
Charter Township of Benton

Berrien County, Michigan

Financial Report
with Supplemental Information
December 31, 2017

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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, 2017 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, 2017 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Plante & Moran, PLLC

June 28, 2018

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, 2017. 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, 2017:

The Charter Township's General Fund revenue exceeded budget by approximately \$386,000, which can be attributed to a few factors: permit and plan review fees earned as a result of continued development and growth in the Charter Township, Personal Property Tax Reimbursement revenue received from the State for nonessential services that is not guaranteed by the legislation, and increased trash revenue from a rate increase and new customers enrolling in service as a result of the trash cart service enhancement. The Charter Township also received a grant from the State of Michigan to purchase election equipment. The General Fund expenditures were under budget by approximately \$297,000.

The Charter Township amended the General Fund budget to include additional revenue and expenditures for the aforementioned factors, as well as a transfer to the equipment replacement fund for the anticipated purchase of new capital equipment.

The Charter Township, once again, fully funded its annual required contribution of approximately \$236,000 related to the Retiree Health Benefit Obligation, bringing the trust balance to \$1,505,395.

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 its government-wide financial statements. The Charter Township recorded a decrease in the liability of approximately \$1,177,000 for an outstanding liability of \$8,299,678.

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 the reader how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the 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's Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets:						
Cash and investments	\$ 5,664,584	\$ 5,271,558	\$ 6,910,263	\$ 6,795,599	\$ 12,574,847	\$ 12,067,157
Receivables	4,829,312	4,961,882	1,177,413	1,357,192	6,006,725	6,319,074
Other assets	356,059	105,726	47,989	47,736	404,048	153,462
Capital assets	6,358,988	6,275,612	32,497,700	33,322,071	38,856,688	39,597,683
Total assets	17,208,943	16,614,778	40,633,365	41,522,598	57,842,308	58,137,376
Deferred Outflows of Resources	81,232	1,041,645	-	-	81,232	1,041,645
Liabilities						
Current liabilities	466,864	618,970	454,764	587,572	921,628	1,206,542
Noncurrent liabilities:						
Due within one year	348,456	423,880	1,395,300	1,340,670	1,743,756	1,764,550
Due in more than one year	9,493,639	10,565,703	20,430,241	21,821,957	29,923,880	32,387,660
Total liabilities	10,308,959	11,608,553	22,280,305	23,750,199	32,589,264	35,358,752
Deferred Inflows of Resources	6,495,334	6,498,518	-	-	6,495,334	6,498,518
Net Position						
Net investment in capital assets	6,358,988	6,127,634	10,725,163	10,430,062	17,084,151	16,557,696
Restricted	1,205,431	704,505	-	-	1,205,431	704,505
Unrestricted	(7,078,537)	(7,282,787)	7,627,897	7,342,337	549,360	59,550
Total net position	<u>\$ 485,882</u>	<u>\$ (450,648)</u>	<u>\$ 18,353,060</u>	<u>\$ 17,772,399</u>	<u>\$ 18,838,942</u>	<u>\$ 17,321,751</u>

The total financial position of the governmental and business-type activities has increased during the year. The governmental activities net position increased \$936,530, or approximately 207.82 percent, over the prior year. Business-type activities increased \$580,661, or approximately 3.27 percent, over the prior year.

Charter Township of Benton

Management's Discussion and Analysis (Continued)

Charter Township's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue						
Program revenue:						
Charges for services	\$ 1,369,997	\$ 1,270,227	\$ 6,209,459	\$ 5,923,975	\$ 7,579,456	\$ 7,194,202
Operating grants	19,222	99,983	-	-	19,222	99,983
Capital grants	54,640	-	407,524	78,450	462,164	78,450
General revenue:						
Property taxes	5,370,253	5,520,052	-	-	5,370,253	5,520,052
State-shared revenue and grants	1,526,010	1,516,551	-	-	1,526,010	1,516,551
Investment earnings	48,707	34,481	75,227	83,019	123,934	117,500
Other revenue:						
Cable franchise fees	127,383	128,992	-	-	127,383	128,992
Sale of capital assets	9,500	340,045	25,000	-	34,500	340,045
Other miscellaneous income	109,120	254,182	-	-	109,120	254,182
Total revenue	8,634,832	9,164,513	6,717,210	6,085,444	15,352,042	15,249,957
Expenses						
General government	1,384,209	1,511,726	-	-	1,384,209	1,511,726
Public safety	5,510,489	5,787,961	-	-	5,510,489	5,787,961
Public works	693,454	710,682	-	-	693,454	710,682
Community and economic development	17,187	18,498	-	-	17,187	18,498
Recreation and culture	87,551	71,230	-	-	87,551	71,230
Debt service	5,412	8,234	-	-	5,412	8,234
Cost of sewage treatment	-	-	3,117,239	2,556,522	3,117,239	2,556,522
Cost of water	-	-	3,019,310	2,998,639	3,019,310	2,998,639
Total expenses	7,698,302	8,108,331	6,136,549	5,555,161	13,834,851	13,663,492
Change in Net Position	\$ 936,530	\$ 1,056,182	\$ 580,661	\$ 530,283	\$ 1,517,191	\$ 1,586,465

During the past fiscal year, governmental activities expenses decreased \$410,029, or approximately 5.06 percent. Business-type activities expenses increased \$581,388, or approximately 10.47 percent.

Charter Township of Benton

Management's Discussion and Analysis (Continued)

Financial Analysis of Individual Funds

As noted earlier, the Charter Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Charter Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Charter Township's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for discretionary use, as it represents the portion of the fund balance which has not yet been limited to use for a particular purpose by an external party. Uncommitted or unassigned fund balance provides further information about the resources that have not been constrained by either the charter township board, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the charter township board. Below is a comparison of the fund balances of governmental funds by type of constraint:

Within these governmental funds, the General Fund is the most significant to understanding the Charter Township's financial activities. In addition, the Water System and Sanitary Sewage System funds make up significant enterprise activity for the Charter Township. A brief analysis of the funds is presented below:

The General Fund had an increase in fund balance of approximately \$311,000. The Police Fund had an increase in fund balance of approximately \$31,000, and the Fire Fund had an increase in fund balance of approximately \$126,000.

The Debt Service Fund had an increase in fund balance of \$115,000, as new debt was issued in the current year.

Of the enterprise funds, the Sanitary Sewage System Fund had an increase in net position of approximately \$519,000, and the Water System Fund had an increase in net position of approximately \$62,000.

General Fund Budgetary Highlights

There were two budget overruns: the General Fund election department and the Public Safety Fund expenditures.

Election expenditures were over by approximately \$46,000. This was a direct result of voting equipment being purchased in accordance with state grant award. The cost of the voting equipment was funded by state grant proceeds. Both election equipment revenue and expenditures were over budget due to the grant award.

The second overrun was Public Safety Fund expenditures. There were Board of Review and Michigan Tax Tribunal adjustments of approximately \$38,000. These tax adjustments were budgeted for in the Police and Fire Funds, where they had been previously allocated. Going forward, these adjustments will be budgeted in Police, Fire, and Public Safety based on the millage levied by each fund.

Capital Assets and Debt Administration

The Charter Township paid down approximately \$1.5 million of principal on its long-term debt and capital lease obligations. The Charter Township issued new debt for the purchase of an automated trash truck. The trash truck was delivered in April 2018. The Charter Township purchased approximately \$525,000 of governmental-type fixed assets and \$613,000 of business-type fixed assets.

Economic Factors and Next Year's Budgets and Rates

While the Charter Township has experienced the impact of the Small Business Personal Property Tax Exemption and the Eligible Manufacturing Personal Property Exemption over the past few years, the Township continues to take a conservative budgeting approach to the nonessential services reimbursement. The nonessential service reimbursement will continue to be based on the funds available in the pool and may not result in a 100 percent reimbursement of the nonessential mills. 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.

Charter Township of Benton

Management's Discussion and Analysis (Continued)

In March 2018, the Charter Township sold bonds in the amount of \$17,175,000, of which \$15,675,000 will be used to refund the Water System No. 27 Series 2010 and 2011. The remaining \$1,500,000 will be used to fund new water distribution improvement projects.

The Township has completed its first full year of the SAW Grant and will continue to survey the sanitary sewer infrastructure and assets in years two and three. Crews will continue to be seen throughout the Charter Township performing cleaning, televising, and smoke testing of the sewer transmission lines.

Requests for Further Information

This financial report is intended to provide a general overview of the Charter Township's finances and demonstrate the Charter Township's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Charter Township of Benton Clerk's Office.

Charter Township of Benton

Statement of Net Position

December 31, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 5,664,584	\$ 6,910,263	\$ 12,574,847
Receivables:			
Property taxes receivable	4,302,937	-	4,302,937
Special assessments receivable	140,246	113,376	253,622
Other receivables	129,781	892,414	1,022,195
Due from other governmental units	364,987	62,984	427,971
Internal balances (Note 5)	(108,639)	108,639	-
Prepaid expenses	88,096	47,989	136,085
Unspent debt proceeds	267,963	-	267,963
Capital assets:			
Assets not subject to depreciation (Note 4)	871,754	1,367,412	2,239,166
Assets subject to depreciation - Net (Note 4)	5,487,234	31,130,288	36,617,522
Total assets	17,208,943	40,633,365	57,842,308
Deferred Outflows of Resources - Deferred pension costs	81,232	-	81,232
Liabilities			
Accounts payable	81,832	273,579	355,411
Due to other governmental units	19,338	-	19,338
Accrued liabilities and other	335,144	181,185	516,329
Unearned revenue	30,550	-	30,550
Noncurrent liabilities:			
Due within one year:			
Compensated absences (Note 7)	260,471	5,300	265,771
Capital leases (Note 6)	-	885,000	885,000
Current portion of long-term debt (Note 7)	87,985	505,000	592,985
Due in more than one year:			
Compensated absences (Note 7)	357,918	47,704	405,622
Capital leases (Note 6)	-	15,435,000	15,435,000
Net pension liability (Note 11)	8,299,678	-	8,299,678
Net OPEB obligation (Note 9)	656,065	-	656,065
Long-term debt (Note 7)	179,978	4,947,537	5,127,515
Total liabilities	10,308,959	22,280,305	32,589,264
Deferred Inflows of Resources			
Property taxes and special assessments levied for the following year	5,520,755	-	5,520,755
Deferred inflows related to pension plan (Note 11)	974,579	-	974,579
Total deferred inflows of resources	6,495,334	-	6,495,334
Net Position			
Net investment in capital assets	6,358,988	10,725,163	17,084,151
Restricted:			
Community development	61,284	-	61,284
Rental ordinance	69,892	-	69,892
Fire	333,776	-	333,776
Police	437,532	-	437,532
Street lighting	34,984	-	34,984
Capital projects	267,963	-	267,963
Unrestricted	(7,078,537)	7,627,897	549,360
Total net position	\$ 485,882	\$ 18,353,060	\$ 18,838,942

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	\$ 1,384,209	\$ 66,912	\$ -	\$ 54,640
Public safety	5,510,489	658,383	3,788	-
Public works	693,454	644,702	15,434	-
Community and economic development	17,187	-	-	-
Recreation and culture	87,551	-	-	-
Interest on long-term debt	5,412	-	-	-
Total governmental activities	7,698,302	1,369,997	19,222	54,640
Business-type activities:				
Sanitary Sewage System Fund	3,117,239	3,191,537	-	362,522
Water System Fund	3,019,310	3,017,922	-	45,002
Total business-type activities	6,136,549	6,209,459	-	407,524
Total primary government	\$ 13,834,851	\$ 7,579,456	\$ 19,222	\$ 462,164

General revenue:
 Property taxes
 State-shared revenue
 Investment income
 Cable franchise fees
 Other miscellaneous income
 Gain on sale of capital assets

Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Statement of Activities

Year Ended December 31, 2017

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,262,657)	\$ -	\$ (1,262,657)
(4,848,318)	-	(4,848,318)
(33,318)	-	(33,318)
(17,187)	-	(17,187)
(87,551)	-	(87,551)
(5,412)	-	(5,412)
(6,254,443)	-	(6,254,443)
-	436,820	436,820
-	43,614	43,614
-	480,434	480,434
(6,254,443)	480,434	(5,774,009)
5,370,253	-	5,370,253
1,526,010	-	1,526,010
48,707	75,227	123,934
127,383	-	127,383
109,120	-	109,120
9,500	25,000	34,500
7,190,973	100,227	7,291,200
936,530	580,661	1,517,191
(450,648)	17,772,399	17,321,751
\$ 485,882	\$ 18,353,060	\$ 18,838,942

Charter Township of Benton

Governmental Funds Balance Sheet

December 31, 2017

	General Fund	Police Fund	Fire Fund	Public Safety Fund	Debt Service Fund	Nonmajor Funds	Total
Assets							
Cash and cash equivalents (Note 3)	\$ 3,460,215	\$ 724,948	\$ 655,137	\$ 656,062	\$ -	\$ 168,222	\$ 5,664,584
Receivables:							
Property taxes receivable	446,167	823,356	543,962	2,489,452	-	-	4,302,937
Special assessments receivable	140,246	-	-	-	-	-	140,246
Other receivables	69,465	36,981	23,335	-	-	-	129,781
Due from other governmental units	277,746	16,252	16,252	54,737	-	-	364,987
Due from other funds (Note 5)	24,187	-	-	-	116,717	861,202	1,002,106
Prepaid expenses	30,878	36,574	20,644	-	-	-	88,096
Unspent debt proceeds	-	-	-	-	267,963	-	267,963
Total assets	\$ 4,448,904	\$ 1,638,111	\$ 1,259,330	\$ 3,200,251	\$ 384,680	\$ 1,029,424	\$ 11,960,700
Liabilities							
Accounts payable	\$ 49,074	\$ 10,219	\$ 4,782	\$ -	\$ -	\$ 17,757	\$ 81,832
Due to other governmental units	16,399	1,767	1,172	-	-	-	19,338
Due to other funds (Note 5)	941,859	-	36,060	-	-	19,045	996,964
Advances from other funds (Note 5)	-	-	-	-	113,781	-	113,781
Accrued liabilities and other	194,417	93,376	46,020	-	-	244	334,057
Unearned revenue	30,550	-	-	-	-	-	30,550
Total liabilities	1,232,299	105,362	88,034	-	113,781	37,046	1,576,522
Deferred Inflows of Resources							
Unavailable revenue	87,883	16,252	16,252	54,737	-	-	175,124
Property taxes and special assessments levied for the following year	668,839	1,025,387	681,015	3,145,514	-	-	5,520,755
Total deferred inflows of resources	756,722	1,041,639	697,267	3,200,251	-	-	5,695,879
Fund Balances							
Nonspendable - Prepaid expenses	30,878	36,574	20,644	-	-	-	88,096
Restricted:							
Police	-	393,912	-	-	-	-	393,912
Fire	-	-	255,155	-	-	35,000	290,155
Capital projects	-	-	-	-	267,963	-	267,963
Community development	-	-	-	-	-	61,284	61,284
Rental ordinance	-	-	-	-	-	69,892	69,892
Street lighting	34,984	-	-	-	-	-	34,984
Assigned:							
Capital improvements	-	-	-	-	-	826,202	826,202
Retiree healthcare obligations	650,000	-	-	-	-	-	650,000
Debt service	-	-	-	-	2,936	-	2,936
Police	-	60,624	-	-	-	-	60,624
Fire	-	-	198,230	-	-	-	198,230
Unassigned	1,744,021	-	-	-	-	-	1,744,021
Total fund balances	2,459,883	491,110	474,029	-	270,899	992,378	4,688,299
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,448,904	\$ 1,638,111	\$ 1,259,330	\$ 3,200,251	\$ 384,680	\$ 1,029,424	\$ 11,960,700

Charter Township of Benton

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

December 31, 2017

Fund Balances Reported in Governmental Funds	\$ 4,688,299
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	6,358,988
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	175,124
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(267,963)
Accrued interest is not due and payable in the current period and is not reported in the funds	(1,087)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(618,389)
Pension benefits	(9,193,025)
Retiree healthcare benefits	(656,065)
Net Position of Governmental Activities	<u>\$ 485,882</u>

Charter Township of Benton

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2017

	General Fund	Police Fund	Fire Fund	Public Safety Fund	Debt Service Fund	Nonmajor Funds	Total
Revenue							
Property taxes	\$ 559,751	\$ 907,940	\$ 715,739	\$ 3,186,823	\$ -	\$ -	\$ 5,370,253
Licenses and permits	168,118	15,543	-	-	-	54,061	237,722
Special assessments	11,133	173,354	-	-	-	-	184,487
State-shared revenue and grants	1,504,564	108,672	66,181	-	-	-	1,679,417
Charges for services	1,013,633	-	50,000	-	-	-	1,063,633
Fines and forfeitures	-	20,521	-	-	-	-	20,521
Investment income	48,522	185	-	-	-	-	48,707
Other revenue	31,196	45,425	28,250	4,078	-	171	109,120
Total revenue	3,336,917	1,271,640	860,170	3,190,901	-	54,232	8,713,860
Expenditures							
Current services:							
General government	1,356,527	-	-	-	-	92,712	1,449,239
Public safety	512,301	3,279,915	1,787,420	98,650	-	56,527	5,734,813
Public works	700,175	-	-	-	-	153,467	853,642
Community and economic development	7,710	-	-	-	-	9,477	17,187
Recreation and culture	83,750	-	-	-	-	12,870	96,620
Debt service	-	-	-	-	152,664	-	152,664
Total expenditures	2,660,463	3,279,915	1,787,420	98,650	152,664	325,053	8,304,165
Excess of Revenue Over (Under) Expenditures							
	676,454	(2,008,275)	(927,250)	3,092,251	(152,664)	(270,821)	409,695
Other Financing Sources (Uses)							
Transfers in	-	2,039,070	1,053,181	-	-	375,000	3,467,251
Transfers out	(375,000)	-	-	(3,092,251)	-	-	(3,467,251)
Sale of capital assets	9,500	-	-	-	-	-	9,500
New debt issued	-	-	-	-	267,963	-	267,963
Total other financing (uses) sources	(365,500)	2,039,070	1,053,181	(3,092,251)	267,963	375,000	277,463
Net Change in Fund Balances	310,954	30,795	125,931	-	115,299	104,179	687,158
Fund Balances - Beginning of year	2,148,929	460,315	348,098	-	155,600	888,199	4,001,141
Fund Balances - End of year	\$ 2,459,883	\$ 491,110	\$ 474,029	\$ -	\$ 270,899	\$ 992,378	\$ 4,688,299

Charter Township of Benton

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

Year Ended December 31, 2017

Net Change in Fund Balances Reported in Governmental Funds	\$ 687,158
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	579,500
Depreciation expense	(496,124)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(88,528)
Issuing debt provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position	(267,963)
Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	147,978
Interest expense is recognized in the government-wide statements as it accrues	(726)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	375,235
Change in Net Position of Governmental Activities	\$ 936,530

Charter Township of Benton

Proprietary Funds Statement of Net Position

December 31, 2017

	Enterprise Funds		Total
	Sanitary Sewage System Fund	Water System Fund	
Assets			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 2,548,567	\$ 4,361,696	\$ 6,910,263
Receivables:			
Special assessments receivable - Due within one year	7,211	33,224	40,435
Other receivables	531,819	360,595	892,414
Due from other governmental units	62,984	-	62,984
Due from other funds (Note 5)	41,466	-	41,466
Prepaid expenses	30,751	17,238	47,989
Total current assets	3,222,798	4,772,753	7,995,551
Noncurrent assets:			
Advances to other funds (Note 5)	-	113,781	113,781
Special assessment receivables - Greater than one year	33,211	39,730	72,941
Capital assets: (Note 4)			
Assets not subject to depreciation	311,236	1,056,176	1,367,412
Assets subject to depreciation - Net	10,418,420	20,711,868	31,130,288
Total noncurrent assets	10,762,867	21,921,555	32,684,422
Total assets	13,985,665	26,694,308	40,679,973
Liabilities			
Current liabilities:			
Accounts payable	177,399	96,180	273,579
Due to other funds (Note 5)	5,142	41,466	46,608
Accrued liabilities and other	55,194	125,991	181,185
Compensated absences (Note 7)	2,340	2,960	5,300
Capital leases (Note 6)	-	885,000	885,000
Current portion of long-term debt (Note 7)	505,000	-	505,000
Total current liabilities	745,075	1,151,597	1,896,672
Noncurrent liabilities:			
Compensated absences (Note 7)	21,061	26,643	47,704
Capital leases (Note 6)	-	15,435,000	15,435,000
Long-term debt (Note 7)	4,947,537	-	4,947,537
Total noncurrent liabilities	4,968,598	15,461,643	20,430,241
Total liabilities	5,713,673	16,613,240	22,326,913
Net Position			
Net investment in capital assets	5,277,119	5,448,044	10,725,163
Unrestricted	2,994,873	4,633,024	7,627,897
Total net position	\$ 8,271,992	\$ 10,081,068	\$ 18,353,060

Charter Township of Benton

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

Year Ended December 31, 2017

	Enterprise Funds		Total
	Sanitary Sewage System Fund	Water System Fund	
Operating Revenue			
Sewage disposal charges	\$ 3,191,537	\$ -	\$ 3,191,537
Sale of water	-	3,017,922	3,017,922
Total operating revenue	3,191,537	3,017,922	6,209,459
Operating Expenses			
Cost of sewage treatment	2,526,217	-	2,526,217
Cost of water	-	1,332,969	1,332,969
Depreciation	445,405	1,004,960	1,450,365
Total operating expenses	2,971,622	2,337,929	5,309,551
Operating Income	219,915	679,993	899,908
Nonoperating Revenue (Expense)			
Interest income	57,032	18,195	75,227
Interest expense	(144,002)	(681,381)	(825,383)
Gain on sale of assets	25,000	-	25,000
Bond issuance costs	(1,615)	-	(1,615)
Total nonoperating expenses	(63,585)	(663,186)	(726,771)
Income - Before capital contributions	156,330	16,807	173,137
Capital Contributions	362,522	45,002	407,524
Change in Net Position	518,852	61,809	580,661
Net Position - Beginning of year	7,753,140	10,019,259	17,772,399
Net Position - End of year	\$ 8,271,992	\$ 10,081,068	\$ 18,353,060

Charter Township of Benton

Proprietary Funds Statement of Cash Flows

Year Ended December 31, 2017

	Enterprise Funds		Total
	Sanitary Sewage System Fund	Water System Fund	
Cash Flows from Operating Activities			
Receipts from customers	\$ 3,141,105	\$ 3,081,611	\$ 6,222,716
Payments to suppliers	(2,209,422)	(504,619)	(2,714,041)
Payments to employees and fringes	(408,875)	(865,936)	(1,274,811)
Net cash and cash equivalents provided by operating activities	522,808	1,711,056	2,233,864
Cash Flows Provided by Noncapital Financing Activities -			
Transfers from other funds	-	111,935	111,935
Cash Flows from Capital and Related Financing Activities			
Receipt of capital grants	362,522	-	362,522
Special assessment collections	58,321	49,857	108,178
Proceeds from sale of capital assets	25,000	-	25,000
Purchase of capital assets	(306,331)	(319,663)	(625,994)
Principal and interest paid on capital debt	(646,650)	(1,520,829)	(2,167,479)
Proceeds from contributed capital	-	45,002	45,002
Net cash and cash equivalents used in capital and related financing activities	(507,138)	(1,745,633)	(2,252,771)
Cash Flows Provided by Investing Activities - Interest received on investments	8,841	12,795	21,636
Net Increase in Cash and Cash Equivalents	24,511	90,153	114,664
Cash and Cash Equivalents - Beginning of year	2,524,056	4,271,543	6,795,599
Cash and Cash Equivalents - End of year	<u>\$ 2,548,567</u>	<u>\$ 4,361,696</u>	<u>\$ 6,910,263</u>
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating income	\$ 219,915	\$ 679,993	\$ 899,908
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization	445,405	1,004,960	1,450,365
Changes in assets and liabilities:			
Receivables	(50,432)	63,689	13,257
Prepaid and other assets	(5,895)	5,642	(253)
Accounts payable	(86,927)	(40,166)	(127,093)
Accrued and other liabilities	742	(3,062)	(2,320)
Net cash and cash equivalents provided by operating activities	<u>\$ 522,808</u>	<u>\$ 1,711,056</u>	<u>\$ 2,233,864</u>

Noncash Transactions - During the year, the Charter Township transferred fixed assets purchased in the Sanitary Sewage System Fund to the Water System Fund, resulting in a payable from the Water System Fund of \$41,466.

Charter Township of Benton

**Fiduciary Funds
Statement of Fiduciary Net Position**

December 31, 2017

	Trust Fund Pension and Retiree Health Insurance	Agency
Assets		
Cash and cash equivalents	\$ -	\$ 625,223
Investments:		
U.S. government securities	461,775	-
Common stock	2,769,417	-
Corporate bonds	3,821,739	-
Municipal bonds	1,497,744	-
Bank investment pool funds	11,553,618	-
Other assets	137,783	-
	<hr/>	<hr/>
Total assets	20,242,076	\$ 625,223
		<hr/>
Liabilities - Due to other governments	-	\$ 625,223
		<hr/>
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 20,242,076	
	<hr/>	

Charter Township of Benton

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Trust Fund Pension and Retiree Health Insurance

Year Ended December 31, 2017

Additions

Investment income:	
Interest and dividends	\$ 362,100
Net increase in fair value of investments	<u>1,854,031</u>
Total investment income	2,216,131
Contributions:	
Employer	1,292,455
Employee	<u>181,354</u>
Total contributions	<u>1,473,809</u>
Total additions	3,689,940

Deductions

Benefit payments	1,669,804
Administrative expenses	<u>57,246</u>
Total deductions	<u>1,727,050</u>

Net Increase in Net Position Held in Trust	1,962,890
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>18,279,186</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 20,242,076</u></u>

December 31, 2017

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

The Charter Township of Benton (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). The following is a summary of the significant accounting policies used by the Charter Township:

Reporting Entity

The Charter Township is governed by an elected seven-member board of trustees. In accordance with government accounting principles, there are no component units to be reported within these 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 the Charter Township's limits. The Authority had no assets as of December 31, 2017 and no activity for the year then ended.

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.

Note 1 - Significant Accounting Policies (Continued)

Fund Accounting

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

Governmental Funds

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

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

Proprietary Funds

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:

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

Fiduciary Funds

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

- The 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.
- 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.

Interfund Activity

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

Note 1 - Significant Accounting Policies (Continued)

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."

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 an allowance for uncollectible amounts.

Note 1 - Significant Accounting Policies (Continued)

Unspent Debt Proceeds

Unspent debt proceeds in the debt service fund are set aside for the purchase of a fire truck. These amounts have also been classified as restricted noncurrent assets.

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 estimated acquisition value at the date of donation.

Interest incurred during the construction of capital assets of governmental and business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Capital Asset Class</u>	<u>Depreciable Life - Years</u>
Water and sewer treatment systems	10 - 50
Buildings and improvements	15 - 50
Vehicles	3 - 15
Tools and equipment	5 - 15
Office equipment	3 - 7
Intangible assets	20

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an “other financing source,” as well as bond premiums and discounts. The General Fund and the 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 will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

The Charter Township reports on the government-wide statements deferred outflows related to the pension plan.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

Note 1 - Significant Accounting Policies (Continued)

The Charter Township reports 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 deferred inflows related to the pension plan.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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 has, by resolution, authorized the charter township superintendent to assign fund balance. The charter township 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.

Note 1 - Significant Accounting Policies (Continued)

Property Tax Revenue

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

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

The 2016 taxable valuation of the Charter Township totaled \$393.9 million, on which taxes levied consisted of 0.9796 mills for operating purposes, 1.92 mills for fire operations, 2.42 mills for police operations, and 8 mills for public safety operations. This resulted in \$380,000 ad valorem property tax revenue, \$147,000 in administrative fees for operating services, and \$835,000, \$667,000, and \$3,104,000 in ad valorem property tax revenue for police, fire, and public safety services, respectively. These amounts are recognized in the respective General Fund and Special Revenue Fund financial statements as tax revenue.

Pension

The Charter Township offers a defined benefit pension plan to its employees. 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.

Other Postemployment Benefit Costs

The Charter Township offers retiree 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, pension and 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. Sick pay is accrued for the estimated amount that the Charter Township will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation (the General Fund and the Water System and Sanitary Sewage System funds, primarily) are used to liquidate the obligations.

Note 1 - Significant Accounting Policies (Continued)

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 System and Sanitary Sewage System funds is charges to customers for sales and services. The Water System and Sanitary Sewage System 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 financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements

As of December 31, 2017, the Charter Township adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This new accounting standard addresses reporting by postemployment benefit plans other than pensions (OPEB) that administer defined benefit OPEB benefits on behalf of governments. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statements more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated.

Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Charter Township to recognize on the face of the financial statements its net OPEB liability related to its participation in the Charter Township's OPEB plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). 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, 2018.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The 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.

Note 1 - Significant Accounting Policies (Continued)

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The 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, 2020.

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, 2017	\$ (2,380,042)
Current year permit revenue	371,081
Related expenses - Direct costs	<u>433,100</u>
Current year shortfall	<u>(62,019)</u>
Cumulative shortfall December 31, 2017	<u><u>\$ (2,442,061)</u></u>

Note 3 - Deposits and Investments

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

The Pension Trust Fund and Retiree Healthcare Fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, 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 investment as listed above. The Charter Township's deposits and investments are in accordance with statutory authority.

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 a bank failure, 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 \$12.7 million of bank deposits (certificates of deposit and 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 December 31, 2017, 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	\$ 10,544,744	Counterparty's trust department
Corporate bonds	3,821,739	Counterparty's trust department
Corporate stocks	2,769,417	Counterparty's trust department
Municipal bonds	1,497,744	Counterparty's trust department
U.S. government or agency bond or notes	461,775	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	Carrying Value	Weighted-average Maturity (Years)
Corporate and municipal bonds	\$ 5,319,483	3.05
U.S. government agency securities	461,775	5.31

December 31, 2017

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Charter Township has no investment policy that would further limit its investment choices. As of December 31, 2017, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
Corporate and municipal bonds	\$ 1,554,354	AAA	S&P
Corporate and municipal bonds	252,991	AA+	S&P
Corporate and municipal bonds	253,633	AA	S&P
Corporate and municipal bonds	1,319,015	AA-	S&P
Corporate and municipal bonds	463,330	A+	S&P
Corporate and municipal bonds	768,007	A	S&P
Corporate and municipal bonds	255,623	A-	S&P
Corporate and municipal bonds	100,864	BBB	S&P
Corporate and municipal bonds	351,666	BBB+	S&P
Total	<u>\$ 5,319,483</u>		

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.

Fair Value Measurements

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.

December 31, 2017

Note 3 - Deposits and Investments (Continued)

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

	Assets Measured at Carrying Value on a Recurring Basis at December 31, 2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	Balance at December 31, 2017
Debt securities:				
U.S. Treasury securities	\$ 247,453	\$ -	\$ -	\$ 247,453
Municipal bonds	-	1,497,744	-	1,497,744
Government agencies	-	214,322	-	214,322
Corporate bonds	-	3,821,739	-	3,821,739
Total debt securities	247,453	5,533,805	-	5,781,258
Equity securities:				
Common stock	2,769,417	-	-	2,769,417
Mutual funds - Equity	7,427,817	-	-	7,427,817
Mutual funds - Fixed income	1,833,798	-	-	1,833,798
Mutual funds - ETF	1,283,129	-	-	1,283,129
Total equity securities	13,314,161	-	-	13,314,161
Total investments	\$ 13,561,614	\$ 5,533,805	\$ -	\$ 19,095,419

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, 2017 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.

December 31, 2017

Note 4 - Capital Assets

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

Governmental Activities

	Balance January 1, 2017	Reclassifications	Additions	Balance December 31, 2017
Capital assets not being depreciated:				
Land	\$ 817,114	\$ -	\$ -	\$ 817,114
Construction in progress	18,904	(18,904)	54,640	54,640
Subtotal	836,018	(18,904)	54,640	871,754
Capital assets being depreciated:				
Buildings and improvements	4,863,506	-	22,545	4,886,051
Vehicles	2,758,684	-	114,095	2,872,779
Land improvements	88,119	-	-	88,119
Tools and equipment	1,340,665	3,496	233,848	1,578,009
Office equipment	295,725	15,408	66,986	378,119
Cost of others' storm drains	1,141,016	-	87,386	1,228,402
Subtotal	10,487,715	18,904	524,860	11,031,479
Accumulated depreciation:				
Buildings and improvements	1,736,502	-	104,741	1,841,243
Vehicles	1,850,045	-	206,036	2,056,081
Land improvements	54,416	-	5,634	60,050
Tools and equipment	1,132,643	-	63,686	1,196,329
Office equipment	155,806	-	65,340	221,146
Cost of others' storm drains	118,709	-	50,687	169,396
Subtotal	5,048,121	-	496,124	5,544,245
Net capital assets being depreciated	5,439,594	18,904	28,736	5,487,234
Net governmental activities capital assets	<u>\$ 6,275,612</u>	<u>\$ -</u>	<u>\$ 83,376</u>	<u>\$ 6,358,988</u>

December 31, 2017

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance January 1, 2017	Reclassifications	Additions	Disposals	Balance December 31, 2017
Capital assets not being depreciated:					
Land	\$ 1,354,112	\$ -	\$ -	\$ -	\$ 1,354,112
Construction in progress	622,213	(622,213)	13,300	-	13,300
Subtotal	1,976,325	(622,213)	13,300	-	1,367,412
Capital assets being depreciated:					
Utility system	37,477,370	615,451	423,138	-	38,515,959
Buildings and improvements	8,880,864	-	18,730	-	8,899,594
Tools and equipment	3,994,676	6,762	142,678	-	4,144,116
Vehicles	878,246	-	28,148	(188,000)	718,394
Subtotal	51,231,156	622,213	612,694	(188,000)	52,278,063
Accumulated depreciation:					
Utility system	16,829,175	-	862,989	-	17,692,164
Buildings and improvements	1,219,195	-	231,304	-	1,450,499
Tools and equipment	1,363,109	-	249,760	-	1,612,869
Vehicles	473,931	-	106,312	(188,000)	392,243
Subtotal	19,885,410	-	1,450,365	(188,000)	21,147,775
Net capital assets being depreciated	31,345,746	622,213	(837,671)	-	31,130,288
Net business-type activity capital assets	\$ 33,322,071	\$ -	\$ (824,371)	\$ -	\$ 32,497,700

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

Governmental activities:	
General government	\$ 180,682
Public safety	261,715
Public works	49,926
Recreation and culture	3,801
Total governmental activities	<u>\$ 496,124</u>
Business-type activities:	
Sanitary Sewage System Fund	\$ 445,405
Water System Fund	1,004,960
Total business-type activities	<u>\$ 1,450,365</u>

December 31, 2017

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service Fund	General Fund	\$ 115,657
	Fire Fund	1,060
	Total Debt Service Fund	116,717
Capital Projects Fund	General Fund	826,202
	Fire Fund	35,000
	Total Capital Projects Fund	861,202
General Fund	Sewer Fund	5,142
	Community Development Fund	19,045
	Total General Fund	24,187
Sewer Fund	Water Fund	41,466
	Total	<u>\$ 1,043,572</u>

The Charter Township has made the following long-term advances between funds:

Fund Borrowed From	Fund Loaned To	Amount
Water System Fund	Debt Service Fund	\$ 113,781

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:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
Public Safety Fund	Fire Fund	\$ 1,053,181
	Police Fund	2,039,070
	Total Public Safety Fund	3,092,251
General Fund	Capital Projects Fund	375,000
	Total	<u>\$ 3,467,251</u>

The transfer from the General Fund to the Capital Projects Fund is for capital acquisitions. The transfers from the Public Safety Fund to the Fire and Police funds are to distribute property tax millages received.

Note 6 - Capital Leases

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 payments under capital leases are as follows:

Years Ending December 31	Amount
2018	\$ 1,542,238
2019	1,539,015
2020	1,527,516
2021	1,544,338
2022	1,529,475
2023-2027	7,692,078
2028-2031	<u>6,280,445</u>
Total	21,655,105
Less amount representing interest	<u>5,335,105</u>
Present value of net minimum lease payments	<u>\$ 16,320,000</u>

In March 2018, the Charter Township sold bonds in the amount of \$17,175,000, of which \$15,675,000 will be used to refund the Water System No. 27 Series 2010 and 2011. The remaining \$1,500,000 will be used to fund new water distribution improvement projects.

Note 7 - Long-term Debt

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

Governmental Activities

	Interest Rate	Year of Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term debt:							
Fire Truck Loan - 2014	1.15%	2017	\$ 147,978	\$ -	\$ (147,978)	\$ -	\$ -
Trash Truck Loan - 2017	1.50%	2020	-	267,963	-	267,963	87,985
Total long-term debt			147,978	267,963	(147,978)	267,963	87,985
Accumulated compensated absences			<u>692,741</u>	<u>289,898</u>	<u>(364,250)</u>	<u>618,389</u>	<u>260,471</u>
Total governmental activities			<u>\$ 840,719</u>	<u>\$ 557,861</u>	<u>\$ (512,228)</u>	<u>\$ 886,352</u>	<u>\$ 348,456</u>

December 31, 2017

Note 7 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:							
General obligation bond - 2012 - Refinanced	0.5-1.9%	2023	\$ 1,710,000	\$ -	\$ (245,000)	\$ 1,465,000	\$ 250,000
General obligation bond - 2014	2.0-4.0%	2034	3,150,000	-	(175,000)	2,975,000	175,000
General obligation bond - 2015	0.85-3.3%	2030	1,120,000	-	(80,000)	1,040,000	80,000
Deferred amounts - Issuance discount			(29,078)	-	1,615	(27,463)	-
Total bonds payable			5,950,922	-	(498,385)	5,452,537	505,000
Accumulated compensated absences			56,705	55,256	(58,957)	53,004	5,300
Total business-type activities			<u>\$ 6,007,627</u>	<u>\$ 55,256</u>	<u>\$ (557,342)</u>	<u>\$ 5,505,541</u>	<u>\$ 510,300</u>

General Obligation Bonds and Contracts

The Charter Township issues general obligation 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 Charter Township.

Debt Service Requirements to Maturity

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

Years Ending December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 87,985	\$ 4,047	\$ 92,032	\$ 505,000	\$ 139,258	\$ 644,258
2019	89,314	2,718	92,032	515,000	131,195	646,195
2020	90,664	1,369	92,033	520,000	122,378	642,378
2021	-	-	-	525,000	112,983	637,983
2022	-	-	-	535,000	102,238	637,238
2023-2027	-	-	-	1,415,000	380,292	1,795,292
2028-2032	-	-	-	1,115,000	184,176	1,299,176
2033-2034	-	-	-	350,000	21,000	371,000
Total	<u>\$ 267,963</u>	<u>\$ 8,134</u>	<u>\$ 276,097</u>	<u>\$ 5,480,000</u>	<u>\$ 1,193,520</u>	<u>\$ 6,673,520</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.

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 retiree healthcare benefits at retirement to all employees who meet the minimum eligibility criteria set forth in their respective employment agreements. This is a single-employer defined benefit plan administered by the Charter Township. Currently, the plan has 89 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

Funding Policy

Retiree healthcare costs are recognized when paid by the Charter Township on a "pay-as-you-go" basis. The Charter Township has no obligation to make contributions in advance of when the insurance premiums or the insurance premium reimbursement is due for payment. For the fiscal year ended December 31, 2017, the Charter Township made contributions of \$235,881.

Funding Progress

For the year ended December 31, 2017, the Charter Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2016. 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:

	2017
Annual required contribution (recommended)	\$ 193,018
Interest on the prior year's net OPEB obligation	26,882
Annual OPEB cost	219,900
Amounts contributed - Contributions made	(235,881)
Decrease in net OPEB obligation	(15,981)
OPEB obligation - Beginning of year	672,046
OPEB obligation - End of year	\$ 656,065

December 31, 2017

Note 9 - Other Postemployment Benefits (Continued)

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

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage of ARC Contributed	Net OPEB Obligation
December 31, 2017	December 31, 2016	\$ 193,018	122.00 %	\$ 656,065
December 31, 2016	December 31, 2013	277,722	101.00	672,046
December 31, 2015	December 31, 2013	277,722	101.00	649,032

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
December 31, 2017	\$ 1,528,395	\$ 3,081,607	\$ 1,553,212	49.60 %	-	- %
December 31, 2016	1,324,507	3,902,323	2,577,816	33.94	-	-
December 31, 2013	908,298	4,388,449	3,480,151	20.70	-	-

Actuarial Methods and Assumptions

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

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

In the December 31, 2017 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 6.25 percent investment rate of return (net of administrative expenses). The mortality rates were determined using the RP-2000 Mortality table for males and females projected 20 years. The healthcare premium rate was based on the June 2018 Blue Cross Blue Shield premium. The unfunded actuarial accrued liabilities were amortized as a level dollar amount over a closed period of 20 years for the fiscal year ended December 31, 2017 and decreasing by one each year thereafter.

December 31, 2017

Note 10 - Other Postemployment Benefit Plan

Plan Description

The Charter Township administers the Benton Charter Township Retiree Medical Plan (the "Plan"), a single-employer defined benefit OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) to all employees who meet the minimum eligibility criteria set forth in their respective employment agreements.

Benefits Provided

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's 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. The Charter Township has the authority to establish and amend the benefit terms.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	December 31, 2017
Inactive plan members or beneficiaries currently receiving benefits	41
Active plan members	<u>48</u>
Total employees covered by the plan	<u><u>89</u></u>

Contributions

The Charter Township establishes contribution rates based on an actuarially determined rate per a funding valuation. For the year ended December 31, 2017, the Charter Township contributed \$235,881.

Net OPEB Liability

The Charter Township reports OPEB expense based on funding requirements, as directed by GASB Statement No. 45. Beginning next year, the Charter Township will adopt GASB Statement No. 75, which will require the measurement of OPEB expense as it is earned, rather than as it is funded. The net OPEB liability of the Charter Township has been measured as of December 31, 2017 and is composed of the following:

Total OPEB liability	\$ 3,081,607
Plan fiduciary net position	<u>1,528,395</u>
Net OPEB liability	<u><u>\$ 1,553,212</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	49.60 %

December 31, 2017

Note 10 - Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2017. The valuation used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	Included in investment rate of return
Healthcare cost trend rate	Initial trend of 9 percent, gradually decreasing to a trend of 4 percent in year 10
Salary increases	4 to 17 percent, including inflation
Investment rate of return	6.25 percent net of OPEB plan investment expense, including inflation

Discount Rate

The discount rate used to measure the total OPEB liability was 6.25 percent, depending on the plan option. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the Charter Township's contributions will be made at statutorily required rates.

Based on those assumptions, the OPEB 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 OPEB liability.

Investment Rate of Return

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity - Large	26.00 %	6.00 %
Domestic equity - Mid	8.00	7.00
Domestic equity - Small	4.00	8.00
International equity	12.00	6.00
Domestic fixed income	45.00	2.00
Cash	5.00	0.50
Total	100.00 %	

December 31, 2017

Note 10 - Other Postemployment Benefit Plan (Continued)

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

The following presents the net OPEB liability of the Charter Township, calculated using the discount rate of 6.25 percent, depending on the plan option. The following also reflects what the Charter Township's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.25 percent) or 1 percentage point higher (7.25 percent) than the current rate:

	1 Percent Decrease (5.25%)	Current Discount Rate (6.25%)	1 Percent Increase (7.25%)
Net OPEB liability of the Charter Township	\$ 1,854,068	\$ 1,553,212	\$ 1,293,045

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend

The following presents the net OPEB liability of the Charter Township, calculated using the healthcare cost trend rate of 9 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (8 percent) or 1 percentage point higher (10 percent) than the current rate:

	1 Percent Decrease (8%)	Current Discount Rate (9%)	1 Percent Increase (10%)
Net OPEB liability of the Charter Township	\$ 1,518,946	\$ 1,553,212	\$ 1,592,873

Note 11 - Pension Plan - Police and Fire Retirement Systems

Plan Description

The Charter Township of Benton 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 benefits are provided through the Charter Township of Benton Pension Plan, a single-employer plan administered by the police and fire pension board.

The financial statements of the pension system 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.

December 31, 2017

Note 11 - Pension Plan - Police and Fire Retirement Systems (Continued)

Benefits Provided

The Charter Township of Benton Pension Plan provides retirement, disability, and death benefits. 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. An employee who leaves charter township service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms are generally established and amended by authority of the members of the township board generally after negotiations of these terms with the affected unions.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	53
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>31</u>
Total employees covered by the Plan	<u><u>86</u></u>

Contributions

State law requires public employers to make pension contributions in accordance with an actuarial valuation. The Charter Township hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees 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. The Charter Township's required contribution is determined after consideration of the required contribution rate of employees. For the year ended December 31, 2017, the average active employee contribution rate was 8.48 percent of annual pay and the Charter Township's average contribution rate was 48.78 percent of annual payroll for the various employee groups.

December 31, 2017

Note 11 - Pension Plan - Police and Fire Retirement Systems (Continued)

Net Pension Liability

The Charter Township has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The December 31, 2017 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2017 measurement date. The December 31, 2017 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at January 1, 2017	\$ 26,431,497	\$ 16,954,679	\$ 9,476,818
Changes for the year:			
Service cost	559,126	-	559,126
Interest	1,817,977	-	1,817,977
Differences between expected and actual experience	(315,318)	-	(315,318)
Contributions - Employer	-	1,056,574	(1,056,574)
Contributions - Employee	-	181,354	(181,354)
Net investment income	-	2,054,024	(2,054,024)
Benefit payments, including refunds	(1,479,923)	(1,479,923)	-
Administrative expenses	-	(53,027)	53,027
Net changes	581,862	1,759,002	(1,177,140)
Balance at December 31, 2017	\$ 27,013,359	\$ 18,713,681	\$ 8,299,678

The plan's fiduciary net position represents 69.28 percent of the total pension liability.

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

For the year ended December 31, 2017, the Charter Township recognized pension expense of \$771,671.

At December 31, 2017, 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	\$ -	\$ 839,061
Changes in assumptions	81,232	-
Net difference between projected and actual earnings on pension plan investments	-	135,518
Total	\$ 81,232	\$ 974,579

December 31, 2017

Note 11 - Pension Plan - Police and Fire Retirement Systems (Continued)

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

Years Ending December 31	Amount
2018	\$ (301,402)
2019	(210,894)
2020	(205,545)
2021	(175,506)

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using an inflation assumption of 4 percent, assumed salary increases (including inflation) of 4 to 8 percent, an investment rate of return (net of investment expenses) of 7 percent, and the RP-2000 mortality tables for males and females projected 20 years with Scale AA. These assumptions were applied to all periods included in the measurement.

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 charter township contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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.

Investment Rate of Return

Best estimates of arithmetic real rates of return as of the December 31, 2017 measurement date 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 tables:

Asset Class	Long-term Expected Real Rate of Return
Domestic equity - Large	6.00 %
Domestic equity - Mid	7.00
Domestic equity - Small	8.00
International equity	6.00
Domestic fixed income	2.00
Real estate	0.50

December 31, 2017

Note 11 - Pension Plan - Police and Fire Retirement Systems (Continued)

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 or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.0%)	Current Discount Rate (7.0%)	1 Percent Increase (8.0%)
Net pension liability of the Charter Township of Benton Pension Plan	\$ 11,388,754	\$ 8,299,678	\$ 5,700,891

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, 2017:

Asset Class	Target Allocation
Equity	50.00 %
Fixed income	45.00
Cash or cash equivalents	5.00

Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.94 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.

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 and credits interest annually at a rate of 2.0 percent. For any employees who terminate before vesting in the pension plan, their balance is returned to them; 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.

December 31, 2017

Note 11 - Pension Plan - Police and Fire Retirement Systems (Continued)

The balances of the reserve accounts at December 31, 2017 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 17,793,109	\$ 17,793,109
Employee reserve	3,087,120	3,087,120
Employer reserve	-	2,166,548

Note 12 - Defined Contribution Pension Plans

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 \$176,000 during the current year and employees contributed approximately \$97,000.

Note 13 - 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, 2017, the Charter Township abated approximately \$18,000 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, the Brownfield's tax revenue is reduced. For the fiscal year ended December 31, 2017, the Brownfield abated approximately \$77,000 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, 2017, 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.

Required Supplemental Information

Charter Township of Benton

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 548,700	\$ 548,700	\$ 559,751	\$ 11,051
Special assessments	11,100	11,100	11,133	33
State-shared revenue and grants	1,314,000	1,314,000	1,504,564	190,564
Charges for services	843,000	843,000	1,013,633	170,633
Licenses and permits	130,450	130,450	168,118	37,668
Investment income	30,000	30,000	48,522	18,522
Other revenue	73,250	73,250	31,196	(42,054)
Total revenue	2,950,500	2,950,500	3,336,917	386,417
Expenditures				
Current services:				
General government:				
Township board	525,000	525,000	405,776	119,224
Supervisor	39,500	39,500	33,482	6,018
Treasurer	144,750	144,750	119,713	25,037
Assessing	312,500	312,500	289,014	23,486
Board of review	5,000	5,000	2,287	2,713
Clerk	246,500	246,500	196,536	49,964
Elections	61,500	84,765	130,476	(45,711)
Buildings and grounds	199,250	199,250	179,243	20,007
Public safety:				
Ordinance officer	82,500	82,500	79,201	3,299
Building department	389,000	442,500	433,100	9,400
Public works:				
Streets	90,000	90,000	68,058	21,942
Trash and rubbish	469,000	469,000	444,898	24,102
Street lighting	112,500	112,500	104,304	8,196
Garage	104,500	104,500	82,915	21,585
Community and economic development:				
Planning	6,000	6,000	4,915	1,085
Zoning	3,000	3,000	2,795	205
Recreation and culture - Parks and recreation	90,000	90,000	83,750	6,250
Total expenditures	2,880,500	2,957,265	2,660,463	296,802
Excess of Revenue Over (Under) Expenditures	70,000	(6,765)	676,454	683,219
Other Financing (Uses) Sources				
Transfers out	(70,000)	(375,000)	(375,000)	-
Sale of capital assets	-	-	9,500	9,500
Total other financing uses	(70,000)	(375,000)	(365,500)	9,500
Net Change in Fund Balance	-	(381,765)	310,954	692,719
Fund Balance - Beginning of year	2,148,929	2,148,929	2,148,929	-
Fund Balance - End of year	\$ 2,148,929	\$ 1,767,164	\$ 2,459,883	\$ 692,719

Charter Township of Benton

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

Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue			
Property taxes	\$ 718,950	\$ 715,739	\$ (3,211)
State-shared revenue and grants	68,500	66,181	(2,319)
Charges for services	50,000	50,000	-
Other revenue	33,500	28,250	(5,250)
Total revenue	870,950	860,170	(10,780)
Expenditures - Public safety	1,961,950	1,787,420	174,530
Excess of Expenditures Over Revenue	(1,091,000)	(927,250)	163,750
Other Financing Sources - Transfers in	1,091,000	1,053,181	(37,819)
Net Change in Fund Balance	-	125,931	125,931
Fund Balance - Beginning of year	348,098	348,098	-
Fund Balance - End of year	<u>\$ 348,098</u>	<u>\$ 474,029</u>	<u>\$ 125,931</u>

Charter Township of Benton

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

Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue			
Property taxes	\$ 908,600	\$ 907,940	\$ (660)
Special assessments	173,350	173,354	4
State-shared revenue and grants	119,000	108,672	(10,328)
Fines and forfeitures	16,800	20,521	3,721
Licenses and permits	14,000	15,543	1,543
Investment income	100	185	85
Other revenue	80,000	45,425	(34,575)
Total revenue	1,311,850	1,271,640	(40,210)
Expenditures - Public safety	3,437,100	3,279,915	157,185
Excess of Expenditures Over Revenue	(2,125,250)	(2,008,275)	116,975
Other Financing Sources - Transfers in	2,125,250	2,039,070	(86,180)
Net Change in Fund Balance	-	30,795	30,795
Fund Balance - Beginning of year	460,315	460,315	-
Fund Balance - End of year	<u>\$ 460,315</u>	<u>\$ 491,110</u>	<u>\$ 30,795</u>

Charter Township of Benton

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

Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue			
Property taxes	\$ 3,172,000	\$ 3,186,823	\$ 14,823
Other revenue	-	4,078	4,078
Total revenue	3,172,000	3,190,901	18,901
Expenditures - Public safety	60,750	98,650	(37,900)
Excess of Revenue Over Expenditures	3,111,250	3,092,251	(18,999)
Other Financing Uses - Transfers out	(3,111,250)	(3,092,251)	18,999
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning of year	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Charter Township of Benton

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

Last Four Fiscal Years
(Schedule is Built Prospectively Upon Implementation of GASB Statement No. 67)

	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 559,126	\$ 556,011	\$ 520,965	\$ 566,962
Interest	1,817,977	1,833,433	1,773,298	1,638,236
Differences between expected and actual experience	(315,318)	(1,151,122)	(447,726)	1,256,878
Changes in assumptions	-	-	456,048	-
Benefit payments, including refunds	(1,479,923)	(1,441,442)	(1,480,641)	(1,538,583)
Net Change in Total Pension Liability	581,862	(203,120)	821,944	1,923,493
Total Pension Liability - Beginning of year	26,431,497	26,634,617	25,812,673	23,889,180
Total Pension Liability - End of year	\$ 27,013,359	\$ 26,431,497	\$ 26,634,617	\$ 25,812,673
Plan Fiduciary Net Position				
Contributions - Employer	\$ 1,056,574	\$ 947,792	\$ 851,779	\$ 800,203
Contributions - Member	181,354	165,901	160,486	137,898
Net investment income (loss)	2,054,024	988,091	(37,297)	862,704
Administrative expenses	(53,027)	(49,222)	(50,070)	(50,060)
Benefit payments, including refunds	(1,479,923)	(1,441,442)	(1,480,641)	(1,538,583)
Net Change in Plan Fiduciary Net Position	1,759,002	611,120	(555,743)	212,162
Plan Fiduciary Net Position - Beginning of year	16,954,679	16,343,559	16,899,302	16,687,140
Plan Fiduciary Net Position - End of year	\$ 18,713,681	\$ 16,954,679	\$ 16,343,559	\$ 16,899,302
Charter Township's Net Pension Liability - Ending	\$ 8,299,678	\$ 9,476,818	\$ 10,291,058	\$ 8,913,371
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	69.28 %	64.15 %	61.36 %	65.47 %
Covered Employee Payroll	\$ 1,993,736	\$ 2,082,378	\$ 2,011,315	\$ 1,995,350
Charter Township's Net Pension Liability as a Percentage of Covered Employee Payroll	416.29 %	455.10 %	511.66 %	446.71 %

GASB No. 67 was implemented in fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Charter Township of Benton

Required Supplemental Information Schedule of Pension Contributions

Last Ten Fiscal Years Years Ended December 31

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 1,056,574	\$ 947,792	\$ 851,779	\$ 831,530	\$ 777,366	\$ 719,812	\$ 692,798	\$ 571,441	\$ 571,441	\$ 572,736
Contributions in relation to the actuarially determined contribution	1,056,574	947,792	851,779	800,203	730,162	690,326	690,326	690,524	584,344	609,511
Contribution (Deficiency) Excess	\$ -	\$ -	\$ -	\$ (31,327)	\$ (47,204)	\$ (29,486)	\$ (2,472)	\$ 119,083	\$ 12,903	\$ 36,775
Covered Employee Payroll	\$ 1,993,736	\$ 2,082,378	\$ 2,011,315	\$ 1,995,350	\$ 2,132,675	\$ 2,250,626	\$ 2,480,399	\$ 2,484,037	\$ 2,461,434	\$ 2,407,082
Contributions as a Percentage of Covered Employee Payroll	52.99 %	45.51 %	42.35 %	40.10 %	34.24 %	30.67 %	27.83 %	27.80 %	23.74 %	25.32 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, the year prior to the end of the fiscal year in which the contributions are reported. Covered employee payroll is as of December 31 of the current year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Remaining amortization period	19 years; closed
Asset valuation method	Five-year smoothed market
Inflation	4.0 percent wage inflation assumption
Salary increase	4.0 percent to 8.0 percent, including inflation
Investment rate of return	7.0 percent (net of administrative expenses)
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Mortality Tables for males and females projected 20 years with scale AA
Other information	N/A

Charter Township of Benton

Required Supplemental Information Schedule of Pension Investment Returns

Last Four Fiscal Years
Years Ended December 31
(Schedule is Built Prospectively Upon Implementation of GASB Statement No. 67)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return - Net of investment expense	11.94 %	5.87 %	(0.22)%	4.47 %

Charter Township of Benton

Required Supplemental Information Schedule of OPEB Funding Progress

Last Ten Fiscal Years Years Ended December 31

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
December 31, 2010	\$ 718,223	\$ 4,030,218	\$ 3,311,995	17.82 %	\$ -	- %
December 31, 2013	908,298	4,388,449	3,480,151	20.70	-	-
December 31, 2016	1,324,507	3,902,323	2,577,816	33.94	-	-
December 31, 2017	1,528,395	3,081,607	1,553,212	49.60	-	-

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

Charter Township of Benton

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

	Last Fiscal Year
	2017
Total OPEB Liability	
Service cost	\$ 49,139
Interest	185,410
Benefit payments, including refunds	(189,880)
Net Change in Total OPEB Liability	44,669
Total OPEB Liability - Beginning of year	3,036,938
Total OPEB Liability - End of year	\$ 3,081,607
Plan Fiduciary Net Position	
Contributions - Employer	\$ 235,881
Net investment income	156,737
Administrative expenses	(4,219)
Benefit payments, including refunds	(189,881)
Other	5,370
Net Change in Plan Fiduciary Net Position	203,888
Plan Fiduciary Net Position - Beginning of year	1,324,507
Plan Fiduciary Net Position - End of year	\$ 1,528,395
Net OPEB Liability - Ending	\$ 1,553,212
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	49.60 %
Covered Employee Payroll	\$ 2,881,147
Net OPEB Liability as a Percentage of Covered Employee Payroll	53.91 %

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

Charter Township of Benton

Required Supplemental Information Schedule of OPEB Contributions

Last Ten Fiscal Years Years Ended December 31

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 193,018	\$ 277,722	\$ 277,722	\$ 277,722	\$ 202,101	\$ 201,945	\$ 261,761	\$ 211,578	\$ 203,440	\$ 195,615
Contributions in relation to the actuarially determined contribution	235,881	280,670	280,206	283,530	155,065	136,938	115,167	108,247	123,306	100,832
Contribution Excess (Deficiency)	\$ 42,863	\$ 2,948	\$ 2,484	\$ 5,808	\$ (47,036)	\$ (65,007)	\$ (146,594)	\$ (103,331)	\$ (80,134)	\$ (94,783)

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, every three years.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level dollar
Remaining amortization period	20 years, closed
Asset valuation method	Market value of assets
Inflation	2.5 percent
Healthcare cost trend rates	Initial trend of 9.0 percent gradually decreasing to an ultimate trend of 4.0 percent in year 10
Salary increase	Police and Fire: 4.0 to 8.0 percent, including inflation Municipal: 4.0 to 17.0 percent, including inflation
Investment rate of return	6.25 percent
Retirement age	Police and Fire: Experience-based table of rates that are specific to the type of eligibility condition Municipal: Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Police and Fire: The RP-2000 Mortality Table projected 20 years with Scale AA Municipal: The RP-2000 Mortality Table projected 20 years with Scale BB
Other information	There were no benefit changes during the year.

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 of Benton incurred significant expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Public Safety Fund - Expenditures	\$ 60,750	\$ 98,650	\$ (37,900)
General Fund - Elections	84,765	130,476	(45,711)

Other Supplemental Information

Charter Township of Benton

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

December 31, 2017

	Special Revenue Funds			
	Rental Ordinance Fund	Community Development Fund	Capital Projects Fund	Total
Assets				
Cash and investments	\$ 82,400	\$ 85,822	\$ -	\$ 168,222
Due from other funds	-	-	861,202	861,202
Total assets	\$ 82,400	\$ 85,822	\$ 861,202	\$ 1,029,424
Liabilities				
Accounts payable	\$ 12,264	\$ 5,493	\$ -	\$ 17,757
Due to other funds	-	19,045	-	19,045
Accrued liabilities and other	244	-	-	244
Total liabilities	12,508	24,538	-	37,046
Fund Balances				
Restricted:				
Fire	-	-	35,000	35,000
Community development	-	61,284	-	61,284
Rental ordinance	69,892	-	-	69,892
Assigned	-	-	826,202	826,202
Total fund balances	69,892	61,284	861,202	992,378
Total liabilities and fund balances	\$ 82,400	\$ 85,822	\$ 861,202	\$ 1,029,424

Charter Township of Benton

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

Year Ended December 31, 2017

	Special Revenue Funds			Total
	Rental Ordinance Fund	Community Development Fund	Capital Projects Fund	
Revenue				
Licenses and permits	\$ 54,061	\$ -	\$ -	\$ 54,061
Other revenue	-	171	-	171
Total revenue	54,061	171	-	54,232
Expenditures				
Current services:				
General government	-	-	92,712	92,712
Public safety	56,527	-	-	56,527
Public works	-	-	153,467	153,467
Community and economic development	-	9,477	-	9,477
Recreation and culture	-	-	12,870	12,870
Total expenditures	56,527	9,477	259,049	325,053
Excess of Expenditures Over Revenue	(2,466)	(9,306)	(259,049)	(270,821)
Other Financing Sources - Transfers in	-	-	375,000	375,000
Net Change in Fund Balances	(2,466)	(9,306)	115,951	104,179
Fund Balances - Beginning of year	72,358	70,590	745,251	888,199
Fund Balances - End of year	<u>\$ 69,892</u>	<u>\$ 61,284</u>	<u>\$ 861,202</u>	<u>\$ 992,378</u>

Charter Township of Benton

Other Supplemental Information
Statement of Assets and Liabilities
Agency Funds

December 31, 2017

	Current Tax Collections Fund	Delinquent Tax Fund	Total Agency Funds
Assets - Cash and cash equivalents	<u>\$ 460,759</u>	<u>\$ 164,464</u>	<u>\$ 625,223</u>
Liabilities - Due to other governmental units	<u>\$ 460,759</u>	<u>\$ 164,464</u>	<u>\$ 625,223</u>

Charter Township of Benton

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

December 31, 2017

	<u>Pension Trust Fund</u>	<u>Retiree Health Insurance Fund</u>	<u>Total Fiduciary Funds</u>
Assets			
Investments	\$ 18,598,898	\$ 1,505,395	\$ 20,104,293
Prepaid expenses and other current assets	<u>114,783</u>	<u>23,000</u>	<u>137,783</u>
Total assets	18,713,681	1,528,395	20,242,076
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 18,713,681</u>	<u>\$ 1,528,395</u>	<u>\$ 20,242,076</u>

Charter Township of Benton

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

Year Ended December 31, 2017

	Pension Trust Fund	Retiree Health Insurance Fund	Total Fiduciary Funds
Additions			
Investment income:			
Interest and dividends	\$ 335,530	\$ 26,570	\$ 362,100
Net increase in fair value of investments	<u>1,718,494</u>	<u>135,537</u>	<u>1,854,031</u>
Total investment income	2,054,024	162,107	2,216,131
Contributions:			
Employer	1,056,574	235,881	1,292,455
Employee	<u>181,354</u>	<u>-</u>	<u>181,354</u>
Total contributions	<u>1,237,928</u>	<u>235,881</u>	<u>1,473,809</u>
Total additions	3,291,952	397,988	3,689,940
Deductions			
Benefit payments	1,479,923	189,881	1,669,804
Administrative expenses	<u>53,027</u>	<u>4,219</u>	<u>57,246</u>
Total deductions	<u>1,532,950</u>	<u>194,100</u>	<u>1,727,050</u>
Net Increase in Net Position Held in Trust	1,759,002	203,888	1,962,890
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>16,954,679</u>	<u>1,324,507</u>	<u>18,279,186</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 18,713,681</u></u>	<u><u>\$ 1,528,395</u></u>	<u><u>\$ 20,242,076</u></u>