
Charter Township of Flint

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

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Flint

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Flint (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 Flint's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Charter Township of Flint 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.

Emphasis of Matter

As explained in Note 3, the financial statements include investments valued at \$6,629,410 (90 percent of total investments for the aggregate remaining funds) at December 31, 2017, whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by fund managers and the partnership general partners. Our opinion has not been modified with respect to this matter.

To the Board of Trustees
Charter Township of Flint

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the 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 Flint'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, as identified in the table of contents, 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, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

May 29, 2018

Our discussion and analysis of the Charter Township of Flint'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 Township's financial statements.

Using this Annual Report

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

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

Township's Net Position

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets:						
Cash and investments	\$ 11,211,534	\$ 9,134,027	\$ 9,345,204	\$ 8,477,842	\$ 20,556,738	\$ 17,611,869
Receivables	6,451,375	8,337,242	4,283,618	3,970,447	10,734,993	12,307,689
Other assets:						
Prepaid expenses and other assets	211,520	646,789	15,138	9,979	226,658	656,768
Land held for resale	149,709	4,029	-	-	149,709	4,029
Capital assets	11,489,370	10,735,477	2,059,284	2,209,686	13,548,654	12,945,163
Total assets	29,513,508	28,857,564	15,703,244	14,667,954	45,216,752	43,525,518
Deferred Outflows of Resources	2,851,834	3,832,532	34,556	37,970	2,886,390	3,870,502
Liabilities						
Current liabilities	1,071,587	573,617	2,654,257	2,462,908	3,725,844	3,036,525
Noncurrent liabilities:						
Due within one year:						
Compensated absences	49,066	48,197	-	-	49,066	48,197
Current portion of long-term debt	270,000	282,300	22,500	20,000	292,500	302,300
Due in more than one year:						
Compensated absences	83,823	123,502	-	-	83,823	123,502
Net pension liability	14,342,979	14,669,813	165,396	138,785	14,508,375	14,808,598
Net OPEB obligation	7,294,170	5,599,743	530,521	380,944	7,824,691	5,980,687
Long-term debt	1,135,000	1,405,000	327,133	349,633	1,462,133	1,754,633
Total liabilities	24,246,625	22,702,172	3,699,807	3,352,270	27,946,432	26,054,442
Deferred Inflows of Resources	9,064,352	9,745,284	2,704	2,414	9,067,056	9,747,698
Net Position						
Net investment in capital assets	10,084,370	9,048,177	1,709,651	1,840,053	11,794,021	10,888,230
Restricted	3,583,048	4,058,960	-	-	3,583,048	4,058,960
Unrestricted	(14,613,053)	(12,864,497)	10,325,638	9,511,187	(4,287,415)	(3,353,310)
Total net position	\$ (945,635)	\$ 242,640	\$ 12,035,289	\$ 11,351,240	\$ 11,089,654	\$ 11,593,880

Charter Township of Flint

Management's Discussion and Analysis (Continued)

The governmental net position decreased 490 percent from a year ago - decreasing from \$242,640 to \$(945,636). Last year's net position decreased by 46 percent.

Township's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue						
Program revenue:						
Charges for services	\$ 2,853,227	\$ 3,118,508	\$ 14,670,987	\$ 14,054,664	\$ 17,524,214	\$ 17,173,172
Operating grants	310,454	548,553	-	-	310,454	548,553
Capital grants	916,080	-	-	-	916,080	-
General revenue:						
Taxes	7,651,270	7,773,819	-	-	7,651,270	7,773,819
Intergovernmental	2,738,550	2,545,874	-	-	2,738,550	2,545,874
Investment income	69,290	61,365	20,942	16,279	90,232	77,644
Other revenue:						
Cable franchise fees	534,515	552,269	-	-	534,515	552,269
Other miscellaneous income	137,263	86,192	-	-	137,263	86,192
Total revenue	15,210,649	14,686,580	14,691,929	14,070,943	29,902,578	28,757,523
Expenses						
General government	4,190,791	3,413,155	-	-	4,190,791	3,413,155
Public safety	9,601,411	8,923,003	-	-	9,601,411	8,923,003
Public works	2,370,266	2,393,265	-	-	2,370,266	2,393,265
Recreation and culture	176,991	95,191	-	-	176,991	95,191
Debt service	59,465	70,321	-	-	59,465	70,321
Sewer and water	-	-	14,007,880	13,389,433	14,007,880	13,389,433
Total expenses	16,398,924	14,894,935	14,007,880	13,389,433	30,406,804	28,284,368
Change in Net Position	\$ (1,188,275)	\$ (208,355)	\$ 684,049	\$ 681,510	\$ (504,226)	\$ 473,155

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, decreased by \$1,748,556 for governmental activities. The current level of unrestricted net position for our governmental activities stands at \$(14,613,053). Capital grant revenue increased by approximately \$916,000, primarily due to capital donations received. General government expenditures increased by approximately \$778,000, primarily due to an increase in OPEB expense. Public safety expenditures increased by approximately \$678,000, primarily due to an increase in pension expense.

The Township's business-type activities consist of the Sewer and Water Fund. The total net position of business-type activities increased by 6.0 percent from a year ago, increasing from \$11,351,240 to \$12,035,289. Last year's net position increased by 6.4 percent. The sewer and water revenue increased by approximately \$621,000, primarily due to increased charges for services. The sewer and water expenses increased by \$618,000 due to a pass-through of the increase in rates from County charges.

Unrestricted net position of the business-type activities increased by \$814,451, or 8.6 percent.

Financial Analysis of Individual Funds

As the Township completed the year, its General Fund reported a fund balance of \$5,038,275. This represents an increase of \$340,791 from the prior year. The Township's General Fund revenue, excluding other financing sources, was approximately \$10.4 million. Property taxes were approximately \$3.7 million, or 36 percent of the total revenue. State revenue sharing made up approximately \$2.8 million, or 27 percent of total revenue.

The township board passed a 2017 General Fund budget, anticipating a decrease of approximately \$682,000 of fund balance. However, the change in fund balance was an increase of approximately \$341,000. The Township's actual expenditures were \$619,092 less than the final amended budget.

Charter Township of Flint

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Amended to actual - General Fund revenue totaled \$10,387,969, \$424,613 more than the final amended budget. The largest differences between budget and actual revenue were more than anticipated federal grants (\$276,000), state-shared revenue (\$181,000), and local donations (\$148,000), and less than anticipated special assessments (\$77,000), fines and forfeitures (\$49,000), and property taxes (\$46,000).

General Fund expenditures totaled \$10,051,199, \$619,092 less than the final amended budget. General government expenditures totaled \$2,856,425, approximately \$148,288 less than the final amended budget.

Capital Assets and Debt Administration

At the end of 2017, the Township had invested \$12 million in capital assets, net of accumulated depreciation. This amount complies with methods established by the Governmental Accounting Standards Board (GASB).

Major capital asset events during the current fiscal year included the following:

- Land capital donations of approximately \$768,000
- Equipment purchases of approximately \$482,000
- Public safety vehicle purchases of \$662,000
- Equipment disposals of approximately \$557,000
- Public safety disposals of approximately \$234,000

Additional information on the Township's capital assets can be found in Note 5 of this report.

At year end, the Township had approximately \$1.5 million in governmental long-term debt, including \$435,000 in special assessment debt. The business-type activities had approximately \$350,000 in debt, including the Fenton Road Water Main debt.

The Township's most recent bond rating was Aa2.

Additional information on the Township's long-term debt can be found in Note 7 of this report.

Economic Factors

The average unemployment rate for the Township's area was 4.6 percent for 2017. This compares to an average unemployment rate of 4.3 percent for the previous year.

Contacting the Township's Financial Administration

This financial report is intended to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and demonstrate 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 Township Clerk's Department, 1490 South Dye Road, Flint, Michigan 48532-4121.

Charter Township of Flint

Statement of Net Position

December 31, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
Assets				
Cash and investments	\$ 11,211,534	\$ 9,345,204	\$ 20,556,738	\$ 336
Receivables:				
Property taxes receivable	4,809,742	-	4,809,742	-
Special assessments receivable	981,418	-	981,418	-
Receivables from sales to customers on account	151,607	4,266,832	4,418,439	-
Accrued interest receivable	2,826	17,437	20,263	-
Other receivables	3,868	-	3,868	-
Due from other governmental units	501,263	-	501,263	-
Internal balances	651	(651)	-	-
Prepaid expenses and other assets	211,520	15,138	226,658	-
Land held for resale	149,709	-	149,709	-
Capital assets: (Note 5)				
Assets not subject to depreciation	3,791,605	-	3,791,605	-
Assets subject to depreciation - Net	7,697,765	2,059,284	9,757,049	-
Total assets	29,513,508	15,703,244	45,216,752	336
Deferred Outflows of Resources - Related to Pensions (Note 10)	2,851,834	34,556	2,886,390	-
Liabilities				
Accounts payable	772,776	105,399	878,175	-
Due to other governmental units	38,155	2,501,516	2,539,671	-
Refundable deposits, bonds, etc.	79,666	41,593	121,259	-
Accrued liabilities and other	180,990	5,749	186,739	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	49,066	-	49,066	-
Current portion of long-term debt (Note 7)	270,000	22,500	292,500	-
Due in more than one year:				
Compensated absences (Note 7)	83,823	-	83,823	-
Net pension liability (Note 10)	14,342,979	165,396	14,508,375	-
Net OPEB obligation (Note 12)	7,294,170	530,521	7,824,691	-
Long-term debt (Note 7)	1,135,000	327,133	1,462,133	-
Total liabilities	24,246,625	3,699,807	27,946,432	-
Deferred Inflows of Resources				
Property taxes levied for the following year	7,076,099	-	7,076,099	-
Special assessments levied for the following year	1,535,610	-	1,535,610	-
Deferred inflows related to pensions	452,643	2,704	455,347	-
Total deferred inflows of resources	9,064,352	2,704	9,067,056	-
Net Position				
Net investment in capital assets	10,084,370	1,709,651	11,794,021	-
Restricted:				
Public safety	3,158,687	-	3,158,687	-
Roads	43,570	-	43,570	-
Debt service	348,849	-	348,849	-
Public access programming	31,942	-	31,942	-
Unrestricted	(14,613,053)	10,325,638	(4,287,415)	336
Total net position	\$ (945,635)	\$ 12,035,289	\$ 11,089,654	\$ 336

Charter Township of Flint

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 4,190,791	\$ 591,425	\$ -	\$ 916,080
Public safety	9,601,411	757,044	253,363	-
Public works	2,370,266	1,504,758	12,091	-
Recreation and culture	176,991	-	45,000	-
Interest on long-term debt	59,465	-	-	-
Total governmental activities	16,398,924	2,853,227	310,454	916,080
Business-type activities	14,007,880	14,670,987	-	-
Total primary government	\$ 30,406,804	\$ 17,524,214	\$ 310,454	\$ 916,080
Component units - Economic Development Corporation	\$ 3,728	\$ -	\$ 3,900	\$ -
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended December 31, 2017

Primary Government			Component Unit - Economic Development Corporation
Governmental Activities	Business-type Activities	Total	
\$ (2,683,286)	\$ -	\$ (2,683,286)	\$ -
(8,591,004)	-	(8,591,004)	-
(853,417)	-	(853,417)	-
(131,991)	-	(131,991)	-
(59,465)	-	(59,465)	-
(12,319,163)	-	(12,319,163)	-
-	663,107	663,107	-
(12,319,163)	663,107	(11,656,056)	-
-	-	-	172
7,651,270	-	7,651,270	-
2,738,550	-	2,738,550	-
69,290	20,942	90,232	1
534,515	-	534,515	-
137,263	-	137,263	-
11,130,888	20,942	11,151,830	1
(1,188,275)	684,049	(504,226)	173
242,640	11,351,240	11,593,880	163
\$ (945,635)	\$ 12,035,289	\$ 11,089,654	\$ 336

Charter Township of Flint

Governmental Funds Balance Sheet

December 31, 2017

	General Fund	Police and Fire Millage Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 3)	\$ 6,111,252	\$ 3,143,836	\$ 1,956,446	\$ 11,211,534
Receivables:				
Property taxes receivable	2,486,113	1,940,607	383,022	4,809,742
Special assessments receivable	854,007	-	127,411	981,418
Receivables from sales to customers on account	151,607	-	-	151,607
Accrued interest receivable	-	2,826	-	2,826
Other receivables	2,203	-	1,665	3,868
Due from other governmental units	498,873	-	2,390	501,263
Due from other funds (Note 6)	133,577	-	37,744	171,321
Prepaid expenses and other assets	176,759	34,761	-	211,520
Land held for resale	149,709	-	-	149,709
Total assets	\$ 10,564,100	\$ 5,122,030	\$ 2,508,678	\$ 18,194,808
Liabilities				
Accounts payable	\$ 328,145	\$ 8,412	\$ 436,219	\$ 772,776
Due to other governmental units	-	-	38,155	38,155
Due to other funds (Note 6)	38,772	129,185	2,713	170,670
Refundable deposits, bonds, etc.	79,666	-	-	79,666
Accrued liabilities and other	109,174	57,275	-	166,449
Total liabilities	555,757	194,872	477,087	1,227,716
Deferred Inflows of Resources (Note 4)				
Unavailable revenue	-	-	167,057	167,057
Property taxes levied for the following year	3,434,458	3,042,347	599,294	7,076,099
Special assessments levied for the following year	1,535,610	-	-	1,535,610
Total deferred inflows of resources	4,970,068	3,042,347	766,351	8,778,766
Fund Balances				
Nonspendable - Prepaids:				
Land held for resale	149,709	-	-	149,709
Prepaids	176,759	34,761	-	211,520
Restricted:				
Roads	-	-	28,382	28,382
Public safety	254,867	1,850,050	1,019,009	3,123,926
Debt service	-	-	236,626	236,626
Public access programming	31,942	-	-	31,942
Assigned:				
Subsequent year's budget	681,935	-	-	681,935
Debt service	-	-	20,869	20,869
Unassigned	3,743,063	-	(39,646)	3,703,417
Total fund balances	5,038,275	1,884,811	1,265,240	8,188,326
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,564,100	\$ 5,122,030	\$ 2,508,678	\$ 18,194,808

Charter Township of Flint

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

December 31, 2017

Fund Balances Reported in Governmental Funds	\$ 8,188,326
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	11,489,370
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	167,057
Bonds payable are not due and payable in the current period and are not reported in the funds	(1,405,000)
Accrued interest is not due and payable in the current period and is not reported in the funds	(14,541)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(132,889)
Net pension liability is not due and payable in the current period and is not reported in the funds	(14,342,979)
Deferred inflows related to pensions are not recorded in the funds	(452,643)
Deferred outflows related to pensions are not recorded in the funds	2,851,834
Other long-term liabilities, such as net other postemployment benefit obligations, do not present a claim on current financial resources and are not reported as fund liabilities	<u>(7,294,170)</u>
Net Position of Governmental Activities	<u><u>\$ (945,635)</u></u>

Charter Township of Flint

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2017

	General Fund	Police and Fire Millage Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Property taxes	\$ 3,725,112	\$ 2,980,010	\$ 946,148	\$ 7,651,270
Special assessments	1,504,758	-	86,283	1,591,041
Intergovernmental:				
Federal grants	275,910	-	185,731	461,641
State-shared revenue and grants	2,783,663	-	-	2,783,663
Charges for services	696,614	-	-	696,614
Fines and forfeitures	83,039	-	-	83,039
Licenses and permits:				
Cable franchise fees	534,515	-	-	534,515
Business licenses	85,631	-	-	85,631
Other licenses and permits	326,358	-	-	326,358
Interest and rentals:				
Investment income	44,224	6,011	19,055	69,290
Rental income	13,090	-	147,141	160,231
Other revenue:				
Local donations	192,680	-	-	192,680
Other miscellaneous income	122,375	-	17,478	139,853
Total revenue	10,387,969	2,986,021	1,401,836	14,775,826
Expenditures				
Current services:				
General government	2,856,425	-	150	2,856,575
Public safety	5,530,037	2,757,623	1,325,082	9,612,742
Public works	1,515,890	-	337,919	1,853,809
Recreation and culture	137,250	-	12,091	149,341
Debt service:				
Principal	11,597	-	282,300	293,897
Interest on long-term debt	-	-	47,868	47,868
Total expenditures	10,051,199	2,757,623	2,005,410	14,814,232
Excess of Revenue Over (Under) Expenditures	336,770	228,398	(603,574)	(38,406)
Other Financing Sources (Uses)				
Transfers in	-	-	35,000	35,000
Transfers out	-	-	(35,000)	(35,000)
Sale of capital assets	4,021	-	-	4,021
Total other financing sources	4,021	-	-	4,021
Net Change in Fund Balances	340,791	228,398	(603,574)	(34,385)
Fund Balances - Beginning of year	4,697,484	1,656,413	1,868,814	8,222,711
Fund Balances - End of year	\$ 5,038,275	\$ 1,884,811	\$ 1,265,240	\$ 8,188,326

Charter Township of Flint

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

Year Ended December 31, 2017

Net Change in Fund Balance Reported in Governmental Funds	\$ (34,385)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	1,214,232
Depreciation expense	(1,158,541)
Net book value of assets disposed of	(70,198)
Donated assets	768,400
Total	<u>753,893</u>
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(57,878)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	282,300
Change in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported in the fund statements until they come due for payment	38,810
Change in the net pension liability is recorded when incurred in the statement of activities	326,834
Change in deferred inflows related to pensions	177,276
Change in deferred outflows related to pensions	(980,698)
Change in net other postemployment benefit obligation	<u>(1,694,427)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (1,188,275)</u></u>

Charter Township of Flint

Proprietary Funds Statement of Net Position

December 31, 2017

	<u>Enterprise Fund</u> <u>Sewer and</u> <u>Water</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 7,835,147
Investments	1,510,057
Receivables:	
Receivables from sales to customers on account	4,266,832
Accrued interest receivable	17,437
Due from other funds	1,028
Prepaid expenses and other assets	15,138
Total current assets	<u>13,645,639</u>
Noncurrent assets - Capital assets subject to depreciation	<u>2,059,284</u>
Total assets	15,704,923
Deferred Outflows of Resources (Note 10)	34,556
Liabilities	
Current liabilities:	
Accounts payable	105,399
Due to other governmental units	2,501,516
Due to other funds	1,679
Refundable deposits, bonds, etc.	41,593
Accrued liabilities and other	5,749
Current portion of long-term debt (Note 7)	22,500
Total current liabilities	<u>2,678,436</u>
Noncurrent liabilities:	
Net pension liability (Note 10)	165,396
Net OPEB obligation (Note 12)	530,521
Long-term debt (Note 7)	327,133
Total noncurrent liabilities	<u>1,023,050</u>
Total liabilities	3,701,486
Deferred Inflows of Resources	<u>2,704</u>
Net Position	
Net investment in capital assets	1,709,651
Unrestricted	10,325,638
Total net position	<u><u>\$ 12,035,289</u></u>

Charter Township of Flint

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

Year Ended December 31, 2017

	<u>Enterprise Fund</u> <u>Sewer and</u> <u>Water</u>
Operating Revenue	
Charges for service	\$ 14,330,750
Fines and penalties	308,658
Miscellaneous	31,579
	<hr/>
Total operating revenue	14,670,987
Operating Expenses	
Cost of water	8,311,035
Cost of sewage treatment	4,184,292
Supplies	5,485
Repairs	498,682
Personnel services	503,537
Contractual	58,952
Insurance	109,396
Other postemployment benefit expense	149,777
Professional services	11,090
Miscellaneous	4,068
Depreciation	162,475
	<hr/>
Total operating expenses	13,998,789
Operating Income	672,198
Nonoperating Revenue (Expense)	
Investment income	20,942
Interest expense	(9,091)
	<hr/>
Total nonoperating revenue	11,851
Change in Net Position	684,049
Net Position - Beginning of year	<hr/> 11,351,240
Net Position - End of year	<hr/> \$ 12,035,289 <hr/>

Charter Township of Flint

Proprietary Funds Statement of Cash Flows

Year Ended December 31, 2017

	<u>Enterprise Fund</u> <u>Sewer and</u> <u>Water</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 14,383,395
Receipts from interfund services and reimbursements	(1,028)
Payments to suppliers	(13,001,161)
Payments to employees and fringes	(469,088)
Payments to other funds	(17,032)
	<u>895,086</u>
Net cash and cash equivalents provided by operating activities	895,086
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(12,073)
Principal and interest paid on capital debt	(29,091)
	<u>(41,164)</u>
Net cash and cash equivalents used in capital and related financing activities	(41,164)
Cash Flows from Investing Activities	
Interest received on investments	3,383
Purchases of investment securities	(500,000)
	<u>(496,617)</u>
Net cash and cash equivalents used in investing activities	(496,617)
Net Increase in Cash and Cash Equivalents	357,305
Cash and Cash Equivalents - Beginning of year	<u>7,477,842</u>
Cash and Cash Equivalents - End of year	<u>\$ 7,835,147</u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 672,198
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation and amortization	162,475
Changes in assets and liabilities:	
Receivables	(287,592)
Due to and from other funds	(18,060)
Prepaid and other assets	(5,159)
Accounts payable	184,645
Accrued and other liabilities	186,579
	<u>895,086</u>
Net cash and cash equivalents provided by operating activities	<u>\$ 895,086</u>

Charter Township of Flint

Fiduciary Funds Combining Statement of Fiduciary Net Position

December 31, 2017

	Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ -	\$ 203,030
Investments: (Note 3)		
Money market	208,110	-
Private debt funds	1,684,956	-
Private equity funds	5,495,258	-
Receivables	-	259,230
Due from other funds	-	455
	<u>7,388,324</u>	<u>\$ 462,715</u>
Total assets		
Liabilities		
Due to other governmental units	-	\$ 168,267
Undistributed taxes	-	68,919
Refundable deposits, bonds, etc.	-	183,411
Accrued liabilities and other	4,918	42,118
	<u>4,918</u>	<u>\$ 462,715</u>
Total liabilities		
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 7,383,406</u>	

Charter Township of Flint

Fiduciary Funds Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2017

	<u>Trust Funds</u>
Additions	
Investment income:	
Interest and dividends	\$ 14,545
Net increase in fair value of investments	<u>977,678</u>
Total investment income	992,223
Contributions:	
Employer contributions	1,166,080
Employee contributions	<u>61,351</u>
Total contributions	<u>1,227,431</u>
Total additions	2,219,654
Deductions	
Benefit payments	1,311,522
Administrative expenses	<u>21,527</u>
Total deductions	<u>1,333,049</u>
Net Increase in Net Position Held in Trust	886,605
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>6,496,801</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 7,383,406</u></u>

December 31, 2017

Note 1 - Nature of Business and Significant Accounting Policies

Reporting Entity

The Charter Township of Flint (the "Township") was incorporated on July 17, 1978 under the provisions of Act 90, P.A. 1976, as amended. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Blended component units are, in substance, part of the Township operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the Township. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township (see discussion below for description).

Blended Component Units

The Charter Township of Flint Firefighters' Trust Fund (the "Trust Fund") is made up of township employees and elected officials. The pension board approves investment policies. The pension board provides services exclusively to township employees (current and retired).

The Charter Township of Flint Building Authority (the "Authority") governing board is made up of township employees and township residents. The authority board provides services exclusively to the Township for the purpose of overseeing future construction projects. There was no activity for the year ended December 31, 2017.

Discretely Presented Component Unit

The Charter Township of Flint Economic Development Corporation (the "Corporation") board is appointed by the Township. The Township approves the annual budget and provides employees and facilities to the Corporation.

All financial information of this component unit has been included in these financial statements. There are no separately issued financial statements.

Accounting and Reporting Principles

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

Report Presentation

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

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

December 31, 2017

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

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

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

Fund Accounting

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

Governmental Funds

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Police and Fire Millage Fund accounts for revenue and expenditures for the police and fire departments including a special property tax millage that directly benefits and is solely designated for police and fire activities.

Proprietary Funds

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

- The Sewer and Water Fund is maintained for the operations of the water distribution system and sewage pumping and collection systems.

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 Pension Trust Fund accounts for the activities of the Fire Fighters' Trust Fund utilized to pay for township firefighter retirees. The fund accumulates resources for pension benefits financed by both employer and employee contributions.
- The Postemployment Benefit Trust Fund accumulates resources for postemployment benefit payments for township retired employees.
- The Agency Fund accounts for assets held by the Township in a trustee capacity. The Township's Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

December 31, 2017

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

Interfund Activity

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

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

Basis of Accounting

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

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

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that they are 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, federal grant reimbursements, and interest associated with the current fiscal period. Conversely, special assessments will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow."

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

Specific Balances and Transactions

Cash and Cash Equivalents

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

Investments

Investments are reported at fair value or estimated fair value.

Note 1 - Nature of Business and 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 are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

<u>Capital Asset Class</u>	<u>Depreciable Life - Years</u>
Infrastructure	10-20
Water and sewer lines	40
Buildings	30
Building improvements	7-20
Furniture and equipment	3-18
Vehicles	2-15
Computer equipment	5-10

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. Claims and judgments liabilities will generally be liquidated through the Township's General Fund. Long-term debt will generally be liquidated through the Township's Municipal Street Fund and the debt service funds.

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.

December 31, 2017

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

The Township reports deferred outflows of resources related to the defined benefit pension plans, made up of employer contributions made subsequent to the measurement date, as well as experience differences, changes in assumptions, and the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

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 2018 operations. The governmental funds also report unavailable revenue from miscellaneous receivables and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. There are deferred inflows in the proprietary funds and government-wide statements related to the defined benefit pension plans, made up of experience differences and the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

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 Assumption

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. 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.

Assigned - Intent to spend resources on specific purposes expressed by the township board. Assignments must be authorized by resolution and approved by the township board.

December 31, 2017

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

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

Property Tax Revenue

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

The Township's 2016 property tax revenue was levied and collectible on December 31, 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 \$795.5 million. Taxes were levied as follows:

Purpose	Millage Rate	Revenue
General operating	4.6423	\$ 3,693,051
Police operating (10 years 2007-2016)	.5000	397,761
Roads (10 years 2016-2025)	.5000	397,761
Fire equipment (five years 2016-2020)	.2500	198,880
Police and fire (10 years 2014-2023)	3.8500	3,062,759
Total		<u>\$ 7,750,212</u>

Pension

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

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 General Fund and Sewer and Water Fund are used to liquidate the OPEB obligation.

December 31, 2017

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

Compensated Absences (Vacation and Sick Leave)

It is the Township's policy to pay firefighters one-half of their unused sick days at the time of retirement. All other township employees are paid for unused sick days on an annual basis. Employees lose any unused vacation time at the end of the year. The liability for sick time is accrued when incurred in the government-wide financial statements. A liability for this amount is reported in governmental funds only for firefighter terminations as of the year end. Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund.

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Sewer and Water Fund and internal service funds are charges to customers for sales and services. The Sewer and Water Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

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

Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Township to recognize on the face of the financial statements its 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 November 2016, the Governmental Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. 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 January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2019.

December 31, 2017

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

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2020.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

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

Shortfall at January 1, 2017		\$	(874,112)
Current year permit revenue			202,900
Related expenses:			
Direct costs - Professional services	\$	259,122	
Estimated indirect costs		-	259,122
Current year shortfall			(56,222)
Cumulative shortfall December 31, 2017		\$	<u>(930,334)</u>

Fund Deficits

The Township had a fund deficit in the Police Grants Fund of \$39,646. The deficit is caused by unavailable revenue; therefore, a deficit elimination plan is not required.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The Township is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, 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 pension trust fund and retiree healthcare fund are 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.

December 31, 2017

Note 3 - Deposits and Investments (Continued)

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

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$20,124,716 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. At year end, all of the bank deposits of the EDC were insured. 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 and maturities in fiduciary funds:

Investment	Fair Value	Weighted-average Maturity (Years)
Fiduciary Funds		
Private debt funds	\$ 1,684,956	4 - 12 years

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) in fiduciary funds are as follows:

Investment	Fair Value	Rating	Rating Organization
Fiduciary Funds			
Private debt funds	\$ 1,684,956	Not rated	Not rated

Fair Value Measurements

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

December 31, 2017

Note 3 - Deposits and Investments (Continued)

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

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

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2017
Money market	\$ 208,110	\$ -	\$ -	\$ 208,110
Private equity funds	550,804	-	-	550,804
Total investments by fair value level	<u>\$ 758,914</u>	<u>\$ -</u>	<u>\$ -</u>	758,914
Investments measured at NAV:				
Private debt funds				1,684,956
Private equity funds				<u>4,944,454</u>
Total investments measured at NAV				<u>6,629,410</u>
Total investments measured at fair value				<u>\$ 7,388,324</u>

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

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

Investments in Entities that Calculate Net Asset Value per Share

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

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

	Carrying Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Private debt funds	\$ 1,684,956	\$ -	No restrictions	None
Private equity funds	4,944,454	-	No restrictions	None
Total	<u>\$ 6,629,410</u>	<u>\$ -</u>		

The private debt funds class includes investment in a fund seeking to provide investment results that generally correspond to the Barclay’s Capital Aggregate Bond Index, a widely recognized broad representation of the U.S. fixed income market.

December 31, 2017

Note 3 - Deposits and Investments (Continued)

The private equity funds class includes several private equity funds seeking to provide investment results generally corresponding to the aggregate price and dividend performance of the small, medium, and large capitalization sector of the U.S. equity market. This class also includes private equity funds seeking to provide complete international equity market exposure to investors through a highly-diversified portfolio.

The fair values of the investments in these classes have been estimated using the net asset value per share of the investments.

Note 4 - Deferred Inflows/Outflows of Resources

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

	Governmental Funds	Governmental Activities	Business-type Activities and Sewer and Water Fund
Property taxes levied for the following year	\$ 7,076,099	\$ 7,076,099	\$ -
Special assessments - Unavailable	127,411	-	-
Special assessments levied for the following year	1,535,610	1,535,610	-
Intergovernmental revenue - Unavailable	39,646	-	-
Deferred inflows related to pensions	-	452,643	2,704
Total deferred inflows	\$ 8,778,766	\$ 9,064,352	\$ 2,704

The components of deferred outflows at the end of the current fiscal year are as follows:

	Business-type Activities and Sewer and Water Fund	Governmental Activities
Deferred outflows related to pensions	\$ 34,556	\$ 2,851,834

December 31, 2017

Note 5 - Capital Assets

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

Governmental Activities

	Balance January 1, 2017	Additions	Disposals	Balance December 31, 2017
Capital assets not being depreciated - Land	\$ 3,023,205	\$ 768,400	\$ -	\$ 3,791,605
Capital assets being depreciated:				
Infrastructure	19,942,582	-	-	19,942,582
Buildings and improvements	7,606,756	70,298	(46,389)	7,630,665
Machinery and equipment	2,959,045	481,722	(556,601)	2,884,166
Vehicles	2,799,723	662,212	(233,981)	3,227,954
Office furnishings	97,813	-	(43,808)	54,005
Subtotal	33,405,919	1,214,232	(880,779)	33,739,372
Accumulated depreciation:				
Infrastructure	16,962,390	513,006	-	17,475,396
Buildings and improvements	4,212,203	196,720	(30,459)	4,378,464
Machinery and equipment	2,500,962	131,332	(502,833)	2,129,461
Vehicles	1,920,919	317,343	(233,981)	2,004,281
Office furnishings	97,173	140	(43,308)	54,005
Subtotal	25,693,647	1,158,541	(810,581)	26,041,607
Net capital assets being depreciated	7,712,272	55,691	(70,198)	7,697,765
Net governmental activities capital assets	<u>\$ 10,735,477</u>	<u>\$ 824,091</u>	<u>\$ (70,198)</u>	<u>\$ 11,489,370</u>

Business-type Activities

	Balance January 1, 2017	Additions	Disposals	Balance December 31, 2017
Capital assets being depreciated:				
Water and sewer lines	\$ 40,656,461	\$ 9,605	\$ -	\$ 40,666,066
Office furnishings	102,001	2,468	(21,561)	82,908
Subtotal	40,758,462	12,073	(21,561)	40,748,974
Accumulated depreciation:				
Water and sewer lines	38,480,103	158,848	-	38,638,951
Office furnishings	68,673	3,627	(21,561)	50,739
Subtotal	38,548,776	162,475	(21,561)	38,689,690
Net business-type activity capital assets	<u>\$ 2,209,686</u>	<u>\$ (150,402)</u>	<u>\$ -</u>	<u>\$ 2,059,284</u>

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

Governmental activities:	
General government	\$ 167,481
Public safety	194,952
Public works	792,155
Recreation and culture	3,953
Total governmental activities	<u>\$ 1,158,541</u>
Business-type activities - Water and sewer	\$ 162,475

December 31, 2017

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Sewer and Water Fund	\$ 1,679
	Police and Fire Millage Fund	129,185
	Other governmental funds	2,713
	Total General Fund	133,577
Other governmental funds	General Fund	37,744
Sewer and Water Fund	General Fund	1,028
	Total	<u>\$ 172,349</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
Other governmental funds	Other governmental funds	\$ 35,000

The transfer in the other governmental funds is from the Municipal Street Fund to the Road Debt Service Fund and is related to the debt payment, which is paid out of the Road Debt Service Fund.

Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the Township) are received.

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

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Building Authority Bonds - Series 2013 Refunded	2.490%	2024	\$ 1,090,000	\$ -	\$ (120,000)	\$ 970,000	\$ 125,000
Road assessment	n/a	2018	17,300	-	(17,300)	-	-
Special assessment - Capital Road Bonds	2%-4.25%	2020	580,000	-	(145,000)	435,000	145,000
Total bonds payable	-	-	1,687,300	-	(282,300)	1,405,000	270,000
Compensated absences			171,699	33,249	(72,059)	132,889	49,066
Total governmental activities long-term debt			<u>\$ 1,858,999</u>	<u>\$ 33,249</u>	<u>\$ (354,359)</u>	<u>\$ 1,537,889</u>	<u>\$ 319,066</u>

December 31, 2017

Note 7 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Fenton Road Water Main Debt	2.50%	April 1, 2031	\$ 369,633	\$ -	\$ (20,000)	\$ 349,633	\$ 22,500

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	\$ 270,000	\$ 38,834	\$ 308,834	\$ 22,500	\$ 8,460	\$ 30,960
2019	275,000	30,103	305,103	22,500	7,897	30,397
2020	280,000	20,885	300,885	22,500	7,335	29,835
2021	140,000	14,442	154,442	22,500	6,772	29,272
2022	145,000	10,956	155,956	22,500	6,210	28,710
2023-2027	295,000	11,081	306,081	125,000	21,829	146,829
2028-2031	-	-	-	112,133	5,687	117,820
Total	<u>\$ 1,405,000</u>	<u>\$ 126,301</u>	<u>\$ 1,531,301</u>	<u>\$ 349,633</u>	<u>\$ 64,190</u>	<u>\$ 413,823</u>

Note 8 - No Commitment Debt

The Economic Development Corporation of the Charter Township of Flint (the "Corporation") has issued limited obligation economic development revenue bonds. Since the bonds are payable solely from the net revenue derived from the project and the bonds are not a general obligation of the Corporation or the Township, the bonds have not been reflected in the financial statements of the Township. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source. As of December 31, 2017, there is approximately \$2,500,000 no commitment debt outstanding.

Note 9 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for property, liability, wrongful acts, law enforcement, automobile, bond, crime, inland marine, boiler claims, and health cares. 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 Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Note 10 - Pension Plans

Plan Description

Firefighters' Defined Benefit Pension Plan

The Firefighters' Pension Board administers the Charter Township of Flint Firefighters' Pension Plan - a single-employer defined benefit pension plan that provides pensions for all full-time firefighters of the Township hired prior to January 1, 2012. Benefit terms have been established by contractual agreements between the Township and the various employee union representation; amendments are subject to the same process.

Management of the plan is vested in the pension board, which consists of a five-member board of trustees composed of two members of the Township's administration and three other township employees.

MERS Defined Benefit Pension Plan

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

Benefits Provided

Firefighters' Defined Benefit Pension Plan

The pension plan provides retirement, disability, and death benefits. Retirement benefits for plan members are calculated as 2.50 percent of the member's final three-year average final compensation (AFC) times the member's first 25 years of service plus 1 percent of average final compensation times years of service in excess of 25 years. All plan members are eligible for nonduty disability benefits after five years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined at 50 percent of the average final compensation from the time of disability to age 55 and in the same manner as retirement benefits at age 55 but are payable immediately without an actuarial reduction. Death benefits are the same as duty disability benefits and are paid to the survivor of the member. A plan member who leaves the Township's service may withdraw his or her contributions, plus any accumulated interest.

MERS Defined Benefit Pension Plan

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

The MERS plan covers all police officers, clerical/full-time, and some nonunion employees segregated by the groups as outlined below.

Retirement benefits for clerical union/nonunion employees are calculated as 2.50 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 55 with 25 years of service. Vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Note 10 - Pension Plans (Continued)

Retirement benefits for police officer employees (hired on or before January 1, 2012) are calculated as 2.50 percent of the employee’s final three-year average salary times the employee’s years of service. Normal retirement age is 60 with early retirement at 25 years of service. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Retirement benefits for the police chief are calculated as 2.50 percent of the employee’s final three-year average salary times the employee’s years of service. Normal retirement age is 60 with early retirement at 25 years of service. Vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Retirement benefits for police command officer employees are calculated as 2.50 percent of the employee’s final three-year average salary times the employee’s years of service. Normal retirement age is 60 with early retirement at 25 years of service. Vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Retirement benefits for police officer employees (hired after January 1, 2012) are calculated as 2.50 percent of the employee’s final three-year average salary times the employee’s years of service. Normal retirement age is 60 with early retirement at 55 with 25 years of service. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	Firefighters’ Defined Benefit Pension Plan	MERS Defined Benefit Pension Plan
Date of member count	December 31, 2017	December 31, 2016
Inactive plan members or beneficiaries currently receiving benefits	15	43
Inactive plan members entitled to but not yet receiving benefits	1	6
Active plan members	8	57
Total employees covered by the plan	<u>24</u>	<u>106</u>

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the pension board and MERS both retain an independent actuary to determine the annual contribution.

Note 10 - Pension Plans (Continued)

Firefighters' Defined Benefit Pension Plan

The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the Township Charter, union contracts, and plan provisions. For the year ended December 31, 2017, the average active member contribution rate was 8.0 percent of annual pay and the Township's average contribution rate was 41.47 percent of annual payroll.

MERS Defined Benefit Pension Plan

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For clerical union/nonunion, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. Employees are required to contribute 7.40 percent of compensation. The Township makes employer contributions in accordance with funding requirements determined by the system's actuary. The Township's current rate is 7.40 percent of annual covered payroll.

For police officers (hired on or before January 1, 2012), the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. Employees are required to contribute 10.00 percent of compensation. The Township makes employer contributions in accordance with funding requirements determined by the system's actuary. The Township's current flat rate is \$43,524 per month.

For the police chief, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. The employee is required to contribute 7.00 percent of compensation. The Township makes employer contributions in accordance with funding requirements determined by the system's actuary. The Township's current rate is 8.20 percent of annual covered payroll.

For police command officer employees, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. Employees are required to contribute 10.00 percent of compensation. The Township makes employer contributions in accordance with funding requirements determined by the system's actuary. The Township's current rate is 33.36 percent of annual covered payroll.

For police officers (hired after January 1, 2012), the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. Employees are required to contribute 10.00 percent of compensation. The Township makes employer contributions in accordance with funding requirements determined by the system's actuary. The Township's current rate is 2.75 percent of annual covered payroll.

December 31, 2017

Note 10 - Pension Plans (Continued)

Net Pension Liability

The Township chooses a date for each pension plan to measure its net pension liability. This is based on the measurement date of each pension plan, which is determined by an actuarial valuation performed as of that date.

	Firefighters' Defined Benefit Pension Plan	MERS Defined Benefit Pension Plan
Measurement date used for the Township's NPL	December 31, 2017	December 31, 2016

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

Firefighters' Defined Benefit Pension Plan

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2016	\$ 8,590,384	\$ 6,335,180	\$ 2,255,204
Changes for the year:			
Service cost	130,300	-	130,300
Interest	668,493	-	668,493
Differences between expected and actual experience	635,595	-	635,595
Contributions - Employer	-	431,590	(431,590)
Contributions - Employee	-	61,351	(61,351)
Net investment income	-	966,579	(966,579)
Benefit payments, including refunds	(598,732)	(598,732)	-
Administrative expenses	-	(20,673)	20,673
Net changes	835,656	840,115	(4,459)
Balance at December 31, 2017	\$ 9,426,040	\$ 7,175,295	\$ 2,250,745

The plan's fiduciary net position represents 76.1 percent of the total pension liability.

December 31, 2017

Note 10 - Pension Plans (Continued)

MERS Defined Benefit Pension Plan

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2015	\$ 30,197,104	\$ 17,643,710	\$ 12,553,394
Changes for the year:			
Service cost	475,937	-	475,937
Interest	2,364,283	-	2,364,283
Changes in benefits	2,784	-	2,784
Differences between expected and actual experience	(55,354)	-	(55,354)
Contributions - Employer	-	820,161	(820,161)
Contributions - Employee	-	315,793	(315,793)
Net investment income	-	1,986,695	(1,986,695)
Benefit payments, including refunds	(1,763,081)	(1,763,081)	-
Administrative expenses	-	(39,235)	39,235
Net changes	1,024,569	1,320,333	(295,764)
Balance at December 31, 2016	\$ 31,221,673	\$ 18,964,043	\$ 12,257,630

The plan's fiduciary net position represents 60.7 percent of the total pension liability.

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

For the year ended December 31, 2017, the Township recognized pension expense of \$2,044,250 from both plans.

At December 31, 2017, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 317,797	\$ (326,318)
Changes in assumptions	747,721	-
Net difference between projected and actual earnings on pension plan investments	715,117	(129,029)
Employer contributions to the plan subsequent to the measurement date	1,105,755	-
Total	\$ 2,886,390	\$ (455,347)

December 31, 2017

Note 10 - Pension Plans (Continued)

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

Years Ending December 31	Amount
2018	\$ 701,499
2019	501,988
2020	346,207
2021	(224,406)
Total	<u>\$ 1,325,288</u>

Actuarial Assumptions

The total pension liability in each actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	Firefighters' Defined Benefit Pension Plan	MERS Defined Benefit Pension Plan
Inflation	4.5%	2.5%
Salary increases (including inflation)	4.5 - 7.5%	3.75%
Investment rate of return (net of investment expenses)	8.0%	8%

Mortality rates for the Firefighters' Defined Benefit Pension Plan were based on the RP 2000, Combined Healthy Mortality projected to 2014.

Mortality rates for the MERS Defined Benefit Pension Plan were based on a 50 percent male and 50 percent female blend of the following tables:

1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent
2. The RP-2014 Employee Mortality Tables
3. The RP-2014 Juvenile Mortality Tables

Discount Rate

As shown below, the discount rate used to measure the total pension liability was determined after considering a projection of the cash flows to determine whether the future contributions (made at the current contribution rates) will be sufficient to allow the pension plans' fiduciary net position to make all projected future benefit payments of current active and inactive employees.

The long-term expected rate of return on pension 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.

	Firefighters' Defined Benefit Pension Plan	MERS Defined Benefit Pension Plan
Discount rate used to measure TPL	8.0%	8.0%

December 31, 2017

Note 10 - Pension Plans (Continued)

Investment Rate of Return

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

Firefighters' Defined Benefit Pension Plan

Asset Class	December 31, 2017	
	Target Allocation	Long-term Expected Real Rate of Return
Global equity	73.00 %	7.94 %
Global fixed income	27.00	4.01

MERS Defined Benefit Pension Plan

Asset Class	December 31, 2016	
	Target Allocation	Long-term Expected Real Rate of Return
Global equity	58.00 %	5.00 %
Global fixed income	20.00	2.20
Real assets	12.00	4.20
Diversifying strategies	10.00	6.60

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

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

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

	1 Percent Decrease (7.0%)	Current Discount Rate (8.0%)	1 Percent Increase (9.0%)
Net pension liability of the Firefighters' Defined Benefit Pension Plan	\$ 3,195,607	\$ 2,250,745	\$ 1,439,850
Net pension liability of the MERS Defined Benefit Pension Plan	16,102,876	12,257,630	9,070,869
Total	<u>\$ 19,298,483</u>	<u>\$ 14,508,375</u>	<u>\$ 10,510,719</u>

December 31, 2017

Note 10 - Pension Plans (Continued)

Pension Plan Fiduciary Net Position

MERS Defined Benefit Pension Plan

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

Note 11 - Defined Contribution Plan

All other employees not described in a previous plan changed to a defined contribution plan administered through the Michigan Municipal Employees' Retirement System (MERS). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

	Elected Officials and Nonunion Employees	Police Communication Operators
Employee contribution percentage	5%	-
Employer contribution percentage	10%	5%
Vesting	Immediate	20% per year over five years
	Elected Officials and Nonunion Employees	Police Communication Operators
Employee contributions for December 31, 2017	\$ 19,701	\$ -
Employer contributions for December 31, 2017	38,028	8,016
Covered payroll	380,276	160,310
Total payroll	5,045,946	5,045,946

Note 12 - Other Postemployment Benefits Obligation

Plan Description

The Township provides retiree healthcare benefits to eligible employees and their spouses. Currently, the plan has 115 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

This is a single-employer defined benefit plan administered by the Township. 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.

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. In the current year, the Township paid postemployment healthcare premiums of \$712,790, plus it contributed \$21,700 into a prefunded Retiree Health Care Fund.

December 31, 2017

Note 12 - Other Postemployment Benefits Obligation (Continued)

Funding Progress

For the year ended December 31, 2017, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of January 1, 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 22 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 3,070,622
Interest on the prior year's net OPEB obligation	239,227
Less adjustment to the annual required contribution	<u>(731,355)</u>
Annual OPEB cost	2,578,494
Amounts contributed:	
Payment of current premiums	(712,790)
Advance funding	<u>(21,700)</u>
Increase in net OPEB obligation	1,844,004
OPEB obligation - Beginning of year	<u>5,980,687</u>
OPEB obligation - End of year	<u><u>\$ 7,824,691</u></u>

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)
January 1, 2014	\$ 97,322	\$ 15,912,562	\$ 15,815,240	0.61 %
January 1, 2011	60,209	13,876,220	13,816,011	0.43
January 1, 2008	25,000	13,806,492	13,781,492	0.18

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.

December 31, 2017

Note 12 - Other Postemployment Benefits Obligation (Continued)

In the January 1, 2017 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.96 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date and an annual healthcare cost trend rate of 3 percent initially. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2017 was 22 years.

Note 13 - Other Postemployment Benefit Plan

Plan Description

The Township administers the Flint Township Post-Retirement Plan (the "Plan") a single-employer defined benefit OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for various classes of employees.

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	January 1, 2017
Inactive plan members or beneficiaries currently receiving benefits	61
Active plan members	54
	<hr/>
Total employees covered by the Plan	115
	<hr/> <hr/>

Contributions

The board retains an independent actuary to determine the annual contribution. For the year ended December 31, 2017, the Township contributed \$734,490.

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 January 1, 2017 and is composed of the following:

Total OPEB liability	\$ 24,203,667
Plan fiduciary net position	208,110
	<hr/>
Net OPEB liability	\$ 23,995,557
	<hr/> <hr/>
Plan fiduciary net position as a percentage of the total OPEB liability	0.86 %

December 31, 2017

Note 13 - Other Postemployment Benefit Plan (Continued)

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	2.50%
Healthcare cost trend rate - Medical	8% Pre-65: 8 percent in 2018 graded down .5 percent per year to an ultimate rate of 5.0 percent: Post-65: 5 percent in all years
Healthcare cost trend rate - Dental and vision	3%
Salary increases	2.00% average, including inflation
Investment rate of return	7.96% including inflation

Discount Rate

The discount rate used to measure the total OPEB liability was 3.80 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 3.78 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	71.50 %	7.09 %
Global fixed income	24.50	1.42
Real assets	3.20	1.11
Diversifying strategies	0.80	0.80
Total	100.00 %	

Note 13 - Other Postemployment Benefit Plan (Continued)

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

The following presents the net OPEB liability of the Township, calculated using the discount rate of 3.80 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 (2.80 percent) or 1 percentage point higher (4.80 percent) than the current rate:

	1 Percent Decrease (2.80%)	Current Discount Rate (3.80%)	1 Percent Increase (4.80%)
Net OPEB liability of the Township	\$ 27,723,540	\$ 23,995,557	\$ 21,000,922

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 Health Care Cost Trend Rate	1 Percent Increase
Net OPEB liability of the Township	\$ 21,188,438	\$ 23,995,557	\$ 27,523,600

Investment Policy

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

Note 14 - Commitments

The Township currently has a contract with Emterra Environmental for waste management services that expires on December 31, 2019. The Township pays the vendor a monthly rate for each residential and mobile home. The 2017 monthly rate per residential home was \$9.75 and per mobile home was \$4.91. For 2018, the monthly residential home rate increased to \$9.90 per home and the monthly mobile home rate increased to \$4.99 per mobile home. The residential home and mobile home counts are adjusted annually. Additionally, the Township pays the vendor a monthly landfill fee of \$214.40. Also, per the contract, a fuel surcharge will be billed to the Township when fuel prices exceed \$3.50 per gallon and will be credited to us when the fuel prices drop below \$2.50 per gallon. For 2017, the Township was not charged for any fuel surcharges but received fuel credits for five months. The following amounts are to be paid to the vendor based on the current home count of 9,556 and the current mobile home count of 864:

Years Ending	Amount
2018	\$ 1,189,562
2019	1,189,562
Total	<u>\$ 2,379,124</u>

December 31, 2017

Note 15 - 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 \$27,306 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

Required Supplemental Information

Charter Township of Flint

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 3,770,744	\$ 3,770,744	\$ 3,725,112	\$ (45,632)
Special assessments	1,582,040	1,582,040	1,504,758	(77,282)
Intergovernmental:				
Federal grants	-	-	275,910	275,910
State-shared revenue and grants	2,603,000	2,603,000	2,783,663	180,663
Charges for services	697,775	697,775	696,614	(1,161)
Fines and forfeitures	131,900	131,900	83,039	(48,861)
Licenses and permits	978,700	978,700	946,504	(32,196)
Interest and rentals:				
Investment income	45,000	45,000	44,224	(776)
Rental income	16,190	16,190	13,090	(3,100)
Other revenue:				
Local donations	45,000	45,000	192,680	147,680
Other miscellaneous income	93,007	93,007	122,375	29,368
Total revenue	9,963,356	9,963,356	10,387,969	424,613
Expenditures				
Current services:				
General government:				
Township board	47,245	48,645	48,508	137
Supervisor's office	102,497	102,497	91,472	11,025
Controller's office	171,019	171,019	166,767	4,252
Treasurer	243,529	254,029	247,509	6,520
Assessing	332,648	332,648	264,739	67,909
Board of review	7,628	7,628	3,522	4,106
Clerk	160,068	175,018	162,521	12,497
Buildings and grounds	118,286	151,786	145,914	5,872
Elections	148,166	148,166	92,126	56,040
Planning commission	9,142	9,642	7,369	2,273
Civil service	2,969	3,369	3,558	(189)
Insurance and other functions	1,553,266	1,600,266	1,622,420	(22,154)
Public safety:				
Police	3,999,480	3,999,480	3,729,807	269,673
Fire	1,143,597	1,408,732	1,334,892	73,840
Building department and trade inspections	469,653	493,653	465,338	28,315
Public works:				
Rubbish disposal	1,228,373	1,228,373	1,174,325	54,048
Street lighting	388,000	388,000	341,565	46,435
Recreation and culture:				
Library	49,730	49,730	42,647	7,083
Parks and recreation	15,000	15,000	14,361	639
Cable television production	21,500	21,500	30,998	(9,498)
Other recreation and culture	9,000	50,200	49,244	956
Debt service	10,910	10,910	11,597	(687)
Total expenditures	10,231,706	10,670,291	10,051,199	619,092
Excess of Revenue (Under) Over Expenditures	(268,350)	(706,935)	336,770	1,043,705
Other Financing Sources - Proceeds from sale of capital assets	25,000	25,000	4,021	(20,979)
Net Change in Fund Balances	(243,350)	(681,935)	340,791	1,022,726
Fund Balances - Beginning of year	4,697,484	4,697,484	4,697,484	-
Fund Balances - End of year	\$ 4,454,134	\$ 4,015,549	\$ 5,038,275	\$ 1,022,726

Charter Township of Flint

Required Supplemental Information
Budgetary Comparison Schedule - Major Special Revenue Funds
Police and Fire Millage Fund

Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
Property taxes	\$ 3,004,171	\$ 3,004,171	\$ 2,980,010	\$ (24,161)
Investment income	2,000	2,000	6,011	4,011
Total revenue	3,006,171	3,006,171	2,986,021	(20,150)
Expenditures - Public safety	<u>3,273,863</u>	<u>3,273,863</u>	<u>2,757,623</u>	<u>516,240</u>
Net Change in Fund Balances	(267,692)	(267,692)	228,398	496,090
Fund Balances - Beginning of year	<u>1,656,413</u>	<u>1,656,413</u>	<u>1,656,413</u>	<u>-</u>
Fund Balances - End of year	<u><u>\$ 1,388,721</u></u>	<u><u>\$ 1,388,721</u></u>	<u><u>\$ 1,884,811</u></u>	<u><u>\$ 496,090</u></u>

Charter Township of Flint

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

	Last Four Fiscal Years			
	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 130,300	\$ 126,511	\$ 141,168	\$ 132,506
Interest	668,493	707,276	651,942	638,436
Differences between expected and actual experience	635,595	(709,716)	159,365	(87,442)
Changes in assumptions	-	-	333,919	-
Benefit payments, including refunds	<u>(598,732)</u>	<u>(622,753)</u>	<u>(552,033)</u>	<u>(485,978)</u>
Net Change in Total Pension Liability	835,656	(498,682)	734,361	197,522
Total Pension Liability - Beginning of year	<u>8,590,384</u>	<u>9,089,066</u>	<u>8,354,705</u>	<u>8,157,183</u>
Total Pension Liability - End of year	<u>\$ 9,426,040</u>	<u>\$ 8,590,384</u>	<u>\$ 9,089,066</u>	<u>\$ 8,354,705</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 431,590	\$ 550,615	\$ 556,240	\$ 314,986
Contributions - Member	61,351	52,622	60,820	63,415
Net investment income	966,579	374,638	23,931	519,178
Administrative expenses	(20,673)	(15,535)	(11,530)	-
Benefit payments, including refunds	(598,732)	(622,753)	(552,033)	(485,978)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,145)</u>
Net Change in Plan Fiduciary Net Position	840,115	339,587	77,428	404,456
Plan Fiduciary Net Position - Beginning of year	<u>6,335,180</u>	<u>5,995,593</u>	<u>5,918,165</u>	<u>5,513,709</u>
Plan Fiduciary Net Position - End of year	<u>\$ 7,175,295</u>	<u>\$ 6,335,180</u>	<u>\$ 5,995,593</u>	<u>\$ 5,918,165</u>
Township's Net Pension Liability - Ending	<u>\$ 2,250,745</u>	<u>\$ 2,255,204</u>	<u>\$ 3,093,473</u>	<u>\$ 2,436,540</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	76.12 %	73.75 %	65.96 %	70.84 %
Covered Employee Payroll	\$ 697,594	\$ 669,452	\$ 681,409	\$ 770,313
Township's Net Pension Liability as a Percentage of Covered Employee Payroll	322.64 %	336.87 %	453.98 %	316.31 %

Schedule is built prospectively upon implementation of GASB Statement No. 67.

Charter Township of Flint

Required Supplemental Information Schedule of Changes in the Net Pension Liability and Related Ratios Police Officers and Full-time Clerical Union/Nonunion

	Last Three Fiscal Years		
	2017	2016	2015
Total Pension Liability			
Service cost	\$ 475,937	\$ 441,756	\$ 442,873
Interest	2,364,283	2,268,171	2,172,289
Changes in benefit terms	2,784	(5,910)	-
Differences between expected and actual experience	(55,354)	(272,915)	-
Changes in assumptions	-	1,246,202	-
Benefit payments, including refunds	(1,763,081)	(1,504,600)	(1,400,211)
Net Change in Total Pension Liability	1,024,569	2,172,704	1,214,951
Total Pension Liability - Beginning of year	30,197,104	28,024,400	26,809,449
Total Pension Liability - End of year	<u>\$ 31,221,673</u>	<u>\$ 30,197,104</u>	<u>\$ 28,024,400</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 820,161	\$ 698,562	\$ 652,493
Contributions - Member	315,793	283,875	285,335
Net investment income (loss)	1,986,695	(274,702)	1,125,359
Administrative expenses	(39,235)	(40,252)	(41,287)
Benefit payments, including refunds	(1,763,081)	(1,504,600)	(1,400,211)
Net Change in Plan Fiduciary Net Position	1,320,333	(837,117)	621,689
Plan Fiduciary Net Position - Beginning of year	17,643,710	18,480,827	17,859,138
Plan Fiduciary Net Position - End of year	<u>\$ 18,964,043</u>	<u>\$ 17,643,710</u>	<u>\$ 18,480,827</u>
Township's Net Pension Liability - Ending	<u>\$ 12,257,630</u>	<u>\$ 12,553,394</u>	<u>\$ 9,543,573</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	60.74 %	58.43 %	65.95 %
Covered Employee Payroll	\$ 3,357,102	\$ 3,079,427	\$ 3,035,084
Township's Net Pension Liability as a Percentage of Covered Employee Payroll	365.13 %	407.65 %	314.44 %

Schedule is built prospectively upon implementation of GASB Statement No. 67.

**Required Supplemental Information
Schedule of Pension Contributions
Police Officers and Full-time Clerical Union/Nonunion (Continued)**

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

Mortality	Mortality rates were based on a 50 percent male and 50 percent female blend of the following tables: <ol style="list-style-type: none">1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent2. The RP-2014 Employee Mortality Tables3. The RP-2014 Juvenile Mortality Tables For disabled retirees, the mortality rates were based on the 50 percent male - 50 percent female blend of the RP-2014 Disabled Retiree Mortality Tables.
Other information	None

Charter Township of Flint

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

**Last Ten Fiscal Years
Year 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)
January 1, 2014	\$ 97,322	\$ 15,912,562	\$ 15,815,240	0.61
January 1, 2011	60,209	13,876,220	13,816,011	0.43
January 1, 2008	25,000	13,806,492	13,781,492	0.18

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of January 1, 2017, the latest actuarial valuation, follows:

Amortization method	Level percent
Amortization period (perpetual)	22 years
Asset valuation method	Four-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.96%
Projected salary increases	2.0%
*Includes inflation at	2.5%
Cost-of-living adjustments	None

Charter Township of Flint

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

Last Ten Fiscal Years

	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 251,775
Interest	906,706
Differences between expected and actual experience	(201,358)
Benefit payments, including refunds	<u>(712,790)</u>
Net Change in Total OPEB Liability	244,333
Total OPEB Liability - Beginning of year	<u>23,959,334</u>
Total OPEB Liability - End of year	<u>\$ 24,203,667</u>
Plan Fiduciary Net Position	
Contributions to OPEB trust	\$ 21,700
Contributions/benefit payments made from general operating funds	712,790
Net investment income	24,790
Benefit payments, including refunds	<u>(712,790)</u>
Net Change in Plan Fiduciary Net Position	46,490
Plan Fiduciary Net Position - Beginning of year	<u>161,620</u>
Plan Fiduciary Net Position - End of year	<u>\$ 208,110</u>
Net OPEB Liability - Ending	<u>\$ 23,995,557</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	0.9 %
Covered Employee Payroll	\$ 100,000
Net OPEB Liability as a Percentage of Covered Employee Payroll	23,995.6 %

GASB Statement 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 Flint

Required Supplemental Information Schedule of OPEB Contributions

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 3,070,622	\$ 1,390,109	\$ 1,361,314	\$ 1,332,392	\$ 1,231,465	\$ 1,203,350	\$ 1,169,345	\$ 1,227,960	\$ 1,194,842	\$ 1,148,360
Contributions in relation to the actuarially determined contribution	734,490	725,525	672,494	649,734	575,592	519,328	458,878	441,449	297,179	336,702
Contribution Deficiency	\$ (2,336,132)	\$ (664,584)	\$ (688,820)	\$ (682,658)	\$ (655,873)	\$ (684,022)	\$ (710,467)	\$ (786,511)	\$ (897,663)	\$ (811,658)

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 2.50 percent

Salary increase 2.00 percent

Investment rate of return 7.96 percent (including inflation)

Mortality As set forth in IRS Regulations for 2017 (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.

Charter Township of Flint

**Required Supplemental Information
Schedule of Pension Investment Returns - Firefighters**

	Last Ten Fiscal Years			
	Year Ended December 31			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2008</u>
Annual money-weighted rate of return, net of investment expense	2.12 %	2.14 %	0.44 %	- %

Charter Township of Flint

Note to Required Supplemental Information

December 31, 2017

Budgetary Information 2017

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end.

Prior to January 1, the budget is legally enacted on a departmental (activity) basis through passage of a resolution for all budgeted funds. The supervisor or designee is authorized to transfer budgeted amounts within departmental appropriation accounts; however, any revisions that alter the total expenditures of any department must be approved by the township board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

The following is a comparison of budget on a project (grant) length basis and actual expenditures for the Community Development Fund for the year ended December 31, 2017:

	Revised Project (Grant) Length Budget	Project Funds Expended During 2017	Total Project Funds Expended Through December 31, 2017	Unexpended Balance at December 31, 2017
Special Revenue Fund type - Community Development Fund:				
Recreation and cultural projects 2016	\$ 12,944	\$ 9,701	\$ 12,944	\$ -
Recreation and cultural projects 2017	72,944	2,390	2,390	70,554
Public safety projects 2017	55,000	-	-	55,000
Public works projects 2017	97,502	-	-	97,502
Total Community Development Fund	<u>\$ 238,390</u>	<u>\$ 12,091</u>	<u>\$ 15,334</u>	<u>\$ 223,056</u>

Excess of Expenditures Over Appropriations in Budgeted Funds

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

	Amended Budget	Actual	Variance
General Fund:			
General government - Civil service	\$ 3,369	\$ 3,558	\$ (189)
General government - Insurance and other functions	1,600,266	1,622,420	(22,154)
Recreation and culture - Cable television production	21,500	30,998	(9,498)
Debt service	10,910	11,597	(687)

These overruns were due to unanticipated expenditures and the budget was not amended.

Other Supplemental Information

Charter Township of Flint

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

December 31, 2017

	Nonmajor Special Revenue Funds						Nonmajor Debt Service Funds		Total
	Community Development	JAG Grant Fund	Municipal Street Fund	Police Special Millage	Police Grants Fund	Fire Safety Equipment	Road Debt Service	Building Authority Debt	
Assets									
Cash and investments	\$ -	\$ 375,368	\$ 606,563	\$ 21,610	\$ -	\$ 695,410	\$ 236,626	\$ 20,869	\$ 1,956,446
Receivables:									
Property taxes receivable	-	-	254,143	1,909	-	126,970	-	-	383,022
Special assessments receivable	-	-	15,188	-	-	-	112,223	-	127,411
Other receivables	-	-	1,665	-	-	-	-	-	1,665
Due from other governmental units	2,390	-	-	-	-	-	-	-	2,390
Due from other funds	-	-	-	-	37,744	-	-	-	37,744
Total assets	\$ 2,390	\$ 375,368	\$ 877,559	\$ 23,519	\$ 37,744	\$ 822,380	\$ 348,849	\$ 20,869	\$ 2,508,678
Liabilities									
Accounts payable	\$ -	\$ -	\$ 436,219	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 436,219
Due to other governmental units	-	-	411	-	37,744	-	-	-	38,155
Due to other funds	2,390	323	-	-	-	-	-	-	2,713
Total liabilities	2,390	323	436,630	-	37,744	-	-	-	477,087
Deferred Inflows of Resources									
Unavailable revenue	-	-	15,188	-	39,646	-	112,223	-	167,057
Property taxes levied for the following year	-	-	397,359	3,286	-	198,649	-	-	599,294
Total deferred inflows of resources	-	-	412,547	3,286	39,646	198,649	112,223	-	766,351
Fund Balances									
Restricted:									
Roads	-	-	28,382	-	-	-	-	-	28,382
Public safety	-	375,045	-	20,233	-	623,731	-	-	1,019,009
Debt service	-	-	-	-	-	-	236,626	-	236,626
Assigned	-	-	-	-	-	-	-	20,869	20,869
Unassigned	-	-	-	-	(39,646)	-	-	-	(39,646)
Total fund balances	-	375,045	28,382	20,233	(39,646)	623,731	236,626	20,869	1,265,240
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,390	\$ 375,368	\$ 877,559	\$ 23,519	\$ 37,744	\$ 822,380	\$ 348,849	\$ 20,869	\$ 2,508,678

Charter Township of Flint

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
	Community Development	JAG Grant Fund	Municipal Street Fund	Police Special Millage	Police Grants Fund	Fire Safety Equipment	Road Debt Service	Building Authority Debt	
Revenue									
Property taxes	\$ -	\$ -	\$ 376,933	\$ 379,636	\$ -	\$ 188,448	\$ 1,131	\$ -	\$ 946,148
Special assessments	-	-	19,551	-	-	-	66,732	-	86,283
Intergovernmental	12,091	-	-	-	173,640	-	-	-	185,731
Interest and rentals:									
Investment income	-	1,612	4,096	582	-	2,239	10,454	72	19,055
Rental income	-	-	-	-	-	-	-	147,141	147,141
Other revenue	-	-	17,478	-	-	-	-	-	17,478
Total revenue	12,091	1,612	418,058	380,218	173,640	190,687	78,317	147,213	1,401,836
Expenditures									
Current services:									
General government	-	-	-	-	-	-	-	150	150
Public safety	-	207,849	-	376,498	202,257	538,478	-	-	1,325,082
Public works	-	-	337,919	-	-	-	-	-	337,919
Recreation and culture	12,091	-	-	-	-	-	-	-	12,091
Debt service	-	-	18,089	-	-	-	164,938	147,141	330,168
Total expenditures	12,091	207,849	356,008	376,498	202,257	538,478	164,938	147,291	2,005,410
Excess of Revenue (Under) Over Expenditures	-	(206,237)	62,050	3,720	(28,617)	(347,791)	(86,621)	(78)	(603,574)
Other Financing Sources (Uses)									
Transfers in	-	-	-	-	-	-	35,000	-	35,000
Transfers out	-	-	(35,000)	-	-	-	-	-	(35,000)
Total other financing (uses) sources	-	-	(35,000)	-	-	-	35,000	-	-
Net Change in Fund Balances	-	(206,237)	27,050	3,720	(28,617)	(347,791)	(51,621)	(78)	(603,574)
Fund Balances (Deficit) - Beginning of year	-	581,282	1,332	16,513	(11,029)	971,522	288,247	20,947	1,868,814
Fund Balances (Deficit) - End of year	\$ -	\$ 375,045	\$ 28,382	\$ 20,233	\$ (39,646)	\$ 623,731	\$ 236,626	\$ 20,869	\$ 1,265,240

Charter Township of Flint

Other Supplemental Information
Budgetary Comparison Schedule - Nonmajor Governmental Funds
Community Development

Year Ended December 31, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Federal grants	\$ 206,640	\$ 206,640	\$ 12,091	\$ (194,549)
Expenditures - Current - Recreation and culture	12,471	12,471	12,091	380
Net Change in Fund Balances	194,169	194,169	-	(194,169)
Fund Balances - Beginning of year	-	-	-	-
Fund Balances - End of year	\$ 194,169	\$ 194,169	\$ -	\$ (194,169)

Charter Township of Flint

Other Supplemental Information
Budgetary Comparison Schedule - Nonmajor Governmental Funds
(Continued)
JAG Grant Fund

Year Ended December 31, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Federal grants	\$ 210,000	\$ 210,000	\$ -	\$ (210,000)
Investment income	1,000	1,000	1,612	612
Total revenue	211,000	211,000	1,612	(209,388)
Expenditures - Current - Public safety	251,890	251,890	207,849	44,041
Net Change in Fund Balances	(40,890)	(40,890)	(206,237)	(165,347)
Fund Balances - Beginning of year	581,282	581,282	581,282	-
Fund Balances - End of year	<u>\$ 540,392</u>	<u>\$ 540,392</u>	<u>\$ 375,045</u>	<u>\$ (165,347)</u>

Charter Township of Flint

Other Supplemental Information
Budgetary Comparison Schedule - Nonmajor Governmental Funds
(Continued)
Police Grants Fund

Year Ended December 31, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Federal grants	\$ 158,000	\$ 158,000	\$ 173,640	\$ 15,640
Expenditures - Current - Public safety	158,000	158,000	202,257	(44,257)
Net Change in Fund Balances	-	-	(28,617)	(28,617)
Fund Balances - Beginning of year	(11,029)	(11,029)	(11,029)	-
Fund Balances - End of year	<u><u>\$ (11,029)</u></u>	<u><u>\$ (11,029)</u></u>	<u><u>\$ (39,646)</u></u>	<u><u>\$ (28,617)</u></u>

Charter Township of Flint

Other Supplemental Information
Budgetary Comparison Schedule - Nonmajor Governmental Funds
(Continued)
Fire Safety Equipment

Year Ended December 31, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 191,093	\$ 191,093	\$ 188,448	\$ (2,645)
Investment income	1,500	1,500	2,239	739
Total revenue	192,593	192,593	190,687	(1,906)
Expenditures - Current - Public safety	792,415	792,415	538,478	253,937
Net Change in Fund Balances	(599,822)	(599,822)	(347,791)	252,031
Fund Balances - Beginning of year	971,522	971,522	971,522	-
Fund Balances - End of year	<u><u>\$ 371,700</u></u>	<u><u>\$ 371,700</u></u>	<u><u>\$ 623,731</u></u>	<u><u>\$ 252,031</u></u>

Charter Township of Flint

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Road Debt Service

Year Ended December 31, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ -	\$ -	\$ 1,131	\$ 1,131
Special assessments	59,307	59,307	66,732	7,425
Investment income	11,511	11,511	10,454	(1,057)
Total revenue	70,818	70,818	78,317	7,499
Expenditures - Debt service	164,938	164,938	164,938	-
Excess of Revenue Under Expenditures	(94,120)	(94,120)	(86,621)	7,499
Other Financing Sources - Transfers in	35,000	35,000	35,000	-
Net Change in Fund Balances	(59,120)	(59,120)	(51,621)	7,499
Fund Balances - Beginning of year	288,247	288,247	288,247	-
Fund Balances - End of year	<u>\$ 229,127</u>	<u>\$ 229,127</u>	<u>\$ 236,626</u>	<u>\$ 7,499</u>

Charter Township of Flint

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Building Authority Debt

Year Ended December 31, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Interest and rentals:				
Investment income	\$ 30	\$ 30	\$ 72	\$ 42
Rental income	147,141	147,141	147,141	-
Total revenue	147,171	147,171	147,213	42
Expenditures				
Current services - General government	150	150	150	-
Debt service	147,141	147,141	147,141	-
Total expenditures	147,291	147,291	147,291	-
Net Change in Fund Balances	(120)	(120)	(78)	42
Fund Balances - Beginning of year	20,947	20,947	20,947	-
Fund Balances - End of year	<u>\$ 20,827</u>	<u>\$ 20,827</u>	<u>\$ 20,869</u>	<u>\$ 42</u>

Charter Township of Flint

Other Supplemental Information
 Budgetary Comparison Schedule - Nonmajor Governmental Funds
 (Continued)
 Municipal Street Fund

Year Ended December 31, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 382,187	\$ 382,187	\$ 376,933	\$ (5,254)
Special assessments	18,289	18,289	19,551	1,262
Investment income	2,548	2,548	4,096	1,548
Other revenue	14,000	14,000	17,478	3,478
Total revenue	417,024	417,024	418,058	1,034
Expenditures				
Current services - Public works - Street construction	357,500	362,500	337,919	24,581
Debt service	18,089	18,089	18,089	-
Total expenditures	375,589	380,589	356,008	24,581
Other Financing Uses - Transfers out	(35,000)	(35,000)	(35,000)	-
Net Change in Fund Balances	6,435	1,435	27,050	25,615
Fund Balances - Beginning of year	1,332	1,332	1,332	-
Fund Balances - End of year	<u>\$ 7,767</u>	<u>\$ 2,767</u>	<u>\$ 28,382</u>	<u>\$ 25,615</u>

Charter Township of Flint

Other Supplemental Information
Budgetary Comparison Schedule - Nonmajor Governmental Funds
(Continued)
Police Special Millage

Year Ended December 31, 2017

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 382,188	\$ 382,188	\$ 379,636	\$ (2,552)
Investment income	700	700	582	(118)
Total revenue	382,888	382,888	380,218	(2,670)
Expenditures - Current - Public safety	376,600	376,600	376,498	102
Net Change in Fund Balances	6,288	6,288	3,720	(2,568)
Fund Balances - Beginning of year	16,513	16,513	16,513	-
Fund Balances - End of year	<u>\$ 22,801</u>	<u>\$ 22,801</u>	<u>\$ 20,233</u>	<u>\$ (2,568)</u>

Charter Township of Flint

**Other Supplemental Information
Combining Statement of Fiduciary Net Position
Fiduciary Funds**

December 31, 2017

	Trust Funds		
	Firefighters' Pension Trust Fund	Retiree Healthcare Trust Fund	Total Pension and OPEB Trust Funds
Assets			
Investments:			
Money market	\$ -	\$ 208,110	\$ 208,110
Private debt funds	1,684,956	-	1,684,956
Private equity funds	5,495,258	-	5,495,258
Total assets	7,180,214	208,110	7,388,324
Liabilities - Accrued liabilities and other	4,918	-	4,918
Net Position Held in Trust for Pension and Postemployment Benefits	\$ 7,175,296	\$ 208,110	\$ 7,383,406

Charter Township of Flint

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

Year Ended December 31, 2017

	Firefighters' Pension Trust Fund	Retiree Healthcare Trust Fund	Total Fiduciary Funds
Additions			
Investment income:			
Interest and dividends	\$ 14,545	\$ -	\$ 14,545
Net increase in fair value of investments	<u>952,034</u>	<u>25,644</u>	<u>977,678</u>
Total investment income	966,579	25,644	992,223
Contributions:			
Employer contributions	431,590	734,490	1,166,080
Employee contributions	<u>61,351</u>	<u>-</u>	<u>61,351</u>
Total contributions	<u>492,941</u>	<u>734,490</u>	<u>1,227,431</u>
Total additions	1,459,520	760,134	2,219,654
Deductions			
Benefit payments	598,732	712,790	1,311,522
Administrative expenses	<u>20,673</u>	<u>854</u>	<u>21,527</u>
Total deductions	<u>619,405</u>	<u>713,644</u>	<u>1,333,049</u>
Net Increase in Net Position Held in Trust	840,115	46,490	886,605
Net Position Held in Trust for Pension and Postemployment Benefits - Beginning of year	<u>6,335,181</u>	<u>161,620</u>	<u>6,496,801</u>
Net Position Held in Trust for Pension and Postemployment Benefits - End of year	<u><u>\$ 7,175,296</u></u>	<u><u>\$ 208,110</u></u>	<u><u>\$ 7,383,406</u></u>

Charter Township of Flint

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

December 31, 2017

	<u>General Agency</u>	<u>Tax Collection</u>	<u>Total Agency Funds</u>
Assets			
Cash and cash equivalents	\$ 203,030	\$ -	\$ 203,030
Receivables	259,230	-	259,230
Due from other funds	-	455	455
Total assets	<u>\$ 462,260</u>	<u>\$ 455</u>	<u>\$ 462,715</u>
Liabilities			
Due to other governmental units	\$ 168,267	\$ -	\$ 168,267
Undistributed taxes	68,566	353	68,919
Refundable deposits, bonds, etc.	183,309	102	183,411
Accrued liabilities and other	42,118	-	42,118
Total liabilities	<u>\$ 462,260</u>	<u>\$ 455</u>	<u>\$ 462,715</u>

May 29, 2018

To the Board of Trustees
Charter Township of Flint

We have audited the financial statements of Charter Township of Flint (the "Township") as of and for the year ended December 31, 2017 and have issued our report thereon dated May 29, 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 - Internal Control Related Matters Identified in an Audit

Section II - Required Communications with Those Charged with Governance

Section III - Other Recommendations and Legislative and Related Informational Items

Section I includes any deficiencies we observed in the Township's accounting principles or internal control that we believe are significant. Current auditing standards require us to formally communicate annually matters we note about the Township's accounting policies and internal control.

Section II 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 trustees of the Township.

Section III contains other recommendations and updated legislative items that we believe will be of interest to you.

We would like to take this opportunity to thank the Township's staff, especially Beth Takacs, 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 Township 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

Handwritten signature of Pamela J. Hill in black ink.

Pamela Hill, CPA
Partner

Handwritten signature of Chrystal Simpson in black ink.

Chrystal Simpson, CPA
Manager

Section I - Internal Control Related Matters Identified in an Audit

In planning and performing our audit of the financial statements of the Township as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

We consider the following deficiency in the Township's internal control to be a material weakness:

- During the year, the Township entered into an unusual and infrequent transaction related to acquiring property that will be held for resale. The finance department did do research on the appropriate treatment and also reached out to Plante & Moran, PLLC for guidance on this item due to the unique nature. A consensus was reached on the proper accounting for the transactions. However, given the difficulty in accounting for the item, ultimately, audit adjustments were proposed to adjust the land held for resale and capital assets to the proper amount on the general ledger. The proposed adjustment was approximately \$1.4 million to land held for resale and \$960,000 for capital assets to record the land held and the capital assets properly. We compliment the Township for being proactive in identifying this unusual transaction, doing research around it, and reaching out to Plante & Moran, PLLC for recommendations as to how to handle the transaction. In the future, we suggest following all of those same steps and then performing one final independent review to ensure any unusual transactions are ultimately handled appropriately in the general ledger.

Section II - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 26, 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 January 30, 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 adoption of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*.

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 net pension liability and postemployment benefit obligations. Management's estimates of obligations related to pension and other postemployment benefit obligations are based on estimates provided by specialists (third-party actuaries). We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Section II - 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. Management has corrected the misstatement discussed above related to the land held for resale and capital assets.

The pension board annually approves assumptions to be used in the firefighter's actuarial valuation in order to account for the net pension liability under GASB Statement No. 68. For the current year firefighter's valuation, the board approved an inflation assumption of 4.5 percent and the use of the mortality rates based on the RP 2000, Combined Healthy Mortality tables projected to 2014. Generally accepted accounting principles require that the assumptions used in the valuation be the best estimate assumptions at the time the valuation is performed. An inflation assumption of 4.5 percent is higher than the 25-year average of past inflation, most investment consultant assumptions, and most of the inflation projections from the Federal Reserve. In addition, the current mortality assumption is a static method of projection, which only provides a margin for future mortality improvements up through the projection year. Using fully generational mortality tables may produce a better estimate of mortality than using a static method. Updating these assumptions would likely result in a higher net pension liability under GASB Statement No. 68, but may also result in a more accurate estimate under GAAP. However, management has determined that the difference between using these differing assumptions are immaterial to the financial statements taken as a whole.

Also, the required supplemental information for the annual money-weighted rate of return for the OPEB plan is not present as the investment advisor was unable to provide this information. Management has determined that the effect is immaterial to the financial statements taken as a whole.

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 29, 2018.

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

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 III - Other Recommendations and Legislative and Related Informational Items

F65 Online Filing Now Required

Effective August 1, local units are required to submit the F65 using the electronic online format on the State of Michigan website. The State is no longer accepting Excel or hard copy submissions. This is in compliance with Section 141.424, Section 4 (3) of Public Act 2 of 1968: The state treasurer shall prescribe the forms to be used by the local units for preparation of the financial reports. This effort is an attempt to reduce errors in submission as well as house all the data in one place. Upon submission, you may receive error messages that will need to be addressed. Local units will now file the F65, audit reports, and the qualifying statements in the same location using only one login (user ID and password). The form can be filed at the following link: <https://treas-secure.state.mi.us/LAFDeform/TL41W71.aspx>

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 date 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

Revenue Sharing

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

Description	Final 2017 Budget	Final 2018 Budget
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
Total	\$ 1,228.9 M	\$ 1,278.2 M

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 fiscal year 2018 budget also includes the "City, Village, and Township Revenue Sharing" (CVTRS) appropriation, which was established in fiscal year 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 III - Other Recommendations and Legislative and Related Informational Items
(Continued)**

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

- 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 fiscal year 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.

New Other Postemployment Benefits Standards (Retiree Healthcare Obligations)

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

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 Township's year ending December 31, 2018.

Legacy Cost Impact - Pro Forma

A pro forma of how the reporting of the net OPEB liability is expected to impact the Township's government-wide net position is shown below:

	<u>As Currently Reported</u>	<u>With Unfunded Healthcare</u>
Net position:		
Net investment in capital assets	\$ 10,084,370	\$ 10,084,370
Restricted	3,583,048	3,583,048
Unrestricted	<u>(14,613,054)</u>	<u>(29,634,752)</u>
Total net position	<u>\$ (945,636)</u>	<u>\$ (15,967,334)</u>

This pro forma indicates that the Township will have a negative total net position and a negative unrestricted net position. The fact that the unrestricted portion will decrease significantly indicates that legacy costs earned to date have not been partially managed and funded, but this is offset by the capital assets that have been funded in advance of their use. When viewed from a combined perspective, the residents have paid the cost of services received in total.

Section III - Other Recommendations and Legislative and Related Informational Items (Continued)

The accounting entries to implement GASB Statement No. 75 and allocate these costs to the various proprietary funds and governmental functions are complex. We are happy to work with the Township over the next year to ensure smooth implementation of this new standard. We also encourage township personnel to view the free webinars that will be available on Plante & Moran, PLLC's website. In addition, we will be developing and distributing a comprehensive GASB Statement No. 75 Toolkit for use by your staff.

The Township will also need to have its actuary roll forward amounts from its January 1, 2017 actuarial valuation for GASB Statement No. 75 that will be used for the Township's December 31, 2018 audited financial statements.

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 was effective on 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 healthcare) 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 the following:

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 the six months after the end of your fiscal year.

In addition to submitting this new form to the Department of Treasury, local units must also post this information on its website 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 Treasury.

Section III - Other Recommendations and Legislative and Related Informational Items (Continued)

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 assets are less than 60 percent of plan total 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

or by visiting its website at www.Michigan.gov/LocalRetirementReporting.