

**Charter Township of Flushing
Genesee County, Michigan**

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

Charter Township of Flushing

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Flushing

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 Flushing as of and for the year ended March 31, 2016 and the related notes to the financial statements, which collectively comprise the Charter Township of Flushing'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 an opinion 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 opinion.

To the Board of Trustees
Charter Township of Flushing

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 Flushing as of March 31, 2016 and the respective changes in its financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 11 to the basic financial statements, during the year ended March 31, 2016, the Township adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended, which establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of governmental employers through pension plans. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

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



July 13, 2016

Charter Township of Flushing

Management's Discussion and Analysis

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

- The Township's total net position is approximately \$10 million, with unrestricted net position of approximately \$3 million.
- During the year, the Township's governmental expenditures were about \$256,000 less than the \$2,382,000 generated in taxes and other revenue for governmental funds.
- General Fund balance increased by \$153,641.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

Charter Township of Flushing

Management's Discussion and Analysis (Continued)

Governmental Activities

The following tables show, in a condensed format, the current year's net position and changes in net position compared to the prior year:

	Governmental Activities				Percent Change
	2015	2016*	Change		
Assets					
Current and other assets	\$ 1,904,379	\$ 2,162,344	\$ 257,965	14%	
Capital assets	\$ 1,623,958	\$ 1,594,720	\$ (29,238)	-2%	
Total assets	3,528,337	3,757,064	228,727	6%	
Deferred Outflows					
	-	477,436	477,436	100%	
Liabilities					
Current liabilities	101,540	110,315	8,775	9%	
Long-term liabilities	3,021,219	3,565,896	544,677	18%	
Total liabilities	3,122,759	3,676,211	553,452	18%	
Deferred Inflows					
	-	72,489	72,489.00	100%	
Net Position					
Net investment in capital assets	1,618,750	1,592,116	(26,634)	-2%	
Restricted	400,790	11,865	(388,925)	-97%	
Unrestricted	(1,613,962)	(1,118,181)	495,781	-31%	
Total net position	\$ 405,578	\$ 485,800	\$ 80,222	20%	

* GASB Statement No. 68 was adopted by the Township as of April 1, 2015. The 2015 amounts have been adjusted to reflect the net pension liability as of March 31, 2015.

Charter Township of Flushing

Management's Discussion and Analysis (Continued)

	Governmental Activities				Percent Change	
	2015		2016			
Revenue						
Program revenue:						
Charges for services	\$ 250,946	\$ 124,099	\$ (126,847)		-51%	
Operating grants	87,847	78,828	(9,019)		-10%	
General revenue:						
Property taxes	1,009,072	1,025,113	16,041		2%	
State-shared revenue	909,488	824,669	(84,819)		-9%	
Investment earnings	529	2,113	1,584		299%	
Other revenue	171,663	320,291	148,628		87%	
Total revenue	<u>2,429,545</u>	<u>2,375,113</u>	<u>(54,432)</u>		-2%	
Program Expenses						
General government	720,306	874,142	153,836		21%	
Public safety	933,024	1,070,956	137,932		15%	
Public works	287,170	275,339	(11,831)		-4%	
Recreation and cultural	95,860	74,454	(21,406)		-22%	
Total expenses	<u>2,036,360</u>	<u>2,294,891</u>	<u>258,531</u>		13%	
Change in Net Position	<u>\$ 393,185</u>	<u>\$ 80,222</u>	<u>\$ (312,963)</u>		-80%	

The Township's governmental revenue was approximately \$2.38 million this year. Property taxes were about \$1 million, or 43 percent of total revenue. The increase was primarily related to a slight increase in taxable values and the change in chargebacks from Genesee County, Michigan (the "County") for uncollectible amounts. State revenue sharing made up about \$825,000, or 35 percent of total revenue. This revenue decreased primarily related to the decrease in state-shared revenue and charges for services. The remaining 22 percent of governmental activities revenue is comprised mostly of charges for services, grants and contributions, and franchise fees.

Expenses increased by approximately \$260,000. General government expenses account for approximately \$154,000 primarily related to the pension expense recognized for the implementation of GASB Statement No. 68 and an increase in insurance expense. Public safety expenses account for approximately \$138,000 of the increase primarily related to the pension expense recognized for the implementation of GASB Statement No. 68 as well as an increase in the required pension contribution during the year.

Charter Township of Flushing

Management's Discussion and Analysis (Continued)

Business-type Activities

The following tables show, in a condensed format, the current year's net position and changes in net position compared to the prior year:

	Business-type Activities			Percent Change
	2015	2016	Change	
Other assets	\$ 4,535,497	\$ 4,752,664	\$ 217,167	5%
Capital assets	<u>5,616,468</u>	<u>5,456,079</u>	<u>(160,389)</u>	-3%
Total assets	10,151,965	10,208,743	56,778	1%
Current liabilities	671,473	676,332	4,859	1%
Net position:				
Net investment in capital assets	5,616,468	5,456,079	(160,389)	-3%
Unrestricted	<u>3,864,024</u>	<u>4,076,332</u>	<u>212,308</u>	5%
Total net position	<u>\$ 9,480,492</u>	<u>\$ 9,532,411</u>	<u>\$ 51,919</u>	1%

	Business-type Activities			Percent Change
	2015	2016	Change	
Operating revenue	\$ 2,221,837	\$ 2,429,369	\$ 207,532	9%
Operating expenses, other than depreciation	2,067,749	2,254,435	186,686	9%
Depreciation and amortization	<u>160,389</u>	<u>160,389</u>	-	0%
Operating (loss) income	(6,301)	14,545		
Interest income	12,652	17,288	4,636	37%
Capital contributions	18,500	19,000	500	3%
Other miscellaneous income	720	1,086	366	
Change in Net Position	\$ 25,571	\$ 51,919	\$ 26,348	103%

Operating revenue (charges for services) of the Township's business-type activities increased by approximately \$207,000 and operating expenses increased by approximately \$187,000. The major factor contributing to the increase in expenses from the prior year includes increased water and sewer usage costs from the County.

Charter Township of Flushing

Management's Discussion and Analysis (Continued)

The Township's Funds

As the Township completed the year, its General Fund reported a fund balance of \$1,477,352. This was an increase of \$153,641 from the prior year. This represents approximately 118 percent of General Fund total expenditures. Revenue increased by \$13,289, with charges for services increasing by \$15,888, cable franchise fees increasing by \$6,031, state-shared revenue decreasing by \$10,320, and other revenue increasing by \$1,690. Expenditures increased by \$10,253 mainly due to an increase in insurance and bonds due to an additional insurance policy purchased in February 2016.

The Law Enforcement Special Revenue Fund realized an increase in its fund balance of \$102,243 to stand at \$439,682. The revenue in the fund increased by \$16,587 primarily due to additional revenue related to the resource officer. The expenditures increased by \$55,002 primarily due to an increase in pension expense.

The following table shows the total governmental funds activity on a modified accrual basis:

	Governmental Funds			Percent Change
	2015	2016	Change	
Revenue				
Property taxes	\$ 1,002,078	\$ 1,027,976	\$ 25,898	3%
Charges for services	232,086	247,974	15,888	7%
Licenses and permits	2,775	2,625	(150)	-5%
State-shared revenue	838,868	828,548	(10,320)	-1%
Federal, state, and local grants	87,847	78,828	(9,019)	-10%
Cable franchise fees	117,844	123,875	6,031	5%
Fines and forfeitures	9,085	8,605	(480)	-5%
Interest and rentals	26,566	32,198	5,632	21%
Other	34,782	31,226	(3,556)	-10%
Total revenue	2,351,931	2,381,855	29,924	1%
Expenditures				
Current:				
General government	762,938	824,336	61,398	8%
Public safety	906,002	953,777	47,775	5%
Public works	275,304	265,817	(9,487)	-3%
Recreation and culture	49,438	29,802	(19,636)	-40%
Capital outlay	66,986	52,191	(14,795)	-22%
Total expenditures	2,060,668	2,125,923	65,255	3%
Net Change in Fund Balances	291,263	255,932	(35,331)	-12%
Fund Balances - Beginning of year	1,370,416	1,661,679	291,263	21%
Fund Balances - End of year	\$ 1,661,679	\$ 1,917,611	\$ 255,932	15%

Charter Township of Flushing

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. Overall, the Township stayed below budget in all departments. The fund balance represents almost a year of operating expenditures and transfers.

Capital Asset and Debt Administration

At the end of 2016, the Township had invested approximately \$7 million in capital assets, net of related debt. This amount complies with methods established by the Governmental Accounting Standards Board (GASB) for the implementation of GASB Statement No. 34. Capital assets, as stated in this annual financial report, do not include some prior year infrastructure items such as sidewalks and streets. Financial reporting in years before 2005 did not require some infrastructure items to be included with capital assets. Recognizing the problem of having local units gather together all of the required information, the GASB has allowed smaller units of government, like the Township, to report infrastructure assets on a prospective basis only after adopting the new reporting standard.

At year end, the Township had a capital lease obligation of \$2,604 outstanding for equipment purchased for governmental activities and compensated absences due employees of \$92,312. Annual debt service requirements for the capital lease are approximately \$2,600 per year, with final payment due in 2017.

Business-type activities (water and sewer services) did not have any long-term debt obligations outstanding at March 31, 2016.

Limitations on Debt

The State limits the amount of general obligation debt the Township can issue to 10 percent of the assessed value of all taxable property within the Township's corporate limits. The Township does not have any debt outstanding that is subject to the state limitation as the capital lease obligation is specifically excluded.

Contacting the Township's Financial Administration

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Charter Township of Flushing clerk's department.

Charter Township of Flushing

Statement of Net Position March 31, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 1,783,465	\$ 2,371,919	\$ 4,155,384
Investments	-	1,734,859	1,734,859
Receivables:			
Property taxes receivable	67,677	31,242	98,919
Receivables from sales to customers on account	-	516,933	516,933
Accrued interest receivable	-	11,150	11,150
Other receivables	12,691	-	12,691
Due from other governmental units	194,618	27,198	221,816
Tap-in contracts	-	6,120	6,120
Internal balances	(18,538)	18,538	-
Prepaid expenses and other assets	122,431	2,668	125,099
Capital assets (Note 4):			
Assets not subject to depreciation	193,200	-	193,200
Assets subject to depreciation	1,401,520	5,456,079	6,857,599
Tap-in contracts receivable	-	32,037	32,037
Total assets	3,757,064	10,208,743	13,965,807
Deferred outflows related to pensions	477,436	-	477,436
Liabilities			
Accounts payable	60,691	330,345	391,036
Due to other governmental units	-	355	355
Accrued liabilities and other:			
Accrued salaries and wages	12,441	-	12,441
Payroll taxes and withholdings	37,183	-	37,183
Unearned revenue	-	345,632	345,632
Noncurrent liabilities:			
Due within one year (Note 6):			
Compensated absences	56,648	-	56,648
Current portion of long-term debt	2,604	-	2,604
Due in more than one year:			
Compensated absences (Note 6)	35,664	-	35,664
Net OPEB obligation (Note 10)	394,244	-	394,244
Net pension liability (Note 9)	3,076,736	-	3,076,736
Total liabilities	3,676,211	676,332	4,352,543
Deferred inflows related to pensions	72,489	-	72,489
Net Position			
Net investment in capital assets	1,592,116	5,456,079	7,048,195
Restricted for:			
Drug law enforcement	577	-	577
PEG revenue	11,288	-	11,288
Unrestricted	(1,118,181)	4,076,332	2,958,151
Total net position	\$ 485,800	\$ 9,532,411	\$ 10,018,211

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

Charter Township of Flushing

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 874,142	\$ 113,419	\$ -	\$ -
Public safety	1,070,956	10,680	72,081	-
Public works	275,339	-	6,747	-
Recreation and culture	74,454	-	-	-
Total governmental activities	2,294,891	124,099	78,828	-
Business-type activities:				
Sewer and water	1,990,546	1,964,781	-	19,000
Solid waste	424,278	464,588	-	-
Total business-type activities	2,414,824	2,429,369	-	19,000
Total primary government	\$ 4,709,715	\$ 2,553,468	\$ 78,828	\$ 19,000
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Franchise fees				
Other miscellaneous income				
	Total general revenue			

Change in Net Position

Net Position - Beginning of year (Note 11)

Net Position - End of year

Statement of Activities
Year Ended March 31, 2016

Net (Expense) Revenue and Changes
 in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (760,723)	\$ (760,723)	
(988,195)	(988,195)	
(268,592)	(268,592)	
<u>(74,454)</u>	<u>-</u>	<u>(74,454)</u>
 (2,091,964)	 -	 (2,091,964)
 -	 (6,765)	 (6,765)
<u>-</u>	<u>40,310</u>	<u>40,310</u>
 <u>-</u>	 <u>33,545</u>	 <u>33,545</u>
 (2,091,964)	 33,545	 (2,058,419)
 1,025,113	 -	 1,025,113
 824,669	 -	 824,669
 2,113	 17,288	 19,401
 123,875	 -	 123,875
<u>196,416</u>	<u>1,086</u>	<u>197,502</u>
 2,172,186	 18,374	 2,190,560
 80,222	 51,919	 132,141
 405,578	 9,480,492	 9,886,070
 \$ 485,800	 \$ 9,532,411	 \$ 10,018,211

Charter Township of Flushing

Governmental Funds Balance Sheet March 31, 2016

	General Fund	Law Enforcement	Law Enforcement	Nonmajor Fund - Drug	Total
Assets					
Cash and cash equivalents	\$ 1,344,342	\$ 438,546	\$ 577	\$ 1,783,465	
Receivables:					
Property taxes receivable	13,544	54,133	-	67,677	
Other receivables	2,815	9,876	-	12,691	
Due from other governmental units	194,618	-	-	194,618	
Prepaid expenses	105,933	16,498	-	122,431	
Total assets	\$ 1,661,252	\$ 519,053	\$ 577	\$ 2,180,882	
Liabilities					
Accounts payable	\$ 56,026	\$ 4,665	\$ -	\$ 60,691	
Due to other funds	18,538	-	-	18,538	
Accrued liabilities and other	29,051	20,573	-	49,624	
Total liabilities	103,615	25,238	-	128,853	
Deferred Inflows of Resources - Unavailable revenue					
revenue	80,285	54,133	-	134,418	
Fund Balances					
Nonspendable - Prepays	105,933	16,498	-	122,431	
Restricted:					
Law enforcement	-	423,184	-	423,184	
PEG revenue	11,288	-	-	11,288	
Drug law enforcement	-	-	577	577	
Assigned - Subsequent year's budget	159,375	-	-	159,375	
Unassigned	1,200,756	-	-	1,200,756	
Total fund balances	1,477,352	439,682	577	1,917,611	
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,661,252	\$ 519,053	\$ 577	\$ 2,180,882	

Charter Township of Flushing

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

Fund Balance Reported in Governmental Funds	\$	1,917,611
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		1,594,720
Delinquent property taxes are expected to be collected over several years and are not available to pay for current year expenditures		67,677
Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds		66,741
Deferred outflows of resources - pension difference between projected and actual investment earnings, as well as contributions made to the plan after the measurement date		477,436
Capital lease obligations are not due and payable in the current period and are not reported in the funds		(2,604)
Deferred inflows of resources - pension difference between projected and actual experience		(72,489)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities		(92,312)
Net pension liability does not present a claim on current financial resources and is not reported as fund liabilities		(3,076,736)
Other postemployment benefit obligations do not present a claim on current financial resources and are not reported as fund liabilities		(394,244)
Net Position of Governmental Activities	\$	485,800

Charter Township of Flushing

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

	General Fund	Law Enforcement	Nonmajor Fund - Drug Law Enforcement	Total
Revenue				
Property taxes	\$ 134,441	\$ 893,535	\$ -	\$ 1,027,976
Licenses and permits	2,625	-	-	2,625
State-shared revenue and grants	835,295	72,081	-	907,376
Charges for services	247,974	-	-	247,974
Fines and forfeitures	-	8,605	-	8,605
Investment income	621	1,492	-	2,113
Rental income	30,085	-	-	30,085
Other revenue:				
Cable franchise fees	123,875	-	-	123,875
Other miscellaneous income	25,944	5,234	48	31,226
Total revenue	<u>1,400,860</u>	<u>980,947</u>	<u>48</u>	<u>2,381,855</u>
Expenditures				
Current:				
General government	821,440	2,896	-	824,336
Public safety	120,079	833,698	-	953,777
Public works	265,817	-	-	265,817
Recreation and culture	29,802	-	-	29,802
Capital outlay	10,081	42,110	-	52,191
Total expenditures	<u>1,247,219</u>	<u>878,704</u>	<u>-</u>	<u>2,125,923</u>
Net Change in Fund Balances	<u>153,641</u>	<u>102,243</u>	<u>48</u>	<u>255,932</u>
Fund Balances - Beginning of year	<u>1,323,711</u>	<u>337,439</u>	<u>529</u>	<u>1,661,679</u>
Fund Balances - End of year	<u>\$ 1,477,352</u>	<u>\$ 439,682</u>	<u>\$ 577</u>	<u>\$ 1,917,611</u>

Charter Township of Flushing

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

Net Change in Fund Balances - Total Governmental Funds \$ 255,932

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	212,978
Depreciation expense	(242,216)

Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end (6,742)

Repayment of lease principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 2,604

Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources and therefore are not reported in the fund statements until they come due for payment (3,933)

Increase in net pension liability (101,995)

Increase in net other postemployment benefit obligations (36,406)

Change in Net Position of Governmental Activities \$ **80,222**

Charter Township of Flushing

Proprietary Funds Statement of Net Position March 31, 2016

	Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,887,310	\$ 484,609	\$ 2,371,919
Investments	1,734,859	-	1,734,859
Receivables:			
Property taxes receivable	-	31,242	31,242
Receivables from sales to customers on account	516,933	-	516,933
Accrued interest receivable	11,150	-	11,150
Due from other governmental units	27,198	-	27,198
Tap-in contracts - Current portion	6,120	-	6,120
Due from other funds	18,538	-	18,538
Prepaid expenses and other assets	-	2,668	2,668
Total current assets	4,202,108	518,519	4,720,627
Noncurrent assets:			
Capital assets - Net of accumulated depreciation	5,456,079	-	5,456,079
Tap-in contracts receivable - Long-term portion	32,037	-	32,037
Total noncurrent assets	5,488,116	-	5,488,116
Total assets	9,690,224	518,519	10,208,743
Liabilities			
Current liabilities:			
Accounts payable	330,345	-	330,345
Due to other governmental units	355	-	355
Unearned revenue - Special assessments	-	345,632	345,632
Total current liabilities	330,700	345,632	676,332
Net Position			
Net investment in capital assets	5,456,079	-	5,456,079
Unrestricted	3,903,445	172,887	4,076,332
Total net position	\$ 9,359,524	\$ 172,887	\$ 9,532,411
Net Position of Business-type Activities			
			\$ 9,532,411

Charter Township of Flushing

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

	Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total
Operating Revenue			
Water usage fees	\$ 1,646,550	\$ -	\$ 1,646,550
Sewer treatment fees	273,674	-	273,674
User charges	-	464,588	464,588
Late charges	<u>44,557</u>	<u>-</u>	<u>44,557</u>
Total operating revenue	1,964,781	464,588	2,429,369
Operating Expenses			
Water usage cost	1,439,371	-	1,439,371
Sewer treatment costs	165,294	-	165,294
Solid waste contract	-	424,278	424,278
Pumping station maintenance	30,519	-	30,519
Pumping station utilities	5,096	-	5,096
Computer billing charges	12,223	-	12,223
Hydrant service	17,871	-	17,871
Administration	142,800	-	142,800
Miscellaneous	10,228	-	10,228
Professional fees	6,755	-	6,755
Depreciation	<u>160,389</u>	<u>-</u>	<u>160,389</u>
Total operating expenses	1,990,546	424,278	2,414,824
Operating (Loss) Income			
	(25,765)	40,310	14,545
Nonoperating Revenue			
Investment income	17,288	-	17,288
Interest on tap-in contracts and assessments	<u>1,086</u>	<u>-</u>	<u>1,086</u>
Total nonoperating revenue	18,374	-	18,374
(Loss) Income - Before contributions	(7,391)	40,310	32,919
Capital Contributions	<u>19,000</u>	<u>-</u>	<u>19,000</u>
Change in Net Position	11,609	40,310	51,919
Net Position - Beginning of year	9,347,915	132,577	9,480,492
Net Position - End of year	<u>\$ 9,359,524</u>	<u>\$ 172,887</u>	<u>\$ 9,532,411</u>

Charter Township of Flushing

**Proprietary Funds
Statement of Cash Flows
Year Ended March 31, 2016**

Cash Flows from Operating Activities

	Water and Sewer Fund	Solid Waste Fund	Enterprise Funds Total
Receipts from customers	\$ 1,943,434	\$ 463,533	\$ 2,406,967
Payments for interfund services and reimbursements	(18,538)	-	(18,538)
Payments to suppliers	(1,824,243)	(424,278)	(2,248,521)
Net cash provided by operating activities	100,653	39,255	139,908

Cash Flows from Capital and Related Financing Activities

Special assessment collections	25,000	-	25,000
Tap-in fees	12,850	-	12,850
Property taxes (restricted for capital or capital debt)	-	1,353	1,353
Net cash provided by capital and related financing activities	37,850	1,353	39,203

Cash Flows from Investing Activities

Interest received on investments	11,672	-	11,672
Purchase of investment securities	(1,467,462)	-	(1,467,462)
Proceeds from sale and maturities of investment securities	1,230,328	-	1,230,328
Net cash used in investing activities	(225,462)	-	(225,462)

Net (Decrease) Increase in Cash and Cash Equivalents

Cash and Cash Equivalents - Beginning of year	1,974,269	444,001	2,418,270
Cash and Cash Equivalents - End of year	\$ 1,887,310	\$ 484,609	\$ 2,371,919

Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities

Operating (loss) income	\$ (25,765)	\$ 40,310	\$ 14,545
Adjustments to reconcile operating (loss) income to net cash from operating activities:			
Depreciation and amortization	160,389	-	160,389
Changes in assets and liabilities:			
Receivables	(21,347)	(1,055)	(22,402)
Due from others	(18,538)	-	(18,538)
Accounts payable	5,914	-	5,914
Net cash provided by operating activities	\$ 100,653	\$ 39,255	\$ 139,908

Charter Township of Flushing

Notes to Financial Statements March 31, 2016

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

The Charter Township of Flushing was formed in 1838. The Township provides the following services as authorized by law: public safety (police, fire, and inspections), highways and streets, sanitation, public improvements, recreation, planning, and general administrative services.

The accompanying financial statements present the Charter Township of Flushing, Michigan. The Township currently does not have any component units.

Jointly Governed Organization - The Township has entered into a joint agreement with the City of Flushing (the "City") to share in the operating costs of a library and senior citizens center for township and city residents. The facility renovation and operation are overseen by a joint building operating committee made up of two appointees from each municipality and one appointee selected by the members of the Township and the City. The joint building committee prepares an annual operating budget, which is approved by each municipality. All operating regulations, policies, and rules for the center are determined by the committee and approved by the City and the Township. Operating expenses will be divided between the City and the Township based on resident usage records. The City of Flushing acts as the fiduciary agent for the library and senior center. During the current year, the Township's share of the operating costs of the library and senior center was \$6,948 and \$1,797, respectively. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Separate financial statements for the senior citizens center are not available as of the report date.

Accounting and Reporting Principles

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

Charter Township of Flushing

Notes to Financial Statements March 31, 2016

Note I - Summary of Significant Accounting Policies (Continued)

Report Presentation

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

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

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

Fund Accounting

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

Charter Township of Flushing

Notes to Financial Statements March 31, 2016

Note I - Summary of Significant Accounting Policies (Continued)

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The 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 general government services, other than those specifically assigned to another fund.
- The Law Enforcement Fund accounts for police services provided to township residents.
- The Drug Law Enforcement Fund is used to account for revenue from the sales of confiscated drug items. Expenditures are restricted to drug enforcement and prevention (note that this is not a "major fund" because the amount of activity is not financially significant).

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the Township). The Township reports the following funds as "major" enterprise funds:

- The Water and Sewer Fund - One fund is maintained for the operations of the water distribution system and the sewage pumping and collection system that transports the sewage to Genesee County's treatment plant.
- The Solid Waste Fund accounts for sanitation services provided to township residents.

Interfund Activity

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

Charter Township of Flushing

Notes to Financial Statements March 31, 2016

Note I - Summary of Significant Accounting Policies (Continued)

Further, 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 Township has spent its resources.

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

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Township considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, delinquent property taxes and intergovernmental receivables 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

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Charter Township of Flushing

Notes to Financial Statements March 31, 2016

Note I - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

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.

Capital Assets - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$100 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 fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Property, plant, equipment, and infrastructure of the Township are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	Lives
Buildings	20 to 50 years
Land improvements	12 to 60 years
Vehicles	5 years
Vehicle equipment	5 years
Office equipment	5 to 12 years
Computer equipment	5 years
Maintenance equipment	6 to 12 years
Water system and waterlines	60 years

Charter Township of Flushing

Notes to Financial Statements March 31, 2016

Note I - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures. The General Fund is generally used to liquidate governmental long-term debt.

Pension - The Township offers a defined benefit pension plan to its employees through the Municipal Employees' Retirement System of Michigan (MERS). The Township records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expenses, information about the fiduciary net position of the Township's pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General and Law Enforcement Funds will be used to liquidate the net pension liability based on whichever fund an employee or retiree is assigned and to which fund the employee's pension costs are charged.

Other Postemployment Benefit Costs - The Township offers retiree healthcare benefits to retirees. The Township receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the Township reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any. The General Fund and Law Enforcement Fund are used to liquidate these liabilities.

Charter Township of Flushing

Notes to Financial Statements March 31, 2016

Note I - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Due to implementation of GASB Statement No. 68, the Township has deferred outflows of resources at the government-wide level related to the defined pension plan that are made up of employer contributions made subsequent to the measurement date as well as changes in assumptions.

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 so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenue from delinquent property taxes and state-shared revenue. These amounts are recognized as an inflow of resources in the period that the amounts become available. The Township also reports deferred inflows related to pensions at the government-wide level for the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

Net Position Flow Assumption

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

Fund Balance Flow Assumption

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

Charter Township of Flushing

Notes to Financial Statements March 31, 2016

Note I - Summary of Significant Accounting Policies (Continued)

Fund Balance Policies

Fund Equity - In the fund financial statements, governmental funds report the following components of fund balance:

Nonspendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact

Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose

Committed: Amounts that have been formally set aside by the Township for use for specific purposes. Commitments are made and can be rescinded only via resolution of the honorable members of the township board.

Assigned: Intent to spend resources on specific purposes expressed by the board of trustees

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

Property Tax Revenue

Property taxes attach as an enforceable lien on property as of December 1. Taxes are also levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are due on February 28 and are considered delinquent on March 1, at which time penalties and interest are assessed. Revenue generated by the levy of a 1 percent property tax administrative fee is recognized on a cash basis.

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

The 2015 taxable valuation of the Township totaled \$264,991,664, on which taxes levied consisted of 0.50 mills for operating purposes and 3.3803 mills for police. This resulted in \$132,026 for operating purposes and \$893,535 for police. These amounts are recognized in the respective General Fund and special revenue fund financial statements as tax revenue.

Charter Township of Flushing

Notes to Financial Statements March 31, 2016

Note I - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - All full-time township employees are paid for sick days on an as-needed basis up to a reasonable limit, as determined by management.

General Township employees are allowed to carry over up to half of their annual vacation time up to two years. All accumulated and unpaid vacation days are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. The General Fund reports each employee's compensation and is used to liquidate the obligation.

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund is charges to customers for sales and services. 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.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the supervisor submits to the township board a proposed operating budget for the fiscal year commencing on the following April 1. The operating budget includes proposed expenditures, and the means of financing them, for the General Fund and special revenue fund. Informational summaries of projected revenue and expenses are provided for the Water and Sewer Fund.
2. Public hearings are conducted at the township hall to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted on a departmental level for all budgetary funds through passage of a resolution in accordance with Public Act 621 of the State of Michigan.

Charter Township of Flushing

Notes to Financial Statements March 31, 2016

Note 2 - Stewardship, Compliance, and Accountability (Continued)

4. The supervisor is authorized to transfer budgeted amounts within departmental appropriation accounts; however, any revisions that alter the total expenditures of any department must be approved by the township board.
5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. All budgets are adopted on a basis consistent with generally accepted accounting principles except as indicated in item 8 below.
6. Budget appropriations lapse at year end, except for approved contracts and certain federal grants, which are appropriated on a contract- (grant-) length basis.
7. The original budget was amended during the year in compliance with the township charter and applicable state laws. The budget amounts reported in the financial statements represent the original and final budgeted expenditures as amended by the Township.
8. The Community Development Special Revenue Fund is budgeted on a project-length basis.

Construction Code Fees - The 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 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 April 1, 2000 is as follows:

Shortfall at April 1, 2015	\$ (260,619)
Construction permit revenue	2,075
Related expenses - Professional services	<u>711</u>
Current year surplus	<u>1,364</u>
Cumulative shortfall at March 31, 2016	<u>\$ (259,255)</u>

Charter Township of Flushing

Notes to Financial Statements March 31, 2016

Note 3 - Deposits and Investments

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

The Township has designated nine banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to custodial credit risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$3,439,965 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Pooled Cash - The Township maintains a cash pool that is available for use by all funds except the Water and Sewer Fund and the Tax Collection Fund. Each fund type's portion of this pool is included on the balance sheet in cash and cash equivalents. A summary of the amount of equity in the pooled cash account, or the amount due to the General Fund at March 31, 2016, is as follows:

Fund	Pooled Cash
General Fund	\$ 1,344,342
Law Enforcement Fund	438,546
Solid Waste Fund	484,609
Drug Law Enforcement Fund	577
Total	\$ 2,268,074

Charter Township of Flushing

Notes to Financial Statements March 31, 2016

Note 4 - Capital Assets

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

Governmental Activities	Balance				Balance March 31, 2016
	April 1, 2015	Reclassifications	Additions	Disposals	
Capital assets not being depreciated - Land	\$ 193,200	\$ -	\$ -	\$ -	\$ 193,200
Capital assets being depreciated:					
Infrastructure	955,385	-	152,987	-	1,108,372
Buildings and building improvements	1,059,740	-	11,846	-	1,071,586
Maintenance equipment	42,946	-	2,606	-	45,552
Vehicles	149,590	-	27,373	-	176,963
Office equipment	84,411	-	9,151	-	93,562
Computer equipment	138,798	-	4,940	-	143,738
Land improvements	598,045	-	-	-	598,045
Vehicle equipment	40,084	-	4,075	-	44,159
Subtotal	3,068,999	-	212,978	-	3,281,977
Accumulated depreciation:					
Infrastructure	452,394	-	145,052	-	597,446
Buildings and building improvements	510,937	-	23,784	-	534,721
Maintenance equipment	42,946	-	188	-	43,134
Vehicles	76,968	-	21,046	-	98,014
Office equipment	49,268	-	9,243	-	58,511
Computer equipment	131,739	-	3,845	-	135,584
Land improvements	360,873	-	31,059	-	391,932
Vehicle equipment	13,116	-	7,999	-	21,115
Subtotal	1,638,241	-	242,216	-	1,880,457
Net capital assets being depreciated	1,430,758	-	(29,238)	-	1,401,520
Net capital assets	\$ 1,623,958	\$ -	\$ (29,238)	\$ -	\$ 1,594,720

Charter Township of Flushing

Notes to Financial Statements March 31, 2016

Note 4 - Capital Assets (Continued)

Business-type Activities	Balance			Balance March 31, 2016
	April 1, 2015	Additions	Disposals	
Capital assets being depreciated:				
Water system	\$ 7,333,999	\$ -	\$ -	\$ 7,333,999
Waterline	601,459	-	-	601,459
Machinery and equipment	34,364	-	-	34,364
Sewer system	1,589,545	-	-	1,589,545
Subtotal	9,559,367	-	-	9,559,367
Accumulated depreciation:				
Water system	3,028,106	122,233	-	3,150,339
Waterline	350,851	10,024	-	360,875
Machinery and equipment	27,574	1,639	-	29,213
Sewer system	536,368	26,493	-	562,861
Subtotal	3,942,899	160,389	-	4,103,288
Net capital assets being depreciated	5,616,468	(160,389)	-	5,456,079
Net capital assets	\$ 5,616,468	\$ (160,389)	\$ -	\$ 5,456,079

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

Governmental activities:

General government	\$ 157,480
Public safety	39,628
Public works	9,522
Economic development	35,586
Total governmental activities	\$ 242,216
Business-type activities - Water and sewer	\$ 160,388

Note 5 - Leases

Capital Leases - The Township has entered into a lease agreement as lessee for financing the purchase of a copier. This lease agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of the future minimum lease payments as of the inception date. The capital lease is secured by the equipment purchased of \$13,020 for the Township's general office. The leased asset has been recorded in the governmental capital assets. The future minimum lease obligation and the net present value are as follows:

Year Ending	Amount
March 31	
2017	\$ 2,604

Charter Township of Flushing

Notes to Financial Statements March 31, 2016

Note 6 - Long-term Debt

Long-term debt activity can be summarized as follows:

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Reductions</u>		<u>Ending Balance</u>		<u>Due Within One Year</u>
Governmental Activities									
Capital leases	\$ 5,208	\$ -	\$ 2,604	\$ 2,604	\$ 2,604	\$ 2,604	\$ 2,604	\$ 2,604	\$ 2,604
Accumulated compensated absences	<u>88,379</u>	<u>58,750</u>	<u>54,596</u>	<u>92,533</u>	<u>56,648</u>				
Total governmental activities	<u>\$ 93,587</u>	<u>\$ 58,750</u>	<u>\$ 57,200</u>	<u>\$ 95,137</u>	<u>\$ 59,252</u>				

Note 7 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for all claims except employee dental benefits. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Township pays dental and vision claims on a reimbursement basis and has set aside employee and employer contributions to pay these claims in the General Fund. The liability for unpaid claims was immaterial at March 31, 2016.

Note 8 - Interfund Receivables and Payables

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from Other Funds -		
Water and Sewer Fund	General Fund	\$ <u>18,538</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Charter Township of Flushing

Notes to Financial Statements March 31, 2016

Note 9 - Pension Plan

Plan Description - The Township participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS), which covers all employees of the Township. MERS was established as a statewide public employee pension plan by the Michigan legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report, which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmichigan.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

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

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

The pension plan provides pension benefits, deferred allowances, and death and disability benefits for township employees. Benefits are vested after eight years of service for Teamsters union employees and after 10 years for police officers and command. Retirement is based on the following requirements:

- Age 60 with 10 or more years of credited service
- Age 50 with 25 or more years of credited service for police officers and command
- Age 55 with 15 or more years of credited service for Teamsters union employees

Employees who retire after reaching their requirements are entitled to 3.0 percent of the member's three-year final average compensation (FAC) times the number of years and months of credited service for that member. The annual benefit shall not exceed 80 percent of the FAC.

Pension provisions include deferred allowances whereby an employee may terminate employment with the Township after accumulating 10 years of service for police officers and command and eight years of service for Teamsters union employees, but before reaching the age of 60. If the employee does not withdraw his or her accumulated contributions, the employee is entitled to all pension benefits upon reaching retirement age as discussed above.

Pension provisions include death and disability benefits. A disabled employee is entitled to full benefits after acquiring 10 or more years of credited service, whereas a surviving spouse is entitled to receive an amount equal to 85 percent of the employee's final three-year average salary. Benefits are determined by state statutes.

Charter Township of Flushing

Notes to Financial Statements March 31, 2016

Note 9 - Pension Plan (Continued)

Employees Covered by Benefit Terms - At the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	14
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	<hr/> 10
Total employees covered by MERS	<hr/> 28

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

For general employees, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. Employees are required to contribute 3.00 percent of compensation. The Township makes employer contributions in accordance with funding requirements determined by MERS' actuary. The Township's current rate is 55.48 percent of annual covered payroll.

For police patrol employees, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. Employees are required to contribute 8.00 percent of compensation. The Township makes employer contributions in accordance with funding requirements determined by MERS' actuary. The Township's current rate is 8.22 percent of annual covered payroll.

For command employees, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. Employees are required to contribute 2.00 percent of compensation. The Township makes employer contributions in accordance with funding requirements determined by MERS' actuary. The Township's current rate is 117.81 percent of annual covered payroll.

Charter Township of Flushing

Notes to Financial Statements March 31, 2016

Note 9 - Pension Plan (Continued)

Net Pension Liability

The net pension liability reported at March 31, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The March 31, 2016 total pension liability was determined by an actuarial valuation performed as of December 31, 2015.

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 December 31, 2014	\$ 5,924,864	\$ 3,314,301	\$ 2,610,563
Service cost	70,741	-	70,741
Interest	474,724	-	474,724
Differences between expected and actual experience	(108,734)	-	(108,734)
Changes in assumptions	275,178	-	275,178
Contributions - Employer	-	270,342	(270,342)
Contributions - Employee	-	30,456	(30,456)
Net investment income	-	(47,965)	47,965
Benefit payments, including refunds	(412,006)	(412,006)	-
Administrative expenses	-	(7,097)	7,097
Net changes	<u>299,903</u>	<u>(166,270)</u>	<u>466,173</u>
Balance at December 31, 2015	<u>\$ 6,224,767</u>	<u>\$ 3,148,031</u>	<u>\$ 3,076,736</u>

Charter Township of Flushing

Notes to Financial Statements March 31, 2016

Note 9 - Pension Plan (Continued)

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

For the year ended March 31, 2016, the Township recognized pension expense of \$378,851. At March 31, 2016, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (72,489)
Changes in assumptions	183,452	-
Net difference between projected and actual earnings on pension plan investments	246,701	-
Employer contributions to the plan subsequent to the measurement date	<u>47,283</u>	-
Total	<u>\$ 477,436</u>	<u>\$ (72,489)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the \$47,283 employer contributions to the plan made subsequent to the measurement date, which will impact the net pension liability in fiscal year 2017 rather than pension expense.

<u>Years Ending</u>	
<u>March 31</u>	<u>Amount</u>
2017	\$ 117,157
2018	117,157
2019	61,675
2020	61,675

Actuarial Assumptions - The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	3.75% In the long term, including inflation
Investment rate of return	8% Gross of pension plan investment expense, including inflation

Charter Township of Flushing

Notes to Financial Statements March 31, 2016

Note 9 - Pension Plan (Continued)

Mortality rates were based on a 50 percent male and 50 percent female blend of the following tables:

1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%
2. The RP-2014 Employee Mortality Tables
3. The RP-2014 Juvenile Mortality Tables

For disabled retirees, the mortality rates were based on the 50 percent Male - 50 percent Female blend of the RP-2014 Disabled Retiree Mortality Tables.

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

Projected Cash Flows

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

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2015, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Global equity	58 %	5.02 %
Global fixed income	20	2.18
Real assets	13	4.23
Diversifying strategies	10	6.56

Charter Township of Flushing

Notes to Financial Statements March 31, 2016

Note 9 - Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Township, calculated using the discount rate of 8.00 percent, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00 percent) or 1 percentage point higher (9.00 percent) than the current rate:

	I Percent Decrease (7.00%)	Current Discount Rate (8.00%)	I Percent Increase (9.00%)
Net pension liability of the Township	\$ 3,739,741	\$ 3,076,736	\$ 2,511,108

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position has been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 10 - Other Postemployment Benefits

Plan Description - The Township provides retiree healthcare benefits to eligible employees and their spouses. Employees who meet certain point requirements (based on age and years of service) are eligible to receive postemployment benefits upon retirement in the form of healthcare, vision, and dental insurance benefits. Currently, the plan has six members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

This is a single-employer defined benefit plan administered by the Township. The benefits are provided in accordance with the Public Employee Health Care Fund Investment Act (Act No. 149 of 1999). The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the Township.

Funding Policy - The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). For the fiscal year ended March 31, 2016, the Township paid postemployment healthcare premiums of \$20,892.

Charter Township of Flushing

Notes to Financial Statements March 31, 2016

Note 10 - Other Postemployment Benefits (Continued)

Funding Progress - For the year ended March 31, 2016, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of April 1, 2015. The Township has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 62,735
Interest on the prior year's net OPEB obligation	14,258
Less adjustment to the annual required contribution	<u>(19,695)</u>
Annual OPEB cost	57,298
Amounts contributed - Payments of current premiums	<u>(20,892)</u>
Increase in net OPEB obligation	36,406
OPEB obligation - Beginning of year	<u>357,838</u>
OPEB obligation - End of year	<u>\$ 394,244</u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and two preceding years were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual			
		Required Contribution	Percentage Contributed	Net OPEB Obligation	
3/31/14	4/1/13	\$ 116,049	20.4	\$ 277,412	
3/31/15	4/1/13	116,049	28.2	357,838	
3/31/16	4/1/15	62,735	33.3	394,244	

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial						UAAL as a Percentage of Covered Payroll	
	Actuarial Value of Assets (a)	Accrued Liability (AAL)		Unfunded AAL (UAAL)	Funded Ratio (Percent)	Covered Payroll (c)		
		(b)	(b-a)					
4/1/12	\$ -	\$ 701,256	\$ 701,256	-	\$ -	-	-	
4/1/13	-	1,086,801	1,086,801	-	-	-	-	
4/1/15	-	661,972	661,972	-	-	-	-	

Charter Township of Flushing

Notes to Financial Statements March 31, 2016

Note 10 - Other Postemployment Benefits (Continued)

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

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

The following simplifying assumptions were made:

Retirement age for active employees - Based on historical average retirement age for the covered group, active general employees are assumed to retire at age 61 or upon meeting the minimum service requirement, whichever is later.

Spousal coverage - Based on actual data for future and current retirees. Husbands are assumed to be three years older than wives for future retirees. The spouse's actual age is used for current retirees.

Mortality - Life expectancy was based on the RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015.

Turnover - Nongroup-specific age-based turnover data from GASB Statement No. 45 was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for the purpose of allocating to periods the present value of total benefits to be paid.

Healthcare trend rates - The initial rate was based on the plan's actual experience. The subsequent year trend rates were selected based on a combination of employer history, national trend surveys, and professional judgment.

Per capita costs - Annual per capita costs were calculated based on the premium rates effective April 1, 2015. The costs are assumed to increase with medical trend rates.

Charter Township of Flushing

Notes to Financial Statements March 31, 2016

Note 10 - Other Postemployment Benefits (Continued)

Inflation rate - The expected long-term inflation assumption of 3 percent was based on past trends of wage increases.

Based on the historical and expected returns of the Township's short-term investment portfolio, a discount rate of 4 percent was used. In addition, a projected unit credit with linear proration to decrement cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at March 31, 2016 was 20 years.

Note 11 - Change in Accounting

During the current year, the Township adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended. Accordingly, the financial statements for the year ended March 31, 2016 have been restated in order to reflect the change in accounting. Under GASB Statement No. 68, the Township is now reflecting a liability for the difference between the total pension liability and the value of assets to offset the liability.

The effect of the change is as follows:

	<u>Governmental Activities</u>
Net position - March 31, 2015 - As previously reported	\$ 3,463,835
Net pension liability	(2,569,794)
Previous net pension asset	<u>(488,463)</u>
Net position - March 31, 2015 - As restated	<u>\$ 405,578</u>

Note 12 - Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the Township's 2017 fiscal year.

Charter Township of Flushing

Notes to Financial Statements March 31, 2016

Note 12 - Upcoming Accounting Pronouncements (Continued)

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Township to recognize on the face of the financial statements its net OPEB liability related to its participation in the single-employer defined benefit plan administered by the Township. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending March 31, 2019.

Required Supplemental Information

Charter Township of Flushing

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 132,000	\$ 132,000	\$ 134,441	\$ 2,441
Licenses and permits	2,100	2,100	2,625	525
State-shared revenue and grants	758,300	758,300	835,295	76,995
Charges for services	238,400	238,400	247,974	9,574
Investment income	2,000	2,000	621	(1,379)
Rental income	22,400	22,400	30,085	7,685
Other revenue	<u>137,600</u>	<u>137,600</u>	<u>149,819</u>	<u>12,219</u>
Total revenue	1,292,800	1,292,800	1,400,860	108,060
Expenditures				
Current:				
General government:				
Township board	239,052	254,552	255,486	(934)
Supervisor	46,150	46,150	44,142	2,008
Accounting	98,370	98,370	91,556	6,814
Treasurer	116,950	116,950	102,742	14,208
Assessor	127,227	127,527	114,016	13,511
Clerk	132,100	132,100	114,870	17,230
Elections	20,000	30,000	30,303	(303)
Township hall and grounds	<u>69,000</u>	<u>75,800</u>	<u>68,325</u>	<u>7,475</u>
Total general government	848,849	881,449	821,440	60,009
Public safety	131,900	121,900	120,079	1,821
Public works	280,700	343,100	265,817	77,283
Recreation and culture	42,400	42,600	29,802	12,798
Capital outlay	<u>38,450</u>	<u>35,250</u>	<u>10,081</u>	<u>25,169</u>
Total expenditures	1,342,299	1,424,299	1,247,219	177,080
Excess of Revenue (Under) Over Expenditures	(49,499)	(131,499)	153,641	285,140
Other Financing Sources - Proceeds from sale of capital assets	<u>100</u>	<u>100</u>	<u>-</u>	<u>(100)</u>
Net Change in Fund Balance	(49,399)	(131,399)	153,641	285,040
Fund Balance - Beginning of year	<u>1,323,711</u>	<u>1,323,711</u>	<u>1,323,711</u>	<u>-</u>
Fund Balance - End of year	\$ 1,274,312	\$ 1,192,312	\$ 1,477,352	\$ 285,040

Charter Township of Flushing

**Required Supplemental Information
Budgetary Comparison Schedule - Major Special Revenue Fund
Law Enforcement
Year Ended March 31, 2016**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended Budget
Revenue				
Property taxes	\$ 887,500	\$ 887,500	\$ 893,535	\$ 6,035
State-shared revenue and grants	75,450	75,450	72,081	(3,369)
Fines and forfeitures	12,000	12,000	8,605	(3,395)
Investment income	350	350	1,492	1,142
Other revenue	950	950	5,234	4,284
Total revenue	976,250	976,250	980,947	4,697
Expenditures				
Current:				
General government - Board	3,000	3,000	2,896	104
Public safety - Police	875,200	865,300	833,698	31,602
Capital outlay	37,500	47,400	42,110	5,290
Total expenditures	915,700	915,700	878,704	36,996
Net Change in Fund Balance	60,550	60,550	102,243	41,693
Fund Balance - Beginning of year	337,439	337,439	337,439	-
Fund Balance - End of year	\$ 397,989	\$ 397,989	\$ 439,682	\$ 41,693

Charter Township of Flushing

Required Supplemental Information OPEB System Schedule Year Ended March 31, 2016

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets		Actuarial Accrued Liability (AAL)		Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Annual OPEB Costs (c)	UAAL as a Percentage of Covered Payroll
	(a)	(b)						
4/1/12	\$ -	\$ 701,256	\$ 701,256			-	\$ 66,745	-
4/1/13	-	1,086,801	1,086,801			-	112,811	-
4/1/15	-	661,972	661,972			-	56,685	-

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *		Percentage Contributed
3/31/14	4/1/13	\$ 116,049		20.4
3/31/15	4/1/13	\$ 116,049		28.2
3/31/16	4/1/15	62,735		33.3

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of April 1, 2015, the latest actuarial valuation date is as follows:

Amortization method	Level percent
Amortization period (perpetual)	20 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	3.0%
*Includes inflation at	3.0%
Cost-of-living adjustments	None

Charter Township of Flushing

Note to Required Supplemental Information Year Ended March 31, 2016

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds.

The 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.

The Township had expenditures in excess of budgeted amounts due to unanticipated expenditures of the General Fund for the following:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Township board	\$ 254,552	\$ 255,486	\$ (934)
Elections	30,000	30,303	(303)

Charter Township of Flushing

Required Supplemental Information Schedule of Changes in the Net Pension Liability and Related Ratios Last Ten Fiscal Years

	12 Months Ended December 31, <u>2015</u>
Total Pension Liability	
Service cost	\$ 70,741
Interest	474,724
Changes in benefit terms	-
Differences between expected and actual experience	(108,734)
Changes in assumptions	275,178
Benefit payments, including refunds	<u>(412,006)</u>
Net Change in Total Pension Liability	299,903
Total Pension Liability - Beginning of year	<u>5,924,864</u>
Total Pension Liability - End of year	<u>\$ 6,224,767</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 270,342
Contributions - Member	30,456
Net investment income	(47,965)
Administrative expenses	(7,097)
Benefit payments, including refunds	(412,006)
Other	-
Net Change in Plan Fiduciary Net Position	(166,270)
Plan Fiduciary Net Position - Beginning of year	<u>3,314,301</u>
Plan Fiduciary Net Position - End of year	<u>\$ 3,148,031</u>
Township's Net Pension Liability - Ending	<u>\$ 3,076,736</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	50.57 %
Covered Employee Payroll	\$ 538,362
Township's Net Pension Liability as a Percentage of Covered Employee Payroll	571.5 %

Charter Township of Flushing

Required Supplemental Information Schedule of Pension Contributions Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 198,122	\$ 149,385	\$ 134,657	\$ 179,068	\$ 142,428	\$ 161,491	\$ 128,302	\$ 275,842	\$ 244,032	\$ 187,977
Contributions in relation to the actuarially determined contribution	<u>278,122</u>	<u>229,385</u>	<u>184,657</u>	<u>179,068</u>	<u>292,428</u>	<u>241,491</u>	<u>128,302</u>	<u>324,842</u>	<u>292,032</u>	<u>257,846</u>
Contribution Excess	\$ (80,000)	\$ (80,000)	\$ (50,000)	\$ -	\$ (150,000)	\$ (80,000)	\$ -	\$ (49,000)	\$ (48,000)	\$ (69,869)
Covered Employee Payroll	\$ 538,362	\$ 521,292	\$ 525,522	\$ 448,957	\$ 524,823	\$ 647,809	\$ 944,225	\$ 944,225	\$ 1,081,654	\$ 1,076,319
Contributions as a Percentage of Covered Employee Payroll	51.7 %	44.0 %	35.1 %	39.9 %	55.7 %	37.3 %	13.6 %	34.4 %	27.0 %	24.0 %

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, two years prior to the end of the fiscal year in which the contributions are reported. Contributions for the Township's fiscal year ended March 31, 2016 were determined based on the actuarial valuation as of December 31, 2014. The most recent valuation is as of December 31, 2015.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed basis
Remaining amortization period	22 years
Asset valuation method	5-year smoothed market
Inflation	2.5 percent
Salary increases	3.75 percent in the long-term
Investment rate of return	8.0 percent - Net of investment expense, including inflation
Retirement age	Experience-based table of rates are specific to the type of eligibility condition
Mortality	RP-2014 Disabled Retiree Mortality Tables of a 50 percent male and 50 percent female blend
Other information	None