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# Charter Township of Benton

Berrien County, Michigan

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**Financial Report**  
**with Supplemental Information**  
**December 31, 2018**

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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, 2018 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, 2018 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.

### *Emphasis of Matter*

As discussed in Note 1 to the basic financial statements, during the year ended December 31, 2018, the Charter Township adopted the provision of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of implementing this pronouncement, the Charter Township's net OPEB liability has been recognized on the government-wide statements, and the 2017 financial statements have been restated. Our opinion is not modified with respect to this matter.

To the Members of the Township Board  
Charter Township of Benton

**Other Matters**

*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 20, 2019

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, 2018. 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, 2018:

The Charter Township's General Fund revenue exceeded budget by approximately \$345,000, which can be attributed to a few factors: 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, state-shared revenue, and increased interest income as a result of increasing interest rates for deposits. The General Fund expenditures were under budget by approximately \$390,000.

The Charter Township amended the General Fund budget to include additional expenditures for increased election costs and the purchase of property at 872 E Napier, 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 \$226,000 related to the retiree health benefit obligation, bringing the trust balance to \$1,473,472.

In 2015, the Charter Township adopted and implemented GASB Statement No. 68, which requires governmental units to recognize the net pension liability and the pension expense on its government-wide financial statements. The Charter Township recorded an increase in the liability of approximately \$2,287,763 for an outstanding liability of \$10,587,441.

In 2018, the Charter Township adopted and implemented GASB Statement No. 75, which was implemented retroactively to January 1, 2018. This requires the measurement of other postemployment benefit costs to be expense as it is earned, rather than as it is funded. The liability as of January 1, 2018 was \$1,473,473. The Charter Township recorded an increase in the liability of approximately \$101,990 for an outstanding liability of \$1,655,202.

### **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.

### **Government-wide Overall Financial Analysis**

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Charter Township, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$18,764,364 at the close of the most recent fiscal year.

# Charter Township of Benton

## Management's Discussion and Analysis (Continued)

### Charter Township's Net Position

|                                       | Governmental Activities |                   | Business-type Activities |                      | Total                |                      |
|---------------------------------------|-------------------------|-------------------|--------------------------|----------------------|----------------------|----------------------|
|                                       | 2018                    | 2017              | 2018                     | 2017                 | 2018                 | 2017                 |
| <b>Assets</b>                         |                         |                   |                          |                      |                      |                      |
| Current and other assets:             |                         |                   |                          |                      |                      |                      |
| Cash and cash equivalents             | \$ 6,556,602            | \$ 5,664,584      | \$ 6,781,385             | \$ 6,910,263         | \$ 13,337,987        | \$ 12,574,847        |
| Receivables                           | 4,834,780               | 4,829,312         | 1,103,358                | 1,177,413            | 5,938,138            | 6,006,725            |
| Other assets                          | 88,967                  | 356,059           | 1,170,731                | 47,989               | 1,259,698            | 404,048              |
| Capital assets                        | 6,648,287               | 6,358,988         | 31,725,667               | 32,497,700           | 38,373,954           | 38,856,688           |
| Total assets                          | 18,128,636              | 17,208,943        | 40,781,141               | 40,633,365           | 58,909,777           | 57,842,308           |
| <b>Deferred Outflows of Resources</b> | 1,808,726               | 81,232            | -                        | -                    | 1,808,726            | 81,232               |
| <b>Liabilities</b>                    |                         |                   |                          |                      |                      |                      |
| Current liabilities                   | 558,461                 | 466,864           | 563,086                  | 454,764              | 1,121,547            | 921,628              |
| Noncurrent liabilities:               |                         |                   |                          |                      |                      |                      |
| Due within one year                   | 332,695                 | 348,456           | 1,111,186                | 1,395,300            | 1,443,881            | 1,743,756            |
| Due in more than one year             | 12,651,376              | 9,493,639         | 20,637,047               | 20,430,241           | 33,288,423           | 29,923,880           |
| Total liabilities                     | 13,542,532              | 10,308,959        | 22,311,319               | 22,280,305           | 35,853,851           | 32,589,264           |
| <b>Deferred Inflows of Resources</b>  | 6,100,288               | 6,495,334         | -                        | -                    | 6,100,288            | 6,495,334            |
| <b>Net Position</b>                   |                         |                   |                          |                      |                      |                      |
| Net investment in capital assets      | 6,468,268               | 6,358,988         | 11,168,956               | 10,725,163           | 17,637,224           | 17,084,151           |
| Restricted                            | 1,134,501               | 1,205,431         | -                        | -                    | 1,134,501            | 1,205,431            |
| Unrestricted                          | (7,308,227)             | (7,078,537)       | 7,300,866                | 7,627,897            | (7,361)              | 549,360              |
| Total net position                    | <u>\$ 294,542</u>       | <u>\$ 485,882</u> | <u>\$ 18,469,822</u>     | <u>\$ 18,353,060</u> | <u>\$ 18,764,364</u> | <u>\$ 18,838,942</u> |

The financial position of the Charter Township, in total, decreased during the year. The governmental activities net position decreased by \$191,340, or approximately 39.38 percent, from the prior year. Business-type activities increased by \$116,762, or approximately 0.64 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                |                      |
|---|-------------------------|-------------------|--------------------------|----------------------|----------------------|----------------------|
|   | 2018                    | 2017              | 2018                     | 2017                 | 2018                 | 2017                 |
| <b>Revenue</b>  |                         |                   |                          |                      |                      |                      |
| Program revenue:  |                         |                   |                          |                      |                      |                      |
| Charges for services  | \$ 1,491,965            | \$ 1,369,997      | \$ 6,141,557             | \$ 6,209,459         | \$ 7,633,522         | \$ 7,579,456         |
| Operating grants  | 14,843                  | 19,222            | -                        | -                    | 14,843               | 19,222               |
| Capital grants  | -                       | 54,640            | 903,752                  | 407,524              | 903,752              | 462,164              |
| General revenue:  |                         |                   |                          |                      |                      |                      |
| Property taxes  | 5,400,039               | 5,370,253         | -                        | -                    | 5,400,039            | 5,370,253            |
| State-shared revenue and grants                                 | 1,654,689               | 1,526,010         | -                        | -                    | 1,654,689            | 1,526,010            |
| Investment earnings   | 96,290                  | 48,707            | 132,796                  | 75,227               | 229,086              | 123,934              |
| Other revenue:  |                         |                   |                          |                      |                      |                      |
| Cable franchise fees  | 118,395                 | 127,383           | -                        | -                    | 118,395              | 127,383              |
| Sale of capital assets  | -                       | 9,500             | -                        | 25,000               | -                    | 34,500               |
| Other miscellaneous income                                      | 115,613                 | 109,120           | -                        | -                    | 115,613              | 109,120              |
| <b>Total revenue</b>  | <b>8,891,834</b>        | <b>8,634,832</b>  | <b>7,178,105</b>         | <b>6,717,210</b>     | <b>16,069,939</b>    | <b>15,352,042</b>    |
| <b>Expenses</b>   |                         |                   |                          |                      |                      |                      |
| General government  | 1,540,935               | 1,384,209         | -                        | -                    | 1,540,935            | 1,384,209            |
| Public safety   | 5,928,556               | 5,510,489         | -                        | -                    | 5,928,556            | 5,510,489            |
| Public works  | 622,270                 | 693,454           | -                        | -                    | 622,270              | 693,454              |
| Community and economic development                              | 22,975                  | 17,187            | -                        | -                    | 22,975               | 17,187               |
| Recreation and culture  | 65,663                  | 87,551            | -                        | -                    | 65,663               | 87,551               |
| Debt service  | 5,628                   | 5,412             | -                        | -                    | 5,628                | 5,412                |
| Sanitary Sewage System Fund                                     | -                       | -                 | 3,862,191                | 3,117,239            | 3,862,191            | 3,117,239            |
| Water System Fund   | -                       | -                 | 3,199,152                | 3,019,310            | 3,199,152            | 3,019,310            |
| <b>Total expenses</b>   | <b>8,186,027</b>        | <b>7,698,302</b>  | <b>7,061,343</b>         | <b>6,136,549</b>     | <b>15,247,370</b>    | <b>13,834,851</b>    |
| <b>Change in Net Position</b>                                   | <b>705,807</b>          | <b>936,530</b>    | <b>116,762</b>           | <b>580,661</b>       | <b>822,569</b>       | <b>1,517,191</b>     |
| <b>Net Position - Beginning of year, as previously reported</b> | <b>485,882</b>          | <b>(450,648)</b>  | <b>18,353,060</b>        | <b>17,772,399</b>    | <b>18,838,942</b>    | <b>17,321,751</b>    |
| <b>Cumulative Effect of Change in Accounting</b>                | <b>(897,147)</b>        | <b>-</b>          | <b>-</b>                 | <b>-</b>             | <b>(897,147)</b>     | <b>-</b>             |
| <b>Net Position - Beginning of year - As restated</b>           | <b>(411,265)</b>        | <b>(450,648)</b>  | <b>18,353,060</b>        | <b>17,772,399</b>    | <b>17,941,795</b>    | <b>17,321,751</b>    |
| <b>Net Position - End of year</b>                               | <b>\$ 294,542</b>       | <b>\$ 485,882</b> | <b>\$ 18,469,822</b>     | <b>\$ 18,353,060</b> | <b>\$ 18,764,364</b> | <b>\$ 18,838,942</b> |

During the past fiscal year, governmental activities expenses increased by \$487,725, or approximately 6.34 percent. Business-type activities expenses increased by \$924,794, or approximately 15.07 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 that 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 \$411,000. The Police Fund had an increase in fund balance of approximately \$7,000, and the Fire Fund had an increase in fund balance of approximately \$120,000.

The Debt Service Fund had a decrease in fund balance of approximately \$480,000, resulting in negative fund balance of approximately \$208,900. This is a result of interfund borrowing to finance the purchase of a fire truck. The acquisition of the fire truck will decrease the fund balance by a total amount of \$453,600. The Fire Fund will repay the interfund borrowing over the three-year term, which will offset (increase) fund balance each year to a total of \$453,600.

Of the enterprise funds, the Sanitary Sewage System Fund had an increase in net position of approximately \$244,000, and the Water System Fund had a decrease in net position of approximately \$127,000, primarily attributed to the refunding and issuance of Water System Bonds.

### **General Fund Budgetary Highlights**

There was one budget overrun for the Public Safety Fund expenditures. There were Board of Review and Michigan Tax Tribunal adjustments of approximately \$24,000. 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 \$723,000 of principal on its long-term debt and paid off its capital lease obligation in the amount of approximately \$16 million through the issuance of bonds. The Charter Township purchased approximately \$811,000 of governmental-type fixed assets and \$679,000 of business-type fixed assets.

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

The Charter Township has completed its second full year of the SAW Grant and will continue to survey the sanitary sewer infrastructure in the final year, year three. As part of the SAW Grant, the Charter Township will be conducting a Sewer Rate study in 2019. Additionally, the Charter Township will be conducting a water rate study in 2019. Sewer rates were increased approximately 7.4 percent, effective January 1, 2019. Water rates were increased approximately 3 percent, effective January 15, 2019. All other revenue is expected to remain stable.

### **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, 2018

|  | Primary Government         |                             |               |
|--|----------------------------|-----------------------------|---------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total         |
| <b>Assets</b>  |                            |                             |               |
| Cash and cash equivalents (Note 3)                                   | \$ 6,556,602               | \$ 6,781,385                | \$ 13,337,987 |
| Receivables:   |                            |                             |               |
| Property taxes receivable  | 4,182,506                  | -                           | 4,182,506     |
| Special assessments receivable                                       | 122,246                    | 66,302                      | 188,548       |
| Other receivables  | 69,034                     | 856,137                     | 925,171       |
| Due from other governmental units                                    | 460,994                    | 180,919                     | 641,913       |
| Prepaid expenses   | 88,967                     | 41,071                      | 130,038       |
| Unspent bond proceeds  | -                          | 1,129,660                   | 1,129,660     |
| Capital assets:  |                            |                             |               |
| Assets not subject to depreciation (Note 4)                          | 1,065,020                  | 1,672,937                   | 2,737,957     |
| Assets subject to depreciation - Net (Note 4)                        | 5,583,267                  | 30,052,730                  | 35,635,997    |
| Total assets   | 18,128,636                 | 40,781,141                  | 58,909,777    |
| <b>Deferred Outflows of Resources</b>                                |                            |                             |               |
| Deferred pension costs (Note 9)                                      | 1,665,624                  | -                           | 1,665,624     |
| Deferred OPEB costs (Note 8)   | 143,102                    | -                           | 143,102       |
| Total deferred outflows of resources                                 | 1,808,726                  | -                           | 1,808,726     |
| <b>Liabilities</b>   |                            |                             |               |
| Accounts payable   | 134,304                    | 376,958                     | 511,262       |
| Due to other governmental units                                      | 4,404                      | 1,629                       | 6,033         |
| Accrued liabilities and other  | 341,625                    | 184,499                     | 526,124       |
| Unearned revenue   | 78,128                     | -                           | 78,128        |
| Noncurrent liabilities:  |                            |                             |               |
| Due within one year:   |                            |                             |               |
| Compensated absences (Note 6)  | 243,381                    | 6,186                       | 249,567       |
| Current portion of long-term debt (Note 6)                           | 89,314                     | 1,105,000                   | 1,194,314     |
| Due in more than one year:   |                            |                             |               |
| Compensated absences (Note 6)  | 318,028                    | 55,676                      | 373,704       |
| Net pension liability (Note 9)                                       | 10,587,441                 | -                           | 10,587,441    |
| Net OPEB obligation (Note 8)   | 1,655,202                  | -                           | 1,655,202     |
| Long-term debt (Note 6)  | 90,705                     | 20,581,371                  | 20,672,076    |
| Total liabilities  | 13,542,532                 | 22,311,319                  | 35,853,851    |
| <b>Deferred Inflows of Resources</b>                                 |                            |                             |               |
| Property taxes and special assessments levied for the following year | 5,649,916                  | -                           | 5,649,916     |
| Deferred inflows related to pension plan (Note 9)                    | 450,372                    | -                           | 450,372       |
| Total deferred inflows of resources                                  | 6,100,288                  | -                           | 6,100,288     |
| <b>Net Position</b>  |                            |                             |               |
| Net investment in capital assets                                     | 6,468,268                  | 11,168,956                  | 17,637,224    |
| Restricted:  |                            |                             |               |
| Community development  | 42,883                     | -                           | 42,883        |
| Rental ordinance   | 89,518                     | -                           | 89,518        |
| Fire   | 510,032                    | -                           | 510,032       |
| Police   | 450,079                    | -                           | 450,079       |
| Street lighting  | 41,989                     | -                           | 41,989        |
| Unrestricted   | (7,308,227)                | 7,300,866                   | (7,361)       |
| Total net position   | \$ 294,542                 | \$ 18,469,822               | \$ 18,764,364 |

# 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                 | \$ 1,540,935         | \$ 127,864           | \$ -                               | \$ -                             |
| Public safety                      | 5,928,556            | 661,235              | 3,700                              | -                                |
| Public works                       | 622,270              | 702,866              | 11,143                             | -                                |
| Community and economic development | 22,975               | -                    | -                                  | -                                |
| Recreation and culture             | 65,663               | -                    | -                                  | -                                |
| Interest on long-term debt         | 5,628                | -                    | -                                  | -                                |
| Total governmental activities      | 8,186,027            | 1,491,965            | 14,843                             | -                                |
| Business-type activities:          |                      |                      |                                    |                                  |
| Sanitary Sewage System Fund        | 3,862,191            | 3,185,868            | -                                  | 856,883                          |
| Water System Fund                  | 3,199,152            | 2,955,689            | -                                  | 46,869                           |
| Total business-type activities     | 7,061,343            | 6,141,557            | -                                  | 903,752                          |
| Total primary government           | <b>\$ 15,247,370</b> | <b>\$ 7,633,522</b>  | <b>\$ 14,843</b>                   | <b>\$ 903,752</b>                |
| General revenue:                   |                      |                      |                                    |                                  |
| Property taxes                     |                      |                      |                                    |                                  |
| State-shared revenue               |                      |                      |                                    |                                  |
| Investment income                  |                      |                      |                                    |                                  |
| Cable franchise fees               |                      |                      |                                    |                                  |
| Other miscellaneous income         |                      |                      |                                    |                                  |
| Total general revenue              |                      |                      |                                    |                                  |

### Change in Net Position

**Net Position** - Beginning of year - As restated

**Net Position** - End of year

## Statement of Activities

Year Ended December 31, 2018

| Net (Expense) Revenue and Changes in Net Position |                             |                      |
|---|-----------------------------|----------------------|
| Primary Government                                |                             |                      |
| Governmental<br>Activities                        | Business-type<br>Activities | Total                |
| \$ (1,413,071)                                    | \$ -                        | \$ (1,413,071)       |
| (5,263,621)                                       | -                           | (5,263,621)          |
| 91,739  | -                           | 91,739               |
| (22,975)  | -                           | (22,975)             |
| (65,663)  | -                           | (65,663)             |
| (5,628)   | -                           | (5,628)              |
| (6,679,219)                                       | -                           | (6,679,219)          |
| -   | 180,560                     | 180,560              |
| -   | (196,594)                   | (196,594)            |
| -   | (16,034)                    | (16,034)             |
| (6,679,219)                                       | (16,034)                    | (6,695,253)          |
| 5,400,039   | -                           | 5,400,039            |
| 1,654,689   | -                           | 1,654,689            |
| 96,290  | 132,796                     | 229,086              |
| 118,395   | -                           | 118,395              |
| 115,613   | -                           | 115,613              |
| 7,385,026   | 132,796                     | 7,517,822            |
| 705,807   | 116,762                     | 822,569              |
| (411,265)   | 18,353,060                  | 17,941,795           |
| <b>\$ 294,542</b>                                 | <b>\$ 18,469,822</b>        | <b>\$ 18,764,364</b> |

# Charter Township of Benton

## Governmental Funds Balance Sheet

December 31, 2018

|  | General Fund        | Police Fund         | Fire Fund           | Public Safety Fund  | Debt Service Fund | Nonmajor Funds      | Total               |
|--|---------------------|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|
| <b>Assets</b>  |                     |                     |                     |                     |                   |                     |                     |
| Cash and investments (Note 3)  | \$ 3,920,320        | \$ 836,231          | \$ 838,764          | \$ 824,556          | \$ -              | \$ 136,731          | \$ 6,556,602        |
| Receivables:   |                     |                     |                     |                     |                   |                     |                     |
| Property taxes receivable  | 451,370             | 813,536             | 520,017             | 2,397,583           | -                 | -                   | 4,182,506           |
| Special assessments receivable   | 122,246             | -                   | -                   | -                   | -                 | -                   | 122,246             |
| Other receivables  | 68,742              | -                   | 292                 | -                   | -                 | -                   | 69,034              |
| Due from other governmental units  | 262,109             | 9,449               | 9,449               | 179,987             | -                 | -                   | 460,994             |
| Due from other funds (Note 5)  | 2,067               | -                   | -                   | -                   | 1,060             | 1,155,193           | 1,158,320           |
| Advances to other funds (Note 5)   | 210,000             | -                   | -                   | -                   | -                 | -                   | 210,000             |
| Prepaid expenses   | 27,338              | 39,801              | 21,828              | -                   | -                 | -                   | 88,967              |
| <b>Total assets</b>  | <b>\$ 5,064,192</b> | <b>\$ 1,699,017</b> | <b>\$ 1,390,350</b> | <b>\$ 3,402,126</b> | <b>\$ 1,060</b>   | <b>\$ 1,291,924</b> | <b>\$12,848,669</b> |
| <b>Liabilities</b>   |                     |                     |                     |                     |                   |                     |                     |
| Accounts payable   | \$ 69,761           | \$ 29,785           | \$ 7,290            | \$ -                | \$ -              | \$ 27,468           | \$ 134,304          |
| Due to other governmental units  | 4,404               | -                   | -                   | -                   | -                 | -                   | 4,404               |
| Due to other funds (Note 5)  | 1,120,193           | -                   | 36,060              | -                   | -                 | 2,067               | 1,158,320           |
| Advances from other funds (Note 5)   | -                   | -                   | -                   | -                   | 210,000           | -                   | 210,000             |
| Accrued liabilities and other  | 180,181             | 113,365             | 47,036              | -                   | -                 | 313                 | 340,895             |
| Unearned revenue   | 78,128              | -                   | -                   | -                   | -                 | -                   | 78,128              |
| <b>Total liabilities</b>   | <b>1,452,667</b>    | <b>143,150</b>      | <b>90,386</b>       | <b>-</b>            | <b>210,000</b>    | <b>29,848</b>       | <b>1,926,051</b>    |
| <b>Deferred Inflows of Resources</b>                                       |                     |                     |                     |                     |                   |                     |                     |
| Unavailable revenue  | 57,970              | 9,449               | 9,449               | 179,987             | -                 | -                   | 256,855             |
| Property taxes and special assessments levied for the following year       | 683,142             | 1,048,583           | 696,052             | 3,222,139           | -                 | -                   | 5,649,916           |
| <b>Total deferred inflows of resources</b>                                 | <b>741,112</b>      | <b>1,058,032</b>    | <b>705,501</b>      | <b>3,402,126</b>    | <b>-</b>          | <b>-</b>            | <b>5,906,771</b>    |
| <b>Fund Balances</b>   |                     |                     |                     |                     |                   |                     |                     |
| Nonspendable:  |                     |                     |                     |                     |                   |                     |                     |
| Prepays  | 27,338              | 39,801              | 21,828              | -                   | -                 | -                   | 88,967              |
| Long-term receivable   | 210,000             | -                   | -                   | -                   | -                 | -                   | 210,000             |
| Restricted:  |                     |                     |                     |                     |                   |                     |                     |
| Police   | -                   | 350,637             | -                   | -                   | -                 | -                   | 350,637             |
| Fire   | -                   | -                   | 375,589             | -                   | -                 | 35,000              | 410,589             |
| Community development  | -                   | -                   | -                   | -                   | -                 | 42,883              | 42,883              |
| Rental ordinance   | -                   | -                   | -                   | -                   | -                 | 89,518              | 89,518              |
| Street lighting  | 41,989              | -                   | -                   | -                   | -                 | -                   | 41,989              |
| Assigned:  |                     |                     |                     |                     |                   |                     |                     |
| Capital improvements   | -                   | -                   | -                   | -                   | -                 | 1,094,675           | 1,094,675           |
| Retiree healthcare obligations   | 650,000             | -                   | -                   | -                   | -                 | -                   | 650,000             |
| Police   | -                   | 107,397             | -                   | -                   | -                 | -                   | 107,397             |
| Fire   | -                   | -                   | 197,046             | -                   | -                 | -                   | 197,046             |
| Unassigned   | 1,941,086           | -                   | -                   | -                   | (208,940)         | -                   | 1,732,146           |
| <b>Total fund balances</b>   | <b>2,870,413</b>    | <b>497,835</b>      | <b>594,463</b>      | <b>-</b>            | <b>(208,940)</b>  | <b>1,262,076</b>    | <b>5,015,847</b>    |
| <b>Total liabilities, deferred inflows of resources, and fund balances</b> | <b>\$ 5,064,192</b> | <b>\$ 1,699,017</b> | <b>\$ 1,390,350</b> | <b>\$ 3,402,126</b> | <b>\$ 1,060</b>   | <b>\$ 1,291,924</b> | <b>\$12,848,669</b> |

# Charter Township of Benton

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

December 31, 2018

|  |                          |
|--|--------------------------|
| <b>Fund Balances Reported in Governmental Funds</b>  | \$ 5,015,847             |
| 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   | 6,648,287                |
| 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         | 256,855                  |
| Long-term debt obligations are not due and payable in the current period and are not reported in the funds   | (180,019)                |
| Accrued interest is not due and payable in the current period and is not reported in the funds   | (730)                    |
| 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  | (561,409)                |
| Pension benefits   | (9,372,189)              |
| Retiree healthcare benefits  | (1,512,100)              |
| <b>Net Position of Governmental Activities</b>   | <b><u>\$ 294,542</u></b> |

# Charter Township of Benton

## Governmental Funds

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

**Year Ended December 31, 2018**

|  | General<br>Fund     | Police<br>Fund    | Fire<br>Fund      | Public<br>Safety Fund | Debt Service<br>Fund | Nonmajor<br>Funds   | Total               |
|--|---------------------|-------------------|-------------------|-----------------------|----------------------|---------------------|---------------------|
| <b>Revenue</b>                                     |                     |                   |                   |                       |                      |                     |                     |
| Property taxes                                     | \$ 564,768          | \$ 903,267        | \$ 715,252        | \$ 3,216,752          | \$ -                 | \$ -                | \$ 5,400,039        |
| Special assessments                                | 10,775              | 172,391           | -                 | -                     | -                    | -                   | 183,166             |
| State-shared revenue and grants                    | 1,487,877           | 19,952            | 16,252            | 54,737                | -                    | -                   | 1,578,818           |
| Charges for services                               | 1,004,865           | -                 | 62,500            | -                     | -                    | -                   | 1,067,365           |
| Fines and forfeitures                              | -                   | 14,943            | -                 | -                     | -                    | -                   | 14,943              |
| Licenses and permits                               | 251,082             | 15,743            | -                 | -                     | -                    | 87,044              | 353,869             |
| Investment income                                  | 96,010              | 280               | -                 | -                     | -                    | -                   | 96,290              |
| Other revenue                                      | 39,766              | 47,727            | 27,616            | 64                    | -                    | 440                 | 115,613             |
| Total revenue                                      | 3,455,143           | 1,174,303         | 821,620           | 3,271,553             | -                    | 87,484              | 8,810,103           |
| <b>Expenditures</b>                                |                     |                   |                   |                       |                      |                     |                     |
| Current services:                                  |                     |                   |                   |                       |                      |                     |                     |
| General government                                 | 1,436,601           | -                 | -                 | -                     | -                    | 28,509              | 1,465,110           |
| Public safety                                      | 466,252             | 3,401,832         | 1,699,010         | 89,475                | 210,000              | 92,936              | 5,959,505           |
| Public works                                       | 610,616             | -                 | -                 | -                     | 267,963              | -                   | 878,579             |
| Community and economic development                 | 4,134               | -                 | -                 | -                     | -                    | 18,841              | 22,975              |
| Recreation and culture                             | 62,457              | -                 | -                 | -                     | -                    | -                   | 62,457              |
| Debt service                                       | -                   | -                 | -                 | -                     | 93,929               | -                   | 93,929              |
| Total expenditures                                 | 2,580,060           | 3,401,832         | 1,699,010         | 89,475                | 571,892              | 140,286             | 8,482,555           |
| <b>Excess of Revenue Over (Under) Expenditures</b> | 875,083             | (2,227,529)       | (877,390)         | 3,182,078             | (571,892)            | (52,802)            | 327,548             |
| <b>Other Financing Sources (Uses)</b>              |                     |                   |                   |                       |                      |                     |                     |
| Transfers in                                       | -                   | 2,234,254         | 997,824           | -                     | 92,053               | 322,500             | 3,646,631           |
| Transfers out                                      | (464,553)           | -                 | -                 | (3,182,078)           | -                    | -                   | (3,646,631)         |
| Total other financing (uses) sources               | (464,553)           | 2,234,254         | 997,824           | (3,182,078)           | 92,053               | 322,500             | -                   |
| <b>Net Change in Fund Balances</b>                 | 410,530             | 6,725             | 120,434           | -                     | (479,839)            | 269,698             | 327,548             |
| <b>Fund Balances - Beginning of year</b>           | 2,459,883           | 491,110           | 474,029           | -                     | 270,899              | 992,378             | 4,688,299           |
| <b>Fund Balances - End of year</b>                 | <b>\$ 2,870,413</b> | <b>\$ 497,835</b> | <b>\$ 594,463</b> | <b>\$ -</b>           | <b>\$ (208,940)</b>  | <b>\$ 1,262,076</b> | <b>\$ 5,015,847</b> |

# 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, 2018**

|  |                                 |
|--|---------------------------------|
| <b>Net Change in Fund Balances Reported in Governmental Funds</b>  | <b>\$ 327,548</b>               |
| Amounts reported for governmental activities in the statement of activities are different because:   |                                 |
| Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:               |                                 |
| Capital outlay   | 810,650                         |
| Depreciation expense   | (521,351)                       |
| 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   | 81,731                          |
| Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)  | 87,944                          |
| Interest expense is recognized in the government-wide statements as it accrues   | 357                             |
| 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 | <u>(81,072)</u>                 |
| <b>Change in Net Position of Governmental Activities</b>   | <b><u><u>\$ 705,807</u></u></b> |

# Charter Township of Benton

## Proprietary Funds Statement of Net Position

December 31, 2018

|  | Enterprise Funds            |                   | Total         |
|--|-----------------------------|-------------------|---------------|
|  | Sanitary Sewage System Fund | Water System Fund |               |
| <b>Assets</b>  |                             |                   |               |
| Current assets:  |                             |                   |               |
| Cash and cash equivalents (Note 3)                     | \$ 2,413,199                | \$ 4,368,186      | \$ 6,781,385  |
| Receivables:   |                             |                   |               |
| Special assessments receivable - Due within one year   | 7,131                       | 9,084             | 16,215        |
| Other receivables                                      | 469,481                     | 386,656           | 856,137       |
| Due from other governmental units                      | 180,919                     | -                 | 180,919       |
| Due from other funds (Note 5)                          | 41,466                      | -                 | 41,466        |
| Prepaid expenses                                       | 21,247                      | 19,824            | 41,071        |
| Total current assets                                   | 3,133,443                   | 4,783,750         | 7,917,193     |
| Noncurrent assets:                                     |                             |                   |               |
| Unspent bond proceeds                                  | -                           | 1,129,660         | 1,129,660     |
| Special assessment receivables - Greater than one year | 24,973                      | 25,114            | 50,087        |
| Capital assets: (Note 4)                               |                             |                   |               |
| Assets not subject to depreciation                     | 311,236                     | 1,361,701         | 1,672,937     |
| Assets subject to depreciation - Net                   | 10,068,442                  | 19,984,288        | 30,052,730    |
| Total noncurrent assets                                | 10,404,651                  | 22,500,763        | 32,905,414    |
| Total assets   | 13,538,094                  | 27,284,513        | 40,822,607    |
| <b>Liabilities</b>                                     |                             |                   |               |
| Current liabilities:                                   |                             |                   |               |
| Accounts payable                                       | 136,290                     | 240,668           | 376,958       |
| Due to other governmental units                        | -                           | 1,629             | 1,629         |
| Due to other funds (Note 5)                            | -                           | 41,466            | 41,466        |
| Accrued liabilities and other                          | 46,070                      | 138,429           | 184,499       |
| Compensated absences (Note 6)                          | 2,018                       | 4,168             | 6,186         |
| Current portion of long-term debt (Note 6)             | 385,000                     | 720,000           | 1,105,000     |
| Total current liabilities                              | 569,378                     | 1,146,360         | 1,715,738     |
| Noncurrent liabilities:                                |                             |                   |               |
| Compensated absences (Note 6)                          | 18,164                      | 37,512            | 55,676        |
| Long-term debt (Note 6)                                | 4,434,153                   | 16,147,218        | 20,581,371    |
| Total noncurrent liabilities                           | 4,452,317                   | 16,184,730        | 20,637,047    |
| Total liabilities                                      | 5,021,695                   | 17,331,090        | 22,352,785    |
| <b>Net Position</b>                                    |                             |                   |               |
| Net investment in capital assets                       | 5,560,525                   | 5,608,431         | 11,168,956    |
| Unrestricted   | 2,955,874                   | 4,344,992         | 7,300,866     |
| Total net position                                     | \$ 8,516,399                | \$ 9,953,423      | \$ 18,469,822 |

**Charter Township of Benton**

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

**Year Ended December 31, 2018**

|  | Enterprise Funds               |                      | Total                |
|--|--------------------------------|----------------------|----------------------|
|  | Sanitary Sewage<br>System Fund | Water System<br>Fund |                      |
| <b>Operating Revenue</b>                   |                                |                      |                      |
| Sale of water                              | \$ -                           | \$ 2,955,689         | \$ 2,955,689         |
| Sewage disposal charges                    | 3,185,868                      | -                    | 3,185,868            |
| Total operating revenue                    | 3,185,868                      | 2,955,689            | 6,141,557            |
| <b>Operating Expenses</b>                  |                                |                      |                      |
| Cost of water                              | -                              | 1,372,398            | 1,372,398            |
| Cost of sewage treatment                   | 3,271,509                      | -                    | 3,271,509            |
| Depreciation                               | 451,011                        | 999,678              | 1,450,689            |
| Total operating expenses                   | 3,722,520                      | 2,372,076            | 6,094,596            |
| <b>Operating (Loss) Income</b>             | (536,652)                      | 583,613              | 46,961               |
| <b>Nonoperating Revenue (Expense)</b>      |                                |                      |                      |
| Interest income                            | 63,847                         | 68,949               | 132,796              |
| Interest expense                           | (138,056)                      | (609,407)            | (747,463)            |
| Bond issuance costs                        | (1,615)                        | (217,669)            | (219,284)            |
| Total nonoperating expense                 | (75,824)                       | (758,127)            | (833,951)            |
| <b>Loss - Before capital contributions</b> | (612,476)                      | (174,514)            | (786,990)            |
| <b>Capital Contributions</b>               | 856,883                        | 46,869               | 903,752              |
| <b>Change in Net Position</b>              | 244,407                        | (127,645)            | 116,762              |
| <b>Net Position - Beginning of year</b>    | 8,271,992                      | 10,081,068           | 18,353,060           |
| <b>Net Position - End of year</b>          | <b>\$ 8,516,399</b>            | <b>\$ 9,953,423</b>  | <b>\$ 18,469,822</b> |

# Charter Township of Benton

## Proprietary Funds Statement of Cash Flows

Year Ended December 31, 2018

|  | Enterprise Funds            |                     | Total               |
|--|-----------------------------|---------------------|---------------------|
|  | Sanitary Sewage System Fund | Water System Fund   |                     |
| <b>Cash Flows from Operating Activities</b>  |                             |                     |                     |
| Receipts from customers  | \$ 3,130,271                | \$ 2,929,628        | \$ 6,059,899        |
| Receipts from interfund services and reimbursements  | -                           | 113,781             | 113,781             |
| Payments to suppliers  | (2,795,329)                 | (373,439)           | (3,168,768)         |
| Payments to employees and fringes  | (508,609)                   | (842,832)           | (1,351,441)         |
| Net cash and cash equivalents (used in) provided by operating activities                     | (173,667)                   | 1,827,138           | 1,653,471           |
| <b>Cash Flows Used in Noncapital Financing Activities - Loans made to other funds</b>        | (5,142)                     | -                   | (5,142)             |
| <b>Cash Flows from Capital and Related Financing Activities</b>                              |                             |                     |                     |
| Issuance of bonds  | -                           | 14,880,000          | 14,880,000          |
| Receipt of capital grants  | 856,883                     | -                   | 856,883             |
| Special assessment collections   | 50,877                      | 41,759              | 92,636              |
| Purchase of capital assets   | (101,033)                   | (577,623)           | (678,656)           |
| Principal and interest paid on capital debt  | (784,574)                   | (14,930,270)        | (15,714,844)        |
| Debt service charge  | -                           | (217,669)           | (217,669)           |
| Proceeds from contributed capital  | -                           | 46,869              | 46,869              |
| Net cash and cash equivalents provided by (used in) capital and related financing activities | 22,153                      | (756,934)           | (734,781)           |
| <b>Cash Flows Provided by Investing Activities - Interest received on investments</b>        | 21,288                      | 65,946              | 87,234              |
| <b>Net (Decrease) Increase in Cash and Cash Equivalents</b>                                  | (135,368)                   | 1,136,150           | 1,000,782           |
| <b>Cash and Cash Equivalents - Beginning of year</b>   | 2,548,567                   | 4,361,696           | 6,910,263           |
| <b>Cash and Cash Equivalents - End of year</b>   | <b>\$ 2,413,199</b>         | <b>\$ 5,497,846</b> | <b>\$ 7,911,045</b> |
| <b>Classification of Cash and Cash Equivalents</b>   |                             |                     |                     |
| Cash and cash equivalents  | \$ 2,413,199                | \$ 4,368,186        | \$ 6,781,385        |
| Restricted cash  | -                           | 1,129,660           | 1,129,660           |
| Total cash and cash equivalents  | <b>\$ 2,413,199</b>         | <b>\$ 5,497,846</b> | <b>\$ 7,911,045</b> |
| <b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>       |                             |                     |                     |
| Operating (loss) income  | \$ (536,652)                | \$ 583,613          | \$ 46,961           |
| Adjustments to reconcile operating (loss) income to net cash from operating activities:      |                             |                     |                     |
| Depreciation and amortization  | 451,011                     | 999,678             | 1,450,689           |
| Changes in assets and liabilities:   |                             |                     |                     |
| Receivables  | (55,597)                    | (26,061)            | (81,658)            |
| Due to and from other funds  | -                           | 113,781             | 113,781             |
| Prepaid and other assets   | 9,504                       | (2,586)             | 6,918               |
| Accounts payable   | (41,109)                    | 146,117             | 105,008             |
| Accrued and other liabilities  | (824)                       | 12,596              | 11,772              |
| Net cash and cash equivalents (used in) provided by operating activities                     | <b>\$ (173,667)</b>         | <b>\$ 1,827,138</b> | <b>\$ 1,653,471</b> |

**Charter Township of Benton**

**Fiduciary Funds  
Statement of Fiduciary Net Position**

**December 31, 2018**

|  | Trust Fund<br>Pension and<br>Retiree Health<br>Insurance | Agency                   |
|--|--|--------------------------|
| <b>Assets</b>  |  |                          |
| Cash and cash equivalents  | \$ -   | \$ 672,855               |
| Investments:   |  |                          |
| U.S. government securities   | 459,272  | -                        |
| Common stock   | 1,143,195  | -                        |
| Corporate bonds  | 3,210,157  | -                        |
| Municipal bonds  | 1,280,259  | -                        |
| Bank investment pool funds   | 12,593,750   | -                        |
| Other assets   | 97,111   | -                        |
| Total assets   | 18,783,744   | <u><u>\$ 672,855</u></u> |
| <b>Liabilities - Due to other governments</b>                          | <u><u>-</u></u>  | <u><u>\$ 672,855</u></u> |
| <b>Net Position Restricted for Pension and Other Employee Benefits</b> | <u><u>\$ 18,783,744</u></u>                              |                          |

# Charter Township of Benton

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

Year Ended December 31, 2018

### Additions

|   |                    |
|---|--------------------|
| Investment income (loss):                 |                    |
| Interest and dividends                    | \$ 412,806         |
| Net decrease in fair value of investments | <u>(1,285,697)</u> |
| Net investment loss                       | (872,891)          |
| Contributions:                            |                    |
| Employer                                  | 1,158,298          |
| Employee                                  | <u>179,443</u>     |
| Total contributions                       | <u>1,337,741</u>   |
| Total additions                           | 464,850            |

### Deductions

|                         |                  |
|-------------------------|------------------|
| Benefit payments        | 1,863,446        |
| Administrative expenses | <u>59,736</u>    |
| Total deductions        | <u>1,923,182</u> |

|  |                             |
|--|-----------------------------|
| <b>Net Decrease Restricted for Pension and Other Employee Benefits</b>                     | (1,458,332)                 |
| <b>Net Position Restricted for Pension and Other Employee Benefits - Beginning of year</b> | <u>20,242,076</u>           |
| <b>Net Position Restricted for Pension and Other Employee Benefits - End of year</b>       | <u><u>\$ 18,783,744</u></u> |

December 31, 2018

### 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's 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, 2018 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.

**Unspent Bond Proceeds**

Unspent bond proceeds in the water system fund are set aside for water improvement projects. These amounts have also been classified as restricted noncurrent assets.

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

**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 -<br/>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 deferred outflows related to the pension and retiree healthcare plans, which are reported in the government-wide financial statements.

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**

Net position of the Charter Township is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets and deferred outflows reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

**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.

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as committed. The Charter Township 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.

**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 2017 property tax revenue was levied and collectible on December 1, 2017 and is recognized as revenue in the year ended December 31, 2018 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2017 taxable valuation of the Charter Township totaled \$397.4 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 \$385,000 ad valorem property tax revenue, \$152,000 in administrative fees for operating services, and \$852,000, \$680,000, and \$3,146,000 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 records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Benton Charter Township Retiree Medical Plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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

**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.

**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**

During the current year, the Charter Township adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces GASB Statement No. 45. As a result, the government-wide statements and proprietary funds now include a liability for the Charter Township's estimated unfunded other postemployment benefit (OPEB) costs. Some of the changes in this net OPEB liability will be recognized immediately as part of the OPEB expense measurement, and part will be deferred and recognized over future years. Refer to the other postemployment benefit plan disclosure (see Note 8) for further details. This change does not impact the modified accrual funds.

The financial statements for the year ended December 31, 2017 have been restated in order to adopt GASB Statement No. 75. The effect of this new standard was a decrease in net position to record the net OPEB liability at December 31, 2017. Additionally, the net OPEB obligation previously recorded in the government-wide statements in accordance with GASB Statement No. 45 has been eliminated, and the overall result was an decrease in net position as of the beginning of the current fiscal year.

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| Net position - Beginning of year, as previously reported                                      | \$ 485,882                         |
| Adjustment for the implementation of GASB Statement No. 75 - To record the net OPEB liability | (1,553,212)                        |
| Adjustment for removal of net OPEB obligation   | <u>656,065</u>                     |
| Net position - Beginning of year, as restated   | <u>\$ (411,265)</u>                |

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

***Upcoming Accounting Pronouncements***

In November 2016, the Governmental Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The 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.

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.

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.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. 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.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the Charter Township's financial statements for the December 31, 2020 fiscal year.

December 31, 2018

**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, 2018           | \$ (2,442,061)               |
| Current year permit revenue            | 303,791                      |
| Less related expenses - Direct costs   | <u>384,818</u>               |
| Current year shortfall                 | <u>(81,027)</u>              |
| Cumulative shortfall December 31, 2018 | <u><u>\$ (2,523,088)</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 Health Insurance 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.

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 \$14.2 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.

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

**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, 2018, 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                            | \$ 11,037,214  | Counterparty's trust department |
| Corporate bonds                         | 3,210,157      | Counterparty's trust department |
| Corporate stocks                        | 1,143,195      | Counterparty's trust department |
| Municipal bonds                         | 1,280,259      | Counterparty's trust department |
| U.S. government or agency bond or notes | 459,272        | 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     | \$ 4,490,416   | 2.55                              |
| U.S. government agency securities | 459,272        | 4.32                              |

**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, 2018, 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 | \$ 1,336,543   | AAA    | S&P                 |
| Corporate and municipal bonds | 147,522        | AA+    | S&P                 |
| Corporate and municipal bonds | 1,204,988      | AA     | S&P                 |
| Corporate and municipal bonds | 149,193        | AA-    | S&P                 |
| Corporate and municipal bonds | 451,858        | A+     | S&P                 |
| Corporate and municipal bonds | 578,015        | A      | S&P                 |
| Corporate and municipal bonds | 273,262        | A-     | S&P                 |
| Corporate and municipal bonds | 174,689        | BBB    | S&P                 |
| Corporate and municipal bonds | 174,346        | BBB+   | S&P                 |
| Total                         | \$ 4,490,416   |        |                     |

**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.

December 31, 2018

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

**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.

The Charter Township has the following recurring fair value measurements as of December 31, 2018:

|                             | Assets Measured at Carrying Value on a Recurring Basis at<br>December 31, 2018 |  |  |                                    |
|-----------------------------|--|--|--|------------------------------------|
|                             | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level 1)     | Significant Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Balance at<br>December 31,<br>2018 |
| Debt securities:            |  |  |  |                                    |
| U.S. Treasury securities    | \$ 289,986   | \$ -   | \$ -   | \$ 289,986                         |
| Municipal bonds             | -  | 1,280,259  | -  | 1,280,259                          |
| Government agencies         | -  | 169,286  | -  | 169,286                            |
| Corporate bonds             | -  | 3,210,157  | -  | 3,210,157                          |
| Total debt securities       | 289,986  | 4,659,702  | -  | 4,949,688                          |
| Equity securities:          |  |  |  |                                    |
| Common stock                | 1,143,195  | -  | -  | 1,143,195                          |
| Mutual funds - Equity       | 7,510,907  | -  | -  | 7,510,907                          |
| Mutual funds - Fixed income | 2,486,971  | -  | -  | 2,486,971                          |
| Mutual funds - ETF          | 1,039,336  | -  | -  | 1,039,336                          |
| Total equity securities     | 12,180,409   | -  | -  | 12,180,409                         |
| Total assets                | \$ 12,470,395  | \$ 4,659,702   | \$ -   | \$ 17,130,097                      |

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, 2018 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, 2018**

**Note 4 - Capital Assets**

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

**Governmental Activities**

|  | Balance<br>January 1, 2018 | Reclassifications | Additions  | Disposals | Balance<br>December 31,<br>2018 |
|--|----------------------------|-------------------|------------|-----------|---------------------------------|
| Capital assets not being depreciated:      |                            |                   |            |           |                                 |
| Land                                       | \$ 817,114                 | \$ -              | \$ 37,906  | \$ -      | \$ 855,020                      |
| Construction in progress                   | 54,640                     | (54,640)          | 210,000    | -         | 210,000                         |
| Subtotal                                   | 871,754                    | (54,640)          | 247,906    | -         | 1,065,020                       |
| Capital assets being depreciated:          |                            |                   |            |           |                                 |
| Buildings and improvements                 | 4,886,051                  | -                 | 28,509     | -         | 4,914,560                       |
| Vehicles                                   | 2,872,779                  | -                 | 353,178    | (77,449)  | 3,148,508                       |
| Land improvements                          | 88,119                     | -                 | 21,155     | -         | 109,274                         |
| Tools and equipment                        | 1,578,009                  | 54,640            | 98,722     | -         | 1,731,371                       |
| Office equipment                           | 378,119                    | -                 | 5,896      | -         | 384,015                         |
| Cost of others' storm drains               | 1,228,402                  | -                 | 55,284     | -         | 1,283,686                       |
| Subtotal                                   | 11,031,479                 | 54,640            | 562,744    | (77,449)  | 11,571,414                      |
| Accumulated depreciation:                  |                            |                   |            |           |                                 |
| Buildings and improvements                 | 1,841,243                  | -                 | 106,641    | -         | 1,947,884                       |
| Vehicles                                   | 2,056,081                  | -                 | 217,756    | (77,449)  | 2,196,388                       |
| Land improvements                          | 60,050                     | -                 | 7,352      | -         | 67,402                          |
| Tools and equipment                        | 1,196,329                  | -                 | 78,254     | -         | 1,274,583                       |
| Office equipment                           | 221,146                    | -                 | 58,216     | -         | 279,362                         |
| Cost of others' storm drains               | 169,396                    | -                 | 53,132     | -         | 222,528                         |
| Subtotal                                   | 5,544,245                  | -                 | 521,351    | (77,449)  | 5,988,147                       |
| Net capital assets being depreciated       | 5,487,234                  | 54,640            | 41,393     | -         | 5,583,267                       |
| Net governmental activities capital assets | \$ 6,358,988               | \$ -              | \$ 289,299 | \$ -      | \$ 6,648,287                    |

December 31, 2018

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

***Business-type Activities***

|   | Balance<br>January 1, 2018 | Reclassifications | Additions    | Disposals | Balance<br>December 31,<br>2018 |
|---|----------------------------|-------------------|--------------|-----------|---------------------------------|
| Capital assets not being depreciated:     |                            |                   |              |           |                                 |
| Land                                      | \$ 1,354,112               | \$ -              | \$ -         | \$ -      | \$ 1,354,112                    |
| Construction in progress                  | 13,300                     | (13,300)          | 318,825      | -         | 318,825                         |
| Subtotal                                  | 1,367,412                  | (13,300)          | 318,825      | -         | 1,672,937                       |
| Capital assets being depreciated:         |                            |                   |              |           |                                 |
| Utility system                            | 38,515,959                 | -                 | 64,402       | -         | 38,580,361                      |
| Buildings and improvements                | 8,899,594                  | -                 | 64,700       | -         | 8,964,294                       |
| Tools and equipment                       | 4,144,116                  | 13,300            | 230,729      | -         | 4,388,145                       |
| Vehicles                                  | 718,394                    | -                 | -            | -         | 718,394                         |
| Subtotal                                  | 52,278,063                 | 13,300            | 359,831      | -         | 52,651,194                      |
| Accumulated depreciation:                 |                            |                   |              |           |                                 |
| Utility system                            | 17,692,164                 | -                 | 850,535      | -         | 18,542,699                      |
| Buildings and improvements                | 1,450,499                  | -                 | 232,598      | -         | 1,683,097                       |
| Tools and equipment                       | 1,612,869                  | -                 | 265,530      | -         | 1,878,399                       |
| Vehicles                                  | 392,243                    | -                 | 102,026      | -         | 494,269                         |
| Subtotal                                  | 21,147,775                 | -                 | 1,450,689    | -         | 22,598,464                      |
| Net capital assets being depreciated      | 31,130,288                 | 13,300            | (1,090,858)  | -         | 30,052,730                      |
| Net business-type activity capital assets | \$ 32,497,700              | \$ -              | \$ (772,033) | \$ -      | \$ 31,725,667                   |

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

|                                |                     |
|--------------------------------|---------------------|
| Governmental activities:       |                     |
| General government             | \$ 216,776          |
| Public safety                  | 266,205             |
| Public works                   | 35,164              |
| Recreation and culture         | 3,206               |
| Total governmental activities  | <u>\$ 521,351</u>   |
| Business-type activities:      |                     |
| Sanitary Sewage System Fund    | \$ 451,011          |
| Water System Fund              | 999,678             |
| Total business-type activities | <u>\$ 1,450,689</u> |

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

**Construction Commitments**

At December 31, 2018, the Charter Township had signed construction contracts for approximately \$1,238,000 of projects, including M-63, water plant improvements, and township hall upgrades.

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

The composition of interfund balances is as follows:

| Receivable Fund       | Payable Fund                | Amount                     |
|-----------------------|-----------------------------|----------------------------|
| Debt Service Fund     | Fire Fund                   | \$ 1,060                   |
| Capital Projects Fund | General Fund                | 1,120,193                  |
|                       | Fire Fund                   | <u>35,000</u>              |
|                       | Total Capital Projects Fund | 1,155,193                  |
| General Fund          | Community Development Fund  | 2,067                      |
| Sewer Fund            | Water Fund                  | <u>41,466</u>              |
|                       | Total                       | <u><u>\$ 1,199,786</u></u> |

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

| Fund Borrowed From | Fund Loaned To    | Amount     |
|--------------------|-------------------|------------|
| General Fund       | Debt Service Fund | \$ 210,000 |

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 the initial payment for a fire truck.

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                    | \$ 997,824                 |
|                            | Police Fund                  | <u>2,184,254</u>           |
|                            | Total Public Safety Fund     | 3,182,078                  |
| General Fund               | Capital Projects Fund        | 322,500                    |
|                            | Debt Service Fund            | 92,053                     |
|                            | Police Fund                  | <u>50,000</u>              |
|                            | Total General Fund           | <u>464,553</u>             |
|                            | Total                        | <u><u>\$ 3,646,631</u></u> |

December 31, 2018

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

The transfer from the General Fund to the Capital Projects Fund is for capital acquisitions. The transfer from the General Fund to the Debt Service Fund results from the debt payment on a trash truck, and the transfer to the Police Fund is to cover normal operating expenses. The transfers from the Public Safety Fund to the Fire and Police funds are to distribute property tax millages received.

**Note 6 - Long-term Debt**

Long-term debt activity for the year ended December 31, 2018 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 - Trash Truck Loan - 2017 | 1.5%          | 2020             | \$ 267,963        | \$ -              | \$ (87,944)         | \$ 180,019        | \$ 89,314           |
| Accumulated compensated absences         |               |                  | 618,389           | 270,180           | (327,160)           | 561,409           | 243,381             |
| Total governmental activities            |               |                  | <u>\$ 886,352</u> | <u>\$ 270,180</u> | <u>\$ (415,104)</u> | <u>\$ 741,428</u> | <u>\$ 332,695</u>   |

**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                      | \$ 1,465,000        | \$ -                 | \$ (380,000)        | \$ 1,085,000         | \$ 130,000          |
| General obligation bond - 2014              | 2.0-4.0%             | 2034                      | 2,975,000           | -                    | (175,000)           | 2,800,000            | 175,000             |
| General obligation bond - 2015              | 0.85-3.3%            | 2030                      | 1,040,000           | -                    | (80,000)            | 960,000              | 80,000              |
| General obligation bond - 2018 - Refunded   | 3.06-3.38            | 2030                      | -                   | 13,575,000           | -                   | 13,575,000           | 655,000             |
| General obligation bond - 2018 - New        | 3.06-3.38            | 2030                      | -                   | 1,305,000            | -                   | 1,305,000            | 65,000              |
| Unamortized bond premiums                   |                      |                           | -                   | 2,221,973            | (234,755)           | 1,987,218            | -                   |
| Unamortized bond discounts                  |                      |                           | (27,463)            | -                    | 1,616               | (25,847)             | -                   |
| Total bonds payable                         |                      |                           | 5,452,537           | 17,101,973           | (868,139)           | 21,686,371           | 1,105,000           |
| Accumulated compensated absences            |                      |                           | 53,004              | 49,451               | (40,593)            | 61,862               | 6,186               |
| Total business-type activities              |                      |                           | <u>\$ 5,505,541</u> | <u>\$ 17,151,424</u> | <u>\$ (908,732)</u> | <u>\$ 21,748,233</u> | <u>\$ 1,111,186</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.

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

In March 2018, the Charter Township issued \$13,575,000 and \$1,305,000 in general obligation bonds with an average interest rate of 3.2 percent. The proceeds of these bonds were used to pay off the outstanding balances of Water System No. 27 Series 2010 and 2011 bonds with an average interest rate of 4.27 and 4.05 percent, respectively, which were recorded as a capital lease through the County of Berrien, Michigan, which were used to finance the construction of water facilities to service the Charter Township. The net proceeds of \$1.48 million (after approximately \$218,000 in underwriting fees, insurance, and other issuance costs) will be used to fund new water distribution improvement projects. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the general long-term debt account group. The refunding reduced total debt service payments over the next 14 years by approximately \$1.77 million, which represents an economic gain of approximately \$1.46 million.

**Debt Service Requirements to Maturity**

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

| Years Ending<br>December 31 | Governmental Activities |          |            | Business-type Activities |              |               |
|-----------------------------|-------------------------|----------|------------|--------------------------|--------------|---------------|
|                             | Principal               | Interest | Total      | Principal                | Interest     | Total         |
| 2019                        | \$ 89,314               | \$ 2,718 | \$ 92,032  | \$ 1,105,000             | \$ 846,878   | \$ 1,951,878  |
| 2020                        | 90,705                  | 1,326    | 92,031     | 1,390,000                | 808,628      | 2,198,628     |
| 2021                        | -                       | -        | -          | 1,455,000                | 754,233      | 2,209,233     |
| 2022                        | -                       | -        | -          | 1,495,000                | 696,238      | 2,191,238     |
| 2023                        | -                       | -        | -          | 1,415,000                | 635,423      | 2,050,423     |
| 2024-2028                   | -                       | -        | -          | 7,215,000                | 2,228,738    | 9,443,738     |
| 2029-2033                   | -                       | -        | -          | 5,475,000                | 485,809      | 5,960,809     |
| 2034                        | -                       | -        | -          | 175,000                  | 7,000        | 182,000       |
| Total                       | \$ 180,019              | \$ 4,044 | \$ 184,063 | \$ 19,725,000            | \$ 6,462,947 | \$ 26,187,947 |

**Note 7 - 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 8 - Other Postemployment Benefit Plan**

**Plan Description**

The Charter Township provides OPEB for all employees who meet eligibility requirements. The benefits are provided through the Benton Charter Township Retiree Medical Plan, a single-employer defined benefit OPEB plan administered by the Charter Township.

The financial statements of the OPEB plan are included in these financial statements as the Retiree and Health Insurance Fund (a fiduciary fund).

**Note 8 - Other Postemployment Benefit Plan (Continued)**

***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 plan members  | <u><u>89</u></u>  |

***Contributions***

Retiree healthcare costs are 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 are due for payment. The Charter Township establishes contribution rates based on an actuarially determined rate per a funding valuation. For the fiscal year ended December 31, 2018, the Charter Township made payments for postemployment health benefit premiums of \$225,535. Employees are not required to contribute to the plan.

***Net OPEB Liability***

The Charter Township has chosen to use the December 31 measurement date as its measurement date for the net OPEB liability. The December 31, 2018 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the December 31, 2018 measurement date. The December 31, 2018 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2017, which used updated procedures to roll forward the estimated liability to December 31, 2018.

**Note 8 - Other Postemployment Benefit Plan (Continued)**

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

| Changes in Net OPEB Liability                      | Increase (Decrease)  |                     |                     |
|--|----------------------|---------------------|---------------------|
|  | Total OPEB Liability | Plan Net Position   | Net OPEB Liability  |
| <b>Balance at January 1, 2018</b>                  | \$ 3,081,607         | \$ 1,528,395        | \$ 1,553,212        |
| Changes for the year:                              |                      |                     |                     |
| Service cost                                       | 52,211               | -                   | 52,211              |
| Interest   | 187,828              | -                   | 187,828             |
| Differences between expected and actual experience | 11,964               | -                   | 11,964              |
| Contributions - Employer                           | -                    | 225,535             | (225,535)           |
| Net investment loss                                | -                    | (70,857)            | 70,857              |
| Benefit payments, including refunds                | (204,935)            | (204,935)           | -                   |
| Administrative expenses                            | -                    | (4,665)             | 4,665               |
| Net changes  | 47,068               | (54,922)            | 101,990             |
| <b>Balance at December 31, 2018</b>                | <u>\$ 3,128,675</u>  | <u>\$ 1,473,473</u> | <u>\$ 1,655,202</u> |

The plan's fiduciary net position represents 47.1 percent of the total OPEB liability.

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended December 31, 2018, the Charter Township recognized OPEB expense of \$184,423.

At December 31, 2018, the Charter Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| Difference between expected and actual experience                             | \$ 9,599                       | \$ -                          |
| Net difference between projected and actual earnings on OPEB plan investments | 133,503                        | -                             |
| Total   | <u>\$ 143,102</u>              | <u>\$ -</u>                   |

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

| Years Ending December 31 | Amount    |
|--------------------------|-----------|
| 2019                     | \$ 35,741 |
| 2020                     | 35,741    |
| 2021                     | 35,741    |
| 2022                     | 35,741    |
| 2023                     | 138       |

**Note 8 - Other Postemployment Benefit Plan (Continued)**

**Actuarial Assumptions**

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using an inflation assumption of 3 percent; assumed salary increases (including inflation) of 4 to 17 percent; an investment rate of return (net of investment expenses) of 6.25 percent; and a healthcare cost trend rate of 9 percent, gradually decreasing to a trend of 4 percent in year 10. These assumptions were applied to all periods included in the measurement.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.25 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 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 OPEB 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 OPEB 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 adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2018 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

| Asset Class             | Long-term<br>Expected Real<br>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   |
| Cash                    | 0.50   |

**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, as well as what the Charter Township's net OPEB 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<br>Decrease<br>(5.25%) | Current Discount<br>Rate (6.25%) | 1 Percent<br>Increase<br>(7.25%) |
|---|----------------------------------|----------------------------------|----------------------------------|
| Net OPEB liability of the Benton Charter Township<br>Retiree Medical Plan | \$ 1,954,335                     | \$ 1,655,202                     | \$ 136,241                       |

**Note 8 - Other Postemployment Benefit Plan (Continued)**

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

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 Charter Township's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

|   | <u>1 Percent<br/>Decrease (8%)</u> | <u>Current<br/>Healthcare Cost<br/>Trend Rate (9%)</u> | <u>1 Percent<br/>Increase (10%)</u> |
|---|------------------------------------|--|-------------------------------------|
| Net OPEB liability of the Benton Charter Township<br>Retiree Medical Plan | \$ 1,618,795                       | \$ 1,655,202   | \$ 1,697,342                        |

***Investment Policy***

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the OPEB board by a majority vote of its members. It is the policy of the OPEB 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 OPEB 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 OPEB board's adopted asset allocation policy as of December 31, 2018:

| <u>Asset Class</u>      | <u>Target Allocation</u> |
|-------------------------|--------------------------|
| Domestic equity - Large | 26.00 %                  |
| Domestic equity - Mid   | 8.00                     |
| Domestic equity - Small | 4.00                     |
| International equity    | 12.00                    |
| Domestic fixed income   | 45.00                    |
| Cash                    | 5.00                     |

***Rate of Return***

For the year ended December 31, 2018, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was (6.28) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Note 9 - 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.

**Note 9 - 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:

| Date of member count  | December 31,<br>2018 |
|---|----------------------|
| Inactive plan members or beneficiaries currently receiving benefits | 55                   |
| Inactive plan members entitled to but not yet receiving benefits    | 3                    |
| Active plan members   | <u>32</u>            |
| Total employees covered by the plan                                 | <u><u>90</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, 2018, the average active employee contribution rate was 8.62 percent of annual pay and the Charter Township's average contribution rate was 44.87 percent of annual payroll for the various employee groups.

December 31, 2018

**Note 9 - 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, 2018 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, 2018 measurement date. The December 31, 2018 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

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

| Changes in Net Pension Liability                   | Increase (Decrease)     |                      |                       |
|--|-------------------------|----------------------|-----------------------|
|  | Total Pension Liability | Plan Net Position    | Net Pension Liability |
| <b>Balance at January 1, 2018</b>                  | \$ 27,013,359           | \$ 18,713,681        | \$ 8,299,678          |
| Changes for the year:                              |                         |                      |                       |
| Service cost                                       | 511,176                 | -                    | 511,176               |
| Interest   | 1,850,778               | -                    | 1,850,778             |
| Differences between expected and actual experience | 298,542                 | -                    | 298,542               |
| Changes in assumptions                             | (117,631)               | -                    | (117,631)             |
| Contributions - Employer                           | -                       | 932,763              | (932,763)             |
| Contributions - Employee                           | -                       | 179,443              | (179,443)             |
| Net investment loss                                | -                       | (802,033)            | 802,033               |
| Benefit payments, including refunds                | (1,658,511)             | (1,658,511)          | -                     |
| Administrative expenses                            | -                       | (55,071)             | 55,071                |
| <b>Net changes</b>                                 | <b>884,354</b>          | <b>(1,403,409)</b>   | <b>2,287,763</b>      |
| <b>Balance at December 31, 2018</b>                | <b>\$ 27,897,713</b>    | <b>\$ 17,310,272</b> | <b>\$ 10,587,441</b>  |

The plan's fiduciary net position represents 62.05 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, 2018, the Charter Township recognized pension expense of \$1,111,929.

At December 31, 2018, 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                                | \$ 221,860                     | \$ 362,955                    |
| Changes in assumptions   | -                              | 87,417                        |
| Net difference between projected and actual earnings on pension plan investments | 1,443,764                      | -                             |
| <b>Total</b>   | <b>\$ 1,665,624</b>            | <b>\$ 450,372</b>             |

December 31, 2018

**Note 9 - 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<br>December 31 | Amount     |
|-----------------------------|------------|
| 2019                        | \$ 253,763 |
| 2020                        | 259,113    |
| 2021                        | 284,188    |
| 2022                        | 418,188    |

**Actuarial Assumptions**

The total pension liability in the December 31, 2018 actuarial valuation was determined using an inflation assumption of 3.5 percent, assumed salary increases (including inflation) of 3.5 to 7.5 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, 2018 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<br>Expected Real<br>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   |
| Cash                    | 0.50   |

December 31, 2018

**Note 9 - 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<br>Decrease<br>(6.0%) | Current<br>Discount Rate<br>(7.0%) | 1 Percent<br>Increase<br>(8.0%) |
|--|---------------------------------|------------------------------------|---------------------------------|
| Net pension liability of the Charter Township of Benton Pension Plan | \$ 13,751,387                   | \$ 10,587,441                      | \$ 7,924,790                    |

***Assumption Changes***

Since the prior measurement date, there was a change in the wage inflation rate. The rate was reduced from 4.00 percent to 3.50 percent. This assumption was updated to better reflect actual experience and industry expectations. This change resulted in a liability decrease of approximately \$118,000.

***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, 2018:

| Asset Class             | Target Allocation |
|-------------------------|-------------------|
| Domestic equity - Large | 26.00 %           |
| Domestic equity - Mid   | 8.00              |
| Domestic equity - Small | 4.00              |
| International equity    | 12.00             |
| Domestic fixed income   | 45.00             |
| Cash                    | 5.00              |

***Rate of Return***

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (4.66) 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.

**December 31, 2018**

**Note 9 - Pension Plan - Police and Fire Retirement Systems (Continued)**

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

The balances of the reserve accounts at December 31, 2018 are as follows:

|                  | Required<br>Reserve | Amount Funded |
|------------------|---------------------|---------------|
| Retiree reserve  | \$ 17,793,109       | \$ 17,793,109 |
| Employee reserve | 3,159,826           | 3,159,826     |
| Employer reserve | -                   | (3,642,663)   |
| Total            | \$ 20,952,935       | \$ 17,310,272 |

**Note 10 - 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 and are fully vested after four years of service, at a rate of 25 percent per year of service. 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 \$183,000 during the current year and employees contributed approximately \$109,000.

**Note 11 - 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, 2018, the Charter Township abated approximately \$12,000 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, 2018, 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, 2018, 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.

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## Required Supplemental Information

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# Charter Township of Benton

## Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2018

|   | Original Budget     | Amended Budget      | Actual              | Variance          |
|---|---------------------|---------------------|---------------------|-------------------|
| <b>Revenue</b>                              |                     |                     |                     |                   |
| Property taxes                              | \$ 553,725          | \$ 553,725          | \$ 564,768          | \$ 11,043         |
| Special assessments                         | 10,725              | 10,725              | 10,775              | 50                |
| State-shared revenue and grants             | 1,365,000           | 1,365,000           | 1,487,877           | 122,877           |
| Charges for services                        | 980,500             | 980,500             | 1,004,865           | 24,365            |
| Licenses and permits                        | 128,250             | 128,250             | 251,082             | 122,832           |
| Investment income                           | 40,000              | 40,000              | 96,010              | 56,010            |
| Other revenue                               | 31,800              | 31,800              | 39,766              | 7,966             |
| <b>Total revenue</b>                        | <b>3,110,000</b>    | <b>3,110,000</b>    | <b>3,455,143</b>    | <b>345,143</b>    |
| <b>Expenditures</b>                         |                     |                     |                     |                   |
| Current services:                           |                     |                     |                     |                   |
| General government:                         |                     |                     |                     |                   |
| Township board                              | 497,500             | 497,500             | 424,112             | 73,388            |
| Supervisor                                  | 41,000              | 41,000              | 34,777              | 6,223             |
| Treasurer                                   | 139,000             | 139,000             | 131,747             | 7,253             |
| Assessing                                   | 316,250             | 316,250             | 265,745             | 50,505            |
| Board of review                             | 5,000               | 5,000               | 2,578               | 2,422             |
| Clerk                                       | 222,250             | 222,250             | 208,967             | 13,283            |
| Buildings and grounds                       | 194,800             | 259,800             | 243,023             | 16,777            |
| Elections                                   | 121,000             | 131,000             | 125,652             | 5,348             |
| Public safety:                              |                     |                     |                     |                   |
| Ordinance officer                           | 87,500              | 87,500              | 81,434              | 6,066             |
| Building department                         | 411,500             | 411,500             | 384,818             | 26,682            |
| Public works:                               |                     |                     |                     |                   |
| Streets                                     | 90,000              | 90,000              | 32,054              | 57,946            |
| Trash and rubbish                           | 446,750             | 446,750             | 384,222             | 62,528            |
| Street lighting                             | 110,000             | 110,000             | 108,142             | 1,858             |
| Garage                                      | 95,950              | 95,950              | 86,198              | 9,752             |
| Community and economic development:         |                     |                     |                     |                   |
| Planning                                    | 7,500               | 7,500               | 3,488               | 4,012             |
| Zoning                                      | 3,000               | 3,000               | 646                 | 2,354             |
| Recreation and culture                      | 106,000             | 106,000             | 62,457              | 43,543            |
| <b>Total expenditures</b>                   | <b>2,895,000</b>    | <b>2,970,000</b>    | <b>2,580,060</b>    | <b>389,940</b>    |
| <b>Excess of Revenue Over Expenditures</b>  | <b>215,000</b>      | <b>140,000</b>      | <b>875,083</b>      | <b>735,083</b>    |
| <b>Other Financing Uses - Transfers out</b> | <b>(215,000)</b>    | <b>(465,000)</b>    | <b>(464,553)</b>    | <b>447</b>        |
| <b>Net Change in Fund Balance</b>           | <b>-</b>            | <b>(325,000)</b>    | <b>410,530</b>      | <b>735,530</b>    |
| <b>Fund Balance - Beginning of year</b>     | <b>2,459,883</b>    | <b>2,459,883</b>    | <b>2,459,883</b>    | <b>-</b>          |
| <b>Fund Balance - End of year</b>           | <b>\$ 2,459,883</b> | <b>\$ 2,134,883</b> | <b>\$ 2,870,413</b> | <b>\$ 735,530</b> |

**Charter Township of Benton**

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

**Year Ended December 31, 2018**

|   | <u>Original Budget</u> | <u>Actual</u>     | <u>Variance</u>   |
|---|------------------------|-------------------|-------------------|
| <b>Revenue</b>                                |                        |                   |                   |
| Property taxes                                | \$ 728,000             | \$ 715,252        | \$ (12,748)       |
| State-shared revenue and grants               | 66,000                 | 16,252            | (49,748)          |
| Charges for services                          | 50,000                 | 62,500            | 12,500            |
| Other revenue                                 | 10,000                 | 27,616            | 17,616            |
| Total revenue                                 | 854,000                | 821,620           | (32,380)          |
| <b>Expenditures - Public safety</b>           | 1,872,250              | 1,699,010         | 173,240           |
| <b>Excess of Expenditures Over Revenue</b>    | (1,018,250)            | (877,390)         | 140,860           |
| <b>Other Financing Sources - Transfers in</b> | 1,019,500              | 997,824           | (21,676)          |
| <b>Net Change in Fund Balance</b>             | 1,250                  | 120,434           | 119,184           |
| <b>Fund Balance - Beginning of year</b>       | 474,029                | 474,029           | -                 |
| <b>Fund Balance - End of year</b>             | <u>\$ 475,279</u>      | <u>\$ 594,463</u> | <u>\$ 119,184</u> |

# Charter Township of Benton

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

Year Ended December 31, 2018

|   | <u>Original Budget</u> | <u>Actual</u>     | <u>Variance with Amended Budget</u> |
|---|------------------------|-------------------|-------------------------------------|
| <b>Revenue</b>                                |                        |                   |                                     |
| Property taxes                                | \$ 926,700             | \$ 903,267        | \$ (23,433)                         |
| Special assessments                           | 172,350                | 172,391           | 41                                  |
| State-shared revenue and grants               | 119,000                | 19,952            | (99,048)                            |
| Fines and forfeitures                         | 18,050                 | 14,943            | (3,107)                             |
| Licenses and permits                          | 14,000                 | 15,743            | 1,743                               |
| Investment income                             | 100                    | 280               | 180                                 |
| Other revenue                                 | 40,000                 | 47,727            | 7,727                               |
| Total revenue                                 | 1,290,200              | 1,174,303         | (115,897)                           |
| <b>Expenditures - Public safety</b>           | <u>3,430,200</u>       | <u>3,401,832</u>  | <u>28,368</u>                       |
| <b>Excess of Expenditures Over Revenue</b>    | (2,140,000)            | (2,227,529)       | (87,529)                            |
| <b>Other Financing Sources - Transfers in</b> | <u>2,140,000</u>       | <u>2,234,254</u>  | <u>94,254</u>                       |
| <b>Net Change in Fund Balance</b>             | -                      | 6,725             | 6,725                               |
| <b>Fund Balance - Beginning of year</b>       | <u>491,110</u>         | <u>491,110</u>    | -                                   |
| <b>Fund Balance - End of year</b>             | <u>\$ 491,110</u>      | <u>\$ 497,835</u> | <u>\$ 6,725</u>                     |

**Charter Township of Benton**

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

**Year Ended December 31, 2018**

|   | <u>Original Budget</u> | <u>Actual</u>      | <u>Variance with<br/>Amended<br/>Budget</u> |
|---|------------------------|--------------------|---|
| <b>Revenue</b>                              |                        |                    |   |
| Property taxes                              | \$ 3,145,500           | \$ 3,216,752       | \$ 71,252                                   |
| State-shared revenue and grants             | -                      | 54,737             | 54,737                                      |
| Other revenue                               | -                      | 64                 | 64  |
| Total revenue                               | <u>3,145,500</u>       | <u>3,271,553</u>   | <u>126,053</u>                              |
| <b>Expenditures - Public safety</b>         | <u>71,000</u>          | <u>89,475</u>      | <u>(18,475)</u>                             |
| <b>Excess of Revenue Over Expenditures</b>  | 3,074,500              | 3,182,078          | 107,578                                     |
| <b>Other Financing Uses - Transfers out</b> | <u>(3,074,500)</u>     | <u>(3,182,078)</u> | <u>(107,578)</u>                            |
| <b>Net Change in Fund Balance</b>           | -                      | -                  | -   |
| <b>Fund Balance - Beginning of year</b>     | -                      | -                  | -   |
| <b>Fund Balance - End of year</b>           | <u>\$ -</u>            | <u>\$ -</u>        | <u>\$ -</u>                                 |

# Charter Township of Benton

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

|  | <b>Last Five Fiscal Years</b> |                      |                      |                      |                      |
|--|-------------------------------|----------------------|----------------------|----------------------|----------------------|
|  | 2018                          | 2017                 | 2016                 | 2015                 | 2014                 |
| <b>Total Pension Liability</b>   |                               |                      |                      |                      |                      |
| Service cost   | \$ 511,176                    | \$ 559,126           | \$ 556,011           | \$ 520,965           | \$ 566,962           |
| Interest   | 1,850,778                     | 1,817,977            | 1,833,433            | 1,773,298            | 1,638,236            |
| Differences between expected and actual experience                                 | 298,542                       | (315,318)            | (1,151,122)          | (447,726)            | 1,256,878            |
| Changes in assumptions   | (117,631)                     | -                    | -                    | 456,048              | -                    |
| Benefit payments, including refunds  | (1,658,511)                   | (1,479,923)          | (1,441,442)          | (1,480,641)          | (1,538,583)          |
| <b>Net Change in Total Pension Liability</b>                                       | 884,354                       | 581,862              | (203,120)            | 821,944              | 1,923,493            |
| <b>Total Pension Liability - Beginning of year</b>                                 | 27,013,359                    | 26,431,497           | 26,634,617           | 25,812,673           | 23,889,180           |
| <b>Total Pension Liability - End of year</b>                                       | <b>\$ 27,897,713</b>          | <b>\$ 27,013,359</b> | <b>\$ 26,431,497</b> | <b>\$ 26,634,617</b> | <b>\$ 25,812,673</b> |
| <b>Plan Fiduciary Net Position</b>   |                               |                      |                      |                      |                      |
| Contributions - Employer   | \$ 932,763                    | \$ 1,056,574         | \$ 947,792           | \$ 851,779           | \$ 800,203           |
| Contributions - Member   | 179,443                       | 181,354              | 165,901              | 160,486              | 137,898              |
| Net investment (loss) income   | (802,033)                     | 2,054,024            | 988,091              | (37,297)             | 862,704              |
| Administrative expenses  | (55,071)                      | (53,027)             | (49,222)             | (50,070)             | (50,060)             |
| Benefit payments, including refunds  | (1,658,511)                   | (1,479,923)          | (1,441,442)          | (1,480,641)          | (1,538,583)          |
| <b>Net Change in Plan Fiduciary Net Position</b>                                   | (1,403,409)                   | 1,759,002            | 611,120              | (555,743)            | 212,162              |
| <b>Plan Fiduciary Net Position - Beginning of year</b>                             | 18,713,681                    | 16,954,679           | 16,343,559           | 16,899,302           | 16,687,140           |
| <b>Plan Fiduciary Net Position - End of year</b>                                   | <b>\$ 17,310,272</b>          | <b>\$ 18,713,681</b> | <b>\$ 16,954,679</b> | <b>\$ 16,343,559</b> | <b>\$ 16,899,302</b> |
| <b>Charter Township's Net Pension Liability - Ending</b>                           | <b>\$ 10,587,441</b>          | <b>\$ 8,299,678</b>  | <b>\$ 9,476,818</b>  | <b>\$ 10,291,058</b> | <b>\$ 8,913,371</b>  |
| <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>      | 62.05 %                       | 69.28 %              | 64.15 %              | 61.36 %              | 65.47 %              |
| <b>Covered Payroll</b>   | \$ 2,164,663                  | \$ 1,993,736         | \$ 2,082,378         | \$ 2,011,315         | \$ 1,995,350         |
| <b>Charter Township's Net Pension Liability as a Percentage of Covered Payroll</b> | 489.10 %                      | 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

|  | 2018                | 2017                | 2016                | 2015                | 2014                | 2013                | 2012                | 2011                | 2010                | 2009                |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Actuarially determined contribution                                  | \$ 932,763          | \$ 1,056,574        | \$ 947,792          | \$ 851,779          | \$ 831,530          | \$ 777,366          | \$ 719,812          | \$ 692,798          | \$ 571,441          | \$ 571,441          |
| Contributions in relation to the actuarially determined contribution | 932,763             | 1,056,574           | 947,792             | 851,779             | 800,203             | 730,162             | 690,326             | 690,326             | 690,524             | 584,344             |
| <b>Contribution (Deficiency) Excess</b>                              | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ (31,327)</b>  | <b>\$ (47,204)</b>  | <b>\$ (29,486)</b>  | <b>\$ (2,472)</b>   | <b>\$ 119,083</b>   | <b>\$ 12,903</b>    |
| <b>Covered Payroll</b>   | <b>\$ 2,164,663</b> | <b>\$ 1,993,736</b> | <b>\$ 2,082,378</b> | <b>\$ 2,011,315</b> | <b>\$ 1,995,350</b> | <b>\$ 2,132,675</b> | <b>\$ 2,250,626</b> | <b>\$ 2,480,399</b> | <b>\$ 2,484,037</b> | <b>\$ 2,461,434</b> |
| <b>Contributions as a Percentage of Covered Payroll</b>              | <b>43.09 %</b>      | <b>52.99 %</b>      | <b>45.51 %</b>      | <b>42.35 %</b>      | <b>40.10 %</b>      | <b>34.24 %</b>      | <b>30.67 %</b>      | <b>27.83 %</b>      | <b>27.80 %</b>      | <b>23.74 %</b>      |

#### Notes to Schedule of Pension 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 | 18 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             | Describe any other significant changes during any of the periods presented             |

**Charter Township of Benton**

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

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**Last Five Fiscal Years  
Years Ended December 31**

|   | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return -<br>Net of investment expense | (4.66)%     | 11.94 %     | 5.87 %      | (0.22)%     | 4.47 %      |

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 Changes in the Net OPEB Liability and Related Ratios

|  | <b>Last Two Fiscal Years</b> |                     |
|--|------------------------------|---------------------|
|  | 2018                         | 2017                |
| <b>Total OPEB Liability</b>  |                              |                     |
| Service cost   | \$ 52,211                    | \$ 49,139           |
| Interest   | 187,828                      | 185,410             |
| Differences between expected and actual experience                         | 11,964                       | -                   |
| Benefit payments, including refunds  | (204,935)                    | (189,880)           |
| <b>Net Change in Total OPEB Liability</b>                                  | 47,068                       | 44,669              |
| <b>Total OPEB Liability - Beginning of year</b>                            | 3,081,607                    | 3,036,938           |
| <b>Total OPEB Liability - End of year</b>                                  | <b>\$ 3,128,675</b>          | <b>\$ 3,081,607</b> |
| <b>Plan Fiduciary Net Position</b>   |                              |                     |
| Contributions - Employer   | \$ 225,535                   | \$ 235,881          |
| Net investment (loss) income   | (70,857)                     | 156,737             |
| Administrative expenses  | (4,665)                      | (4,219)             |
| Benefit payments, including refunds  | (204,935)                    | (189,881)           |
| Other  | -                            | 5,370               |
| <b>Net Change in Plan Fiduciary Net Position</b>                           | (54,922)                     | 203,888             |
| <b>Plan Fiduciary Net Position - Beginning of year</b>                     | 1,528,395                    | 1,324,507           |
| <b>Plan Fiduciary Net Position - End of year</b>                           | <b>\$ 1,473,473</b>          | <b>\$ 1,528,395</b> |
| <b>Net OPEB Liability - Ending</b>   | <b>\$ 1,655,202</b>          | <b>\$ 1,553,212</b> |
| <b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b> | 47.10 %                      | 49.60 %             |
| <b>Covered Payroll</b>   | \$ 2,933,093                 | \$ 2,881,147        |
| <b>Net OPEB Liability as a Percentage of Covered Payroll</b>               | 56.43 %                      | 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.

Required Supplemental Information  
Schedule of OPEB Contributions

Last Ten Fiscal Years  
Years Ended December 31

|  | 2018             | 2017             | 2016            | 2015            | 2014            | 2013               | 2012               | 2011                | 2010                | 2009               |
|--|------------------|------------------|-----------------|-----------------|-----------------|--------------------|--------------------|---------------------|---------------------|--------------------|
| Actuarially determined contribution                                  | \$ 169,873       | \$ 175,286       | \$ 277,722      | \$ 277,722      | \$ 277,722      | \$ 202,101         | \$ 201,945         | \$ 261,761          | \$ 211,578          | \$ 203,440         |
| Contributions in relation to the actuarially determined contribution | 225,535          | 235,881          | 280,670         | 280,206         | 283,530         | 155,065            | 136,938            | 115,167             | 108,247             | 123,306            |
| <b>Contribution Excess (Deficiency)</b>                              | <b>\$ 55,662</b> | <b>\$ 60,595</b> | <b>\$ 2,948</b> | <b>\$ 2,484</b> | <b>\$ 5,808</b> | <b>\$ (47,036)</b> | <b>\$ (65,007)</b> | <b>\$ (146,594)</b> | <b>\$ (103,331)</b> | <b>\$ (80,134)</b> |

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

|                               |  |
|-------------------------------|--|
| Actuarial cost method         | Entry age normal   |
| Amortization method           | Level dollar   |
| Remaining amortization period | 19 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<br>Police and fire: 4.0 to 8.0 percent, including inflation                       |
| Salary increase               | Municipal: 4.0 to 17.0 percent, including inflation  |
| Investment rate of return     | 6.25 percent (net of administrative expenses)<br>Police and fire: Experienced-based table of rates that are specific to the type of eligibility condition                          |
| Retirement age                | Municipal: Experienced-based table of rates that are specific to the type of eligibility condition<br>Police and fire: The RP-2000 Mortality Table projects 20 years with Scale AA |
| Mortality                     | Municipal: The RP-2000 Mortality Table projects 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, except that operating transfers and debt proceeds have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." The budgets are prepared by the Charter Township comptroller and are 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***

|                                   | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-----------------------------------|---------------|---------------|-----------------|
| Public Safety Fund - Expenditures | \$ 71,000     | \$ 89,475     | \$ (18,475)     |

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## Other Supplemental Information

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**Charter Township of Benton**

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

**December 31, 2018**

|                                     | Special Revenue Funds       |                                  |                          |                     |
|-------------------------------------|-----------------------------|----------------------------------|--------------------------|---------------------|
|                                     | Rental<br>Ordinance<br>Fund | Community<br>Development<br>Fund | Capital<br>Projects Fund | Total               |
| <b>Assets</b>                       |                             |                                  |                          |                     |
| Cash and investments                | \$ 91,781                   | \$ 44,950                        | \$ -                     | \$ 136,731          |
| Due from other funds                | -                           | -                                | 1,155,193                | 1,155,193           |
| Total assets                        | <b>\$ 91,781</b>            | <b>\$ 44,950</b>                 | <b>\$ 1,155,193</b>      | <b>\$ 1,291,924</b> |
| <b>Liabilities</b>                  |                             |                                  |                          |                     |
| Accounts payable                    | \$ 1,950                    | \$ -                             | \$ 25,518                | \$ 27,468           |
| Due to other funds                  | -                           | 2,067                            | -                        | 2,067               |
| Accrued liabilities and other       | 313                         | -                                | -                        | 313                 |
| Total liabilities                   | 2,263                       | 2,067                            | 25,518                   | 29,848              |
| <b>Fund Balances</b>                |                             |                                  |                          |                     |
| Restricted:                         |                             |                                  |                          |                     |
| Fire                                | -                           | -                                | 35,000                   | 35,000              |
| Community development               | -                           | 42,883                           | -                        | 42,883              |
| Rental ordinance                    | 89,518                      | -                                | -                        | 89,518              |
| Assigned                            | -                           | -                                | 1,094,675                | 1,094,675           |
| Total fund balances                 | 89,518                      | 42,883                           | 1,129,675                | 1,262,076           |
| Total liabilities and fund balances | <b>\$ 91,781</b>            | <b>\$ 44,950</b>                 | <b>\$ 1,155,193</b>      | <b>\$ 1,291,924</b> |

**Charter Township of Benton**

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

**Year Ended December 31, 2018**

|  | <u>Special Revenue Funds</u>         |   |                                  | <u>Total</u>        |
|--|--------------------------------------|---|----------------------------------|---------------------|
|  | <u>Rental<br/>Ordinance<br/>Fund</u> | <u>Community<br/>Development<br/>Fund</u> | <u>Capital<br/>Projects Fund</u> |                     |
| <b>Revenue</b>   |                                      |   |                                  |                     |
| Licenses and permits                                   | \$ 87,044                            | \$ -                                      | \$ -                             | \$ 87,044           |
| Other revenue  | -                                    | 440                                       | -                                | 440                 |
| Total revenue  | 87,044                               | 440                                       | -                                | 87,484              |
| <b>Expenditures</b>                                    |                                      |   |                                  |                     |
| Current services:                                      |                                      |   |                                  |                     |
| General government                                     | -                                    | -   | 28,509                           | 28,509              |
| Public safety  | 67,418                               | -   | 25,518                           | 92,936              |
| Community and economic development                     | -                                    | 18,841                                    | -                                | 18,841              |
| Total expenditures                                     | 67,418                               | 18,841                                    | 54,027                           | 140,286             |
| <b>Excess of Revenue Over (Under)<br/>Expenditures</b> | 19,626                               | (18,401)                                  | (54,027)                         | (52,802)            |
| <b>Other Financing Sources</b> - Transfers in          | -                                    | -   | 322,500                          | 322,500             |
| <b>Net Change in Fund Balances</b>                     | 19,626                               | (18,401)                                  | 268,473                          | 269,698             |
| <b>Fund Balances</b> - Beginning of year               | 69,892                               | 61,284                                    | 861,202                          | 992,378             |
| <b>Fund Balances</b> - End of year                     | <u>\$ 89,518</u>                     | <u>\$ 42,883</u>                          | <u>\$ 1,129,675</u>              | <u>\$ 1,262,076</u> |

**Charter Township of Benton**

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Other Supplemental Information  
Combining Statement of Assets and Liabilities  
Agency Funds

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**December 31, 2018**

|  | Current Tax<br>Collections Fund | Delinquent Tax<br>Fund | Total Agency<br>Funds |
|--|---------------------------------|------------------------|-----------------------|
| <b>Assets</b> - Cash and cash equivalents            | <u>\$ 503,120</u>               | <u>\$ 169,735</u>      | <u>\$ 672,855</u>     |
| <b>Liabilities</b> - Due to other governmental units | <u>\$ 503,120</u>               | <u>\$ 169,735</u>      | <u>\$ 672,855</u>     |

**Charter Township of Benton**

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

**December 31, 2018**

|  | <u>Pension Trust<br/>Fund</u> | <u>Retiree Health<br/>Insurance Fund</u> | <u>Total Fiduciary<br/>Funds</u> |
|--|-------------------------------|--|----------------------------------|
| <b>Assets</b>  |                               |  |                                  |
| Investments  | \$ 17,213,161                 | \$ 1,473,472                             | \$ 18,686,633                    |
| Other assets   | 97,111                        | -  | 97,111                           |
| Total assets   | <u>17,310,272</u>             | <u>1,473,472</u>                         | <u>18,783,744</u>                |
| <b>Liabilities</b>   | <u>-</u>                      | <u>-</u>                                 | <u>-</u>                         |
| <b>Net Position Restricted for Pension and Other<br/>Employee Benefits</b> | <u><b>\$ 17,310,272</b></u>   | <u><b>\$ 1,473,472</b></u>               | <u><b>\$ 18,783,744</b></u>      |

## Charter Township of Benton

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

**Year Ended December 31, 2018**

|  | Pension Trust<br>Fund       | Retiree Health<br>Insurance Fund | Total Fiduciary<br>Funds    |
|--|-----------------------------|----------------------------------|-----------------------------|
| <b>Additions</b>   |                             |                                  |                             |
| Investment income (loss):  |                             |                                  |                             |
| Interest and dividends   | \$ 380,831                  | \$ 31,975                        | \$ 412,806                  |
| Net decrease in fair value of investments  | <u>(1,182,864)</u>          | <u>(102,833)</u>                 | <u>(1,285,697)</u>          |
| Net investment loss  | (802,033)                   | (70,858)                         | (872,891)                   |
| Contributions:   |                             |                                  |                             |
| Employer   | 932,763                     | 225,535                          | 1,158,298                   |
| Employee   | <u>179,443</u>              | <u>-</u>                         | <u>179,443</u>              |
| Total contributions  | <u>1,112,206</u>            | <u>225,535</u>                   | <u>1,337,741</u>            |
| Total additions  | 310,173                     | 154,677                          | 464,850                     |
| <b>Deductions</b>  |                             |                                  |                             |
| Benefit payments   | 1,658,511                   | 204,935                          | 1,863,446                   |
| Administrative expenses  | <u>55,071</u>               | <u>4,665</u>                     | <u>59,736</u>               |
| Total deductions   | <u>1,713,582</u>            | <u>209,600</u>                   | <u>1,923,182</u>            |
| <b>Net Decrease Restricted for Pension and Other<br/>Employee Benefits</b>                     | (1,403,409)                 | (54,923)                         | (1,458,332)                 |
| <b>Net Position Restricted for Pension and Other<br/>Employee Benefits - Beginning of year</b> | <u>18,713,681</u>           | <u>1,528,395</u>                 | <u>20,242,076</u>           |
| <b>Net Position Restricted for Pension and Other<br/>Employee Benefits - End of year</b>       | <u><u>\$ 17,310,272</u></u> | <u><u>\$ 1,473,472</u></u>       | <u><u>\$ 18,783,744</u></u> |