
Charter Township of Van Buren

**Financial Report
with Supplemental Information
December 31, 2017**

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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, 2017 and the related notes to the financial statements, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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, 2017 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Charter Township of Van Buren

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 an opinion 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.

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 Summarized Comparative Information

We have previously audited the Charter Township of Van Buren's December 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 5, 2017. In our opinion, the partial comparative information presented herein for the Enterprise Fund as of and for the year ended December 31, 2016 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 as of and for the year ended December 31, 2016, from which such partial information was derived.



May 31, 2018

Overview of the Financial Statements

The Charter Township of Van Buren's (the "Township") 2017 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.

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.

Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

- 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.

Government-wide Overall Financial Analysis

The Township has a combined total net position of \$70.1 million. This is a decrease from 2016 of approximately \$2.7 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 fourth 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.

Regarding the Township's total net position, business-type activities comprise \$80.5 million and governmental activities comprise negative \$10.3 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):

Township's Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------------------|-------------------------|-----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Assets | | | | | | |
| Current and other assets: | | | | | | |
| Cash and investments | \$ 17,479,291 | \$ 13,520,480 | \$ 14,746,639 | \$ 13,490,333 | \$ 32,225,930 | \$ 27,010,813 |
| Receivables | 6,744,960 | 4,783,958 | 2,894,351 | 2,712,934 | 9,639,311 | 7,496,892 |
| Other assets | 293,801 | 430,677 | 19,058,202 | 21,278,206 | 19,352,003 | 21,708,883 |
| Capital assets | 19,192,436 | 19,320,634 | 59,844,044 | 61,294,671 | 79,036,480 | 80,615,305 |
| Total assets | 43,710,488 | 38,055,749 | 96,543,236 | 98,776,144 | 140,253,724 | 136,831,893 |
| Deferred Outflows of Resources | 1,463,802 | 2,059,040 | - | - | 1,463,802 | 2,059,040 |
| Liabilities | | | | | | |
| Current liabilities | 2,311,751 | 1,024,956 | 1,970,316 | 1,969,184 | 4,282,067 | 2,994,140 |
| Noncurrent liabilities | 45,810,064 | 42,932,216 | 14,089,178 | 15,480,317 | 59,899,242 | 58,412,533 |
| Total liabilities | 48,121,815 | 43,957,172 | 16,059,494 | 17,449,501 | 64,181,309 | 61,406,673 |
| Deferred Inflows of Resources | 7,402,143 | 4,690,798 | - | - | 7,402,143 | 4,690,798 |
| Net Position | | | | | | |
| Net investment in capital assets | 17,142,436 | 16,985,634 | 46,106,041 | 46,153,567 | 63,248,477 | 63,139,201 |
| Restricted | 511,154 | 537,489 | 18,974,808 | 21,143,926 | 19,485,962 | 21,681,415 |
| Unrestricted | (28,003,258) | (26,056,304) | 15,402,893 | 14,029,150 | (12,600,365) | (12,027,154) |
| Total net position | <u>\$ (10,349,668)</u> | <u>\$ (8,533,181)</u> | <u>\$ 80,483,742</u> | <u>\$ 81,326,643</u> | <u>\$ 70,134,074</u> | <u>\$ 72,793,462</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 \$1.947 million for the governmental activities from 2016.

Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

Township's Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenue | | | | | | |
| Program revenue: | | | | | | |
| Charges for services | \$ 3,071,195 | \$ 2,668,479 | \$ 9,323,261 | \$ 8,448,974 | \$ 12,394,456 | \$ 11,117,453 |
| Operating grants | 916,455 | 415,728 | - | - | 916,455 | 415,728 |
| Capital grants | 535,585 | 2,245,954 | - | - | 535,585 | 2,245,954 |
| General revenue: | | | | | | |
| Property taxes | 4,816,673 | 4,822,481 | 3,768 | 851 | 4,820,441 | 4,823,332 |
| State-shared revenue | 2,546,794 | 2,372,668 | - | - | 2,546,794 | 2,372,668 |
| Investment earnings | 146,466 | 91,168 | 376,213 | 354,290 | 522,679 | 445,458 |
| Other revenue: | | | | | | |
| Other miscellaneous revenue | 358,486 | 353,796 | - | - | 358,486 | 353,796 |
| Landfill royalties | 4,948,760 | 4,051,579 | - | - | 4,948,760 | 4,051,579 |
| Total revenue | 17,340,414 | 17,021,853 | 9,703,242 | 8,804,115 | 27,043,656 | 25,825,968 |
| Expenses | | | | | | |
| General government | 3,732,228 | 3,562,011 | - | - | 3,732,228 | 3,562,011 |
| Public safety | 12,043,075 | 12,844,859 | - | - | 12,043,075 | 12,844,859 |
| Public works | 314,667 | 483,994 | - | - | 314,667 | 483,994 |
| Community and economic development | 1,307,008 | 900,748 | - | - | 1,307,008 | 900,748 |
| Recreation and culture | 1,621,422 | 1,200,106 | - | - | 1,621,422 | 1,200,106 |
| Interest on long-term debt | 138,501 | 114,609 | - | - | 138,501 | 114,609 |
| Business-type activities | - | - | 10,546,143 | 10,537,583 | 10,546,143 | 10,537,583 |
| Total expenses | 19,156,901 | 19,106,327 | 10,546,143 | 10,537,583 | 29,703,044 | 29,643,910 |
| Change in Net Position | \$ (1,816,487) | \$ (2,084,474) | \$ (842,901) | \$ (1,733,468) | \$ (2,659,388) | \$ (3,817,942) |

Governmental Activities

Revenue for governmental activities totaled \$17.34 million in 2017. Charges for services, such as court fines, building licenses and permits, and recreation fees, accounted for \$3.071 million in revenue, an increase of approximately \$403,000 over the 2016 figure. A total of \$4.8 million was received in the form of property tax collections, down slightly from 2016. An increase in landfill royalties brought in \$4.95 million, and state-shared revenue increased to \$2.55 million compared to the prior year.

Program expenses for 2017 governmental activities generally increased, with the exceptions of public safety and public works.

Business-type Activities

The Township has one business-type activity, the water and sewer operation. Revenue for business-type activities was \$9.7 million, while expenses were \$10.5 million, both revenue and expenses increasing over the 2016 figures. Water is provided to the Township's residents via the Great Lakes Water Authority (GLWA). 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.

Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

Township Services: Departmental Highlights

Township growth continued steadily throughout 2017. 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 that 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 36 major projects during 2017. Some multi-year projects were concluded, while a host of new projects commenced. A "big box" corporation began construction and will open for business in 2018. 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 hotel that began construction to expand its operations to better service nearby airport activity. Residential single-family home building saw a significant increase in 2017. Township growth is further reflected in the inspections, permits, and licensing activities. Our building official performed 5,302 inspections during 2017. This total does not include any inspections performed by the Public Safety Department's fire inspector or code enforcement officers. A total of 2,561 permits were issued from the Developmental Services Department during 2017 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: In 2017, Public Safety finalized its focus on the upgrading of our Emergency Dispatch Center. The upgrade to our Emergency Dispatch Center included the installation of a third dispatch station, allowing Public Safety the ability and flexibility to schedule a third dispatcher during high call volume times. The final stage and completion of our Emergency Dispatch Center renovation included the upgrade and installation of our 911 Dispatch consoles, which house all of our dispatch electronic equipment (i.e., radios, computers, and telephones).

A new "dual enrollment" program collaboration with Schoolcraft College and Belleville High School is well underway with a local high school student enrolled into this program in the fall of 2017. Completion of Fire I and Fire II is expected in the spring of 2018. The high school student will continue training with department members until he reaches the age to apply as firefighter with the department.

The board approved of two new fire apparatuses being ordered to replace an aging engine and ladder truck. These are first line trucks and vital components at the scenes of residential and commercial fires in the community.

Several fire officers received Blue Card Command Training during the first part of the new year. This is a nationally recognized command system that teaches command officers a safer more effective way to control personnel on scene.

Most recently, we have partnered up with the Wayne County Sheriff's Office, and in a collaborative effort, we have joined forces to patrol Belleville Lake. This joint venture included getting our marine officers deputized with Wayne County Sheriff Benny Napoleon, and the sheriff's office providing the Van Buren Township Police Department with a patrol boat to police Belleville Lake. This effort has saved the Township the financial strain of purchasing a new patrol/dive boat.

The revamping of outdated policies and procedures within the police department has been addressed and completed. Daily training bulletins will continue to be disseminated to members with a continued focus on reinforcing policy and minimizing liability risk to our officers, our agency, and the Township.

Through an approved (AFG) grant in 2016, three "LUCAS/CPR" units were purchased, which automate the compressions during a cardiac arrest, thereby freeing up a first responder to aid the patient in other ways.

Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

Thanks to the continued generosity of the Van Buren Civic Fund and a private donor, another Public Safety project has been provided funding for the purchase of a new dive team trailer. This purchase will replace the current aged trailer with a new state-of-the-art custom fit dive team trailer that will assist the team greatly with water deployment operations during critical times.

In December 2017, the police department registered to begin the accreditation process through the Michigan Association of Chiefs of Police. It will require us to continually maintain our accreditation status once we make it to that level. Accreditation will represent a significant professional achievement for our agency. It also acknowledges the implementation of policies and procedures that are conceptually sound and operationally effective. Achieving and maintaining accreditation standards is the gold star for police agencies by establishing fair and nondiscriminatory personnel practices, along with boosting citizen and staff confidence in the agency.

Building and Grounds: Major projects completed to preserve and maintain infrastructure included refurbishing and upgrading the Assessor's Office and Public Safety Offices with new carpet and paint and also replacing some HVAC units. Importantly, the schedule established in 2016, which is 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 has been followed. Preservation of the taxpayers' assets is an ongoing priority. Work began on the Township-wide Capital Improvements Plan, which should be completed in 2018.

Water and Sewer: Water and Sewer's operational technology was further improved with the expanded integration of the City Works Work Order System into daily field operations. This provides for improved monitoring of daily field assignments, as well as a foundation for preprogrammed maintenance for our various facilities in the water and sanitary systems. Combined with the previously upgraded SCADA technology and access to WAMR (Water Automated Meter Reading) technology, which is provided by the Great Lakes Water Authority, we are also able to better manage our water system to provide needed pressures and supply for firefighting and customer use. Finally, we have replaced some aging meters in the sanitary system that provide us with better information on flows and for use in the development of our Sanitary Asset Management and CIP Program.

Information Technology: While daily service to township employees is always the first priority of the department, it also managed to complete a number of projects that required attention. In 2017, the department was able to address a number of areas that strengthened the Townships IT infrastructure core, including improved security, disaster recovery, and data growth. Additionally, the IT department created and rolled out a new citizen engagement tool, which was the Township's new app, "Van Buren Twp Hall." This app provides residents a new way to access township information at their fingertips. The department will continue in 2018 with additional improvement ensuring that township employees will have a stable and updated IT infrastructure to serve its residents.

Recreational Services: Last year, Van Buren Township Parks and Recreation Department was awarded \$30,000 from the MDNR. This grant money was for the preliminary planning of the first phase of the 2.5 miles of the Iron Belle Trail along Huron River Road. The Iron Belle Trail is an initiative Governor Snyder has been supporting, a trail that will eventually connect Belle Isle in Detroit to Ironwood in the Upper Peninsula. This year, the Parks and Recreation Department has applied for the Michigan Natural Resources Trust Fund through the MDNR. We hope to receive \$300,000 to start the first phase of the Iron Belle Trail.

The Charter Township of Van Buren received \$47,000 from the Detroit Wayne Mental Health Authority. Each department benefited from this grant. The recreation department was able to hire 10 teens to work in the summer camp program as counselors in training. Some of these teens also worked at the recreation department front desk where they registered residents for classes and/or answered phones, helping out in the office as much as possible. It was a great experience for all.

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, multipurpose agency assisting persons over the age of 50. Monitoring grant opportunities and replenishing volunteer staff continues to be a department priority.

Charter Township of Van Buren

Management's Discussion and Analysis (Continued)

Financial Analysis of the Township Funds and Budgets

The General Fund increased its fund balance by approximately \$2.1 million as of December 31, 2017, bringing the fund balance total to approximately \$14,430,000. 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 \$1,096,954. Fines and forfeitures fell short of budgetary expectations. Better-than-expected revenue received from state-shared revenue and 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 General Fund budget is amended throughout the year as deemed necessary. Overall, the difference between the General Fund's 2017 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 Assets and Debt Administration

At the end of 2017, the Township had approximately \$79 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 \$12.17 million is recorded as a liability in the business-type activities in the statement of net position (deficit). Debt related to capital improvements of \$1.645 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 2017 equalized valuation totaled \$1,194,200, which represents an approximate 2.99 percent increase from 2016. The 2017 taxable value is \$986,123,655, which represents a 1.72 percent increase from 2016. Of the 2017 equalized valuations by use, 59 percent is residential, 16 percent is industrial, 16 percent is commercial, 1 percent is agricultural, 3 percent is utility personal property, and 5 percent is commercial and industrial personal property.

The Township has maintained 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 2017, the \$15.35 million General Fund (amended) budget was financed with an approximate \$4.1 million transfer of Landfill Funds. As a result of the new Host Community Agreement with Waste Management, Inc. (approved by the township board in December 2017), the Township will continue to receive tipping fees for approximately an additional 30 years. Township residents will continue to receive free garbage collection for five years. Township residents will receive free disposal, curbside recycling, and yard waste pickup for the life of the landfill expansion. Additionally, Waste Management, Inc. will provide grant and capital improvement funds to the Township, totaling \$640,000 annually.

The 2017 property tax revenue resulted from the 2016 millage rate of 4.9144 mills, composed 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, expired 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 and was levied on the 2017 winter tax bills.

Requests for Further Information

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, 2017

| | Primary Government | | | Component Units |
|---|-------------------------|--------------------------|----------------------|------------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Cash and cash equivalents (Note 4) | \$ 17,479,291 | \$ 14,746,639 | \$ 32,225,930 | \$ 7,801,483 |
| Receivables: | | | | |
| Property taxes receivable | 4,336,436 | - | 4,336,436 | - |
| Special assessments receivable | 69,256 | 160 | 69,416 | - |
| Receivables from sales to customers on account | - | 2,534,931 | 2,534,931 | - |
| Other receivables | 1,460,557 | 359,260 | 1,819,817 | 15,192 |
| Due from other governments | 877,646 | - | 877,646 | - |
| Due from component units | 1,065 | - | 1,065 | - |
| Prepaid expenses | 210,778 | 49,336 | 260,114 | 2,066 |
| Restricted assets (Note 8) | - | 18,974,808 | 18,974,808 | 1,055,171 |
| Net OPEB asset | - | - | - | 110,499 |
| Capital assets (Note 5): | | | | |
| Assets not subject to depreciation | 4,530,812 | 1,194,247 | 5,725,059 | 426,262 |
| Assets subject to depreciation - Net | 14,661,624 | 58,649,797 | 73,311,421 | 351,562 |
| Long-term assessment receivable | - | 146 | 146 | - |
| Deposits | 83,023 | 33,912 | 116,935 | - |
| Total assets | 43,710,488 | 96,543,236 | 140,253,724 | 9,762,235 |
| Deferred Outflows of Resources (Note 15) | | | | |
| Deferred charges on bond refunding | 27,038 | - | 27,038 | 319,902 |
| Deferred outflows related to pension | 1,436,764 | - | 1,436,764 | - |
| Total deferred outflows of resources | 1,463,802 | - | 1,463,802 | 319,902 |
| Liabilities | | | | |
| Accounts payable | 731,934 | 1,074,066 | 1,806,000 | 62,228 |
| Due to primary government | - | - | - | 1,065 |
| Refundable deposits, bonds, etc. | 1,293,918 | 783,137 | 2,077,055 | - |
| Accrued liabilities and other | 285,899 | 113,113 | 399,012 | 185,690 |
| Noncurrent liabilities (Note 7): | | | | |
| Due within one year: | | | | |
| Compensated absences | 9,928 | 2,525 | 12,453 | 6,388 |
| Current portion of long-term debt | 405,000 | 1,567,099 | 1,972,099 | 366,926 |
| Due in more than one year: | | | | |
| Compensated absences | 118,786 | 23,577 | 142,363 | - |
| Accrued interest - Capital appreciation bonds | - | - | - | 8,472,580 |
| Net pension liability (Note 10) | 4,755,063 | - | 4,755,063 | - |
| Net OPEB obligation (Note 12) | 17,255,949 | 325,073 | 17,581,022 | - |
| Long-term debt - Net of current portion | 1,645,000 | 12,170,904 | 13,815,904 | 25,152,493 |
| Nonexchange financial guarantee (Note 16) | 21,620,338 | - | 21,620,338 | - |
| Total liabilities | 48,121,815 | 16,059,494 | 64,181,309 | 34,247,370 |
| Deferred Inflows of Resources (Note 15) | | | | |
| Property taxes levied for the following year | 7,050,493 | - | 7,050,493 | 1,657,163 |
| Deferred pension cost reductions | 351,650 | - | 351,650 | - |
| Total deferred inflows of resources | 7,402,143 | - | 7,402,143 | 1,657,163 |
| Net Position (Deficit) | | | | |
| Net investment in capital assets | 17,142,436 | 46,106,041 | 63,248,477 | 777,824 |
| Restricted: | | | | |
| Museum | 58,458 | - | 58,458 | - |
| Law enforcement | 208,350 | - | 208,350 | - |
| Debt service | - | - | - | 532,880 |
| 911 service | 153,017 | - | 153,017 | - |
| Community Development Block Grant | 42,523 | - | 42,523 | - |
| PEG fees | 45,962 | - | 45,962 | - |
| Tax levy - Debt/Capital | - | 18,974,808 | 18,974,808 | - |
| Street lighting | 2,844 | - | 2,844 | - |
| Unrestricted | (28,003,258) | 15,402,893 | (12,600,365) | (27,133,100) |
| Total net (deficit) position | \$ (10,349,668) | \$ 80,483,742 | \$ 70,134,074 | \$ (25,822,396) |

Charter Township of Van Buren

| Functions/Programs | Program Revenue | | | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 3,732,228 | \$ 64,426 | \$ 276,975 | \$ - |
| Public safety | 12,043,075 | 1,638,259 | 159,406 | 21,174 |
| Public works | 314,667 | 801,711 | - | 514,411 |
| Community and economic development | 1,307,008 | 199,895 | 415,020 | - |
| Recreation and culture | 1,621,422 | 366,904 | 65,054 | - |
| Interest on long-term debt | 138,501 | - | - | - |
| Total governmental activities | 19,156,901 | 3,071,195 | 916,455 | 535,585 |
| Business-type activities | 10,546,143 | 9,323,261 | - | - |
| Total primary government | \$ 29,703,044 | \$ 12,394,456 | \$ 916,455 | \$ 535,585 |
| Component units: | | | | |
| Downtown Development Authority | \$ 885,868 | \$ - | \$ 10,598 | \$ - |
| Local Development Finance Authority | 1,155,920 | - | 62,131 | - |
| Total component units | \$ 2,041,788 | \$ - | \$ 72,729 | \$ - |
| General revenue: | | | | |
| Property taxes | | | | |
| State-shared revenue | | | | |
| Investment income | | | | |
| Other miscellaneous income | | | | |
| Landfill royalties | | | | |
| Total general revenue | | | | |
| Change in Net Position | | | | |
| Net Position (Deficit) - Beginning of year | | | | |
| Net Position (Deficit) - End of year | | | | |

Statement of Activities

Year Ended December 31, 2017

| Net (Expense) Revenue and Changes in Net Position | | | |
|---|-----------------------------|-----------------------------|-------------------------------|
| Primary Government | | | |
| Governmental Activities | Business-type Activities | Total | Component Units |
| \$ (3,390,827) | \$ - | \$ (3,390,827) | \$ - |
| (10,224,236) | - | (10,224,236) | - |
| 1,001,455 | - | 1,001,455 | - |
| (692,093) | - | (692,093) | - |
| (1,189,464) | - | (1,189,464) | - |
| (138,501) | - | (138,501) | - |
| (14,633,666) | - | (14,633,666) | - |
| - | (1,222,882) | (1,222,882) | - |
| (14,633,666) | (1,222,882) | (15,856,548) | - |
| - | - | - | (875,270) |
| - | - | - | (1,093,789) |
| - | - | - | (1,969,059) |
| 4,816,673 | 3,768 | 4,820,441 | 1,830,649 |
| 2,546,794 | - | 2,546,794 | - |
| 146,466 | 376,213 | 522,679 | 66,866 |
| 358,486 | - | 358,486 | - |
| 4,948,760 | - | 4,948,760 | - |
| 12,817,179 | 379,981 | 13,197,160 | 1,897,515 |
| (1,816,487) | (842,901) | (2,659,388) | (71,544) |
| (8,533,181) | 81,326,643 | 72,793,462 | (25,750,852) |
| <u>\$ (10,349,668)</u> | <u>\$ 80,483,742</u> | <u>\$ 70,134,074</u> | <u>\$ (25,822,396)</u> |

Charter Township of Van Buren

Governmental Funds Balance Sheet

December 31, 2017

| | General Fund | Nonmajor Funds | Total Governmental Funds |
|---|----------------------|-------------------|--------------------------------|
| Assets | | | |
| Cash and cash equivalents (Note 4) | \$ 17,044,098 | \$ 435,193 | \$ 17,479,291 |
| Receivables: | | | |
| Property taxes receivable | 4,336,436 | - | 4,336,436 |
| Special assessments receivable | 69,256 | - | 69,256 |
| Other receivables | 1,450,267 | 10,290 | 1,460,557 |
| Due from other governments | 691,908 | 185,738 | 877,646 |
| Due from component units | 1,065 | - | 1,065 |
| Due from other funds (Note 6) | 138,193 | - | 138,193 |
| Prepaid expenses | 209,876 | 902 | 210,778 |
| | <u>\$ 23,941,099</u> | <u>\$ 632,123</u> | <u>\$ 24,573,222</u> |
| Total assets | | | |
| Liabilities | | | |
| Accounts payable | \$ 706,146 | \$ 25,788 | \$ 731,934 |
| Due to other funds (Note 6) | - | 138,193 | 138,193 |
| Refundable deposits, bonds, etc. | 1,293,918 | - | 1,293,918 |
| Accrued liabilities and other | 201,959 | 5,794 | 207,753 |
| | <u>2,202,023</u> | <u>169,775</u> | <u>2,371,798</u> |
| Total liabilities | | | |
| Deferred Inflows of Resources | | | |
| Unavailable revenue (Note 15) | 259,662 | 53,093 | 312,755 |
| Property taxes levied for the following year (Note 15) | 7,050,493 | - | 7,050,493 |
| | <u>7,310,155</u> | <u>53,093</u> | <u>7,363,248</u> |
| Total deferred inflows of resources | | | |
| Fund Balances | | | |
| Nonspendable - Prepaids | 209,876 | 902 | 210,778 |
| Restricted: | | | |
| Law enforcement | - | 208,350 | 208,350 |
| 911 service | - | 153,017 | 153,017 |
| Museum | - | 57,556 | 57,556 |
| PEG fees | 45,962 | - | 45,962 |
| Street lighting | 2,844 | - | 2,844 |
| Assigned (Note 17) | 4,065,354 | - | 4,065,354 |
| Unassigned | 10,104,885 | (10,570) | 10,094,315 |
| | <u>14,428,921</u> | <u>409,255</u> | <u>14,838,176</u> |
| Total fund balances | | | |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 23,941,099</u> | <u>\$ 632,123</u> | <u>\$ 24,573,222</u> |

Charter Township of Van Buren

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position (Deficit)

December 31, 2017

| | |
|--|-------------------------------|
| Fund Balances Reported in Governmental Funds | \$ 14,838,176 |
| 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 | 19,192,436 |
| Grants and other receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. | 312,755 |
| Certain pension contributions and changes in pension plan net position are reported as deferred outflows and inflows of resources in the statement of net position (deficit), but are reported as expenses in the governmental funds | 1,085,114 |
| Deferred charges on bond refunding are not reported in the funds | 27,038 |
| Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds | (2,050,000) |
| Accrued interest and IBNR are not due and payable in the current period and are not reported in the funds | (78,146) |
| Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities: | |
| Employee compensated absences | (128,714) |
| Pension benefits | (4,755,063) |
| Retiree healthcare benefits | (17,255,949) |
| Deposit with self-insurance providers in governmental activities is reported as an expenditure in the governmental funds when paid | 83,023 |
| 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 | (21,620,338) |
| Net Position of Governmental Activities | <u>\$ (10,349,668)</u> |

Charter Township of Van Buren

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2017

| | General Fund | Nonmajor Funds | Total Governmental Funds |
|--|---------------|----------------|--------------------------------|
| Revenue | | | |
| Property taxes | \$ 4,377,471 | \$ - | \$ 4,377,471 |
| Special assessments | 342,128 | - | 342,128 |
| Intergovernmental: | | | |
| Federal grants | - | 387,270 | 387,270 |
| State-shared revenue and grants | 2,830,587 | 14,356 | 2,844,943 |
| Charges for services | 1,620,107 | - | 1,620,107 |
| Fines and forfeitures | 1,047,412 | - | 1,047,412 |
| Licenses and permits | 1,036,044 | - | 1,036,044 |
| Investment income | 143,552 | 2,914 | 146,466 |
| Other revenue: | | | |
| Contributions and donations | 90,000 | 65,054 | 155,054 |
| Other miscellaneous income | 585,897 | 165,267 | 751,164 |
| Landfill royalties | 4,511,602 | - | 4,511,602 |
| Total revenue | 16,584,800 | 634,861 | 17,219,661 |
| Expenditures | | | |
| Current services: | | | |
| General government | 2,829,834 | - | 2,829,834 |
| Public safety | 9,127,210 | 219,660 | 9,346,870 |
| Public works | 314,667 | - | 314,667 |
| Community and economic development | - | 400,776 | 400,776 |
| Recreation and culture | 868,904 | 82,566 | 951,470 |
| Insurance | 866,171 | - | 866,171 |
| Debt service: | | | |
| Principal | 350,000 | - | 350,000 |
| Interest on long-term debt | 137,078 | - | 137,078 |
| Total expenditures | 14,493,864 | 703,002 | 15,196,866 |
| Other Financing Sources (Uses) | | | |
| Issuance of refunding bonds | 2,050,000 | - | 2,050,000 |
| Payment to bond refunding escrow agent | (2,013,461) | - | (2,013,461) |
| Total other financing sources | 36,539 | - | 36,539 |
| Net Change in Fund Balances | 2,127,475 | (68,141) | 2,059,334 |
| Fund Balances - Beginning of year | 12,301,446 | 477,396 | 12,778,842 |
| Fund Balances - End of year | \$ 14,428,921 | \$ 409,255 | \$ 14,838,176 |

Charter Township of Van Buren

Governmental Funds

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

Year Ended December 31, 2017

| | |
|--|------------------------------|
| Net Change in Fund Balance Reported in Governmental Funds | \$ 2,059,334 |
| 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 | 1,124,761 |
| Depreciation expense | (1,252,959) |
| Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available | 120,753 |
| Amortization of bond premium is recognized in the statement of activities and not in the governmental funds | (1,423) |
| The change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities | (9,928) |
| Issuing debt provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position (deficit) | (2,050,000) |
| Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) | 2,363,461 |
| Interest expense is recognized in the government-wide statements as it accrues | 3,610 |
| Change in net pension liability is recorded when incurred in the statement of activities | (463,939) |
| Net other postemployment benefit obligations are expenses in the statement of activities, but not in the governmental funds | (2,845,550) |
| Change in liability related to the nonexchange financial guarantee is recognized in the statement of activities and not in the governmental funds | (817,358) |
| Deposits are recorded as expenditures in the statement of activities | (47,249) |
| Change in Net Position of Governmental Activities | <u>\$ (1,816,487)</u> |

Charter Township of Van Buren

Proprietary Funds Statement of Net Position

December 31, 2017
(with comparative information for December 31, 2016)

| | 2017 | 2016 |
|--|---------------|---------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents (Note 4) | \$ 14,746,639 | \$ 13,490,333 |
| Receivables: | | |
| Special assessments | 160 | 391 |
| Receivables from sales to customers on account | 2,534,931 | 2,377,910 |
| Other receivables | 359,260 | 334,383 |
| Due from other funds (Note 6) | - | 250 |
| Prepaid expenses | 49,336 | 40,182 |
| Total current assets | 17,690,326 | 16,243,449 |
| Noncurrent assets: | | |
| Restricted assets (Note 8) | 18,974,808 | 21,143,926 |
| Capital assets: | | |
| Assets not subject to depreciation (Note 5) | 1,194,247 | 1,628,959 |
| Assets subject to depreciation - Net (Note 5) | 58,649,797 | 59,665,712 |
| Long-term assessment receivable | 146 | 395 |
| Deposits | 33,912 | 93,703 |
| Total noncurrent assets | 78,852,910 | 82,532,695 |
| Total assets | 96,543,236 | 98,776,144 |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | 1,074,066 | 706,746 |
| Refundable deposits, bonds, etc. | 783,137 | 1,105,398 |
| Accrued liabilities and other | 113,113 | 157,040 |
| Compensated absences | 2,525 | 2,364 |
| Current portion of long-term debt (Note 7) | 1,567,099 | 1,526,589 |
| Total current liabilities | 3,539,940 | 3,498,137 |
| Noncurrent liabilities: | | |
| Compensated absences | 23,577 | 26,263 |
| Net OPEB obligation | 325,073 | 310,586 |
| Long-term debt - Net of current portion (Note 7) | 12,170,904 | 13,614,515 |
| Total noncurrent liabilities | 12,519,554 | 13,951,364 |
| Total liabilities | 16,059,494 | 17,449,501 |
| Net Position | | |
| Net investment in capital assets | 46,106,041 | 46,153,567 |
| Restricted (Note 8) - Tax levy - Debt/Capital | 18,974,808 | 21,143,926 |
| Unrestricted | 15,402,893 | 14,029,150 |
| Total net position | \$ 80,483,742 | \$ 81,326,643 |

Charter Township of Van Buren

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

Year Ended December 31, 2017
(with comparative information for the year ended December 31, 2016)

| | 2017 | 2016 |
|---|----------------------|----------------------|
| Operating Revenue | | |
| Sale of water | \$ 3,267,552 | \$ 3,337,961 |
| Sewage disposal charges | 3,219,889 | 3,165,671 |
| Water and sewer service charge | 2,444,307 | 1,621,611 |
| Customer penalties | 207,075 | 135,218 |
| Other revenue | 184,438 | 188,513 |
| Total operating revenue | 9,323,261 | 8,448,974 |
| Operating Expenses | | |
| Water purchases | 2,891,881 | 2,639,326 |
| Sewage disposal charges | 2,015,344 | 2,059,926 |
| Maintenance | 146,566 | 235,105 |
| Supplies and materials | 70,841 | 90,653 |
| Other operating and maintenance costs | 149,207 | 102,454 |
| Administration fees | 620,634 | 621,225 |
| Insurance | 187,167 | 245,544 |
| Payroll taxes and fringe benefits | 827,592 | 779,542 |
| Salaries and wages | 775,230 | 777,071 |
| Professional services | 280,245 | 440,763 |
| Depreciation and amortization | 2,271,701 | 2,265,601 |
| Total operating expenses | 10,236,408 | 10,257,210 |
| Operating Loss | (913,147) | (1,808,236) |
| Nonoperating Revenue (Expense) | | |
| Property tax revenue | 3,768 | 851 |
| Investment income | 376,213 | 354,290 |
| Interest expense | (309,735) | (280,373) |
| Total nonoperating revenue | 70,246 | 74,768 |
| Change in Net Position | (842,901) | (1,733,468) |
| Net Position - Beginning of year | 81,326,643 | 83,060,111 |
| Net Position - End of year | \$ 80,483,742 | \$ 81,326,643 |

Charter Township of Van Buren

Proprietary Funds Statement of Cash Flows

Year Ended December 31, 2017
(with comparative information for the year ended December 31, 2016)

| | 2017 | 2016 |
|---|----------------------|----------------------|
| Cash Flows from Operating Activities | | |
| Receipts from customers | \$ 8,962,092 | \$ 7,927,119 |
| Payments to suppliers | (6,324,117) | (6,387,265) |
| Payments to employees and fringes | (1,576,609) | (1,365,082) |
| Other receipts | 179,271 | 188,513 |
| Net cash and cash equivalents provided by operating activities | 1,240,637 | 363,285 |
| Cash Flows from Capital and Related Financing Activities | | |
| Special assessment collections | 480 | 448 |
| Proceeds from property tax levy | 3,768 | 851 |
| Purchase of capital assets | (698,764) | (770,601) |
| Principal and interest paid on capital debt | (1,815,374) | (2,124,204) |
| Amount paid to Wayne County, Michigan for debt retirement | (253,977) | (1,892) |
| Net cash and cash equivalents used in capital and related financing activities | (2,763,867) | (2,895,398) |
| Cash Flows Provided by Investing Activities - Interest received on investments | 376,213 | 354,290 |
| Net Decrease in Cash and Cash Equivalents | (1,147,017) | (2,177,823) |
| Cash and Cash Equivalents - Beginning of year | 33,572,080 | 35,749,903 |
| Cash and Cash Equivalents - End of year | \$ 32,425,063 | \$ 33,572,080 |
| Statement of Net Position Classification of Cash and Cash Equivalents | | |
| Cash and investments | \$ 14,746,639 | \$ 13,490,333 |
| Restricted investments | 17,678,424 | 20,081,747 |
| Total cash and cash equivalents | \$ 32,425,063 | \$ 33,572,080 |
| Reconciliation of Operating Loss to Net Cash from Operating Activities | | |
| Operating loss | \$ (913,147) | \$ (1,808,236) |
| Adjustments to reconcile operating loss to net cash from operating activities: | | |
| Depreciation and amortization | 2,271,701 | 2,265,601 |
| Changes in assets and liabilities: | | |
| Receivables | (181,898) | (333,342) |
| Due to and from other funds | 250 | - |
| Prepaid and other assets | (9,154) | (5,606) |
| Accounts payable | 59,448 | 53,337 |
| Accrued and other liabilities | 13,437 | 191,531 |
| Total adjustments | 2,153,784 | 2,171,521 |
| Net cash and cash equivalents provided by operating activities | \$ 1,240,637 | \$ 363,285 |

Noncash Investing, Capital, and Financing Activities - The Township has assets held at Wayne County, Michigan (the "County") for the purpose of financing water and sewer lines. During the year ended December 31, 2017, \$131,664 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 \$122,310 for the year ended December 31, 2017.

Charter Township of Van Buren

**Fiduciary Funds
Statement of Fiduciary Net Position**

December 31, 2017

| | <u>OPEB Trust Fund</u> | <u>Agency Funds</u> |
|---|----------------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 106,862 | \$ 3,950,011 |
| Investments: | | |
| Agency securities | 130,272 | - |
| Stocks | 1,987,341 | - |
| Bonds | 692,391 | - |
| | <u>2,916,866</u> | <u>\$ 3,950,011</u> |
| Total assets | | |
| | 2,916,866 | <u>\$ 3,950,011</u> |
| Liabilities - Due to other governmental units | <u>-</u> | <u>\$ 3,950,011</u> |
| Net Position Held in Trust for Pension and Other Employee Benefits | <u>\$ 2,916,866</u> | |

Charter Township of Van Buren

**Fiduciary Funds
Statement of Changes in Fiduciary Net Position**

Year Ended December 31, 2017

| | <u>OPEB Trust Fund</u> |
|---|----------------------------|
| Additions | |
| Investment income: | |
| Interest and dividends | \$ 66,004 |
| Net increase in fair value of investments | 286,286 |
| Investment-related expenses | <u>(23,519)</u> |
| Total investment income | 328,771 |
| Contributions - Employer | <u>929,253</u> |
| Total additions | 1,258,024 |
| Deductions - Benefit payments | <u>353,664</u> |
| Net Increase in Net Position Held in Trust | 904,360 |
| Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year | <u>2,012,506</u> |
| Net Position Held in Trust for Pension and Other Employee Benefits - End of year | <u><u>\$ 2,916,866</u></u> |

Charter Township of Van Buren

Component Units Statement of Net Position (Deficit)

December 31, 2017

| | Downtown Development Authority | Local Development Finance Authority | Total |
|--|--------------------------------------|--|------------------------|
| Assets | | | |
| Cash and investments (Note 4) | \$ 6,637,262 | \$ 1,164,221 | \$ 7,801,483 |
| Receivables | 15,192 | - | 15,192 |
| Prepaid expenses | 2,066 | - | 2,066 |
| Restricted assets (Note 8) | 1,055,171 | - | 1,055,171 |
| Net OPEB asset | 110,499 | - | 110,499 |
| Capital assets - Net (Note 5) | 777,824 | - | 777,824 |
| Total assets | 8,598,014 | 1,164,221 | 9,762,235 |
| Deferred Outflows of Resources - Bond refunding loss being amortized (Note 15) | - | 319,902 | 319,902 |
| Liabilities | | | |
| Accounts payable | 61,812 | 416 | 62,228 |
| Due to primary government | 1,065 | - | 1,065 |
| Accrued liabilities and other | 55,451 | 130,239 | 185,690 |
| Noncurrent liabilities: | | | |
| Due within one year: | | | |
| Compensated absences | 6,388 | - | 6,388 |
| Current portion of long-term debt | 315,630 | 51,296 | 366,926 |
| Due in more than one year: | | | |
| Accrued interest - Capital appreciation bonds | - | 8,472,580 | 8,472,580 |
| Long-term debt - Net of current portion | 5,718,812 | 19,433,681 | 25,152,493 |
| Total liabilities | 6,159,158 | 28,088,212 | 34,247,370 |
| Deferred Inflows of Resources - Property taxes levied for the following year | 1,162,557 | 494,606 | 1,657,163 |
| Net Position | | | |
| Net investment in capital assets | 777,824 | - | 777,824 |
| Restricted - Debt service | 532,880 | - | 532,880 |
| Unrestricted | (34,405) | (27,098,695) | (27,133,100) |
| Total net position (deficit) | \$ 1,276,299 | \$ (27,098,695) | \$ (25,822,396) |

Charter Township of Van Buren

Component Units Statement of Activities

Year Ended December 31, 2017

| | Program Revenue | | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---------------------|----------------------|------------------------------------|----------------------------------|---|-------------------------------------|------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Downtown Development Authority | Local Development Finance Authority | Total |
| Functions/Programs | | | | | | | |
| Downtown Development Authority | \$ 885,868 | \$ - | \$ 10,598 | \$ - | \$ (875,270) | \$ - | \$ (875,270) |
| Local Development Finance Authority | 1,155,920 | - | 62,131 | - | - | (1,093,789) | (1,093,789) |
| Total | \$ 2,041,788 | \$ - | \$ 72,729 | \$ - | (875,270) | (1,093,789) | (1,969,059) |
| General revenue: | | | | | | | |
| Property taxes | | | | | 1,315,842 | 514,807 | 1,830,649 |
| Investment income | | | | | 65,144 | 1,722 | 66,866 |
| Total general revenue | | | | | 1,380,986 | 516,529 | 1,897,515 |
| Change in Net Position | | | | | 505,716 | (577,260) | (71,544) |
| Net Position (Deficit) - Beginning of year | | | | | 770,583 | (26,521,435) | (25,750,852) |
| Net Position (Deficit) - End of year | | | | | \$ 1,276,299 | \$ (27,098,695) | \$ (25,822,396) |

Note 1 - Nature of Business

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.

Note 2 - Significant Accounting Policies

Reporting Entity

The Township 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. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township.

Discretely Presented Component Units

Downtown Development Authority

The Downtown Development Authority (the "Authority" or the "DDA") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of 13 individuals, is selected by the Township's board of trustees. In addition, the Authority's budget is subject to approval by the Township's 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.

Local Development Financing Authority

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

Fund Accounting

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

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund 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 government services other than those specifically assigned to another fund.

Note 2 - Significant Accounting Policies (Continued)

Proprietary Funds

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 quarterly user charges.

Fiduciary Funds

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

- The Other Postemployment Benefits (OPEB) Trust Fund, which accumulates resources for future retiree healthcare payments to qualified employees
- 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 Township has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

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

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".

Note 2 - Significant Accounting Policies (Continued)

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.

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 (deficit) 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

Investments are reported at fair value or estimated 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.

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 Wayne County, Michigan (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.

December 31, 2017

Note 2 - Significant Accounting Policies (Continued)

Capital Assets

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

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>Depreciable Life - Years</u> |
|----------------------------|-------------------------------------|
| Road improvements | 50 |
| Utility system | 50 |
| French Landing Dam | 50 |
| Buildings and improvements | 50 |
| Equipment and furniture | 5 to 10 |
| Vehicles | 5 |
| Land improvements | 15 |

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 (deficit) 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 will not be recognized as an outflow of resources (expense/expenditure) until then.

Note 2 - Significant Accounting Policies (Continued)

The Township reports two items that fall into this category: the deferred charge on refunding reported in the component unit and government-wide statement of net position (deficit) and the deferred outflows of resources related to the defined benefit pension plan 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 (deficit) 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 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.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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 board of trustees 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.

Note 2 - 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 has, by resolution, authorized the supervisor, clerk, and treasurer to assign fund balance. The board of trustees 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 on each December 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2016 property tax revenue was levied and collectible on December 1, 2016 and is recognized as revenue in the year ended December 31, 2017, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2016 taxable valuation of the Township totaled \$969,499,077 (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 4.000 mills for public safety. This resulted in \$70,134,074 for operating and \$3,557,328 for public safety. These amounts are recognized in the respective General Fund financial statements as tax revenue.

Pension

The Township offers pension benefits to its employees. The Township records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs

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

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. Sick pay is accrued for the estimated amount that the Township will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported 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. Generally, the funds that report each employee's compensation (the General Fund and Water and Sewer Fund, primarily) are used to liquidate the obligations.

Note 2 - Significant Accounting Policies (Continued)

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 and internal service funds is charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

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

Upcoming Accounting Pronouncements

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

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2020.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2021.

December 31, 2017

Note 3 - 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, 2017 | | \$ (3,593,083) |
| Current year permit revenue | | 759,044 |
| Related expenses: | | |
| Direct costs | \$ 640,078 | |
| Estimated indirect costs | 161,652 | 801,730 |
| | | |
| Current year shortfall | | (42,686) |
| | | |
| Cumulative shortfall December 31, 2017 | | <u>\$ (3,635,769)</u> |

Fund Deficits

The Township had a fund balance deficit in the Community Development Block Grant fund of \$10,570 at December 31, 2017.

Note 4 - 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 those 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.

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.

December 31, 2017

Note 4 - Deposits and Investments (Continued)

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 \$1,114,147 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 Township had the following investments:

| Investment | Fair Value | Weighted-average Maturity |
|------------------------------------|----------------------|---------------------------|
| Primary Government | | |
| U.S. governmental securities | \$ 19,135,474 | 36.86 months |
| Negotiable certificates of deposit | <u>8,800,000</u> | 26.77 months |
| Total | <u>\$ 27,935,474</u> | |

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 | \$ 23,081,349 | AAAm | S&P |
| Negotiable certificates of deposit | 8,800,000 | n/a | n/a |
| Governmental securities | <u>19,135,474</u> | AA+ | S&P |
| Total | <u>\$ 51,016,823</u> | | |

December 31, 2017

Note 4 - Deposits and Investments (Continued)

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% |
| Government agency - Federal Home Loan Banks | 1,840,000 | 7 |
| Government agency - Federal Home Loan Banks | 1,500,000 | 5 |

Component Units

The component units had bank deposits subject to custodial credit risk (uninsured and uncollateralized) of \$4,418,654. Their investments include a money market account of \$1,055,171, 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 33.35 months, as well as \$2,038,000 in government agencies with a maturity of 34.54 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 Private Bank for the DDA. The DDA's concentration percentage of the certificates of deposit is 18.91, 7.27, and 14.54 percent, respectively.

Fair Value Measurements

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using 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.

December 31, 2017

Note 4 - Deposits and Investments (Continued)

The Township has the following recurring fair value measurements as of December 31, 2017:

| | Assets Measured at Fair Value on a Recurring Basis | | | |
|--|--|--|--|------------------------------------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance at December 31, 2017 |
| Investments by Fair Value Level | | | | |
| Primary government: | | | | |
| U.S. government securities | \$ - | \$ 19,135,474 | \$ - | \$ 19,135,474 |
| Negotiable certificates of deposit | - | 8,800,000 | - | 8,800,000 |
| Total primary government | - | 27,935,474 | - | 27,935,474 |
| Component units: | | | | |
| U.S. government securities | - | 2,038,000 | - | 2,038,000 |
| Negotiable certificates of deposit | - | 1,400,000 | - | 1,400,000 |
| Total component unit | - | 3,438,000 | - | 3,438,000 |
| OPEB trust fund: | | | | |
| Agency securities | 130,272 | - | - | 130,272 |
| Stocks | 1,987,341 | - | - | 1,987,341 |
| Bonds | 692,391 | - | - | 692,391 |
| Total OPEB trust fund | 2,810,004 | - | - | 2,810,004 |
| Total investments by fair value level | \$ 2,810,004 | \$ 31,373,474 | \$ - | \$ 34,183,478 |

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. government securities and negotiable certificates of deposit at December 31, 2017 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 on the table below.

Investments in Entities that Calculate Net Asset Value per Share

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

December 31, 2017

Note 4 - Deposits and Investments (Continued)

At December 31, 2017, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

| | Fair Value | Unfunded Commitments | Redemption Frequency, if Eligible | Redemption Notice Period |
|--------------------------------------|----------------------|-------------------------|---|-----------------------------|
| MBIA CLASS investment pool | \$ 3,064,643 | \$ - | N/A | None |
| Comerica Investment Pool | 20,016,705 | - | N/A | None |
| Total investments measured at NAV | <u>\$ 23,081,348</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 (LGIP) 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.

December 31, 2017

Note 5 - Capital Assets

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

Governmental Activities

| | Balance January 1, 2017 | Reclassifications | Additions | Disposals | Balance December 31, 2017 |
|--|-------------------------------|-------------------|--------------|-----------|---------------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 4,309,157 | \$ - | \$ - | \$ - | \$ 4,309,157 |
| Construction in progress | 17,761 | (18,809) | 222,703 | - | 221,655 |
| Subtotal | 4,326,918 | (18,809) | 222,703 | - | 4,530,812 |
| Capital assets being depreciated: | | | | | |
| French Landing Dam | 2,936,277 | - | - | - | 2,936,277 |
| Buildings and improvements | 15,488,248 | - | 38,800 | - | 15,527,048 |
| Equipment and furniture | 5,089,665 | - | 272,186 | - | 5,361,851 |
| Vehicles | 4,222,073 | - | 511,609 | (128,559) | 4,605,123 |
| Land improvements | 3,251,736 | 18,809 | 79,462 | - | 3,350,007 |
| Subtotal | 30,987,999 | 18,809 | 902,057 | (128,559) | 31,780,306 |
| Accumulated depreciation: | | | | | |
| French Landing Dam | 2,344,498 | - | 61,395 | - | 2,405,893 |
| Buildings and improvements | 4,917,519 | - | 391,202 | - | 5,308,721 |
| Equipment and furniture | 3,940,553 | - | 310,030 | - | 4,250,583 |
| Vehicles | 3,144,997 | - | 273,292 | (128,559) | 3,289,730 |
| Land improvements | 1,646,716 | - | 217,039 | - | 1,863,755 |
| Subtotal | 15,994,283 | - | 1,252,958 | (128,559) | 17,118,682 |
| Net capital assets being depreciated | 14,993,716 | 18,809 | (350,901) | - | 14,661,624 |
| Net governmental activities capital assets | \$ 19,320,634 | \$ - | \$ (128,198) | \$ - | \$ 19,192,436 |

December 31, 2017

Note 5 - Capital Assets (Continued)

Business-type Activities

| | Balance January 1, 2017 | Reclassifications | Additions | Disposals | Balance December 31, 2017 |
|---|----------------------------|-------------------|-----------------------|-------------|---------------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 57,294 | \$ - | \$ - | \$ - | \$ 57,294 |
| Construction in progress | 1,571,665 | (1,013,854) | 579,142 | - | 1,136,953 |
| Subtotal | 1,628,959 | (1,013,854) | 579,142 | - | 1,194,247 |
| Capital assets being depreciated: | | | | | |
| Utility system | 101,909,294 | 1,013,854 | 134,537 | - | 103,057,685 |
| Buildings and improvements | 309,000 | - | - | - | 309,000 |
| Machinery and equipment | 673,124 | - | 88,217 | (21,193) | 740,148 |
| Vehicles | 917,535 | - | - | (54,498) | 863,037 |
| Office furnishings | 209,296 | - | 19,179 | - | 228,475 |
| Subtotal | 104,018,249 | 1,013,854 | 241,933 | (75,691) | 105,198,345 |
| Accumulated depreciation: | | | | | |
| Water and sewer lines | 42,787,826 | - | 2,139,850 | - | 44,927,676 |
| Buildings and improvements | 129,086 | - | 6,305 | - | 135,391 |
| Machinery and equipment | 541,676 | - | 48,251 | (21,193) | 568,734 |
| Vehicles | 715,527 | - | 62,378 | (54,498) | 723,407 |
| Office furnishings | 178,422 | - | 14,918 | - | 193,340 |
| Subtotal | 44,352,537 | - | 2,271,702 | (75,691) | 46,548,548 |
| Net capital assets being depreciated | 59,665,712 | 1,013,854 | (2,029,769) | - | 58,649,797 |
| Net business-type activity capital assets | <u>\$ 61,294,671</u> | <u>\$ -</u> | <u>\$ (1,450,627)</u> | <u>\$ -</u> | <u>\$ 59,844,044</u> |

December 31, 2017

Note 5 - Capital Assets (Continued)

Capital asset activity for the Township's component units for the year ended December 31, 2017 was as follows:

Component Units

| | Balance January 1, 2017 | Reclassifications | Additions | Disposals | Balance December 31, 2017 |
|---|----------------------------|-------------------|------------|-----------|---------------------------------|
| Capital assets not being depreciated - Land | \$ - | \$ - | \$ 426,262 | \$ - | \$ 426,262 |
| Capital assets being depreciated: | | | | | |
| Office furnishings | 2,239 | - | 4,555 | - | 6,794 |
| Land improvements | 1,290,835 | - | - | - | 1,290,835 |
| Intangible road rights - Right of way | 161,413 | - | 67,723 | - | 229,136 |
| Subtotal | 1,454,487 | - | 72,278 | - | 1,526,765 |
| Accumulated depreciation: | | | | | |
| Office furnishings | 1,555 | - | 2,202 | - | 3,757 |
| Land improvements | 1,102,725 | - | 38,802 | - | 1,141,527 |
| Intangible road rights | 9,522 | - | 20,397 | - | 29,919 |
| Subtotal | 1,113,802 | - | 61,401 | - | 1,175,203 |
| Net capital assets being depreciated | 340,685 | - | 10,877 | - | 351,562 |
| Net capital assets | \$ 340,685 | \$ - | \$ 437,139 | \$ - | \$ 777,824 |

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

| | |
|--|---------------------|
| Governmental activities: | |
| General government | \$ 243,592 |
| Public safety | 675,346 |
| Public works | 32,444 |
| Economic development | 301,576 |
| Total governmental activities | <u>\$ 1,252,958</u> |
| Business-type activities - Water and Sewer | \$ 2,271,701 |
| Component unit activities - Downtown Development Authority | \$ 61,401 |

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

| Receivable Fund | Payable Fund | Amount |
|-----------------|-----------------------------------|------------|
| General Fund | Other nonmajor governmental funds | \$ 138,193 |

December 31, 2017

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

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

Note 7 - Long-term Debt

Long-term debt activity for the year ended December 31, 2017 can be summarized as follows:

Governmental Activities

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|---------------------|-----------------------|----------------------|---------------------|
| General obligation | \$ 2,335,000 | \$ 2,050,000 | \$ (2,335,000) | \$ 2,050,000 | \$ 405,000 |
| Net pension liability | 5,265,051 | - | (509,988) | 4,755,063 | - |
| Net OPEB obligation | 14,410,399 | 2,845,550 | - | 17,255,949 | - |
| Compensated absences | 118,786 | 322,947 | (313,019) | 128,714 | 9,928 |
| Nonexchange financial guarantee | 20,802,980 | 817,358 | - | 21,620,338 | - |
| Total governmental activities long-term debt | \$ 42,932,216 | \$ 6,035,855 | \$ (3,158,007) | \$ 45,810,064 | \$ 414,928 |

Business-type Activities

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|-------------------|-----------------------|----------------------|---------------------|
| Bonds and contracts payable - Contractual obligations with Wayne County, Michigan and other debt | \$ 15,141,104 | \$ 122,310 | \$ (1,525,411) | \$ 13,738,003 | \$ 1,567,099 |
| Net OPEB obligation | 310,586 | 14,487 | - | 325,073 | - |
| Compensated absences | 28,627 | 80,674 | (83,199) | 26,102 | 2,525 |
| Total business-type activities long-term debt | \$ 15,480,317 | \$ 217,471 | \$ (1,608,610) | \$ 14,089,178 | \$ 1,569,624 |

Component Unit

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|-------------------|---------------------|----------------------|---------------------|
| Bonds and contracts payable: | | | | | |
| 2015 Refunding bonds | \$ 12,190,000 | \$ - | \$ - | \$ 12,190,000 | \$ - |
| Tax increment bonds | 12,924,656 | - | (310,000) | 12,614,656 | 315,000 |
| DDA bond premium | 10,072 | - | (630) | 9,442 | 630 |
| LDFA bond premium | 756,617 | - | (51,296) | 705,321 | 51,296 |
| Total bonds payable | 25,881,345 | - | (361,926) | 25,519,419 | 366,926 |
| Compensated absences | 6,985 | 6,388 | (6,985) | 6,388 | 6,388 |
| Accrued interest - Capital appreciation bonds | 7,867,396 | 605,184 | - | 8,472,580 | - |
| Total component units long-term debt | \$ 33,755,726 | \$ 611,572 | \$ (368,911) | \$ 33,998,387 | \$ 373,314 |

December 31, 2017

Note 7 - Long-term Debt (Continued)

General Obligation Bonds and Contracts

The Township issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the Township. General obligations outstanding at December 31, 2017 are as follows:

| Purpose | Interest Rates | Maturing | Outstanding |
|---|----------------|----------|----------------------|
| Governmental Activities | | | |
| General obligations - 2017 General Obligation Limited Tax Refunding Bonds, amount of original issue \$2,050,000 | 1.80% to 2.45% | 2022 | \$ <u>2,050,000</u> |
| Business-type Activities | | | |
| Downriver Sewage Disposal System Bonds, Estimated Clean Water Program, 2014, amount of issue - \$11,955,000 | 2.00% | 2035 | \$ 169,092 |
| State Revolving Fund - Downriver Sewage Disposal Bonds, amount of issue \$283,579 | 2.00% | 2018 | 22,205 |
| State Revolving Fund - Downriver Sewage Disposal System Bonds, amount of issue - \$2,364,903 | 2.00% | 2021 | 155,816 |
| South Huron Valley Wastewater Control System SRF Expansion Bonds, amount of issue - \$26,307,133 | 2.25% | 2020 | 1,381,079 |
| Downriver Sewage Disposal System, 2011 Downriver Treatment Plan Improvement Bond, amount of issue - \$174,346 | 1.625% | 2033 | 196,923 |
| State Revolving Loan Fund, 2006, amount of issue - \$12,025,000 | 1.625% | 2026 | 6,294,339 |
| State Revolving Loan Fund, 2016, amount of issue - \$17,708,000 | 2.50% | 2037 | 225,306 |
| Downriver Sewage Disposal System, 2008 Revenue Bond, amount of issue - \$231,955 | 1.625% | 2029 | 135,244 |
| Downriver Sewage Disposal System, 2008 Revenue Bond, amount of issue - \$255,646 | 1.625% | 2030 | 145,949 |
| Downriver Sewage Disposal System, 2008 Revenue Bond, amount of issue - \$96,994 | 1.625% | 2030 | 48,735 |
| Downriver Sewage Disposal System, 2008 Revenue Bond, amount of issue - \$94,741 | 1.625% | 2029 | 51,749 |
| State Revolving Loan Fund, 2005, amount of issue - \$77,254 | 1.625% | 2026 | 41,540 |
| State Revolving Loan Fund, 2007, amount of issue - \$104,577 | 4.0% to 5.4% | 2028 | 48,564 |
| State Revolving Loan Fund, 2007, amount of issue - \$114,251 | 4.25% to 5.0% | 2027 | 70,880 |
| Drinking Water Revolving Loan Fund, 2009, amount of issue - \$6,645,000 | 2.5% | 2029 | 4,370,000 |
| South Huron Valley Utility Authority: Project 5386-01 2011, amount of issue - \$485,963 | 2.5% | 2031 | <u>380,582</u> |
| Total business-type activities | | | <u>\$ 13,738,003</u> |

December 31, 2017

Note 7 - Long-term Debt (Continued)

| Purpose | Interest Rates | Maturing | Outstanding |
|---|----------------|----------|----------------------|
| Component Units | | | |
| 2015 LDFA Tax Increment Refunding Bonds, Series 2015, amount of original issue - \$12,190,000 | 3.00% to 5.00% | 2031 | \$ 12,190,000 |
| 2015 Bond Premium | | | 705,321 |
| Deferred amount on refunding | | | (319,902) |
| Tax Increment Bonds - Series 2003, amount of issue - \$6,589,656 | 5.27% to 5.38% | 2032 | 6,589,656 |
| Tax Increment Bonds - Series 2014, amount of issue - \$2,600,000 | 2.00% to 4.00% | 2032 | 2,120,000 |
| 2014 Bond premium | | | 9,442 |
| Tax Increment Bonds - Series 2012, amount of issue - \$4,900,000 | 2.00% to 3.75% | 2032 | 3,905,000 |
| Total component units | | | <u>\$ 25,199,517</u> |

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, 2017, the LDFA had recorded \$8,472,580 in accrued interest.

Other Long-term Liabilities

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.

Debt Service Requirements to Maturity

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

| Years Ending December 31 | Governmental Activities | | | Business-type Activities | | | Component Unit Activities | | |
|-----------------------------|-------------------------|-------------------|--------------------|--------------------------|--------------------|----------------------|---------------------------|----------------------|----------------------|
| | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2018 | \$ 405,000 | \$ 33,033 | \$ 438,033 | \$ 1,567,099 | \$ 286,734 | \$ 1,853,833 | \$ 315,000 | \$ 728,320 | \$ 1,043,320 |
| 2019 | 395,000 | 36,270 | 431,270 | 1,507,097 | 252,682 | 1,759,779 | 1,905,000 | 695,994 | 2,600,994 |
| 2020 | 410,000 | 28,568 | 438,568 | 1,526,474 | 221,255 | 1,747,729 | 2,310,000 | 599,094 | 2,909,094 |
| 2021 | 415,000 | 19,958 | 434,958 | 1,063,051 | 189,401 | 1,252,452 | 2,430,000 | 509,793 | 2,939,793 |
| 2022 | 425,000 | 10,412 | 435,412 | 1,078,653 | 168,107 | 1,246,760 | 2,630,000 | 393,319 | 3,023,319 |
| 2023-2027 | - | - | - | 5,708,865 | 503,340 | 6,212,205 | 7,138,267 | 7,699,014 | 14,837,281 |
| 2028-2031 | - | - | - | 1,244,143 | 59,158 | 1,303,301 | 8,076,389 | 11,623,673 | 19,700,062 |
| 2032-2036 | - | - | - | 42,621 | 781 | 43,402 | - | - | - |
| Total | <u>\$2,050,000</u> | <u>\$ 128,241</u> | <u>\$2,178,241</u> | <u>\$ 13,738,003</u> | <u>\$1,681,458</u> | <u>\$ 15,419,461</u> | <u>\$ 24,804,656</u> | <u>\$ 22,249,207</u> | <u>\$ 47,053,863</u> |

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 \$7,858,740 payable through 2032. For the current year, principal and interest paid and total property tax captures were \$524,538 and \$1,315,842, respectively.

December 31, 2017

Note 7 - 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 provide funding for various capital projects. 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. Total principal and interest remaining on the debt is \$39,157,400, payable through 2032. For the current year, the principal and interest paid and the total property tax captures were \$1,126,265 and \$514,807, respectively.

Note 8 - Restricted Assets

At December 31, 2017, restricted assets are composed of the following:

| | Business-type Activities | Component Units |
|---------------------------------------|-----------------------------|---------------------|
| Assets held by Wayne County, Michigan | \$ 1,296,384 | \$ - |
| Cash and cash equivalents | 17,678,424 | - |
| Debt service restrictions | - | 1,055,171 |
| Total | \$ 18,974,808 | \$ 1,055,171 |

Restricted assets in business-type activities of \$18,603,350 are from net position held at Wayne County, Michigan 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. Net position has been restricted for \$532,880 for debt service.

Note 9 - 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.

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 it 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:

| | 2017 | 2016 |
|------------------------------------|-------------|-------------|
| Unpaid claims - Beginning of year | \$ 540,347 | \$ 136,077 |
| Claim payments | (540,347) | (136,077) |
| Unpaid claims - End of year | \$ - | \$ - |

Note 10 - Pension Plan

Plan Description

The Charter Township of Van Buren participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS), 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 7.77 percent of gross wages for police patrol/dispatch and 12.00 percent of gross wages for the police command. Additionally, the Township contributes percent of gross 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.

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 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.

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. The annual adjustments are one-half of the change in the Consumer Price Index, limited to a maximum increase in retirement allowance of 2 percent for general employees and 3 percent for public safety employees.

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.

December 31, 2017

Note 10 - Pension Plan (Continued)

Employees Covered by Benefit Terms

The following members 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>48</u> |
| Total employees covered by the plan | <u><u>65</u></u> |

Contributions

State law requires public employers to make pension contributions in accordance with an actuarial valuation. MERS retains an independent actuary for this purpose. 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, 2017, the average active employee contribution was \$26,745 and the Township’s average contribution \$35,911.

Net Pension Liability

The Township has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The December 31, 2017 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2016 measurement date. The December 31, 2016 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

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

| Changes in Net Pension Liability | Increase (Decrease) | | |
|--|-----------------------------|-----------------------------|----------------------------|
| | Total Pension Liability | Plan Net Position | Net Pension Liability |
| Balance at December 31, 2015 | \$ 16,776,138 | \$ 11,511,087 | \$ 5,265,051 |
| Changes for the year: | | | |
| Service cost | 536,987 | - | 536,987 |
| Interest | 1,343,274 | - | 1,343,274 |
| Changes in benefits | 75,756 | - | 75,756 |
| Differences between expected and actual experience | (401,886) | - | (401,886) |
| Contributions - Employer | - | 430,928 | (430,928) |
| Contributions - Employee | - | 320,935 | (320,935) |
| Net investment income | - | 1,338,647 | (1,338,647) |
| Benefit payments, including refunds | (507,411) | (507,411) | - |
| Administrative expenses | - | (26,391) | 26,391 |
| Net changes | <u>1,046,720</u> | <u>1,556,708</u> | <u>(509,988)</u> |
| Balance at December 31, 2016 | <u><u>\$ 17,822,858</u></u> | <u><u>\$ 13,067,795</u></u> | <u><u>\$ 4,755,063</u></u> |

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

For the year ended December 31, 2017, the Township recognized pension expense of \$463,939.

December 31, 2017

Note 10 - Pension Plan (Continued)

At December 31, 2017, 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 | \$ 68,904 | \$ (351,650) |
| Changes in assumptions | 458,595 | - |
| Net difference between projected and actual earnings on pension plan investments | 423,594 | - |
| Employer contributions to the plan subsequent to the measurement date | 485,671 | - |
| Total | <u>\$ 1,436,764</u> | <u>\$ (351,650)</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 December 31 | Amount |
|-----------------------------|------------|
| 2018 | \$ 217,745 |
| 2019 | 217,745 |
| 2020 | 182,955 |
| 2021 | (44,127) |
| 2022 | 37,681 |
| Thereafter | (12,555) |

Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using an inflation assumption of 2.50 percent; assumed salary increases of 3.75 percent (with merit increases totaling up to 11 percent); an investment rate of return (net of investment expenses) of 7.75 percent (including inflation); and the RP-2014 mortality tables.

The actuarial assumptions used in the December 31, 2016 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 assumed that employee contributions will be made at the current contribution rate and that township contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the 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.

December 31, 2017

Note 10 - Pension Plan (Continued)

Investment Rate of Return

Best estimates of arithmetic real rates of return as of the December 31, 2016 measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|-------------------------|-------------------|--|
| Global equity | 57.50 % | 5.02 % |
| Global fixed income | 20.00 | 2.18 |
| Real assets | 12.50 | 4.23 |
| Diversifying strategies | 10.00 | 6.56 |

The preceding target allocation was amended as of January 1, 2017 to reduce the previous allocation to global equity and global fixed income and to increase the allocation of real assets and diversifying strategies. The target allocation as of January 1, 2017 will be 55.5 percent global equity, 18.5 percent global fixed income, 13.5 percent real assets, and 12.5 percent diversifying strategies.

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 or 1 percentage point higher than the current rate:

| | 1 Percent Decrease (7.00%) | Current Discount Rate (8.00%) | 1 Percent Increase (9.00%) |
|---------------------------------------|-------------------------------|-------------------------------------|-------------------------------|
| Net pension liability of the Township | \$ 7,516,005 | \$ 4,755,063 | \$ 2,492,360 |

Pension Plan Fiduciary Net Position

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

Note 11 - 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 \$446,000 during the current year, and employees contributed approximately \$214,000.

December 31, 2017

Note 12 - Other Postemployment Benefits

Plan Description

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

Funding Policy

The collective bargaining agreements require contributions from employees. The AFSCME, POLC Patrol/Dispatch, and MAFF union retirees contribute 10 percent of the premium cost. Retiree healthcare costs are recognized when paid by the Township on a "pay-as-you-go" basis. The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment.

Funding Progress

For the year ended December 31, 2017, 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) | \$ 5,396,587 |
| Interest on the prior year's net OPEB obligation | 588,786 |
| Less adjustment to the annual required contribution | <u>(2,306,582)</u> |
| Annual OPEB cost | 3,678,791 |
| Amounts contributed: | |
| Payment of current premiums | (353,664) |
| Advance funding | <u>(575,589)</u> |
| Increase in net OPEB obligation | 2,749,538 |
| OPEB obligation - Beginning of year | <u>14,720,985</u> |
| OPEB obligation - End of year | <u><u>\$ 17,470,523</u></u> |

The net OPEB obligation is composed of net OPEB obligations in the governmental and business-type activities of \$17,581,022 and net OPEB asset in the component units of \$110,499.

Employer contributions and annual OPEB cost data for the six preceding years were 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 | |
| December 31, 2012 | December 31, 2010 | \$ 1,934,128 | \$ 1,778,061 | 22.20 % | 24.30 % | \$ 7,429,774 |
| December 31, 2013 | December 31, 2012 | 2,173,483 | 1,994,313 | 20.40 | 22.30 | 8,960,817 |
| December 31, 2014 | December 31, 2012 | 2,137,947 | 1,896,097 | 24.90 | 28.10 | 10,325,003 |
| December 31, 2015 | December 31, 2012 | 2,248,860 | 1,940,543 | 24.20 | 28.00 | 11,722,304 |
| December 31, 2016 | January 1, 2016 | 4,719,880 | 3,586,143 | 9.30 | 12.30 | 14,720,985 |
| December 31, 2017 | January 1, 2016 | 5,396,587 | 3,678,791 | 17.20 | 25.30 | 17,470,523 |

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

Note 12 - Other Postemployment Benefits (Continued)

The funding progress of the plan 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) |
|--------------------------|-------------------------------|---------------------------------------|---------------------------|------------------------------|
| December 31, 2010 | \$ - | \$ 16,298,775 | \$ 16,298,775 | - % |
| December 31, 2012 | 849,425 | 22,145,035 | 21,295,610 | 3.84 |
| January 1, 2016 | 1,662,860 | 28,477,765 | 26,814,905 | 5.84 |

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. The schedule of funding progress, presented above, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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.

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 percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2017 was seven years.

Note 13 - Other Postemployment Benefit Plan

Plan Description

The Township administers the Charter Township of Van Buren OPEB Plan (the "Plan"), a single-employer defined benefit OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible employees and their spouses.

Management of the Plan is vested with the board, which consists of seven members - three elected by plan members, three appointed by the Township, and the township treasurer, who serves as an ex officio member.

Benefits Provided

The Plan provides medical coverage and life insurance for retirees and medical coverage for their spouses. Benefits are provided through a third-party insurer, and the cost of benefits is covered by the Plan with a percentage contribution. The AFSCME, POLC Patrol/Dispatch, and MAFF union retirees contribute 10 percent of the premium cost.

December 31, 2017

Note 13 - Other Postemployment Benefit Plan (Continued)

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

| | |
|---|-------------|
| Inactive plan members or beneficiaries currently receiving benefits | 23 |
| Active plan members | 103 |
| | <hr/> |
| Total employees covered by the Plan | 126 |
| | <hr/> <hr/> |

Contributions

The Charter Township of Van Buren OPEB Plan was established and is being funded under the authority of the Township. The Plan's funding policy is that the employer will contribute any required amounts as determined by an annual actuarial valuation. There are no long-term contracts for contributions to the Plan. The Plan has no legally required reserves.

Net OPEB Liability

The Township reports OPEB expense based on funding requirements, as directed by GASB Statement No. 45. Beginning next year, the Township will adopt GASB Statement No. 75, which will require the measurement of OPEB expense as it is earned, rather than as it is funded. The net OPEB liability of the Township has been measured as of December 31, 2017 and is composed of the following:

| | |
|-----------------------------|---------------|
| Total OPEB liability | \$ 25,866,502 |
| Plan fiduciary net position | 2,924,667 |
| | <hr/> |
| Net OPEB liability | \$ 22,941,835 |
| | <hr/> <hr/> |

| | |
|---|---------|
| Plan fiduciary net position as a percentage of the total OPEB liability | 11.31 % |
|---|---------|

The Plan's fiduciary net position represents 11.31 percent of the total OPEB liability.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2016. The valuation used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|----------------------------|--|
| Inflation | included in investment rate of return |
| Healthcare cost trend rate | Pre-65: 8.0% in 2016 graded down 0.5% per year to an ultimate rate of 5.0% |
| | Post-65: 5.0% in all years |
| Salary increases | 2.5% |
| Investment rate of return | 5.43% including inflation |

Discount Rate

The discount rate used to measure the total OPEB liability was 5.43 percent. The projection of cash flows used to determine the discount rate assumed that township contributions will be consistent with the actuarial required amount.

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

December 31, 2017

Note 13 - Other Postemployment Benefit Plan (Continued)

Investment Policy

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

Investment Rate of Return

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

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|-------------------------|-------------------|--|
| Global equity | 63.50 % | 5.05 % |
| Global fixed income | 34.00 | (0.33) |
| Real assets | 2.00 | 2.06 |
| Diversifying strategies | 0.50 | (1.54) |
| Total | 100.00 % | |

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

The following presents the net OPEB liability of the Township, calculated using the discount rate of 5.43 percent, depending on the plan option. The following also reflects what the Township's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.43 percent) or 1 percentage point higher (6.43 percent) than the current rate:

| | 1 Percent Decrease (4.43%) | Current Discount Rate (5.43%) | 1 Percent Increase (6.43%) |
|------------------------------------|----------------------------------|----------------------------------|-------------------------------|
| Net OPEB liability of the Township | \$ 27,545,125 | \$ 22,941,835 | \$ 19,290,670 |

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

The following presents the net OPEB liability of the Township, calculated using the healthcare cost trend rate of 5 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (4 percent) or 1 percentage point higher (6 percent) than the current rate:

| | 1 Percent Decrease (4%) | Current Discount Rate (5%) | 1 Percent Increase (6%) |
|---------------------------------------|----------------------------|-------------------------------|----------------------------|
| Net pension liability of the Township | \$ 18,603,662 | \$ 22,941,835 | \$ 28,509,354 |

December 31, 2017

Note 13 - Other Postemployment Benefit Plan (Continued)

Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 14.05 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 14 - 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, Michigan; 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 \$1,085,223 toward the operation of the system. In addition, debt payments of \$513,103, 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 \$219,343 for operations of the system and \$217,531 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.

The Charter Township of Van Buren 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 2017, 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.

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 2017.

Note 15 - Deferred Inflows/Outflows of Resources

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

| | Governmental Funds | Governmental Activities |
|--|-----------------------|----------------------------|
| Property taxes levied for the next fiscal year | \$ 7,050,493 | \$ 7,050,493 |
| Special assessments - Unavailable | 256,756 | - |
| Grant revenue - Unavailable | 55,999 | - |
| Deferred inflows from pension | - | 351,650 |
| Total deferred inflows | \$ 7,363,248 | \$ 7,402,143 |

The component units also reported \$1,657,163 of deferred inflows of resources at the end of the current fiscal year associated with property taxes levied for the next fiscal year.

December 31, 2017

Note 15 - Deferred Inflows/Outflows of Resources (Continued)

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

| | <u>Government- wide Statements</u> | <u>Component Units</u> |
|--|--|----------------------------|
| Deferred outflows related to pension expense | \$ 1,436,764 | \$ - |
| Bond refunding loss being amortized | <u>27,038</u> | <u>319,902</u> |
| Total deferred outflows | <u>\$ 1,463,802</u> | <u>\$ 319,902</u> |

Note 16 - 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.

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 2019. 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, 2017 is as follows:

| <u>Beginning of Year</u> | <u>Increases</u> | <u>Decreases</u> | <u>End of Year</u> |
|------------------------------|------------------|------------------|--------------------|
| \$ 20,802,980 | \$ 817,358 | \$ - | \$ 21,620,338 |

December 31, 2017

Note 17 - Fund Balance Constraints

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

| | General Fund Combined | Nonmajor Funds | Total |
|---|--------------------------|-------------------|----------------------|
| Nonspendable - Prepaids | \$ 209,876 | \$ 902 | \$ 210,778 |
| Restricted: | | | |
| Law enforcement | - | 208,350 | 208,350 |
| 911 service | - | 153,017 | 153,017 |
| Museum | - | 57,556 | 57,556 |
| PEG fees | 45,962 | - | 45,962 |
| Street lighting | 2,844 | - | 2,844 |
| Total restricted | 48,806 | 418,923 | 467,729 |
| Assigned: | | | |
| Land and municipal facilities (Fire Station #1) - | | | |
| Debt service | 2,050,000 | - | 2,050,000 |
| Senior center bequest activities | 9,140 | - | 9,140 |
| Future obligations | 1,500,000 | - | 1,500,000 |
| French Landing Dam | 227,500 | - | 227,500 |
| Computer networking equipment | 25,000 | - | 25,000 |
| Sidewalk maintenance | 25,000 | - | 25,000 |
| Compensated absences | 128,714 | - | 128,714 |
| Retiree health care | 100,000 | - | 100,000 |
| Total assigned | 4,065,354 | - | 4,065,354 |
| Unassigned | 10,104,885 | (10,570) | 10,094,315 |
| Total fund balance | <u>\$ 14,428,921</u> | <u>\$ 409,255</u> | <u>\$ 14,838,176</u> |

Required Supplemental Information

Charter Township of Van Buren

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2017

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|---|---------------------|---------------------|---------------------|------------------------------------|
| Revenue | | | | |
| Property taxes | \$ 809,370 | \$ 810,000 | \$ 820,143 | \$ 10,143 |
| Public safety tax revenue | 3,498,800 | 3,510,000 | 3,557,328 | 47,328 |
| State-shared revenue and grants | 2,300,200 | 2,563,200 | 2,830,587 | 267,387 |
| Charges for services | 1,281,729 | 1,372,101 | 1,620,107 | 248,006 |
| Fines and forfeitures | 1,000,000 | 1,050,000 | 1,047,412 | (2,588) |
| Licenses and permits | 631,000 | 877,700 | 1,036,044 | 158,344 |
| Investment income | 40,000 | 60,000 | 94,235 | 34,235 |
| Other revenue - Other miscellaneous income | 1,066,925 | 1,103,925 | 1,073,024 | (30,901) |
| Total revenue | 10,628,024 | 11,346,926 | 12,078,880 | 731,954 |
| Expenditures | | | | |
| Current services: | | | | |
| General government: | | | | |
| Township board | 321,683 | 321,683 | 305,974 | 15,709 |
| Supervisor | 356,850 | 310,200 | 302,636 | 7,564 |
| Accounting | 55,000 | 80,000 | 85,280 | (5,280) |
| IT department | 388,471 | 383,326 | 352,116 | 31,210 |
| Treasurer | 345,345 | 337,847 | 328,665 | 9,182 |
| Assessing | 226,676 | 228,582 | 227,840 | 742 |
| General office | 106,000 | 94,000 | 66,928 | 27,072 |
| Clerk | 421,626 | 394,346 | 391,422 | 2,924 |
| Buildings and grounds | 1,275,128 | 1,252,095 | 1,088,946 | 163,149 |
| Attorney | 240,000 | 240,000 | 191,377 | 48,623 |
| Elections | 160,500 | 113,698 | 80,161 | 33,537 |
| Cemetery | 29,980 | 23,700 | 29,714 | (6,014) |
| Public safety: | | | | |
| Police/Sheriff | 5,728,425 | 5,723,425 | 5,514,066 | 209,359 |
| Fire | 1,759,386 | 1,645,059 | 1,604,152 | 40,907 |
| Dispatch | 847,300 | 842,436 | 780,981 | 61,455 |
| Animal control | 333,600 | 333,600 | 222,914 | 110,686 |
| Building inspections and related | 915,611 | 852,111 | 800,097 | 52,014 |
| Public works - Contracted services | 242,000 | 280,500 | 277,772 | 2,728 |
| Recreation and culture: | | | | |
| Parks and lakes | 144,945 | 143,245 | 107,183 | 36,062 |
| Senior citizens | 231,464 | 224,960 | 195,084 | 29,876 |
| Cable | 193,400 | 191,400 | 137,704 | 53,696 |
| Recreation | 452,506 | 452,506 | 428,933 | 23,573 |
| Insurance | 727,000 | 882,000 | 866,171 | 15,829 |
| Total expenditures | 15,502,896 | 15,350,719 | 14,386,116 | 964,603 |
| Excess of Expenditures Over Revenue | (4,874,872) | (4,003,793) | (2,307,236) | 1,696,557 |
| Other Financing Sources - Transfers in | 4,256,902 | 4,256,902 | 4,256,902 | - |
| Net Change in Fund Balance | (617,970) | 253,109 | 1,949,666 | 1,696,557 |
| Fund Balance - Beginning of year | 5,978,916 | 5,978,916 | 5,978,916 | - |
| Fund Balance - End of year | \$ 5,360,946 | \$ 6,232,025 | \$ 7,928,582 | \$ 1,696,557 |

Charter Township of Van Buren

Required Supplemental Information

Schedule of Changes in the Net Pension Liability and Related Ratios

| | Last Three Fiscal Years | | |
|---|-------------------------|----------------------|----------------------|
| | 2016 | 2015 | 2014 |
| Total Pension Liability | | | |
| Service cost | \$ 536,987 | \$ 497,889 | \$ 469,564 |
| Interest | 1,343,274 | 1,231,296 | 1,133,771 |
| Changes in benefit terms | 75,757 | (96,341) | - |
| Differences between expected and actual experience | (401,887) | 91,872 | - |
| Changes in assumptions | - | 611,460 | - |
| Benefit payments, including refunds | (507,411) | (471,790) | (398,961) |
| Net Change in Total Pension Liability | 1,046,720 | 1,864,386 | 1,204,374 |
| Total Pension Liability - Beginning of year | 16,776,138 | 14,911,752 | 13,707,378 |
| Total Pension Liability - End of year | \$ 17,822,858 | \$ 16,776,138 | \$ 14,911,752 |
| Plan Fiduciary Net Position | | | |
| Contributions - Employer | \$ 430,928 | \$ 421,629 | \$ 399,017 |
| Contributions - Member | 320,935 | 266,708 | 230,467 |
| Net investment income (loss) | 1,338,647 | (178,860) | 683,120 |
| Administrative expenses | (26,391) | (25,736) | (25,213) |
| Benefit payments, including refunds | (507,411) | (471,790) | (398,961) |
| Net Change in Plan Fiduciary Net Position | 1,556,708 | 11,951 | 888,430 |
| Plan Fiduciary Net Position - Beginning of year | 11,511,087 | 11,499,136 | 10,610,706 |
| Plan Fiduciary Net Position - End of year | \$ 13,067,795 | \$ 11,511,087 | \$ 11,499,136 |
| Township's Net Pension Liability - Ending | \$ 4,755,063 | \$ 5,265,051 | \$ 3,412,616 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 73.32 % | 68.62 % | 77.11 % |
| Covered Employee Payroll | \$ 3,559,367 | \$ 3,518,478 | \$ 3,242,840 |
| Township's Net Pension Liability as a Percentage of Covered Employee Payroll | 133.59 % | 149.64 % | 105.24 % |

Charter Township of Van Buren

Required Supplemental Information Schedule of Pension Contributions

Last Ten Fiscal Years Years Ended December 31

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Actuarially determined contribution | \$ 485,671 | \$ 430,928 | \$ 421,629 | \$ 399,017 | \$ 396,365 | \$ 386,849 | \$ 424,156 | \$ 436,380 | \$ 453,942 | \$ 429,649 |
| Contributions in relation to the actuarially determined contribution | 485,671 | 430,928 | 421,629 | 399,017 | 396,365 | 386,849 | 424,156 | 436,380 | 453,942 | 429,649 |
| Contribution Deficiency | \$ - |
| Covered Employee Payroll | \$ 4,582,732 | \$ 3,559,367 | \$ 3,518,478 | \$ 3,242,840 | \$ 3,151,341 | \$ 3,402,508 | \$ 3,457,420 | \$ 3,595,208 | \$ 3,832,148 | \$ 3,732,398 |
| Contributions as a Percentage of Covered Employee Payroll | 10.60 % | 12.10 % | 12.00 % | 12.30 % | 12.60 % | 11.40 % | 12.30 % | 12.10 % | 11.80 % | 11.50 % |

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 22 years |
| Asset valuation method | Five-year smoothed |
| Inflation | 2.5 percent |
| Salary increase | 3.75 to 14.75 percent |
| Investment rate of return | 8 percent |
| Retirement age | Normal - 60 years of age or 55 years of age with 15 years of service |
| Mortality | RP-2014 mortality tables |
| Other information | None |

Charter Township of Van Buren

**Required Supplemental Information
Schedule of OPEB Funding Progress**

| Actuarial Valuation Date | Last Ten Fiscal Years Year Ended December 31 | | | |
|--------------------------|---|--|------------------------------|---------------------------------|
| | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (Percent) (a/b) |
| December 31, 2010 | \$ - | \$ 16,298,775 | \$ 16,298,775 | - |
| December 31, 2012 | 849,425 | 22,145,035 | 21,295,610 | 3.84 |
| January 1, 2016 | 1,662,860 | 28,477,765 | 26,814,905 | 5.84 |

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 percent |
| Amortization period (perpetual) | 7 years |
| Actuarial assumptions: | |
| Investment rate of return | 4.0% |
| Projected healthcare cost increases | 5.0%-8.0% |
| *Includes inflation at | 5.0% |
| Cost of living adjustments | None |

Charter Township of Van Buren

Required Supplemental Information Schedule of OPEB Contributions

**Last Ten Fiscal Years
Years Ended December 31**

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Actuarially determined contribution | \$ 5,396,587 | \$ 4,719,880 | \$ 2,248,860 | \$ 2,137,947 | \$ 2,173,483 | \$ 1,934,128 | \$ 1,892,909 | \$ 1,808,895 | \$ 1,895,189 | \$ 1,697,779 |
| Contributions in relation to the actuarially determined contribution | 929,253 | 588,462 | 542,702 | 531,911 | 444,076 | 432,571 | 729,479 | 135,058 | 116,831 | 110,833 |
| Contribution Excess | \$ (4,467,334) | \$ (4,131,418) | \$ (1,706,158) | \$ (1,606,036) | \$ (1,729,407) | \$ (1,501,557) | \$ (1,163,430) | \$ (1,673,837) | \$ (1,778,358) | \$ (1,586,946) |

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of January 1, one or two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

| | |
|-----------------------------|---------------------------------|
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar, closed |
| Amortization period | Eight years |
| Asset valuation method | Equal to market value of assets |
| Inflation | 5.0% |
| Healthcare cost trend rates | 5% - 8% |
| Investment rate of return | 4.0% |
| Cost of living adjustments | None |

Charter Township of Van Buren

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

Year Ended December 31, 2017

Annual money-weighted rate of return, net of investment expense 14.1 %

Charter Township of Van Buren

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

Last Ten Fiscal Years, Built Prospectively from December 31, 2017

| | |
|--|-----------------------------|
| Total OPEB Liability | |
| Service cost | \$ 646,037 |
| Interest | 1,308,005 |
| Changes in assumptions | 470,002 |
| Benefit payments, including refunds | <u>(353,664)</u> |
| Net Change in Total OPEB Liability | 2,070,380 |
| Total OPEB Liability - Beginning of year | <u>23,796,122</u> |
| Total OPEB Liability - End of year | <u>\$ 25,866,502</u> |
| Plan Fiduciary Net Position | |
| Contributions - Employer | \$ 929,253 |
| Net investment income | 354,644 |
| Benefit payments, including refunds | (353,664) |
| Other | <u>(23,519)</u> |
| Net Change in Plan Fiduciary Net Position | 906,714 |
| Plan Fiduciary Net Position - Beginning of year | <u>2,017,953</u> |
| Plan Fiduciary Net Position - End of year | <u>\$ 2,924,667</u> |
| Net OPEB Liability - Ending | <u>\$ 22,941,835</u> |
| Plan Fiduciary Net Position as a Percentage of Total OPEB Liability | 11.3 % |

Charter Township of Van Buren

Note to Required Supplemental Information

December 31, 2017

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, 2017 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.

| | Total Revenue | Total Expenditures | Other Financing Sources |
|--|----------------------|----------------------|-------------------------|
| Amounts per operating statement | \$ 16,584,800 | \$ 14,493,864 | \$ 36,539 |
| Resources received from other funds reported as a reduction in expenditures | 621,225 | 781,225 | 160,000 |
| Less Landfill Fund | (4,762,145) | (523,973) | 4,060,363 |
| Net asset distribution received from MMRMA was budgeted as a reduction of expenditures | (365,000) | (365,000) | - |
| Amounts per budget statement | <u>\$ 12,078,880</u> | <u>\$ 14,386,116</u> | <u>\$ 4,256,902</u> |

The Township did not have significant expenditure budget variances with the exception of the following variance:

| | Budget | Actual | Variance |
|------------|-----------|-----------|------------|
| Accounting | \$ 80,000 | \$ 85,280 | \$ (5,280) |
| Cemetery | 23,700 | 29,714 | (6,014) |

Other Supplemental Information

Charter Township of Van Buren

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds**

December 31, 2017

| | Special Revenue Funds | | | | | Total Nonmajor Governmental Funds |
|---|---|------------------------------|----------------------------|-------------------|------------------|--|
| | Community Development Block Grant | Drug Forfeiture - Federal | Drug Forfeiture - State | 911 Service | Museum | |
| Assets | | | | | | |
| Cash and cash equivalents | \$ - | \$ 25,071 | \$ 183,279 | \$ 166,828 | \$ 60,015 | \$ 435,193 |
| Receivables - Due from other governmental units | 185,738 | - | - | 10,290 | - | 196,028 |
| Prepaid expenses and other assets | - | - | - | - | 902 | 902 |
| Total assets | <u>\$ 185,738</u> | <u>\$ 25,071</u> | <u>\$ 183,279</u> | <u>\$ 177,118</u> | <u>\$ 60,917</u> | <u>\$ 632,123</u> |
| Liabilities | | | | | | |
| Accounts payable | \$ 95 | \$ - | \$ - | \$ 24,101 | \$ 1,592 | \$ 25,788 |
| Due to other funds | 138,148 | - | - | - | 45 | 138,193 |
| Accrued liabilities and other | 4,972 | - | - | - | 822 | 5,794 |
| Total liabilities | 143,215 | - | - | 24,101 | 2,459 | 169,775 |
| Deferred Inflows of Resources - | | | | | | |
| Unavailable revenue | 53,093 | - | - | - | - | 53,093 |
| Fund Balances | | | | | | |
| Nonspendable - Prepays | - | - | - | - | 902 | 902 |
| Restricted: | | | | | | |
| Law enforcement | - | 25,071 | 183,279 | - | - | 208,350 |
| 911 service | - | - | - | 153,017 | - | 153,017 |
| Museum | - | - | - | - | 57,556 | 57,556 |
| Unassigned | (10,570) | - | - | - | - | (10,570) |
| Total fund balances (deficit) | (10,570) | 25,071 | 183,279 | 153,017 | 58,458 | 409,255 |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 185,738</u> | <u>\$ 25,071</u> | <u>\$ 183,279</u> | <u>\$ 177,118</u> | <u>\$ 60,917</u> | <u>\$ 632,123</u> |

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, 2017

| | Special Revenue Funds | | | | | Total Nonmajor Governmental Funds |
|--|---|------------------------------|----------------------------|-------------------|------------------|--|
| | Community Development Block Grant | Drug Forfeiture - Federal | Drug Forfeiture - State | 911 Service | Museum | |
| Revenue | | | | | | |
| Intergovernmental: | | | | | | |
| Federal grants | \$ 387,270 | \$ - | \$ - | \$ - | \$ - | \$ 387,270 |
| State-shared revenue and grants | - | - | 14,356 | - | - | 14,356 |
| Investment income | 214 | 169 | 1,173 | 743 | 615 | 2,914 |
| Other revenue: | | | | | | |
| Contributions and donations | - | - | - | - | 65,054 | 65,054 |
| Other miscellaneous income | - | - | - | 165,267 | - | 165,267 |
| Total revenue | 387,484 | 169 | 15,529 | 166,010 | 65,669 | 634,861 |
| Expenditures | | | | | | |
| Current services: | | | | | | |
| Public safety | - | 23 | 154 | 219,483 | - | 219,660 |
| Community and economic development | 400,776 | - | - | - | - | 400,776 |
| Recreation and culture | - | - | - | - | 82,566 | 82,566 |
| Total expenditures | 400,776 | 23 | 154 | 219,483 | 82,566 | 703,002 |
| Net Change in Fund Balances | (13,292) | 146 | 15,375 | (53,473) | (16,897) | (68,141) |
| Fund Balances - Beginning of year | 2,722 | 24,925 | 167,904 | 206,490 | 75,355 | 477,396 |
| Fund Balances (Deficit) - End of year | \$ (10,570) | \$ 25,071 | \$ 183,279 | \$ 153,017 | \$ 58,458 | \$ 409,255 |