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# Charter Township of Flushing

Genesee County, Michigan

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

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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 Charter Township of Flushing (the "Township") as of and for the year ended March 31, 2018 and the related notes to the financial statements, which collectively comprise 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 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 Charter Township of Flushing as of March 31, 2018 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.

To the Board of Trustees  
Charter Township of Flushing

Other Matters

**Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, 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.

**Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Charter Township of Flushing'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.



August 20, 2018

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, 2018. 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, 2018:

- The Township's total net position is approximately \$12 million, with unrestricted net position of approximately \$5 million.
- During the year, the Township's governmental expenditures were about \$542,000 less than the \$2,528,000 generated in taxes and other revenue for governmental funds.
- General Fund fund balance increased by \$402,184.

### **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 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 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)

### Township's Net Position

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

	Governmental Activities			Percent Change
	2017	2018	Change	
<b>Assets</b>				
Current and other assets	\$ 2,531,808	\$ 3,050,229	\$ 518,421	20.5
Capital assets	1,602,136	1,860,921	258,785	16.2
Total assets	4,133,944	4,911,150	777,206	18.8
<b>Deferred Outflows of Resources</b>	240,956	47,902	(193,054)	(80.1)
<b>Liabilities</b>				
Current liabilities	106,905	114,206	7,301	6.8
Noncurrent liabilities	2,712,084	2,522,738	(189,346)	(7.0)
Total liabilities	2,818,989	2,636,944	(182,045)	(6.5)
<b>Deferred Inflows of Resources</b>	444,994	83,048	(361,946)	(81.3)
<b>Net Position</b>				
Net investment in capital assets	1,590,386	1,851,741	261,355	16.4
Restricted:				
Drug law enforcement	577	577	-	-
Cable TV	16,225	20,261	4,036	24.9
Unrestricted	(496,271)	366,481	862,752	(173.8)
Total net position	<u>\$ 1,110,917</u>	<u>\$ 2,239,060</u>	<u>\$ 1,128,143</u>	101.6

	Business-type Activities			Percent Change
	2017	2018	Change	
<b>Assets</b>				
Current and other assets	\$ 5,011,340	\$ 5,291,044	\$ 279,704	5.6
Capital assets	5,295,692	5,135,302	(160,390)	(3.0)
Total assets	10,307,032	10,426,346	119,314	1.2
<b>Liabilities - Current liabilities</b>	679,489	738,064	58,575	8.6
<b>Net Position</b>				
Net investment in capital assets	5,295,692	5,135,302	(160,390)	(3.0)
Unrestricted	4,331,851	4,552,980	221,129	5.1
Total net position	<u>\$ 9,627,543</u>	<u>\$ 9,688,282</u>	<u>\$ 60,739</u>	0.6

### Township's Changes in Net Position

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

# Charter Township of Flushing

## Management's Discussion and Analysis (Continued)

	Governmental Activities			Percent Change
	2017	2018	Change	
<b>Revenue</b>				
Program revenue:				
Charges for services	\$ 129,947	\$ 125,358	\$ (4,589)	(3.5)
Operating grants	76,057	157,194	81,137	106.7
Capital grants	255,552	3,205	(252,347)	(98.7)
General revenue:				
Taxes - Property taxes	1,034,127	1,051,119	16,992	1.6
Revenue - State-shared revenue and grants	875,225	905,711	30,486	3.5
Investment earnings	2,824	16,845	14,021	496.5
Other revenue	208,944	236,122	27,178	13.0
Total revenue	<u>2,582,676</u>	<u>2,495,554</u>	<u>(87,122)</u>	<u>(3.4)</u>
<b>Expenses</b>				
General government	535,661	517,105	(18,556)	(3.5)
Public safety	846,186	590,901	(255,285)	(30.2)
Public works	506,882	189,516	(317,366)	(62.6)
Recreation and culture	68,830	69,889	1,059	1.5
Total expenses	<u>1,957,559</u>	<u>1,367,411</u>	<u>(590,148)</u>	<u>(30.1)</u>
<b>Change in Net Position</b>	625,117	1,128,143	503,026	80.5
<b>Net Position - Beginning of year</b>	<u>(485,800)</u>	<u>(1,110,917)</u>	<u>(625,117)</u>	128.7
<b>Net Position - End of year</b>	<u><b>\$ 139,317</b></u>	<u><b>\$ 17,226</b></u>	<u><b>\$ (122,091)</b></u>	<u>(87.6)</u>
<b>Business-type Activities</b>				
	2017	2018	Change	Percent Change
<b>Revenue</b>	\$ 2,714,287	\$ 2,842,812	\$ 128,525	4.7
<b>Expenses - Business-type activities</b>	<u>2,619,155</u>	<u>2,782,073</u>	<u>162,918</u>	6.2
<b>Change in Net Position</b>	95,132	60,739	(34,393)	(36.2)
<b>Net Position - Beginning of year</b>	<u>(9,532,411)</u>	<u>(9,627,543)</u>	<u>(95,132)</u>	1.0
<b>Net Position - End of year</b>	<u><b>\$ (9,437,279)</b></u>	<u><b>\$ (9,566,804)</b></u>	<u><b>\$ (129,525)</b></u>	1.4

The Township's governmental revenue was approximately \$2.5 million this year. Property taxes were about \$1 million, or 40 percent of total revenue. The increase was primarily related to a slight increase in taxable values and the change in chargeback from Genesee County, Michigan (the "County") for uncollectible amounts. State revenue sharing made up about \$906,000, or 36 percent of total revenue. This revenue increase primarily related to the increase in state-shared revenue. The remaining 24 percent of governmental activities revenue is composed mostly of charges for services, grants and contributions, and franchise fees.

# **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 \$1,926,467. This was an increase of \$402,184 from the prior year. This represents approximately 172 percent of General Fund total expenditures. Revenue increased by \$123,548, which was primarily related to state-shared revenue increasing by \$30,519 and federal, state, and local grants increasing by \$81,137. Expenditures decreased by \$244,555 mainly due to the absence of any new special assessments.

The Law Enforcement Special Revenue Fund realized an increase in its fund balance of \$139,744 to stand at \$714,250. The revenue in the fund decreased by \$13,122 primarily due to decreased property tax revenue. The expenditures increased by \$256,282 primarily due to an increase in capital outlay.

### **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 Assets and Debt Administration**

At the end of 2018, 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 unit 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 \$9,180 outstanding for equipment purchased for governmental activities and compensated absences due employees of \$93,124. Annual debt service requirements for the capital lease are approximately \$2,600 per year, with final payment due in 2022.

Business-type activities (water and sewer services) did not have any long-term debt obligations outstanding at March 31, 2018.

### **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.

### **Requests for Further Information**

This financial report is intended to provide a general overview of the Township's finances and demonstrate the 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 Flushing clerk's department.

# Charter Township of Flushing

## Statement of Net Position

March 31, 2018

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 2,406,966	\$ 4,530,708	\$ 6,937,674
Receivables:			
Property taxes receivable	60,533	-	60,533
Special assessments receivable	163,254	24,969	188,223
Customer receivables	-	646,047	646,047
Accrued interest receivable	8,648	23,366	32,014
Other receivables	76,230	-	76,230
Due from other governments	216,567	30,134	246,701
Tap-in contracts	-	6,340	6,340
Internal balances	1,264	(1,264)	-
Prepaid expenses and other assets	105,767	1,936	107,703
Land held for resale	11,000	-	11,000
Capital assets:			
Assets not subject to depreciation	193,200	-	193,200
Assets subject to depreciation - Net	1,667,721	5,135,302	6,803,023
Tap-in contracts receivable - Long-term portion	-	28,808	28,808
Total assets	4,911,150	10,426,346	15,337,496
<b>Deferred Outflows of Resources</b> - Deferred outflows related to pensions	47,902	-	47,902
<b>Liabilities</b>			
Accounts payable	59,649	389,039	448,688
Due to other governmental units	-	361	361
Accrued liabilities and other:			
Accrued salaries and wages	15,829	-	15,829
Payroll taxes and withholdings	38,728	-	38,728
Unearned revenue	-	348,664	348,664
Noncurrent liabilities:			
Due within one year:			
Compensated absences	75,318	-	75,318
Current portion of long-term debt	2,570	-	2,570
Due in more than one year:			
Compensated absences	17,806	-	17,806
Net pension liability	1,923,561	-	1,923,561
Net OPEB obligation	496,873	-	496,873
Long-term debt	6,610	-	6,610
Total liabilities	2,636,944	738,064	3,375,008
<b>Deferred Inflows of Resources</b> - Deferred inflows related to pensions	83,048	-	83,048
<b>Net Position</b>			
Net investment in capital assets	1,851,741	5,135,302	6,987,043
Restricted:			
Drug law enforcement	577	-	577
Cable TV	20,261	-	20,261
Unrestricted	366,481	4,552,980	4,919,461
Total net position	<u>\$ 2,239,060</u>	<u>\$ 9,688,282</u>	<u>\$ 11,927,342</u>

# Charter Township of Flushing

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Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 517,105	\$ 118,535	\$ 72,414	\$ -
Public safety	590,901	6,823	81,849	-
Public works	189,516	-	-	3,205
Recreation and culture	69,889	-	2,931	-
Total governmental activities	1,367,411	125,358	157,194	3,205
Business-type activities:				
Water and Sewer Fund	2,353,328	2,328,684	-	15,000
Solid Waste Fund	428,745	459,836	-	-
Total business-type activities	2,782,073	2,788,520	-	15,000
Total primary government	<b>\$ 4,149,484</b>	<b>\$ 2,913,878</b>	<b>\$ 157,194</b>	<b>\$ 18,205</b>

General revenue:

- Taxes
- Unrestricted state-shared revenue
- Unrestricted 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 March 31, 2018**

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (326,156)	\$ -	\$ (326,156)
(502,229)	-	(502,229)
(186,311)	-	(186,311)
(66,958)	-	(66,958)
(1,081,654)	-	(1,081,654)
-	(9,644)	(9,644)
-	31,091	31,091
-	21,447	21,447
(1,081,654)	21,447	(1,060,207)
1,051,119	-	1,051,119
905,711	-	905,711
16,845	37,623	54,468
164,597	-	164,597
10	-	10
71,515	1,669	73,184
2,209,797	39,292	2,249,089
1,128,143	60,739	1,188,882
1,110,917	9,627,543	10,738,460
<b>\$ 2,239,060</b>	<b>\$ 9,688,282</b>	<b>\$ 11,927,342</b>

# Charter Township of Flushing

## Governmental Funds Balance Sheet

March 31, 2018

	General Fund	Law Enforcement	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 1,688,892	\$ 717,497	\$ 577	\$ 2,406,966
Receivables:				
Property taxes receivable	14,508	46,025	-	60,533
Special assessments receivable	163,254	-	-	163,254
Accrued interest receivable	8,648	-	-	8,648
Other receivables	64,860	11,370	-	76,230
Due from other governments	216,567	-	-	216,567
Due from other funds	1,264	-	-	1,264
Prepaid expenses and other assets	91,337	14,430	-	105,767
Land held for resale	11,000	-	-	11,000
	<u>\$ 2,260,330</u>	<u>\$ 789,322</u>	<u>\$ 577</u>	<u>\$ 3,050,229</u>
Total assets				
<b>Liabilities</b>				
Accounts payable	\$ 53,428	\$ 6,221	\$ -	\$ 59,649
Accrued liabilities and other	31,731	22,826	-	54,557
	<u>85,159</u>	<u>29,047</u>	<u>-</u>	<u>114,206</u>
Total liabilities				
<b>Deferred Inflows of Resources - Unavailable revenue</b>				
	<u>248,704</u>	<u>46,025</u>	<u>-</u>	<u>294,729</u>
Total liabilities and deferred inflows of resources	333,863	75,072	-	408,935
<b>Fund Balances</b>				
Nonspendable:				
Land held for resale	11,000	-	-	11,000
Prepays	91,337	14,430	-	105,767
Restricted:				
Law enforcement	-	699,820	-	699,820
Cable TV	20,261	-	-	20,261
Drug law enforcement	-	-	577	577
Assigned:				
Capital improvements	300,000	-	-	300,000
OPEB funding	100,000	-	-	100,000
Unassigned	1,403,869	-	-	1,403,869
	<u>1,926,467</u>	<u>714,250</u>	<u>577</u>	<u>2,641,294</u>
Total fund balances				
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,260,330</u>	<u>\$ 789,322</u>	<u>\$ 577</u>	<u>\$ 3,050,229</u>

# Charter Township of Flushing

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

March 31, 2018

<b>Fund Balances Reported in Governmental Funds</b>	\$ 2,641,294
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	1,860,921
Delinquent property taxes and special assessments are expected to be collected over several years and are not available to pay for current year expenditures	223,787
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	70,942
Deferred outflows of resources - Pension contributions made to the plan after the measurement date	47,902
Capital lease obligations are not due and payable in the current period and are not reported in the funds	(9,180)
Deferred inflows of resources - Pension difference between expected and actual experience and difference between projected and actual investment earnings	(83,048)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(93,124)
Pension benefits	(1,923,561)
Retiree healthcare benefits	(496,873)
<b>Net Position of Governmental Activities</b>	<b><u>\$ 2,239,060</u></b>

# Charter Township of Flushing

## Governmental Funds

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

**Year Ended March 31, 2018**

	General Fund	Law Enforcement	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>				
Property taxes	\$ 137,750	\$ 913,097	\$ -	\$ 1,050,847
Special assessments	36,399	-	-	36,399
Revenue - State-shared revenue and grants	976,041	81,849	2,931	1,060,821
Charges for services	110,365	-	-	110,365
Fines and forfeitures	-	4,223	-	4,223
Licenses and permits:				
Cable franchise fees	164,597	-	-	164,597
Other licenses and permits	3,125	-	-	3,125
Interest and rentals:				
Investment earnings	16,845	1,752	-	18,597
Rental income	33,214	-	-	33,214
Other revenue	42,144	3,802	-	45,946
Total revenue	1,520,480	1,004,723	2,931	2,528,134
<b>Expenditures</b>				
Current services:				
General government	651,279	3,030	-	654,309
Public safety	122,887	823,176	-	946,063
Public works	102,860	-	-	102,860
Recreation and culture	28,565	-	2,931	31,496
Capital outlay	212,705	316,627	-	529,332
Total expenditures	1,118,296	1,142,833	2,931	2,264,060
<b>Excess of Revenue Over (Under) Expenditures</b>	402,184	(138,110)	-	264,074
<b>Other Financing Sources</b>				
Sale of capital assets	-	10	-	10
Insurance recoveries	-	277,874	-	277,874
Total other financing sources	-	277,884	-	277,884
<b>Net Change in Fund Balances</b>	402,184	139,774	-	541,958
<b>Fund Balances - Beginning of year</b>	1,524,283	574,476	577	2,099,336
<b>Fund Balances - End of year</b>	<b>\$ 1,926,467</b>	<b>\$ 714,250</b>	<b>\$ 577</b>	<b>\$ 2,641,294</b>

## Charter Township of Flushing

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

Year Ended March 31, 2018

<b>Net Change in Fund Balance Reported in Governmental Funds</b>	\$ 541,958
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	555,805
Depreciation expense	(248,630)
Net book value of assets disposed of	(48,390)
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	(30,838)
Repayment of lease principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	2,570
Decrease 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	2,742
The change in the net pension liability and related deferred inflows and outflows are recorded when incurred in the statement of activities	402,747
Increase in net other postemployment benefit obligations	(49,821)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 1,128,143</u></b>

# Charter Township of Flushing

## Proprietary Funds Statement of Net Position

March 31, 2018

	Water and Sewer Fund	Solid Waste Fund	Total Enterprise Funds
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 3,961,176	\$ 569,532	\$ 4,530,708
Receivables:			
Special assessments receivable - Due within one year	-	24,969	24,969
Customer receivables	646,047	-	646,047
Accrued interest receivable	23,366	-	23,366
Due from other governments	30,134	-	30,134
Tap-in contracts	6,340	-	6,340
Prepaid expenses and other assets	-	1,936	1,936
Total current assets	4,667,063	596,437	5,263,500
Noncurrent assets:			
Capital assets - Net	5,135,302	-	5,135,302
Tap-in contracts receivable - Long-term portion	28,808	-	28,808
Total noncurrent assets	5,164,110	-	5,164,110
Total assets	9,831,173	596,437	10,427,610
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	389,039	-	389,039
Due to other governmental units	361	-	361
Due to other funds	1,264	-	1,264
Unearned revenue - Special assessments	-	348,664	348,664
Total liabilities	390,664	348,664	739,328
<b>Net Position</b>			
Net investment in capital assets	5,135,302	-	5,135,302
Unrestricted	4,305,207	247,773	4,552,980
Total net position	<b>\$ 9,440,509</b>	<b>\$ 247,773</b>	<b>\$ 9,688,282</b>

## Charter Township of Flushing

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

**Year Ended March 31, 2018**

	Water and Sewer Fund	Solid Waste Fund	Total Enterprise Funds
<b>Operating Revenue</b>			
Water usage fees	\$ 1,987,751	\$ -	\$ 1,987,751
Sewer treatment fees	288,667	-	288,667
User charges	-	459,836	459,836
Late charges	52,266	-	52,266
Total operating revenue	2,328,684	459,836	2,788,520
<b>Operating Expenses</b>			
Water usage cost	1,774,477	-	1,774,477
Sewer treatment costs	176,784	-	176,784
Solid waste contract	-	428,745	428,745
Pumping station maintenance	31,121	-	31,121
Pumping station utilities	5,113	-	5,113
Computer billing charges	12,456	-	12,456
Hydrant service	16,973	-	16,973
Administration	167,600	-	167,600
Miscellaneous	1,345	-	1,345
Professional fees	7,070	-	7,070
Depreciation	160,389	-	160,389
Total operating expenses	2,353,328	428,745	2,782,073
<b>Operating (Loss) Income</b>	(24,644)	31,091	6,447
<b>Nonoperating Revenue</b>			
Investment income	37,623	-	37,623
Interest on tap-in contracts and assessments	1,669	-	1,669
Total nonoperating revenue	39,292	-	39,292
<b>Income - Before capital contributions</b>	14,648	31,091	45,739
<b>Capital Contributions</b>	15,000	-	15,000
<b>Change in Net Position</b>	29,648	31,091	60,739
<b>Net Position - Beginning of year</b>	9,410,861	216,682	9,627,543
<b>Net Position - End of year</b>	<b>\$ 9,440,509</b>	<b>\$ 247,773</b>	<b>\$ 9,688,282</b>

# Charter Township of Flushing

## Proprietary Funds Statement of Cash Flows

Year Ended March 31, 2018

	Water and Sewer Fund	Solid Waste Fund	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 2,240,915	\$ 464,886	\$ 2,705,801
Payments from interfund services and reimbursements	28,218	-	28,218
Payments to suppliers	(2,140,462)	(428,857)	(2,569,319)
	<u>128,671</u>	<u>36,029</u>	<u>164,700</u>
<b>Net cash and cash equivalents provided by operating activities</b>			
<b>Cash Flows from Capital and Related Financing Activities</b>			
Special assessment collections	-	1,230	1,230
Tap-in fees	25,606	-	25,606
	<u>25,606</u>	<u>1,230</u>	<u>26,836</u>
<b>Net cash and cash equivalents provided by capital and related financing activities</b>			
<b>Cash Flows from Investing Activities</b>			
Interest received on investments	26,833	-	26,833
Purchases of investment securities	(2,232,000)	-	(2,232,000)
Proceeds from sale and maturities of investment securities	1,979,000	-	1,979,000
	<u>(226,167)</u>	<u>-</u>	<u>(226,167)</u>
<b>Net cash and cash equivalents used in investing activities</b>			
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>			
	(71,890)	37,259	(34,631)
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>1,307,066</u>	<u>532,273</u>	<u>1,839,339</u>
<b>Cash and Cash Equivalents - End of year</b>	<u><b>\$ 1,235,176</b></u>	<u><b>\$ 569,532</b></u>	<u><b>\$ 1,804,708</b></u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>			
Operating (loss) income	\$ (24,644)	\$ 31,091	\$ 6,447
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	(88,817)	5,050	(83,767)
Due to and from other funds	28,218	-	28,218
Prepaid and other assets	-	(112)	(112)
Accounts payable	53,525	-	53,525
	<u>128,671</u>	<u>36,029</u>	<u>164,700</u>
<b>Net cash and cash equivalents provided by operating activities</b>			

March 31, 2018

### Note 1 - Significant Accounting Policies

#### ***Reporting Entity***

The Charter Township of Flushing (the "Township") 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. 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, Michigan (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, Michigan 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 \$8,729 and \$1,962, 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 Charter Township of Flushing 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. The following is a summary of the significant accounting policies used by the Township:

#### ***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.

March 31, 2018

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

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 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 two 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, 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 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**

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 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 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.

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

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

***Basis of Accounting***

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

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

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the 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, special assessments 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**

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**

Investments are reported at fair value or estimated fair value.

**Receivables and Payable**

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.

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

**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 acquisition value at the date of donation.

The cost 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:

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

**Long-term Obligations**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The General Fund is 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. Due to 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.

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. The governmental funds report unavailable revenue from delinquent property taxes, state-shared revenue, and special assessment 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 difference between the plan's expected and actual experience and the difference between projected and actual earnings on pension plan investments.

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

**Net Position Flow Assumption**

The 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 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 government'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 government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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 board of trustees may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Property Tax Revenue**

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

The 2017 taxable valuation of the Township totaled \$271,427,372, on which taxes levied consisted of .50 mills for operating purposes, 3.3796 mills for police. This resulted in \$135,150 for operating and \$913,097 for police. These amounts are recognized in the respective General Fund and special revenue fund financial statements as tax revenue.

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

**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 expense, 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, pension and 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.

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

***Upcoming Accounting Pronouncements***

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the 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.

The Governmental Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This standard defines an asset retirement obligation (ARO) as "a legally enforceable liability associated with the retirement of a tangible capital asset." Examples include the removal of a sewage treatment plant or the removal of wind turbines. The GASB recognizes that specific guidance did not exist for these types of AROs as there did for the closure and postclosure care costs for landfills. This statement provides guidance for measuring and recording other AROs and is effective for the Township's financial statements for the year ending March 31, 2020.

In January 2017, the Governmental Accounting Standards Board 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 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, 2020.

**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.
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.

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

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.

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.

***Excess of Expenditures Over Appropriations in Budgeted Funds***

The Township had no expenditures in excess of budget.

***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, 2017	\$ (258,367)
Construction permit revenue	2,600
Related expenses -	
Professional services	<u>1,589</u>
Current year surplus	<u>1,011</u>
Cumulative shortfall March 31, 2018	<u><u>\$ (257,356)</u></u>

**Note 3 - Deposits and Investments**

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

The Township has designated eight 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.

March 31, 2018

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

The 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 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 \$4,941,905 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. 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, 2018 is as follows:

Fund	Pooled Cash
General Fund	\$ 1,688,892
Law Enforcement Fund	717,497
Solid Waste Fund	569,532
Drug Law Enforcement Fund	577
Total	<u>\$ 2,976,498</u>

***Fair Value Measurements***

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. As of March 31, 2018, all cash and investments owned by the Township are properly valued at cost; therefore, there is no fair value hierarchy applicable.

**March 31, 2018**

**Note 4 - Capital Assets**

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

**Governmental Activities**

	Balance April 1, 2017	Additions	Disposals and Adjustments	Balance March 31, 2018
Capital assets not being depreciated - Land	\$ 193,200	\$ -	\$ -	\$ 193,200
Capital assets being depreciated:				
Infrastructure	1,282,484	122,383	-	1,404,867
Buildings and improvements	1,071,586	338,434	(81,100)	1,328,920
Maintenance equipment	55,726	369	-	56,095
Vehicles	181,195	29,518	-	210,713
Office equipment	94,666	29,992	-	124,658
Computer equipment	143,738	27,811	-	171,549
Land improvements	598,045	3,690	-	601,735
Vehicle equipment	53,043	3,608	-	56,651
Subtotal	3,480,483	555,805	(81,100)	3,955,188
Accumulated depreciation:				
Infrastructure	737,488	133,231	-	870,719
Buildings and improvements	558,766	29,486	(32,710)	555,542
Maintenance equipment	44,022	1,402	-	45,424
Vehicles	81,586	32,088	-	113,674
Office equipment	57,949	7,320	-	65,269
Computer equipment	138,514	3,660	-	142,174
Land improvements	422,991	31,178	-	454,169
Vehicle equipment	30,231	10,265	-	40,496
Subtotal	2,071,547	248,630	(32,710)	2,287,467
Net capital assets being depreciated	1,408,936	307,175	(48,390)	1,667,721
Net governmental activities capital assets	\$ 1,602,136	\$ 307,175	\$ (48,390)	\$ 1,860,921

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

***Business-type Activities***

	Balance April 1, 2017	Additions	Disposals and Adjustments	Balance March 31, 2018
Capital assets being depreciated:				
Water system	\$ 7,333,999	\$ -	\$ -	\$ 7,333,999
Sewer system	1,589,545	-	-	1,589,545
Waterline	601,459	-	-	601,459
Machinery and equipment	34,364	-	-	34,364
Subtotal	9,559,367	-	-	9,559,367
Accumulated depreciation:				
Water system	3,272,572	122,233	1	3,394,806
Sewer system	589,353	26,493	-	615,846
Waterline	370,899	10,024	-	380,923
Machinery and equipment	30,851	1,639	-	32,490
Subtotal	4,263,675	160,389	1	4,424,065
Net capital assets being depreciated	5,295,692	(160,389)	(1)	5,135,302
Net business-type activity capital assets	<u>\$ 5,295,692</u>	<u>\$ (160,389)</u>	<u>\$ (1)</u>	<u>\$ 5,135,302</u>

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

Governmental activities:	
General government	\$ 152,268
Public safety	54,975
Public works	4,834
Economic development	36,553
Total governmental activities	<u>\$ 248,630</u>
Business-type activities - Water and sewer	\$ 160,389

**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 \$12,850 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:

Years Ending	Amount
2019	\$ 2,570
2020	2,570
2021	2,570
2022	1,470
Total	<u>\$ 9,180</u>

**March 31, 2018**

**Note 6 - Long-term Debt**

Long-term debt activity for the year ended March 31, 2018 can be summarized as follows:

**Governmental Activities**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	\$ 11,750	\$ -	\$ (2,570)	\$ 9,180	\$ 2,570
Accumulated compensated absences	95,866	72,825	(75,567)	93,124	75,318
Total governmental activities long-term debt	<u>\$ 107,616</u>	<u>\$ 72,825</u>	<u>\$ (78,137)</u>	<u>\$ 102,304</u>	<u>\$ 77,888</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 relating to 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, 2018.

**Note 8 - Interfund Receivables, Payables, and Transfers**

The composition of interfund balances is as follows:

Fund Due To	Primary Government Fund Due From Water and Sewer Fund
General Fund	\$ 1,264

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.

**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](http://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.

**Note 9 - Pension Plan (Continued)**

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.

***Employees Covered by Benefit Terms***

The following members were covered by the benefit terms:

	Municipal Employees' Retirement System of Michigan
Date of member count	December 31, 2017
Inactive plan members or beneficiaries currently receiving benefits	13
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	10
Total employees covered by MERS	27

***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 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 60.50 percent of annual covered payroll.

**Note 9 - Pension Plan (Continued)**

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 12.13 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 6.00 percent of compensation. The Township makes employer contributions in accordance with funding requirements determined by MERS' actuary. The Township's current rate is 85.23 percent of annual covered payroll.

**Net Pension Liability**

The Township has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The March 31, 2018 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2017 measurement date. The December 31, 2017 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2016</b>	\$ 5,619,532	\$ 3,462,116	\$ 2,157,416
Changes for the year:			
Service cost	74,089	-	74,089
Interest	439,506	-	439,506
Changes in benefits	4,874	-	4,874
Differences between expected and actual experience	(1,245)	-	(1,245)
Contributions - Employer	-	251,076	(251,076)
Contributions - Employee	-	51,222	(51,222)
Net investment income	-	455,996	(455,996)
Benefit payments, including refunds	(325,509)	(325,509)	-
Administrative expenses	-	(7,215)	7,215
Net changes	191,715	425,570	(233,855)
<b>Balance at December 31, 2017</b>	<u>\$ 5,811,247</u>	<u>\$ 3,887,686</u>	<u>\$ 1,923,561</u>

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

For the year ended March 31, 2018, the Township recognized pension expense of \$(150,081).

**March 31, 2018**

**Note 9 - Pension Plan (Continued)**

At March 31, 2018, the 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	\$ -	\$ (622)
Net difference between projected and actual earnings on pension plan investments	-	(82,426)
Employer contributions to the plan subsequent to the measurement date	47,902	-
Total	\$ 47,902	\$ (83,048)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date \$47,902 will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending March 31	Amount
2019	\$ 4,477
2020	5,099
2021	(56,576)
2022	(36,048)
Total	\$ (83,048)

**Actuarial Assumptions**

The total pension liability in the December 31 2017 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.75 percent, an investment rate of return (net of investment expenses) of 8 percent, and using the RP-2014 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 assumed that employee contributions will be made at the current contribution rate and that 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.

**Note 9 - Pension Plan (Continued)**

***Investment Rate of Return***

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, 2017, 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	55.50 %	8.65 %
Global fixed income	18.50	3.76
Real assets	13.50	9.72
Diversifying strategies	12.50	7.50

***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 or 1 percentage point higher than the current rate:

	1 Percent Decrease (7.00%)	Current Discount Rate (8.00%)	1 Percent Increase (9.00%)
Net pension liability of the Township	\$ 2,535,295	\$ 1,923,561	\$ 1,399,753

***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 of resources related to pension, and pension expense, information about the plan's fiduciary net position and additions to/deductions 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.

March 31, 2018

**Note 10 - Other Postemployment Benefits (Continued)**

**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, 2018, the Township paid postemployment healthcare premiums of \$6,116.

**Funding Progress**

For the year ended March 31, 2018, 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 costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 62,735
Interest on the prior year's net OPEB obligation	17,827
Less adjustment to the annual required contribution	<u>(24,625)</u>
Annual OPEB cost	55,937
Amounts contributed - Payments of current premiums	<u>(6,116)</u>
Increase in net OPEB obligation	49,821
OPEB obligation - Beginning of year	<u>447,052</u>
OPEB obligation - End of year	<u><u>\$ 496,873</u></u>

The annual required contribution, 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	Employer Contributions Percentage of ARC Contributed	Net OPEB Obligation
March 31, 2016	April 1, 2015	\$ 62,735	33.30 %	\$ 394,244
March 31, 2017	April 1, 2015	62,735	6.30	447,052
March 31, 2018	April 1, 2015	62,735	9.70	496,873

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
April 1, 2012	\$ -	\$ 701,256	\$ 701,256	-	-	-
April 1, 2013	-	1,086,801	1,086,801	-	-	-
April 1, 2015	-	661,972	661,972	-	-	-

**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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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, 2018 was 18 years.

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## Required Supplemental Information

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# Charter Township of Flushing

## Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended March 31, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 135,500	\$ 135,500	\$ 137,750	\$ 2,250
Special assessments	29,000	29,000	36,399	7,399
Revenue - State-shared revenue and grants -				
State sources	782,600	782,600	976,041	193,441
Charges for services	246,800	246,800	110,365	(136,435)
Licenses and permits	119,900	127,900	167,722	39,822
Interest and rentals	27,000	27,000	50,059	23,059
Other revenue	19,800	19,800	42,144	22,344
<b>Total revenue</b>	<b>1,360,600</b>	<b>1,368,600</b>	<b>1,520,480</b>	<b>151,880</b>
<b>Expenditures</b>				
Current services:				
General government:				
Township Board	276,652	275,902	209,698	66,204
Township Supervisor	44,550	45,300	44,110	1,190
Accounting	104,270	104,270	60,729	43,541
Treasurer	122,400	124,800	72,353	52,447
Assessing	134,350	134,350	105,736	28,614
Clerk	147,200	146,200	50,839	95,361
Buildings and grounds	67,500	94,650	74,049	20,601
Elections	35,000	35,000	33,765	1,235
Public safety	137,900	161,100	122,887	38,213
Public works	136,700	140,200	102,860	37,340
Recreation and culture	40,400	40,200	28,565	11,635
Capital outlay	185,900	241,650	212,705	28,945
<b>Total expenditures</b>	<b>1,432,822</b>	<b>1,543,622</b>	<b>1,118,296</b>	<b>425,326</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(72,222)</b>	<b>(175,022)</b>	<b>402,184</b>	<b>577,206</b>
<b>Other Financing Sources - Sale of capital assets</b>	<b>100</b>	<b>100</b>	<b>-</b>	<b>(100)</b>
<b>Net Change in Fund Balance</b>	<b>(72,122)</b>	<b>(174,922)</b>	<b>402,184</b>	<b>577,106</b>
<b>Fund Balance - Beginning of year</b>	<b>1,524,283</b>	<b>1,524,283</b>	<b>1,524,283</b>	<b>-</b>
<b>Fund Balance - End of year</b>	<b>\$ 1,452,161</b>	<b>\$ 1,349,361</b>	<b>\$ 1,926,467</b>	<b>\$ 577,106</b>

## Charter Township of Flushing

### Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Law Enforcement

**Year Ended March 31, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 910,028	\$ 910,028	\$ 913,097	\$ 3,069
Revenue - State-shared revenue and grants	77,500	77,542	81,849	4,307
Fines and forfeitures	11,000	11,000	4,223	(6,777)
Interest and rentals	-	1,752	1,752	-
Other revenue	1,150	1,226	3,802	2,576
Total revenue	999,678	1,001,548	1,004,723	3,175
<b>Expenditures</b>				
Current services:				
General government	3,000	3,100	3,030	70
Public safety	900,790	902,790	823,176	79,614
Capital outlay	48,500	323,000	316,627	6,373
Total expenditures	952,290	1,228,890	1,142,833	86,057
<b>Excess of Revenue Over (Under) Expenditures</b>	47,388	(227,342)	(138,110)	89,232
<b>Other Financing Sources</b>				
Sale of capital assets	-	10	10	-
Insurance recoveries	-	277,874	277,874	-
Total other financing sources	-	277,884	277,884	-
<b>Net Change in Fund Balance</b>	47,388	50,542	139,774	89,232
<b>Fund Balance - Beginning of year</b>	574,476	574,476	574,476	-
<b>Fund Balance - End of year</b>	<u>\$ 621,864</u>	<u>\$ 625,018</u>	<u>\$ 714,250</u>	<u>\$ 89,232</u>

## Charter Township of Flushing

### Required Supplemental Information Schedule of OPEB Funding Progress

Actuarial Valuation Date	Years Ended March 31					
	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
April 1, 2012	\$ -	\$ 701,256	\$ 701,256	-	\$ -	-
April 1, 2013	-	1,086,801	1,086,801	-	-	-
April 1, 2015	-	661,972	661,972	-	-	-

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, follows:

Amortization method	Level percent
Amortization period (perpetual)	20
Asset valuation method	Four-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

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

12 Months Ended December 31

	2017	2016	2015
<b>Total Pension Liability</b>			
Service cost	\$ 74,089	\$ 70,183	\$ 70,741
Interest	439,506	487,063	474,724
Changes in benefit terms	4,874	(1,852)	-
Differences between expected and actual experience	(1,245)	(817,499)	(108,734)
Changes in assumptions	-	-	275,178
Benefit payments, including refunds	<u>(325,509)</u>	<u>(343,130)</u>	<u>(412,006)</u>
<b>Net Change in Total Pension Liability</b>	191,715	(605,235)	299,903
<b>Total Pension Liability - Beginning of year</b>	<u>5,619,532</u>	<u>6,224,767</u>	<u>5,924,864</u>
<b>Total Pension Liability - End of year</b>	<u><b>\$ 5,811,247</b></u>	<u><b>\$ 5,619,532</b></u>	<u><b>\$ 6,224,767</b></u>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 251,076	\$ 273,846	\$ 270,342
Contributions - Member	51,222	37,417	30,456
Net investment income	455,996	352,923	(47,965)
Administrative expenses	(7,215)	(6,971)	(7,097)
Benefit payments, including refunds	<u>(325,509)</u>	<u>(343,130)</u>	<u>(412,006)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	425,570	314,085	(166,270)
<b>Plan Fiduciary Net Position - Beginning of year</b>	<u>3,462,116</u>	<u>3,148,031</u>	<u>3,314,301</u>
<b>Plan Fiduciary Net Position - End of year</b>	<u><b>\$ 3,887,686</b></u>	<u><b>\$ 3,462,116</b></u>	<u><b>\$ 3,148,031</b></u>
<b>Township's Net Pension Liability - Ending</b>	<u><b>\$ 1,923,561</b></u>	<u><b>\$ 2,157,416</b></u>	<u><b>\$ 3,076,736</b></u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	66.90 %	61.61 %	50.57 %
<b>Covered Employee Payroll</b>	\$ 555,386	\$ 536,137	\$ 538,362
<b>Township's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	346.35 %	402.40 %	571.50 %

Schedule is built prospectively upon implementation of GASB Statement No. 68.

## Charter Township of Flushing

### Required Supplemental Information Schedule of Pension Contributions

	<b>Last Ten Fiscal Years</b>									
	<b>Years Ended March 31</b>									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 205,425	\$ 201,487	\$ 198,122	\$ 149,385	\$ 134,657	\$ 179,068	\$ 142,428	\$ 161,491	\$ 128,302	\$ 275,842
Contributions in relation to the actuarially determined contribution	255,425	276,487	278,122	229,385	184,657	179,068	292,428	241,491	128,302	324,842
<b>Contribution Deficiency</b>	<b>\$ 50,000</b>	<b>\$ 75,000</b>	<b>\$ 80,000</b>	<b>\$ 80,000</b>	<b>\$ 50,000</b>	<b>\$ -</b>	<b>\$ 150,000</b>	<b>\$ 80,000</b>	<b>\$ -</b>	<b>\$ 49,000</b>
<b>Covered Employee Payroll</b>	<b>\$ 555,386</b>	<b>\$ 536,137</b>	<b>\$ 538,362</b>	<b>\$ 521,292</b>	<b>\$ 525,522</b>	<b>\$ 448,957</b>	<b>\$ 524,823</b>	<b>\$ 647,809</b>	<b>\$ 944,225</b>	<b>\$ 944,225</b>
<b>Contributions as a Percentage of Covered Employee Payroll</b>	45.99 %	51.57 %	51.66 %	44.00 %	35.14 %	39.89 %	55.72 %	37.28 %	13.59 %	34.40 %

#### 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, 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, 2018 were determined based on the actuarial valuation as of December 31, 2016. The most recent valuation is as of December 31, 2017.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed basis
Remaining amortization period	21 years
Asset valuation method	Five-year smoothed market
Inflation	2.5 percent
Salary increase	3.75 percent in the long term
Investment rate of return	8.0 percent - Net of pension plan 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

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## Other Supplemental Information

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**Charter Township of Flushing**

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

**March 31, 2018**

	<u>Special Revenue Funds</u>		
	<u>Drug Law Enforcement</u>	<u>Community Development</u>	<u>Total</u>
<b>Assets</b> - Cash and cash equivalents	<u>\$ 577</u>	<u>\$ -</u>	<u>\$ 577</u>
<b>Fund Balances</b> - Restricted - Drug law enforcement	<u>\$ 577</u>	<u>\$ -</u>	<u>\$ 577</u>

**Charter Township of Flushing**

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

**Year Ended March 31, 2018**

	Special Revenue Funds		
	Drug Law Enforcement	Community Development	Total
<b>Revenue</b> - State-shared revenue and grants - Federal grants	\$ -	\$ 2,931	\$ 2,931
<b>Expenditures</b> - Current services - Recreation and culture	-	2,931	2,931
<b>Net Change in Fund Balances</b>	-	-	-
<b>Fund Balances</b> - Beginning of year	577	-	577
<b>Fund Balances</b> - End of year	\$ 577	\$ -	\$ 577