units	519,974	29,333	549,307
Due from other funds (Note 5)	9,037	-	9,037
Prepaid expenses	200,378	890	201,268
	<u>\$ 18,006,606</u>	<u>\$ 508,387</u>	<u>\$ 18,514,993</u>
Total assets			
Liabilities			
Accounts payable	\$ 286,842	\$ 2,753	\$ 289,595
Due to other funds (Note 5)	250	9,037	9,287
Refundable deposits, bonds, etc.	404,075	-	404,075
Accrued liabilities and other	144,636	5,758	150,394
	<u>835,803</u>	<u>17,548</u>	<u>853,351</u>
Total liabilities			
Deferred Inflows of Resources			
Unavailable revenue (Note 13)	178,559	13,443	192,002
Property taxes levied for the following year (Note 13)	4,690,798	-	4,690,798
	<u>4,869,357</u>	<u>13,443</u>	<u>4,882,800</u>
Total deferred inflows of resources			
Fund Balances			
Nonspendable - Prepays	200,378	890	201,268
Restricted:			
Law enforcement	-	192,829	192,829
911 service	-	206,490	206,490
Grants	-	2,722	2,722
Museum	-	74,465	74,465
PEG fees	46,650	-	46,650
Assigned (Note 15)	6,833,967	-	6,833,967
Unassigned	5,220,451	-	5,220,451
	<u>12,301,446</u>	<u>477,396</u>	<u>12,778,842</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 18,006,606</u>	<u>\$ 508,387</u>	<u>\$ 18,514,993</u>

Charter Township of Van Buren

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position (Deficit) December 31, 2016

Fund Balance Reported in Governmental Funds	\$ 12,778,842
Amounts reported for governmental activities in the statement of net position (deficit) are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	19,320,634
Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position (deficit), but are reported as expenses in the governmental funds	2,059,040
Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	192,002
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(2,335,000)
Accrued interest and IBNR are not due and payable in the current period and are not reported in the funds	(180,892)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(118,786)
Net other postemployment benefit obligations are not reported as fund liabilities	(14,410,399)
Net pension liability in governmental activities is not reported in the funds	(5,265,051)
Deposit with self-insurance providers in governmental activities is reported as an expenditure in the governmental funds when paid	229,409
Nonexchange financial guarantee is payable over a long period of years and does not represent a claim on current financial resources; therefore, it is not reported as a fund liability	(20,802,980)
Net Position (Deficit) of Governmental Activities	<u>\$ (8,533,181)</u>

Charter Township of Van Buren

Governmental Funds

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

	General Fund	Nonmajor Funds	Total
Revenue			
Property taxes	\$ 4,423,824	\$ -	\$ 4,423,824
Licenses and permits	753,286	-	753,286
Federal grants	1,348,682	149,899	1,498,581
State-shared revenue and grants	2,613,991	21,349	2,635,340
Charges for services	1,430,102	-	1,430,102
Fines and forfeitures	1,053,449	-	1,053,449
Investment income	90,391	777	91,168
Other revenue:			
Special assessments	321,494	-	321,494
Contributions and donations	565,221	66,332	631,553
Landfill royalties	4,000,537	-	4,000,537
Other miscellaneous income	217,845	138,460	356,305
Total revenue	16,818,822	376,817	17,195,639
Expenditures			
Current:			
General government	2,918,817	-	2,918,817
Public safety	9,855,053	264,745	10,119,798
Public works	483,994	-	483,994
Community and economic development	-	116,265	116,265
Recreation and culture	809,620	74,270	883,890
Insurance and other	827,100	-	827,100
Debt service:			
Principal	335,000	-	335,000
Interest on long-term debt	114,609	-	114,609
Total expenditures	15,344,193	455,280	15,799,473
Net Change in Fund Balances	1,474,629	(78,463)	1,396,166
Fund Balances - Beginning of year	10,826,817	555,859	11,382,676
Fund Balances - End of year	\$ 12,301,446	\$ 477,396	\$ 12,778,842

Charter Township of Van Buren

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

Net Change in Fund Balances - Total Governmental Funds	\$ 1,396,166
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	1,201,297
Depreciation expense	(1,228,122)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(173,786)
The change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(13,797)
Net other postemployment benefit obligations are expenses in the statement of activities, but not in the governmental funds	(2,812,002)
Governmental funds report principal payments of the debt as expenditures; these principal payments are a reduction to the liability in the statement of net position (deficit)	335,000
Change in net pension liability is recorded when incurred in the statement of activities	(354,182)
Change in liability related to the nonexchange financial guarantee is recognized in the statement of activities and not in the governmental funds	(397,439)
Interest is recorded as it accrues in the statement of activities	3,518
Deposits are recorded as expenditures in the statement of activities	(41,127)
Change in Net Position of Governmental Activities	<u>\$ (2,084,474)</u>

Charter Township of Van Buren

Proprietary Funds Statement of Net Position December 31, 2016 (with comparative information for 2015)

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 13,490,333	\$ 12,976,373
Receivables:		
Special assessments	391	493
Customers	2,377,910	2,179,477
Other receivables	334,383	199,724
Due from other funds (Note 5)	250	-
Prepaid expenses	40,182	34,576
Total current assets	16,243,449	15,390,643
Noncurrent assets:		
Restricted assets (Note 7)	21,143,926	23,685,248
Capital assets:		
Assets not subject to depreciation (Note 4)	1,628,959	748,461
Assets subject to depreciation (Note 4)	59,665,712	61,915,078
Long-term assessments receivable	395	741
Other noncurrent assets	93,703	107,390
Total noncurrent assets	82,532,695	86,456,918
Total assets	98,776,144	101,847,561
Liabilities		
Current liabilities:		
Accounts payable	706,746	790,668
Refundable deposits, bonds, etc.	1,105,398	1,038,400
Accrued liabilities and other	157,040	97,978
Compensated absences	2,364	3,216
Current portion of long-term debt (Note 6)	1,526,589	1,674,705
Total current liabilities	3,498,137	3,604,967
Noncurrent liabilities:		
Compensated absences	26,263	23,047
Net other postemployment benefits	310,586	123,907
Long-term debt - Net of current portion (Note 6)	13,614,515	15,035,529
Total noncurrent liabilities	13,951,364	15,182,483
Total liabilities	17,449,501	18,787,450
Net Position		
Net investment in capital assets	46,153,567	45,953,305
Restricted (Note 7)	21,143,926	23,685,248
Unrestricted	14,029,150	13,421,558
Total net position	\$ 81,326,643	\$ 83,060,111

Charter Township of Van Buren

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended December 31, 2016 (with comparative information for 2015)

	2016	2015
Operating Revenue		
Sale of water	\$ 3,337,961	\$ 2,955,488
Sewage disposal charges	3,165,671	2,961,361
Water and sewer service charge	1,621,611	1,939,417
Customer penalties	135,218	92,126
Other revenue	188,513	198,228
Total operating revenue	8,448,974	8,146,620
Operating Expenses		
Water purchases	2,639,326	2,505,112
Sewage disposal charges	2,059,926	2,309,395
Maintenance	235,105	207,828
Supplies and materials	90,653	81,112
Salaries and wages	777,071	727,937
Other operating and maintenance	81,788	118,410
Administration fee	621,225	621,225
Insurance	245,544	211,431
Payroll taxes and fringe benefits	779,542	542,738
Vehicle expense	20,666	20,552
Professional services	440,763	252,741
Depreciation and amortization	2,265,601	2,254,723
Total operating expenses	10,257,210	9,853,204
Operating Loss	(1,808,236)	(1,706,584)
Nonoperating Revenue (Expense)		
Property tax revenue	851	3,400
Investment income	354,290	338,862
Interest expense	(280,373)	(374,217)
Total nonoperating revenue (expense)	74,768	(31,955)
Change in Net Position	(1,733,468)	(1,738,539)
Net Position - Beginning of year	83,060,111	84,798,650
Net Position - End of year	\$ 81,326,643	\$ 83,060,111

Charter Township of Van Buren

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2016 (with comparative information for 2015)

	2016	2015
Cash Flows from Operating Activities		
Receipts from customers	\$ 7,927,119	\$ 7,741,042
Payments to suppliers	(6,387,265)	(6,145,148)
Payments to employees	(1,365,082)	(1,279,573)
Other receipts	188,513	198,228
	363,285	514,549
Cash Flows from Capital and Related Financing Activities		
Proceeds from special assessment collections	448	505
Proceeds from property tax levy	851	3,400
Purchase of capital assets	(770,601)	(354,883)
Principal and interest paid on capital debt	(2,124,204)	(1,576,888)
Amount paid to Wayne County for debt retirement	(1,892)	(277,169)
	(2,895,398)	(2,205,035)
Cash Flows from Investing Activities - Interest received on investments	354,290	338,862
Net Decrease in Cash and Cash Equivalents	(2,177,823)	(1,351,624)
Cash and Cash Equivalents - Beginning of year	35,749,903	37,101,527
Cash and Cash Equivalents - End of year	\$ 33,572,080	\$ 35,749,903
Balance Sheet Classification of Cash and Cash Equivalents		
Cash and investments	\$ 13,490,333	\$ 12,976,373
Restricted investments	20,081,747	22,773,530
	\$ 33,572,080	\$ 35,749,903
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (1,808,236)	\$ (1,706,584)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	2,265,601	2,254,723
Changes in assets and liabilities:		
Receivables	(333,342)	(207,350)
Prepaid and other assets	(5,606)	(2,234)
Accounts payable	53,337	184,892
Accrued and other liabilities	191,531	(8,898)
	\$ 363,285	\$ 514,549

Noncash Investing, Capital, and Financing Activities - The Township has assets held at Wayne County for the purpose of financing water and sewer lines. During the year ended December 31, 2016, \$131,935 was expended for principal and interest payments. The County issued completion bonds for the Downriver Sewage Disposal Treatment System. The Township has recorded its share of the debt and related utility improvements in the amount of \$126,132 for the year ended December 31, 2016.

Charter Township of Van Buren

Fiduciary Funds Statement of Fiduciary Net Position December 31, 2016

	OPEB Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ 88,278	\$ 1,430,762
Investments:		
Agency securities	60,695	-
Stocks	1,390,731	-
Bonds	472,802	-
	<u>2,012,506</u>	<u>\$ 1,430,762</u>
Liabilities - Due to other governmental units	<u>-</u>	<u>\$ 1,430,762</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 2,012,506</u>	

Charter Township of Van Buren

Fiduciary Funds Statement of Changes in Fiduciary Net Position - OPEB Trust Fund Year Ended December 31, 2016

	<u>OPEB Trust Fund</u>
Additions	
Investment income:	
Interest and dividends	\$ 46,863
Net increase in fair value of investments	95,865
Investment-related expenses	<u>(18,042)</u>
Net investment income	124,686
Contributions - Employer	<u>588,462</u>
Total additions	713,148
Deductions - Benefit payments	<u>363,502</u>
Net Increase in Net Position Held in Trust	349,646
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>1,662,860</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 2,012,506</u></u>

Charter Township of Van Buren

Component Units Statement of Net Position (Deficit) December 31, 2016

	DDA	LDFA	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 6,588,955	\$ 990,215	\$ 7,579,170
Receivables	10,805	-	10,805
Prepaid expenses	2,107	-	2,107
Restricted assets (Note 7)	1,176,856	-	1,176,856
Capital assets - Assets subject to depreciation (Note 4)	340,685	-	340,685
Total assets	8,119,408	990,215	9,109,623
Deferred Outflows of Resources - Bond refunding loss being amortized (Note 13)			
	-	344,510	344,510
Liabilities			
Accounts payable	77,604	207	77,811
Accrued liabilities and other	61,846	130,239	192,085
Due within one year:			
Compensated absences	6,985	-	6,985
Current portion of long-term debt	310,630	51,296	361,926
Due in more than one year:			
Accrued interest - Capital appreciation bonds	-	7,867,396	7,867,396
Long-term debt	6,034,442	19,484,977	25,519,419
Total liabilities	6,491,507	27,534,115	34,025,622
Deferred Inflows of Resources - Property taxes levied for the following year			
	857,318	322,045	1,179,363
Net Position (Deficit)			
Net investment in capital assets	340,685	-	340,685
Restricted - Debt service	531,549	-	531,549
Unrestricted	(101,651)	(26,521,435)	(26,623,086)
Total net position (deficit)	\$ 770,583	\$ (26,521,435)	\$ (25,750,852)

Charter Township of Van Buren

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Downtown Development Authority:				
Community and economic development	\$ 1,065,818	\$ -	\$ 8,421	\$ -
Debt service	227,153	-	-	-
Total Downtown Development Authority	1,292,971	-	8,421	-
Local Development Financing Authority:				
Community and economic development	126,800	-	75,561	-
Debt service	1,115,500	-	-	-
Total Local Development Financing Authority	1,242,300	-	75,561	-
Total component units	<u>\$ 2,535,271</u>	<u>\$ -</u>	<u>\$ 83,982</u>	<u>\$ -</u>
General revenue:				
Property taxes				
Investment income				
Total general revenue				
Change in Net Position				
Net Position (Deficit) - Beginning of year				
Net Position (Deficit) - End of year				

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

Net (Expense) Revenue and Changes in Net Position

<u>DDA</u>	<u>LDFA</u>	<u>Total</u>
\$ (1,057,397)	\$ -	\$ (1,057,397)
<u>(227,153)</u>	<u>-</u>	<u>(227,153)</u>
(1,284,550)	-	(1,284,550)
-	(51,239)	(51,239)
<u>-</u>	<u>(1,115,500)</u>	<u>(1,115,500)</u>
-	(1,166,739)	(1,166,739)
(1,284,550)	(1,166,739)	(2,451,289)
1,249,238	526,111	1,775,349
<u>55,137</u>	<u>633</u>	<u>55,770</u>
<u>1,304,375</u>	<u>526,744</u>	<u>1,831,119</u>
19,825	(639,995)	(620,170)
<u>750,758</u>	<u>(25,881,440)</u>	<u>(25,130,682)</u>
<u>\$ 770,583</u>	<u>\$ (26,521,435)</u>	<u>\$ (25,750,852)</u>

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note I - Nature of Business and Significant Accounting Policies

The accounting policies of the Charter Township of Van Buren (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Van Buren:

Reporting Entity

The Charter Township of Van Buren is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Each 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

The Downtown Development Authority (the "DDA") was created to correct and prevent deterioration in a specific district, encourage historical preservation, and to promote economic growth within the specific district. The DDA's governing body, which consists of 13 individuals, is selected by the board of trustees. In addition, the DDA's budget is subject to approval by the board of trustees. Complete financial reports can be obtained from the Charter Township of Van Buren at 46425 Tyler Road, Van Buren Township, Michigan 48111.

The Local Development Financing Authority (the "LDFA") was created to encourage local development to prevent conditions of unemployment and promote economic growth. This purpose is accomplished by the LDFA by collecting captured property taxes under a tax increment financing plan in accordance with state law and budgeting expenditures for improvements in the LDFA's district boundaries. The LDFA's governing body, which consists of 11 individuals, is selected by the board of trustees. Complete financial reports can be obtained from the Charter Township of Van Buren at 46425 Tyler Road, Van Buren Township, Michigan 48111.

Accounting and Reporting Principles

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

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

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

Fund Accounting

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

Governmental Funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund and special revenue funds. The Township reports the following fund as a “major” governmental fund:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.

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

- The Water and Sewer Fund provides water to customers, and disposes of sanitary sewage in exchange for a user charge for the provision of those services.

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

- The Other Postemployment Benefits (OPEB) Trust Fund, which accumulates resources for future retiree healthcare payments to qualified employees; and
- The Agency Funds, which account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Interfund activity: During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. 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 funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

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

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

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, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow of resources".

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

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

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

Report Presentation

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenue are reported instead as general revenue.

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

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

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 are stated at fair value. Pooled investment income from various funds is generally allocated to each fund based on relative participation in the pool, except that Agency Funds' investment earnings are allocated to the General Fund.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

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

Prepaid Items - 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 - Restricted assets of the Water and Sewer Fund represent amounts on deposit at the county and property tax collections to be used for the capital costs or debt service of the Township's water and sewer lines. The Downtown Development Authority Bonds and Local Development Financing Authority Bonds require amounts to be set aside for debt service principal and interest and bond reserves. In addition, the Downtown Development Authority has restricted assets related to unspent bond proceeds.

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 \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

Utility systems, land improvements, buildings and improvements, equipment and furniture, road improvements, vehicles, and the French Landing Dam are depreciated using the straight-line method over the following useful lives:

<u>Capital Asset Class</u>	<u>Lives</u>
Utility system	50 years
Land improvements	15 years
Building and improvements	50 years
Equipment and furniture	5 to 10 years
Road improvements	50 years
Vehicles	5 years
French Landing Dam	50 years

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has two items that fall into this category: the deferred charge on refunding reported in the component unit and government-wide statement of net position and the deferred outflows of resources related to the defined benefit pension plan are reported in the government-wide financial statements. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The Township additionally has deferred outflows related to contributions to the defined benefit pension plan subsequent to the plan's year end through the Township's fiscal year end, the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings, the difference between expected and actual experience, and changes in assumptions.

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 a future period and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue qualifies for reporting in this category and arises only under a modified accrual basis of accounting. Accordingly, it is reported only in the governmental funds balance sheet. The governmental funds and government-wide statements report unearned revenue from property taxes and other sources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

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

Net Position Flow Assumption

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

Fund Balance Flow Assumption

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Township board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as committed. The Township board has by resolution authorized the supervisor, clerk, and treasurer to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

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

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

The 2015 taxable valuation of the Township totaled \$979,565,524 (a portion of which is abated and a portion of which is captured by the LDFA and DDA), on which taxes levied consisted of .9144 mills for operating purposes and 4.0000 mills for public safety. This resulted in \$815,676 for operating and \$3,594,147 for public safety. These amounts are recognized in the General Fund financial statements as tax revenue.

Pension and Other Postemployment Benefit Costs - The Township offers both pension and retiree healthcare benefits to retirees. 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 purposes 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 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 are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

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

The Township also receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the Township reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is 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 as of year end. All other accrued compensated absences are reported in the government-wide financial statements; generally the funds that report each employee's compensation (the General Fund and Water and Sewer Fund, primarily) are used to liquidate obligation.

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary 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.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Township oversees building construction in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at January 1, 2016		\$ (3,353,008)
Current year building permit revenue		541,324
Related expenses:		
Direct costs	\$ 606,041	
Estimated indirect costs	<u>175,358</u>	<u>781,399</u>
Current year deficit		<u>(240,075)</u>
Cumulative shortfall at December 31, 2016		<u>\$ (3,593,083)</u>

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 local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all the state statutory authorities as listed above. The component units' investment policies mirror that of the Township.

The OPEB trust fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 3 - Deposits and Investments (Continued)

The Township has designated four banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to several 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 \$16,528,859 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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 states that limitations on instruments, diversification, and maturity scheduling shall depend upon whether the funds being invested are considered short-term or long-term funds. With the exception of debt service, capital improvement, and special assessment funds, all funds shall be considered short term and shall be invested in instruments whose maturities do not exceed five years at the time of purchase. Additionally, commercial paper can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Primary Government		
U.S. governmental securities	\$ 18,885,474	36.20 months
Negotiable certificates of deposit	<u>8,050,000</u>	28.85 months
Total	<u>\$ 26,935,474</u>	

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

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	\$ 3,161,041	AAAm	S&P
Negotiable certificates of deposit	8,050,000	n/a	n/a
U.S. governmental securities	<u>18,885,474</u>	AA+	S&P
Total	<u>\$ 30,096,515</u>		

Concentration of Credit Risk - The Township places no limit on the amount the Township may invest in any one issuer. More than 5 percent of the Township's investments are in the following:

Security	Value	Concentration %
Government agency - Federal Home Loan Banks	\$ 2,725,000	10.12 %
Government agency - Federal Home Loan Banks	1,840,000	6.86
Government agency - Federal Home Loan Banks	1,500,000	5.01

Component Units - The component units had bank deposits subject to custodial credit risk (uninsured and uncollateralized) of \$4,818,027. Their investments include a money market account of \$1,176,857 which was rated A1/P1/F1. The ratings on their negotiable CDs in the amount of \$1,400,000 were not available. The component units also have \$2,038,000 invested in government agencies which were rated AA+ by S&P. In addition, the component units had \$1,400,000 in negotiable CDs with a maturity of 35.35 months as well as \$2,438,000 in government agencies with a maturity of 37.19 months.

The component unit places no limit on the amount the Township may invest in any one issuer. More than 5 percent of the component unit investments are in negotiable certificates of deposit at Chase Bank, Wells Fargo Bank, and Stephenson National Bank for the DDA. The DDA concentration percentage of the certificates of deposit is 7.27 percent each.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 3 - Deposits and Investments (Continued)

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

In instances whereby inputs used to measure fair value fall into different levels in the above 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.

The Township has the following recurring fair value measurements as of December 31, 2016:

Assets Measured at Fair Value on a Recurring Basis

	Fair Value Measurement Using			
	Balance at December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Primary government:				
U.S. governmental securities	\$ 18,885,474	\$ -	\$ 18,885,474	\$ -
Negotiable certificates of deposit	8,050,000	-	8,050,000	-
Total primary government	26,935,474	-	26,935,474	-
Component units:				
U.S. governmental securities	2,438,000	-	2,438,000	-
Negotiable certificates of deposit	1,400,000	-	1,400,000	-
Total component units	3,838,000	-	3,838,000	-
OPEB Trust Fund:				
Agency securities	60,695	60,695	-	-
Stocks	1,390,731	1,390,731	-	-
Bonds	472,802	472,802	-	-
Total OPEB Trust Fund	1,924,228	1,924,228	-	-
Total investments by fair value level	32,697,702	\$ 1,924,228	\$ 30,773,474	\$ -
Investments Measured at Net Asset Value (NAV)				
MBIA Class	3,031,481			
Comerica investment pool	129,560			
Total investments measured at NAV	3,161,041			
Total investments measured at fair value	\$ 35,858,743			

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 3 - Deposits and Investments (Continued)

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of U.S. governmental securities and negotiable certificates of deposit at December 31, 2016 was determined primarily based on Level 2 inputs. The Township estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

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

Investments in Entities that Calculate Net Asset Value per Share

The Township holds shares or interests in investment companies where 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 the year ended December 31, 2016, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
MBIA CLASS investment pool	\$ 3,031,481	\$ -	n/a	None
Comerica Investment Pool	<u>129,560</u>	<u>-</u>	n/a	None
Total investments measured at NAV	<u>\$ 3,161,041</u>	<u>\$ -</u>		

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high grade commercial paper (rated "A 1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by Treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

The Comerica Investment Pool is not registered with the SEC and does not issue a separate report. The fair value of the position in the pool is not the same as the value of the pool shares, since the pool does not meet the requirements under GASB 79 to report its value for financial reporting purposes at amortized cost.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 4 - Capital Assets

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

	Balance January 1, 2016	Reclassifications	Additions	Disposals	Balance December 31, 2016
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 4,309,157	\$ -	\$ -	\$ -	\$ 4,309,157
Construction in progress	-	-	17,761	-	17,761
Subtotal	4,309,157	-	17,761	-	4,326,918
Capital assets being depreciated:					
Buildings and improvements	15,161,787	-	326,461	-	15,488,248
Vehicles	4,158,501	(20,597)	244,690	(160,521)	4,222,073
Equipment and furniture	4,477,280	-	612,385	-	5,089,665
Land improvements	3,251,736	-	-	-	3,251,736
French Landing Dam	2,936,277	-	-	-	2,936,277
Subtotal	29,985,581	(20,597)	1,183,536	(160,521)	30,987,999
Accumulated depreciation:					
Buildings and improvements	4,540,166	-	377,353	-	4,917,519
Vehicles	3,086,791	(20,597)	239,324	(160,521)	3,144,997
Equipment and furniture	3,610,957	-	329,596	-	3,940,553
Land improvements	1,426,262	-	220,454	-	1,646,716
French Landing Dam	2,283,103	-	61,395	-	2,344,498
Subtotal	14,947,279	(20,597)	1,228,122	(160,521)	15,994,283
Net capital assets being depreciated	15,038,302	-	(44,586)	-	14,993,716
Net capital assets	\$ 19,347,459	\$ -	\$ (26,825)	\$ -	\$ 19,320,634

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 4 - Capital Assets (Continued)

	Balance January 1, 2016	Reclassifications	Additions	Disposals	Balance December 31, 2016
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 57,294	\$ -	\$ -	\$ -	\$ 57,294
Construction in progress	691,167	-	880,498	-	1,571,665
Subtotal	748,461	-	880,498	-	1,628,959
Capital assets being depreciated:					
Utility system	101,944,890	-	105,266	(140,860)	101,909,296
Building	309,000	-	-	-	309,000
Machinery and equipment	621,293	-	51,831	-	673,124
Vehicles	896,937	20,597	-	-	917,534
Office furnishings	209,295	-	-	-	209,295
Subtotal	103,981,415	20,597	157,097	(140,860)	104,018,249
Accumulated depreciation:					
Utility system	40,647,200	-	2,140,626	-	42,787,826
Buildings and improvements	122,780	-	6,306	-	129,086
Machinery and equipment	503,043	-	38,633	-	541,676
Vehicles	628,781	20,597	66,149	-	715,527
Office furnishings	164,535	-	13,887	-	178,422
Subtotal	42,066,339	20,597	2,265,601	-	44,352,537
Net capital assets being depreciated	61,915,076	-	(2,108,504)	(140,860)	59,665,712
Net capital assets	\$ 62,663,537	\$ -	\$ (1,228,006)	\$ (140,860)	\$ 61,294,671
Component Units					
Capital assets being depreciated:					
Land improvements	\$ 1,290,835	\$ -	\$ -	\$ -	\$ 1,290,835
Office furnishings	2,239	-	-	-	2,239
Intangible asset - Right of ways	73,753	-	87,660	-	161,413
Subtotal	1,366,827	-	87,660	-	1,454,487
Accumulated depreciation:					
Land improvements	1,032,463	-	70,262	-	1,102,725
Office furnishings	809	-	746	-	1,555
Intangible asset - Right of ways	1,639	-	7,883	-	9,522
Subtotal	1,034,911	-	78,891	-	1,113,802
Net capital assets	\$ 331,916	\$ -	\$ 8,769	\$ -	\$ 340,685

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 4 - Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 184,052
Public safety		718,320
Public works		30,688
Recreation and culture		<u>295,062</u>
Total governmental activities		<u>\$ 1,228,122</u>
Business-type activities - Water and Sewer		<u>\$ 2,265,601</u>
Component unit activities - Downtown Development Authority		<u>\$ 78,891</u>

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Other nonmajor governmental funds	\$ 9,037
Water and Sewer Fund	General Fund	<u>250</u>
	Total	<u>\$ 9,287</u>

Note 6 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and state revolving funds are obligations of the Water and Sewer Fund. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

The employee compensated absences represent the estimated liability to be paid to employees under the Township's vacation policy. Under the Township's policy, employees earn vacation time based on the time of service with the Township.

Long-term debt activity can be summarized as follows:

Description	Amount
Governmental Activities - General obligations - Capital improvement bonds, series 2006 (general obligation limited tax), amount of issue - \$5,165,000, bearing interest from 4.0% to 4.375%, maturing in 2022	<u>\$ 2,335,000</u>

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 6 - Long-term Debt (Continued)

Description	Amount
Business-type Activities	
Downriver Sewage Disposal System Bonds, Estimated Clean Water Program, 2014, amount of issue - \$11,955,000, bearing interest of 2.00%, maturing through 2035	\$ 173,689
State Revolving Fund - Downriver Sewage Disposal Bonds, amount of issue \$283,579, bearing interest of 2.00%, maturing through 2018	43,372
State Revolving Fund - Downriver Sewage Disposal System Bonds, amount of issue - \$2,364,903, bearing interest of 2%, maturing through 2021	258,268
South Huron Valley Wastewater Control System SRF Expansion Bonds, amount of issue - \$26,307,133, bearing interest of 2.25%, maturing through 2020	1,820,780
Downriver Sewage Disposal System, 2011 Downriver Treatment Plan Improvement Bond, amount of issue - \$174,346, bearing interest of 1.625%, maturing through 2033	208,496
State Revolving Loan Fund, 2006, amount of issue - \$12,025,000, bearing interest of 1.625%, maturing through 2026	6,869,339
State Revolving Loan Fund, 2016, amount of issue - \$17,708,000, bearing interest of 2.50%, maturing through 2037	112,816
Downriver Sewage Disposal System, 2008 Revenue Bond, amount of issue - \$231,955, bearing interest of 1.625%, maturing through 2029	137,068
Downriver Sewage Disposal System, 2008 Revenue Bond, amount of issue - \$255,646, bearing interest of 1.625%, maturing through 2030	156,596
Downriver Sewage Disposal System, 2008 Revenue Bond, amount of issue - \$96,994, bearing interest of 1.625%, maturing through 2030	52,572
Downriver Sewage Disposal System, 2008 Revenue Bond, amount of issue - \$94,741, bearing interest of 1.625%, maturing through 2029	52,729
State Revolving Loan Fund, 2005, amount of issue - \$77,254, bearing interest of 1.625%, maturing through 2026	43,609
State Revolving Loan Fund, 2007, amount of issue - \$104,577, bearing interest from 4.0% to 5.4%, maturing through 2028	52,314
State Revolving Loan Fund, 2007, amount of issue - \$114,251, bearing interest from 4.25% to 5.0%, maturing through 2027	76,237
Drinking Water Revolving Loan Fund, 2009, amount of issue - \$6,645,000, bearing interest of 2.5%, maturing through 2029	4,680,000
South Huron Valley Utility Authority: Project 5386-01 2011, amount of issue - \$485,963, bearing interest of 2.5%, maturing through 2031	403,219
Total business-type activities debt	<u>\$ 15,141,104</u>

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 6 - Long-term Debt (Continued)

Description	Amount
Component Units Activities - Refunding Bonds	
2015 LDFA Tax Increment Refunding Bonds, Series 2015, amount of original issue - \$12,190,000, bearing interest from 3.00% to 5.0%, maturing in 2031	\$ 12,190,000
2015 Bond Premium	756,617
Deferred amount on refunding	(344,510)
Subtotal	12,602,107
Tax Increment Bonds - Series 2003, amount of issue - \$6,589,656, bearing interest from 5.27% to 5.38%, maturing through 2032	6,589,656
Tax Increment Bonds - Series 2014, amount of issue - \$2,600,000, bearing interest from 2.00% to 4.00%, maturing through 2032	2,230,000
2014 Bond Premium	10,072
Tax Increment Bonds - Series 2012, amount of issue - \$4,900,000, bearing interest from 2.00% to 3.75%, maturing through 2032	4,105,000
Subtotal	12,934,728
Total Component Unit activity debt	<u>\$ 25,536,835</u>

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligations	\$ 2,670,000	\$ -	\$ 335,000	\$ 2,335,000	\$ 350,000
OPEB liability	11,598,397	2,812,002	-	14,410,399	-
Compensated absences	104,989	319,256	305,459	118,786	13,797
Nonexchange financial guarantee	20,405,541	397,439	-	20,802,980	-
Net pension liability	3,412,619	1,852,432	-	5,265,051	-
Total governmental activities	<u>\$ 38,191,546</u>	<u>\$ 5,381,129</u>	<u>\$ 640,459</u>	<u>\$ 42,932,216</u>	<u>\$ 363,797</u>
Business-type Activities					
Contractual obligations with Wayne County and other debt	\$ 16,528,999	\$ 46,744	\$ 1,434,639	\$ 15,141,104	\$ 1,526,589
Other debt	181,235	-	181,235	-	-
Total bonds payable	16,710,234	46,744	1,615,874	15,141,104	1,526,589
OPEB obligation	123,907	311,638	124,959	310,586	-
Compensated absences	26,263	74,051	71,687	28,627	2,364
Total business-type activities	<u>\$ 16,860,404</u>	<u>\$ 432,433</u>	<u>\$ 1,812,520</u>	<u>\$ 15,480,317</u>	<u>\$ 1,528,953</u>

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 6 - Long-term Debt (Continued)

Component Unit Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2015 Refunding Bonds	\$ 12,190,000	\$ -	\$ -	\$ 12,190,000	\$ -
Tax increment bonds	13,229,656	-	305,000	12,924,656	310,000
DDA Bond Premium	10,702	-	630	10,072	630
LDFA Bond Premium	807,913	-	51,296	756,617	51,296
Total bonds payable	26,238,271	-	356,926	25,881,345	361,926
Accrued interest - Capital appreciation bonds	7,262,211	605,185	-	7,867,396	-
Compensated absences	4,148	8,675	5,838	6,985	6,985
Total component unit activities	\$ 33,504,630	\$ 613,860	\$ 362,764	\$ 33,755,726	\$ 368,911

The Township has committed its full faith and credit for all debt outstanding for the Local Development Financing Authority (LDFA). The LDFA has capital appreciation bonds issued in 2003 in the total principal amount of \$6,589,656. As of December 31, 2016, the LDFA had recorded \$7,867,396 in accrued interest.

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

Years Ending December 31	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal*	Interest	Total
2017	\$ 350,000	\$ 100,538	\$ 450,538	\$ 1,526,589	\$ 314,617	\$ 1,841,206	\$ 310,000	\$ 735,619	\$ 1,045,619
2018	365,000	86,102	451,102	1,563,892	282,048	1,845,940	315,000	728,320	1,043,320
2019	375,000	70,406	445,406	1,506,652	248,765	1,755,417	1,905,000	695,994	2,600,994
2020	400,000	54,468	454,468	1,526,024	217,432	1,743,456	2,310,000	599,094	2,909,094
2021	415,000	36,968	451,968	1,062,595	185,673	1,248,268	2,430,000	509,793	2,939,793
2022-2026	430,000	18,812	448,812	5,601,634	599,530	6,201,164	8,422,974	6,367,388	14,790,362
2027-2031	-	-	-	2,299,831	102,458	2,402,289	8,245,379	10,945,346	19,190,725
2032-2036	-	-	-	53,887	1,243	55,130	1,176,303	2,403,272	3,579,575
Total	\$ 2,335,000	\$ 367,294	\$ 2,702,294	\$ 15,141,104	\$ 1,951,766	\$ 17,092,870	\$ 25,114,656	\$ 22,984,826	\$ 48,099,482

* Amounts are not adjusted for deferred amounts on refunding.

Revenue Pledged in Connection with Component Unit Debt

The Downtown Development Authority has pledged a portion of future property tax revenue to repay \$4,105,000 and \$2,230,000 in Downtown Development Authority bonds issued in 2012 and 2014, respectively, to finance various capital improvements. The bonds are payable solely from the incremental property taxes captured by the Authority, and are projected to produce 100 percent of debt service requirements over the life of the bonds. Principal and interest remaining on the bonds total \$8,421,000 payable through 2032. For the current year, principal and interest paid and total property tax captures were \$524,900 and \$1,249,238, respectively.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 6 - Long-term Debt (Continued)

In 2003, the Local Development Financing Authority issued bonds in the amount of \$25,789,656, a portion of which was refunded in 2006, and again in 2015 to finance various capital improvements. The bonds are payable from the incremental property taxes captured by the Authority, and were originally projected to produce 100 percent of debt service requirements over the life of the bonds. Current economic conditions are resulting in annual captures being less than annual debt service payments. The Township is secondarily liable for these bonds. Principal and interest remaining of the bonds total \$39,678,481 payable through 2032. For the current year, principal and interest paid and total property tax captures were \$1,142,188 and \$526,111, respectively.

Note 7 - Restricted Assets

The balances for the restricted asset accounts are as follows:

	Business-type	Component Units
Assets held by Wayne County	\$ 1,062,179	\$ -
Cash and cash equivalents	20,081,747	-
Debt service restrictions	-	1,176,856
Total restricted assets	<u>\$ 21,143,926</u>	<u>\$ 1,176,856</u>

Restricted assets in business-type activities of \$21,019,685 are from net position held at Wayne County and property tax collections and are restricted for debt service payments and capital expenditures. Net position has been restricted for this amount. Restricted assets in the Downtown Development Authority are restricted for the purpose of the 2012 Tax Increment Revenue Bonds and the 2014 Tax Incremental Revenue Refunding Bonds debt service requirements as well as unspent bond proceeds from the 2012 Tax Increment Revenue Bonds. Net position has been restricted for \$531,549 for debt service. Restricted assets in the Local Development Financing Authority are restricted for the 2003 revenue bond debt service requirements.

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 employee injuries and medical benefits, and participates in the risk pool for claims relating to property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 8 - Risk Management (Continued)

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Township.

The Township estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the government-wide statements and the Water and Sewer Fund. Changes in the estimated liability for the past two fiscal years were as follows:

	2015	2016
Claims incurred - Including changes in estimates	\$ 224,854	\$ 136,077
Claim payments	(224,854)	(136,077)
Unpaid claims - End of year	\$ -	\$ -

Note 9 - Agent Defined Benefit Pension Plan Description

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

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's competitive bargaining units and arbitration rulings under Michigan Public Act 312 of 1969 and requires a contribution from the employees of 6.96 percent of gross wages for police patrol/dispatch and 15.45 percent of gross wages for the police command. Additionally, the Township contributes 12 percent of base wages for the police patrol/dispatch and command.

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.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 9 - Agent Defined Benefit Pension Plan Description (Continued)

Retirement benefits for patrol and dispatch employees are calculated as 2.50 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 age 55 with 15 years of service. Employees are eligible for a reduced retirement at age 50 with 25 years of service. The vesting period is six years. Employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are always the larger of the benefit computed as a contingent survivor beneficiary or 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Retirement benefits for command employees are calculated as 2.50 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 age 55 with 15 years of service. Employees are eligible for a reduced retirement at age 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. Death benefits are always the larger of the benefit computed as a contingent survivor beneficiary or 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date limited to increases in the Consumer Price Index.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the city council, generally after negotiations of these terms with the affected unions. Police and fire employees benefit terms may be subject to binding arbitration in certain circumstances.

Employees Covered by Benefit Terms - At the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	10
Inactive plan members entitled to but not yet receiving benefits	7
Active plan members	<u>46</u>
Total employees covered by MERS	<u><u>63</u></u>

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 9 - Agent Defined Benefit Pension Plan Description (Continued)

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

For the year ended December 31, 2016, the Township's average monthly contribution was \$35,136. The employees' average contribution was \$22,226.

Net Pension Liability

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

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2014	\$ 14,911,752	\$ 11,499,136	\$ 3,412,616
Service cost	497,889	-	497,889
Interest	1,231,296	-	1,231,296
Changes in benefits	(96,341)	-	(96,341)
Differences between expected and actual experience	91,872	-	91,872
Changes in assumptions	611,460	-	611,460
Contributions - Employer	-	421,629	(421,629)
Contributions - Employee	-	266,708	(266,708)
Net investment income	-	(178,860)	178,860
Benefit payments, including refunds	(471,790)	(471,790)	-
Administrative expenses	-	(25,736)	25,736
Net changes	1,864,386	11,951	1,852,435
Balance at December 31, 2015	\$ 16,776,138	\$ 11,511,087	\$ 5,265,051

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 9 - Agent Defined Benefit Pension Plan Description (Continued)

Changes in Assumptions - From the time of the last measurement date at December 31, 2014 to December 31, 2015, the actuary modified significant assumptions that affect the measurement of the total pension liability. The actuary adjusted the assumed annual rate of return down from 8.25 percent to 8.00 percent. The mortality tables were updated from the 1994 Group Mortality table to a blend of the RP-2014 tables described below.

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

For the year ended December 31, 2016, the Township recognized pension expense of \$785,109. At December 31, 2016, 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	\$ 80,388	\$ -
Changes in assumptions	535,028	-
Net difference between projected and actual earnings on pension plan investments	1,012,696	-
Employer contributions to the plan subsequent to the measurement date	430,928	-
Total	<u>\$ 2,059,040</u>	<u>\$ -</u>

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

Years Ending June 30	Amount
2017	\$ 349,788
2018	349,788
2019	349,788
2020	314,998
2021	87,917
Thereafter	175,833

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 9 - Agent Defined Benefit Pension Plan Description (Continued)

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

Inflation	2.50%
Salary increases	3.75% With merit increases totaling up to 11%, for a total of 3.75% - 14.75%
Investment rate of return	7.75% Net of pension plan investment expense, including inflation

Mortality rates were based on the 2014 Healthy Annuitant, Employee, and Juvenile Mortality Tables.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period from January 1, 2009 through December 31, 2013.

Discount Rate - The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

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

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 are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2015, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Global equity	58 %	5.02 %
Global fixed income	20	2.18
Real assets	13	4.23
Diversifying strategies	10	6.56

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 9 - Agent Defined Benefit Pension Plan Description (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 8.00 percent, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00 percent) or 1 percentage point higher (9.00 percent) than the current rate:

	1 Percent Decrease (7.00%)	Current Discount Rate (8.00%)	1 Percent Increase (9.00%)
Net pension liability of the Township	\$ 7,935,088	\$ 5,265,051	\$ 3,090,303

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

Note 10 - Defined Contribution Pension Plan

The Township provides pension benefits to all of its full-time salaried employees, AFSCME employees, and paid on-call firefighters through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate as of the first day of the next month after employment. As established by union or employee contractual agreements, the Township contributes 12 percent of employees' base earnings toward general governmental employees and fire inspectors and 6 percent of employees' base earnings toward firefighters. In addition, the general government employees contribute a minimum of 5 percent and the firefighters contribute 3.5 percent of earnings, with the option of contributing up to 15 percent. In accordance with these requirements, the Township contributed approximately \$426,000 during the current year, and employees contributed approximately \$197,000.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 11 - Other Postemployment Benefits

Plan Description - The Township provides retiree healthcare benefits to eligible employees and their spouses. This is a single employer/agent multiple employer defined benefit plan administered by the Township. The benefits are provided under collective bargaining agreements.

Funding Policy - The collective bargaining agreements do not require contributions from employees. The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis).

Funding Progress - For the year ended December 31, 2016, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of January 1, 2016. The valuation computes an annual required contribution which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 4,719,880
Interest on the prior year's net OPEB obligation	469,945
Less adjustment to the annual required contribution	<u>(1,602,682)</u>
Annual OPEB cost	3,587,143
Amounts contributed - Payments of current premiums	(363,502)
Advance funding	<u>(224,960)</u>
Increase in net OPEB obligation	2,998,681
OPEB obligation - Beginning of year	<u>11,722,304</u>
OPEB obligation - End of year	<u>\$ 14,720,985</u>

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 11 - Other Postemployment Benefits (Continued)

The schedule of employer contributions and the net OPEB obligation for the last six years is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Annual OPEB Costs	Employer Contributions		Net OPEB Obligation
				Percentage of ARC Contributed	Percentage OPEB Costs Contributed	
12/31/11	12/31/10	\$ 1,892,909	\$ 1,790,301	38.5 %	40.8 %	\$ 6,065,090
12/31/12	12/31/10	1,934,128	1,778,061	22.2	24.3	7,429,774
12/31/13	12/31/12	2,173,483	1,994,313	20.4	22.3	8,960,817
12/31/14	12/31/12	2,137,947	1,896,097	24.9	28.1	10,325,003
12/31/15	12/31/12	2,248,860	1,940,543	24.2	28.0	11,722,304
12/31/16	1/1/16	4,719,880	3,586,143	9.3	12.3	14,720,985

* The required contribution is expressed to the Township as a percentage of payroll.

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)
12/31/10	\$ -	\$ 16,298,775	\$ 16,298,775	0.0 %
12/31/12	849,425	22,145,035	21,295,610	3.8
1/1/16	1,662,860	28,477,765	26,814,905	5.8

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 11 - Other Postemployment Benefits (Continued)

In the January 1, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on plan assets, and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 5 percent after six years. Both rates included a 5.0 percent inflation assumption. The UAAL is being amortized as a level dollar on a closed basis. The remaining amortization period at December 31, 2016 was eight years.

Note 12 - Joint Ventures

The Township is a member of the South Huron Valley Utility Authority (the "Utility Authority"). The Utility Authority is a joint venture of the charter townships of Brownstown, Huron, and Van Buren, the cities of Flat Rock, Gibraltar, and Woodhaven, and the village of South Rockwood. The Utility Authority was founded in order to acquire and operate a sewage disposal and wastewater treatment system. During the year, the Township contributed \$1,010,509 toward the operation of the system. In addition, debt payments of \$512,316, including both principal and interest, were made to the Utility Authority. The Township's portion of the debt is recorded in the Township's Water and Sewer Fund. The Township's share of the capital assets and net operating excess is also reflected in the Water and Sewer Fund. Complete financial statements for the Utility Authority can be obtained from the administrative offices at 46425 Tyler Road, Belleville, MI 48111. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

The Township, along with 12 other communities, jointly participates in the Downriver Sewage Disposal System. The Township's share of capital assets, restricted assets (for debt service), excess operating assets, and related debt is recorded in the Water and Sewer Fund. During the year, the Township paid \$221,903 for operations of the system and \$212,912 for debt service. The debt service is being paid through the collection of property taxes. Complete financial statements can be obtained from the administrative offices at 415 Clifford, Detroit, MI 48226. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Van Buren Township is also served by the North Huron Valley/Rouge Valley (NHV/RV) Sewage Disposal System, which provides services to 17 municipal entities including cities, townships, and counties. The Township's share of capital assets, operating assets, and related debt is recorded in the Water and Sewer Fund. During 2016, the Township paid \$811,678 for sewage disposal, operation and maintenance, and debt in this system. Payment of these charges is funded through the collection of sewer fees to Township residents.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 12 - Joint Ventures (Continued)

The Township, along with seven other communities, is a member of the Detroit Region Aerotropolis Development Corporation (DRADC), which encourages economic development around Detroit Metropolitan and Willow Run Airports. The Township contributed \$25,000 to the DRADC during 2016.

Note 13 - Deferred Inflows/Outflows of Resources

At the end of the current fiscal year, the various components of deferred inflows and outflows of resources are as follows:

	Governmental Funds	Governmental Activities
Property taxes levied for the next fiscal year	\$ 4,690,798	\$ 4,690,798
Special assessments - Unavailable	174,473	-
Grant revenue - Unavailable	17,529	-
Total deferred inflows	<u>\$ 4,882,800</u>	<u>\$ 4,690,798</u>

The component units also reported \$1,179,363 of deferred inflows of resources at the end of the current fiscal year associated with property taxes levied for the next fiscal year.

At the end of the current fiscal year, the various components of deferred outflows of resources are as follows:

	Government- wide Statements	Component Units
Deferred outflows related to pension expense	\$ 2,059,040	\$ -
Bond refunding loss being amortized	-	344,510

Note 14 - Nonexchange Financial Guarantee

In May 2003, the Township guaranteed the 30-year, \$25,789,656 2003 Local Development Financing Authority (LDFA) bonds, a portion of which was refinanced in 2006. The bonds mature annually through April 2032, with semiannual interest payments. In the event that the LDFA is unable to make a payment, the Township will be required to make that payment.

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 14 - Nonexchange Financial Guarantee (Continued)

The Visteon Corporation bankruptcy in 2009 resulted in a significant taxable value decline within the LDFA. Subsequent to December 31, 2013, the facts and circumstances are such that the Township will more likely than not be required to pay a portion of the LDFA debt service payments beginning in 2018. The amount of the liability recognized is the best estimate of the discounted present value of the future outflows expected to be incurred as a result of the guarantee. The liability recognized for nonexchange financial guarantees by the Township at December 31, 2016 is as follows:

Beginning of Year	Increases	Decreases	End of Year
\$ 20,405,541	\$ 397,439	\$ -	\$ 20,802,980

Note 15 - Fund Balance Constraints

The detail of the various components of fund balance is as follows:

	General Fund	Nonmajor Funds	Total
Fund Balances			
Nonspendable - Prepays	\$ 200,378	\$ 890	\$ 201,268
Restricted:			
Law enforcement	-	192,829	192,829
911 service	-	206,490	206,490
Grants	-	2,722	2,722
Museum	-	74,465	74,465
PEG fees	46,650	-	46,650
Total restricted	46,650	476,506	523,156
Assigned:			
Land and municipal facilities (Fire Station #1) - Debt service	2,335,000	-	2,335,000
Senior center bequest activities	7,681	-	7,681
Future obligations	4,000,000	-	4,000,000
French Landing Dam	222,500	-	222,500
Computer networking equipment	25,000	-	25,000
Sidewalk maintenance	25,000	-	25,000
Compensated absences	118,786	-	118,786
Retiree health care	100,000	-	100,000
Total assigned	6,833,967	-	6,833,967
Unassigned	5,220,451	-	5,220,451
Total fund balance	\$ 12,301,446	\$ 477,396	\$ 12,778,842

Charter Township of Van Buren

Notes to Financial Statements December 31, 2016

Note 16 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statements more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the Township will, after adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. The Township is currently evaluating the impact these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for fiscal years beginning after June 15, 2016, whereas GASB Statement No. 75 is effective one year later.

Note 17 - Reporting Change (Prior Period Adjustments)

The financial statements for the year ended December 31, 2015 have been restated in order to correct the nonexchange financial guarantee liability.

The effect of this correction was to increase the liability and decrease net position in the government-wide financial statements

The effect of this change is as follows:

	Governmental Activities
Net position (deficit) - December 31, 2015 - As previously reported	\$ (2,788,804)
Adjustment to correct nonexchange financial guarantee	<u>(3,659,903)</u>
Net position (deficit) - December 31, 2015 - As restated	<u>\$ (6,448,707)</u>

Required Supplemental Information

Charter Township of Van Buren

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 814,500	\$ 828,340	\$ 829,677	\$ 1,337
Public safety tax revenue	3,530,000	3,593,700	3,594,147	447
Licenses and permits	893,750	698,810	753,286	54,476
Federal grants	-	1,481,667	1,348,682	(132,985)
State-shared revenue and grants	2,423,350	2,330,800	2,613,991	283,191
Charges for services	1,328,529	1,267,009	1,430,102	163,093
Fines and forfeitures	990,000	990,000	1,053,449	63,449
Investment income	41,000	42,650	51,535	8,885
Other revenue	1,158,025	1,066,435	1,035,126	(31,309)
Total revenue	11,179,154	12,299,411	12,709,995	410,584
Expenditures - Current				
General government:				
Township board	299,784	307,964	309,296	(1,332)
Supervisor	184,930	205,971	194,141	11,830
Accounting	52,000	52,000	51,695	305
IT department	370,246	419,103	365,822	53,281
Treasurer	307,963	309,422	293,273	16,149
Assessing	202,758	186,787	180,918	5,869
General office	87,750	95,500	95,585	(85)
Clerk	458,074	473,816	486,352	(12,536)
Elections	107,283	101,411	105,203	(3,792)
Buildings and grounds	1,249,380	1,424,380	1,214,366	210,014
Attorney	270,000	225,000	215,529	9,471
Cemetery	19,225	19,225	27,862	(8,637)
Total general government	3,609,393	3,820,579	3,540,042	280,537
Public safety:				
Police	5,440,353	5,468,520	5,259,724	208,796
Dispatch	803,169	803,169	731,567	71,602
Fire	1,641,400	3,197,748	3,059,118	138,630
Building and planning	810,036	797,036	757,552	39,484
Animal control	226,970	226,970	207,092	19,878
Total public safety	8,921,928	10,493,443	10,015,053	478,390
Public works - Contracted services	240,000	241,500	254,117	(12,617)
Recreation and culture:				
Parks and lakes	123,454	97,878	81,065	16,813
Senior citizens	212,989	231,347	223,418	7,929
Cable	132,675	134,575	96,689	37,886
Recreation	433,313	434,623	408,448	26,175
Total recreation and culture	902,431	898,423	809,620	88,803
Insurance	837,000	807,000	827,100	(20,100)
Total expenditures	14,510,752	16,260,945	15,445,932	815,013
Excess of Expenditures Over Revenue	(3,331,598)	(3,961,534)	(2,735,937)	1,225,597
Other Financing Sources - Transfers in	2,378,628	3,095,426	3,095,426	-
Net Change in Fund Balance	(952,970)	(866,108)	359,489	1,225,597
Fund Balance - Beginning of year	5,619,427	5,619,427	5,619,427	-
Fund Balance - End of year	\$ 4,666,457	\$ 4,753,319	\$ 5,978,916	\$ 1,225,597

Charter Township of Van Buren

Note to Required Supplemental Information Year Ended December 31, 2016

Budgetary Information - The annual budgets are prepared by the Township supervisor and adopted by the Township board; subsequent amendments are approved by the Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2016 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds, with the exception of certain grant revenue being budgeted as an offset to the related expenditures being reimbursed and reimbursement of costs being recorded as revenue instead of an offset to the related expenditures.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

A reconciliation of the budgetary comparison schedules to the fund-based statement of changes in fund balance is shown below. This reconciliation illustrates the effects of GASB Statement No. 54 on the General Fund as funds that were previously considered to be special revenue funds are now included in the General Fund on the fund-based statements.

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Transfers</u>
General Fund:			
Amounts per operating statement	\$ 16,818,822	\$ 15,344,193	\$ -
Resources received from other funds reported as a reduction in expenditures	621,225	781,225	160,000
Less Landfill Fund	<u>(4,730,052)</u>	<u>(679,486)</u>	<u>2,935,426</u>
Amounts per budget statement	<u>\$ 12,709,995</u>	<u>\$ 15,445,932</u>	<u>\$ 3,095,426</u>

Excess of Expenditures Over Appropriations in Budgeted Funds - The Township did not have significant expenditure budget variances with the exception of the following variances:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Public works - Contracted services	\$ 241,500	\$ 254,117	\$ (12,617)
Elections	101,411	105,203	(3,792)
Township Board	307,964	309,296	(1,332)
General Office	95,500	95,585	(85)
Clerk	473,816	486,352	(12,536)
Cemetery	19,225	27,865	(8,640)
Insurance	807,000	827,100	(20,100)

Charter Township of Van Buren

Required Supplemental Information OPEB System Schedule Year Ended December 31, 2016

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)
12/31/10	\$ -	\$ 16,298,775	\$ 16,298,775	- %
12/31/12	849,425	22,145,035	21,295,610	3.8
1/1/16	1,662,860	28,477,765	26,814,905	5.8

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
12/31/11	12/31/10	\$ 1,892,909	38.5 %
12/31/12	12/31/10	1,934,128	22.4
12/31/13	12/31/12	2,173,483	20.4
12/31/14	12/31/12	2,137,947	24.9
12/31/15	12/31/12	2,248,860	24.2
12/31/16	1/1/16	4,719,880	9.3

* The required contribution is expressed to the Township as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of January 1, 2016, the latest actuarial valuation, follows:

Amortization method	Level dollar, closed
Amortization period	8 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected healthcare cost increases	5% - 8%
*Includes inflation at	5.0%
Cost of living adjustments	None

Charter Township of Van Buren

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

	2015	2014
Total Pension Liability		
Service cost	\$ 497,889	\$ 469,564
Interest	1,231,296	1,133,771
Changes in benefit terms	(96,341)	-
Differences between expected and actual experience	91,872	-
Changes in assumptions	611,460	-
Benefit payments, including refunds	(471,790)	(398,961)
Net Change in Total Pension Liability	1,864,386	1,204,374
Total Pension Liability - Beginning of year	14,911,752	13,707,378
Total Pension Liability - End of year	\$ 16,776,138	\$ 14,911,752
Plan Fiduciary Net Position		
Contributions - Employer	\$ 421,629	\$ 399,017
Contributions - Member	266,708	230,467
Net investment (loss) income	(178,860)	683,120
Administrative expenses	(25,736)	(25,213)
Benefit payments, including refunds	(471,790)	(398,961)
Net Change in Plan Fiduciary Net Position	11,951	888,430
Plan Fiduciary Net Position - Beginning of year	11,499,136	10,610,706
Plan Fiduciary Net Position - End of year	\$ 11,511,087	\$ 11,499,136
Township's Net Pension Liability - Ending	\$ 5,265,051	\$ 3,412,616
Plan Fiduciary Net Position as a Percent of Total Pension Liability	68.62 %	77.11 %
Covered Employee Payroll	\$ 3,518,478	\$ 3,242,840
Township's Net Pension Liability as a Percent of Covered Employee Payroll	149.6 %	105.2 %

Other Supplemental Information

Charter Township of Van Buren

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

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Community Development Block Grant	Drug Forfeiture - Federal	Drug Forfeiture - State	911 Service	Museum	
Assets						
Cash and investments	\$ 1,827	\$ 24,925	\$ 167,904	\$ 207,311	\$ 76,197	\$ 478,164
Receivables - Due from other governmental units	29,333	-	-	-	-	29,333
Prepaid expenses and other assets	-	-	-	-	890	890
Total assets	\$ 31,160	\$ 24,925	\$ 167,904	\$ 207,311	\$ 77,087	\$ 508,387
Liabilities						
Accounts payable	\$ 986	\$ -	\$ -	\$ 821	\$ 946	\$ 2,753
Due to other funds	9,037	-	-	-	-	9,037
Accrued liabilities and other	4,972	-	-	-	786	5,758
Total liabilities	14,995	-	-	821	1,732	17,548
Deferred Inflows of Resources - Unavailable revenue	13,443	-	-	-	-	13,443
Fund Balances						
Nonspendable - Prepays	-	-	-	-	890	890
Restricted:						
Law enforcement	-	24,925	167,904	-	-	192,829
911 service	-	-	-	206,490	-	206,490
Grants	2,722	-	-	-	-	2,722
Museum	-	-	-	-	74,465	74,465
Total fund balances	2,722	24,925	167,904	206,490	75,355	477,396
Total liabilities, deferred inflows of resources, and fund balances	\$ 31,160	\$ 24,925	\$ 167,904	\$ 207,311	\$ 77,087	\$ 508,387

Charter Township of Van Buren

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

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Community Development Block Grant	Drug Forfeiture - Federal	Drug Forfeiture - State	911 Service	Museum	
Revenue						
Federal grants	\$ 149,899	\$ -	\$ -	\$ -	\$ -	\$ 149,899
State grants	-	-	21,349	-	-	21,349
Investment income	41	43	272	261	160	777
Other revenue:						
Local donations	-	-	-	-	66,332	66,332
Other miscellaneous income	-	-	-	138,460	-	138,460
Total revenue	<u>149,940</u>	<u>43</u>	<u>21,621</u>	<u>138,721</u>	<u>66,492</u>	<u>376,817</u>
Expenditures - Current						
Public safety	-	13,996	63,095	187,654	-	264,745
Community and economic development	116,265	-	-	-	-	116,265
Recreation and culture	-	-	-	-	74,270	74,270
Total expenditures	<u>116,265</u>	<u>13,996</u>	<u>63,095</u>	<u>187,654</u>	<u>74,270</u>	<u>455,280</u>
Net Change in Fund Balances	33,675	(13,953)	(41,474)	(48,933)	(7,778)	(78,463)
Fund Balances (Deficit) - Beginning of year	<u>(30,953)</u>	<u>38,878</u>	<u>209,378</u>	<u>255,423</u>	<u>83,133</u>	<u>555,859</u>
Fund Balances - End of year	<u>\$ 2,722</u>	<u>\$ 24,925</u>	<u>\$ 167,904</u>	<u>\$ 206,490</u>	<u>\$ 75,355</u>	<u>\$ 477,396</u>