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# Charter Township of Fenton

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

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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, 2017 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, 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 Fenton

***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 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 other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plante & Moran, PLLC*

May 11, 2018

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, 2017. 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 the reader how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

# Charter Township of Fenton

## Management's Discussion and Analysis (Continued)

### Government-wide Overall Financial Analysis

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

### Township's Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current and other assets:						
Cash and cash equivalents	\$ 3,847,190	\$ 2,722,334	\$ 1,415,771	\$ 1,042,186	\$ 5,262,961	\$ 3,764,520
Receivables:						
Receivables	2,184,826	2,406,167	745,019	953,029	2,929,845	3,359,196
Internal balances	(8,813)	325,000	8,813	(325,000)	-	-
Other assets:						
Prepaid expenses	72,467	97,540	18,737	18,177	91,204	115,717
Restricted assets	-	147,564	177,278	-	177,278	147,564
Land held for resale	4,215	6,392	-	-	4,215	6,392
Net OPEB asset	-	-	-	16,172	-	16,172
Capital assets	3,643,576	3,276,420	36,461,962	36,186,182	40,105,538	39,462,602
Total assets	9,743,461	8,981,417	38,827,580	37,890,746	48,571,041	46,872,163
<b>Deferred Outflows of Resources</b>	-	-	185,798	208,158	185,798	208,158
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	298,846	90,150	70,421	108,134	369,267	198,284
Accrued interest payable	8,908	14,574	134,267	138,559	143,175	153,133
Due to other governmental units	120,000	172,352	-	-	120,000	172,352
Deposits payable	63,950	50,500	-	-	63,950	50,500
Accrued liabilities and other	9,214	6,575	-	-	9,214	6,575
Unearned revenue	-	93,764	437,580	422,098	437,580	515,862
Noncurrent liabilities:						
Due within one year:						
Compensated absences	45,508	45,602	-	-	45,508	45,602
Current portion of long-term debt	136,000	151,300	2,230,839	2,139,066	2,366,839	2,290,366
Due in more than one year:						
Compensated absences	59,514	13,095	-	-	59,514	13,095
Net OPEB obligation	589,213	675,724	-	-	589,213	675,724
Long-term debt	1,520,000	1,395,000	17,052,508	17,583,348	18,572,508	18,978,348
Total liabilities	2,851,153	2,708,636	19,925,615	20,391,205	22,776,768	23,099,841
<b>Deferred Inflows of Resources</b>	2,044,004	2,080,301	-	-	2,044,004	2,080,301
<b>Net Position</b>						
Net investment in capital assets	3,008,576	2,505,120	17,541,691	16,671,926	20,550,267	19,177,046
Restricted:						
Fire operations	498,605	518,685	-	-	498,605	518,685
Waste collection	102,170	107,619	-	-	102,170	107,619
Mosquito control	174,140	118,344	-	-	174,140	118,344
Debt service	262,553	281,618	-	-	262,553	281,618
Public access programming	578,280	522,079	-	-	578,280	522,079
Rubbish	13,758	-	-	-	13,758	-
Unrestricted	210,222	139,015	1,546,072	1,035,773	1,756,294	1,174,788
Total net position	<b>\$ 4,848,304</b>	<b>\$ 4,192,480</b>	<b>\$ 19,087,763</b>	<b>\$ 17,707,699</b>	<b>\$ 23,936,067</b>	<b>\$ 21,900,179</b>

# Charter Township of Fenton

## Management's Discussion and Analysis (Continued)

### Township's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 517,536	\$ 543,117	\$ 6,240,484	\$ 6,171,310	\$ 6,758,020	\$ 6,714,427
Operating grants	104,006	11,948	-	-	104,006	11,948
Capital grants	-	-	405,700	359,850	405,700	359,850
General revenue:						
Taxes - Property taxes	779,601	766,896	-	-	779,601	766,896
Intergovernmental	1,338,139	1,242,711	-	-	1,338,139	1,242,711
Investment earnings	7,343	1,325	572	362	7,915	1,687
Other revenue:						
Cable franchise fees	407,980	415,562	-	-	407,980	415,562
Proceeds from sale of capital assets	-	5,000	-	-	-	5,000
Income from joint venture (if not directly allocate)	1,838,485	2,342,342	-	-	1,838,485	2,342,342
Other miscellaneous income	74,230	19,156	-	-	74,230	19,156
<b>Total revenue</b>	<b>5,067,320</b>	<b>5,348,057</b>	<b>6,646,756</b>	<b>6,531,522</b>	<b>11,714,076</b>	<b>11,879,579</b>
<b>Expenses</b>						
General government	1,117,525	935,012	-	-	1,117,525	935,012
Legislative	75,209	63,851	-	-	75,209	63,851
Public safety	1,289,995	1,469,373	-	-	1,289,995	1,469,373
Public works	1,582,840	1,979,080	-	-	1,582,840	1,979,080
Community and economic development	81,677	-	-	-	81,677	-
Recreation and culture	90,236	127,350	-	-	90,236	127,350
Debt service	49,014	49,388	-	-	49,014	49,388
Sewer expenses	-	-	5,521,742	5,699,369	5,521,742	5,699,369
<b>Total expenses</b>	<b>4,286,496</b>	<b>4,624,054</b>	<b>5,521,742</b>	<b>5,699,369</b>	<b>9,808,238</b>	<b>10,323,423</b>
<b>Transfers</b>	<b>(125,000)</b>	<b>(325,000)</b>	<b>125,000</b>	<b>325,000</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>\$ 655,824</b>	<b>\$ 399,003</b>	<b>\$ 1,250,014</b>	<b>\$ 1,157,153</b>	<b>\$ 1,905,838</b>	<b>\$ 1,556,156</b>

The governmental net position increased 15.6 percent from a year ago, increasing from \$4,192,480 to \$4,848,304. Last year's net position increased by 10.5 percent.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations - increased by \$71,207 for the governmental activities. This represents an increase of approximately 51 percent. The current level of unrestricted net position for our governmental activities stands at \$210,222, which may be used to meet the Township's ongoing obligations to citizens and creditors.

The Township saw a decrease in public works expenses due to road projects that were capitalizable under GASB 51 this year versus road costs in the previous year that were not related to main roads.

The Township's business-type activities consist of the Sewer Fund. The net position of business-type activities increased by 8 percent. Last year's net position increased by 7 percent. Unrestricted net position of the business-type activities increased by approximately \$510,000 or 49 percent. Increases in the business-type net position were related to increases in operating revenue and a decrease in other contractual services.

## **Charter Township of Fenton**

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

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#### **General Fund Budgetary Highlights**

As the Township completed the year, its General Fund reported a fund balance of \$1,696,576. This represents an increase of \$156,450 from the prior year. The Township's General Fund revenue, excluding other financing sources, totaled \$3.1 million. Property taxes were \$779,601, or 25 percent of the total revenue. State revenue sharing made up \$1,365,808, or 44 percent of total revenue.

#### **Capital Assets and Debt Administration**

At the end of 2017, the Township had invested \$3 million and \$17.4 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).

At year end, the Township had \$1,656,000 in governmental long-term debt. In the Sewer Enterprise Fund, the Township has \$19.3 million in bonds outstanding.

#### **Economic Factors and Next Year's Budgets and Rates**

The budget for 2017 was amended as required by state law. Both the original and amended budgets have been shown in this document for 2017. The Township has again produced a timely budget for 2018.

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

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



# Charter Township of Fenton

## Statement of Net Position

December 31, 2017

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 3,847,190	\$ 1,415,771	\$ 5,262,961
Receivables	2,184,826	745,019	2,929,845
Internal balances	(8,813)	8,813	-
Prepaid expenses	72,467	18,737	91,204
Restricted assets - Cash and cash equivalents	-	177,278	177,278
Land held for resale	4,215	-	4,215
Capital assets: (Note 4)			
Assets not subject to depreciation	93,280	1,489,909	1,583,189
Assets subject to depreciation	3,550,296	34,972,053	38,522,349
Total assets	9,743,461	38,827,580	48,571,041
<b>Deferred Outflows of Resources</b> - Bond refunding loss being amortized	-	185,798	185,798
<b>Liabilities</b>			
Accounts payable	298,846	70,421	369,267
Accrued interest payable	8,908	134,267	143,175
Due to other governmental units	120,000	-	120,000
Deposits payable	63,950	-	63,950
Accrued liabilities and other	9,214	-	9,214
Unearned revenue	-	437,580	437,580
Noncurrent liabilities:			
Due within one year:			
Compensated absences (Note 6)	45,508	-	45,508
Current portion of long-term debt (Note 6)	136,000	2,230,839	2,366,839
Due in more than one year:			
Compensated absences (Note 6)	59,514	-	59,514
Net OPEB obligation	589,213	-	589,213
Long-term debt (Note 6)	1,520,000	17,052,508	18,572,508
Total liabilities	2,851,153	19,925,615	22,776,768
<b>Deferred Inflows of Resources</b>			
Property taxes levied for the following year	528,603	-	528,603
Special assessments levied for the following year	1,515,401	-	1,515,401
Total deferred inflows of resources	2,044,004	-	2,044,004
<b>Net Position</b>			
Net investment in capital assets	3,008,576	17,541,691	20,550,267
Restricted:			
Fire operations	498,605	-	498,605
Waste collection	102,170	-	102,170
Mosquito control	174,140	-	174,140
Debt service	262,553	-	262,553
Public access programming	578,280	-	578,280
Dog park	13,758	-	13,758
Unrestricted	210,222	1,546,072	1,756,294
Total net position	<b>\$ 4,848,304</b>	<b>\$ 19,087,763</b>	<b>\$ 23,936,067</b>

# Charter Township of Fenton

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Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,117,525	\$ 214,779	\$ -	\$ -
Legislative	75,209	-	-	-
Public safety	1,289,995	301,957	-	-
Public works	1,582,840	800	74,038	-
Community and economic development	81,677	-	-	-
Recreation and culture	90,236	-	29,968	-
Interest on long-term debt	49,014	-	-	-
Total governmental activities	4,286,496	517,536	104,006	-
Business-type activities - Sewer Fund	5,521,742	6,240,484	-	405,700
Total primary government	<b>\$ 9,808,238</b>	<b>\$ 6,758,020</b>	<b>\$ 104,006</b>	<b>\$ 405,700</b>

General revenue:

- Property taxes
- State-shared revenue
- Special assessment 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, 2017

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (902,746)	\$ -	\$ (902,746)
(75,209)	-	(75,209)
(988,038)	-	(988,038)
(1,508,002)	-	(1,508,002)
(81,677)	-	(81,677)
(60,268)	-	(60,268)
(49,014)	-	(49,014)
(3,664,954)	-	(3,664,954)
-	1,124,442	1,124,442
(3,664,954)	1,124,442	(2,540,512)
779,601	-	779,601
1,338,139	-	1,338,139
1,838,485	-	1,838,485
7,343	572	7,915
407,980	-	407,980
74,230	-	74,230
4,445,778	572	4,446,350
(125,000)	125,000	-
655,824	1,250,014	1,905,838
4,192,480	17,837,749	22,030,229
<b><u>\$ 4,848,304</u></b>	<b><u>\$ 19,087,763</u></b>	<b><u>\$ 23,936,067</u></b>

# Charter Township of Fenton

## Governmental Funds Balance Sheet

December 31, 2017

	General Fund	Waste Collection Fund	Fire Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents (Note 3)	\$ 1,771,320	\$ 732,452	\$ 803,048	\$ 540,370	\$ 3,847,190
Receivables:					
Property taxes receivable	207,010	-	-	-	207,010
Special assessments receivable	20,359	290,015	209,464	861,257	1,381,095
Cable revenue receivables	100,630	823	-	-	101,453
Other receivables	24,685	-	-	129	24,814
Due from other governmental units	457,809	-	12,645	-	470,454
Due from other funds	16,742	-	13,133	-	29,875
Prepaid expenses	35,796	-	36,671	-	72,467
Land held for resale	4,215	-	-	-	4,215
<b>Total assets</b>	<b>\$ 2,638,566</b>	<b>\$ 1,023,290</b>	<b>\$ 1,074,961</b>	<b>\$ 1,401,756</b>	<b>\$ 6,138,573</b>
<b>Liabilities</b>					
Accounts payable	\$ 198,277	\$ 70,769	\$ 29,646	\$ 154	\$ 298,846
Due to other governmental units	120,000	-	-	-	120,000
Due to other funds	21,946	2,800	11,500	2,442	38,688
Deposits payable	63,950	-	-	-	63,950
Accrued liabilities and other	9,214	-	-	-	9,214
<b>Total liabilities</b>	<b>413,387</b>	<b>73,569</b>	<b>41,146</b>	<b>2,596</b>	<b>530,698</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	-	-	-	816,069	816,069
Property taxes levied for the following year	528,603	-	-	-	528,603
Special assessments levied for the following year	-	847,551	535,210	132,640	1,515,401
<b>Total deferred inflows of resources</b>	<b>528,603</b>	<b>847,551</b>	<b>535,210</b>	<b>948,709</b>	<b>2,860,073</b>
<b>Fund Balances</b>					
Nonspendable:					
Land held for resale	4,215	-	-	-	4,215
Prepays	35,796	-	36,671	-	72,467
Restricted:					
Fire operations	-	-	461,934	-	461,934
Debt service	-	-	-	262,553	262,553
Public access programming	578,280	-	-	-	578,280
Waste collection	-	102,170	-	-	102,170
Mosquito control	-	-	-	174,140	174,140
Dog park	-	-	-	13,758	13,758
Unassigned	1,078,285	-	-	-	1,078,285
<b>Total fund balances</b>	<b>1,696,576</b>	<b>102,170</b>	<b>498,605</b>	<b>450,451</b>	<b>2,747,802</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 2,638,566</b>	<b>\$ 1,023,290</b>	<b>\$ 1,074,961</b>	<b>\$ 1,401,756</b>	<b>\$ 6,138,573</b>

# Charter Township of Fenton

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

December 31, 2017

<b>Fund Balances Reported in Governmental Funds</b>	\$ 2,747,802
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	3,643,576
Special assessment receivables that are not collected soon after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	816,069
Bonds payable are not due and payable in the current period and are not reported in the funds	(1,656,000)
Accrued interest is not due and payable in the current period and is not reported in the funds	(8,908)
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	(105,022)
Other postemployment benefits	(589,213)
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ 4,848,304</u></u></b>

# Charter Township of Fenton

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances

**Year Ended December 31, 2017**

	General Fund	Waste Collection Fund	Fire Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>					
Property taxes	\$ 779,601	\$ -	\$ -	\$ -	\$ 779,601
Special assessments	-	846,579	533,585	287,215	1,667,379
Intergovernmental:					
Federal grants	65,425	-	-	-	65,425
State-shared revenue and grants	1,365,808	-	-	-	1,365,808
Local contributions	-	-	-	29,968	29,968
Charges for services	192,611	-	94,142	-	286,753
Fines and forfeitures	9,335	-	-	-	9,335
Licenses and permits	202,392	-	-	-	202,392
Investment income	1,157	-	-	6,186	7,343
Other revenue:					
Cable franchise fees	407,980	-	-	-	407,980
Other miscellaneous income	74,230	-	-	-	74,230
Total revenue	<u>3,098,539</u>	<u>846,579</u>	<u>627,727</u>	<u>323,369</u>	<u>4,896,214</u>
<b>Expenditures</b>					
Current:					
General government	1,087,294	-	-	-	1,087,294
Legislative	75,209	-	-	-	75,209
Public safety	783,154	-	647,807	-	1,430,961
Public works	552,620	852,028	-	474,799	1,879,447
Community and economic development	81,677	-	-	-	81,677
Recreation and culture	74,020	-	-	16,216	90,236
Debt service:					
Principal	136,300	-	-	15,000	151,300
Interest on long-term debt	26,815	-	-	27,865	54,680
Total expenditures	<u>2,817,089</u>	<u>852,028</u>	<u>647,807</u>	<u>533,880</u>	<u>4,850,804</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	281,450	(5,449)	(20,080)	(210,511)	45,410
<b>Other Financing (Uses) Sources</b>					
Transfers out	(125,000)	-	-	-	(125,000)
Proceeds from the issuance of long-term debt	-	-	-	261,000	261,000
Total other financing (uses) sources	<u>(125,000)</u>	<u>-</u>	<u>-</u>	<u>261,000</u>	<u>136,000</u>
<b>Net Change in Fund Balances</b>	156,450	(5,449)	(20,080)	50,489	181,410
<b>Fund Balances - Beginning of year</b>	<u>1,540,126</u>	<u>107,619</u>	<u>518,685</u>	<u>399,962</u>	<u>2,566,392</u>
<b>Fund Balances - End of year</b>	<u><u>\$ 1,696,576</u></u>	<u><u>\$ 102,170</u></u>	<u><u>\$ 498,605</u></u>	<u><u>\$ 450,451</u></u>	<u><u>\$ 2,747,802</u></u>

## Charter Township of Fenton

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

Year Ended December 31, 2017

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	\$ 181,410
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	673,413
Depreciation expense	(306,257)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	171,106
Issuing debt provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position	(261,000)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	151,300
Interest expense is recognized in the government-wide statements as it accrues	5,666
Some employee costs (OPEB and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	40,186
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 655,824</u></b>

# Charter Township of Fenton

## Proprietary Funds Statement of Net Position

December 31, 2017

	<u>Enterprise Fund</u> <u>Sewer Fund</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 1,415,771
Receivables:	
User fees	491,977
Connection fees	7,880
Delinquent usage receivable	245,162
Due from other funds	8,813
Prepaid expenses	18,737
Total current assets	<u>2,188,340</u>
Noncurrent assets:	
Restricted assets	177,278
Capital assets: (Note 4)	
Assets not subject to depreciation (Note 4)	1,489,909
Assets subject to depreciation	34,972,053
Total noncurrent assets	<u>36,639,240</u>
Total assets	38,827,580
<b>Deferred Outflows of Resources</b> - Bond refunding loss being amortized	185,798
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	70,421
Accrued interest payable	134,267
Unearned revenue	437,580
Current portion of long-term debt (Note 6)	2,230,839
Total current liabilities	2,873,107
Noncurrent liabilities - Long-term debt	17,052,508
Total liabilities	<u>19,925,615</u>
<b>Net Position</b>	
Net investment in capital assets	17,541,691
Unrestricted	1,546,072
Total net position	<u><u>\$ 19,087,763</u></u>



# Charter Township of Fenton

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

Year Ended December 31, 2017

	<u>Enterprise Fund</u> <u>Sewer Fund</u>
<b>Operating Revenue</b> - Charges for services	\$ 6,240,484
<b>Operating Expenses</b>	
Sewer treatment fees	2,288,919
Other contractual services	912,472
Equipment repairs and maintenance	7,072
Insurance	34,808
Billing fees and postage	9,138
Administrative expense	166,172
Utilities	127,645
Miscellaneous	667
Depreciation	<u>1,203,191</u>
Total operating expenses	<u>4,750,084</u>
<b>Operating Income</b>	1,490,400
<b>Nonoperating Revenue (Expense)</b>	
Investment income	572
Bond interest expense	(601,786)
Bond issuance costs and agent fees	<u>(169,872)</u>
Total nonoperating expense	<u>(771,086)</u>
<b>Income</b> - Before capital contributions	719,314
<b>Capital Contributions</b> - Tap-in fees	405,700
<b>Transfers In</b>	<u>125,000</u>
<b>Change in Net Position</b>	1,250,014
<b>Net Position</b> - Beginning of year	<u>17,837,749</u>
<b>Net Position</b> - End of year	<u><u>\$ 19,087,763</u></u>

# Charter Township of Fenton

## Proprietary Funds Statement of Cash Flows

Year Ended December 31, 2017

	<u>Enterprise Fund</u> <u>Sewer Fund</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 6,347,733
Payments to suppliers	(3,457,291)
Internal activity - Payments to other funds	(483,813)
Other payments	112,681
	<u>2,519,310</u>
Net cash provided by operating activities	2,519,310
<b>Cash Flows Provided by Noncapital Financing Activities - Transfers from other funds</b>	125,000
<b>Cash Flows from Capital and Related Financing Activities</b>	
Issuance of bonds	1,700,000
Tap-in fees	409,834
Purchase of capital assets	(1,478,971)
Principal and interest paid on capital debt	(2,724,310)
	<u>(2,093,447)</u>
Net cash used in capital and related financing activities	(2,093,447)
<b>Net Increase in Cash and Cash Equivalents</b>	550,863
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>1,042,186</u>
<b>Cash and Cash Equivalents - End of year</b>	<b><u>\$ 1,593,049</u></b>
<b>Classification of Cash and Cash Equivalents</b>	
Cash and investments	\$ 1,415,771
Restricted cash	177,278
	<u>1,593,049</u>
Total cash and cash equivalents	<b><u>\$ 1,593,049</u></b>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>	
Operating income	\$ 1,490,400
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation and amortization	1,203,191
Changes in assets and liabilities:	
Receivables	219,930
Due to other funds	(333,813)
Prepaid and other assets	(38,857)
Accounts payable	(37,713)
Net OPEB liability	16,172
	<u>16,172</u>
Net cash provided by operating activities	<b><u>\$ 2,519,310</u></b>

**Charter Township of Fenton**

**Fiduciary Funds  
Statement of Fiduciary Net Position**

**December 31, 2017**

	<u>Retiree Health Care Fund</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 6,928,574
Investments - Mutual funds	351,992	-
	<u>351,992</u>	<u>\$ 6,928,574</u>
Total assets		
<b>Liabilities</b>		
Accounts payable	-	\$ 9,674
Due to other governmental units	-	10
Deposits payable	-	267,196
Undistributed taxes	-	6,651,694
	<u>-</u>	<u>\$ 6,928,574</u>
Total liabilities		
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<u>\$ 351,992</u>	

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

**Year Ended December 31, 2017**

	<u>Retiree Health Care Fund</u>
<b>Additions</b>	
Investment income (expense):	
Interest and dividends	\$ 3,191
Net increase in fair value of investments	40,368
Investment-related expenses	<u>(1,458)</u>
Total investment income	42,101
Contributions - Employer	<u>35,220</u>
Total additions	77,321
<b>Deductions - Benefit payments</b>	<u>10,220</u>
<b>Net Increase in Net Position Held in Trust</b>	67,101
<b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	<u>284,891</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>	<u><u>\$ 351,992</u></u>

December 31, 2017

### Note 1 - Significant Accounting Policies

#### ***Accounting and Reporting Principles***

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

#### ***Reporting Entity***

The Charter Township of Fenton is governed by an elected seven-member council (board). In accordance with governmental accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

#### ***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.

**Note 1 - 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**

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Waste Collection Fund is used to account for the customer charges that are to be used to pay contracted services for rubbish collection and disposal.
- The Fire Fund is used to account for the revenue and expenditures related to fire protection and emergency medical services.

Additionally, the Township reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.
- Capital projects funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and technology upgrades and for remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

**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 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, Michigan.

**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 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.

**Note 1 - 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.

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

**Basis of Accounting**

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

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

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

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

**Specific Balances and Transactions**

**Cash and Cash Equivalents**

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

**Investments**

Investments are reported at fair value or estimated fair value.

Note 1 - Significant Accounting Policies (Continued)

Receivables and Payables

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

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, building, 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 acquisition 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.

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

	Depreciable Life - Years
Roads	20 years
Sewer system infrastructure	50 years
Buildings and improvements	15-40 years
Machinery and equipment	3-15 years
Furniture and fixtures	5 years
Land improvements	15 years

Long-term Obligations

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



**Note 1 - Significant Accounting Policies (Continued)**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

The Township reports a deferred outflow in the Sewer Fund and government-wide statements related to bond refunding loss that is being amortized.

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 will not be recognized as an inflow of resources (revenue) until that time.

The Township reports 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 2017 operations. In addition, there are deferred inflows in the governmental funds related to special assessments that have been completed during 2017, but the revenue is unavailable at year end and is expected to be received in future periods.

**Net Position Flow Assumption**

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

**Fund Balance Flow Assumptions**

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

**Fund Balance Policies**

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). 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.

**Note 1 - 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 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 \$731 million, on which taxes levied consisted of .7022 mills for operating purposes. This resulted in \$504,397 for operations. These amounts are recognized in the respective General Fund financial statements as tax revenue.

**Other Postemployment Benefit Costs**

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

**Compensated Absences (Paid Time Off)**

It is the Township's policy to permit employees to earn a certain number of paid time off hours on a monthly basis, based on years of service. An amount is accrued for the estimated amount that the Township will pay upon employment termination. This liability is 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 fund that reports each employee's compensation (the General Fund) is used to liquidate the obligations.

**Proprietary Funds Operating Classification**

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

**Note 1 - 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.

**Adoption of New Accounting Pronouncements**

As of December 31, 2017, the Township adopted Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This new accounting standard addresses reporting by postemployment benefit plans other than pensions (OPEB) that administer defined benefit OPEB benefits on behalf of governments. 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 statement more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated.

**Upcoming Accounting Pronouncements**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Township to recognize on the face of the financial statements its net OPEB liability. 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 GASB 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, 2019.

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

December 31, 2017

**Note 2 - Stewardship, Compliance, and Accountability**

***Excess of Expenditures Over Appropriations in Budgeted Funds***

The Township did not have any expenditure budget variances.

***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		\$	(916,779)
Current year permit revenue			199,039
Related expenses:			
Direct costs	\$	(48,808)	
Estimated indirect costs		(68,037)	(116,845)
			<u>82,194</u>
Current year surplus			<u>82,194</u>
Cumulative shortfall December 31, 2017		\$	<u><u>(834,585)</u></u>

**Note 3 - Deposits and Investments**

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

The Retiree Health Care 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 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.

**Note 3 - Deposits and Investments (Continued)**

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 \$13,443,999 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 does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.

At year end, the Township had the following investments:

Investment	Carrying Value	Weighted-average Maturity (Years)
<b>Fiduciary Funds</b>		
Mutual funds	\$ 351,992	N/A

**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	Carrying Value	Rating	Rating Organization
<b>Fiduciary Funds</b>			
Mutual funds	\$ 351,992	N/A	N/A

**Fair Value Measurements**

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

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

The Township has the following recurring fair value measurements as of December 31, 2017. The equity securities are classified as Level 1 and are valued using prices quoted in active markets for those securities.

December 31, 2017

**Note 4 - Capital Assets**

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

**Governmental Activities**

	Balance January 1, 2017	Additions	Disposals and Adjustments	Balance December 31, 2017
Capital assets not being depreciated - Land	\$ 93,280	\$ -	\$ -	\$ 93,280
Capital assets being depreciated:				
Buildings and improvements	2,228,845	29,605	-	2,258,450
Machinery and equipment	2,778,939	218,210	-	2,997,149
Furniture and fixtures	26,767	-	-	26,767
Land improvements	395,618	-	-	395,618
Road Improvements	1,978,432	425,598	-	2,404,030
Subtotal	7,408,601	673,413	-	8,082,014
Accumulated depreciation:				
Buildings and improvements	967,373	61,954	-	1,029,327
Machinery and equipment	2,177,869	96,291	-	2,274,160
Furniture and fixtures	16,703	529	-	17,232
Land improvements	291,922	18,492	-	310,414
Road Improvements	771,594	128,991	-	900,585
Subtotal	4,225,461	306,257	-	4,531,718
Net capital assets being depreciated	3,183,140	367,156	-	3,550,296
Net governmental activities capital assets	<u>\$ 3,276,420</u>	<u>\$ 367,156</u>	<u>\$ -</u>	<u>\$ 3,643,576</u>

**Business-type Activities**

	Balance January 1, 2017	Additions	Disposals and Adjustments	Balance December 31, 2017
Capital assets not being depreciated:				
Land	\$ 5,485	\$ -	\$ -	\$ 5,485
Construction in progress	33,580	1,450,844	-	1,484,424
Subtotal	39,065	1,450,844	-	1,489,909
Capital assets being depreciated:				
Buildings	520,171	-	-	520,171
Sewer system infrastructure	58,878,009	28,127	-	58,906,136
Subtotal	59,398,180	28,127	-	59,426,307
Accumulated depreciation:				
Buildings	62,609	13,404	-	76,013
Sewer system infrastructure	23,188,454	1,189,787	-	24,378,241
Subtotal	23,251,063	1,203,191	-	24,454,254
Net capital assets being depreciated	36,147,117	(1,175,064)	-	34,972,053
Net business-type activity capital assets	<u>\$ 36,186,182</u>	<u>\$ 275,780</u>	<u>\$ -</u>	<u>\$ 36,461,962</u>

**December 31, 2017**

**Note 4 - Capital Assets (Continued)**

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

Governmental activities:		
General government		\$ 64,073
Public safety		128,991
Public works		<u>113,193</u>
Total governmental activities		<u>\$ 306,257</u>
Business-type activities - Sewer		\$ 1,203,191

**Note 5 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Waste Collection Fund	\$ 2,800
	Fire Fund	11,500
	Nonmajor governmental funds	<u>2,442</u>
	Total General Fund	16,742
Fire Fund	General Fund	13,133
Sewer Fund	General Fund	<u>8,813</u>
	Total	<u>\$ 38,688</u>

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

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Sewer Fund	\$ 125,000

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



December 31, 2017

**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, Michigan (the "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 for the year ended December 31, 2017 can be summarized as follows:

**Governmental Activities**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and contracts payable:					
General Obligation Limited Tax Bonds	\$ 700,000	\$ -	\$ (65,000)	\$ 635,000	\$ 70,000
Installment obligations:					
The State Bank	71,300	-	(71,300)	-	-
Lake Valley SAD	775,000	-	(15,000)	760,000	50,000
Liberty Shores SAD	-	261,000	-	261,000	16,000
Total notes payable	1,546,300	261,000	(151,300)	1,656,000	136,000
Accumulated sick and vacation time	58,697	95,303	(48,978)	105,022	45,508
Total governmental activities long-term debt	<u>\$ 1,604,997</u>	<u>\$ 356,303</u>	<u>\$ (200,278)</u>	<u>\$ 1,761,022</u>	<u>\$ 181,508</u>

**Business-type Activities**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and contracts payable:					
Ripley Rolston Contract (County Bond)	\$ 100,000	\$ -	\$ (100,000)	\$ -	\$ -
Refunded General Obligation Capital Improvement Bonds 2016	6,800,000	-	(530,000)	6,270,000	540,000
Bond refunding premium	610,939	-	(55,540)	555,399	55,540
Refunded Sewage Disposal System No. 3 2004 B and Improvement Projects Series 2004 A	6,895,000	-	(720,000)	6,175,000	750,000
Bond refunding premium	504,156	-	(63,020)	441,136	63,020
District 3 Expansion (98) Refunding 2007 (County Bond)	967,857	-	(322,619)	645,238	324,392
Bond refunding discount	(57,298)	-	5,458	(51,840)	(5,458)
General Obligation Capital Improvement Bonds 2009	1,995,000	-	(115,000)	1,880,000	120,000
General Obligation Capital Improvement Bonds 2017	-	1,700,000	-	1,700,000	150,000
Refunded Sewage Disposal System No. 3 2003	1,840,000	-	(230,000)	1,610,000	225,000
Bond refunding premium	66,759	-	(8,345)	58,414	8,345
Total business-type activities long-term debt	<u>\$ 19,722,413</u>	<u>\$ 1,700,000</u>	<u>\$ (2,139,066)</u>	<u>\$ 19,283,347</u>	<u>\$ 2,230,839</u>



**Note 6 - Long-term Debt (Continued)**

***Debt Service Requirements to Maturity***

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

Years Ending December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 136,000	\$ 42,588	\$ 178,588	\$ 2,109,392	\$ 705,145	\$ 2,814,537
2019	147,000	39,378	186,378	2,120,846	648,936	2,769,782
2020	157,000	35,425	192,425	1,910,000	583,906	2,493,906
2021	157,000	31,302	188,302	2,015,000	513,557	2,528,557
2022	162,000	26,958	188,958	2,090,000	432,549	2,522,549
2023-2027	677,000	67,446	744,446	7,635,000	1,009,667	8,644,667
2028-2029	220,000	17,882	237,882	400,000	29,494	429,494
Total	<u>\$ 1,656,000</u>	<u>\$ 260,979</u>	<u>\$ 1,916,979</u>	<u>\$ 18,280,238</u>	<u>\$ 3,923,254</u>	<u>\$ 22,203,492</u>

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, 2017, the Charter Township of Fenton had \$0 applicable to the limitation (the sewer utility contracts and special assessment debt are excluded from the limitation). The Township's debt limit is \$86,392,940.

***Future Revenue Pledged for Debt Payment***

The above contractual obligations to the County are a result of the County's 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's bonds provided financing for sewer improvements. The remaining principal and interest to be paid on the bonds total \$670,978. During the current year, net revenue of the system totaled \$2,693,591, compared to the annual debt requirements of \$457,631.

**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.

The Michigan Municipal Risk Management Authority's State Pool program (the "Authority") 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.

December 31, 2017

**Note 8 - Defined Contribution Pension Plan**

The Township sponsors 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 \$785,576 and \$541,962, respectively. The Township's 2017 contributions were \$53,003. Employees contributed \$38,229 during 2017.

**Note 9 - Other Postemployment Benefits Obligation**

**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 an ordinance passed by the Township.

**Funding Policy**

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. The Township has elected to calculate the ARC and related information using the cost method permitted by GASB Statement No. 45.

**Funding Progress**

For the year ended December 31, 2017, the Township has estimated the cost of providing retiree healthcare benefits through a valuation as of December 31, 2017. 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)	\$ 103,724
Interest on the prior year's net OPEB obligation	33,456
Less adjustment to the annual required contribution	<u>(172,299)</u>
Annual OPEB cost	(35,119)
Amounts contributed:	
Payment of current premiums	(10,220)
Advance funding by General Fund	<u>(25,000)</u>
Decrease in net OPEB obligation	(70,339)
OPEB obligation - Beginning of year	<u>659,552</u>
OPEB obligation - End of year	<u><u>\$ 589,213</u></u>

Employer contributions and annual OPEB cost data for the current and two preceding years were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage of ARC Contributed	Net OPEB Obligation
December 31, 2015	December 31, 2013	\$ 111,391	30.00 %	\$ 633,220
December 31, 2016	December 31, 2016	72,141	48.40	659,552
December 31, 2017	December 31, 2017	103,724	34.00	589,213

December 31, 2017

**Note 9 - Other Postemployment Benefits Obligation (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, 2011	\$ 110,622	\$ 1,041,248	\$ 930,626	10.62 %
December 31, 2013	160,611	1,029,542	868,931	15.60
December 31, 2016	260,391	726,633	466,242	35.84
December 31, 2017	351,992	721,770	369,778	48.77

**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 December 31, 2017 valuation, the following assumptions were made:

*Mortality* - Life expectancies were based on mortality tables from the 2018 IRS 1.430(h) Annuitant and Non-annuitant (sex distinct) tables.

*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 the purpose of allocating to periods the present value of total benefits to be paid.

*Health Insurance Premiums* - 2017 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.

Based on the historical and expected returns of the Township's short-term investment portfolio, a discount rate of 5.07 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, 2017 was 30 years.

December 31, 2017

**Note 10 - Other Postemployment Benefit Plan**

**Plan Description**

The Township administers the Charter Township of Fenton Retiree Medical Plan (the “Plan”), a single-employer defined benefit OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time general and public safety employees of the Township.

**Benefits Provided**

The Township provides retiree healthcare benefits to eligible employees and their spouses. The benefits are provided under collective bargaining agreements. The Plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the employer.

**Employees Covered by Benefit Terms**

The following members were covered by the benefit terms:

Date of member count	December 31, 2017
Inactive plan members or beneficiaries currently receiving benefits	2
Active plan members	<u>3</u>
Total employees covered by the Plan	<u><u>5</u></u>

**Contributions**

The board retains an independent actuary to determine the annual contribution. For the year ended December 31, 2017, the Township contributed \$35,220.

**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	\$ 721,770
Plan fiduciary net position	<u>351,992</u>
Net OPEB liability	<u><u>\$ 369,778</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	48.77 %

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of December 31, 2017. 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	Medical - Pre-65 8.0 percent graded to 5 percent over six years; Medicare eligible - 5 percent in all years; Dental and vision - 4 percent
Salary increases	2.00% Average, including inflation
Investment rate of return	5.07% Including inflation

**Note 10 - Other Postemployment Benefit Plan (Continued)**

**Discount Rate**

The discount rate used to measure the total OPEB liability was 5.07 percent, depending on the plan option. 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 statutorily required rates.

Based on those assumptions, the OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate which was 3.35 percent. The source of that bond rate was the 20-year AA/Aa tax-exempt municipal bond yield. The long-term expected rate of return was applied to projected benefit payments through 2030, and the municipal bond rate was applied to the remaining periods.

**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	64.80 %	6.50 %
Global fixed income	30.70	2.07
Real assets	3.00	5.00
Diversifying strategies	1.50	5.00
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 5.07 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 (4.07 percent) or 1 percentage point higher (6.07 percent) than the current rate:

	1 Percent Decrease (4.07%)	Current Discount Rate (5.07%)	1 Percent Increase (6.07%)
Net OPEB liability of the Township	\$ 497,979	\$ 369,778	\$ 266,613

**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, 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 or 1 percentage point higher than the current rate:

	1 Percent Decrease	Current Discount Rate	1 Percent Increase
Net OPEB liability of the Township	\$ 259,245	\$ 369,778	\$ 508,199

**December 31, 2017**

**Note 11 - Tax Abatements**

The Township uses the Industrial Facilities Tax exemption (PA 198 of 1974) to enter into agreements with local businesses to construct new industrial facilities or rehabilitate historical facilities. Under the program, the Township grants reductions of 50 percent of the property tax bill for new property (or it can freeze taxable values for rehabilitation properties) for up to 12 years.

For the fiscal year ended December 31, 2017, the Township abated \$858 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

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## Required Supplemental Information

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# Charter Township of Fenton

## Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 778,700	\$ 771,400	\$ 779,601	\$ 8,201
Special assessments	9,000	9,000	-	(9,000)
Intergovernmental	1,372,300	1,457,700	1,431,233	(26,467)
Charges for services	187,300	194,200	192,611	(1,589)
Fines and forfeitures	21,500	21,500	9,335	(12,165)
Licenses and permits	219,200	219,200	202,392	(16,808)
Investment income	1,500	1,500	1,157	(343)
Other revenue	811,000	516,000	482,210	(33,790)
<b>Total revenue</b>	<b>3,400,500</b>	<b>3,190,500</b>	<b>3,098,539</b>	<b>(91,961)</b>
<b>Expenditures</b>				
Current services:				
General government	1,169,000	1,213,600	1,087,294	126,306
Legislative	81,900	88,100	75,209	12,891
Public safety	800,600	842,700	783,154	59,546
Public works	675,300	633,100	552,620	80,480
Community and economic development	66,900	100,500	81,677	18,823
Recreation and culture	152,900	138,100	74,020	64,080
Debt service	163,900	163,600	163,115	485
<b>Total expenditures</b>	<b>3,110,500</b>	<b>3,179,700</b>	<b>2,817,089</b>	<b>362,611</b>
<b>Excess of Revenue Over Expenditures</b>	<b>290,000</b>	<b>10,800</b>	<b>281,450</b>	<b>270,650</b>
<b>Other Financing (Uses) Sources</b>				
Transfers out	(300,000)	(125,000)	(125,000)	-
Proceeds from sale of capital assets	10,000	10,000	-	(10,000)
<b>Total other financing uses</b>	<b>(290,000)</b>	<b>(115,000)</b>	<b>(125,000)</b>	<b>(10,000)</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>(104,200)</b>	<b>156,450</b>	<b>260,650</b>
<b>Fund Balance - Beginning of year</b>	<b>1,540,126</b>	<b>1,540,126</b>	<b>1,540,126</b>	<b>-</b>
<b>Fund Balance - End of year</b>	<b>\$ 1,540,126</b>	<b>\$ 1,435,926</b>	<b>\$ 1,696,576</b>	<b>\$ 260,650</b>



**Charter Township of Fenton**

Required Supplemental Information  
Budgetary Comparison Schedule - Major Special Revenue Funds  
Waste Collection Fund

**Year Ended December 31, 2017**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b>Revenue</b> - Special assessments	\$ 839,000	\$ 845,000	\$ 846,579	\$ 1,579
<b>Expenditures</b> - Current services - Public works	849,100	854,300	852,028	2,272
<b>Net Change in Fund Balance</b>	(10,100)	(9,300)	(5,449)	3,851
<b>Fund Balance</b> - Beginning of year	107,619	107,619	107,619	-
<b>Fund Balance</b> - End of year	<u><u>\$ 97,519</u></u>	<u><u>\$ 98,319</u></u>	<u><u>\$ 102,170</u></u>	<u><u>\$ 3,851</u></u>

**Charter Township of Fenton**

Required Supplemental Information  
 Budgetary Comparison Schedule - Major Special Revenue Funds (Continued)  
 Fire Fund

**Year Ended December 31, 2017**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Special assessments	\$ 533,000	\$ 533,000	\$ 533,585	\$ 585
Charges for services	108,500	108,500	94,142	(14,358)
Total revenue	641,500	641,500	627,727	(13,773)
<b>Expenditures</b> - Current services - Public safety - Fire and EMS	610,000	814,900	647,807	167,093
<b>Excess of Revenue Over (Under) Expenditures</b>	31,500	(173,400)	(20,080)	153,320
<b>Other Financing Sources</b> - Proceeds from sale of capital assets	1,000	-	-	-
<b>Net Change in Fund Balance</b>	32,500	(173,400)	(20,080)	153,320
<b>Fund Balance</b> - Beginning of year	518,685	518,685	518,685	-
<b>Fund Balance</b> - End of year	<u>\$ 551,185</u>	<u>\$ 345,285</u>	<u>\$ 498,605</u>	<u>\$ 153,320</u>

## Charter Township of Fenton

### Required Supplemental Information Schedule of OPEB Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
December 31, 2008	\$ -	\$ 1,380,749	\$ 1,380,749	-	\$ 107,282	1,287.03
December 31, 2011	110,622	1,041,248	930,626	10.62	104,986	886.43
December 31, 2013	160,611	1,029,542	868,931	15.60	112,678	771.16
December 31, 2016	260,391	726,633	466,242	35.84	61,256	761.14
December 31, 2017	351,992	721,770	369,778	48.77	(35,119)	(1,052.93)

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2017, the latest actuarial valuation, follows:

Amortization method	Level percent
Asset valuation method	Four-year smoothed market
Actuarial assumptions:	
Investment rate of return	5.07
Projected salary increases	2.0 percent
*Includes inflation at	2.0 percent
Cost-of-living adjustments	None

## Charter Township of Fenton

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

	<b>Last Fiscal Year</b>
	<u>2017</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 6,785
Interest	61,268
Changes in benefit terms	(542,826)
Benefit payments, including refunds	<u>(10,220)</u>
<b>Net Change in Total OPEB Liability</b>	(484,993)
<b>Total OPEB Liability - Beginning of year</b>	<u>1,206,763</u>
<b>Total OPEB Liability - End of year</b>	<b><u>\$ 721,770</u></b>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 25,000
Contributions - Active and inactive plan members not yet receiving benefits	10,220
Net investment income	43,558
Administrative expenses	(1,457)
Benefit payments, including refunds	<u>(10,220)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	67,101
<b>Plan Fiduciary Net Position - Beginning of year</b>	<u>284,891</u>
<b>Plan Fiduciary Net Position - End of year</b>	<b><u>\$ 351,992</u></b>
<b>Net OPEB Liability - Ending</b>	<b><u>\$ 369,778</u></b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	48.8 %

GASB No. 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

## Charter Township of Fenton

### Required Supplemental Information Schedule of OPEB Contributions

	<b>Last Ten Fiscal Years</b>									
	<b>Years Ended December 31</b>									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	
Actuarially determined contribution	\$ 103,724	\$ 72,141	\$ 111,391	\$ 111,391	\$ 111,391	\$ 110,586	\$ 110,586	\$ 164,485	\$ 164,485	
Contributions in relation to the actuarially determined contribution	<u>35,220</u>	<u>34,926</u>	<u>33,328</u>	<u>32,870</u>	<u>28,761</u>	<u>13,150</u>	<u>37,016</u>	<u>74,343</u>	<u>5,710</u>	
<b>Contribution Deficiency</b>	<b><u>\$ (68,504)</u></b>	<b><u>\$ (37,215)</u></b>	<b><u>\$ (78,063)</u></b>	<b><u>\$ (78,521)</u></b>	<b><u>\$ (82,630)</u></b>	<b><u>\$ (97,436)</u></b>	<b><u>\$ (73,570)</u></b>	<b><u>\$ (90,142)</u></b>	<b><u>\$ (158,775)</u></b>	

#### 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 normal (level percentage of compensation)
Asset valuation method	Equal to market value of assets
Inflation	2.00 percent
Salary increase	2.00 percent
Investment rate of return	5.07 percent (including inflation)
Mortality	As set forth in IRS Regulations for 2018 (1.430(h)(3)) for nonannuitants, separately for males and females as well as annuitants and nonannuitants. Based on RP-2000 Tables with Scale AA.

**December 31, 2017**

***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 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).

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.

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## Other Supplemental Information

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# Charter Township of Fenton

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

**December 31, 2017**

	Special Revenue Funds		Debt Service Funds		Total
	Mosquito Fund	Dog Park Fund	Debt Service- Lake Valley SAD	Debt Service- Liberty Shores SAD	
<b>Assets</b>					
Cash and cash equivalents	\$ 262,463	\$ 13,912	\$ 231,512	\$ 32,483	\$ 540,370
Receivables:					
Special assessments receivable	45,188	-	584,539	231,530	861,257
Other receivables	129	-	-	-	129
Total assets	<b><u>\$ 307,780</u></b>	<b><u>\$ 13,912</u></b>	<b><u>\$ 816,051</u></b>	<b><u>\$ 264,013</u></b>	<b><u>\$ 1,401,756</u></b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 154	\$ -	\$ -	\$ 154
Due to other funds	1,000	-	-	1,442	2,442
Total liabilities	1,000	154	-	1,442	2,596
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	-	-	584,539	231,530	816,069
Special assessments levied for the following year	132,640	-	-	-	132,640
Total deferred inflows of resources	132,640	-	584,539	231,530	948,709
Total liabilities and deferred inflows of resources	133,640	154	584,539	232,972	951,305
<b>Fund Balances</b>					
Restricted:					
Debt service	-	-	231,512	31,041	262,553
Mosquito control	174,140	-	-	-	174,140
Dog park	-	13,758	-	-	13,758
Total fund balances	174,140	13,758	231,512	31,041	450,451
Total liabilities, deferred inflows of resources, and fund balances	<b><u>\$ 307,780</u></b>	<b><u>\$ 13,912</u></b>	<b><u>\$ 816,051</u></b>	<b><u>\$ 264,013</u></b>	<b><u>\$ 1,401,756</u></b>



## Charter Township of Fenton

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

**Year Ended December 31, 2017**

	Special Revenue Funds		Debt Service Funds		Total
	Mosquito Fund	Dog Park Fund	Debt Service- Lake Valley SAD	Debt Service- Liberty Shores SAD	
<b>Revenue</b>					
Special assessments	\$ 196,704	\$ -	\$ 60,424	\$ 30,087	\$ 287,215
Intergovernmental - Local contributions	-	29,968	-	-	29,968
Investment income	-	6	6,173	7	6,186
Total revenue	196,704	29,974	66,597	30,094	323,369
<b>Expenditures</b>					
Current services:					
Public works	140,908	-	84,280	249,611	474,799
Recreation and culture	-	16,216	-	-	16,216
Debt service:					
Principal	-	-	15,000	-	15,000
Interest on long-term debt	-	-	17,423	10,442	27,865
Total expenditures	140,908	16,216	116,703	260,053	533,880
<b>Excess of Revenue Over (Under) Expenditures</b>	55,796	13,758	(50,106)	(229,959)	(210,511)
<b>Other Financing Sources</b> - Proceeds from the issuance of long-term debt	-	-	-	261,000	261,000
<b>Net Change in Fund Balances</b>	55,796	13,758	(50,106)	31,041	50,489
<b>Fund Balances</b> - Beginning of year	118,344	-	281,618	-	399,962
<b>Fund Balances</b> - End of year	\$ 174,140	\$ 13,758	\$ 231,512	\$ 31,041	\$ 450,451

# Charter Township of Fenton

## Other Supplemental Information Statement of Assets and Liabilities Agency Funds

December 31, 2017

	Trust and Agency Fund	Current Tax Collection Fund	Total Agency Funds
<b>Assets - Cash and cash equivalents</b>	<b>\$ 276,880</b>	<b>\$ 6,651,694</b>	<b>\$ 6,928,574</b>
<b>Liabilities</b>			
Accounts payable	\$ 9,674	\$ -	\$ 9,674
Due to other governmental units	10	-	10
Deposits payable	267,196	-	267,196
Undistributed taxes	-	6,651,694	6,651,694
Total liabilities	<b>\$ 276,880</b>	<b>\$ 6,651,694</b>	<b>\$ 6,928,574</b>

**Charter Township of Fenton**

Other Supplemental Information  
Budgetary Comparison Schedule - Nonmajor Governmental Funds  
Mosquito Fund

**Year Ended December 31, 2017**

	Original Budget - Unaudited	Amended Budget - Unaudited	Actual	Variance with Amended Budget - Unaudited
<b>Revenue</b> - Special assessments	\$ 195,000	\$ 195,000	\$ 196,704	\$ 1,704
<b>Expenditures</b> - Current services - Public works	169,400	169,400	140,908	28,492
<b>Net Change in Fund Balance</b>	25,600	25,600	55,796	30,196
<b>Fund Balance</b> - Beginning of year	118,344	118,344	118,344	-
<b>Fund Balance</b> - End of year	<u><u>\$ 143,944</u></u>	<u><u>\$ 143,944</u></u>	<u><u>\$ 174,140</u></u>	<u><u>\$ 30,196</u></u>

**Charter Township of Fenton**

Other Supplemental Information  
Budgetary Comparison Schedule - Nonmajor Governmental Funds  
(Continued)  
Dog Park Fund

**Year Ended December 31, 2017**

	Original Budget - Unaudited	Amended Budget - Unaudited	Actual	Variance with Amended Budget - Unaudited
<b>Revenue</b> - Local contributions	\$ -	\$ 24,700	\$ 29,974	\$ 5,274
<b>Expenditures</b> - Recreation and culture	-	20,000	16,216	3,784
<b>Net Change in Fund Balance</b>	-	4,700	13,758	9,058
<b>Fund Balance</b> - Beginning of year	-	-	-	-
<b>Fund Balance</b> - End of year	<u>\$ -</u>	<u>\$ 4,700</u>	<u>\$ 13,758</u>	<u>\$ 9,058</u>

May 11, 2018

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, 2017 and have issued our report thereon dated May 11, 2018. 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.

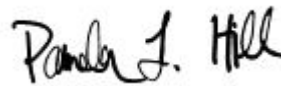
We would like to take this opportunity to thank the Township's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

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  
Partner



Chrystal Simpson, CPA  
Manager

## **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 March 7, 2018, 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 March 12, 2018.

### **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 2017 except for the implementation of GASB No. 74.

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 a third-party valuation. We evaluated the key factors and assumptions used 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 11, 2018.

### ***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

### Sewer Fund

Operationally, for the past few years, the Sewer Fund has experienced negative cash flows, which resulted in the General Fund transferring money to the Sewer Fund once again in 2017 to subsidize operations. The Township has been very diligent in its efforts to identify cost-cutting measures, refinanced debt in 2016 in the Sewer Fund, and continually looks for every avenue available to try to reduce costs. The amount of funds transferred from the General Fund to the Sewer Fund was reduced by \$200,000 in 2017. The Township's diligence over this process has really helped to stabilize the Sewer Fund.

### New Other Postemployment Benefits Standards (Retiree Healthcare Obligations)

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, which refers to retiree health care). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans and was implemented this year by the Township. 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 and will be implemented next year.

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 this standard will have on the financial statements when adopted. GASB Statement No. 75 is effective for the year ending December 31, 2018.

### Revenue Sharing

The FY 2018 budget recommendation includes \$1.27 billion for revenue sharing, broken down as follows:

<b>Description</b>	<b>Final 2017 Budget</b>	<b>Final 2018 Budget</b>
Constitutionally required payments	\$757.9 M	\$798.1 M
CVTRS	243.0 M	243.0 M
CVTRS - One-time payments	5.8 M	5.8 M
County revenue sharing	174.2 M	176.9 M
County incentive program	43.0 M	43.2 M
Fiscally distressed community grants	5.0 M	5.0 M
Supplemental CVTRS	0 M	6.2 M
<b>Total</b>	<b>\$1,228.9 M</b>	<b>\$1,278.2 M</b>

After a decline in the constitutionally required payments from 2016 to 2017 as a result of sales tax declines, local units will experience an increase in 2018 as the constitutional payment budget has been increased by \$40.3 million. The new budget for 2018 anticipates an increase of 5.3 percent. The FY 2018 budget also includes the "City, Village, and Township Revenue Sharing" (CVTRS) appropriation which was established in FY 2015, and that number remains flat at \$243 million. Each community's overall increase will vary as each has a different mix of constitutional and CVTRS.



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

In order to receive the CVTRS payments in FY 2018, qualified local units will once again need to comply with the same best practices as they did last year, as follows:

- A citizen's guide to local finances with disclosure of unfunded liabilities
- Performance dashboard
- Debt service report
- Two-year budget projection

The State has budgeted \$6.2 million for "supplemental CVTRS" payments in FY 2018. Any city, village, or township receiving CVTRS payments will receive an additional payment equal to its population multiplied by \$.081198 (rounded to the nearest dollar).

The "one-time" additional CVTRS payments that were reinstated in the 2017 budget are also part of the 2018 budget.

### **Public Act 530 of 2016 - Additional Legacy Cost Reporting**

On December 31, 2016, the governor signed Public Act 530 of 2016, which amends Public Act 314 of 1965, also known as Public Employee Retirement System Investment Act (PERSIA). This act is effective March 29, 2017.

Under the existing act, communities were required to publish a summary annual report setting forth key information related to pension and retiree healthcare plans. The amendment requires that this summary annual report also be submitted to the Michigan Department of Treasury within 30 days of publication.

In addition, for any system (either pension or retiree health care) that is not funded at a level of at least 60 percent, the community must now post a report to its website indicating steps that are being undertaken to address the liability. In addition, this report must be submitted to the Department of Treasury within a reasonable timeframe.

The legislation calls for the Department of Treasury to accumulate all of the reports and publish a summary of funding levels throughout the state.

### **Pension and OPEB Reporting Under Public Act 202 of 2017**

On January 5, 2018, the Michigan Department of Treasury released initial reporting requirements under Public Act 202 of 2017 (the "Act"), which was a primary component of the Act. These reporting requirements apply to all local units of government that offer or provide defined benefit pension and/or defined benefit OPEB retirement benefits.

The releases by the Department of Treasury included Numbered Letter 2018-1, Form 5572, detailed instructions for completion of Form 5572, and a listing of frequently asked questions. All documents can be located at [http://www.michigan.gov/treasury/0,4679,7-121-1751\\_51556\\_84499---,00.html](http://www.michigan.gov/treasury/0,4679,7-121-1751_51556_84499---,00.html)

The due date for completion of Form 5572 is January 31, 2018 for local units with a fiscal year ending on or before June 30, 2017. For local units with fiscal years ending after June 30, 2017, Form 5572 is due no later than six months after the end of your fiscal year.

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

In addition to submitting this new form to the Department of Treasury, local units must also post this information on their websites, or in a public place if the local unit does not have a website. The governing body of a local unit will also need to receive a copy of this form, in accordance with the Act, but the Act does not require approval by the governing body before submission to the Treasury.

The Public Act 202 defines that a local unit of government is in “underfunded status” if any of the following apply:

1. *OPEB* - Total plan assets are less than 40 percent of total plan liabilities, according to the most recent annual report, and, for primary units of government\*, the annual required contribution for all of the retirement health systems of the local unit is greater than 12 percent of the local unit of government’s governmental funds operations revenue.
2. *Retirement Pension Plans* - Total plan asset are less than 60 percent of total plan liabilities, according to the most recent annual report, and, for primary units of government\*, the annual required contribution for all of the retirement health systems of the local unit is greater than 10 percent of the local unit of government’s governmental funds operations revenue.

If, after submission of Form 5572, the Treasury determines your community to have underfunded status, you will have the opportunity to file a “waiver” under Section 6 of the Act. The waiver needs to provide a plan for how the underfunding is being addressed. This waiver will then be submitted to the Treasury. The template for the waiver has not yet been provided by the Treasury.

In the event that a local unit has underfunded plans and does not submit a waiver or the waiver is not approved, the Treasury will perform an internal review. The local unit will also need to submit a corrective action plan to the newly created Municipal Stability Board (under Section 7 of the Act). The local unit will be responsible for creating the corrective action plan.

\*Primary units of government are cities, villages, townships, and counties.

Questions should be directed via email to the Treasury offices at [LocalRetirementReporting@michigan.gov](mailto:LocalRetirementReporting@michigan.gov) or by visiting its website at [www.Michigan.gov/LocalRetirementReporting](http://www.Michigan.gov/LocalRetirementReporting).

### **Updated Uniform Chart of Accounts**

In April 2017, the State released an updated Uniform Chart of Accounts and requires local units of government to comply with the changes beginning with June 30, 2018 year ends. On December 5, 2017, the State extended the deadline for compliance to December 31, 2018 to allow officials more time to convert to new accounts. Local units should begin evaluating this new chart of accounts to determine what changes will be necessary and set up a plan to achieve compliance. Some accounting software vendors have already been working with some local units on an automated remapping solution to the extent needed; this could be a possible solution for some. The changes in the chart of accounts are not voluminous, but will require some review. The new chart of accounts can be found at the following link: [http://www.michigan.gov/documents/uniformchart\\_24524\\_7.pdf](http://www.michigan.gov/documents/uniformchart_24524_7.pdf)