
Charter Township of Benton

Berrien County, Michigan

Financial Report
with Supplemental Information
December 31, 2019

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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, 2019 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, 2019 and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Members of the Township Board
Charter Township of Benton

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 opinions 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

July 20, 2020

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, 2019. 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, 2019:

The Charter Township's General Fund revenue exceeded budget by approximately \$244,000, 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 \$494,000.

The Charter Township amended the General Fund budget to include additional expenditures for 2019 road improvement projects, including Duncan and Roslin roads.

The Charter Township, once again, fully funded its annual required contribution of approximately \$216,000 related to the retiree health benefit obligation, bringing the trust balance to \$1,725,956.

In 2015, the Charter Township adopted and implemented Governmental Accounting Standards Board (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 a decrease in the liability of approximately \$1,880,000 for a outstanding liability of \$8,707,172.

In 2018, the Charter Township adopted and implemented GASB Statement No. 75, which requires the measurement of other postemployment benefit costs to be expensed as it is earned, rather than as it is funded. The Charter Township recorded a decrease in the liability of approximately \$308,000 for an outstanding liability of \$1,346,968.

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 \$20,750,129 at the close of the most recent fiscal year.

Charter Township of Benton

Management's Discussion and Analysis (Continued)

The Charter Township's Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets:						
Cash and cash equivalents	\$ 7,131,457	\$ 6,556,602	\$ 7,883,086	\$ 6,781,385	\$ 15,014,543	\$ 13,337,987
Receivables	5,080,489	4,834,780	1,133,897	1,103,358	6,214,386	5,938,138
Other assets	459,624	88,967	62,945	1,170,731	522,569	1,259,698
Capital assets	6,859,622	6,648,287	31,322,223	31,725,667	38,181,845	38,373,954
Total assets	19,531,192	18,128,636	40,402,151	40,781,141	59,933,343	58,909,777
Deferred Outflows of Resources	211,391	1,808,726	-	-	211,391	1,808,726
Liabilities						
Current liabilities	609,226	558,461	706,130	563,086	1,315,356	1,121,547
Noncurrent liabilities:						
Due within one year	439,502	332,695	1,265,250	1,111,186	1,704,752	1,443,881
Due in more than one year	10,593,714	12,651,376	18,969,965	20,637,047	29,563,679	33,288,423
Total liabilities	11,642,442	13,542,532	20,941,345	22,311,319	32,583,787	35,853,851
Deferred Inflows of Resources	6,810,818	6,100,288	-	-	6,810,818	6,100,288
Net Position						
Net investment in capital assets	6,769,602	6,468,268	11,139,506	11,168,956	17,909,108	17,637,224
Restricted	1,375,589	1,134,501	-	-	1,375,589	1,134,501
Unrestricted	(6,855,868)	(7,308,227)	8,321,300	7,300,866	1,465,432	(7,361)
Total net position	<u>\$ 1,289,323</u>	<u>\$ 294,542</u>	<u>\$ 19,460,806</u>	<u>\$ 18,469,822</u>	<u>\$ 20,750,129</u>	<u>\$ 18,764,364</u>

The financial position of the Charter Township, in total, increased during the year. The governmental activities net position increased by \$994,781, or approximately 337.74 percent, from the prior year. Business-type activities increased by \$990,984, or approximately 5.37 percent, over the prior year.

Charter Township of Benton

Management's Discussion and Analysis (Continued)

The Charter Township's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue						
Program revenue:						
Charges for services	\$ 1,445,076	\$ 1,491,965	\$ 6,430,374	\$ 6,141,557	\$ 7,875,450	\$ 7,633,522
Operating grants	14,763	14,843	-	-	14,763	14,843
Capital grants	-	-	794,875	903,752	794,875	903,752
General revenue:						
Property taxes	5,507,411	5,400,039	-	-	5,507,411	5,400,039
State-shared revenue and grants	1,731,400	1,654,689	-	-	1,731,400	1,654,689
Investment earnings	102,175	96,290	103,639	132,796	205,814	229,086
Other revenue:						
Cable franchise fees	154,021	118,395	-	-	154,021	118,395
Sale of capital assets	5,457	-	-	-	5,457	-
Other miscellaneous income	87,813	115,613	-	-	87,813	115,613
Total revenue	9,048,116	8,891,834	7,328,888	7,178,105	16,377,004	16,069,939
Expenses						
General government	1,555,457	1,540,935	-	-	1,555,457	1,540,935
Public safety	5,754,906	5,928,556	-	-	5,754,906	5,928,556
Public works	621,330	622,270	-	-	621,330	622,270
Community and economic development	6,760	22,975	-	-	6,760	22,975
Recreation and culture	99,260	65,663	-	-	99,260	65,663
Debt service	15,622	5,628	-	-	15,622	5,628
Sanitary Sewage System Fund	-	-	3,645,773	3,862,191	3,645,773	3,862,191
Water System Fund	-	-	2,692,131	3,199,152	2,692,131	3,199,152
Total expenses	8,053,335	8,186,027	6,337,904	7,061,343	14,391,239	15,247,370
Change in Net Position	994,781	705,807	990,984	116,762	1,985,765	822,569
Net Position - Beginning of year - As previously reported	294,542	485,882	18,469,822	18,353,060	18,764,364	18,838,942
Cumulative Effect of Change in Accounting	-	(897,147)	-	-	-	(897,147)
Net Position - Beginning of year - As restated	294,542	(411,265)	18,469,822	18,353,060	18,764,364	17,941,795
Net Position - End of year	\$ 1,289,323	\$ 294,542	\$ 19,460,806	\$ 18,469,822	\$ 20,750,129	\$ 18,764,364

During the past fiscal year, governmental activities expenses remained relatively consistent, decreasing by \$132,692 or approximately 1.62 percent. Business-type activities expenses decreased by \$723,439, or approximately 10.25 percent, due to across the board decreases in interest, depreciation, and fringe benefit costs.

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's board or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Charter Township's 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 \$706,000. The Police Fund had an increase in fund balance of approximately \$200,000, and the Fire Fund had an increase in fund balance of approximately \$184,000. This was primarily due to decreases in expenditures over the prior year for both the General Fund and the Police Fund. The increase in fund balance for the Fire Fund was primarily due to additional transfers in during the current year, when compared to the prior year.

The Debt Service Fund had an increase in fund balance of approximately \$233,000. This was due to the fact that loan proceeds were received prior to year end; however, the purchase of the trash truck did not occur until after year end.

Of the enterprise funds, the Sanitary Sewage System Fund had an increase in net position of approximately \$575,000, and the Water System Fund had an increase in net position of approximately \$416,000, primarily attributed to rate increases utilized to pay existing and future projects.

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 \$22,000. 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 \$1,325,000 of principal on its long-term debt. The Charter Township issued new debt in the amount of \$280,243 for the purchase of a trash truck. The Charter Township purchased approximately \$867,000 of governmental-type fixed assets and \$832,000 of business-type fixed assets.

Economic Factors and Next Year's Budgets and Rates

The Charter Township has completed its final year of the stormwater, asset management, and wastewater (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 conducted a sewer rate study in 2019. Sewer rates increased by approximately 15 percent effective January 1, 2020. Water rates increased by approximately 19 percent effective January 1, 2020.

Charter Township of Benton

Management's Discussion and Analysis (Continued)

In March 2020, the World Health Organization declared the outbreak of a new coronavirus pandemic, and it continues to spread throughout the United States. The coronavirus disease (COVID-19) is affecting, or will affect, nearly every country and territory around the world. The Charter Township has adjusted to comply with any Michigan executive orders that may apply, as well as Centers for Disease Control and Prevention guidelines. Safe work practices and other necessary operational adjustments were put in place to continue serving the public. As the COVID-19 pandemic is complex and rapidly evolving, the Charter Township's operations may continue to change. The extent to which the coronavirus pandemic may impact our operations, financial condition, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted at this time. The future of state revenue sharing remains uncertain and represents a significant portion of the Charter Township's revenue. Taxable values will change very little in the near future; therefore, it is important that the Charter Township continue to control costs and also continue cooperative efforts with other municipalities.

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, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 7,131,457	\$ 7,883,086	\$ 15,014,543
Receivables:			
Property taxes receivable	4,094,443	-	4,094,443
Special assessments receivable	110,259	44,404	154,663
Other receivables	110,802	919,658	1,030,460
Due from other governmental units	757,180	177,640	934,820
Internal balances (Note 5)	7,805	(7,805)	-
Prepaid expenses	179,382	62,945	242,327
Restricted assets	280,242	-	280,242
Capital assets:			
Assets not subject to depreciation (Note 4)	802,576	1,354,112	2,156,688
Assets subject to depreciation - Net (Note 4)	6,057,046	29,968,111	36,025,157
Total assets	19,531,192	40,402,151	59,933,343
Deferred Outflows of Resources			
Deferred pension costs (Note 9)	204,156	-	204,156
Deferred OPEB costs (Note 8)	7,235	-	7,235
Total deferred outflows of resources	211,391	-	211,391
Liabilities			
Accounts payable	209,767	526,196	735,963
Due to other governmental units	12,837	-	12,837
Accrued liabilities and other	386,622	179,934	566,556
Noncurrent liabilities:			
Due within one year:			
Compensated absences (Note 6)	258,266	5,250	263,516
Current portion of long-term debt (Note 6)	181,236	1,260,000	1,441,236
Due in more than one year:			
Compensated absences (Note 6)	350,548	47,248	397,796
Net pension liability (Note 9)	8,707,172	-	8,707,172
Net OPEB liability (Note 8)	1,346,968	-	1,346,968
Long-term debt (Note 6)	189,026	18,922,717	19,111,743
Total liabilities	11,642,442	20,941,345	32,583,787
Deferred Inflows of Resources			
Property taxes and special assessments levied for the following year	5,895,130	-	5,895,130
Deferred pension cost reductions (Note 9)	825,754	-	825,754
Deferred OPEB cost reductions (Note 8)	89,934	-	89,934
Total deferred inflows of resources	6,810,818	-	6,810,818
Net Position			
Net investment in capital assets	6,769,602	11,139,506	17,909,108
Restricted:			
Community development	42,830	-	42,830
Rental ordinance	112,032	-	112,032
Fire	594,210	-	594,210
Police	550,202	-	550,202
Street lighting	76,315	-	76,315
Unrestricted	(6,855,868)	8,321,300	1,465,432
Total net position	\$ 1,289,323	\$ 19,460,806	\$ 20,750,129

Charter Township of Benton

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,555,457	\$ 58,270	\$ -	\$ -
Public safety	5,754,906	674,680	3,541	-
Public works	621,330	712,126	11,222	-
Community and economic development	6,760	-	-	-
Recreation and culture	99,260	-	-	-
Interest on long-term debt	15,622	-	-	-
Total governmental activities	8,053,335	1,445,076	14,763	-
Business-type activities:				
Sanitary Sewage System Fund	3,645,773	3,411,407	-	739,328
Water System Fund	2,692,131	3,018,967	-	55,547
Total business-type activities	6,337,904	6,430,374	-	794,875
Total primary government	\$ 14,391,239	\$ 7,875,450	\$ 14,763	\$ 794,875
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Gain on sale of capital assets				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended December 31, 2019

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,497,187)	\$ -	\$ (1,497,187)
(5,076,685)	-	(5,076,685)
102,018	-	102,018
(6,760)	-	(6,760)
(99,260)	-	(99,260)
(15,622)	-	(15,622)
(6,593,496)	-	(6,593,496)
-	504,962	504,962
-	382,383	382,383
-	887,345	887,345
(6,593,496)	887,345	(5,706,151)
5,507,411	-	5,507,411
1,731,400	-	1,731,400
102,175	103,639	205,814
154,021	-	154,021
5,457	-	5,457
87,813	-	87,813
7,588,277	103,639	7,691,916
994,781	990,984	1,985,765
294,542	18,469,822	18,764,364
\$ 1,289,323	\$ 19,460,806	\$ 20,750,129

Charter Township of Benton

Governmental Funds Balance Sheet

December 31, 2019

	General Fund	Police Fund	Fire Fund	Public Safety Fund	Debt Service Fund	Nonmajor Funds	Total
Assets							
Cash and cash equivalents (Note 3)	\$ 3,982,263	\$ 990,440	\$ 893,441	\$ 1,107,851	\$ -	\$ 157,462	\$ 7,131,457
Receivables:							
Property taxes receivable	423,408	816,022	506,978	2,348,035	-	-	4,094,443
Special assessments receivable	110,259	-	-	-	-	-	110,259
Other receivables	110,802	-	-	-	-	-	110,802
Due from other governmental units	558,225	9,453	9,453	180,049	-	-	757,180
Due from other funds (Note 5)	2,096	91,782	182,213	-	1,060	909,359	1,186,510
Advances to other funds (Note 5)	256,834	-	-	-	-	-	256,834
Prepaid expenses	121,867	36,329	21,186	-	-	-	179,382
Restricted assets	-	-	-	-	280,242	-	280,242
Total assets	\$ 5,565,754	\$ 1,944,026	\$ 1,613,271	\$ 3,635,935	\$ 281,302	\$ 1,066,821	\$14,107,109
Liabilities							
Accounts payable	\$ 177,460	\$ 10,408	\$ 21,395	\$ -	\$ -	\$ 504	\$ 209,767
Due to other governmental units	12,837	-	-	-	-	-	12,837
Due to other funds (Note 5)	866,554	-	36,060	273,995	-	2,096	1,178,705
Advances from other funds (Note 5)	-	-	-	-	256,834	-	256,834
Accrued liabilities and other	195,873	136,979	53,078	-	-	-	385,930
Total liabilities	1,252,724	147,387	110,533	273,995	256,834	2,600	2,044,073
Deferred Inflows of Resources							
Unavailable revenue	26,948	-	-	-	-	-	26,948
Property taxes and special assessments levied for the following year	709,297	1,099,239	724,654	3,361,940	-	-	5,895,130
Total deferred inflows of resources	736,245	1,099,239	724,654	3,361,940	-	-	5,922,078
Fund Balances							
Nonspendable:							
Prepays	121,867	36,329	21,186	-	-	-	179,382
Long-term receivable	256,834	-	-	-	-	-	256,834
Restricted:							
Police	-	550,202	-	-	-	-	550,202
Fire	-	-	559,210	-	-	35,000	594,210
Capital projects	-	-	-	-	280,242	-	280,242
Community development	-	-	-	-	-	42,830	42,830
Rental ordinance	-	-	-	-	-	112,032	112,032
Street lighting	76,315	-	-	-	-	-	76,315
Assigned:							
Capital improvements	-	-	-	-	-	874,359	874,359
Retiree health care obligations	650,000	-	-	-	-	-	650,000
Police	-	110,869	-	-	-	-	110,869
Fire	-	-	197,688	-	-	-	197,688
Unassigned	2,471,769	-	-	-	(255,774)	-	2,215,995
Total fund balances	3,576,785	697,400	778,084	-	24,468	1,064,221	6,140,958
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,565,754	\$ 1,944,026	\$ 1,613,271	\$ 3,635,935	\$ 281,302	\$ 1,066,821	\$14,107,109

Charter Township of Benton

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

December 31, 2019

Fund Balances Reported in Governmental Funds	\$ 6,140,958
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	6,859,622
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	26,948
Long-term debt obligations are not due and payable in the current period and are not reported in the funds	(370,262)
Accrued interest is not due and payable in the current period and is not reported in the funds	(692)
Some employee fringe benefits, including deferrals, 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	(608,814)
Pension benefits	(9,328,770)
Retiree health care benefits	(1,429,667)
Net Position of Governmental Activities	<u>\$ 1,289,323</u>

Charter Township of Benton

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2019

	General Fund	Police Fund	Fire Fund	Public Safety Fund	Debt Service Fund	Nonmajor Funds	Total
Revenue							
Property taxes	\$ 576,853	\$ 918,661	\$ 727,685	\$ 3,284,212	\$ -	\$ -	\$ 5,507,411
Special assessments	10,417	176,882	-	-	-	-	187,299
State-shared revenue and grants	1,565,706	22,443	18,902	360,036	-	-	1,967,087
Charges for services	966,307	-	37,500	-	-	-	1,003,807
Fines and forfeitures	-	12,469	-	-	-	-	12,469
Licenses and permits	315,169	15,707	-	-	-	73,629	404,505
Investment income	101,858	317	-	-	-	-	102,175
Other revenue	29,725	20,142	33,491	4,365	-	90	87,813
Total revenue	3,566,035	1,166,621	817,578	3,648,613	-	73,719	9,272,566
Expenditures							
Current services:							
General government	1,310,131	-	-	-	-	76,734	1,386,865
Public safety	518,372	3,251,838	1,755,815	81,618	243,582	83,221	5,934,446
Public works	879,231	-	-	-	-	35,313	914,544
Community and economic development	6,617	-	-	-	-	143	6,760
Recreation and culture	61,160	-	-	-	-	76,163	137,323
Debt service	-	-	-	-	105,661	-	105,661
Total expenditures	2,775,511	3,251,838	1,755,815	81,618	349,243	271,574	8,485,599
Excess of Revenue Over (Under) Expenditures	790,524	(2,085,217)	(938,237)	3,566,995	(349,243)	(197,855)	786,967
Other Financing Sources (Uses)							
Transfers in	-	2,284,782	1,282,213	-	302,408	-	3,869,403
Transfers out	(142,053)	-	(160,355)	(3,566,995)	-	-	(3,869,403)
New debt issued	-	-	-	-	280,243	-	280,243
Sale of capital assets	57,901	-	-	-	-	-	57,901
Total other financing (uses) sources	(84,152)	2,284,782	1,121,858	(3,566,995)	582,651	-	338,144
Net Change in Fund Balances	706,372	199,565	183,621	-	233,408	(197,855)	1,125,111
Fund Balances - Beginning of year	2,870,413	497,835	594,463	-	(208,940)	1,262,076	5,015,847
Fund Balances - End of year	\$ 3,576,785	\$ 697,400	\$ 778,084	\$ -	\$ 24,468	\$ 1,064,221	\$ 6,140,958

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, 2019

Net Change in Fund Balances Reported in Governmental Funds	\$ 1,125,111
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	867,396
Depreciation expense	(603,617)
Net book value of assets disposed of	(52,444)
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	(229,907)
Issuing debt provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position	(280,243)
Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	90,000
Interest expense is recognized in the government-wide statements as it accrues	38
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	78,447
Change in Net Position of Governmental Activities	<u>\$ 994,781</u>

Charter Township of Benton

Proprietary Funds Statement of Net Position

December 31, 2019

	Enterprise Funds		Total
	Sanitary Sewage System Fund	Water System Fund	
Assets			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 3,097,112	\$ 4,785,974	\$ 7,883,086
Receivables:			
Special assessments receivable - Due within one year	6,350	2,777	9,127
Other receivables	510,745	408,913	919,658
Due from other governmental units	177,640	-	177,640
Due from other funds	19,129	-	19,129
Prepaid expenses	48,717	14,228	62,945
Total current assets	3,859,693	5,211,892	9,071,585
Noncurrent assets:			
Special assessment receivables - Greater than one year	16,736	18,541	35,277
Capital assets:			
Assets not subject to depreciation (Note 4)	311,236	1,042,876	1,354,112
Assets subject to depreciation - Net (Note 4)	9,630,626	20,337,485	29,968,111
Total noncurrent assets	9,958,598	21,398,902	31,357,500
Total assets	13,818,291	26,610,794	40,429,085
Liabilities			
Current liabilities:			
Accounts payable	363,021	163,175	526,196
Due to other funds	-	26,934	26,934
Accrued liabilities and other	44,835	135,099	179,934
Compensated absences (Note 6)	1,312	3,938	5,250
Current portion of long-term debt (Note 6)	390,000	870,000	1,260,000
Total current liabilities	799,168	1,199,146	1,998,314
Noncurrent liabilities:			
Compensated absences (Note 6)	11,806	35,442	47,248
Long-term debt (Note 6)	3,915,769	15,006,948	18,922,717
Total noncurrent liabilities	3,927,575	15,042,390	18,969,965
Total liabilities	4,726,743	16,241,536	20,968,279
Net Position			
Net investment in capital assets	5,636,093	5,503,413	11,139,506
Unrestricted	3,455,455	4,865,845	8,321,300
Total net position	\$ 9,091,548	\$ 10,369,258	\$ 19,460,806

Charter Township of Benton

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

Year Ended December 31, 2019

	Enterprise Funds		Total
	Sanitary Sewage System Fund	Water System Fund	
Operating Revenue			
Sale of water	\$ -	\$ 3,018,967	\$ 3,018,967
Sewage disposal charges	3,411,407	-	3,411,407
Total operating revenue	3,411,407	3,018,967	6,430,374
Operating Expenses			
Cost of water	-	1,451,116	1,451,116
Cost of sewage treatment	3,073,689	-	3,073,689
Depreciation	442,928	792,581	1,235,509
Total operating expenses	3,516,617	2,243,697	5,760,314
Operating (Loss) Income	(105,210)	775,270	670,060
Nonoperating Revenue (Expense)			
Interest income	70,187	33,452	103,639
Interest expense	(127,541)	(448,434)	(575,975)
Other nonoperating expenses	(1,615)	-	(1,615)
Total nonoperating expense	(58,969)	(414,982)	(473,951)
(Loss) Income - Before capital contributions	(164,179)	360,288	196,109
Capital Contributions	739,328	55,547	794,875
Change in Net Position	575,149	415,835	990,984
Net Position - Beginning of year	8,516,399	9,953,423	18,469,822
Net Position - End of year	\$ 9,091,548	\$ 10,369,258	\$ 19,460,806

Charter Township of Benton

Proprietary Funds Statement of Cash Flows

Year Ended December 31, 2019

	Enterprise Funds		Total
	Sanitary Sewage System Fund	Water System Fund	
Cash Flows from Operating Activities			
Receipts from customers	\$ 3,373,422	\$ 2,996,710	\$ 6,370,132
Payments to suppliers	(2,338,268)	(699,418)	(3,037,686)
Payments to employees and fringes	(542,755)	(823,558)	(1,366,313)
Net cash and cash equivalents provided by operating activities	492,399	1,473,734	1,966,133
Cash Flows from Noncapital Financing Activities			
Loans received from other funds	22,337	-	22,337
Loans made to other funds	-	(14,532)	(14,532)
Net cash and cash equivalents provided by (used in) noncapital financing activities	22,337	(14,532)	7,805
Cash Flows from Capital and Related Financing Activities			
Receipt of capital grants	739,328	55,547	794,875
Special assessment collections	56,332	15,825	72,157
Purchase of capital assets	(5,112)	(826,953)	(832,065)
Principal and interest paid on capital debt	(644,244)	(1,446,000)	(2,090,244)
Net cash and cash equivalents provided by (used in) capital and related financing activities	146,304	(2,201,581)	(2,055,277)
Cash Flows Provided by Investing Activities - Interest received on investments	22,873	30,507	53,380
Net Increase (Decrease) in Cash and Cash Equivalents	683,913	(711,872)	(27,959)
Cash and Cash Equivalents - Beginning of year	2,413,199	5,497,846	7,911,045
Cash and Cash Equivalents - End of year	\$ 3,097,112	\$ 4,785,974	\$ 7,883,086
Classification of Cash and Cash Equivalents - Cash and cash equivalents	\$ 3,097,112	\$ 4,785,974	\$ 7,883,086
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities			
Operating (loss) income	\$ (105,210)	\$ 775,270	\$ 670,060
Adjustments to reconcile operating (loss) income to net cash and cash equivalents from operating activities:			
Depreciation	442,928	792,581	1,235,509
Changes in assets and liabilities:			
Receivables	(37,985)	(22,257)	(60,242)
Prepaid and other assets	(27,470)	5,596	(21,874)
Accounts payable	226,731	(79,122)	147,609
Accrued and other liabilities	(6,595)	1,666	(4,929)
Net cash and cash equivalents provided by operating activities	\$ 492,399	\$ 1,473,734	\$ 1,966,133

Charter Township of Benton

**Fiduciary Funds
Statement of Fiduciary Net Position**

December 31, 2019

	Trust Fund Pension and Retiree Health Insurance	Agency
Assets		
Cash and cash equivalents	\$ -	\$ 695,492
Investments:		
U.S. government securities	725,693	-
Common stock	840,916	-
Corporate bonds	3,782,651	-
Municipal bonds	1,412,486	-
Bank investment pool funds	14,553,091	-
Other assets	88,824	-
Total assets	21,403,661	<u><u>\$ 695,492</u></u>
Liabilities - Due to other governments	<u><u>-</u></u>	<u><u>\$ 695,492</u></u>
Net Position Restricted for Pension and Other Employee Benefits	<u><u>\$ 21,403,661</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, 2019

Additions

Investment income:		
Interest and dividends	\$	435,677
Net increase in fair value of investments		<u>2,789,133</u>
Net investment income		3,224,810
Contributions:		
Employer		1,167,335
Employee		<u>205,035</u>
Total contributions		<u>1,372,370</u>
Total additions		4,597,180

Deductions

Benefit payments		1,916,741
Administrative expenses		<u>60,522</u>
Total deductions		<u>1,977,263</u>

Net Increase Restricted for Pension and Other Employee Benefits		2,619,917
Net Position Restricted for Pension and Other Employee Benefits - Beginning of year		<u>18,783,744</u>
Net Position Restricted for Pension and Other Employee Benefits - End of year	\$	<u><u>21,403,661</u></u>

December 31, 2019

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) 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 the 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, 2019 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. Elimination 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 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 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 health-care-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.

Restricted Assets

Unspent debt proceeds in the Debt Service Fund are set aside for a future purchase. These amounts have 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 - 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 other financing sources, 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 health care 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 and retiree health care plans.

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 either to 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 2018 property tax revenue was levied and collectible on December 1, 2018 and is recognized as revenue in the year ended December 31, 2019 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2018 taxable valuation of the Charter Township totaled \$407.1 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 8.00 mills for public safety operations. This resulted in \$393,000 ad valorem property tax revenue; \$155,000 in administrative fees for operating services; and \$868,000, \$693,000, and \$3,214,000 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 health care 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.

Upcoming Accounting Pronouncements

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 ended December 31, 2019 but were extended to December 31, 2020 with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

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 but were extended to December 31, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

Note 1 - Significant Accounting Policies (Continued)

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 but were extended to December 31, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of conduit debt, provides a single method of reporting conduit debt obligations by issuers, and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. As a result, issuers should not recognize a liability for items meeting the definition of conduit debt; however, a liability should be recorded for additional or voluntary commitments to support debt service if certain recognition criteria are met. The standard also addresses the treatment of arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by a third-party obligor. The requirements of the standard will be applied retrospectively and originally are effective for the Charter Township's financial statements for the year ending December 31, 2020 but were extended to December 31, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

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:

Cumulative shortfall at January 1, 2019	\$ (2,523,088)
Current year permit revenue	255,615
Less related expenses - Direct costs	<u>416,254</u>
Current year shortfall	<u>(160,639)</u>
Cumulative shortfall December 31, 2019	<u><u>\$ (2,683,727)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act (PA) 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 that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that 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 \$14.1 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 Federal Deposit Insurance Corporation (FDIC)/National Credit Union Administration (NCUA) insurance, it is impractical to insure all deposits. As a result, the Charter Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Charter Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Charter Township does not have a policy for custodial credit risk. At December 31, 2019, 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	\$ 13,577,560	Counterparty's trust department
Corporate bonds	3,782,651	Counterparty's trust department
Corporate stocks	840,916	Counterparty's trust department
Municipal bonds	1,412,486	Counterparty's trust department
U.S. government or agency bond or notes	725,693	Counterparty's trust department

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk

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

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

Investment	Carrying Value	Weighted- average Maturity (Years)
Corporate and municipal bonds	\$ 5,195,137	2.71
U.S. government agency securities	725,693	2.72

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, 2019, 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	\$ 1,827,448	AAA	S&P
Corporate and municipal bonds	261,468	AA1	S&P
Corporate and municipal bonds	158,504	AA+	S&P
Corporate and municipal bonds	1,528,662	AA	S&P
Corporate and municipal bonds	570,834	A+	S&P
Corporate and municipal bonds	480,971	A	S&P
Corporate and municipal bonds	367,250	A-	S&P
Total	<u>\$ 5,195,137</u>		

Concentration of Credit Risk

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

Fair Value Measurements

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

In instances where 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.

December 31, 2019

Note 3 - Deposits and Investments (Continued)

The Charter Township has the following recurring fair value measurements as of December 31, 2019:

	Assets Measured at Carrying Value on a Recurring Basis at December 31, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	Balance at December 31, 2019
Debt securities:				
U.S. Treasury securities	\$ 551,174	\$ -	\$ -	\$ 551,174
Municipal bonds	-	1,412,486	-	1,412,486
Government agencies	-	174,519	-	174,519
Corporate bonds	-	3,782,651	-	3,782,651
Total debt securities	551,174	5,369,656	-	5,920,830
Equity securities:				
Common stock	840,916	-	-	840,916
Mutual funds - Equity	10,470,290	-	-	10,470,290
Mutual funds - Fixed income	2,807,622	-	-	2,807,622
Mutual funds - ETF	299,648	-	-	299,648
Total equity securities	14,418,476	-	-	14,418,476
Total assets	\$ 14,969,650	\$ 5,369,656	\$ -	\$ 20,339,306

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, 2019 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, 2019

Note 4 - Capital Assets

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

Governmental Activities

	Balance January 1, 2019	Reclassifications	Additions	Disposals	Balance December 31, 2019
Capital assets not being depreciated:					
Land	\$ 855,020	\$ -	\$ -	\$ (52,444)	\$ 802,576
Construction in progress	210,000	(210,000)	-	-	-
Subtotal	1,065,020	(210,000)	-	(52,444)	802,576
Capital assets being depreciated:					
Buildings and improvements	4,914,560	-	5,241	-	4,919,801
Vehicles	3,148,508	210,000	327,270	-	3,685,778
Land improvements	109,274	-	-	-	109,274
Tools and equipment	1,731,371	-	208,815	-	1,940,186
Office equipment	384,015	-	43,219	-	427,234
Cost of others' storm drains	1,283,686	-	282,851	-	1,566,537
Subtotal	11,571,414	210,000	867,396	-	12,648,810
Accumulated depreciation:					
Buildings and improvements	1,947,884	-	106,541	-	2,054,425
Vehicles	2,196,388	-	250,391	-	2,446,779
Land improvements	67,401	-	7,306	-	74,707
Tools and equipment	1,274,583	-	111,437	-	1,386,020
Office equipment	279,363	-	60,920	-	340,283
Cost of others' storm drains	222,528	-	67,022	-	289,550
Subtotal	5,988,147	-	603,617	-	6,591,764
Net capital assets being depreciated	5,583,267	210,000	263,779	-	6,057,046
Net governmental activities capital assets	\$ 6,648,287	\$ -	\$ 263,779	\$ (52,444)	\$ 6,859,622

December 31, 2019

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance January 1, 2019	Reclassifications	Additions	Balance December 31, 2019
Capital assets not being depreciated:				
Land	\$ 1,354,112	\$ -	\$ -	\$ 1,354,112
Construction in progress	318,825	(318,825)	-	-
Subtotal	1,672,937	(318,825)	-	1,354,112
Capital assets being depreciated:				
Utility system	38,580,361	297,825	389,427	39,267,613
Buildings and improvements	8,964,294	21,000	306,303	9,291,597
Tools and equipment	4,388,145	-	136,335	4,524,480
Vehicles	718,394	-	-	718,394
Subtotal	52,651,194	318,825	832,065	53,802,084
Accumulated depreciation:				
Utility system	18,542,699	-	625,237	19,167,936
Buildings and improvements	1,683,097	-	239,156	1,922,253
Tools and equipment	1,878,399	-	270,441	2,148,840
Vehicles	494,269	-	100,675	594,944
Subtotal	22,598,464	-	1,235,509	23,833,973
Net capital assets being depreciated	30,052,730	318,825	(403,444)	29,968,111
Net business-type activities capital assets	\$ 31,725,667	\$ -	\$ (403,444)	\$ 31,322,223

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

Governmental activities:	
General government	\$ 249,972
Public safety	314,859
Public works	28,859
Recreation and culture	9,927
Total governmental activities	\$ 603,617
Business-type activities:	
Sanitary Sewage System Fund	\$ 442,928
Water System Fund	792,581
Total business-type activities	\$ 1,235,509

December 31, 2019

Note 4 - Capital Assets (Continued)

Construction Commitments

At December 31, 2019, the Charter Township did not have any signed construction contracts.

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	866,554
	Water Fund	7,805
	Fire Fund	35,000
	Total Capital Projects Fund	909,359
General Fund	Community Development Fund	2,096
Sewer Fund	Water Fund	19,129
Police Fund	Public Safety Fund	91,782
Fire Fund	Public Safety Fund	182,213
	Total	<u>\$ 1,205,639</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	\$ 256,834

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	\$ 1,282,213
	Police Fund	2,284,782
	Total Public Safety Fund	3,566,995
General Fund	Debt Service Fund	142,053
Fire Fund	Debt Service Fund	160,355
	Total	<u>\$ 3,869,403</u>

December 31, 2019

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

The transfer from the General Fund to the Debt Service Fund results from the debt payment on a trash truck, and the transfer from the Fire Fund to the Debt Service Fund results from the debt payment on a fire truck. 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, 2019 can be summarized as follows:

Governmental Activities

	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds and contracts payable -							
Direct borrowings and direct placements:							
Trash Truck Loan - 2017	1.50%	2020	\$ 180,019	\$ -	\$ (90,000)	\$ 90,019	\$ 90,019
Trash Truck Loan - 2019	2.39%	2022	-	280,243	-	280,243	91,217
Total direct borrowings and direct placements principal outstanding			180,019	280,243	(90,000)	370,262	181,236
Compensated absences			561,409	275,658	(228,253)	608,814	258,266
Total governmental activities long-term debt			<u>\$ 741,428</u>	<u>\$ 555,901</u>	<u>\$ (318,253)</u>	<u>\$ 979,076</u>	<u>\$ 439,502</u>

December 31, 2019

Note 6 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -							
Direct borrowings and direct placements:							
General obligation bond - 2012 - Refinanced	0.5-1.9%	2023	\$ 1,085,000	\$ -	\$ (260,000)	\$ 825,000	\$ 135,000
General obligation bond - 2015	2.0-4.0%	2034	2,800,000	-	(175,000)	2,625,000	175,000
General obligation bond - 2015	0.85-3.3%	2030	960,000	-	(80,000)	880,000	80,000
General obligation bond - 2018 - Refunded	3.06-3.38%	2030	13,575,000	-	(655,000)	12,920,000	790,000
General obligation bond - 2018 - New	3.06-3.38%	2030	1,305,000	-	(65,000)	1,240,000	80,000
Unamortized bond premium			1,987,218	-	(270,270)	1,716,948	-
Unamortized bond discount			(25,847)	-	1,616	(24,231)	-
Total direct borrowings and direct placements principal outstanding			21,686,371	-	(1,503,654)	20,182,717	1,260,000
Compensated absences			61,862	64,915	(74,279)	52,498	5,250
Total business-type activities long-term debt			<u>\$ 21,748,233</u>	<u>\$ 64,915</u>	<u>\$ (1,577,933)</u>	<u>\$ 20,235,215</u>	<u>\$ 1,265,250</u>

Debt Service Requirements to Maturity

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

Years Ending December 31	Governmental Activities			Business-type Activities		
	Direct Borrowings and Direct Placements			Direct Borrowings and Direct Placements		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 181,236	\$ 8,024	\$ 189,260	\$ 1,260,000	\$ 800,260	\$ 2,060,260
2021	93,397	4,518	97,915	1,455,000	754,233	2,209,233
2022	95,629	2,286	97,915	1,495,000	696,238	2,191,238
2023	-	-	-	1,415,000	635,423	2,050,423
2024	-	-	-	1,315,000	575,838	1,890,838
2025-2029	-	-	-	7,550,000	1,885,256	9,435,256
2030-2034	-	-	-	4,000,000	260,453	4,260,453
Total	<u>\$ 370,262</u>	<u>\$ 14,828</u>	<u>\$ 385,090</u>	<u>\$ 18,490,000</u>	<u>\$ 5,607,701</u>	<u>\$ 24,097,701</u>

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).

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

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 health care plan premiums, while the municipal employee handbook provides for a benefit not to exceed \$800 per month toward health care 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 health care 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 health care premium up to the earned benefit amount. The health care 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, 2019
Inactive plan members or beneficiaries currently receiving benefits	35
Active plan members	38
Total plan members	<u>73</u>

Note 8 - Other Postemployment Benefit Plan (Continued)

Contributions

Retiree health care 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, 2019, the Charter Township made payments for postemployment health benefit premiums of \$216,407. 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, 2019 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, 2019 measurement date. The December 31, 2019 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2019.

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
Balance at January 1, 2019	\$ 3,128,675	\$ 1,473,473	\$ 1,655,202
Changes for the year:			
Service cost	46,459	-	46,459
Interest	190,231	-	190,231
Differences between expected and actual experience	(44,205)	-	(44,205)
Changes in assumptions	(31,830)	-	(31,830)
Contributions - Employer	-	216,406	(216,406)
Net investment income	-	257,295	(257,295)
Benefit payments, including refunds	(216,406)	(216,406)	-
Administrative expenses	-	(4,812)	4,812
Net changes	(55,751)	252,483	(308,234)
Balance at December 31, 2019	<u>\$ 3,072,924</u>	<u>\$ 1,725,956</u>	<u>\$ 1,346,968</u>

The plan's fiduciary net position represents 56.2 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, 2019, the Charter Township recognized OPEB expense of \$133,975.

December 31, 2019

Note 8 - Other Postemployment Benefit Plan (Continued)

At December 31, 2019, 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	\$ 7,235	\$ (33,592)
Changes in assumptions	-	(24,188)
Net difference between projected and actual earnings on OPEB plan investments	-	(32,154)
Total	<u>\$ 7,235</u>	<u>\$ (89,934)</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
2020	\$ (15,586)
2021	(15,586)
2022	(15,586)
2023	(35,941)

Actuarial Assumptions

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using an inflation assumption of 2.50 percent; assumed salary increases (including inflation) of 4 to 17 percent; an investment rate of return (net of investment expenses) of 6.25 percent; the RP-2014 fully generational mortality tables with projection scale MP-2019; and a health care 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.

December 31, 2019

Note 8 - Other Postemployment Benefit Plan (Continued)

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, 2019 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 table:

Asset Class	Long-term Expected Real Rate of Return
Domestic equity - Large	4.50 %
Domestic equity - Mid	5.20
Domestic equity - Small	7.00
International equity	6.50
Domestic fixed income	1.40
Cash	0.20

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 Percentage Point Decrease (5.25%)	Current Discount Rate (6.25%)	1 Percentage Point Increase (7.25%)
Net OPEB liability of the Benton Charter Township Retiree Medical Plan	\$ 1,639,285	\$ 1,346,968	\$ 1,094,470

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the Charter Township, calculated using the health care 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 health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (8%)	Current Health Care Cost Trend Rate (9%)	1 Percentage Point Increase (10%)
Net OPEB liability of the Benton Charter Township Retiree Medical Plan	\$ 1,308,452	\$ 1,346,968	\$ 1,391,352

Assumption Changes

Since the prior measurement date, there was a change in the mortality assumptions. The new assumptions include RP-2014 fully generational mortality with projection scale MP-2019.

December 31, 2019

Note 8 - Other Postemployment Benefit Plan (Continued)

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, 2019:

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, 2019, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 17.14 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 System

Plan Description

The Charter Township of Benton provides pensions for all permanent full-time public safety employees of the Charter Township. Benefit terms have been established by contractual agreements between the Charter Township and the various employee union representation; amendments are subject to the same process. The benefits are provided through the Charter Township of Benton Pension Plan, a single-employer plan administered by the police and fire pension board.

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

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

December 31, 2019

Note 9 - Pension Plan - Police and Fire Retirement System (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 3 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 5 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:

	December 31, 2019
Date of member count	
Inactive plan members or beneficiaries currently receiving benefits	55
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	32
Total employees covered by the plan	90

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, 2019, the average active employee contribution rate was 9.50 percent of annual pay and the Charter Township's average contribution rate was 44.06 percent of annual payroll for the various employee groups.

December 31, 2019

Note 9 - Pension Plan - Police and Fire Retirement System (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, 2019 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, 2019 measurement date. The December 31, 2019 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at January 1, 2019	\$ 27,897,713	\$ 17,310,272	\$ 10,587,441
Changes for the year:			
Service cost	498,058	-	498,058
Interest	1,910,761	-	1,910,761
Differences between expected and actual experience	(294,868)	-	(294,868)
Changes in assumptions	78,774	-	78,774
Contributions - Employer	-	956,123	(956,123)
Contributions - Employee	-	205,096	(205,096)
Net investment income	-	2,967,515	(2,967,515)
Benefit payments, including refunds	(1,700,304)	(1,700,304)	-
Administrative expenses	-	(55,740)	55,740
Net changes	492,421	2,372,690	(1,880,269)
Balance at December 31, 2019	<u>\$ 28,390,134</u>	<u>\$ 19,682,962</u>	<u>\$ 8,707,172</u>

The plan's fiduciary net position represents 69.3 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, 2019, the Charter Township recognized pension expense of \$912,704.

At December 31, 2019, 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	\$ 145,176	\$ (279,368)
Changes in assumptions	58,980	(57,204)
Net difference between projected and actual earnings on pension plan investments	-	(489,182)
Total	<u>\$ 204,156</u>	<u>\$ (825,754)</u>

December 31, 2019

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

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

Years Ending December 31	Amount
2020	\$ (150,510)
2021	(125,432)
2022	9,669
2023	(355,325)

Actuarial Assumptions

The total pension liability in the December 31, 2019 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-2014 fully generational mortality tables with projection scale MP-2019. 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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2019 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 table:

Asset Class	Long-term Expected Real Rate of Return
Domestic equity - Large	4.50 %
Domestic equity - Mid	5.20
Domestic equity - Small	7.00
International equity	6.50
Domestic fixed income	1.40
Cash	0.20

December 31, 2019

Note 9 - Pension Plan - Police and Fire Retirement System (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 Percentage Point Decrease (6.0%)	Current Discount Rate (7.0%)	1 Percentage Point Increase (8.0%)
Net pension liability of the Charter Township of Benton Pension Plan	\$ 11,972,745	\$ 8,707,172	\$ 5,972,988

Assumption Changes

Since the prior measurement date, there was a change in the mortality assumptions. The new assumptions include RP-2014 fully generational mortality with projection scale MP-2019.

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, 2019:

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, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 17.10 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, 2019

Note 9 - Pension Plan - Police and Fire Retirement System (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, 2019 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 18,118,842	\$ 18,118,842
Employee reserve	3,271,014	3,271,014
Employer reserve	-	(1,706,894)
Total	\$ 21,389,856	\$ 19,682,962

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 \$184,000 during the current year and employees contributed approximately \$110,000.

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, 2019, the Charter Township abated approximately \$11,000 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, 2019, 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, 2019, 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.

December 31, 2019

Note 12 - Subsequent Events

The United States and the State of Michigan declared a state of emergency in March 2020 due to the global coronavirus disease 2019 (COVID-19) pandemic. COVID-19 will have a financial impact on subsequent periods of the Charter Township, including a reduction in state-shared revenue. The additional impact on the Charter Township's future operating costs, revenue, and investment income and any recovery from emergency funding, either federal or state, cannot be estimated at this time.

Required Supplemental Information

Charter Township of Benton

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2019

	Original Budget	Amended Budget	Actual	Variance
Revenue				
Property taxes	\$ 569,150	\$ 569,150	\$ 576,853	\$ 7,703
Special assessments	10,400	10,400	10,417	17
State-shared revenue and grants	1,415,000	1,435,000	1,565,706	130,706
Charges for services	942,250	942,250	966,307	24,057
Licenses and permits	244,500	256,600	315,169	58,569
Investment income	85,000	85,000	101,858	16,858
Other revenue	23,500	23,500	29,725	6,225
Total revenue	3,289,800	3,321,900	3,566,035	244,135
Expenditures				
Current services:				
General government:				
Township board	461,000	461,000	406,729	54,271
Supervisor	41,500	41,500	31,741	9,759
Treasurer	143,500	143,500	136,581	6,919
Assessing	317,750	317,750	247,648	70,102
Board of review	5,475	5,475	2,189	3,286
Clerk	255,460	255,460	211,702	43,758
Buildings and grounds	220,390	220,390	188,430	31,960
Elections	87,850	87,850	85,111	2,739
Public safety:				
Ordinance officer	91,000	111,100	102,118	8,982
Building department	462,300	462,300	416,254	46,046
Public works:				
Streets	140,000	350,000	266,869	83,131
Trash and rubbish	468,500	468,500	432,395	36,105
Street lighting	115,000	115,000	80,860	34,140
Garage	100,000	112,000	99,107	12,893
Community and economic development:				
Planning	7,500	7,500	5,031	2,469
Zoning	2,500	2,500	1,586	914
Recreation and culture	108,000	108,000	61,160	46,840
Total expenditures	3,027,725	3,269,825	2,775,511	494,314
Excess of Revenue Over Expenditures	262,075	52,075	790,524	738,449
Other Financing (Uses) Sources				
Transfers out	(262,075)	(262,075)	(142,053)	120,022
Sale of capital assets	-	-	57,901	57,901
Total other financing uses	(262,075)	(262,075)	(84,152)	177,923
Net Change in Fund Balance	-	(210,000)	706,372	916,372
Fund Balance - Beginning of year	2,870,413	2,870,413	2,870,413	-
Fund Balance - End of year	\$ 2,870,413	\$ 2,660,413	\$ 3,576,785	\$ 916,372

Charter Township of Benton

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

Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue			
Property taxes	\$ 721,845	\$ 727,685	\$ 5,840
State-shared revenue and grants	16,250	18,902	2,652
Charges for services	50,000	37,500	(12,500)
Other revenue	10,000	33,491	23,491
Total revenue	798,095	817,578	19,483
Expenditures - Public safety	1,832,740	1,755,815	76,925
Excess of Expenditures Over Revenue	(1,034,645)	(938,237)	96,408
Other Financing Sources - Transfers in	956,645	1,121,858	165,213
Net Change in Fund Balance	(78,000)	183,621	261,621
Fund Balance - Beginning of year	594,463	594,463	-
Fund Balance - End of year	<u><u>\$ 516,463</u></u>	<u><u>\$ 778,084</u></u>	<u><u>\$ 261,621</u></u>

Charter Township of Benton

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

Year Ended December 31, 2019

	Original Budget	Actual	Variance
Revenue			
Property taxes	\$ 911,520	\$ 918,661	\$ 7,141
Special assessments	176,880	176,882	2
State-shared revenue and grants	19,950	22,443	2,493
Fines and forfeitures	16,000	12,469	(3,531)
Licenses and permits	15,000	15,707	707
Investment income	250	317	67
Other revenue	40,000	20,142	(19,858)
Total revenue	1,179,600	1,166,621	(12,979)
Expenditures - Public safety	3,542,600	3,251,838	290,762
Excess of Expenditures Over Revenue	(2,363,000)	(2,085,217)	277,783
Other Financing Sources - Transfers in	2,363,000	2,284,782	(78,218)
Net Change in Fund Balance	-	199,565	199,565
Fund Balance - Beginning of year	497,835	497,835	-
Fund Balance - End of year	<u>\$ 497,835</u>	<u>\$ 697,400</u>	<u>\$ 199,565</u>

Charter Township of Benton

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

Year Ended December 31, 2019

	Original Budget	Actual	Variance
Revenue			
Property taxes	\$ 3,263,750	\$ 3,284,212	\$ 20,462
State-shared revenue and grants	100,000	360,036	260,036
Other revenue	-	4,365	4,365
Total revenue	3,363,750	3,648,613	284,863
Expenditures - Public safety	70,750	81,618	(10,868)
Excess of Revenue Over Expenditures	3,293,000	3,566,995	273,995
Other Financing Uses - Transfers out	(3,293,000)	(3,566,995)	(273,995)
Net Change in Fund Balance	-	-	-
Fund Balance - Beginning of year	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Charter Township of Benton

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

Last Six Fiscal Years

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 498,058	\$ 511,176	\$ 559,126	\$ 556,011	\$ 520,965	\$ 566,962
Interest	1,910,761	1,850,778	1,817,977	1,833,433	1,773,298	1,638,236
Differences between expected and actual experience	(294,868)	298,542	(315,318)	(1,151,122)	(447,726)	1,256,878
Changes in assumptions	78,774	(117,631)	-	-	456,048	-
Benefit payments, including refunds	(1,700,304)	(1,658,511)	(1,479,923)	(1,441,442)	(1,480,641)	(1,538,583)
Net Change in Total Pension Liability	492,421	884,354	581,862	(203,120)	821,944	1,923,493
Total Pension Liability - Beginning of year	27,897,713	27,013,359	26,431,497	26,634,617	25,812,673	23,889,180
Total Pension Liability - End of year	\$ 28,390,134	\$ 27,897,713	\$ 27,013,359	\$ 26,431,497	\$ 26,634,617	\$ 25,812,673
Plan Fiduciary Net Position						
Contributions - Employer	\$ 956,123	\$ 932,763	\$ 1,056,574	\$ 947,792	\$ 851,779	\$ 800,203
Contributions - Member	205,096	179,443	181,354	165,901	160,486	137,898
Net investment income (loss)	2,967,515	(802,033)	2,054,024	988,091	(37,297)	862,704
Administrative expenses	(1,700,304)	(55,071)	(53,027)	(49,222)	(50,070)	(50,060)
Benefit payments, including refunds	(55,740)	(1,658,511)	(1,479,923)	(1,441,442)	(1,480,641)	(1,538,583)
Net Change in Plan Fiduciary Net Position	2,372,690	(1,403,409)	1,759,002	611,120	(555,743)	212,162
Plan Fiduciary Net Position - Beginning of year	17,310,272	18,713,681	16,954,679	16,343,559	16,899,302	16,687,140
Plan Fiduciary Net Position - End of year	\$ 19,682,962	\$ 17,310,272	\$ 18,713,681	\$ 16,954,679	\$ 16,343,559	\$ 16,899,302
Charter Township's Net Pension Liability - Ending	\$ 8,707,172	\$ 10,587,441	\$ 8,299,678	\$ 9,476,818	\$ 10,291,058	\$ 8,913,371
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	69.33 %	62.05 %	69.28 %	64.15 %	61.36 %	65.47 %
Covered Payroll	\$ 2,221,565	\$ 2,164,663	\$ 1,993,736	\$ 2,082,378	\$ 2,011,315	\$ 1,995,350
Charter Township's Net Pension Liability as a Percentage of Covered Payroll	391.94 %	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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 956,123	\$ 932,763	\$ 1,056,574	\$ 947,792	\$ 851,779	\$ 831,530	\$ 777,366	\$ 719,812	\$ 692,798	\$ 571,441
Contributions in relation to the actuarially determined contribution	956,123	932,763	1,056,574	947,792	851,779	800,203	730,162	690,326	690,326	690,524
Contribution (Deficiency) Excess	\$ -	\$ (31,327)	\$ (47,204)	\$ (29,486)	\$ (2,472)	\$ 119,083				
Covered Payroll	\$ 2,221,565	\$ 2,164,663	\$ 1,993,736	\$ 2,082,378	\$ 2,011,315	\$ 1,995,350	\$ 2,132,675	\$ 2,250,626	\$ 2,480,399	\$ 2,484,037
Contributions as a Percentage of Covered Payroll	43.04 %	43.09 %	52.99 %	45.51 %	42.35 %	40.10 %	34.24 %	30.67 %	27.83 %	27.80 %

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	17 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 Table for males and females projected 20 years with scale AA

Charter Township of Benton

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

**Last Six Fiscal Years
Years Ended December 31**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return - Net of investment expense	17.10 %	(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

	Last Three Fiscal Years		
	2019	2018	2017
Total OPEB Liability			
Service cost	\$ 46,459	\$ 52,211	\$ 49,139
Interest	190,231	187,828	185,410
Differences between expected and actual experience	(44,205)	11,964	-
Changes in assumptions	(31,830)	-	-
Benefit payments, including refunds	(216,406)	(204,935)	(189,880)
Net Change in Total OPEB Liability	(55,751)	47,068	44,669
Total OPEB Liability - Beginning of year	3,128,675	3,081,607	3,036,938
Total OPEB Liability - End of year	\$ 3,072,924	\$ 3,128,675	\$ 3,081,607
Plan Fiduciary Net Position			
Contributions - Employer	\$ 216,406	\$ 225,535	\$ 235,881
Net investment income (loss)	257,295	(70,857)	156,737
Administrative expenses	(4,812)	(4,665)	(4,219)
Benefit payments, including refunds	(216,406)	(204,935)	(189,881)
Other	-	-	5,370
Net Change in Plan Fiduciary Net Position	252,483	(54,922)	203,888
Plan Fiduciary Net Position - Beginning of year	1,473,473	1,528,395	1,324,507
Plan Fiduciary Net Position - End of year	\$ 1,725,956	\$ 1,473,473	\$ 1,528,395
Net OPEB Liability - Ending	\$ 1,346,968	\$ 1,655,202	\$ 1,553,212
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	56.17 %	47.10 %	49.60 %
Covered Payroll	\$ 2,588,169	\$ 2,933,093	\$ 2,881,147
Net OPEB Liability as a Percentage of Covered Payroll	52.04 %	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.

Charter Township of Benton

Required Supplemental Information Schedule of OPEB Contributions

Last Ten Fiscal Years Years Ended December 31

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 163,802	\$ 169,873	\$ 175,286	\$ 277,722	\$ 277,722	\$ 277,722	\$ 202,101	\$ 201,945	\$ 261,761	\$ 211,578
Contributions in relation to the actuarially determined contribution	216,406	225,535	235,881	280,670	280,206	283,530	155,065	136,938	115,167	108,247
Contribution Excess (Deficiency)	\$ 52,604	\$ 55,662	\$ 60,595	\$ 2,948	\$ 2,484	\$ 5,808	\$ (47,036)	\$ (65,007)	\$ (146,594)	\$ (103,331)

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	18 years, closed
Asset valuation method	Market value of assets
Inflation	2.5 percent
Health care cost trend rates	Inflation trend of 9.0 percent gradually decreasing to an ultimate trend of 4.0 percent in year 10 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)
Retirement age	Police and fire: Experience-based table of rates that are specific to the type of eligibility condition Municipal: Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Police and fire: The RP-2000 Mortality Table projects 20 years with scale AA Municipal: The RP-2000 Mortality Table projects 20 years with scale BB
Other information	There were no benefit changes during the year.

Charter Township of Benton

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

**Last Three Fiscal Years
Years Ended December 31**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return - Net of investment expense	17.14 %	(6.28)%	11.92 %

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

December 31, 2019

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	\$ 70,750	\$ 81,618	\$ (10,868)

Pension Information

Changes in Assumptions

Since the prior measurement date, there was a change in the mortality assumptions. The new assumptions for the year ended December 31, 2019 include RP-2014 fully generational mortality tables with projection scale MP-2019.

For the year ended December 31, 2015, the normal cost and actuarial accrued liability for retirement benefits increased by 5.0 percent to account for the inclusion of unused vacation and longevity payment lump sums in the development of the average final compensation.

OPEB Information

Changes in Assumptions

Since the prior measurement date, there was a change in the mortality assumptions. The new assumptions for the year ended December 31, 2019 include RP-2014 fully generational mortality tables with projection scale MP-2019.

Other Supplemental Information

Charter Township of Benton

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

December 31, 2019

	Special Revenue Funds			
	Rental Ordinance Fund	Community Development Fund	Capital Projects Fund	Total
Assets				
Cash and investments	\$ 112,422	\$ 45,040	\$ -	\$ 157,462
Due from other funds	-	-	909,359	909,359
Total assets	\$ 112,422	\$ 45,040	\$ 909,359	\$ 1,066,821
Liabilities				
Accounts payable	\$ 390	\$ 114	\$ -	\$ 504
Due to other funds	-	2,096	-	2,096
Total liabilities	390	2,210	-	2,600
Fund Balances				
Restricted:				
Fire	-	-	35,000	35,000
Community development	-	42,830	-	42,830
Rental ordinance	112,032	-	-	112,032
Assigned	-	-	874,359	874,359
Total fund balances	112,032	42,830	909,359	1,064,221
Total liabilities and fund balances	\$ 112,422	\$ 45,040	\$ 909,359	\$ 1,066,821

Charter Township of Benton

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

Year Ended December 31, 2019

	Special Revenue Funds			Total
	Rental Ordinance Fund	Community Development Fund	Capital Projects Fund	
Revenue				
Licenses and permits	\$ 73,629	\$ -	\$ -	\$ 73,629
Other revenue	-	90	-	90
Total revenue	73,629	90	-	73,719
Expenditures				
Current services:				
General government	-	-	76,734	76,734
Public safety	51,115	-	32,106	83,221
Public works	-	-	35,313	35,313
Community and economic development	-	143	-	143
Recreation and culture	-	-	76,163	76,163
Total expenditures	51,115	143	220,316	271,574
Net Change in Fund Balances	22,514	(53)	(220,316)	(197,855)
Fund Balances - Beginning of year	89,518	42,883	1,129,675	1,262,076
Fund Balances - End of year	<u><u>\$ 112,032</u></u>	<u><u>\$ 42,830</u></u>	<u><u>\$ 909,359</u></u>	<u><u>\$ 1,064,221</u></u>

Charter Township of Benton

Other Supplemental Information
Combining Statement of Assets and Liabilities
Agency Funds

December 31, 2019

	Current Tax Collections Fund	Delinquent Tax Fund	Total Agency Funds
Assets - Cash and cash equivalents	\$ 507,943	\$ 187,549	\$ 695,492
Liabilities - Due to other governmental units	\$ 507,943	\$ 187,549	\$ 695,492

Charter Township of Benton

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

December 31, 2019

	<u>Pension Trust Fund</u>	<u>Retiree Health Insurance Fund</u>	<u>Total Fiduciary Funds</u>
Assets			
Investments	\$ 19,588,881	\$ 1,725,956	\$ 21,314,837
Other assets	<u>88,824</u>	<u>-</u>	<u>88,824</u>
Total assets	19,677,705	1,725,956	21,403,661
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net Position Restricted for Pension and Other Employee Benefits	<u><u>\$ 19,677,705</u></u>	<u><u>\$ 1,725,956</u></u>	<u><u>\$ 21,403,661</u></u>

Charter Township of Benton

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

Year Ended December 31, 2019

	Pension Trust Fund	Retiree Health Insurance Fund	Total Fiduciary Funds
Additions			
Investment income:			
Interest and dividends	\$ 400,120	\$ 35,557	\$ 435,677
Net increase in fair value of investments	<u>2,567,395</u>	<u>221,738</u>	<u>2,789,133</u>
Net investment income	2,967,515	257,295	3,224,810
Contributions:			
Employer	950,928	216,407	1,167,335
Employee	<u>205,035</u>	<u>-</u>	<u>205,035</u>
Total contributions	<u>1,155,963</u>	<u>216,407</u>	<u>1,372,370</u>
Total additions	4,123,478	473,702	4,597,180
Deductions			
Benefit payments	1,700,334	216,407	1,916,741
Administrative expenses	<u>55,711</u>	<u>4,811</u>	<u>60,522</u>
Total deductions	<u>1,756,045</u>	<u>221,218</u>	<u>1,977,263</u>
Net Increase Restricted for Pension and Other Employee Benefits	2,367,433	252,484	2,619,917
Net Position Restricted for Pension and Other Employee Benefits - Beginning of year	<u>17,310,272</u>	<u>1,473,472</u>	<u>18,783,744</u>
Net Position Restricted for Pension and Other Employee Benefits - End of year	<u><u>\$ 19,677,705</u></u>	<u><u>\$ 1,725,956</u></u>	<u><u>\$ 21,403,661</u></u>