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Charter Township of Chesterfield  
Macomb County, Michigan

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

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## **Independent Auditor's Report**

To the Board of Trustees  
Charter Township of Chesterfield

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of Charter Township of Chesterfield (the "Township") as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise Charter Township of Chesterfield'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, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Charter Township of Chesterfield as of December 31, 2017 and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees  
Charter Township of Chesterfield

**Other Matters**

*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, major fund budgetary comparison schedules, schedule of changes in the net pension liability and related ratios, schedule of pension contributions, and OPEB schedule of funding progress, 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 Supplemental Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Charter Township of Chesterfield's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plante & Moran, PLLC*

May 30, 2018

# Management's Discussion and Analysis

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

### The Charter Township of Chesterfield as a Whole

The following table shows, in a condensed format, the net position as of the current date and compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current and other assets	\$ 38,327,775	\$ 37,470,641	\$ 18,359,827	\$ 17,083,225	\$ 56,687,602	\$ 54,553,866
Capital assets	19,770,260	18,816,847	78,587,238	74,974,796	98,357,498	93,791,643
Total assets	58,098,035	56,287,488	96,947,065	92,058,021	155,045,100	148,345,509
<b>Deferred Outflows of Resources</b>	3,586,255	4,829,745	486,548	687,399	4,072,803	5,517,144
<b>Liabilities</b>						
Long-term liabilities	2,287,508	2,579,909	30,215,084	26,680,521	32,502,592	29,260,430
Other liabilities	10,846,371	11,435,757	5,979,222	5,513,644	16,825,593	16,949,401
Total liabilities	13,133,879	14,015,666	36,194,306	32,194,165	49,328,185	46,209,831
<b>Deferred Inflows of Resources</b>	13,229,221	13,132,600	23,255	-	13,252,476	13,132,600
<b>Net Position</b>						
Net investment in capital assets	17,190,351	15,942,787	48,372,154	46,833,214	65,562,505	62,776,001
Restricted	8,597,714	8,682,781	1,898,667	1,751,916	10,496,381	10,434,697
Unrestricted	9,533,125	9,343,399	10,945,231	11,966,125	20,478,356	21,309,524
Total net position	<b>\$ 35,321,190</b>	<b>\$ 33,968,967</b>	<b>\$ 61,216,052</b>	<b>\$ 60,551,255</b>	<b>\$ 96,537,242</b>	<b>\$ 94,520,222</b>

## Charter Township of Chesterfield

# Management's Discussion and Analysis

The Township's combined net position increased by \$2,017,020 from a year ago, resulting in a total net position of \$96,537,242 at December 31, 2017. As we look at the governmental activities separately from the business-type activities, we can see that unrestricted net position, the part of net position that can be used to finance day-to-day operations, increased by \$189,726 for the governmental activities. This represents an increase of approximately 2.0 percent. The current level of unrestricted net position for our governmental activities stands at \$9,533,125, or about 44.9 percent of expenses. Taking a look at the business-type activities, unrestricted net position increased by \$602,926. This represents an increase of approximately 5 percent.

The following table shows the changes of the net position during the current year and as compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 3,595,010	\$ 3,456,034	\$ 14,235,937	\$ 14,583,725	\$ 17,830,947	\$ 18,039,759
Operating grants and contributions	287,082	161,887	-	-	287,082	161,887
Capital grants and contributions	892,556	196,744	2,427,845	1,199,681	3,320,401	1,396,425
General revenue:						
Property taxes	13,117,606	13,062,004	-	-	13,117,606	13,062,004
State-shared revenue	3,720,786	3,459,006	-	-	3,720,786	3,459,006
Investment earnings	123,835	57,661	52,067	33,956	175,902	91,617
Franchise fees	776,087	796,000	-	-	776,087	796,000
Other revenue	66,581	76,924	-	-	66,581	76,924
Proceeds from sale of fixed assets	-	43,023	-	-	-	43,023
Total revenue	22,579,543	21,309,283	16,715,849	15,817,362	39,295,392	37,126,645
<b>Program Expenses</b>						
General government	5,249,831	4,901,590	-	-	5,249,831	4,901,590
Public safety	14,245,625	13,210,238	-	-	14,245,625	13,210,238
Street, sidewalks, and drains	588,184	861,369	-	-	588,184	861,369
Recreation and culture	1,037,532	909,907	-	-	1,037,532	909,907
Community and economic development	35,747	-	-	-	35,747	-
Interest on long-term debt	70,401	77,629	-	-	70,401	77,629
Water and sewer	-	-	15,804,846	15,452,240	15,804,846	15,452,240
Brandenburg Park	-	-	246,206	249,434	246,206	249,434
Total program expenses	21,227,320	19,960,733	16,051,052	15,701,674	37,278,372	35,662,407
Transfers	-	-	-	-	-	-
<b>Change in Net Position</b>	<b>\$ 1,352,223</b>	<b>\$ 1,348,550</b>	<b>\$ 664,797</b>	<b>\$ 115,688</b>	<b>\$ 2,017,020</b>	<b>\$ 1,464,238</b>

Property taxes are the primary source of revenue for the governmental activities, providing approximately 58.1 percent of total revenue. State-shared revenue provides another 16.5 percent and charges for services provided 15.9 percent, leaving just 9.5 percent being provided by all other sources.

# Management's Discussion and Analysis

### **Governmental Activities**

The Township's total governmental revenue increased by \$1,270,260. The overall increase, which represents 6.0 percent, is primarily due to an increase in capital contributions and state-shared revenue. Total governmental expenses and transfers increased by \$1,266,587, or about 6.3 percent.

### **Business-type Activities**

The Township has two business-type activities. These include the Water and Sewer Fund and the Brandenburg Memorial Park Fund. Revenue for business-type activities was \$16,715,849. Revenue increased by \$898,487, or about 5.7 percent, from the prior year. The increase in revenue was primarily due to an increase in capital grants and contributions. Expenses increased by \$349,378 from the prior year. Water and sewer treatment is provided to the Township's residents through the Detroit water and sewer department. Revenue from water and sewer operations was \$16,558,567, including contributions from developers. Revenue from the Township's operation of Brandenburg Memorial Park was \$157,282, including transfers in from other funds.

### **The Township's Funds**

Our analysis of the Township's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2017 include the General Fund, Public Safety Fund, Fire Department Operating Fund, Fire Department Equipment Fund, and Police Department Fund.

The General Fund pays for a majority of the Township's governmental services. The General Fund ended 2017 with a fund balance of \$9,532,323. Revenue increased by \$22,958 due primarily to an increase in state shared revenue that was partially offset by a decrease in charges for services. Expenditures decreased by \$131,445 due to employee-related costs.

The Fire Department Operating Fund is funded through a property tax millage. These funds are expended exclusively for the operations of the fire department. The Fire Department Operating Fund ended 2017 with a fund balance of \$3,114,384. Revenue decreased by \$75,665 due primarily to a decrease in property taxes. Expenditures increased by \$195,150 due to an increase in employee-related costs.

The Fire Department Equipment Fund is funded through a property tax millage. These funds are expended exclusively for the housing, vehicles, and equipment used to support the Township's fire department. The Fire Department Equipment Fund ended 2017 with a fund balance of \$5,483,330. Revenue decreased by \$27,628 primarily due to a decrease in property taxes. Expenditures increased by \$1,030,097 primarily due to an increase in capital outlay purchases.

# Management's Discussion and Analysis

The Police Department Fund is funded by a special assessment. These funds are expended exclusively for the operations of the police department. The police department ended 2017 with a fund balance of \$1,611,220. Revenue increased by \$234,553 for 2017, primarily due to an increase in property tax collection and charges for services. Expenditures increased by \$340,048 primarily due to an increase in personnel costs and capital outlay.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township amended the budget to take into account unanticipated events during the year. Actual revenue was above budgeted revenue by 4.2 percent. Actual expenditures were 6.1 percent below budget. The Township completed the year with actual revenue over expenditures in the General Fund of \$708,382 as compared to the budgeted amount of (\$1,473), a positive variance of \$709,855.

### **Capital Asset and Debt Administration**

At the end of 2017, the Township had \$98,357,498 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines.

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

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Chesterfield Township Finance Department or the clerk's office at 47275 Sugarbush, Chesterfield Township, Michigan 48047.

# Charter Township of Chesterfield

## Statement of Net Position

December 31, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
<b>Assets</b>				
Cash and investments (Note 3)	\$ 27,677,557	\$ 10,464,390	\$ 38,141,947	\$ 2,721
Receivables - Net:				
Property taxes receivable	4,885,409	-	4,885,409	-
Special assessments receivable	3,884	-	3,884	-
Receivables from sales to customers on account	-	2,936,265	2,936,265	-
Accrued interest receivable	38,869	22,037	60,906	-
Other receivables	116,014	-	116,014	-
Due from other governmental units	1,016,505	261,132	1,277,637	-
Internal balances (Note 5)	(62,910)	62,910	-	-
Inventory	-	228,256	228,256	-
Prepaid expenses and deposits	385,826	108,888	494,714	-
Restricted assets (Note 7)	-	3,522,487	3,522,487	-
OPEB asset (Note 10)	4,266,621	753,462	5,020,083	-
Capital assets: (Note 4)				
Assets not subject to depreciation	3,569,592	3,373,693	6,943,285	-
Assets subject to depreciation - Net	16,200,668	75,213,545	91,414,213	-
Total assets	58,098,035	96,947,065	155,045,100	2,721
<b>Deferred Outflows of Resources</b> - Pension related (Note 9)	3,586,255	486,548	4,072,803	-
<b>Liabilities</b>				
Accounts payable	515,157	1,582,972	2,098,129	-
Accrued liabilities and other	285,983	290,820	576,803	-
Unearned revenue	-	1,153,439	1,153,439	-
Noncurrent liabilities: (Note 6)				
Due within one year:				
Payable from restricted assets	-	1,623,820	1,623,820	-
Compensated absences	661,040	94,767	755,807	-
Current portion of long-term debt	292,401	-	292,401	-
Due in more than one year:				
Net pension liability (Note 9)	9,091,790	1,233,404	10,325,194	-
Long-term debt (Note 6)	2,287,508	30,215,084	32,502,592	-
Total liabilities	13,133,879	36,194,306	49,328,185	-
<b>Deferred Inflows of Resources</b>				
Property taxes levied for the following year	13,057,803	-	13,057,803	-
Deferred pension cost reductions	171,418	23,255	194,673	-
Total deferred inflows of resources	13,229,221	23,255	13,252,476	-
<b>Net Position</b>				
Net investment in capital assets	17,190,351	46,748,334	63,938,685	-
Restricted:				
Fire operating	3,114,384	-	3,114,384	-
Fire equipment	5,483,330	-	5,483,330	-
Debt service	-	1,242,599	1,242,599	-
Water and sewer construction and maintenance	-	656,068	656,068	-
Unrestricted	9,533,125	12,569,051	22,102,176	2,721
Total net position	<u>\$ 35,321,190</u>	<u>\$ 61,216,052</u>	<u>\$ 96,537,242</u>	<u>\$ 2,721</u>

See notes to financial statements.

# Charter Township of Chesterfield

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 5,249,831	\$ 1,070,921	\$ 17,337	\$ -
Public safety	14,245,625	2,185,868	42,693	-
Public works	588,184	97,225	-	892,556
Community and economic development	35,747	-	35,747	-
Recreation and culture	1,037,532	240,996	191,305	-
Interest on long-term debt	70,401	-	-	-
Total governmental activities	21,227,320	3,595,010	287,082	892,556
Business-type activities:				
Sewer and Water Operations Fund	15,804,846	14,081,130	-	2,427,845
Brandenburg Park Fund	246,206	154,807	-	-
Total business-type activities	16,051,052	14,235,937	-	2,427,845
Total primary government	<u>\$ 37,278,372</u>	<u>\$ 17,830,947</u>	<u>\$ 287,082</u>	<u>\$ 3,320,401</u>
Component units - Economic Development Corporation				
	<u>\$ 300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Total general revenue				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

## Statement of Activities

Year Ended December 31, 2017

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit - Economic Development Corporation
Governmental Activities	Business-type Activities	Total	
\$ (4,161,573)	\$ -	\$ (4,161,573)	\$ -
(12,017,064)	-	(12,017,064)	-
401,597	-	401,597	-
-	-	-	-
(605,231)	-	(605,231)	-
(70,401)	-	(70,401)	-
(16,452,672)	-	(16,452,672)	-
-	704,129	704,129	-
-	(91,399)	(91,399)	-
-	612,730	612,730	-
(16,452,672)	612,730	(15,839,942)	-
-	-	-	(300)
13,117,606	-	13,117,606	-
3,720,786	-	3,720,786	-
123,835	52,067	175,902	-
776,087	-	776,087	-
66,581	-	66,581	-
17,804,895	52,067	17,856,962	-
1,352,223	664,797	2,017,020	(300)
33,968,967	60,551,255	94,520,222	3,021
<b>\$ 35,321,190</b>	<b>\$ 61,216,052</b>	<b>\$ 96,537,242</b>	<b>\$ 2,721</b>

# Charter Township of Chesterfield

	General Fund	Police Department Fund	Fire Department Operating Fund
<b>Assets</b>			
Cash and investments	\$ 9,630,449	\$ 1,762,691	\$ 3,091,574
Receivables - Net:			
Property taxes receivable	542,581	-	-
Special assessments receivable	3,884	-	-
Accrued interest receivable	21,344	-	14,681
Other receivables	63,825	-	39,147
Due from other governmental units	994,361	22,144	-
Due from other funds	-	-	317
Prepaid expenses and deposits	149,982	116,755	89,555
	<u>\$ 11,406,426</u>	<u>\$ 1,901,590</u>	<u>\$ 3,235,274</u>
Total assets			
<b>Liabilities</b>			
Accounts payable	\$ 310,315	\$ 117,446	\$ 53,293
Due to other funds	35,226	33,354	13,857
Accrued liabilities and other	52,392	139,570	53,740
	<u>397,933</u>	<u>290,370</u>	<u>120,890</u>
Total liabilities			
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	103,621	-	-
Property taxes levied for the following year	1,372,549	-	-
	<u>1,476,170</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources			
Total liabilities and deferred inflows of resources	1,874,103	290,370	120,890
<b>Fund Balances</b>			
Nonspendable - Prepaids and deposits	149,982	116,755	89,555
Restricted:			
Fire operating	-	-	3,024,829
Fire equipment	-	-	-
Committed - Parks and recreation	-	-	-
Assigned:			
Senior center	58,342	-	-
Police	-	1,494,465	-
Unassigned	9,323,999	-	-
	<u>9,532,323</u>	<u>1,611,220</u>	<u>3,114,384</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,406,426</u>	<u>\$ 1,901,590</u>	<u>\$ 3,235,274</u>

Governmental Funds  
Balance Sheet

December 31, 2017

Fire Department Equipment Fund	Public Safety Fund	Nonmajor Funds	Total Governmental Funds
\$ 5,489,182	\$ 7,342,426	\$ 361,235	\$ 27,677,557
-	4,342,828	-	4,885,409
-	-	-	3,884
2,144	-	700	38,869
13,042	-	-	116,014
-	-	-	1,016,505
-	-	20,260	20,577
2,877	-	26,657	385,826
<b>\$ 5,507,245</b>	<b>\$ 11,685,254</b>	<b>\$ 408,852</b>	<b>\$ 34,144,641</b>
\$ 23,426	\$ -	\$ 10,677	\$ 515,157
-	-	1,050	83,487
489	-	18,607	264,798
23,915	-	30,334	863,442
-	-	-	103,621
-	11,685,254	-	13,057,803
-	11,685,254	-	13,161,424
23,915	11,685,254	30,334	14,024,866
2,877	-	26,657	385,826
-	-	-	3,024,829
5,480,453	-	-	5,480,453
-	-	351,861	351,861
-	-	-	58,342
-	-	-	1,494,465
-	-	-	9,323,999
5,483,330	-	378,518	20,119,775
<b>\$ 5,507,245</b>	<b>\$ 11,685,254</b>	<b>\$ 408,852</b>	<b>\$ 34,144,641</b>

# Charter Township of Chesterfield

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

December 31, 2017

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$ 20,119,775</b>
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	19,770,260
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	103,621
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(2,579,909)
Accrued interest is not due and payable in the current period and is not reported in the funds	(21,185)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(661,040)
Pension benefits	(5,676,953)
Other postemployment benefits are contributions in excess of the requirement and the asset is not reported in the funds	4,266,621
<b>Net Position of Governmental Activities</b>	<b><u>\$ 35,321,190</u></b>

## Charter Township of Chesterfield

	General Fund	Police Department Fund	Fire Department Operating Fund
<b>Revenue</b>			
Property taxes	\$ 1,246,710	\$ 7,052,438	\$ 4,067,154
Special assessments	8,221	-	-
Intergovernmental:			
Federal grants	35,747	-	-
State shared revenue	3,720,786	-	-
Charges for services	914,714	491,965	-
Fines and forfeitures	-	141,569	-
Licenses and permits	7,377	-	-
Investment income:			
Investment income	42,426	19,441	24,344
Rental income	225,344	-	-
Other revenue:			
Cable franchise fees	776,087	-	-
Other miscellaneous income	192,905	152,493	30,146
Total revenue	<u>7,170,317</u>	<u>7,857,906</u>	<u>4,121,644</u>
<b>Expenditures</b>			
Current services:			
General government	4,971,289	-	-
Public safety	175,637	8,677,451	3,397,663
Public works	143,682	-	-
Community and economic development	35,747	-	-
Recreation and culture	776,750	-	-
Capital outlay	243,486	394,084	-
Debt service:			
Principal	115,344	-	-
Interest on long-term debt	-	-	-
Total expenditures	<u>6,461,935</u>	<u>9,071,535</u>	<u>3,397,663</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	708,382	(1,213,629)	723,981
<b>Other Financing Sources (Uses)</b>			
Transfers in (Note 5)	307,165	-	-
Transfers out (Note 5)	-	-	-
Total other financing sources (uses)	<u>307,165</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	1,015,547	(1,213,629)	723,981
<b>Fund Balances - Beginning of year</b>	<u>8,516,776</u>	<u>2,824,849</u>	<u>2,390,403</u>
<b>Fund Balances - End of year</b>	<u><u>\$ 9,532,323</u></u>	<u><u>\$ 1,611,220</u></u>	<u><u>\$ 3,114,384</u></u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2017

Fire Department Equipment Fund	Public Safety Fund	Nonmajor Funds	Total Governmental Funds
\$ 745,201	\$ -	\$ -	\$ 13,111,503
-	-	-	8,221
-	-	-	35,747
-	-	-	3,720,786
-	-	234,174	1,640,853
-	-	-	141,569
-	-	1,408,669	1,416,046
36,511	-	1,113	123,835
-	-	-	225,344
-	-	-	776,087
1,240	-	19,060	395,844
782,952	-	1,663,016	21,595,835
-	-	-	4,971,289
296,095	-	1,110,635	13,657,481
-	-	-	143,682
-	-	-	35,747
-	-	215,769	992,519
1,044,885	-	-	1,682,455
203,000	-	-	318,344
48,020	-	-	48,020
1,592,000	-	1,326,404	21,849,537
(809,048)	-	336,612	(253,702)
-	-	-	307,165
-	-	(307,165)	(307,165)
-	-	(307,165)	-
(809,048)	-	29,447	(253,702)
6,292,378	-	349,071	20,373,477
<b>\$ 5,483,330</b>	<b>\$ -</b>	<b>\$ 378,518</b>	<b>\$ 20,119,775</b>

## Charter Township of Chesterfield

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

Year Ended December 31, 2017

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ (253,702)</b>
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	1,682,455
Depreciation expense	(1,616,195)
Donated capital assets	<u>887,153</u>
Gain on disposal of assets	953,413
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	96,555
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	294,151
Interest expense is recognized in the government-wide statements as it accrues	1,812
Some employee costs (pension and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds; OPEB contributions in excess of the ARC are recorded as an expenditure in the governmental funds, but an addition to assets in the statement of net position	<u>259,994</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ 1,352,223</u></u></b>

# Charter Township of Chesterfield

## Proprietary Funds Statement of Net Position

December 31, 2017

	Major Enterprise Fund - Sewer and Water Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	Total Enterprise Funds
<b>Assets</b>			
Current assets:			
Cash and investments (Note 3)	\$ 10,057,471	\$ 406,919	\$ 10,464,390
Receivables - Net:			
Receivables from sales to customers on account	2,936,265	-	2,936,265
Accrued interest receivable	20,325	1,712	22,037
Due from other governmental units	261,132	-	261,132
Due from other funds (Note 5)	61,860	1,050	62,910
Inventory	228,256	-	228,256
Prepaid expenses and deposits	108,025	863	108,888
Total current assets	13,673,334	410,544	14,083,878
Noncurrent assets:			
Restricted assets (Note 7)	3,522,487	-	3,522,487
OPEB asset (Note 10)	753,462	-	753,462
Capital assets: (Note 4)			
Assets not subject to depreciation	3,373,693	-	3,373,693
Assets subject to depreciation - Net	72,461,528	2,752,017	75,213,545
Total noncurrent assets	80,111,170	2,752,017	82,863,187
Total assets	93,784,504	3,162,561	96,947,065
<b>Deferred Outflows of Resources</b> - Pension related	486,548	-	486,548
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	1,580,447	2,525	1,582,972
Accrued liabilities and other	290,820	-	290,820
Unearned revenue	1,153,439	-	1,153,439
Compensated absences	94,767	-	94,767
Total current liabilities	3,119,473	2,525	3,121,998
Noncurrent liabilities:			
Net pension liability (Note 9)	1,233,404	-	1,233,404
Payable from restricted assets	1,623,820	-	1,623,820
Long-term debt (Note 6)	30,215,084	-	30,215,084
Total noncurrent liabilities	33,072,308	-	33,072,308
Total liabilities	36,191,781	2,525	36,194,306
<b>Deferred Inflows of Resources</b> - Deferred pension cost reductions	23,255	-	23,255
<b>Net Position</b>			
Net investment in capital assets	43,996,317	2,752,017	46,748,334
Restricted:			
Debt service	1,242,599	-	1,242,599
Water and sewer construction and maintenance	656,068	-	656,068
Unrestricted	12,161,032	408,019	12,569,051
Total net position	<u>\$ 58,056,016</u>	<u>\$ 3,160,036</u>	<u>\$ 61,216,052</u>

## Charter Township of Chesterfield

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

Year Ended December 31, 2017

	Major Enterprise Fund - Sewer and Water Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	Total Enterprise Funds
<b>Operating Revenue</b>			
Sale of water	\$ 6,863,948	\$ -	\$ 6,863,948
Sewage disposal charges	7,216,182	-	7,216,182
Fees	-	152,308	152,308
Other	1,000	2,499	3,499
Total operating revenue	14,081,130	154,807	14,235,937
<b>Operating Expenses</b>			
Cost of water	3,817,609	-	3,817,609
Cost of sewage treatment	4,439,657	-	4,439,657
Repairs and maintenance	164,489	-	164,489
Billing and administrative costs	204,010	-	204,010
Personnel services	2,409,728	43,070	2,452,798
Supplies	509,759	2,788	512,547
Other services and charges	448,343	35,366	483,709
Contractual services	272,291	-	272,291
Depreciation	2,414,874	164,982	2,579,856
Total operating expenses	14,680,760	246,206	14,926,966
<b>Operating Loss</b>	(599,630)	(91,399)	(691,029)
<b>Nonoperating Revenue (Expense)</b>			
Investment income	49,592	2,475	52,067
Interest expense	(1,124,086)	-	(1,124,086)
Total nonoperating (expense) revenue	(1,074,494)	2,475	(1,072,019)
<b>Loss - Before capital contributions</b>	(1,674,124)	(88,924)	(1,763,048)
<b>Capital Contributions</b>			
Capital contributed by grants and donations	640,463	-	640,463
Tap fees	910,356	-	910,356
Benefit fees	398,006	-	398,006
Lines donated by developers	479,020	-	479,020
Total capital contributions	2,427,845	-	2,427,845
<b>Change in Net Position</b>	753,721	(88,924)	664,797
<b>Net Position - Beginning of year</b>	57,302,295	3,248,960	60,551,255
<b>Net Position - End of year</b>	<b>\$ 58,056,016</b>	<b>\$ 3,160,036</b>	<b>\$ 61,216,052</b>

# Charter Township of Chesterfield

## Proprietary Funds Statement of Cash Flows

Year Ended December 31, 2017

	Major Enterprise Fund - Sewer and Water Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	Total Enterprise Funds
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 13,933,003	\$ 154,807	\$ 14,087,810
Internal activity - Payments from other funds	15,380	(1,050)	14,330
Payments to suppliers	(9,341,312)	(36,146)	(9,377,458)
Payments to employees and fringes	(2,598,891)	(45,046)	(2,643,937)
Other receipts (payments)	311,354	(433)	310,921
Net cash and investments provided by operating activities	2,319,534	72,132	2,391,666
<b>Cash Flows from Capital and Related Financing Activities</b>			
Receipt of capital grants	640,463	-	640,463
Tap fees	910,356	-	910,356
Benefit fees	398,006	-	398,006
Purchase of capital assets	(760,270)	-	(760,270)
Principal and interest paid on capital debt	(2,379,772)	-	(2,379,772)
Net cash and investments used in capital and related financing activities	(1,191,217)	-	(1,191,217)
<b>Cash Flows Provided by Investing Activities - Interest received on investments</b>	47,179	763	47,942
<b>Net Increase in Cash and Investments</b>	1,175,496	72,895	1,248,391
<b>Cash and Investments - Beginning of year</b>	11,748,394	334,024	12,082,418
<b>Cash and Investments - End of year</b>	<b>\$ 12,923,890</b>	<b>\$ 406,919</b>	<b>\$ 13,330,809</b>
<b>Classification of Cash and Investments</b>			
Cash and investments	\$ 10,057,471	\$ 406,919	\$ 10,464,390
Restricted cash	2,866,419	-	2,866,419
<b>Total cash and investments</b>	<b>\$ 12,923,890</b>	<b>\$ 406,919</b>	<b>\$ 13,330,809</b>

## Charter Township of Chesterfield

### Proprietary Funds Statement of Cash Flows (Continued)

Year Ended December 31, 2017

	Major Enterprise Fund - Sewer and Water Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	Total Enterprise Funds
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>			
Operating loss	\$ (599,630)	\$ (91,399)	\$ (691,029)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation and amortization	2,414,874	164,982	2,579,856
Changes in assets and liabilities:			
Receivables	163,227	(433)	162,794
Due to and from other funds	15,380	(1,050)	14,330
Inventories	(56,837)	-	(56,837)
Prepaid and other assets	(144,838)	32	(144,806)
Accounts payable	424,252	-	424,252
Net pension or OPEB liability	(179,472)	-	(179,472)
Deferrals related to pension or OPEB	224,106	-	224,106
Accrued and other liabilities	58,472	-	58,472
	<b>\$ 2,319,534</b>	<b>\$ 72,132</b>	<b>\$ 2,391,666</b>
Net cash and investments provided by operating activities	<b>\$ 2,319,534</b>	<b>\$ 72,132</b>	<b>\$ 2,391,666</b>

**Noncash Investing, Capital, and Financing Activities** - During the year ended December 31, 2017, water and sewer line infrastructure totaling \$479,020 was donated to the Township by outside developers. The Township also incurred additional long-term debt and recorded the corresponding capital assets of \$1,829 for the Oakland-Macomb Interceptor - Series 2013, \$99,284 for the Macomb Interceptor Drainage District - Series 2015, and \$4,249,943 for the Macomb Interceptor Drainage District - Series 2017A.

During the year, the Macomb Interceptor Drainage District - Series 2010 bond was refunded in the amount of \$5,369,779.

## Charter Township of Chesterfield

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### Fiduciary Funds Statement of Fiduciary Assets and Liabilities

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December 31, 2017

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 8,291,438
Receivables - Net	<u>3,672</u>
Total assets	<b><u>\$ 8,295,110</u></b>
<b>Liabilities</b>	
Due to other governmental units	\$ 4,622,951
Refundable deposits and bonds	1,752,824
Cash held on behalf of the library	<u>1,919,335</u>
Total liabilities	<b><u>\$ 8,295,110</u></b>

December 31, 2017

### Note 1 - Nature of Business

The Charter Township of Chesterfield (the "Township") is a municipality in the state of Michigan. Originally established as a general law township in 1842, the Township later became a charter township in 1989.

### Note 2 - Significant Accounting Policies

#### *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:

#### *Reporting Entity*

The Charter Township of Chesterfield is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component unit, an entity for which the Township is considered to be financially accountable. 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).

#### *Economic Development Corporation*

The Economic Development Corporation (EDC) was formed to alleviate and prevent conditions of unemployment and to assist and retain local industries and commercial enterprises in order to strengthen and revitalize the economy of the Charter Township of Chesterfield. The EDC board is composed of nine members, of which not more than three can be members of the township board. The EDC does not issue separate financial statements

#### *Report Presentation*

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

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

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the Township's 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.

**Note 2 - Significant Accounting Policies (Continued)**

***Fund Accounting***

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

**Governmental Funds**

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Police Department Fund is a full-service department that provides public safety needs for the Township and its residents. The main source of revenue for the police department is a voter-approved special assessment millage on all real property.
- The Fire Department Operating Fund accounts for the operations related to its full-service fire department. The main source of revenue for the Fire Department Operating Fund is a voter-approved millage on real and personal property. The approved millage for the Fire Department Operating Fund is to be used for fire operations.
- The Fire Department Equipment Fund accounts for the purchase of fire equipment related to its full-service fire department. The main source of revenue for the Fire Department Equipment Fund is a voter-approved millage on real and personal property. The approved millage for the Fire Department Equipment Fund is to be used for the purchase of fire equipment.
- The Public Safety Fund is a full-service department that provides public safety needs for the Township and its residents. The main source of revenue for the public safety department is a voter-approved special assessment on all real property.

**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 fund as a “major” enterprise fund:

- The Water and Sewer Fund accounts for the results of operations that provide water and sewer services to citizens, financed primarily by a user charge for the provision of those services.

**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 Agency Funds account for assets held by the Township in a trustee capacity. The Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

**Note 2 - 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 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 2 - Significant Accounting Policies (Continued)**

**Receivables and Payables**

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No provision has been made in the financial statements for noncollection.

**Inventories and Prepaid Items**

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets**

A Township ordinance requires amounts to be set aside in the Water and Sewer Major Enterprise Fund for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the Township's sewer lines.

**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 \$5,000 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>Depreciable Life - Years</u>
Machinery and equipment	5 to 20
Buildings and improvements	20
Infrastructure	20 to 100

**Long-term Obligations**

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

**Note 2 - Significant Accounting Policies (Continued)**

**Deferred Outflows/Inflows of Resources**

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

Due to Governmental Accounting Standards Board (GASB) Statement No. 68, the Township has deferred outflows and deferred inflows of resources related to the defined benefit pension liability, consisting of the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings, the variance between projected and actual experience, changes in assumptions related to economic and demographic factors, and employer contributions made subsequent to the measurement date.

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 has three types of items that qualify for reporting in this category. Deferred inflows are reported in the governmental funds and on the government-wide financial statements related to property taxes levied for the following year's budget. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from special assessments and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. There are also deferred inflows related to pension described above.

**Net Position Flow Assumption**

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

**Fund Balance Flow Assumptions**

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

**Fund Balance Policies**

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 to be used for a specific purpose.

**Note 2 - Significant Accounting Policies (Continued)**

*Committed* - Amounts that have been formally set aside by the board to be used for specific purposes. Commitments are made and can be rescinded only via resolution of the board of trustees.

*Assigned* - Intent to spend resources on specific purposes expressed by the governing body or the finance director in conjunction with the Township's superintendent, who is authorized by resolution approved by the governing body to make assignments.

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

**Property Tax Revenue**

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

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

The 2016 taxable valuation of the Township totaled \$1.504 billion, on which ad valorem taxes levied consisted of 0.7886 mills for operating purposes, 5.0000 mills for police operating purposes, 2.6907 mills for fire operating purposes, and 0.4891 mills for acquisition of fire equipment. This resulted in \$1.2 million for operating, \$4.8 million for fire purposes, and \$7.1 million for police purposes. These amounts are recognized in the respective General Fund and special revenue fund financial statements as tax revenue. A provision has been recorded for potential refunds related to disputed taxable values.

**Pension**

The Township offers a defined benefit pension plan to its employees through the Municipal Employees' Retirement System of Michigan (MERS). 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, Police Department, Fire Department Operating, Public Safety, and Water and Sewer funds will be used to liquidate the net pension liability, based on whichever fund an employee or retiree is assigned and to which fund the employee's pension costs are charged.

**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 Water and Sewer Fund are used to liquidate these liabilities.

**Note 2 - Significant Accounting Policies (Continued)**

**Compensated Absences (Vacation and Sick Leave)**

It is the Township's policy to permit employees to accumulate earned but unused sick, vacation pay, and comp time benefits. A liability for unused sick leave is reported in the governmental funds because the Township has a policy to pay employees for unused sick time at the beginning of each year. All unused sick, vacation pay, and comp time are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations and unused sick leave as of year end. The liability in the proprietary fund financial statements is reported in the "accrued liabilities and other" category as it is all current. Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund and the Water and Sewer 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 Water and Sewer Fund are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for 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 related to its participation in the Chesterfield Township Retiree Health Care Plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2018.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2019.

**Note 2 - Significant Accounting Policies (Continued)**

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

**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 Township has designated nine banks for the deposit of its funds. The investment policy adopted by the Township board in accordance with Public Act 196 of 1997 has authorized investment in U.S. treasuries, U.S. agencies, instrumentalities, certificates of deposit, commercial paper (meeting certain rating and maturity requirements), investment pools, and mutual funds. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to two 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 \$43,139,354 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

At year end, the EDC had \$2,721 of bank deposits, all of which was covered by FDIC insurance.

December 31, 2017

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

***Credit Risk***

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 2,699,827	P1	Standard & Poor's

***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 net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. The Township did not have any investments that were subject to the fair value hierarchy at December 31, 2017.

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

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

***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 of the Comerica J Fund Investment Pool was \$2,699,827 and there were no unfunded commitments, no restrictions on redemption frequency, and no redemption notice period.

The Comerica J Fund Investment Pool invests assets in a manner that will seek the highest investment return consistent with the preservation of principal and meet the daily liquidity needs of participants.

December 31, 2017

**Note 4 - Capital Assets**

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

**Governmental Activities**

	Balance January 1, 2017	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2017
Capital assets not being depreciated:					
Land	\$ 3,569,592	\$ -	\$ -	\$ -	\$ 3,569,592
Construction in progress	288,235	(288,235)	-	-	-
Subtotal	3,857,827	(288,235)	-	-	3,569,592
Capital assets being depreciated:					
Infrastructure	15,661,248	-	887,153	-	16,548,401
Buildings and improvements	17,421,258	32,818	11,600	-	17,465,676
Machinery and equipment	8,460,431	255,417	1,670,855	-	10,386,703
Subtotal	41,542,937	288,235	2,569,608	-	44,400,780
Accumulated depreciation:					
Infrastructure	6,814,771	-	426,283	-	7,241,054
Buildings and improvements	12,455,241	-	590,191	-	13,045,432
Machinery and equipment	7,313,905	-	599,721	-	7,913,626
Subtotal	26,583,917	-	1,616,195	-	28,200,112
Net capital assets being depreciated	14,959,020	288,235	953,413	-	16,200,668
Net governmental activities capital assets	\$ 18,816,847	\$ -	\$ 953,413	\$ -	\$ 19,770,260

**Business-type Activities**

	Balance January 1, 2017	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2017
Capital assets not being depreciated:					
Land	\$ 409,484	\$ -	\$ -	\$ -	\$ 409,484
Construction in progress	3,080,526	(215,604)	99,287	-	2,964,209
Subtotal	3,490,010	(215,604)	99,287	-	3,373,693
Capital assets being depreciated:					
Infrastructure	89,374,192	215,604	5,987,827	-	95,577,623
Buildings and improvements	11,119,191	-	-	-	11,119,191
Machinery and equipment	2,060,593	-	105,184	-	2,165,777
Subtotal	102,553,976	215,604	6,093,011	-	108,862,591
Accumulated depreciation:					
Infrastructure	24,139,124	-	1,994,833	-	26,133,957
Buildings and improvements	5,014,104	-	516,367	-	5,530,471
Machinery and equipment	1,915,962	-	68,656	-	1,984,618
Subtotal	31,069,190	-	2,579,856	-	33,649,046
Net capital assets being depreciated	71,484,786	215,604	3,513,155	-	75,213,545
Net business-type activities capital assets	\$ 74,974,796	\$ -	\$ 3,612,442	\$ -	\$ 78,587,238

**December 31, 2017**

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

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

Governmental activities:		
General government	\$	418,329
Public safety		717,884
Public works		437,352
Recreation and culture		42,630
		<u>1,616,195</u>
Total governmental activities	\$	<u>1,616,195</u>
Business-type activities:		
Water and Sewer Fund	\$	2,414,874
Brandenburg Memorial Park Fund		164,982
		<u>2,579,856</u>
Total business-type activities	\$	<u>2,579,856</u>

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

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Fire Department Operating Fund	Police Department Fund	\$ 317
Sewer and Water Operations Fund	General Fund	14,966
	Fire Department Operating Fund	13,857
	Police Department Fund	33,037
	Total Sewer and Water Operations Fund	<u>61,860</u>
Nonmajor governmental fund	General Fund	20,260
	Nonmajor enterprise fund	1,050
	Total nonmajor governmental fund	<u>21,310</u>
	Total	<u>\$ 83,487</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
Nonmajor governmental fund	General Fund	\$ 307,165

The transfer from the nonmajor governmental funds to the General Fund represents the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations.

**December 31, 2017**

**Note 6 - Long-term Debt**

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the government. 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**

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds:							
Refunding Fire Station	2.00% -	\$201,250 -					
Building Bonds	3.00%	\$290,500	\$ 1,736,000	\$ -	\$ (203,000)	\$ 1,533,000	\$ 201,250
Bond Refunding Premium	2.00% -	\$16,151 -					
	3.00%	\$16,154	113,060	-	(16,151)	96,909	16,151
2007 Capital Improvement	4.00% -	\$75,000 -					
Bonds	4.15%	\$100,000	1,025,000	-	(75,000)	950,000	75,000
Total bonds			2,874,060	-	(294,151)	2,579,909	292,401
Compensated absences			616,887	661,040	(616,887)	661,040	661,040
Total governmental activities long-term debt			<u>\$ 3,490,947</u>	<u>\$ 661,040</u>	<u>\$ (911,038)</u>	<u>\$ 3,240,949</u>	<u>\$ 953,441</u>

December 31, 2017

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

***Business-type Activities***

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds:							
Refunding D.P.W. Building Bonds	2.00% to 3.00%	\$373,750 - \$539,500	\$ 3,224,000	\$ -	\$ (377,000)	\$ 2,847,000	\$ 373,750
D.P.W Bond Refunding Premium	2.00% to 3.00%	\$29,995 - \$29,998	209,968	-	(29,995)	179,973	29,995
Drainage District Drain bonds:							
North Gratiot Drain Refunding Bonds - 2015	3.625% to 5.00%	\$278,684 - \$456,568	6,716,096	-	(276,708)	6,439,388	278,684
North Gratiot Drain Refunding Bonds - Series 1 - 2015	3.625% to 5.00%	\$20,513 - \$33,606	494,341	-	(20,367)	473,974	20,513
NG Bond Refunding Premium	3.625% to 5.00%	\$14,382 - \$14,386	244,498	-	(14,382)	230,116	14,382
North Gratiot Interceptor - Series 2, 3, and 4	3.25% to 4.75%	\$139,524 - \$238,659	3,424,444	-	(135,852)	3,288,592	139,524
North Gratiot Interceptor - Series 2, 3, and 4	3.25% to 4.75%	\$2,031 - \$3,474	49,842	-	(1,977)	47,865	2,031
Oakland-Macomb Interceptor - Series 2010B	2.50%	\$46,532 - \$64,475	817,270	-	(45,546)	771,724	46,532
Oakland-Macomb Interceptor - Series 2010B	1.15% to 5.90%	\$11,042 - \$20,506	209,197	-	(10,647)	198,550	11,042
Macomb Interceptor Drainage District - Series 2010	1.25% to 5.375%	N/A	5,369,779	-	(5,369,779)	-	-
Oakland-Macomb Interceptor - Series 2011	2.50%	\$53,499 - \$77,223	1,087,171	-	(52,047)	1,035,124	53,499
Oakland-Macomb Interceptor - Series 2013	2.00%	\$117,802 - \$161,693	2,471,184	1,829	(115,526)	2,357,487	117,802
Oakland-Macomb Interceptor - Series 2014A	2.00% to 3.125%	\$16,352 - \$25,891	363,567	-	(15,807)	347,760	16,352
Macomb Interceptor Drainage District - Series 2015	2.50%	\$10,972 - \$16,823	158,918	99,284	(10,606)	247,596	10,972
Macomb Interceptor Drainage District - Series 2017 Refunding	3.45% to 5.50%	\$164,421 - \$356,915	-	4,431,694	-	4,431,694	187,481
Macomb Interceptor Drainage District - Series 2017A	3.45% to 5.50%	\$78,820 - \$280,997	-	4,249,943	-	4,249,943	78,820
MID Bond Refunding Premium	3.45% to 5.50%	\$85,558 - \$85,559	-	1,540,037	-	1,540,037	85,558
Clintondale Pump Station Improvements	2.00% to 4.50%	\$91,883 - \$191,424	2,032,918	-	(84,226)	1,948,692	91,883
State Revolving Fund Loan 2012	2.50%	\$65,000 - \$98,389	1,268,389	-	(65,000)	1,203,389	65,000
<b>Total business-type activities</b>			<b>28,141,582</b>	<b>10,322,787</b>	<b>(6,625,465)</b>	<b>31,838,904</b>	<b>1,623,820</b>
Compensated absences			87,528	94,767	(87,528)	94,767	94,767
<b>Total business-type activities long-term debt</b>			<b>\$ 28,229,110</b>	<b>\$ 10,417,554</b>	<b>\$ (6,712,993)</b>	<b>\$ 31,933,671</b>	<b>\$ 1,718,587</b>

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

**Debt Service Requirements to Maturity**

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

Years Ending December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 276,250	\$ 80,221	\$ 356,471	\$ 1,493,885	\$ 1,131,480	\$ 2,625,365
2019	307,750	70,711	378,461	1,676,087	1,072,642	2,748,729
2020	364,250	59,756	424,006	1,770,336	1,008,197	2,778,533
2021	378,250	47,619	425,869	1,829,461	940,730	2,770,191
2022	390,500	35,038	425,538	1,890,540	870,847	2,761,387
2023-2027	766,000	55,765	821,765	7,872,239	3,379,714	11,251,953
2028-2032	-	-	-	8,350,767	1,806,907	10,157,674
2033-2037	-	-	-	3,728,079	545,014	4,273,093
2038-2042	-	-	-	1,277,384	165,894	1,443,278
<b>Total</b>	<b>\$ 2,483,000</b>	<b>\$ 349,110</b>	<b>\$ 2,832,110</b>	<b>\$ 29,888,778</b>	<b>\$ 10,921,425</b>	<b>\$ 40,810,203</b>

**Note 7 - Restricted Assets**

Specific assets of the Water and Sewer Fund have been restricted for debt service, construction, and maintenance. Restricted assets consist of cash and cash equivalents and money held on deposit with other governmental units and are reserved in accordance with the water and sewer bond ordinance requirements.

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

Restricted assets from bond ordinance:	
Cash and cash equivalents - Debt service	\$ 2,866,419
Cash held at the county for construction and maintenance	656,068
<b>Total Water and Sewer Fund restricted assets</b>	<b>\$ 3,522,487</b>

**Note 8 - Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical claims and participates in the Michigan Municipal League Risk Pool for claims relating to workers' compensation and participates in the Michigan Townships Participating Plan for claims relating to property and general liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

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 9 - Pension Plan**

***Plan Description***

The Township participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS or MERS of Michigan) that covers all full-time 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 that includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at [www.mersofmichigan.com](http://www.mersofmichigan.com) or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

***Benefits Provided***

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

The MERS plan covers all union and nonunion full-time employees segregated by the groups as outlined below.

Retirement benefits for general employees are calculated as 2.00 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 50 with 25 years of service. The vesting period is six years. Employees are eligible for nonduty disability benefits after six 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 patrol employees are calculated as 2.25 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 50 with 25 years of service. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Retirement benefits for police command employees are calculated as 2.25 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 50 with 25 years of service. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. 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:

Date of member count	December 31, 2016
Inactive plan members or beneficiaries currently receiving benefits	62
Inactive plan members entitled to but not yet receiving benefits	13
Active plan members	150
	<hr/>
Total employees covered by the plan	<u>225</u>

**Note 9 - Pension Plan (Continued)**

**Contributions**

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

For general employees, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. Employees are required to contribute 2.00 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 11.60 percent of annual covered payroll.

For police patrol employees, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. Employees are required to contribute 4.50 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 18.80 percent of annual covered payroll.

For police command employees, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. Employees are required to contribute 4.50 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 21.77 percent of annual covered payroll.

**Net Pension Liability**

The December 31, 2017 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2016 measurement date. The December 31, 2016 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2015</b>	\$ 35,300,479	\$ 23,960,541	\$ 11,339,938
Changes for the year:			
Service cost	840,447	-	840,447
Interest	2,800,172	-	2,800,172
Differences between expected and actual experience	(227,118)	-	(227,118)
Contributions - Employer	-	1,455,581	(1,455,581)
Contributions - Employee	-	264,803	(264,803)
Net investment income	-	2,762,322	(2,762,322)
Benefit payments, including refunds	(1,437,067)	(1,437,067)	-
Administrative expenses	-	(54,461)	54,461
<b>Net changes</b>	<b>1,976,434</b>	<b>2,991,178</b>	<b>(1,014,744)</b>
<b>Balance at December 31, 2016</b>	<b>\$ 37,276,913</b>	<b>\$ 26,951,719</b>	<b>\$ 10,325,194</b>

**December 31, 2017**

**Note 9 - Pension Plan (Continued)**

***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 \$2,180,656.

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	\$ 506,281	\$ (194,673)
Changes in assumptions	1,089,029	-
Net difference between projected and actual earnings on pension plan investments	915,879	-
Employer contributions to the plan subsequent to the measurement date	1,561,614	-
Total	<u>\$ 4,072,803</u>	<u>\$ (194,673)</u>

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 of \$1,561,614 will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending December 31	Amount
2018	\$ 676,376
2019	676,376
2020	590,242
2021	119,352
2022	286,617
Thereafter	<u>(32,447)</u>
Total	<u>\$ 2,316,516</u>

***Actuarial Assumptions***

The total pension liability in the December 31, 2016 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.75 percent, an investment rate of return (net of investment expenses) of 8.0 percent, and the RP-2014 mortality tables.

***Discount Rate***

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that township contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

***Projected Cash Flows***

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

**Note 9 - Pension Plan (Continued)**

***Investment Rate of Return***

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (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 as of December 31, 2016, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	57.50 %	8.52 %
Global fixed income	20.00	5.68
Real assets	12.50	7.73
Diversifying strategies	10.00	10.06

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 (7.00%)	Current Discount Rate (8.00%)	1 Percent Increase (9.00%)
Net pension liability of the plan	\$ 15,045,398	\$ 10,325,194	\$ 6,372,228

***Pension Plan Fiduciary Net Position***

Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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.

December 31, 2017

**Note 10 - Other Postemployment Benefits**

**Plan Description**

The Township provides postretirement benefits other than pension benefits to all full-time employees of the Township through the Chesterfield Township Retiree Health Care Plan. These benefits include certain healthcare and life insurance benefits. All employees with 15 years of service and who are at least 55 years old at retirement are eligible to receive these benefits. This plan is a single-employer plan administered by the Michigan Municipal Employees' Retirement System (the "System"). The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

**Funding Policy**

The obligation to contribute to and maintain the System for these employees was established by negotiation with the Township's collective bargaining units. The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). However, as shown below, the Township has made contributions to advance-fund these benefits, as determined by the board of trustees through annual budget resolutions. Currently, the retirees are not required to contribute.

**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 December 31, 2014. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 1,251,756
Interest on the prior year's net OPEB obligation	(318,385)
Plus adjustment to the annual required contribution	<u>215,321</u>
Annual OPEB cost	1,148,692
Amounts contributed OPEB asset - End of year	
Payment of current premiums	934,877
Contributions made	<u>1,254,089</u>
Total contributed	<u>2,188,966</u>
Increase in net OPEB asset	1,040,274
OPEB asset - Beginning of year	<u>3,979,809</u>
OPEB asset - End of year	<u><u>\$ 5,020,083</u></u>

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

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage OPEB Costs Contributed	Net OPEB Asset
December 31, 2015	December 31, 2014	\$ 1,073,026	230.70 %	\$ 2,858,740
December 31, 2016	December 31, 2014	1,063,418	205.42	3,979,809
December 31, 2017	December 31, 2014	1,145,692	191.06	5,020,083

**December 31, 2017**

**Note 10 - Other Postemployment Benefits (Continued)**

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
December 31, 2008	\$ 2,392,850	\$ 15,120,552	\$ 12,727,702	15.83 %	\$ 9,680,329	131.48 %
December 31, 2010	5,721,742	22,094,781	16,373,039	25.90	8,818,977	185.66
December 31, 2014	14,678,963	24,377,074	9,698,111	60.22	9,452,094	102.60

**Actuarial Methods and Assumptions**

The valuations used the entry age normal cost method. Significant actuarial assumptions used include (a) an 7.5 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) no cost-of-living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using a market value approach. The unfunded actuarial accrued liability is amortized as a level of percent of active member payroll over a period of 30 years.

**Note 11 - Tax Abatements**

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

For the fiscal year ended December 31, 2017, the Township abated \$32,591 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

There are no significant abatements made by other governments that reduce the Township's tax revenue.

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## Required Supplemental Information

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# Charter Township of Chesterfield

## Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 1,180,628	\$ 1,181,408	\$ 1,246,710	\$ 65,302
Special assessments	5,217	6,259	8,221	1,962
Intergovernmental:				
Federal grants	215,008	15,008	35,747	20,739
State shared revenue	3,600,000	3,600,000	3,720,786	120,786
Charges for services	944,092	934,429	914,714	(19,715)
Licenses and permits	5,574	6,847	7,377	530
Investment income	242,644	242,644	267,770	25,126
Other revenue	889,500	894,620	968,992	74,372
<b>Total revenue</b>	<b>7,082,663</b>	<b>6,881,215</b>	<b>7,170,317</b>	<b>289,102</b>
<b>Expenditures</b>				
Current services:				
General government:				
Township board	88,480	81,680	76,849	4,831
Township supervisor	247,157	240,601	228,063	12,538
Accounting	446,283	409,543	391,747	17,796
Planning commission	42,945	34,875	32,926	1,949
Zoning board of appeals	11,900	7,000	3,643	3,357
Treasurer	520,967	491,966	476,662	15,304
Assessing	696,416	656,766	626,279	30,487
Board of review	1,500	1,500	1,246	254
Clerk	521,409	447,828	390,209	57,619
Buildings and grounds	1,385,888	1,312,388	1,200,701	111,687
Elections	179,093	138,416	128,426	9,990
Human resources	191,129	211,187	205,944	5,243
General administration	996,758	996,758	985,824	10,934
Anchor Bay Harbor storm sewer	19,500	16,500	15,146	1,354
Planning and zoning administration	225,029	218,169	207,624	10,545
Public safety	187,061	183,671	175,637	8,034
Public works	150,000	135,500	143,682	(8,182)
Community and economic development	75,000	37,000	35,747	1,253
Recreation and culture	894,581	857,496	776,750	80,746
Capital outlay	354,500	288,500	243,486	45,014
Debt service	115,344	115,344	115,344	-
<b>Total expenditures</b>	<b>7,350,940</b>	<b>6,882,688</b>	<b>6,461,935</b>	<b>420,753</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(268,277)</b>	<b>(1,473)</b>	<b>708,382</b>	<b>709,855</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	39,023	307,165	268,142
Transfers out	(60,977)	-	-	-
Sale of capital assets	-	76,734	-	(76,734)
<b>Total other financing (uses)sources</b>	<b>(60,977)</b>	<b>115,757</b>	<b>307,165</b>	<b>191,408</b>
<b>Net Change in Fund Balances</b>	<b>(329,254)</b>	<b>114,284</b>	<b>1,015,547</b>	<b>901,263</b>
<b>Fund Balances - Beginning of year</b>	<b>8,516,776</b>	<b>8,516,776</b>	<b>8,516,776</b>	<b>-</b>
<b>Fund Balances - End of year</b>	<b>\$ 8,187,522</b>	<b>\$ 8,631,060</b>	<b>\$ 9,532,323</b>	<b>\$ 901,263</b>

## Charter Township of Chesterfield

### Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Police Department Fund

**Year Ended December 31, 2017**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 7,061,820	\$ 7,061,820	\$ 7,052,438	\$ (9,382)
Charges for services	455,700	440,700	491,965	51,265
Fines and forfeitures	85,000	85,000	141,569	56,569
Investment income	3,000	3,000	19,441	16,441
Other revenue	104,356	104,356	152,493	48,137
Total revenue	7,709,876	7,694,876	7,857,906	163,030
<b>Expenditures - Current - Public safety</b>	9,511,176	9,352,365	9,071,535	280,830
<b>Excess of Expenditures Over Revenue</b>	(1,801,300)	(1,657,489)	(1,213,629)	443,860
<b>Other Financing Sources - Sale of capital assets</b>	18,630	18,630	-	(18,630)
<b>Net Change in Fund Balances</b>	(1,782,670)	(1,638,859)	(1,213,629)	425,230
<b>Fund Balances - Beginning of year</b>	2,824,849	2,824,849	2,824,849	-
<b>Fund Balances - End of year</b>	<b>\$ 1,042,179</b>	<b>\$ 1,185,990</b>	<b>\$ 1,611,220</b>	<b>\$ 425,230</b>

# Charter Township of Chesterfield

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

Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b>Revenue</b>				
Property taxes	\$ 4,025,096	\$ 4,025,096	\$ 4,067,154	\$ 42,058
Investment income	5,400	5,400	24,344	18,944
Other revenue	35,500	35,500	30,146	(5,354)
Total revenue	4,065,996	4,065,996	4,121,644	55,648
<b>Expenditures - Current - Public safety</b>	<u>3,594,150</u>	<u>3,474,950</u>	<u>3,397,663</u>	<u>77,287</u>
<b>Net Change in Fund Balances</b>	471,846	591,046	723,981	132,935
<b>Fund Balances - Beginning of year</b>	<u>2,390,403</u>	<u>2,390,403</u>	<u>2,390,403</u>	<u>-</u>
<b>Fund Balances - End of year</b>	<u>\$ 2,862,249</u>	<u>\$ 2,981,449</u>	<u>\$ 3,114,384</u>	<u>\$ 132,935</u>

**Charter Township of Chesterfield**

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

**Year Ended December 31, 2017**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b>Revenue</b>				
Property taxes	\$ 731,587	\$ 731,587	\$ 745,201	\$ 13,614
Investment income	10,000	10,000	36,511	26,511
Other revenue	132,500	132,500	1,240	(131,260)
Total revenue	874,087	874,087	782,952	(91,135)
<b>Expenditures</b> - Current - Public safety	1,929,030	1,712,830	1,592,000	120,830
<b>Net Change in Fund Balances</b>	(1,054,943)	(838,743)	(809,048)	29,695
<b>Fund Balances</b> - Beginning of year	6,292,378	6,292,378	6,292,378	-
<b>Fund Balances</b> - End of year	<u>\$ 5,237,435</u>	<u>\$ 5,453,635</u>	<u>\$ 5,483,330</u>	<u>\$ 29,695</u>

## Charter Township of Chesterfield

### Required Supplemental Information Schedule of OPEB Funding Progress

<b>Year Ended December 31</b>						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
December 31, 2008	\$ 2,392,850	\$ 15,120,552	\$ 12,727,702	15.83 %	\$ 9,680,329	131.48 %
December 31, 2010	5,721,742	22,094,781	16,373,039	25.90	8,818,977	185.66
December 31, 2014	14,678,963	24,377,074	9,698,111	60.22	9,452,094	102.60

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2014, the latest actuarial valuation, follows:

Amortization method	Level percent
Amortization period (perpetual)	30 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.5 percent
Projected salary increases	4.5 percent
*Includes inflation at	4.5 percent
Cost-of-living adjustments	None

# Charter Township of Chesterfield

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

	<b>Last Ten Fiscal Years</b>		
	2017	2016	2015
<b>Total Pension Liability</b>			
Service cost	\$ 840,447	\$ 775,641	\$ 775,853
Interest	2,800,172	2,533,808	2,361,993
Differences between expected and actual experience	(227,118)	708,794	-
Changes in assumptions	-	1,524,640	-
Benefit payments, including refunds	(1,437,067)	(1,134,858)	(975,371)
<b>Net Change in Total Pension Liability</b>	1,976,434	4,408,025	2,162,475
<b>Total Pension Liability - Beginning of year</b>	35,300,479	30,892,454	28,729,979
<b>Total Pension Liability - End of year</b>	<b>\$ 37,276,913</b>	<b>\$ 35,300,479</b>	<b>\$ 30,892,454</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 1,455,581	\$ 1,402,474	\$ 1,176,363
Contributions - Member	264,803	370,116	598,677
Net investment income (loss)	2,762,322	(371,208)	1,383,459
Administrative expenses	(54,461)	(53,105)	(51,236)
Benefit payments, including refunds	(1,437,067)	(1,134,858)	(975,371)
<b>Net Change in Plan Fiduciary Net Position</b>	2,991,178	213,419	2,131,892
<b>Plan Fiduciary Net Position - Beginning of year</b>	23,960,541	23,747,122	21,615,230
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 26,951,719</b>	<b>\$ 23,960,541</b>	<b>\$ 23,747,122</b>
<b>Township's Net Pension Liability - Ending</b>	<b>\$ 10,325,194</b>	<b>\$ 11,339,938</b>	<b>\$ 7,145,332</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	72.30 %	67.88 %	76.87 %
<b>Covered Employee Payroll</b>	\$ 8,624,344	\$ 8,407,968	\$ 8,349,251
<b>Township's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	119.72 %	134.87 %	85.58 %

\* This schedule will be built prospectively.

# Charter Township of Chesterfield

## Required Supplemental Information Schedule of Pension Contributions

### Last Ten Fiscal Years Year Ended December 31

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 1,290,876	\$ 961,608	\$ 975,401	\$ 796,974	\$ 844,706	\$ 846,365	\$ 1,040,372	\$ 983,952	\$ 852,980	\$ 1,060,005
Contributions in relation to the actuarially determined contribution	1,537,868	1,455,015	1,403,525	1,234,651	1,289,295	1,296,590	1,433,883	983,952	852,980	1,060,005
<b>Contribution Excess</b>	<b>\$ 246,992</b>	<b>\$ 493,407</b>	<b>\$ 428,124</b>	<b>\$ 437,677</b>	<b>\$ 444,589</b>	<b>\$ 450,225</b>	<b>\$ 393,511</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Employee Payroll</b>	<b>\$ 8,624,344</b>	<b>\$ 8,407,968</b>	<b>\$ 8,349,251</b>	<b>\$ 8,011,355</b>	<b>\$ 8,710,926</b>	<b>\$ 8,898,872</b>	<b>\$ 8,818,977</b>	<b>\$ 9,184,765</b>	<b>\$ 9,680,239</b>	<b>\$ 9,471,108</b>
<b>Contributions as a Percentage of Covered Employee Payroll</b>	<b>17.83 %</b>	<b>17.31 %</b>	<b>16.81 %</b>	<b>15.41 %</b>	<b>14.80 %</b>	<b>14.57 %</b>	<b>16.26 %</b>	<b>10.71 %</b>	<b>8.81 %</b>	<b>11.19 %</b>

### Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported. Contributions for the Township's fiscal year ended December 31, 2017 were determined based on the actuarial valuation as of December 31, 2015. The most recent valuation is as of December 31, 2016.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent
Remaining amortization period	5 - 22 years
Asset valuation method	10-year smoothed market
Inflation	2.50 percent
Salary increase	3.75 percent
Investment rate of return	8.00 percent
Retirement age	Experience-based table of rates is specific to the type of eligibility condition.
Mortality	50 percent male - 50 percent female blend of the RP-2014 Health Annuitant Mortality Tables, with rates multiplied by 105 percent, RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Morality Tables
Other information	None

***Budgetary Information***

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

1. On or before September 1, the Township's supervisor, finance department, and respective department heads prepare a proposed operating budget for the fiscal year commencing January 1 and submit it to the board. One to two study sessions are held at an open meeting with the board in order to answer any questions. The budget must be adopted through a passage of a budget resolution no later than the last board meeting in December.
2. Public hearings are conducted to obtain citizen comments.
3. The budget document presents information by department. The legal level of budgetary control adopted by the governing body is the department level (i.e., the level at which expenditures may not legally exceed appropriations. Line item detail is provided as a general guideline. Throughout the year, the board receives requests to amend the activity budget. All amendments by departments must be approved by a vote of the township board.

The Public Safety Fund is a new fund in the current year. It will not recognize revenue until the year ended December 31, 2018; therefore, a budget was not adopted for this fund for the year ended December 31, 2017.

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

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Public works	\$ 135,500	\$ 143,682	\$ (8,182)

The budget overages related to unanticipated expenditures in which the budget was not amended.

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## Other Supplemental Information

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**Charter Township of Chesterfield**

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

**December 31, 2017**

	Special Revenue Funds		Total
	Building Inspection Fund	Parks and Recreation Fund	
<b>Assets</b>			
Cash and investments	\$ 3,776	\$ 357,459	\$ 361,235
Receivables - Net - Accrued interest	-	700	700
Due from other funds	20,260	-	20,260
Prepaid expenses and deposits	26,257	400	26,657
Total assets	<b>\$ 50,293</b>	<b>\$ 358,559</b>	<b>\$ 408,852</b>
<b>Liabilities</b>			
Accounts payable	\$ 5,429	\$ 5,248	\$ 10,677
Due to other funds	-	1,050	1,050
Accrued liabilities and other	18,607	-	18,607
Total liabilities	24,036	6,298	30,334
<b>Fund Balances</b>			
Nonspendable - Prepaids and deposits	26,257	400	26,657
Committed - Parks and recreation	-	351,861	351,861
Total fund balances	26,257	352,261	378,518
Total liabilities and fund balances	<b>\$ 50,293</b>	<b>\$ 358,559</b>	<b>\$ 408,852</b>

**Charter Township of Chesterfield**

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

**Year Ended December 31, 2017**

	Special Revenue Funds		Total
	Building Inspection Fund	Parks and Recreation Fund	
<b>Revenue</b>			
Charges for services	\$ -	\$ 234,174	\$ 234,174
Licenses and permits	1,408,669	-	1,408,669
Investment income	-	1,113	1,113
Other revenue	11,542	7,518	19,060
Total revenue	1,420,211	242,805	1,663,016
<b>Expenditures</b>			
Current services:			
Public safety	1,110,635	-	1,110,635
Recreation and culture	-	215,769	215,769
Total expenditures	1,110,635	215,769	1,326,404
<b>Excess of Revenue Over Expenditures</b>	309,576	27,036	336,612
<b>Other Financing Uses</b> - Transfers out	(307,165)	-	(307,165)
<b>Net Change in Fund Balances</b>	2,411	27,036	29,447
<b>Fund Balances</b> - Beginning of year	23,846	325,225	349,071
<b>Fund Balances</b> - End of year	<b>\$ 26,257</b>	<b>\$ 352,261</b>	<b>\$ 378,518</b>

May 30, 2018

To the Board of Trustees  
Charter Township of Chesterfield  
Macomb County, Michigan

We have audited the financial statements of the Charter Township of Chesterfield (the "Township") as of and for the year ended December 31, 2017 and have issued our report thereon dated May 30, 2018. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

Section I - Required Communications with Those Charged with Governance

Section II - Legislative and Other Informational Items

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

Section II presents legislative and other informational items relevant to the Township. These comments are offered in the interest of helping the Township in its efforts toward continuous improvement, not just in the areas of internal control and accounting procedures, but also in operational or administrative efficiency and effectiveness.

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

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

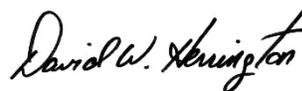
We welcome any questions you may have regarding the following communications and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

**Plante & Moran, PLLC**



Pamela L. Hill, CPA  
Partner



David Herrington, CPA  
Partner



Chrystal Simpson, CPA  
Manager

## **Section I - Required Communications with Those Charged with Governance**

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated January 30, 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 2 to the financial statements.

No new accounting policies were adopted, and the application of existing policies was not changed during 2017.

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 following:

- OPEB (other postemployment benefits) costs, including the actuarial methods and assumptions, as well as the measurement of the "implied" healthcare costs actually incurred for 2017
- Pension costs and total pension liability (actuarial methods and assumptions)

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

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.

### ***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. The only misstatements that were detected as a result of our audit procedures and not corrected by management related to the following:

The statements do not disclose in the notes and required supplemental information the GASB Statement No. 45 actuarial valuation at least biennially for employers with 200 or more employees. There was a valuation performed as of December 31, 2010 and December 31, 2014; however, there was not one performed as of December 31, 2012 or December 31, 2016. Therefore, there are missing disclosures and required supplemental information for the December 31, 2012 period and the December 31, 2016 period.

Additionally, the Township records the activity related to the Oakland-Macomb Interceptor each year based on information obtained from Macomb County, Michigan (the "County"). In the current year, the activity included debt and related activity for the sink hole project. The Township recorded the activity at year end based on the best available information from the County. Prior to the Township issuing the current year financial statements, the County provided updated information, which has not been included in this report, as management has determined that its effects are immaterial, both individually and in the aggregate, 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 30, 2018.

**Section I - 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 II - Legislative and Other 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 MI 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](http://www.michigan.gov/documents/uniformchart_24524_7.pdf)

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

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

Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statements more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the Township will, after adoption of GASB No. 75, recognize on the face of the financial statements its net OPEB liability. The Township is currently evaluating the impact these standards will have on the financial statements when adopted. GASB No. 75 is effective for fiscal years beginning after June 15, 2017 (the Township's year end of December 31, 2018).

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.

## Section II - Legislative and Other Informational Items (Continued)

### **Revenue Sharing**

The FY 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
<b>Total</b>	<b>\$1,228.9 M</b>	<b>\$1,278.2 M</b>

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

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

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

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

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

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

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

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

## **Section II - Legislative and Other Informational Items (Continued)**

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 [http://www.michigan.gov/treasury/0,4679,7-121-1751\\_51556\\_84499---,00.html](http://www.michigan.gov/treasury/0,4679,7-121-1751_51556_84499---,00.html).

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

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.

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](mailto:LocalRetirementReporting@michigan.gov) or by visiting their website at [www.Michigan.gov/LocalRetirementReporting](http://www.Michigan.gov/LocalRetirementReporting).

# Attachment

Client: Charter Township of Chesterfield  
 Opinion Unit: Business-type Activities/Water and Sewer Fund  
 Y/E: 12/31/2017

## SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The effect of misstatements and classification errors identified would be to (decrease) increase the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Deferred Outflows of Resources	Current Liabilities	Long-term Liabilities	Deferred Inflows of Resources	Equity	Revenue	Expenses	Net Income Statement Impact
<b>FACTUAL MISSTATEMENTS:</b>											
A1	To adjust sink hole project activity to actual based on updated information		\$ (1,391,863)			\$ (31,929)			\$ 413,970	\$ 1,773,904	\$ (1,359,934)
<b>JUDGMENTAL ADJUSTMENTS:</b>											
B1	None										
<b>PROJECTED ADJUSTMENTS:</b>											
C1	None										
		\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-	-	-
	Total	\$ -	\$ (1,391,863)	\$ -	\$ -	\$ (31,929)	\$ -	\$ -	\$ 413,970	\$ 1,773,904	\$ (1,359,934)
<b>PASSED DISCLOSURES AND FINANCIAL STATEMENT PRESENTATION ISSUES:</b>											
D1	None										