

Charter Township of Fenton

**Financial Report
with Supplemental Information
December 31, 2015**

Charter Township of Fenton

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Fenton

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Fenton (the "Township") as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise the Charter Township of Fenton's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Fenton as of December 31, 2015 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 Fenton

Other Matters

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Fenton'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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

May 19, 2016

Charter Township of Fenton

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Fenton's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2015. Please read it in conjunction with the Charter Township of Fenton's financial statements.

Using this Annual Report

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

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

Governmental Activities

The following table shows, in a condensed format, the current year's net position and changes in net position, compared to the prior two years:

	Governmental Activities				Percent Change
	2013	2014	2015	Change	
Assets					
Other assets	\$ 4,137,556	\$ 4,533,505	\$ 4,559,088	\$ 25,583	1%
Capital assets	<u>3,724,113</u>	<u>3,511,638</u>	<u>3,298,328</u>	<u>(213,310)</u>	-6%
Total assets	7,861,669	8,045,143	7,857,416	(187,727)	-2%
Liabilities					
Current liabilities	321,154	360,606	402,497	41,891	12%
Long-term liabilities	<u>1,737,359</u>	<u>1,688,490</u>	<u>1,598,256</u>	<u>(90,234)</u>	-5%
Total liabilities	2,058,513	2,049,096	2,000,753	(48,343)	1%
Deferred Inflows of Resources	<u>1,862,647</u>	<u>2,063,542</u>	<u>2,063,186</u>	<u>(356)</u>	0%
Net Position					
Net investment in capital assets	2,553,913	2,472,738	2,390,728	(82,010)	-3%
Restricted	937,847	1,169,296	1,094,669	(74,627)	-6%
Unrestricted	<u>448,749</u>	<u>290,471</u>	<u>308,080</u>	<u>17,609</u>	6%
Total net position	<u>\$ 3,940,509</u>	<u>\$ 3,932,505</u>	<u>\$ 3,793,477</u>	<u>\$ (139,028)</u>	-4%

Charter Township of Fenton

Management's Discussion and Analysis (Continued)

	Governmental Activities				Percent
	2013	2014	2015	Change	Change
Revenue					
Program revenue:					
Charges for services	\$ 444,151	\$ 451,338	\$ 439,486	\$ (11,852)	-3%
Operating grants	8,032	76,476	6,115	(70,361)	-92%
General revenue:					
Property taxes	626,966	712,779	740,464	27,685	4%
Township-wide assessments	1,384,283	1,384,260	1,579,246	194,986	14%
State-shared revenue	1,156,130	1,208,803	1,209,739	936	0%
Investment earnings	2,248	899	668	(231)	-26%
Other revenue	698,391	408,160	421,112	12,952	3%
Total revenue	4,320,201	4,242,715	4,396,830	154,115	4%
Program Expenses					
General government	1,755,936	1,209,140	1,225,448	16,308	1%
Legislative	48,855	53,611	45,280	(8,331)	-16%
Public safety	809,644	1,336,689	1,379,399	42,710	3%
Public works	1,167,404	1,258,103	1,234,784	(23,319)	-2%
Recreation and cultural	54,166	-	63,037	63,037	-100%
Interest on long-term debt	41,463	43,176	37,910	(5,266)	-12%
Total expenses	3,877,468	3,900,719	3,985,858	85,139	2%
Transfers	(300,000)	(350,000)	(550,000)	(200,000)	
Change in Net Position	\$ 142,733	\$ (8,004)	\$ (139,028)	\$ (131,024)	1637%

The governmental net position decreased slightly from a year ago, decreasing from \$3,932,505 to \$3,793,477. Last year's net position increased by 4 percent.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations - increased by \$17,609 for the governmental activities. This represents an increase of approximately 6.1 percent. The current level of unrestricted net position for our governmental activities stands at \$308,080, which may be used to meet the Township's ongoing obligations to citizens and creditors.

The Township saw an increase in recreation and cultural expense due to purchases of equipment and expenses through use of PEG funds.

Charter Township of Fenton

Management's Discussion and Analysis (Continued)

Business-type Activities

The following table shows, in a condensed format, the current year's net position and changes in net position, compared to the prior two years:

	Business-type Activities				Percent Change
	2013	2014	2015	Change	
Assets					
Other assets	\$ 2,703,486	\$ 1,858,773	\$ 1,840,573	\$ (18,200)	-1%
Capital assets	<u>39,004,825</u>	<u>38,386,017</u>	<u>37,311,821</u>	<u>(1,074,196)</u>	-3%
Total assets	41,708,311	40,244,790	39,152,394	(1,092,396)	-3%
Deferred Outflows of Resources	129,402	126,039	113,435	(12,604)	-10%
Liabilities					
Current liabilities	741,261	703,836	684,420	(19,416)	-3%
Long-term liabilities	<u>26,181,782</u>	<u>24,112,359</u>	<u>21,900,813</u>	<u>(2,211,546)</u>	-9%
Total liabilities	<u>26,923,043</u>	<u>24,816,195</u>	<u>22,585,233</u>	<u>(2,230,962)</u>	-9%
Net Position					
Net investment in capital assets	13,571,990	15,045,128	16,103,967	1,058,839	7%
Unrestricted	<u>1,342,680</u>	<u>509,506</u>	<u>576,629</u>	<u>67,123</u>	13%
Total net position	<u>\$ 14,914,670</u>	<u>\$ 15,554,634</u>	<u>\$ 16,680,596</u>	<u>\$ 1,125,962</u>	7%

	Business-type Activities				Percent Change
	2013	2014	2015	Change	
Operating revenue	\$ 6,015,995	\$ 6,023,923	\$ 6,094,260	\$ 70,337	1%
Operating expenses, other than depreciation	3,226,874	3,747,382	3,943,408	196,026	5%
Depreciation and amortization	<u>1,190,248</u>	<u>1,206,475</u>	<u>1,204,406</u>	<u>(2,069)</u>	0%
Operating Income	1,598,873	1,070,066	946,446	(123,620)	-12%
Interest income	907	543	304	(239)	-44%
Interest expense	1,445,502	990,083	855,447	(134,636)	-14%
Nonoperating expenses	2,249	2,499	2,141	(358)	-14%
Capital contributions	167,705	211,937	486,800	274,863	130%
Transfers	<u>300,000</u>	<u>350,000</u>	<u>550,000</u>	<u>200,000</u>	
Change in Net Position	<u>\$ 619,734</u>	<u>\$ 639,964</u>	<u>\$ 1,125,962</u>	<u>\$ 485,998</u>	76%

Charter Township of Fenton

Management's Discussion and Analysis (Continued)

The Township's business-type activities consist of the Sewer Fund. The net position of business-type activities increased by 7 percent. Last year's net position increased by 4 percent. Unrestricted net position of the business-type activities increased by \$67,123 or 13 percent. Increases in the business-type net position were related to increases in the amounts of capital contributions during the year. There was an increase in construction in the Township that led to an increase in the tap-ins to obtain access to the sewer system. Also, the refinancing of debt that occurred during 2014 led to a decrease in the amount of interest expense during this current year. Those fluctuations in revenue and expense led to the overall increase in business-type net position.

Charter Township of Fenton

Management's Discussion and Analysis (Continued)

The Township Funds

The following table shows the total governmental fund activity, on a modified accrual basis:

	Governmental Funds				Percent Change
	2013	2014	2015	Change	
Revenue					
Property taxes	\$ 626,966	\$ 712,779	\$ 740,464	\$ 27,685	4%
Charges for services	328,995	323,051	273,470	(49,581)	-15%
Licenses and permits	77,408	93,954	128,887	34,933	37%
State-shared revenue	1,156,130	1,208,803	1,209,739	936	0%
Federal, state, and local grants	27,861	97,107	26,397	(70,710)	-73%
Cable franchise fees	369,784	394,173	412,882	18,709	5%
Fines and forfeitures	16,484	13,702	16,847	3,145	23%
Interest and rentals	2,248	899	668	(231)	-26%
Special assessments	1,384,283	1,384,260	1,579,246	194,986	14%
Other	322,457	13,987	8,230	(5,757)	-41%
Total revenue	4,312,616	4,242,715	4,396,830	154,115	4%
Expenditures					
Current:					
General government	1,176,910	1,134,597	1,192,812	58,215	5%
Legislative	48,855	53,611	45,280	(8,331)	-16%
Public safety	1,212,577	1,209,061	1,254,597	45,536	4%
Public works	1,077,346	1,165,368	1,137,846	(27,522)	-2%
Recreation and culture	54,166	-	63,037	63,037	-100%
Debt service	174,777	174,476	169,210	(5,266)	-3%
Total expenditures	3,744,631	3,737,113	3,862,782	125,669	3%
Excess of Revenue Over Expenditures	567,985	505,602	534,048	28,446	6%
Other Financing Sources (Uses)					
Proceeds from sales of capital assets	6,150	-	-	-	-100%
Transfers - Net	(300,000)	(350,000)	(550,000)	(200,000)	57%
Total other financing uses	(293,850)	(350,000)	(550,000)	(200,000)	57%
Net Change in Fund Balances	274,135	155,602	(15,952)	(171,554)	-110%
Fund Balances - Beginning of year	1,694,194	1,968,329	2,123,931	155,602	8%
Fund Balances - End of year	<u>\$ 1,968,329</u>	<u>\$ 2,123,931</u>	<u>\$ 2,107,979</u>	<u>\$ (15,952)</u>	-1%

Charter Township of Fenton

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

As the Township completed the year, its General Fund reported a fund balance of \$1,535,388. This represents an increase of \$118,800 from the prior year. The Township's General Fund revenue excluding other financing sources totaled \$2.7 million. Property taxes were \$740,464 or 27 percent of the total revenue. State revenue sharing made up \$1,236,136 or 45 percent of total revenue.

Capital Asset and Debt Administration

At the end of 2015, the Township had invested \$2.4 million and \$16.1 million in capital assets, net of related debt in governmental activities and business-type activities, respectively. This amount complies with methods established by the Governmental Accounting Standards Board (GASB).

Long-term Debt

At year end, the Township had \$907,600 in governmental long-term debt. In the Sewer Enterprise Fund, the Township has \$21.9 million in bonds outstanding.

Economic Factors and Next Year's Budgets and Rates

The budget for 2015 was amended as required by state law. Both the original and amended budgets have been shown in this document for 2015. The Township has again produced a timely budget for 2016.

Contacting the Township's Management

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

Charter Township of Fenton

Statement of Net Position December 31, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 2,602,427	\$ 1,431,143	\$ 4,033,570
Receivables	1,622,101	665,906	2,288,007
Internal balances	278,755	(278,755)	-
Prepaid expenses	49,723	17,038	66,761
Land held for resale	6,082	-	6,082
Net OPEB asset	-	5,241	5,241
Capital assets (Note 4):			
Assets not subject to depreciation	93,280	5,485	98,765
Assets subject to depreciation	3,205,048	37,306,336	40,511,384
Total assets	7,857,416	39,152,394	47,009,810
Deferred Outflows of Resources -			
Bond refunding loss being amortized	-	113,435	113,435
Liabilities			
Accounts payable	103,351	81,648	184,999
Accrued interest payable	14,574	180,322	194,896
Due to other governmental units	152,001	-	152,001
Deposits payable	38,150	-	38,150
Accrued liabilities and other	657	-	657
Unearned revenue	93,764	422,450	516,214
Noncurrent liabilities:			
Due within one year:			
Compensated absences (Note 6)	45,414	-	45,414
Current portion of long-term debt (Note 6)	136,300	2,374,339	2,510,639
Due in more than one year:			
Compensated absences (Note 6)	6,781	-	6,781
Net OPEB obligation	638,461	-	638,461
Long-term debt (Note 6)	771,300	19,526,474	20,297,774
Total liabilities	2,000,753	22,585,233	24,585,986
Deferred Inflows of Resources			
Property taxes levied for the following year	504,047	-	504,047
Special assessments levied for the following year	1,559,139	-	1,559,139
Total deferred inflows of resources	2,063,186	-	2,063,186
Net Position			
Net investment in capital assets	2,390,728	16,103,967	18,494,695
Restricted for:			
Fire operations	407,190	-	407,190
Waste collection	95,001	-	95,001
Mosquito control	70,400	-	70,400
Public access programming	522,078	-	522,078
Unrestricted	308,080	576,629	884,709
Total net position	\$ 3,793,477	\$ 16,680,596	\$ 20,474,073

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

Charter Township of Fenton

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,225,448	\$ 223,625	\$ -	\$ -
Legislative	45,280	-	-	-
Public safety	1,379,399	215,861	-	-
Public works	1,234,784	-	6,115	-
Recreation and culture	63,037	-	-	-
Interest on long-term debt	37,910	-	-	-
Total governmental activities	3,985,858	439,486	6,115	-
Sewer Fund	6,005,402	6,094,260	-	486,800
Total primary government	<u>\$ 9,991,260</u>	<u>\$ 6,533,746</u>	<u>\$ 6,115</u>	<u>\$ 486,800</u>
General revenue:				
Property taxes				
Special assessment revenue				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities
Year Ended December 31, 2015

Net (Expense) Revenue and Changes in Net		
Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,001,823)	\$ -	\$ (1,001,823)
(45,280)	-	(45,280)
(1,163,538)	-	(1,163,538)
(1,228,669)	-	(1,228,669)
(63,037)	-	(63,037)
(37,910)	-	(37,910)
(3,540,257)	-	(3,540,257)
-	575,658	575,658
(3,540,257)	575,658	(2,964,599)
740,464	-	740,464
1,579,246	-	1,579,246
1,209,739	-	1,209,739
668	304	972
412,882	-	412,882
8,230	-	8,230
3,951,229	304	3,951,533
(550,000)	550,000	-
(139,028)	1,125,962	986,934
3,932,505	15,554,634	19,487,139
\$ 3,793,477	\$ 16,680,596	\$ 20,474,073

Charter Township of Fenton

Governmental Funds Balance Sheet December 31, 2015

	General Fund	Waste Collection Fund	Fire Fund	Nonmajor Fund - Mosquito Fund	Total
Assets					
Cash and cash equivalents (Note 3)	\$ 1,105,914	\$ 681,196	\$ 631,545	\$ 183,772	\$ 2,602,427
Receivables:					
Property taxes receivable	245,276	-	-	-	245,276
Special assessments receivable	109,004	315,840	256,848	80,925	762,617
Cable revenue receivables	168,798	1,764	-	368	170,930
Due from other governmental units	418,699	-	24,579	-	443,278
Due from other funds	318,050	-	29,818	-	347,868
Prepaid expenses	13,792	-	35,931	-	49,723
Land held for resale	6,082	-	-	-	6,082
Total assets	\$ 2,385,615	\$ 998,800	\$ 978,721	\$ 265,065	\$ 4,628,201
Liabilities					
Accounts payable	\$ 10,545	\$ 66,040	\$ 26,766	\$ -	\$ 103,351
Due to other governmental units	152,001	-	-	-	152,001
Due to other funds	51,063	6,000	11,050	1,000	69,113
Deposits payable	38,150	-	-	-	38,150
Accrued liabilities and other	657	-	-	-	657
Unearned revenue	93,764	-	-	-	93,764
Total liabilities	346,180	72,040	37,816	1,000	457,036
Deferred Inflows of Resources					
Property taxes levied for the following year	504,047	-	-	-	504,047
Special assessments levied for the following year	-	831,759	533,715	193,665	1,559,139
Total deferred inflows of resources	504,047	831,759	533,715	193,665	2,063,186
Fund Balances					
Nonspendable:					
Land held for resale	6,082	-	-	-	6,082
Prepays	13,792	-	35,931	-	49,723
Restricted:					
Fire operations	-	-	371,259	-	371,259
Public access programming	522,078	-	-	-	522,078
Waste collection	-	95,001	-	-	95,001
Mosquito control	-	-	-	70,400	70,400
Unassigned	993,436	-	-	-	993,436
Total fund balances	1,535,388	95,001	407,190	70,400	2,107,979
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,385,615	\$ 998,800	\$ 978,721	\$ 265,065	\$ 4,628,201

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

Charter Township of Fenton

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position December 31, 2015

Fund Balance Reported in Governmental Funds	\$	2,107,979
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		3,298,328
Bonds payable are not due and payable in the current period and are not reported in the funds		(907,600)
Accrued interest is not due and payable in the current period and is not reported in the funds		(14,574)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities		(52,195)
Other long-term liabilities, such as net postemployment obligations, do not present a claim on current financial resources and are not reported as fund liabilities		(638,461)
Net Position of Governmental Activities	\$	<u>3,793,477</u>

Charter Township of Fenton

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2015

	General Fund	Waste Collection Fund	Fire Fund	Nonmajor Fund - Mosquito Fund	Total
Revenue					
Property taxes	\$ 740,464	\$ -	\$ -	\$ -	\$ 740,464
Licenses and permits	128,887	-	-	-	128,887
State-shared revenue and grants	1,236,136	-	-	-	1,236,136
Charges for services	192,382	-	81,088	-	273,470
Fines and forfeitures	16,847	-	-	-	16,847
Investment income	668	-	-	-	668
Other revenue:					
Special assessments	-	853,046	533,520	192,680	1,579,246
Cable franchise fees	412,882	-	-	-	412,882
Other miscellaneous income	8,230	-	-	-	8,230
Total revenue	<u>2,736,496</u>	<u>853,046</u>	<u>614,608</u>	<u>192,680</u>	<u>4,396,830</u>
Expenditures					
Current:					
General government	1,192,812	-	-	-	1,192,812
Legislative	45,280	-	-	-	45,280
Public safety	792,010	-	462,587	-	1,254,597
Public works	205,347	764,824	-	167,675	1,137,846
Recreation and culture	63,037	-	-	-	63,037
Debt service:					
Principal	131,300	-	-	-	131,300
Interest on long-term debt	37,910	-	-	-	37,910
Total expenditures	<u>2,467,696</u>	<u>764,824</u>	<u>462,587</u>	<u>167,675</u>	<u>3,862,782</u>
Excess of Revenue Over Expenditures	268,800	88,222	152,021	25,005	534,048
Other Financing Sources (Uses)					
Transfers in	400,000	-	-	-	400,000
Transfers out	(550,000)	-	(400,000)	-	(950,000)
Net Change in Fund Balances	118,800	88,222	(247,979)	25,005	(15,952)
Fund Balances - Beginning of year	<u>1,416,588</u>	<u>6,779</u>	<u>655,169</u>	<u>45,395</u>	<u>2,123,931</u>
Fund Balances - End of year	<u>\$ 1,535,388</u>	<u>\$ 95,001</u>	<u>\$ 407,190</u>	<u>\$ 70,400</u>	<u>\$ 2,107,979</u>

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

Charter Township of Fenton

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2015

Net Change in Fund Balances - Total Governmental Funds	\$	(15,952)
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		63,727
Depreciation expense		(277,037)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		131,300
Change in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment		29,881
Increases in the obligation for other postemployment benefits are recorded when earned in the statement of activities		(70,947)
Change in Net Position of Governmental Activities	\$	<u>(139,028)</u>

Charter Township of Fenton

Proprietary Funds Statement of Net Position December 31, 2015

	<u>Enterprise Fund</u> <u>Sewer Fund</u>
Assets	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 1,431,143
Receivables:	
Delinquent usage receivable	250,424
User fees	412,252
Connection fees	3,230
Due from other funds	21,245
Prepaid expenses	17,038
Total current assets	<u>2,135,332</u>
Noncurrent assets:	
Net OPEB asset	5,241
Capital assets (Note 4):	
Assets not subject to depreciation	5,485
Assets subject to depreciation	37,306,336
Total noncurrent assets	<u>37,317,062</u>
Total assets	39,452,394
Deferred Outflows of Resources -	
Bond refunding loss being amortized	113,435
Liabilities	
Current liabilities:	
Accounts payable	81,648
Accrued interest payable	180,322
Due to other funds	300,000
Unearned revenue	422,450
Current portion of long-term debt (Note 6)	2,374,339
Total current liabilities	3,358,759
Noncurrent liabilities - Long-term debt	19,526,474
Total liabilities	<u>22,885,233</u>
Net Position	
Net investment in capital assets	16,103,967
Unrestricted	576,629
Total net position	<u>\$ 16,680,596</u>

Charter Township of Fenton

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended December 31, 2015

	<u>Enterprise Fund</u> <u>Sewer Fund</u>
Operating Revenue - Charges for services	\$ 6,094,260
Operating Expenses	
Sewer treatment fees	2,222,421
Other contractual services	1,281,741
Equipment repairs and maintenance	69,180
Insurance	16,666
Billing fees and postage	8,227
Administrative expense	172,698
Utilities	153,720
Miscellaneous	18,755
Depreciation	1,204,406
Total operating expenses	<u>5,147,814</u>
Operating Income	946,446
Nonoperating Revenue (Expense)	
Investment income	304
Bond interest expense	(855,447)
Bond agent fees	(2,141)
Total nonoperating expense	<u>(857,284)</u>
Income - Before contributions	89,162
Capital Contributions - Tap-in fees	486,800
Transfers In	<u>550,000</u>
Change in Net Position	1,125,962
Net Position - Beginning of year	<u>15,554,634</u>
Net Position - End of year	<u><u>\$ 16,680,596</u></u>

Charter Township of Fenton

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2015

	<u>Enterprise Fund</u> <u>Sewer Fund</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 6,260,213
Payments to suppliers	(3,770,563)
Payments to employees	(24,501)
Internal activity - Receipts from other funds	328,755
Other	<u>12,604</u>
Net cash provided by operating activities	2,806,508
Cash Flows from Noncapital Financing Activities -	
Transfers from other funds	550,000
Cash Flows from Capital and Related Financing Activities	
Tap-in fees	489,688
Purchase of capital assets	(130,210)
Principal and interest paid on capital debt	<u>(3,086,312)</u>
Net cash used in capital and related financing activities	<u>(2,726,834)</u>
Net Increase in Cash and Cash Equivalents	629,674
Cash and Cash Equivalents - Beginning of year	<u>801,469</u>
Cash and Cash Equivalents - End of year	<u>\$ 1,431,143</u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 946,446
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation and amortization	1,204,406
Changes in assets and liabilities:	
Receivables	165,953
Prepaid and other assets	(1,355)
Accounts payable	1,502
Due to other funds	478,755
Net OPEB obligation	(1,803)
Other	<u>12,604</u>
Net cash provided by operating activities	<u>\$ 2,806,508</u>

Charter Township of Fenton

Fiduciary Funds Statement of Fiduciary Net Position December 31, 2015

	Retiree Health Care Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ -	\$ 6,112,718
Investments - Mutual funds	236,804	-
Total assets	236,804	<u>\$ 6,112,718</u>
Liabilities		
Accounts payable	-	\$ 8,251
Refundable deposits, bonds, etc.	-	330,191
Undistributed taxes	-	5,774,276
Total liabilities	-	<u>\$ 6,112,718</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 236,804</u>	

Charter Township of Fenton

Fiduciary Funds Statement of Changes in Fiduciary Net Position Retiree Health Care Fund Year Ended December 31, 2015

	<u>Retiree Health Care Fund</u>
Additions	
Investment income:	
Interest and dividends	\$ 2,917
Net decrease in fair value of investments	(7,456)
Investment-related expenses	(1,061)
Contributions - Employer	<u>33,328</u>
Total additions	27,728
Deductions - Benefit payments	<u>8,828</u>
Net Increase in Net Position Held in Trust	18,900
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>217,904</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 236,804</u></u>

Charter Township of Fenton

Notes to Financial Statements December 31, 2015

Note I - Summary of Significant Accounting Policies

Reporting Entity

The Charter Township of Fenton is governed by an elected seven-member council (board). The accompanying financial statements present the Township. The Township had no component units at December 31, 2015.

Accounting and Reporting Principles

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

Report Presentation

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

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

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 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.

Charter Township of Fenton

Notes to Financial Statements December 31, 2015

Note I - Summary of Significant Accounting Policies (Continued)

Fund Accounting

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

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.
- The Waste Collection Fund is used to account for the customer charges which are to be used to pay contracted services for rubbish collection.
- The Fire Fund is used to account for the revenue and expenditures related to fire protection and emergency medical services.
- The Mosquito Control Fund is used to account for the customer charges which are to be used to pay contracted services for mosquito control (note that this is not a "major fund" because the amount of activity is not financially significant).

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 Sewer Disposal System is a separate fund maintained for the operations of the sanitary sewer collection system that transports sewage to the treatment plant operated by Genesee County.

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 Retiree Health Care Fund accumulates resources for postemployment benefit payments for Township retired employees.
- The Agency Funds account for assets held by the Township as an agent for individuals, private organizations, and other governments. These agency funds are reported as fiduciary funds and are not included in the government-wide statement of net position and statement of activities.

Charter Township of Fenton

Notes to Financial Statements December 31, 2015

Note I - Summary of Significant Accounting Policies (Continued)

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

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

Basis of Accounting

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

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

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Township considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period.

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

Charter Township of Fenton

Notes to Financial Statements December 31, 2015

Note I - Summary of Significant Accounting Policies (Continued)

Specific Balances and Transactions

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

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

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.

Capital Assets - Capital assets, which include property, plant, equipment, 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 \$2,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following useful lives:

<u>Capital Asset Class</u>	<u>Lives</u>
Land improvements	15 years
Building and improvements	15-40 years
Sewer system infrastructure	50 years
Machinery and equipment	3-15 years
Furniture and fixtures	5 years
Roads	20 years

Charter Township of Fenton

Notes to Financial Statements December 31, 2015

Note I - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay and the portion of sick pay that is determined to be payable are accrued when incurred in the government-wide and proprietary fund financial statements. Liabilities for these amounts are reported in governmental funds only if they are due and payable, for example, as a result of employee resignations and retirements. Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund.

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 and the Sewer Fund is generally used to liquidate business-type debt.

Other Postemployment Benefit Costs - The Township offers retiree healthcare benefits to retirees. The Township has elected to use the alternative measurement method permitted by GASB Statement No. 45 for plans with fewer than 100 total plan members to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the Township reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any. The net pension OPEB obligation has generally been liquidated from the funds from which the individual employees' salaries are paid, which are generally the General Fund, the Fire Fund, and the Sewer Fund.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has a deferred outflow in the Sewer Fund and government-wide statements related to bond refunding loss that is being amortized.

Charter Township of Fenton

Notes to Financial Statements December 31, 2015

Note I - Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. There are deferred inflows in the governmental funds and in the government-wide statements related to property taxes and special assessments that have been collected by the Township prior to year end but are used to fund 2016 operations.

Net Position Flow Assumption

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

Fund Balance Flow Assumption

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

Fund Balance Policies

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

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

Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

Committed: Amounts that have been formally set aside by the Township for use for specific purposes. Commitments are made and can be rescinded only via resolutions of the Township board.

Charter Township of Fenton

Notes to Financial Statements December 31, 2015

Note I - Summary of Significant Accounting Policies (Continued)

Assigned: Intent to spend resources on specific purposes expressed by the governing body. Assignments must be authorized by resolution and approved by the governing body.

Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

Property Tax Revenue

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

The Township's 2014 tax is levied and collectible on December 1, 2014 and is recognized as revenue in the year ended December 31, 2015, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2014 taxable valuation of the Township totaled \$687 million, on which taxes levied consisted of 0.7109 mills for operating purposes. This resulted in \$491,708 for operations. These amounts are recognized in the respective General Fund financial statements as tax revenue.

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

Charter Township of Fenton

Notes to Financial Statements December 31, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Note 2 - 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, 2015		\$ (1,039,268)
Current year permit revenue		124,716
Related expenses:		
Direct costs	\$ (48,637)	
Estimated indirect costs	<u>(55,891)</u>	<u>(104,528)</u>
Current year surplus		<u>20,188</u>
Cumulative shortfall at December 31, 2015		<u>\$ (1,019,080)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The 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.

Charter Township of Fenton

Notes to Financial Statements December 31, 2015

Note 3 - Deposits and Investments (Continued)

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

The Township's cash and investments are subject to custodial credit risk, which is 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 \$11,290,106 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. 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.

Note 4 - Capital Assets

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

	Balance January 1, 2015	Additions	Balance December 31, 2015
Governmental Activities			
Capital assets not being depreciated -			
Land	\$ 93,280	\$ -	\$ 93,280
Capital assets being depreciated:			
Roads	1,774,617	42,037	1,816,654
Buildings and improvements	2,228,845	-	2,228,845
Machinery and equipment	2,684,390	21,690	2,706,080
Furniture and fixtures	16,174	-	16,174
Land improvements	395,618	-	395,618
Subtotal	7,099,644	63,727	7,163,371
Accumulated depreciation:			
Roads	566,960	96,938	663,898
Buildings and improvements	846,033	60,670	906,703
Machinery and equipment	2,000,216	98,881	2,099,097
Furniture and fixtures	16,174	-	16,174
Land improvements	251,903	20,548	272,451
Subtotal	3,681,286	277,037	3,958,323
Net capital assets being depreciated	3,418,358	(213,310)	3,205,048
Net capital assets	\$ 3,511,638	\$ (213,310)	\$ 3,298,328

Charter Township of Fenton

Notes to Financial Statements December 31, 2015

Note 4 - Capital Assets (Continued)

Business-type Activities	Balance January 1, 2015	Additions	Balance December 31, 2015
Capital assets not being depreciated - Land	\$ 5,485	\$ -	\$ 5,485
Capital assets being depreciated:			
Buildings	520,171	-	520,171
Sewer lines and equipment	58,715,568	130,210	58,845,778
Subtotal	59,235,739	130,210	59,365,949
Accumulated depreciation:			
Buildings	35,801	13,404	49,205
Sewer lines and equipment	20,819,406	1,191,002	22,010,408
Subtotal	20,855,207	1,204,406	22,059,613
Net capital assets being depreciated	38,380,532	(1,074,196)	37,306,336
Net capital assets	<u>\$ 38,386,017</u>	<u>\$ (1,074,196)</u>	<u>\$ 37,311,821</u>

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

Governmental activities:	
General government	\$ 66,306
Public safety	113,793
Public works	96,938
Total governmental activities	<u>\$ 277,037</u>
Business-type activities - Sewer	<u>\$ 1,204,406</u>

Charter Township of Fenton

Notes to Financial Statements December 31, 2015

Note 5 - Interfund Receivables and Payables

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Sewer Fund	\$ 300,000
	Fire Fund	11,050
	Waste Collection Fund	6,000
	Mosquito Fund	1,000
	Total General Fund	318,050
Fire Fund	General Fund	29,818
Sewer Fund	General Fund	21,245
	Total	<u>\$ 369,113</u>

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

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

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Sewer Fund	\$ 550,000
Fire Fund	General Fund	400,000
	Total	<u>\$ 950,000</u>

The transfers from the General Fund to the Sewer Fund represent transfers of unrestricted resources.

The transfers from the Fire Fund to the General Fund represent reimbursement of excess funds left over after the completion of projects for monies transferred by the General Fund in the past to help finance that program.

Charter Township of Fenton

Notes to Financial Statements December 31, 2015

Note 6 - Long-term Debt

The Township was a participant in the county-wide sanitary sewer construction program. This program was financed by general obligation bonds issued by Genesee County. The Township was obligated to assume the portion of the total debt for the construction of the sewer system within its boundaries. The sewer contracts are supported by the full faith and credit of the Township. Significant details regarding the Township's obligations under this program, and details regarding other long-term liabilities, are as follows:

A summary of changes in long-term debt during 2015 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Notes payable:					
General Obligation Limited Tax					
Bonds	\$ 825,000	\$ -	\$ 60,000	\$ 765,000	\$ 65,000
Installment obligations - The State Bank	213,900	-	71,300	142,600	71,300
Total notes payable	1,038,900	-	131,300	907,600	136,300
Accumulated sick and vacation time	82,076	66,662	96,543	52,195	45,414
Total governmental activities	<u>\$ 1,120,976</u>	<u>\$ 66,662</u>	<u>\$ 227,843</u>	<u>\$ 959,795</u>	<u>\$ 181,714</u>
Business-type Activities					
General obligation contracts:					
Ripley Rolston Contract	\$ 300,000	\$ -	\$ 100,000	\$ 200,000	\$ 100,000
Refunded Sewage Disposal System No. 3 2004 B and Improvement Projects Series 2004 A	8,195,000	-	600,000	7,595,000	700,000
Bond Refunding Premium	630,196	-	63,020	567,176	63,020
Sewer Disposal System No. 3 1996A-Refunding	906,683	-	454,194	452,489	452,489
District 3 Expansion (98) Refunding 2007	1,370,245	-	191,445	1,178,800	210,943
Bond Refunding Discount	(68,214)	-	(5,458)	(62,756)	(5,458)
General Obligation Capital Improvement Bonds 2007	8,195,000	-	480,000	7,715,000	500,000
General Obligation Capital Improvement Bonds 2009	2,210,000	-	105,000	2,105,000	110,000
Refunded Sewage Disposal System No. 3 2003	2,290,000	-	215,000	2,075,000	235,000
Bond refunding premium	83,449	-	8,345	75,104	8,345
Total business-type activities	<u>\$ 24,112,359</u>	<u>\$ -</u>	<u>\$ 2,211,546</u>	<u>\$ 21,900,813</u>	<u>\$ 2,374,339</u>

Charter Township of Fenton

Notes to Financial Statements December 31, 2015

Note 6 - Long-term Debt (Continued)

Annual requirements to amortize all debt outstanding as of December 31, 2015, including interest payments, are as follows:

Years Ending December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 136,300	\$ 30,993	\$ 167,293	\$ 2,308,432	\$ 846,895	\$ 3,155,327
2017	136,300	25,604	161,904	2,007,619	773,899	2,781,518
2018	70,000	20,130	90,130	1,964,392	711,203	2,675,595
2019	70,000	17,781	87,781	1,980,846	646,186	2,627,032
2020	75,000	15,349	90,349	1,775,000	576,537	2,351,537
2021-2025	420,000	36,570	456,570	8,940,000	1,619,589	10,559,589
2026-2030	-	-	-	2,345,000	253,563	2,598,563
Total	\$ 907,600	\$ 146,427	\$ 1,054,027	\$ 21,321,289	\$ 5,427,872	\$ 26,749,161

Act 359, Public Acts of 1947, as amended, provides that net indebtedness of municipalities cannot exceed 10 percent of the assessed real and personal property in the Township. As of December 31, 2015, the Charter Township of Fenton incurred \$142,600 applicable to the limitation (the sewer utility contracts and special assessment debt are excluded from the limitation). The Township's debt limit is \$75,312,780.

Future Revenue Pledged for Debt Payment - The above contractual obligations to the County are a result of the County issuance of bonds on the Township's behalf. The Township has pledged substantially all revenue of the Sewer Fund, net of operating expenses, to repay the obligations; in addition, it has pledged to raise property taxes, to the extent permitted by law, if necessary to fund the obligation to repay the County. Proceeds from the County bonds provided financing for sewer improvements. The remaining principal and interest to be paid on the bonds total \$4,234,693. During the current year, net revenue of the system totaled \$2,637,956 compared to the annual debt requirements of \$455,163.

Note 7 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for employee injuries and medical benefit claims and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss, torts, errors and omissions, and sewer discharge claims; the Township is uninsured for unemployment claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Charter Township of Fenton

Notes to Financial Statements December 31, 2015

Note 7 - Risk Management (Continued)

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the authority itself.

The Township estimates the liability for unemployment and sewer discharge 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. The Township has incurred claims in the current year related to sewer backups which did not exceed the amount of insurance deductibles. There is no unpaid claim balance at the beginning or end of the year for unemployment claims.

Note 8 - Defined Contribution Pension Plan

The Township has a defined contribution pension plan (the "Charter Township of Fenton Group Pension Plan") covering all eligible employees who wish to participate. The plan is administered by John Hancock Life Insurance Company. By Township ordinance, the Township contributes 10 percent and employees contribute 5 percent of wages to the plan. The employee may voluntarily contribute in excess of that amount. Benefits are fully vested after 20 months of service with the benefit payable at age 55, or retirement, if later. Employees between the ages of 18 and 65 with at least 90 days of service who wish to participate may elect coverage on January 1 of the plan year. Total payroll and covered payroll for the year were \$804,160 and \$569,038, respectively. The Township's 2015 contributions were \$55,004. Employees contributed \$39,583 during 2015.

Note 9 - Other Postemployment Benefits

Plan Description - The Township provides retiree healthcare benefits to certain active employees after they retire or leave office. This is a single-employer defined benefit plan administered by the Township. The benefits are provided under an ordinance passed by the Township.

Funding Policy - The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). The Township has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The ARC is allocated between governmental activities and business-type activities based on payroll percentages.

Charter Township of Fenton

Notes to Financial Statements December 31, 2015

Note 9 - Other Postemployment Benefits (Continued)

Funding Progress - For the year ended December 31, 2015, the Township has estimated the cost of providing retiree healthcare benefits through a valuation as of December 31, 2013. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 111,391
Interest on the prior year's net OPEB obligation	39,485
Less adjustment to the annual required contribution	<u>(48,404)</u>
Annual OPEB cost	102,472
Amounts contributed:	
Payments of current premiums	(8,828)
Advance funding by Sewer Fund	<u>(24,500)</u>
Increase in net OPEB obligation	69,144
OPEB obligation - Beginning of year	<u>564,076</u>
OPEB obligation - End of year	<u><u>\$ 633,220</u></u>

The Sewer Fund opted to contribute more than the ARC applicable to the Sewer Fund for the current year, resulting in a net OPEB asset in the Sewer Fund.

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

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
12/31/13	12/31/13	\$ 111,391	26.0
12/31/14	12/31/13	111,391	29.5
12/31/15	12/31/14	111,391	30.0

Charter Township of Fenton

Notes to Financial Statements December 31, 2015

Note 9 - 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)
12/31/08	\$ -	\$ 1,380,749	\$ 1,380,749	- %
12/31/11	110,622	1,041,248	930,626	10.6
12/31/13	160,611	1,029,542	868,931	15.6

Actuarial Methods and Assumptions - 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.

The following assumptions were made:

Retirement Age for Active Employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics.

Turnover - Nongroup-specific age-based turnover data from GASB Statement No. 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare Cost Trend Rate - The expected rate of increase in healthcare insurance premiums was based on projections of the NIH National Health Expenditure Projections, 2005-2020.

Health Insurance Premiums - 2013 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation Rate - The expected long-term inflation assumption of 2.0 percent was based on past trend of wage increases.

Payroll Growth Rate - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Charter Township of Fenton

Notes to Financial Statements December 31, 2015

Note 9 - Other Postemployment Benefits (Continued)

Based on the historical and expected returns of the Township's short-term investment portfolio, a discount rate of 7 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2015 was 30 years.

Note 10 - Subsequent Events

Subsequent to year end, the Township refinanced the 2007 General Obligation Capital Improvement Bonds in the Sewer Fund. The debt that was refinanced had an outstanding balance at year end of \$7,715,000.

Note 11 - Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the Township's 2016 fiscal year.

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statements more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the Township will, after adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. GASB Statement No. 74 is effective for fiscal years beginning after June 15, 2016 whereas GASB Statement No. 75 is effective one year later. The Township is currently evaluating the impact these standards will have on the financial statements when adopted during the 2017 and 2018 fiscal years.

Charter Township of Fenton

Notes to Financial Statements December 31, 2015

Note 11 - Upcoming Accounting Pronouncements (Continued)

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement will require governments to disclose in their financial statements information related to tax abatement agreements. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016 fiscal year.

Required Supplemental Information

Charter Township of Fenton

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 721,000	\$ 752,500	\$ 740,464	\$ (12,036)
Licenses and permits	144,200	144,200	128,887	(15,313)
State-shared revenue and grants	1,268,400	1,268,400	1,236,136	(32,264)
Charges for services	185,600	190,300	192,382	2,082
Fines and forfeitures	21,500	21,500	16,847	(4,653)
Investment income	1,500	1,500	668	(832)
Other revenue:				
Special assessments	-	9,000	-	(9,000)
Cable franchise fees	392,000	413,000	412,882	(118)
Other miscellaneous income	24,000	24,000	8,230	(15,770)
Total revenue	2,758,200	2,824,400	2,736,496	(87,904)
Expenditures - Current				
General government	1,230,800	1,305,100	1,192,812	112,288
Legislative	61,900	57,900	45,280	12,620
Public safety	753,800	810,800	792,010	18,790
Public works	279,500	230,900	205,347	25,553
Recreation and culture	112,000	100,200	63,037	37,163
Debt service:				
Principal	131,300	131,300	131,300	-
Interest on long-term debt	37,000	38,000	37,910	90
Total expenditures	2,606,300	2,674,200	2,467,696	206,504
Excess of Revenue Over Expenditures	151,900	150,200	268,800	118,600
Other Financing Sources (Uses)				
Transfers in	-	400,000	400,000	-
Transfers out	(150,000)	(550,000)	(550,000)	-
Net Change in Fund Balance	1,900	200	118,800	118,600
Fund Balance - Beginning of year	1,416,588	1,416,588	1,416,588	-
Fund Balance - End of year	<u>\$ 1,418,488</u>	<u>\$ 1,416,788</u>	<u>\$ 1,535,388</u>	<u>\$ 118,600</u>

Charter Township of Fenton

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Waste Collection Fund Year Ended December 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue - Other revenue - Special assessments	\$ 843,000	\$ 853,000	\$ 853,046	\$ 46
Expenditures - Current - Public works	807,000	772,500	764,824	7,676
Net Change in Fund Balance	36,000	80,500	88,222	7,722
Fund Balance - Beginning of year	6,779	6,779	6,779	-
Fund Balance - End of year	<u>\$ 42,779</u>	<u>\$ 87,279</u>	<u>\$ 95,001</u>	<u>\$ 7,722</u>

Charter Township of Fenton

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Fire Fund Year Ended December 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Charges for services	\$ 108,500	\$ 108,500	\$ 81,088	\$ (27,412)
Other revenue - Special assessments	534,000	533,500	533,520	20
Total revenue	642,500	642,000	614,608	(27,392)
Expenditures - Current -				
Public safety - Fire & EMS	588,200	637,900	462,587	175,313
Other Financing Uses - Transfers out	-	(400,000)	(400,000)	-
Net Change in Fund Balance	54,300	(395,900)	(247,979)	147,921
Fund Balance - Beginning of year	655,169	655,169	655,169	-
Fund Balance - End of year	<u>\$ 709,469</u>	<u>\$ 259,269</u>	<u>\$ 407,190</u>	<u>\$ 147,921</u>

Charter Township of Fenton

Required Supplemental Information OPEB Schedules Year Ended December 31, 2015

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Annual OPEB Costs	Percentage of OPEB Costs Contributed
12/31/08	\$ -	\$ 1,380,749	\$ 1,380,749	-	\$ 107,282	35.0
12/31/11	110,622	1,041,248	930,626	10.6	104,986	12.5
12/31/13	160,611	1,029,542	868,931	15.6	112,678	25.5

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
12/31/13	12/31/13	\$ 111,391	26.0
12/31/14	12/31/13	111,391	29.5
12/31/15	12/31/13	111,391	30.0

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2013, the latest actuarial valuation, follows:

Amortization method	Level percent
Amortization period (perpetual)	30 years
Asset valuation method	Four-year smoothed market

Actuarial assumptions:

Investment rate of return	7.0%
Projected salary increases	2.0%
*Includes inflation at	2.0%
Cost of living adjustments	None

Charter Township of Fenton

Note to Required Supplemental Information Year Ended December 31, 2015

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds, except that operating transfers and debt proceeds have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." All annual appropriations lapse at fiscal year end.

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

1. A public hearing is held in conjunction with a regular board meeting.
2. The Township board adopts the budget on a departmental level at a regular board meeting.

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 (i.e., the level at which expenditures may not legally exceed appropriations).

Other Supplemental Information

Charter Township of Fenton

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Fund Mosquito Fund Year Ended December 31, 2015

	Original Budget - Unaudited	Amended Budget - Unaudited	Actual	Variance with Amended Budget
Revenue - Other revenue - Special assessments	\$ 190,500	\$ 192,500	\$ 192,680	\$ 180
Expenditures - Current - Public works	169,300	169,400	167,675	1,725
Net Change in Fund Balance	21,200	23,100	25,005	1,905
Fund Balance - Beginning of year	45,395	45,395	45,395	-
Fund Balance - End of year	<u>\$ 66,595</u>	<u>\$ 68,495</u>	<u>\$ 70,400</u>	<u>\$ 1,905</u>

Charter Township of Fenton

Other Supplemental Information Fiduciary Funds - Agency Funds December 31, 2015

	Agency Funds		
	Trust and Agency Fund	Current Tax Collection Fund	Total Agency Funds
Assets - Cash and cash equivalents	\$ 338,442	\$ 5,774,276	\$ 6,112,718
Liabilities			
Accounts payable	\$ 8,251	\$ -	\$ 8,251
Deposits payable	330,191	-	330,191
Undistributed taxes	-	5,774,276	5,774,276
Total liabilities	\$ 338,442	\$ 5,774,276	\$ 6,112,718

May 19, 2016

To the Board of Trustees
Charter Township of Fenton

We have audited the financial statements of the Charter Township of Fenton (the "Township") as of and for the year ended December 31, 2015 and have issued our report thereon dated May 19, 2016. Professional standards require that we provide you with the following information related to our audit which is divided into the following sections:

Section I - Required Communications with Those Charged with Governance

Section II - Other Recommendations, Legislative Updates, and Related Information

Section I includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the board of trustees of the Charter Township of Fenton.

Section II presents recommendations related to internal control, procedures, and other matters noted during our current year audit. These comments are offered in the interest of helping the Township in its efforts toward continuous improvement, not just in the areas of internal control and accounting procedures, but also in operational or administrative efficiency and effectiveness.

We would like to take this opportunity to thank the Township's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the board of trustees and management of the Charter Township of Fenton and is not intended to be and should not be used by anyone other than these specified parties.

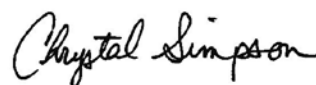
We welcome any questions you may have regarding the following communications and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC



Pamela Hill, CPA



Chrystal Simpson, CPA

Section I - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 11, 2015, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on January 15, 2016.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015.

We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were the useful lives of capital assets and the calculation of the estimated cost of the other postemployment benefit obligation. Management's estimate of the useful lives of assets is based on the prior history of similar assets. The calculation of the estimated cost of the other postemployment benefit obligation is based on an actuarial valuation. We evaluated the key factors and assumptions used in the actuarial valuation to develop the calculation of the annual required contribution for and estimated cost of the other postemployment benefit obligation in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

**Section I - Required Communications with Those Charged with Governance
(Continued)**

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Township, and business plans and strategies that may affect the risks of material misstatement with management each year prior to our retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 19, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Section II - Other Recommendations, Legislative Updates, and Related Information

Other Recommendations

It was noted during the audit that at year end, there were more interfund receivables/payables outstanding than typical. This is perfectly acceptable and allowed under accounting standards. However, as a best practice, we recommend the interfund items be paid back on at least a quarterly basis. This will help to ensure that these balances do not grow and are paid back in a reasonable timeframe to the lending fund.

Legislative Updates

New Other Postemployment Benefits Standards (Retiree Healthcare Obligations)

In June 2015, the GASB issued new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB, which refers to retiree healthcare). GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees.

Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statements more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the Township will, after adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. The Township is currently evaluating the impact these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for fiscal years beginning after June 15, 2016 (the Township's year ending December 31, 2017) whereas GASB Statement No. 75 is effective one year later.

The accounting entries to implement GASB Statement No. 75 and allocate these costs to the various proprietary funds and governmental functions are complex. We are happy to work with the Township and its actuarial firm over the next year to ensure smooth implementation of this new standard. We would also encourage Township personnel to view the free webinars available on Plante & Moran, PLLC's website, if you have not already done so. In addition, we have developed and distributed a comprehensive GASB Statement No. 75 toolkit for use by your staff.

Administrative Charges

The services provided by employees that are traditionally charged to the General Fund (Treasury, finance, HR, etc.) oftentimes significantly benefit other funds. As a result, it is a fairly common practice to charge administrative fees to the other funds. Administrative fees can take many forms such as interfund allocations, chargebacks, payment in lieu of taxes to other funds (such as a golf course), etc. While the practice of charging for administrative services provided to your sewer funds and such may certainly be justified, there seems to be a heightened focus lately on the methodology and amount of charges. Given the fact that many cost allocation methodologies were implemented many years ago, it would be prudent to revisit your current methodology and the related inputs to ensure that any administrative charges are fully substantiated.

Section II - Other Recommendations, Legislative Updates, and Related Information (Continued)

Proposed Legislation

House Bill 4213 of 2015 - This bill would change the calculation of taxable value to eliminate inflation adjustments in years in which state equalized value does not increase by at least inflation. Currently, the taxable value of a specific parcel can increase each year by the lesser of inflation or 5 percent. Under this bill, the state equalized value would have to increase by inflation as well, otherwise the parcel value stays at the prior year taxable value.

House Bill 4201 of 2015 - This one sentence bill would establish a requirement that at least 75 percent of the proceeds of a county millage shall be expended within the city, village, or township where it was collected.

House Bill 4909 of 2015 - Commonly referred to as “Dark Stores” legislation, this bill would prohibit negative use restrictions that do not allow occupancy or use that is otherwise lawful. An example would be a term in a commercial lease that prevents the owner from leasing the property to another retailer. This bill would also require a plan for re-lease, reuse, redevelopment, or sale of the property in the event of a vacancy.