

# **Charter Township of Benton**

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**Financial Report  
with Supplemental Information  
December 31, 2016**

# Charter Township of Benton

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# Charter Township of Benton

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## Independent Auditor's Report

To the Members of the Township Board  
Charter Township of Benton

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Benton (the "Charter Township") as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the Charter Township of Benton'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, and the aggregate remaining fund information of the Charter Township of Benton as of December 31, 2016 and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Members of the Township Board  
Charter Township of Benton

***Required Supplemental Information***

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

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Benton's basic financial statements. The accompanying 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 accompanying other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plante & Moran, PLLC*

June 28, 2017

# **Charter Township of Benton**

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## **Management's Discussion and Analysis**

Our discussion and analysis of the Charter Township of Benton's (the "Charter Township") financial performance provides an overview of the Charter Township's financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the Charter Township's financial statements.

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2016:

The Charter Township's General Fund revenue exceeded budget by approximately \$108,000 which can primarily be attributed to the permit and plan review fees earned as a result of continued development and growth in the Charter Township. The General Fund expenditures were under budget by approximately \$340,000.

The Charter Township amended the General Fund budget to include the payoff of a Rizzo drain at large assessment district. As a result, the General Fund saved approximately \$11,000.

The Charter Township, once again, fully funded its annual required contribution of \$277,000 related to the Retiree Health Benefit Obligation, bringing the trust balance to \$1,324,500.

The Charter Township was required to adopt GASB Statement No. 68 which was implemented retroactively to January 1, 2015. GASB Statement No. 68 requires governmental units to recognize the net pension liability and the pension expense on their government-wide financial statements. The Charter Township recorded a decrease in the liability of approximately \$814,000 for an outstanding liability of \$9,467,818.

### **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 Charter Township as a whole and present a longer-term view of the Charter 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. The fund financial statements also report the Charter Township's operations in more detail than the government-wide financial statements by providing information about the Charter Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Charter Township acts solely as a trustee or agent for the benefit of those outside of the government.

# Charter Township of Benton

## Management's Discussion and Analysis (Continued)

### Charter Township of Benton as a Whole

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

	Governmental Activities			Business-type Activities			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
<b>Assets</b>									
Current assets	\$ 10,339,800	\$ 9,112,483	\$ 8,703,811	\$ 8,200,527	\$ 9,747,564	\$ 10,125,687	\$ 18,540,327	\$ 18,860,047	\$ 18,829,498
Noncurrent assets	-	62,505	504,161	-	-	-	-	62,505	504,161
Capital assets:									
Assets not subject to depreciation	836,018	813,614	844,183	1,976,325	1,442,011	1,917,761	2,812,343	2,255,625	2,761,944
Assets subject to depreciation	5,439,594	5,527,022	4,695,516	31,345,746	32,137,135	29,589,094	36,785,340	37,664,157	34,284,610
Total assets	16,615,412	15,515,624	14,747,671	41,522,598	43,326,710	41,632,542	58,138,010	58,842,334	56,380,213
<b>Deferred Outflows of Resources</b>	1,041,645	1,292,793	-	-	-	-	1,041,645	1,292,793	-
<b>Liabilities</b>									
Current liabilities	1,043,484	963,648	982,250	1,928,242	2,931,009	1,982,924	2,971,726	3,894,657	2,965,174
Long-term liabilities	10,565,703	11,470,065	1,325,054	21,821,957	23,153,585	23,273,612	32,387,660	34,623,650	24,598,666
Total liabilities	11,609,187	12,433,713	2,307,304	23,750,199	26,084,594	25,256,536	35,359,386	38,518,307	27,563,840
<b>Deferred Inflows of Resources</b>	6,498,518	5,881,534	5,592,835	-	-	-	6,498,518	5,881,534	5,592,835
<b>Net Position</b>									
Net investment in capital assets	6,127,634	6,045,550	5,539,982	10,430,062	10,943,036	10,024,192	16,557,696	16,988,586	15,564,174
Restricted	704,505	598,451	371,080	-	-	-	704,505	598,451	371,080
Unrestricted	(7,282,787)	(8,150,831)	936,470	7,342,337	6,299,080	6,351,814	59,550	(1,851,751)	7,288,284
Total net position	\$ (450,648)	\$ (1,506,830)	\$ 6,847,532	\$ 17,772,399	\$ 17,242,116	\$ 16,376,006	\$ 17,321,751	\$ 15,735,286	\$ 23,223,538

The total financial position of the governmental and business-type activities has increased during the year. The governmental activities net position increased \$1,056,182, or approximately 70.1 percent, over the prior year. Business-type activities increased \$530,283, or approximately 3.08 percent, over the prior year.

# Charter Township of Benton

## Management's Discussion and Analysis (Continued)

The following table shows the current year's changes in net position compared to the prior two years:

### Summary of Condensed Statement of Activities

	Governmental Activities			Business-type Activities			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
<b>Revenue</b>									
Program revenue:									
Charges for services	\$ 1,270,227	\$ 1,166,330	\$ 1,156,507	\$ 5,910,213	\$ 5,791,368	\$ 5,477,492	\$ 7,180,440	\$ 6,957,698	\$ 6,633,999
Operating grants and contributions	99,983	113,921	103,652	-	-	-	99,983	113,921	103,652
Capital grants and contributions	-	-	-	78,450	36,506	51,092	78,450	36,506	51,092
General revenue:									
Property taxes	5,520,052	5,530,606	5,558,865	-	-	-	5,520,052	5,530,606	5,558,865
State-shared revenue	1,516,551	1,279,569	1,292,656	-	-	-	1,516,551	1,279,569	1,292,656
Investment income	34,481	22,000	8,929	96,781	113,341	101,169	131,262	135,341	110,098
Cable franchise fees	128,992	127,083	126,933	-	-	-	128,992	127,083	126,933
Other miscellaneous income	265,782	242,235	229,264	-	-	-	265,782	242,235	229,264
Sale of assets	328,445	1,751	24,000	-	-	-	328,445	1,751	24,000
<b>Total revenue</b>	<b>9,164,513</b>	<b>8,483,495</b>	<b>8,500,806</b>	<b>6,085,444</b>	<b>5,941,215</b>	<b>5,629,753</b>	<b>15,249,957</b>	<b>14,424,710</b>	<b>14,130,559</b>
<b>Program Expenses</b>									
General government	1,569,869	1,420,274	1,438,990	-	-	-	1,569,869	1,420,274	1,438,990
Public safety	5,729,818	5,778,911	5,437,010	-	-	-	5,729,818	5,778,911	5,437,010
Public works	710,682	667,777	670,375	-	-	-	710,682	667,777	670,375
Community and economic development	18,498	2,235	1,745	-	-	-	18,498	2,235	1,745
Recreation and culture	71,230	42,884	67,473	-	-	-	71,230	42,884	67,473
Interest on long-term debt	8,234	12,405	31,321	-	-	-	8,234	12,405	31,321
Water and sewer	-	-	-	5,555,161	5,075,105	5,334,436	5,555,161	5,075,105	5,334,436
<b>Total program expenses</b>	<b>8,108,331</b>	<b>7,924,486</b>	<b>7,646,914</b>	<b>5,555,161</b>	<b>5,075,105</b>	<b>5,334,436</b>	<b>13,663,492</b>	<b>12,999,591</b>	<b>12,981,350</b>
<b>Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>\$ 1,056,182</b>	<b>\$ 559,009</b>	<b>\$ 853,892</b>	<b>\$ 530,283</b>	<b>\$ 866,110</b>	<b>\$ 295,317</b>	<b>\$ 1,586,465</b>	<b>\$ 1,425,119</b>	<b>\$ 1,149,209</b>

During the past fiscal year, governmental activities expenses increased \$183,845, or approximately 2.32 percent. Business-type activities expenses increased \$480,056, or approximately 9.46 percent.



# **Charter Township of Benton**

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

### **Budget Overruns**

There were no budget overruns.

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

The General Fund had an increase in fund balance of \$322,370. The Police Fund had an increase in fund balance of \$75,639 and the Fire Fund had an increase in fund balance of \$34,960.

The Debt Service Fund had an increase in fund balance of \$144,459, as the Fire Fund transferred funds to pay off the Fire Truck loan but the pay off was not remitted until 2017.

Of the enterprise funds, the Sanitary Sewage System Fund had an increase in net position of \$483,809 and the Water System Fund had an increase in net position of \$46,474.

### **Long-term Debt and Capital Assets**

The Charter Township paid down \$1,450,500 of principal on its long-term debt and capital lease obligations. The Charter Township did not issue any new debt in 2016. The Charter Township purchased approximately \$289,400 of governmental-type fixed assets and \$1,322,600 of business-type fixed assets.

### **The Future**

While the Charter Township has been impacted by the Small Business Personal Property Tax Exemption in the past few years, 2016 was the first year for the Eligible Manufacturing Personal Property Exemption. The State of Michigan has reimbursed 100 percent of the millage levied for both essential and nonessential services. Going forward, the nonessential reimbursement will be based on the funds available in the pool. The Charter Township will continue to stay informed of implementation of the legislation and the planned reimbursement calculations so that the Charter Township can plan accordingly.

The Charter Township was awarded the Stormwater, Asset Management, and Wastewater (SAW) Grant in October 2016 in the amount of \$2 million. The grant funds are required to be used for the development of an asset management plan for the sanitary sewer system. The Charter Township will survey its Sanitary Sewer Assets and create an asset management plan over the next three years. The Charter Township will not be able to use \$500,000 of the grant monies towards capital improvements as initially anticipated and will need to use its sewer funds to adhere to the schedule of capital improvements outlined by the asset management plan.

The 2016 audit report is on file with the Charter Township's clerk. If you have any questions about this report, please contact the Charter Township of Benton Clerk's Office.

# Charter Township of Benton

## Statement of Net Position December 31, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 5,271,558	\$ 6,581,686	\$ 11,853,244
Receivables:			
Property taxes receivable	4,405,371	-	4,405,371
Other receivables - Net	128,022	968,655	1,096,677
Due from other governmental units	491,290	-	491,290
Special assessments receivable	158,407	167,963	326,370
Internal balances (Note 5)	(220,574)	220,574	-
Prepaid expenses	105,726	47,736	153,462
Unspent debt proceeds	-	213,913	213,913
Capital assets:			
Assets not subject to depreciation (Note 4)	836,018	1,976,325	2,812,343
Assets subject to depreciation (Note 4)	5,439,594	31,345,746	36,785,340
Total assets	16,615,412	41,522,598	58,138,010
<b>Deferred Outflows of Resources</b> - Deferred outflows related to pension plan (Note 10)	1,041,645	-	1,041,645
<b>Liabilities</b>			
Accounts payable	289,368	400,527	689,895
Due to other governmental units	11,041	145	11,186
Accrued liabilities and other	290,956	186,900	477,856
Unearned revenue	28,239	-	28,239
Noncurrent liabilities:			
Due within one year:			
Compensated absences (Note 7)	275,902	5,670	281,572
Capital leases (Note 6)	-	835,000	835,000
Current portion of long-term debt (Note 7)	147,978	500,000	647,978
Due in more than one year:			
Compensated absences (Note 7)	416,839	51,035	467,874
Capital leases (Note 6)	-	16,320,000	16,320,000
Net OPEB obligation (Note 9)	672,046	-	672,046
Net pension liability (Note 10)	9,476,818	-	9,476,818
Long-term debt (Note 7)	-	5,450,922	5,450,922
Total liabilities	11,609,187	23,750,199	35,359,386
<b>Deferred Inflows of Resources</b>			
Property taxes and special assessments levied for the following year	5,455,764	-	5,455,764
Deferred inflows related to pension plan (Note 10)	1,042,754	-	1,042,754
Total deferred inflows of resources	6,498,518	-	6,498,518

# Charter Township of Benton

## Statement of Net Position (Continued) December 31, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Net Position</b>			
Net investment in capital assets	\$ 6,127,634	\$ 10,430,062	\$ 16,557,696
Restricted for:			
Community development	70,590	-	70,590
Rental ordinance	72,358	-	72,358
Fire	164,224	-	164,224
Police	373,117	-	373,117
Street lighting	24,216	-	24,216
Unrestricted	(7,282,787)	7,342,337	59,550
Total net position	<u>\$ (450,648)</u>	<u>\$ 17,772,399</u>	<u>\$ 17,321,751</u>

# Charter Township of Benton

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,569,869	\$ 107,274	\$ -	\$ -
Public safety	5,729,818	561,482	84,249	-
Public works	710,682	601,471	15,734	-
Community and economic development	18,498	-	-	-
Recreation and culture	71,230	-	-	-
Interest on long-term debt	8,234	-	-	-
Total governmental activities	8,108,331	1,270,227	99,983	-
Business-type activities:				
Sanitary sewage system	2,556,522	2,939,694	-	41,267
Water system	2,998,639	2,970,519	-	37,183
Total business-type activities	5,555,161	5,910,213	-	78,450
Total primary government	<u>\$ 13,663,492</u>	<u>\$ 7,180,440</u>	<u>\$ 99,983</u>	<u>\$ 78,450</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Gain on sale of assets held for sale				
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, 2016**

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,462,595)	\$ -	\$ (1,462,595)
(5,084,087)	-	(5,084,087)
(93,477)	-	(93,477)
(18,498)	-	(18,498)
(71,230)	-	(71,230)
(8,234)	-	(8,234)
(6,738,121)	-	(6,738,121)
-	424,439	424,439
-	9,063	9,063
-	433,502	433,502
(6,738,121)	433,502	(6,304,619)
5,520,052	-	5,520,052
1,516,551	-	1,516,551
34,481	96,781	131,262
128,992	-	128,992
265,782	-	265,782
328,445	-	328,445
7,794,303	96,781	7,891,084
1,056,182	530,283	1,586,465
(1,506,830)	17,242,116	15,735,286
<b>\$ (450,648)</b>	<b>\$ 17,772,399</b>	<b>\$ 17,321,751</b>

# Charter Township of Benton

## Governmental Funds Balance Sheet December 31, 2016

	General Fund	Police Fund	Fire Fund	Public Safety Fund	Debt Service Fund	Nonmajor Funds	Total
<b>Assets</b>							
Cash and cash equivalents (Note 3)	\$ 3,055,429	\$ 789,543	\$ 705,605	\$ 560,344	\$ -	\$ 160,637	\$ 5,271,558
Receivables:							
Property taxes receivable	459,139	839,266	553,550	2,553,416	-	-	4,405,371
Special assessments receivable	158,407	-	-	-	-	-	158,407
Other receivables	67,706	36,981	23,335	-	-	-	128,022
Due from other governmental units	320,225	104,884	66,181	-	-	-	491,290
Due from other funds (Note 5)	20,203	-	-	-	381,316	750,056	1,151,575
Prepaid expenses	35,152	44,942	25,632	-	-	-	105,726
<b>Total assets</b>	<b>\$ 4,116,261</b>	<b>\$ 1,815,616</b>	<b>\$ 1,374,303</b>	<b>\$ 3,113,760</b>	<b>\$ 381,316</b>	<b>\$ 910,693</b>	<b>\$ 11,711,949</b>
<b>Liabilities</b>							
Accounts payable	\$ 94,252	\$ 132,326	\$ 57,985	\$ -	\$ -	\$ 4,805	\$ 289,368
Due to other governmental units	8,102	1,767	1,172	-	-	-	11,041
Due to other funds (Note 5)	946,372	-	185,000	-	-	15,061	1,146,433
Advances from other funds (Note 5)	-	-	-	-	225,716	-	225,716
Accrued liabilities and other	136,712	105,002	46,253	-	-	2,628	290,595
Unearned revenue	28,239	-	-	-	-	-	28,239
<b>Total liabilities</b>	<b>1,213,677</b>	<b>239,095</b>	<b>290,410</b>	<b>-</b>	<b>225,716</b>	<b>22,494</b>	<b>1,991,392</b>
<b>Deferred Inflows of Resources</b>							
Unavailable revenue	92,587	104,884	66,181	-	-	-	263,652
Property taxes and special assessments levied for the following year	661,068	1,011,322	669,614	3,113,760	-	-	5,455,764
<b>Total deferred inflows of resources</b>	<b>753,655</b>	<b>1,116,206</b>	<b>735,795</b>	<b>3,113,760</b>	<b>-</b>	<b>-</b>	<b>5,719,416</b>
<b>Fund Balances</b>							
Nonspendable - Prepaid expenses	35,152	44,942	25,632	-	-	-	105,726
Restricted:							
Community development	-	-	-	-	-	70,590	70,590
Fire	-	-	129,224	-	-	35,000	164,224
Rental ordinance	-	-	-	-	-	72,358	72,358
Police	-	373,117	-	-	-	-	373,117
Street lighting	24,216	-	-	-	-	-	24,216
Assigned:							
Police	-	42,256	-	-	-	-	42,256
Fire	-	-	193,242	-	-	-	193,242
Debt service	-	-	-	-	155,600	-	155,600
Capital improvements	-	-	-	-	-	710,251	710,251
Retiree health obligations	650,000	-	-	-	-	-	650,000
Unassigned	1,439,561	-	-	-	-	-	1,439,561
<b>Total fund balances</b>	<b>2,148,929</b>	<b>460,315</b>	<b>348,098</b>	<b>-</b>	<b>155,600</b>	<b>888,199</b>	<b>4,001,141</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 4,116,261</b>	<b>\$ 1,815,616</b>	<b>\$ 1,374,303</b>	<b>\$ 3,113,760</b>	<b>\$ 381,316</b>	<b>\$ 910,693</b>	<b>\$ 11,711,949</b>

# Charter Township of Benton

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position December 31, 2016

<b>Fund Balance Reported in Governmental Funds</b>	\$ 4,001,141
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	6,275,612
Deferred inflows of resources (special assessments and other receivables are expected to be collected over several years and are not available to pay for current year expenditures) are not recognized in the funds	263,652
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(147,978)
Accrued interest is not due and payable in the current period and is not reported in the funds	(361)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(692,741)
Net pension liabilities, pension-related deferred outflows and inflows, and net OPEB obligations are not current financial resources and are not reported in the funds	<u>(10,149,973)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ (450,648)</u></b>

# Charter Township of Benton

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2016

	General Fund	Police Fund	Fire Fund	Public Safety Fund	Debt Service Fund	Nonmajor Funds	Total
<b>Revenue</b>							
Property taxes	\$ 579,866	\$ 2,978,903	\$ 1,961,283	\$ -	\$ -	\$ -	\$ 5,520,052
Licenses and permits	380,542	14,761	-	-	-	44,715	440,018
Federal grants	-	-	79,989	-	-	-	79,989
State-shared revenue and grants	1,322,530	4,260	-	-	-	-	1,326,790
Charges for services	598,962	-	38,125	-	-	-	637,087
Fines and forfeitures	-	18,490	-	-	-	-	18,490
Investment income	34,366	115	-	-	-	-	34,481
Other revenue	243,659	270,995	61,201	-	-	3,169	579,024
<b>Total revenue</b>	<b>3,159,925</b>	<b>3,287,524</b>	<b>2,140,598</b>	<b>-</b>	<b>-</b>	<b>47,884</b>	<b>8,635,931</b>
<b>Expenditures</b>							
General government	1,602,269	-	-	-	-	58,143	1,660,412
Public safety	355,240	3,211,885	1,805,127	-	-	-	5,372,252
Public works	646,007	-	-	-	-	-	646,007
Community and economic development	4,072	-	-	-	-	14,426	18,498
Recreation and culture	98,412	-	-	-	-	-	98,412
Debt service	-	-	-	-	156,052	-	156,052
<b>Total expenditures</b>	<b>2,706,000</b>	<b>3,211,885</b>	<b>1,805,127</b>	<b>-</b>	<b>156,052</b>	<b>72,569</b>	<b>7,951,633</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>453,925</b>	<b>75,639</b>	<b>335,471</b>	<b>-</b>	<b>(156,052)</b>	<b>(24,685)</b>	<b>684,298</b>
<b>Other Financing Sources (Uses)</b>							
Gain from sale of assets held for sale	328,445	-	-	-	-	-	328,445
Transfers in	-	-	-	-	300,511	460,000	760,511
Transfers out	(460,000)	-	(300,511)	-	-	-	(760,511)
<b>Total other financing (uses) sources</b>	<b>(131,555)</b>	<b>-</b>	<b>(300,511)</b>	<b>-</b>	<b>300,511</b>	<b>460,000</b>	<b>328,445</b>
<b>Net Change in Fund Balances</b>	<b>322,370</b>	<b>75,639</b>	<b>34,960</b>	<b>-</b>	<b>144,459</b>	<b>435,315</b>	<b>1,012,743</b>
<b>Fund Balances - Beginning of year</b>	<b>1,826,559</b>	<b>384,676</b>	<b>313,138</b>	<b>-</b>	<b>11,141</b>	<b>452,884</b>	<b>2,988,398</b>
<b>Fund Balances - End of year</b>	<b>\$ 2,148,929</b>	<b>\$ 460,315</b>	<b>\$ 348,098</b>	<b>\$ -</b>	<b>\$ 155,600</b>	<b>\$ 888,199</b>	<b>\$ 4,001,141</b>



# Charter Township of Benton

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2016**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 1,012,743</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	389,418
Depreciation expense	(454,442)
Special assessment and intergovernmental revenue is recorded in the statement of activities when the assessment is set or when the revenue is earned; it is not reported in the funds until collected or collectible within 60 days of year end	200,137
Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	147,108
Interest on long-term debt is recorded as an expenditure in the governmental funds when it is due; however, it is recognized within the statement of activities as it accrues	710
Change in accumulated employee sick and vacation pay reported in the statement of activities does not require the use of current resources and therefore, is not reported in the fund statements until it comes due for payment	(61,884)
Governmental funds report expenditures for pension and other postemployment benefits as they make contributions; in the statement of activities, the OPEB cost is recognized as contributions are required and the change in net pension liability does not require the use of current financial resources	(177,608)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 1,056,182</u></b>

# Charter Township of Benton

## Proprietary Funds Statement of Net Position December 31, 2016

	Enterprise Funds		
	Sanitary Sewage System Fund	Water System Fund	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 2,310,143	\$ 4,271,543	\$ 6,581,686
Receivables:			
Special assessments receivable - Due within one year	9,104	39,464	48,568
Other receivables - Net	544,371	424,284	968,655
Prepaid expenses	24,856	22,880	47,736
Total current assets	2,888,474	4,758,171	7,646,645
Noncurrent assets:			
Unspent bond proceeds	213,913	-	213,913
Advances to other funds (Note 5)	-	225,716	225,716
Special assessment receivables - Greater than one year	41,448	77,947	119,395
Capital assets (Note 4):			
Assets not subject to depreciation	931,739	1,044,586	1,976,325
Assets subject to depreciation	9,978,457	21,367,289	31,345,746
Total noncurrent assets	11,165,557	22,715,538	33,881,095
Total assets	14,054,031	27,473,709	41,527,740
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	264,326	136,201	400,527
Due to other governmental units	-	145	145
Due to other funds	5,142	-	5,142
Accrued liabilities and other	56,708	130,192	186,900
Compensated absences (Note 7)	2,379	3,291	5,670
Capital leases (Note 6)	-	835,000	835,000
Current portion of long-term debt (Note 7)	500,000	-	500,000
Total current liabilities	828,555	1,104,829	1,933,384
Noncurrent liabilities:			
Compensated absences (Note 7)	21,414	29,621	51,035
Capital leases (Note 6)	-	16,320,000	16,320,000
Long-term debt (Note 7)	5,450,922	-	5,450,922
Total noncurrent liabilities	5,472,336	16,349,621	21,821,957
Total liabilities	6,300,891	17,454,450	23,755,341
<b>Net Position</b>			
Net investment in capital assets	5,173,187	5,256,875	10,430,062
Unrestricted	2,579,953	4,762,384	7,342,337
Total net position	<b>\$ 7,753,140</b>	<b>\$ 10,019,259</b>	<b>\$ 17,772,399</b>

# Charter Township of Benton

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended December 31, 2016

	Enterprise Funds		Total
	Sanitary Sewage System Fund	Water System Fund	
<b>Operating Revenue</b>			
Sewage disposal charges	\$ 2,939,694	\$ -	\$ 2,939,694
Sale of water	-	2,970,519	2,970,519
Total operating revenue	2,939,694	2,970,519	5,910,213
<b>Operating Expenses</b>			
Cost of sewage treatment	1,965,693	-	1,965,693
Cost of water	-	1,223,121	1,223,121
Depreciation	438,317	1,066,360	1,504,677
Total operating expenses	2,404,010	2,289,481	4,693,491
<b>Operating Income</b>	535,684	681,038	1,216,722
<b>Nonoperating Revenue (Expenses)</b>			
Interest income	59,370	37,411	96,781
Interest expense	(150,897)	(707,133)	(858,030)
Loss on sale of assets	-	(2,025)	(2,025)
Bond issuance costs	(1,615)	-	(1,615)
Total nonoperating expenses	(93,142)	(671,747)	(764,889)
<b>Income - Before contributions</b>	442,542	9,291	451,833
<b>Capital Contributions</b>	41,267	37,183	78,450
<b>Change in Net Position</b>	483,809	46,474	530,283
<b>Net Position - Beginning of year</b>	7,269,331	9,972,785	17,242,116
<b>Net Position - End of year</b>	<b>\$ 7,753,140</b>	<b>\$ 10,019,259</b>	<b>\$ 17,772,399</b>

# Charter Township of Benton

## Proprietary Funds Statement of Cash Flows Year Ended December 31, 2016

	Enterprise Funds		
	Sanitary Sewage System Fund	Water System Fund	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 2,937,667	\$ 2,922,788	\$ 5,860,455
Payments to suppliers	(2,665,063)	(412,756)	(3,077,819)
Payments to employees	(526,507)	(756,430)	(1,282,937)
Net cash (used in) provided by operating activities	(253,903)	1,753,602	1,499,699
<b>Cash Flows from Noncapital Financing Activities - Transfers from other funds</b>	5,142	110,262	115,404
<b>Cash Flows from Capital and Related Financing Activities</b>			
Collection of customer assessments (principal and interest)	56,396	45,337	101,733
Receipt of capital grants	41,267	-	41,267
Proceeds from sale of capital assets	-	72,975	72,975
Purchase of capital assets	(975,686)	(214,211)	(1,189,897)
Principal and interest paid on capital debt	(645,897)	(1,517,133)	(2,163,030)
Proceeds from contributed capital	-	37,183	37,183
Net cash used in capital and related financing activities	(1,523,920)	(1,575,849)	(3,099,769)
<b>Cash Flows from Investing Activities - Interest received on investments</b>	10,798	28,735	39,533
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(1,761,883)	316,750	(1,445,133)
<b>Cash and Cash Equivalents - Beginning of year</b>	4,285,939	3,954,793	8,240,732
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 2,524,056</b>	<b>\$ 4,271,543</b>	<b>\$ 6,795,599</b>
Cash and cash equivalents	\$ 2,310,143	\$ 4,271,543	\$ 6,581,686
Unspent bond proceeds	213,913	-	213,913
Total cash and cash equivalents	<b>\$ 2,524,056</b>	<b>\$ 4,271,543</b>	<b>\$ 6,795,599</b>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>			
Operating income	\$ 535,684	\$ 681,038	\$ 1,216,722
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	438,317	1,066,360	1,504,677
Changes in assets and liabilities:			
Receivables	(2,027)	(47,731)	(49,758)
Prepaid expenses	(8,996)	914	(8,082)
Accounts payable	(1,103,914)	50,599	(1,053,315)
Accrued and other liabilities	(112,967)	2,422	(110,545)
Net cash (used in) provided by operating activities	<b>\$ (253,903)</b>	<b>\$ 1,753,602</b>	<b>\$ 1,499,699</b>

**Noncash Transactions** - During the year, the Charter Township had fixed asset purchases of approximately \$133,000 that were included in accounts payable at year end in the Sanitary Sewage System Fund.

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

# Charter Township of Benton

## Fiduciary Funds Statement of Fiduciary Net Position December 31, 2016

	Trust Fund - Pension and Retiree Health Insurance	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 654,962
Investments:		
U.S. government or agency securities	562,003	-
Common stock	3,181,493	-
Corporate bonds	3,196,674	-
Municipal bonds	2,157,842	-
Bank investment pool funds	9,037,891	-
Other assets	<u>143,283</u>	<u>-</u>
Total assets	18,279,186	<u><u>\$ 654,962</u></u>
<b>Liabilities - Due to other governmental units</b>	<u>-</u>	<u><u>\$ 654,962</u></u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<u><u>\$ 18,279,186</u></u>	

# Charter Township of Benton

## Fiduciary Funds Statement of Changes in Fiduciary Net Position - Trust Fund Pension and Retiree Health Insurance Year Ended December 31, 2016

	Trust Fund - Pension and Retiree Health Insurance
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 370,271
Net change in fair value of investments	<u>696,526</u>
Net investment income	1,066,797
Contributions:	
Employer	1,228,462
Employee	<u>165,902</u>
Total contributions	<u>1,394,364</u>
Total additions	2,461,161
<b>Deductions</b>	
Benefit payments	1,627,762
Administrative expenses	<u>52,757</u>
Total deductions	<u>1,680,519</u>
<b>Net Increase in Net Position Held in Trust</b>	780,642
<b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	<u>17,498,544</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>	<u><u>\$ 18,279,186</u></u>

# Charter Township of Benton

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## Notes to Financial Statements December 31, 2016

### **Note I - Nature of Business and Significant Accounting Policies**

The accounting policies of the Charter Township of Benton (the "Charter Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Benton.

#### **Reporting Entity**

The Charter Township of Benton is governed by an elected seven-member board of trustees. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in the financial statements.

The Police and Fire Retirement System has been blended into the Charter Township's financial statements as the Pension Trust Fund. The system is governed by a five-member pension board that includes three individuals chosen by the Charter Township board. The system is reported as if it were part of the primary government because of the fiduciary responsibility that the Charter Township retains relative to the operations of the retirement system.

The Charter Township has excluded the Housing Commission from this report since the Charter Township is not able to impose its will on the Housing Commission. The Housing Commission was created by ordinance of the Charter Township of Benton. The purpose is to provide safe, sanitary, and decent housing for qualifying senior and low-income families.

In August 2003, the Charter Township created Brownfield Redevelopment Authority (the "Authority") to revitalize selected environmentally distressed areas within Charter Township limits. The Authority had no assets as of December 31, 2016 and no activity for the year then ended.

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

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

# Charter Township of Benton

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## Notes to Financial Statements December 31, 2016

### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

#### **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. 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 Charter Township's water and sewer function and various other functions of the Charter Township. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

#### **Fund Accounting**

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



# Charter Township of Benton

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## Notes to Financial Statements December 31, 2016

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

**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 Charter Township reports the following funds as “major” governmental funds:

- **General Fund** - The General Fund is the Charter Township's primary operating fund. It accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.
- **Police Fund** - The Police Fund accounts for the activities of the police protection department.
- **Fire Fund** - The Fire Fund accounts for the activities of the fire protection department.
- **Public Safety Fund** - The Public Safety Fund accounts for the activities of the fire and police protection departments.
- **Debt Service Fund** - The Debt Service Fund accounts for capital construction and subsequent debt service for major capital projects of the Charter Township.

**Proprietary Funds** include enterprise funds (which provide goods or services to users in exchange for charges or fees). The Charter Township reports the following funds as “major” enterprise funds:

- **Sanitary Sewage System Fund** - The Sanitary Sewage System Fund accounts for the activities of the sewage collection system.
- **Water System Fund** - The Water System Fund accounts for the activities of the water distribution system.

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

- **Trust Funds** - The trust funds account for the activities of the Police and Fire Employees' Retirement System and Retiree Health Insurance Fund by accumulating resources for pension benefit payments and health insurance premium payments to qualified police and fire employees.
- **Agency Funds** - The agency funds account for assets held by the Charter Township in a trustee capacity. Agency funds are custodial in nature (assets and liabilities) and do not involve the measurement of results of operations.

# Charter Township of Benton

## Notes to Financial Statements December 31, 2016

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

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

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

#### **Basis of Accounting**

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

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

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

# Charter Township of Benton

## Notes to Financial Statements December 31, 2016

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

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

#### 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.

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

**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 governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances. All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Unspent Debt Proceeds** - Unspent debt proceeds include the remaining proceeds from the sewer bonds sold during 2015 and 2016 for sanitary system improvements.

**Capital Assets** - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Charter Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Capital Asset Class</u>	<u>Lives</u>
Water and sewer treatment systems	10 to 50 years
Buildings and improvements	15 to 50 years
Vehicles	3 to 15 years
Tools and equipment	5 to 15 years
Office equipment	3 to 7 years
Intangible assets	20 years

# Charter Township of Benton

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## Notes to Financial Statements December 31, 2016

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

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

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government-wide statements report deferred outflows from the difference between projected and actual investment earnings of the pension plan and changes in assumptions related to economic and demographic factors.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Charter Township has three types of items that qualify for reporting in this category. One item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from special assessments and intergovernmental revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. A second item, property taxes received in advance of the period levied, is reported as deferred inflows of resources in the government-wide statement of net position and governmental funds balance sheet. Lastly, the government-wide statements report a deferred inflow from the difference between expected and actual experience of the pension plan.

### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

#### **Net Position Flow Assumption**

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

#### **Fund Balance Flow Assumption**

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

#### **Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. The Charter Township board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

# Charter Township of Benton

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## Notes to Financial Statements December 31, 2016

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Charter Township board has, by resolution, authorized the Comptroller to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

#### **Property Tax Revenue**

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

The Charter Township's 2015 tax is levied and collectible on December 1, 2015 and is recognized as revenue in the year ended December 31, 2016, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2015 taxable valuation of the Charter Township totaled \$414.6 million. Taxes levied consisted of 0.9796 mills for operating purposes and 7.42 mills and 4.92 mills for police and fire operations, respectively. This resulted in approximately \$396,000 in ad valorem property tax revenue, \$150,000 in administrative fees for operating services, and \$2.85 million and \$1.88 million in ad valorem property tax revenue for police and fire services, respectively. These amounts are recognized in the respective General Fund and special revenue funds' financial statements as tax revenue.

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

# Charter Township of Benton

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## Notes to Financial Statements December 31, 2016

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

**Other Postemployment Benefit Costs** - The Charter Township offers healthcare benefits to retirees. The Charter 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 Charter Township reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

**Compensated Absences (Vacation and Sick Leave)** - It is the Charter Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is 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 as of year end. All other accrued compensated absences are reported in the government-wide financial statements; generally, the funds that report each employee's compensation (the General Fund, Fire Fund, Police Fund, Sanitary Sewage System Fund, and Water System Fund, primarily) are used to liquidate the obligation.

**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 Funds are charges to customers for sales and services. The Water and Sewer Funds also recognize 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 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 basic 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 basic financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

# Charter Township of Benton

## Notes to Financial Statements December 31, 2016

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

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

Shortfall at January 1, 2016	\$ (2,417,374)
Current year permit revenue	317,983
Related expenses - Direct costs	<u>(280,651)</u>
Current year surplus	<u>37,332</u>
Cumulative shortfall at December 31, 2016	<u>\$ (2,380,042)</u>

### Note 3 - Deposits and Investments

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

The Pension Trust Fund and Retiree Health Care Fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The Charter Township has designated four financial institutions for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments with the state statutory authority as listed above.

The Charter Township's deposits and investment policies are in accordance with statutory authority.



# Charter Township of Benton

## Notes to Financial Statements December 31, 2016

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

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

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of the failure of the counterparty, the Charter Township's deposits may not be returned to it. The Charter Township does not have a deposit policy for custodial credit risk. At year end, the Charter Township had approximately \$12.0 million of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Charter Township believes that due to the dollar amounts of cash deposits and the limits of FDIC/NCUA insurance, it is impractical to insure all deposits. As a result, the Charter 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.

**Custodial Credit Risk of Investments** - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Charter Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Charter Township does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Charter Township's name.

Investment Type	Carrying Value	How Held
Mutual funds	\$ 7,375,494	Counterparty's trust department
Corporate bonds	3,196,674	Counterparty's trust department
Corporate stocks	3,181,493	Counterparty's trust department
Municipal bonds	2,157,842	Counterparty's trust department
U.S. government or agency bond or notes	562,003	Counterparty's trust department

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Charter Township's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity.

At year end, the Charter Township had the following investments:

Investment	Fair Value	Weighted Average Maturity (Years)
Corporate and municipal bonds	\$ 5,354,516	3.19
U.S. government or agency bond or notes	562,003	5.37

# Charter Township of Benton

## Notes to Financial Statements December 31, 2016

### 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 Charter 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
Corporate and municipal bonds	\$ 1,232,540	AAA	S&P
Corporate and municipal bonds	350,758	AA+	S&P
Corporate and municipal bonds	263,458	AA	S&P
Corporate and municipal bonds	1,654,876	AA-	S&P
Corporate and municipal bonds	641,441	A+	S&P
Corporate and municipal bonds	392,924	A	S&P
Corporate and municipal bonds	362,140	A-	S&P
Corporate and municipal bonds	104,030	BBB	S&P
Corporate and municipal bonds	352,349	BBB+	S&P

**Concentration of Credit Risk** - The Charter Township places no limit on the amount it may invest in any one issuer. No more than 5 percent of the Charter Township's investments are invested in any one issuer.

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

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Charter 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.

# Charter Township of Benton

## Notes to Financial Statements December 31, 2016

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

The Charter Township has the following recurring fair value measurements as of December 31, 2016:

#### Assets Measured at Fair Value on a Recurring Basis

	Balance at December 31, 2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:				
U.S. Treasury securities	\$ 291,176	\$ 291,176	\$ -	\$ -
Municipal bonds	2,157,842	-	2,157,842	-
Government agencies	270,827	-	270,827	-
Corporate bonds	3,196,674	-	3,196,674	-
Total debt securities	5,916,519	291,176	5,625,343	-
Equity securities:				
Common stock	3,181,493	3,181,493	-	-
Mutual funds - Equity	5,088,781	5,088,781	-	-
Mutual funds - Fixed income	1,085,643	1,085,643	-	-
Mutual funds - ETF	1,201,070	1,201,070	-	-
Total equity securities	10,556,987	10,556,987	-	-
Total investments by fair value level	\$ 16,473,506	\$ 10,848,163	\$ 5,625,343	\$ -

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

The fair value of governmental agencies, corporate bonds, and municipal bonds at December 31, 2016 was determined primarily based on Level 2 inputs. The Charter Township estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

# Charter Township of Benton

## Notes to Financial Statements December 31, 2016

### Note 4 - Capital Assets

Capital asset activity of the Charter Township's governmental and business-type activities was as follows as of December 31, 2016:

<b>Governmental Activities</b>	Balance January 1, 2016	Reclassifications	Additions	Disposals	Balance December 31, 2016
Capital assets not being depreciated:					
Land	\$ 813,614	\$ -	\$ 3,500	\$ -	\$ 817,114
Construction in progress	-	-	18,904	-	18,904
Subtotal	813,614	-	22,404	-	836,018
Capital assets being depreciated:					
Buildings and improvements	4,830,933	-	32,573	-	4,863,506
Vehicles	2,684,417	-	74,267	-	2,758,684
Land improvements	88,119	-	-	-	88,119
Tools and equipment	1,319,471	-	21,194	-	1,340,665
Office equipment	269,680	-	26,045	-	295,725
Cost of others' storm drains	928,081	-	212,935	-	1,141,016
Subtotal	10,120,701	-	367,014	-	10,487,715
Accumulated depreciation:					
Buildings and improvements	1,632,109	-	104,393	-	1,736,502
Vehicles	1,644,432	-	205,613	-	1,850,045
Land improvements	47,673	-	6,743	-	54,416
Tools and equipment	1,092,839	-	39,804	-	1,132,643
Office equipment	99,750	-	56,056	-	155,806
Cost of others' storm drains	76,876	-	41,833	-	118,709
Subtotal	4,593,679	-	454,442	-	5,048,121
Net capital assets being depreciated	5,527,022	-	(87,428)	-	5,439,594
Net capital assets	<u>\$ 6,340,636</u>	<u>\$ -</u>	<u>\$ (65,024)</u>	<u>\$ -</u>	<u>\$ 6,275,612</u>

# Charter Township of Benton

## Notes to Financial Statements December 31, 2016

### Note 4 - Capital Assets (Continued)

Business-type Activities	Balance January 1, 2016	Reclassifications	Additions	Disposals	Balance December 31, 2016
Capital assets not being depreciated:					
Land	\$ 1,429,112	\$ -	\$ -	\$ (75,000)	\$ 1,354,112
Construction in progress	12,899	(12,899)	622,213	-	622,213
Subtotal	1,442,011	(12,899)	622,213	(75,000)	1,976,325
Capital assets being depreciated:					
Utility system	37,295,943	12,899	168,528	-	37,477,370
Buildings and improvements	8,877,324	-	3,540	-	8,880,864
Tools and equipment	3,878,607	-	116,069	-	3,994,676
Vehicles	465,994	-	412,252	-	878,246
Subtotal	50,517,868	12,899	700,389	-	51,231,156
Accumulated depreciation:					
Utility system	15,928,303	-	900,872	-	16,829,175
Buildings and improvements	988,265	-	230,930	-	1,219,195
Tools and equipment	1,122,613	-	240,496	-	1,363,109
Vehicles	341,552	-	132,379	-	473,931
Subtotal	18,380,733	-	1,504,677	-	19,885,410
Net capital assets being depreciated	32,137,135	12,899	(804,288)	-	31,345,746
Net capital assets	<u>\$ 33,579,146</u>	<u>\$ -</u>	<u>\$ (182,075)</u>	<u>\$ (75,000)</u>	<u>\$ 33,322,071</u>

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

Governmental activities:	
General government	\$ 131,464
Public safety	254,485
Public works	64,675
Recreation and culture	3,818
Total governmental activities	<u>\$ 454,442</u>
Business-type activities:	
Sanitary Sewage System Fund	\$ 438,317
Water System Fund	1,066,360
Total business-type activities	<u>\$ 1,504,677</u>

At December 31, 2016, the Charter Township had signed construction contracts for approximately \$86,000.

# Charter Township of Benton

## Notes to Financial Statements December 31, 2016

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

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
Debt Service Fund	General Fund	\$ 231,316
	Fire Fund	<u>150,000</u>
	Total Debt Service Fund	381,316
Capital Projects Fund	General Fund	715,056
	Fire Fund	<u>35,000</u>
	Total Capital Projects Fund	750,056
General Fund	Sewer Fund	5,142
	Community Development Fund	<u>15,061</u>
	Total General Fund	<u>20,203</u>
	Total	<u><u>\$ 1,151,575</u></u>
Receivable Fund	Payable Fund	Amount

#### Advances from/to Other Funds

Water System Fund	Debt Service Fund	<u><u>\$ 225,716</u></u>
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The due to and from other funds results 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. The advance to and from other funds results from a note payable for the construction of the municipal building.

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

Receiving Fund	Paying Fund	Amount
Debt Service Fund	Fire Fund	\$ 300,511
Capital Projects Fund	General Fund	<u>460,000</u>
	Total	<u><u>\$ 760,511</u></u>

# Charter Township of Benton

## Notes to Financial Statements December 31, 2016

### Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

The transfer from the Fire Fund to the Debt Service Fund and the transfer from the General Fund to the Capital Projects Fund are for capital acquisitions and debt service expenditures.

### Note 6 - Capital Lease

The Charter Township has entered into a lease agreement with the County of Berrien, Michigan (the "County") to finance the construction of water facilities to service the Charter Township. The lease agreement qualifies as a capital lease for accounting purposes and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value are as follows:

Years Ending December 31	Amount
2017	\$ 1,520,829
2018	1,542,238
2019	1,539,015
2020	1,527,516
2021	1,544,338
2022-2026	7,677,146
2027-2030	<u>7,824,853</u>
Total minimum lease payments	23,175,935
Less amount representing interest	<u>(6,020,935)</u>
Present value	<u>\$ 17,155,000</u>

### Note 7 - Long-term Debt

The Charter 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 Charter Township. Municipal contractual agreements and leases are also general obligations of the government.

	Interest Rate Range	Year of Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
Fire Truck Loan	1.150%	2017	\$ 295,086	\$ -	\$ (147,108)	\$ 147,978	\$ 147,978
Accumulated compensated absences			<u>630,857</u>	<u>263,954</u>	<u>(202,070)</u>	<u>692,741</u>	<u>275,902</u>
Total governmental activities			<u>\$ 925,943</u>	<u>\$ 263,954</u>	<u>\$ (349,178)</u>	<u>\$ 840,719</u>	<u>\$ 423,880</u>

# Charter Township of Benton

## Notes to Financial Statements December 31, 2016

### Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Year of Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>							
General obligation bonds - 2012 - Refinanced	0.5-1.9%	2023	\$ 1,950,000	\$ -	\$ (240,000)	\$ 1,710,000	\$ 245,000
General obligation bonds - 2014	2.0-4.0%	2034	3,325,000	-	(175,000)	3,150,000	175,000
General obligation bonds - 2015	0.85-3.3%	2030	1,200,000	-	(80,000)	1,120,000	80,000
Less deferred amounts - Issuance discount			(30,693)	-	1,615	(29,078)	-
Total debt			6,444,307	-	(493,385)	5,950,922	500,000
Accumulated compensated absences			54,754	49,798	(47,847)	56,705	5,670
Total business-type activities			<u>\$ 6,499,061</u>	<u>\$ 49,798</u>	<u>\$ (541,232)</u>	<u>\$ 6,007,627</u>	<u>\$ 505,670</u>

Total interest expense for the year, including interest on the capital lease, was approximately \$868,000. 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
2017	\$ 147,968	\$ 1,711	\$ 149,679	\$ 500,000	\$ 146,650	\$ 646,650
2018	-	-	-	505,000	139,258	644,258
2019	-	-	-	515,000	131,195	646,195
2020	-	-	-	520,000	122,378	642,378
2021	-	-	-	525,000	112,983	637,983
2022-2026	-	-	-	1,695,000	421,303	2,116,303
2027-2031	-	-	-	1,195,000	224,404	1,419,404
2032-2036	-	-	-	525,000	42,000	567,000
Total	<u>\$ 147,968</u>	<u>\$ 1,711</u>	<u>\$ 149,679</u>	<u>\$ 5,980,000</u>	<u>\$ 1,340,171</u>	<u>\$ 7,320,171</u>

### Note 8 - Risk Management

The Charter 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 Charter Township participates in the Michigan Municipal League (risk pool) for claims relating to workers' compensation and in the Michigan Townships Participating Plan for all other claims.

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.



# Charter Township of Benton

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## Notes to Financial Statements December 31, 2016

### **Note 8 - Risk Management (Continued)**

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 - Other Postemployment Benefits**

**Plan Description** - The Charter Township provides healthcare benefits at retirement to all employees who meet the minimum eligibility criteria set forth in their respective employment agreements. Upon retirement and attainment of eligibility, the police and fire labor contracts provide for a benefit not to exceed \$400 per month toward healthcare plan premiums while the municipal employee handbook provides for a benefit not to exceed \$800 per month toward healthcare plan premiums. Municipal employees hired after January 1, 2013 are no longer eligible for the reimbursement benefit. The retiree may elect to enroll in the Charter Township retirement healthcare plan and then must pay any premiums exceeding the monthly benefit. The retiree may also elect to obtain coverage outside of the Charter Township and receive reimbursement for the healthcare premium up to the earned benefit amount. The healthcare plan may include coverage of the spouse and eligible dependents. A surviving spouse is entitled to the earned benefit. Currently, 37 retirees or surviving spouses are eligible.

**Funding Policy** - Retiree healthcare costs are recognized when paid by the Charter Township on a "pay-as-you-go" basis. The Charter Township also made an additional payment in the current year of \$94,352. The Charter Township has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended December 31, 2016, the Charter Township made payments for postemployment health benefit premiums of \$186,318.

# Charter Township of Benton

## Notes to Financial Statements December 31, 2016

### Note 9 - Other Postemployment Benefits (Continued)

**Funding Progress** - For the year ended December 31, 2016, the Charter Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2013. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal 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)	\$ 277,722
Interest on the prior year's net OPEB obligation	<u>25,962</u>
Annual OPEB cost	303,684
Amounts contributed - Payments	<u>(280,670)</u>
Increase in net OPEB obligation	23,014
OPEB obligation - Beginning of year	<u>649,032</u>
OPEB obligation - End of year	<u><u>\$ 672,046</u></u>

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

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage of ARC Contributed	Net OPEB Obligation
12/31/16	12/31/13	\$ 277,722	101.0 %	\$ 672,046
12/31/15	12/31/13	277,722	101.0	649,032
12/31/14	12/31/13	277,722	102.0	626,459

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/16	\$ 1,324,507	\$ 3,902,323	\$ 2,577,816	33.9 %	\$ -	- %
12/31/13	908,298	4,388,449	3,480,151	20.7	-	-
12/31/10	718,223	4,030,218	3,311,995	17.8	-	-

# Charter Township of Benton

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## Notes to Financial Statements December 31, 2016

### Note 9 - Other Postemployment Benefits (Continued)

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In both the December 31, 2013 and December 31, 2016 actuarial valuations, the entry age actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The mortality rates were determined using the 2007 version of the United States Life Tables. The actuarial value of assets is equal to the reported market value of the assets. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The amortization period is 30 years.

### Note 10 - Pension Plan - Police and Fire Retirement System

**Plan Description** - The Police and Fire Pension Board administers the Charter Township of Benton Pension Plan, which is a single-employer defined benefit pension plan that provides pensions for all permanent full-time public safety employees of the Charter Township. Benefit terms have been established by contractual agreements between the Charter Township and the various employee union representation; amendments are subject to the same process.

The financial statements of the plan are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Management of the plan is vested in the pension board, which consists of five members - two elected by plan members, two appointed by the Charter Township, and the Charter Township treasurer, who serves as an ex-officio member.

# Charter Township of Benton

## Notes to Financial Statements December 31, 2016

### Note 10 - Pension Plan - Police and Fire Retirement System (Continued)

**Employees Covered by Benefit Terms** - At December 31, 2016, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	50
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>32</u>
Total employees covered by the plan	<u>85</u>

**Benefits Provided** - The pension plan provides retirement, disability, and death benefits. Benefit terms are established by contractual agreements between the Charter Township and the various employee union representation and may be amended by subsequent contractual agreements. Retirement benefits for Police Command members are calculated as 3 percent of the member's average final compensation (based on the three years of highest annual compensation received by a member in the 10 years preceding retirement) times the member's years of service up to 25 years. Benefits for Patrol Union plan members hired prior to January 1, 2011 and Fire Union members hired prior to December 31, 2011 are calculated as 3 percent of the member's average final compensation times the member's years of service up to 25 years. Benefits for Patrol Union plan members hired after January 1, 2011 and Fire Union members hired after December 31, 2011 are calculated at 2 percent of the member's average final compensation. Police Command plan members with 25 or more years of service are eligible to retire regardless of age or at age 60 regardless of service. Police Patrol plan members with 20 or more years of service are eligible to retire regardless of age or age 60, regardless of service. Fire Union plan members hired prior to December 31, 2011 with 25 or more years of service are eligible to retire regardless of age or age 60, regardless of service. Police Patrol plan members hired after January 1, 2011 and Fire Union plan members hired after December 31, 2011 may retire at age 55, regardless of service. All plan members are eligible for deferred retirement benefits after 10 years of service. All plan members are eligible for nonduty disability benefits after five years of service and for duty-related disability benefits upon hire. Nonduty disability retirement benefits are calculated as 1.5 percent of average final compensation until age 55, and once 55, in the same manner as retirement benefits. Duty disability retirement benefits are calculated as 50 percent of the average final compensation until age 55, and once 55, in the same manner as retirement benefits with a service credit from the date of disability to age 55. Nonduty death benefits are payable to a surviving spouse upon the death of a member with 20 or more years of service in the same manner as retirement benefits reduced in accordance with the Option 1 election. Duty death in service benefits are payable upon the expiration of workers' compensation to survivors of a member who died in the line of duty at the same amount that was paid by workers' compensation. A plan member who leaves the Charter Township service may withdraw his or her contributions, plus any accumulated interest.

# Charter Township of Benton

## Notes to Financial Statements December 31, 2016

### Note 10 - Pension Plan - Police and Fire Retirement System (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, the pension board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by contractual agreements with the plan members. For the year ended December 31, 2016, the average active member contribution rate was 8.14 percent of annual pay, and the Charter Township's average contribution rate was 46.55 percent of annual payroll.

#### Pension Plan Investments - Policy and Rate of Return

**Investment Policy** - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the pension board's adopted asset allocation policy as of December 31, 2016:

Asset Class	Target Allocation
Equity	50 %
Fixed income	45
Cash or cash equivalents	5

**Rate of Return** - For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.87 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### Pension Plan Reserves

In accordance with plan provisions, the following reserves are required to be set aside within the pension plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

# Charter Township of Benton

## Notes to Financial Statements December 31, 2016

### Note 10 - Pension Plan - Police and Fire Retirement System (Continued)

The employee reserve is credited as employee contributions are received throughout the year; the plan maintains a record of the amount contributed by each employee. For any employee who terminates before vesting in the pension plan, his or her balance is returned to him or her with a 2.0 percent per annum interest rate; for those who stay until retirement, the balance is transferred into the retiree reserve.

The employer reserve account is used to account for the residual net position balance in the pension plan after funding the above two reserves.

The balances of the reserve accounts at December 31, 2016 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 15,912,176	\$ 15,912,176
Employee reserve	2,969,639	2,969,639
Employer reserve	N/A	(1,927,136)

### Net Pension Liability

The components of the net pension liability of the Charter Township at December 31, 2016 were as follows:

Total pension liability	\$ 26,431,497
Plan fiduciary net position	<u>(16,954,679)</u>
Charter Township's net pension liability	<u>\$ 9,476,818</u>

Plan fiduciary net position as a percentage of the total pension liability 64.1 %

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

# Charter Township of Benton

## Notes to Financial Statements December 31, 2016

### Note 10 - Pension Plan - Police and Fire Retirement System (Continued)

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>	\$ 26,634,617	\$ 16,343,559	\$ 10,291,058
Service cost	556,011	-	556,011
Interest	1,833,433	-	1,833,433
Differences between expected and actual experience	(1,151,122)	-	(1,151,122)
Contributions - Employer	-	947,792	(947,792)
Contributions - Employee	-	165,901	(165,901)
Net investment income	-	988,091	(988,091)
Benefit payments, including refunds	(1,441,442)	(1,441,442)	-
Administrative expenses	-	(49,222)	49,222
Net changes	(203,120)	611,120	(814,240)
<b>Balance at December 31, 2016</b>	<u>\$ 26,431,497</u>	<u>\$ 16,954,679</u>	<u>\$ 9,476,818</u>

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

For the year ended December 31, 2016, the Charter Township recognized pension expense of \$1,102,385. At December 31, 2016, the Charter 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	\$ -	\$ 1,042,754
Changes in assumptions	206,172	-
Net difference between projected and actual earnings on pension plan investments	835,473	-
Total	<u>\$ 1,041,645</u>	<u>\$ 1,042,754</u>

# Charter Township of Benton

## Notes to Financial Statements December 31, 2016

### Note 10 - Pension Plan - Police and Fire Retirement System (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending December 31</u>	<u>Amount</u>
2017	\$ (39,525)
2018	(40,322)
2019	50,186
2020	28,552

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of December 31, 2016. The valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4 %
Salary increases	4 to 8 % Average, including inflation at 4%
Investment rate of return	7 % Net of pension plan investment expense, including inflation at 4%

Mortality rates were based on the RP-2000 Mortality Table for males and females projected 20 years with Scale AA.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.0 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 the Charter Township's 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.



# Charter Township of Benton

## Notes to Financial Statements December 31, 2016

### Note 10 - Pension Plan - Police and Fire Retirement System (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of December 31, 2016 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity - Large	6.00 %
Domestic equity - Mid	7.00 %
Domestic equity - Small	8.00 %
International equity	6.00 %
Domestic fixed income	2.00 %
Cash or cash equivalents	0.50 %

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the Charter Township, calculated using the discount rate of 7.0 percent, as well as what the Charter Township's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	<u>1 Percent Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1 Percent Increase (8.0%)</u>
Net pension liability of the Charter Township	\$ 12,566,668	\$ 9,476,818	\$ 6,879,613

# Charter Township of Benton

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## Notes to Financial Statements December 31, 2016

### **Note 11 - Defined Contribution Pension Plan**

The Charter Township provides pension benefits to all of its full-time employees (except for police and fire) through a defined contribution plan, administered by John Hancock. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment (or other date). As established by the Charter Township of Benton's board, the Charter Township contributes 10 percent of employees' gross earnings and employees contribute 5 percent in mandatory contributions. The employees may also elect to contribute additional voluntary contributions. In accordance with these requirements, the Charter Township contributed approximately \$159,000 during the current year and employees contributed approximately \$83,000.

### **Note 12 - Tax Abatements**

The Charter Township offers property tax incentives to promote economic activity, increase and retain employment, and provide incentives for investment in property that increase the tax base of the Charter Township.

The Charter 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 Charter Township grants reductions of 50 percent of the property tax bill for new property (or it can freeze taxable values for rehabilitation properties). For the fiscal year ended December 31, 2016, the Charter Township abated approximately \$19,000 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

The Charter Township uses Brownfield Redevelopment Agreements (PA 381 of 1996) to reimburse taxpayers that remediate environmental contamination on their properties. As a result of these agreements, Brownfield's tax revenue is reduced. For the fiscal year ended December 31, 2016, Brownfield abated approximately \$75,000 of taxes under this program. There are no provisions to recapture taxes.

The Charter Township uses personal property tax exemptions (PA 328 of 1998, as amended by PA 20 of 1999) to enter into agreements with local businesses to add additional personal property to their facilities. Under the program, the new purchases of eligible personal property are 100 percent exempt from personal property taxes. For the fiscal year ended December 31, 2016, the Charter Township abated approximately \$70,000 of taxes under this program. There are no provisions to recapture taxes.

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

# Charter Township of Benton

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## Notes to Financial Statements December 31, 2016

### Note 13 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statements more extensive disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the Charter Township will, after adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. The Charter Township is currently evaluating the impact these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for the Charter Township's December 31, 2017 fiscal year, whereas GASB Statement No. 75 is effective one year later.

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*, which 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 Charter 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 Charter Township's financial statements for the year ending December 31, 2019.

## **Required Supplemental Information**

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# Charter Township of Benton

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 573,945	\$ 573,945	\$ 579,866	\$ 5,921
Licenses and permits	200,825	300,825	380,542	79,717
State-shared revenue and grants	1,338,500	1,338,500	1,322,530	(15,970)
Charges for services	588,500	588,500	598,962	10,462
Investment income	28,000	28,000	34,366	6,366
Other revenue	221,730	221,730	243,659	21,929
Total revenue	2,951,500	3,051,500	3,159,925	108,425
<b>Expenditures</b>				
General government:				
Township board	475,000	585,000	566,507	18,493
Supervisor	38,500	38,500	33,282	5,218
Treasurer	143,000	143,000	134,707	8,293
Assessing	341,000	341,000	298,426	42,574
Board of review	5,000	5,000	2,854	2,146
Clerk	200,000	200,000	184,399	15,601
Elections	112,000	112,000	91,690	20,310
Buildings and grounds	224,500	224,500	202,165	22,335
Total general government	1,539,000	1,649,000	1,514,030	134,970
Public safety:				
Building department	293,000	293,000	280,651	12,349
Ordinance officer	79,000	79,000	74,589	4,411
Total public safety	372,000	372,000	355,240	16,760
Public works:				
Other street costs	53,000	53,000	20,085	32,915
Trash and rubbish	444,000	444,000	442,437	1,563
Street lighting	115,000	115,000	104,982	10,018
Garage	90,000	90,000	78,503	11,497
Total public works	702,000	702,000	646,007	55,993
Community and economic development:				
Planning	6,000	6,000	2,840	3,160
Zoning	3,000	3,000	1,232	1,768
Total community and economic development	9,000	9,000	4,072	4,928
Recreation and culture - Parks and recreation	84,500	118,000	98,412	19,588
Total expenditures	2,706,500	2,850,000	2,617,761	232,239
<b>Excess of Revenue Over Expenditures</b>	245,000	201,500	542,164	340,664
<b>Other Financing (Uses) Sources</b>				
Transfers out	(210,000)	(550,000)	(548,239)	1,761
Proceeds from sale of assets	-	292,000	328,445	36,445
Total other financing uses	(210,000)	(258,000)	(219,794)	38,206
<b>Net Change in Fund Balance</b>	35,000	(56,500)	322,370	378,870
<b>Fund Balance - Beginning of year</b>	1,826,559	1,826,559	1,826,559	-
<b>Fund Balance - End of year</b>	<u>\$ 1,861,559</u>	<u>\$ 1,770,059</u>	<u>\$ 2,148,929</u>	<u>\$ 378,870</u>

# Charter Township of Benton

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Police Fund Year Ended December 31, 2016

	Original Budget	Actual	Variance
<b>Revenue</b>			
Property taxes	\$ 2,988,140	\$ 2,978,903	\$ (9,237)
Licenses and permits	14,500	14,761	261
Federal grants	12,500	-	(12,500)
State-shared revenue and grants	2,000	4,260	2,260
Fines and forfeitures	19,500	18,490	(1,010)
Investment income	100	115	15
Other revenue	252,120	270,995	18,875
Total revenue	3,288,860	3,287,524	(1,336)
<b>Expenditures - Public safety</b>	3,383,860	3,144,788	239,072
<b>Excess of Revenue (Under) Over Expenditures</b>	(95,000)	142,736	237,736
<b>Other Financing Sources (Uses)</b>			
Transfers in	125,000	-	(125,000)
Transfers out	(80,000)	(67,097)	12,903
<b>Net Change in Fund Balance</b>	(50,000)	75,639	125,639
<b>Fund Balance - Beginning of year</b>	384,676	384,676	-
<b>Fund Balance - End of year</b>	<u>\$ 334,676</u>	<u>\$ 460,315</u>	<u>\$ 125,639</u>

# Charter Township of Benton

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Fund Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 1,966,920	\$ 1,966,920	\$ 1,961,283	\$ (5,637)
Federal grants	30,000	30,000	79,989	49,989
Charges for services	10,000	10,000	38,125	28,125
Other revenue	38,000	25,000	61,201	36,201
Total revenue	2,044,920	2,031,920	2,140,598	108,678
<b>Expenditures - Public safety</b>	1,892,895	1,892,895	1,736,786	156,109
<b>Excess of Revenue Over Expenditures</b>	152,025	139,025	403,812	264,787
<b>Other Financing (Uses) Sources</b>				
Transfers out	(227,025)	(377,025)	(368,852)	8,173
Transfers in	35,000	35,000	-	(35,000)
<b>Net Change in Fund Balance</b>	(40,000)	(203,000)	34,960	237,960
<b>Fund Balance - Beginning of year</b>	313,138	313,138	313,138	-
<b>Fund Balance - End of year</b>	<u>\$ 273,138</u>	<u>\$ 110,138</u>	<u>\$ 348,098</u>	<u>\$ 237,960</u>

# Charter Township of Benton

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## **Note to Required Supplemental Information Year Ended December 31, 2016**

### **Note - Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds. The budgets are prepared by the Charter Township comptroller and approved by the Charter Township's board prior to the start of the fiscal year. The budget was amended during the year for the General Fund.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

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.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the Charter Township incurred no expenditures that were in excess of the amounts budgeted.



# Charter Township of Benton

## Required Supplemental Information

### Schedule of Changes in the Charter Township Net Pension Liability and Related Ratios (Schedule is built prospectively upon implementation of GASB Statement No. 67)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Total Pension Liability</b>										
Service cost	\$ 556,011	\$ 520,965	\$ 566,962	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	1,833,433	1,773,298	1,638,236	-	-	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(1,151,122)	(447,726)	1,256,878	-	-	-	-	-	-	-
Changes in assumptions	-	456,048	-	-	-	-	-	-	-	-
Benefit payments, including refunds	(1,441,442)	(1,480,641)	(1,538,583)	-	-	-	-	-	-	-
<b>Net Change in Total Pension Liability</b>	(203,120)	821,944	1,923,493	-	-	-	-	-	-	-
<b>Total Pension Liability - Beginning of year</b>	26,634,617	25,812,673	23,889,180	-	-	-	-	-	-	-
<b>Total Pension Liability - End of year</b>	<b>\$ 26,431,497</b>	<b>\$ 26,634,617</b>	<b>\$ 25,812,673</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Plan Fiduciary Net Position</b>										
Contributions - Employer	\$ 947,792	\$ 851,779	\$ 800,203	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - Member	165,901	160,486	137,898	-	-	-	-	-	-	-
Net investment income	988,091	(37,297)	862,704	-	-	-	-	-	-	-
Administrative expenses	(49,222)	(50,070)	(50,060)	-	-	-	-	-	-	-
Benefit payments, including refunds	(1,441,442)	(1,480,641)	(1,538,583)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	611,120	(555,743)	212,162	-	-	-	-	-	-	-
<b>Plan Fiduciary Net Position - Beginning of year</b>	16,343,559	16,899,302	16,687,140	-	-	-	-	-	-	-
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 16,954,679</b>	<b>\$ 16,343,559</b>	<b>\$ 16,899,302</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Charter Township's Net Pension Liability - Ending</b>	<b>\$ 9,476,818</b>	<b>\$ 10,291,058</b>	<b>\$ 8,913,371</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	64.15 %	61.36 %	65.47 %	- %	- %	- %	- %	- %	- %	- %
<b>Covered Employee Payroll</b>	\$ 2,082,378	\$ 2,011,315	\$ 1,995,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Charter Township's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	455.1 %	511.7 %	446.7 %	- %	- %	- %	- %	- %	- %	- %



# Charter Township of Benton

## Required Supplemental Information Schedule of Investment Returns

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual money-weighted rate of return - Net of investment expense	5.9 %	(0.2)%	4.5 %	- %	- %	- %	- %	- %	- %	- %

# Charter Township of Benton

## Required Supplemental Information OPEB System Schedule Year Ended December 31, 2016

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/10	\$ 718,223	\$ 4,030,218	\$ 3,311,995	17.8 %	\$ -	- %
12/31/13	908,298	4,388,449	3,480,151	20.7	-	-
12/31/16	1,324,507	3,902,323	2,577,816	33.9	-	-

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
12/31/11	12/31/10	\$ 261,761	44.0 %
12/31/12	12/31/10	201,945	67.8
12/31/13	12/31/10	202,101	76.7
12/31/14	12/31/13	277,722	102.0
12/31/15	12/31/13	277,722	101.0
12/31/16	12/31/13	277,722	101.0

## **Other Supplemental Information**

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# Charter Township of Benton

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds December 31, 2016

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Rental Ordinance Fund	Community Development Fund	Capital Projects Fund	
<b>Assets</b>				
Cash and cash equivalents	\$ 74,986	\$ 85,651	\$ -	\$ 160,637
Due from other funds	-	-	750,056	750,056
Total assets	<b><u>\$ 74,986</u></b>	<b><u>\$ 85,651</u></b>	<b><u>\$ 750,056</u></b>	<b><u>\$ 910,693</u></b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 4,805	\$ 4,805
Due to other funds	-	15,061	-	15,061
Accrued liabilities and other	2,628	-	-	2,628
Total liabilities	2,628	15,061	4,805	22,494
<b>Fund Balances</b>				
Restricted	72,358	70,590	35,000	177,948
Assigned	-	-	710,251	710,251
Total fund balances	72,358	70,590	745,251	888,199
Total liabilities and fund balances	<b><u>\$ 74,986</u></b>	<b><u>\$ 85,651</u></b>	<b><u>\$ 750,056</u></b>	<b><u>\$ 910,693</u></b>

# Charter Township of Benton

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended December 31, 2016

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Rental Ordinance Fund	Community Development Fund	Capital Projects Fund	
<b>Revenue</b>				
Licenses and permits	\$ 44,715	\$ -	\$ -	\$ 44,715
Other revenue	-	3,169	-	3,169
Total revenue	44,715	3,169	-	47,884
<b>Expenditures</b>				
General government	58,143	-	-	58,143
Community and economic development	-	14,426	-	14,426
<b>Excess of Expenditures Over Revenue</b>	(13,428)	(11,257)	-	(24,685)
<b>Other Financing Sources - Transfers in</b>	-	-	460,000	460,000
<b>Net Change in Fund Balances</b>	(13,428)	(11,257)	460,000	435,315
<b>Fund Balances - Beginning of year</b>	85,786	81,847	285,251	452,884
<b>Fund Balances - End of year</b>	<b>\$ 72,358</b>	<b>\$ 70,590</b>	<b>\$ 745,251</b>	<b>\$ 888,199</b>

# Charter Township of Benton

## Other Supplemental Information Combining Statement of Net Position Fiduciary Funds December 31, 2016

	Pension Trust Funds			Agency Funds		
	Pension Trust Fund	Retiree Health Insurance Fund	Total Pension Trust Funds	Current Tax Collections Fund	Delinquent Tax Fund	Total Agency Funds
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 475,219	\$ 179,743	\$ 654,962
Investments	16,811,396	1,324,507	18,135,903	-	-	-
Prepaid expenses and other current assets	143,283	-	143,283	-	-	-
Total assets	16,954,679	1,324,507	18,279,186	<u>\$ 475,219</u>	<u>\$ 179,743</u>	<u>\$ 654,962</u>
<b>Liabilities</b> - Due to other governmental units	-	-	-	<u>\$ 475,219</u>	<u>\$ 179,743</u>	<u>\$ 654,962</u>
<b>Net Position</b> - Held in trust for pension and other employee benefits	<u>\$ 16,954,679</u>	<u>\$ 1,324,507</u>	<u>\$ 18,279,186</u>			



# Charter Township of Benton

## Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Trust Funds Year Ended December 31, 2016

	Pension Trust Fund	Retiree Health Insurance Fund	Total
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 347,084	\$ 23,187	\$ 370,271
Net change in fair value of investments	641,008	55,518	696,526
Contributions:			
Employer	947,792	280,670	1,228,462
Employee	165,902	-	165,902
Total contributions	<u>1,113,694</u>	<u>280,670</u>	<u>1,394,364</u>
Total additions	2,101,786	359,375	2,461,161
<b>Deductions</b>			
Benefit payments	1,441,444	186,318	1,627,762
Administrative expenses	49,222	3,535	52,757
Total deductions	<u>1,490,666</u>	<u>189,853</u>	<u>1,680,519</u>
<b>Net Increase in Net Assets Held in Trust</b>	611,120	169,522	780,642
<b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	<u>16,343,559</u>	<u>1,154,985</u>	<u>17,498,544</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>	<u><u>\$ 16,954,679</u></u>	<u><u>\$ 1,324,507</u></u>	<u><u>\$ 18,279,186</u></u>