

*Charter Township of Oshtemo
Kalamazoo County, Michigan*

FINANCIAL STATEMENTS

Year ended December 31, 2018

DRAFT

	<i>Page</i>
INDEPENDENT AUDITOR'S REPORT	3 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 - 10
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net position	11
Statement of activities	12
Fund financial statements:	
Balance sheet - governmental funds	13
Statement of revenues, expenditures, and changes in fund balances - governmental funds	14 - 15
Statement of fiduciary assets and liabilities	16
Statement of changes in fiduciary assets and liabilities	17
Notes to financial statements	18 - 33
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	34 - 35
Fire Fund	36
Police Fund	37
Schedule of funding progress for the postemployment healthcare plan	38 - 40
SUPPLEMENTARY INFORMATION	
Balance sheet - component units	41
Statement of revenues, expenditures, and changes in fund balances - component units	42
Budgetary comparison schedule - Downtown Development Authority - component unit	43
Budgetary comparison schedule - South Drake Road Corridor Improvement Authority - component unit	44

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Our discussion and analysis of the Charter Township of Oshtemo's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net position increased by \$1,037,810 (less than 4 percent) as a result of this year's activities.
- Of the \$29,875,615 total net position reported, \$6,591,205 (22 percent) is available to be used to meet future operating and capital improvement needs, without constraints established by debt covenants, enabling legislation, or other legal requirements. (Please refer to the Township's CIP plan for the intended uses of unrestricted net position).
- The General Fund's unassigned fund balance at the end of the fiscal year was \$3,566,937, which represents 130 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's annual report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds and statements for component units. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental funds statements explain how general government services, like public safety and public works, were financed in the short-term, as well as what remains for future spending.
 - Fiduciary funds statements provide information about the financial relationships in which the Township acts solely as an agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required supplementary information and other supplementary information that further explain and support the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2018 and 2017 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Township's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net position and how it has changed. Net position (the difference between the Township's assets and deferred outflows of resources, and liabilities and deferred inflows of resources) is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as police, fire, and general government activities. Property taxes, assessments, and state grants finance most of these activities.
- *Component units* - The Township includes two other entities in its report - the Downtown Development Authority and the South Drake Road Corridor Improvement Authority. Although legally separate, these "component units" are important because the Township is financially accountable for both Authorities.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law.
- The Township Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain other revenues.

The Township has two types of funds:

- *Governmental funds*. Most of the Township's basic services are included in its governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Fiduciary funds*. These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the Township. The Township is responsible for ensuring that the assets reported in the fiduciary funds are used for their intended purposes. The Township's fiduciary balances are reported in a separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$29,875,615. Of this total, \$22,062,585 is invested in capital assets, \$1,105,024 is restricted for public safety, \$116,801 is restricted for public works and \$6,591,205 is unrestricted.

Condensed financial information
Net position

	<i>Governmental activities</i>	
	<u>2018</u>	<u>2017</u>
Current and other assets	\$13,907,952	\$ 13,174,490
Capital assets	<u>22,062,585</u>	<u>20,955,255</u>
Total assets	<u>35,970,537</u>	<u>34,129,745</u>
Deferred outflows of resources	<u>31,118</u>	-
Current and other liabilities	<u>1,127,129</u>	<u>1,493,791</u>
Deferred inflows of resources	<u>4,998,911</u>	<u>3,904,365</u>
Net position:		
Net investment in capital assets	<u>22,062,585</u>	<u>20,955,255</u>
Restricted	<u>1,221,825</u>	<u>2,438,494</u>
Unrestricted	<u>6,591,205</u>	<u>5,337,840</u>
Total net position	<u>\$29,875,615</u>	<u>\$ 28,731,589</u>

Changes in net position

The Township's total revenues were \$8,501,556. For 2018, charges for services were 55 percent of the Township's revenues, 23 percent comes from state grants, and 9 percent comes from property taxes.

The total cost of the Township's programs and services was \$7,463,746. Approximately 46 percent of the Township's costs are related to public safety activities, general government is 25 percent, and public works is 21 percent of expenses.

*Condensed financial information
Changes in net position*

	<u>Governmental activities</u>	
	<u>2018</u>	<u>2017</u>
Net position, beginning of year:		
As previously reported	\$28,731,589	\$26,587,362
Cumulative effect of a change in accounting principle	106,216	-
As restated	<u>28,837,805</u>	<u>26,587,362</u>
Program revenues:		
Charges for services	\$ 4,695,270	\$ 4,183,409
Operating grants	267,238	15,827
Capital grants	429,252	1,593,289
General revenues:		
Property taxes	754,279	732,817
State grants	1,917,524	1,861,636
Franchise fees	170,631	183,660
Investment income	63,098	54,691
Gain on sale of asset	204,264	-
Total revenues	<u>8,501,556</u>	<u>8,625,329</u>
Expenses:		
General government	1,886,418	1,762,536
Public safety	3,443,809	3,277,697
Public works	1,560,553	943,807
Community and economic development	238,587	236,476
Culture and recreation	334,379	260,586
Total expenses	<u>7,463,746</u>	<u>6,481,102</u>
Changes in net position	<u>\$ 1,037,810</u>	<u>\$ 2,144,227</u>
Net position, end of year	<u>\$29,875,615</u>	<u>\$28,731,589</u>

Governmental activities

The net position increased \$1,037,810 for 2018 compared to a \$2,144,227 increase in the prior year. The decrease can be attributed primarily to a decrease in capital grants of \$1,164,037 for water and sewer project costs.

The total cost of governmental activities this year was \$7,463,746. After subtracting the direct charges to those who directly benefited from the programs (\$4,680,019) and operating and capital grants (\$696,490), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$2,071,986.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds

As of the end of the current year, the Township's governmental funds reported combined ending fund balances of \$7,043,522, a decrease of \$273,201 from last year.

The General Fund is the primary operating fund of the Township. Its fund balance increased by \$539,259 during the year, as revenues of \$3,542,422 were higher than current expenditures of \$2,753,027 and transfers to other funds of \$250,136. The fund balance was \$4,191,780 at the end of the year.

The Fire Fund experienced a decrease in fund balance of \$1,177,149 for 2018, as revenues of \$1,897,950 were less than current expenditures of \$3,075,099 including \$1,401,141 in capital outlay. The ending fund balance was \$736,282.

The Police Fund experienced a \$137,983 increase in fund balance, which reflects police service expenditures of \$1,278,741 that were less than revenues of \$1,378,324 and a transfer of \$38,400 from the General Fund. The fund balance at the end of the year was \$278,250.

The General Sewer Fund experienced a \$43,525 decrease in fund balance for 2018, as revenues of \$777,560 were less than current year's expenditures of \$821,085. The fund balance at the end of the year was \$229,058.

The General Water Fund experienced a \$106,438 increase in fund balance for 2018, as revenues of \$292,835, were more than current year's expenditures of \$186,397. The fund balance at the end of the year was \$1,225,082.

General Fund budgetary highlights

The Township amended the General Fund revenues and expenditures budgets for anticipated increases in revenues and decreases in expenditures. Total revenues were \$858,471 less than anticipated, primarily due to other revenues that were lower than anticipated by \$61,006 and intergovernmental revenues were lower than budgeted by \$869,030. Total expenditures were \$2,338,623 less than the amounts appropriated, primarily due to capital outlay costs that were \$2,124,942 less than projected due to projects not occurring in the current year that were planned, and general government and public works costs that were \$59,868 and \$114,869, respectively, less than expected.

These variances resulted in a positive budget variance of \$1,439,416, with a \$539,259 increase in fund balance compared to a budget that anticipated a decrease of \$954,157 in fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Township's investment in capital assets as of December 31, 2018, was \$22,062,585 (net of accumulated depreciation). This investment includes buildings and improvements, equipment and vehicles, and sewer, and water infrastructure. The \$1,107,330 increase in the Township's investment in capital assets for the current fiscal year includes \$2,160,003 in capital asset additions, less \$954,225 in depreciation expense and \$98,448 in disposals for the year.

Major capital asset additions during the current fiscal year include:

- \$494,345 for water and sewer infrastructure costs
- \$199,116 for a non-motorized path
- \$488,588 deposit made on a new Rosenbauer Pumper fire truck
- \$809,353 for the purchase of a new Aerial Apparatus fire truck

More detailed information about the Township's capital assets is presented in Note 6 of the notes to the basic financial statements

Debt

The Township's long-term obligation consists of \$39,600 in accrued compensated absences.

More detailed information about the Township's noncurrent liabilities is presented in Note 8 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Property tax appeals and resultant reductions have continued over the past few years and are likely to be ongoing. No significant changes are planned in the types of services to be provided or in related levels of expenditures for continuing operations during the upcoming year.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Libby Heiny-Cogswell, Supervisor
Charter Township of Oshtemo
7275 West Main Street
Oshtemo, MI 49009

Phone: (269) 375-4260

BASIC FINANCIAL STATEMENTS

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STATEMENT OF NET POSITION

December 31, 2018

	<u>Primary government</u>	<u>Component units</u>	
	<u>Governmental activities</u>	<u>Downtown Development Authority</u>	<u>South Drake Road Corridor Improvement Authority</u>
ASSETS			
Current assets:			
Cash	\$ 7,177,843	\$ 842,520	\$ 68,668
Investments	2,124,272	-	-
Beneficial interest of assets held at foundation	87	-	-
Receivables, net	4,199,060	32,834	20,764
Total current assets	<u>13,501,262</u>	<u>875,354</u>	<u>89,432</u>
Noncurrent assets:			
Receivables, net	312,041	-	-
Net OPEB assets	94,649	-	-
Capital assets not being depreciated	2,755,816	338,650	-
Capital assets, net of accumulated depreciation	19,306,769	84,973	-
Total noncurrent assets	<u>22,469,275</u>	<u>423,623</u>	<u>-</u>
Total assets	<u>35,970,537</u>	<u>1,298,977</u>	<u>89,432</u>
DEFERRED OUTFLOWS OF RESOURCES			
OPEB	31,118	-	-
LIABILITIES			
Current liabilities:			
Payables	934,237	4,098	-
Unearned operating assessment revenues	153,292	-	-
Total current liabilities	1,087,529	4,098	-
Noncurrent liabilities - compensated absences	39,600	-	-
Total liabilities	<u>1,127,129</u>	<u>4,098</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax revenues levied for the subsequent year	2,114,017	88,778	48,360
Special assessment levied for the subsequent year	2,884,894	-	-
Total deferred inflows of resources	<u>4,998,911</u>	<u>88,778</u>	<u>48,360</u>
NET POSITION			
Investment in capital assets	22,062,585	423,623	-
Restricted for public safety	1,105,024	-	-
Restricted for public works	116,801	-	-
Unrestricted	6,591,205	782,478	41,072
Total net position	<u>\$ 29,875,615</u>	<u>\$ 1,206,101</u>	<u>\$ 41,072</u>

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended December 31, 2018

Functions/Programs	Program revenues				Net (expenses) revenues and changes in net position		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Component units	
						Downtown Development Authority	South Drake Road Corridor Improvement Authority
Governmental activities:							
General government	\$ 1,886,418	\$ 398,361	\$ -	\$ -	\$ (1,488,057)		
Public safety	3,443,809	3,247,492	28,782	-	(167,535)		
Public works	1,560,553	980,414	238,456	189,893	(151,790)		
Community and economic development	238,587	29,790	-	-	(208,797)		
Culture and recreation	334,379	39,213	-	239,359	(55,807)		
Total governmental activities	<u>7,463,746</u>	<u>4,695,270</u>	<u>267,238</u>	<u>429,252</u>	<u>(2,071,986)</u>		
Component units:							
Downtown Development Authority	\$ 47,944	\$ -	\$ 3,621	\$ -	\$ (44,323)	\$ -	
South Drake Road Corridor Improvement Authority	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(60,000)</u>	
Total component units	<u>\$ 107,944</u>	<u>\$ -</u>	<u>\$ 3,621</u>	<u>\$ -</u>	<u>\$ (44,323)</u>	<u>\$ (60,000)</u>	
General revenues:							
Taxes					754,279	108,124	34,921
State grants					1,917,524	-	-
Franchise fees					170,631	-	-
Investment income					63,098	7,849	671
Gain on sale of assets					204,264	-	-
Total general revenues					<u>3,109,796</u>	<u>115,973</u>	<u>35,592</u>
Changes in net position					1,037,810	71,650	(24,408)
Net position - beginning, as restated					<u>28,837,805</u>	<u>1,134,451</u>	<u>65,480</u>
Net position - ending					<u>\$ 29,875,615</u>	<u>\$ 1,206,101</u>	<u>\$ 41,072</u>

See notes to financial statements

	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>General Sewer</u>	<u>General Water</u>	<u>Nonmajor fund</u>	<u>Total governmental funds</u>
ASSETS							
Cash	\$ 2,373,863	\$ 1,973,162	\$ 614,004	\$ 292,663	\$ 1,501,953	\$ 422,198	\$ 7,177,843
Investments	2,124,272	-	-	-	-	-	2,124,272
Beneficial interest of assets held at foundation	-	-	-	-	-	87	87
Receivables	961,124	1,800,337	1,002,848	354,266	392,526	-	4,511,101
Total assets	<u>\$ 5,459,259</u>	<u>\$ 3,773,499</u>	<u>\$ 1,616,852</u>	<u>\$ 646,929</u>	<u>\$ 1,894,479</u>	<u>\$ 422,285</u>	<u>\$ 13,813,303</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities:							
Payables	\$ 333,046	\$ 152,323	\$ 5,726	\$ 93,422	\$ 310,505	\$ 39,215	\$ 934,237
Unearned special assessment operating revenues	153,292	-	-	-	-	-	153,292
Total liabilities	<u>486,338</u>	<u>152,323</u>	<u>5,726</u>	<u>93,422</u>	<u>310,505</u>	<u>39,215</u>	<u>1,087,529</u>
Deferred inflows of resources:							
Property tax revenues levied for the subsequent year	781,141	-	1,332,876	-	-	-	2,114,017
Special assessment levied for the subsequent year	-	2,884,894	-	-	-	-	2,884,894
Unavailable special assessment revenues	-	-	-	243,724	100,817	-	344,541
Unavailable grant revenues	-	-	-	80,725	258,075	-	338,800
Total deferred inflows of resources	<u>781,141</u>	<u>2,884,894</u>	<u>1,332,876</u>	<u>324,449</u>	<u>358,892</u>	<u>-</u>	<u>5,682,252</u>
Fund balances:							
Restricted for:							
Public safety	383,042	736,282	-	-	-	-	1,119,324
Street lights	116,801	-	-	-	-	-	116,801
Assigned for:							
Public safety	-	-	278,250	-	-	-	278,250
Public works	-	-	-	229,058	1,225,082	-	1,454,140
Culture and recreation	-	-	-	-	-	383,070	383,070
Subsequent year expenditures	125,000	-	-	-	-	-	125,000
Unassigned	3,566,937	-	-	-	-	-	3,566,937
Total fund balances	<u>4,191,780</u>	<u>736,282</u>	<u>278,250</u>	<u>229,058</u>	<u>1,225,082</u>	<u>383,070</u>	<u>7,043,522</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,459,259</u>	<u>\$ 3,773,499</u>	<u>\$ 1,616,852</u>	<u>\$ 646,929</u>	<u>\$ 1,894,479</u>	<u>\$ 422,285</u>	<u>\$ 13,813,303</u>

Reconciliation of the balance sheet to the statement of net position:

Total fund balance - total governmental funds \$ 7,043,522

Amounts reported for *governmental activities* in the statement of net position (page 11) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 22,062,585

Net OPEB assets 94,649

Deferred outflows of resources, related to the OPEB plan, relate to future years and are not reported in the funds. 31118

Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds - compensated absences. (39,600)

Special assessments receivable and unavailable grant revenue are not available to pay for the current period's expenditures and, therefore, are deferred in the funds. 683,341

Net position of *governmental activities* \$ 29,875,615

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds

Year ended December 31, 2018

	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>General Sewer</u>	<u>General Water</u>	<u>Nonmajor fund</u>	<u>Total governmental funds</u>
REVENUES							
Taxes	\$ 754,279	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 754,279
Licenses and permits	200,618	-	-	-	-	-	200,618
State grants	1,932,914	-	-	142,341	-	-	2,075,255
Intergovernmental	60,000	-	-	-	-	-	60,000
Charges for services	363,717	79	22,977	480,708	238,817	-	1,106,298
Fines and forfeitures	-	-	62,316	-	-	-	62,316
Interest and rentals	45,500	20,659	5,467	11,712	18,373	39,212	140,923
Other	185,394	1,877,212	1,287,564	142,799	35,645	383,623	3,912,237
	<u>3,542,422</u>	<u>1,897,950</u>	<u>1,378,324</u>	<u>777,560</u>	<u>292,835</u>	<u>422,835</u>	<u>8,311,926</u>
Total revenues							
EXPENDITURES							
Current:							
General government	1,740,747	-	-	-	-	-	1,740,747
Public safety	50,948	1,673,958	1,261,670	-	-	-	2,986,576
Public works	442,112	-	-	821,085	186,397	-	1,449,594
Community and economic development	238,387	-	-	-	-	-	238,387
Culture and recreation	-	-	-	-	-	179,230	179,230
Capital outlay	280,833	1,401,141	17,071	-	-	291,548	1,990,593
	<u>2,753,027</u>	<u>3,075,099</u>	<u>1,278,741</u>	<u>821,085</u>	<u>186,397</u>	<u>470,778</u>	<u>8,585,127</u>
Total expenditures							
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>789,395</u>	<u>(1,177,149)</u>	<u>99,583</u>	<u>(43,525)</u>	<u>106,438</u>	<u>(47,943)</u>	<u>(273,201)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	38,400	-	-	211,736	250,136
Transfers out	(250,136)	-	-	-	-	-	(250,136)
Net other financing sources (uses)	<u>(250,136)</u>	<u>-</u>	<u>38,400</u>	<u>-</u>	<u>-</u>	<u>211,736</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	539,259	(1,177,149)	137,983	(43,525)	106,438	163,793	(273,201)
FUND BALANCES - BEGINNING	<u>3,652,521</u>	<u>1,913,431</u>	<u>140,267</u>	<u>272,583</u>	<u>1,118,644</u>	<u>219,277</u>	<u>7,316,723</u>
FUND BALANCES - ENDING	<u>\$ 4,191,780</u>	<u>\$ 736,282</u>	<u>\$ 278,250</u>	<u>\$ 229,058</u>	<u>\$ 1,225,082</u>	<u>\$ 383,070</u>	<u>\$ 7,043,522</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds (Continued)

Year ended December 31, 2018

Reconciliation of the statement of revenues, expenditures and changes in fund balances to the statement of activities:

Net change in fund balance - total governmental funds (page 14) \$ (273,201)

Amounts reported for *governmental activities* in the statement of activities (page 12) are different because:

Capital assets:

Assets acquired	2,160,003
Provision for depreciation	(954,225)
Net book value of disposed assets	(98,448)

Long-term obligations:

Net change in liability for compensated absences	(5,500)
Net decrease in OPEB assets	(11,567)

Changes in other assets/liabilities:

Net increase in deferred inflows of resources	189,630
Net increase in deferred outflows of resources	<u>31,118</u>

Change in net position of *governmental activities* \$ 1,037,810

Charter Township of Oshtemo

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2018

	<u><i>Retiree Medical Trust</i></u>	<u><i>Agency</i></u>
ASSETS		
Cash	\$ -	\$ 7,080,156
Investments	<u>296,684</u>	<u>-</u>
Total assets	296,684	<u><u>\$ 7,080,156</u></u>
LIABILITIES		
Due to others	<u>-</u>	<u><u>\$ 7,080,156</u></u>
NET POSITION		
Held in trust for retirees' health benefits	<u><u>\$ 296,684</u></u>	

See notes to financial statements

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

December 31, 2018

	<u>Retiree Medical Trust</u>
ADDITIONS	
Contributions	\$ 94,650
Premiums paid by others	<u>11,566</u>
Total additions	106,216
DEDUCTIONS	
Investment loss	<u>15,492</u>
NET INCREASE	90,724
NET POSITION	
Beginning	<u>205,960</u>
Ending	<u>\$ 296,684</u>

See notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charter Township of Oshtemo, Michigan (the Township), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting entity:

As required by generally accepted accounting principles, these financial statements present the Township (the primary government, located in Kalamazoo County) and its component units described below, for which the Township is financially accountable. Active discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government.

Discretely presented component units:

Downtown Development Authority - The Authority was established pursuant to Public Act 197 of 1975, as amended, to correct and prevent deterioration and promote economic growth within the downtown district.

South Drake Road Corridor Improvement Authority - The Authority was established pursuant to Public Act 280 of 2005, as amended, to correct and prevent deterioration and promote economic growth within the corridor business district.

Government-wide and fund financial statements:

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 Township. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for financial resources used for fire protection. Revenues are primarily derived from special assessments.

The Police Fund accounts for financial resources used for police protection. Revenues are primarily derived from special assessments.

The General Sewer Fund accounts for financial resources used for sewer facilities capital improvements and maintenance. Revenues are primarily derived from connection fees and special assessments.

The General Water Fund accounts for financial resources used for water facilities capital improvements and maintenance. Revenues are primarily derived from connection fees and special assessments.

The Township reports the following nonmajor governmental fund:

The Parks Fund accounts for financial resources used for recreational park facilities improvements and maintenance. Revenues are primarily derived from donations and grants.

The Township also reports fiduciary funds, which account for assets held by the Township as an agent for individuals, private organizations, and other governments. The Township currently reports the following fiduciary fund types:

The Agency Fund accounts for the collection and disbursement of taxes and other monies due to other units of government and individuals. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Retiree Medical Trust Fund accounts for assets held to provide medical benefits to eligible retiree participants and their dependents.

Amounts reported as program revenues include: (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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, liabilities, deferred inflows of resources, and net position or equity:

Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

Investments - Investments are reported at fair value.

Receivables - In general, outstanding balances between funds are reported as “due to/from other funds.” No allowance for uncollectible accounts has been recorded, as the Township considers all receivables to be fully collectible.

Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of greater than \$2,000 (\$10,000 for infrastructure assets) 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 acquisition value as of the date received. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning January 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	15 - 30 years
Buildings and improvements	15 - 60 years
Equipment	3 - 7 years
Infrastructure	10 - 50 years

Unearned revenue - Unearned revenue represents resources related to operating assessments which have not yet been earned, due to performance of service.

Deferred inflows of resources - The statement of net position and the governmental funds balance sheet include a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenues will not be recognized until a future event occurs. Included in this category are property taxes and special assessments revenues. Property tax revenue and special assessment, which are levied to finance the following period's budget, is deferred and recognized as an inflow of resources in the period that it was intended to finance. Special assessment revenues, which are not available (collected later than 60 days after the end of the Township's fiscal year) are deferred in the governmental funds and recognized as an inflow of resources in the period that the revenues become available,

Net position - Net position represents the difference between assets, and liabilities and deferred inflows of resources. The Township reports three categories of net position, as follows: (1) *Net investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the Township's debt. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the Township.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Assets, liabilities, deferred inflows of resources, and net position or equity (continued):

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

Postemployment benefits other than pensions - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Oshtemo Charter Township OPEB plan for Non-union employees and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the 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.

Fund equity - In the fund financial statements, governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. The Township Board retains the authority to assign fund balances. Unassigned fund balances are the residual classification for the General Fund. When the Township incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Township's policy to use the restricted fund balance first, followed by assigned fund balance, and, finally, unassigned fund balance.

Property tax revenue recognition - Property taxes are levied each December 1 (lien date) on the taxable valuation of property as of the preceding December 31. Property taxes are considered delinquent on March 1 of the following year, at which time interest and penalties are assessed. Although the Township's 2017 ad valorem tax was levied and collectible on December 1, 2017, it is the Township's policy to recognize revenue from that tax levy in the current year, when the proceeds are budgeted and made available for the financing of operations.

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. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for general and special revenue funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. At the end of the fiscal year there were no reportable budget variances.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments, as presented in the accompanying financial statements, consisted of the following:

	<u>Primary government</u>			
	<u>Governmental activities</u>	<u>Component units</u>	<u>Fiduciary activities</u>	<u>Totals</u>
Cash	\$ 7,177,843	\$ 911,188	\$ 7,080,156	\$ 15,169,187
Investments	<u>2,124,272</u>	<u>-</u>	<u>296,684</u>	<u>2,420,956</u>
	<u>\$ 9,302,115</u>	<u>\$ 911,188</u>	<u>\$ 7,376,840</u>	<u>\$ 17,590,143</u>

Deposits - Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) and the Township’s investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township’s deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. The Township’s investment policy does not specifically address custodial credit risk for deposits. At December 31, 2018, \$12,992,891 of the Township’s bank balances of \$15,492,891 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments, primary government and component unit - State statutes and the Township’s investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds composed of otherwise legal investments; and f) investment pools organized under the local government investment pool act.

The Township’s investments consist of holdings in the Cooperative Liquid Assets Securities System - Michigan (CLASS). CLASS is a local government investment pool established under Michigan state statutes for participating Michigan municipalities. This pool, which is a nonrisk categorized qualifying investment, is carried at fair market value. The fair value of the Township’s position in the pool is the same as the value of its pool shares. The fund operates like a money market fund with each share valued at \$1, and is rated AAAM by Standard and Poor’s (credit risk); it is not subject to regulatory oversight; the pool issues a separate report, which is available at 15309 Meadowwood Drive, Grand Haven, Michigan, 49417.

Fair value measurement - The Township categorizes its fair value measurements of investments 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 assets. 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. The U.S. government agency securities were valued using observable fair values of similar assets (Level 2). The MBIA CLASS Fund was measured at net asset value (or its equivalent) as a practical expedient, and, accordingly, has not been classified in the fair value hierarchy.

Investments, retiree health plan - The investments of the Township’s other postemployment benefit (OPEB) trust fund are maintained separately from the Township’s pooled cash and investments, and are subject to separate investment policies and state statutes. Accordingly, the required disclosures for the OPEB trust fund investments are presented separately.

NOTE 3 - CASH AND INVESTMENTS (Continued)

The Michigan Public Employees Retirement Systems’ Investment Act, Public Act 314 of 1965, as amended, authorizes the other postemployment benefit trust to invest in stocks, governmental and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitation. The Township Board has the responsibility and authority to oversee the investment portfolio. The Township has contracted the Municipal Employees’ Retirement System of Michigan (MERS) to assist in managing the OPEB trust fund’s assets. The investments are held by MERS, within its Retiree Health Funding Vehicle (RHFV), an employer savings trust that allows employers to advance fund their retiree healthcare liability. As a governmental plan, MERS is exempted by state and federal law from registration with the SEC. The funds held consist of portfolios of assets, in separate accounts, in a collective trust. Specific fund holdings at December 31, 2018, consisted of the following:

<u>Investment type</u>	<u>Fair value</u>
MERS Total Market Portfolio	\$ 149,817
MERS Est Market Portfolio	<u>146,867</u>
	<u>\$ 296,684</u>

The Townships investments are subject to several types of risk, which are discussed below:

Custodial credit risk. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Township will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. State statutes and the Township’s OPEB investment policy require that investment securities be held in trust by a third-party institution, in the name of the benefit trust. The RHFV fund holdings are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical form.

Credit risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in mutual funds and qualified investment pools, including those within the RHFV, are not considered to have credit risk.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributable to the magnitude of the Township’s investment in a single holding. The Township’s OPEB investment policy places no limitations on the amount that can be invested in any one issuer.

Interest rate risk. Interest rate risk is the risk that the value of an investment will decrease as a result of an increase in market interest rates. Generally, longer investment maturities generate more sensitivity to changes in an investment’s fair value due to changes in market interest rates. The Township’s OPEB investment policy has no specific limitations with respect to maturities of investments. The RHFV holdings have no maturities.

Fair value measurement - 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. The Township has the following recurring fair value measurements as of December 31, 2018:

- Municipal Employees’ Retirement System of Michigan - RHFV, with a balance of \$296,684 at December 31, 2018, which is valued using observable fair values of similar assets (Level 2).

NOTE 4 - RECEIVABLES

Receivables as of December 31, 2018, for the Township’s individual major funds and nonmajor funds, in the aggregate, were as follows:

<i>Fund</i>	<i>Property taxes</i>	<i>Accounts</i>	<i>Special assessments</i>	<i>Inter-governmental</i>	<i>Totals</i>
<i>Primary government:</i>					
<i>Governmental:</i>					
General	\$ 599,590	\$ 40,311	\$ -	\$ 321,223	\$ 961,124
Fire	-	-	1,800,337	-	1,800,337
Police	-	-	1,002,848	-	1,002,848
General Sewer	-	-	265,594	88,672	354,266
General Water	-	-	107,764	284,762	392,526
Total governmental funds	<u>\$ 599,590</u>	<u>\$ 40,311</u>	<u>\$ 3,176,543</u>	<u>\$ 694,657</u>	<u>\$ 4,511,101</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 312,041</u>	<u>\$ -</u>	<u>\$ 312,041</u>
<i>Component units:</i>					
Downtown Development Authority	\$ 32,834	\$ -	\$ -	\$ -	\$ 32,834
South Drake Road Corridor Improvement Authority	<u>20,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,764</u>
Total component units	<u>\$ 53,598</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,598</u>

All receivables are considered fully collectible.

NOTE 5 - BENEFICIAL INTEREST IN ASSETS HELD BY FOUNDATION

The amount shown as beneficial interest in assets held by foundation represents monies placed with the Kalamazoo Community Foundation (the Foundation) by the Township, specifying itself as the beneficiary. The Foundation maintains variance power and legal ownership of such funds and, as such, continues to report the funds as assets of the Foundation, with a corresponding liability, the agency endowment fund. The Township reports this asset at the present value of future payments expected to be received.

The Foundation also holds monies, placed by donors for the benefit of the Township’s parks and recreation activities, to generate investment return that, based on the Foundation’s spending guidelines, can be made available to the Township. Such monies are not considered assets of the Township. At December 31, 2018, the Foundation held \$430,926 in this account.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Primary government:				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 576,742	\$ -	\$ -	\$ 576,742
Construction in progress	<u>3,762,790</u>	<u>1,235,402</u>	<u>(2,819,118)</u>	<u>2,179,074</u>
Subtotal	<u>4,339,532</u>	<u>1,235,402</u>	<u>(2,819,118)</u>	<u>2,755,816</u>
Capital assets being depreciated:				
Buildings and improvements	9,114,434	-	-	9,114,434
Equipment	1,692,304	87,110	-	1,779,414
Vehicles	3,066,578	837,491	(482,192)	3,421,877
Infrastructure	<u>10,671,530</u>	<u>2,819,118</u>	<u>-</u>	<u>13,490,648</u>
Subtotal	<u>24,544,846</u>	<u>3,743,719</u>	<u>(482,192)</u>	<u>27,806,373</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,096,869)	(148,327)	-	(3,245,196)
Equipment	(1,293,264)	(97,373)	-	(1,390,637)
Vehicles	(1,478,608)	(172,241)	383,744	(1,267,105)
Infrastructure	<u>(2,060,382)</u>	<u>(536,284)</u>	<u>-</u>	<u>(2,596,666)</u>
Subtotal	<u>(7,929,123)</u>	<u>(954,225)</u>	<u>383,744</u>	<u>(8,499,604)</u>
Total capital assets being depreciated, net	<u>16,615,723</u>	<u>2,789,494</u>	<u>(98,448)</u>	<u>19,306,769</u>
Governmental activities capital assets, net	<u>\$ 20,955,255</u>	<u>\$ 4,024,896</u>	<u>\$ (2,917,566)</u>	<u>\$ 22,062,585</u>
Component unit - DDA:				
Capital assets not being depreciated:				
Land	\$ 293,595	\$ -	\$ -	\$ 293,595
Construction in progress	<u>-</u>	<u>45,055</u>	<u>-</u>	<u>45,055</u>
Subtotal	<u>293,595</u>	<u>45,055</u>	<u>-</u>	<u>338,650</u>
Capital assets being depreciated:				
Buildings and improvements	101,968	-	-	101,968
Less accumulated depreciation for:				
Buildings and improvements	<u>(11,896)</u>	<u>(5,099)</u>	<u>-</u>	<u>(16,995)</u>
Total capital assets being depreciated, net	<u>90,072</u>	<u>(5,099)</u>	<u>-</u>	<u>84,973</u>
Component unit capital assets, net	<u>\$ 383,667</u>	<u>\$ 39,956</u>	<u>\$ -</u>	<u>\$ 423,623</u>

NOTE 6 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental activities functions as follows:

General government	\$ 94,805
Public safety	306,962
Public works	412,389
Culture and recreation	<u>140,069</u>
 Total	 <u>\$ 954,225</u>

NOTE 7 - PAYABLES

Payables as of December 31, 2018, for the Township’s individual major funds and nonmajor funds, in the aggregate, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Accrued liabilities</u>	<u>Deposits</u>	<u>Totals</u>
Primary government:				
Governmental:				
General	\$ 149,775	\$ 51,808	\$ 131,463	\$ 333,046
Fire	108,169	44,154	-	152,323
Police	4,238	1,488	-	5,726
General Sewer	91,209	2,213	-	93,422
General Water	310,180	325	-	310,505
Other governmental	<u>36,457</u>	<u>2,758</u>	<u>-</u>	<u>39,215</u>
Total governmental	<u>\$ 700,028</u>	<u>\$ 102,746</u>	<u>\$ 131,463</u>	<u>\$ 934,237</u>
Component unit:				
Downtown Development Authority	<u>\$ 4,098</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,098</u>

NOTE 8 - LONG-TERM OBLIGATIONS

Long-term obligation activity (excluding postemployment benefits other than pensions) for the year ended December 31, 2018, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Primary government:				
Governmental activities:				
Compensated absences	<u>34,100</u>	<u>148,044</u>	<u>(142,544)</u>	<u>39,600</u>

NOTE 9 - PROPERTY TAXES

The 2017 taxable valuation of the Township approximated \$772,305,000, on which ad valorem taxes levied, consisted of 0.9765 mills for operating purposes, raising approximately \$754,000. This amount is recognized in the General Fund financial statements as property tax revenue.

The 2018 taxable valuation of the Township approximated \$798,905,000, on which ad valorem taxes levied, consisted of 0.9703 mills for operating purposes, raising approximately \$781,000. This amount is recognized in the General Fund financial statements as deferred inflows, based upon the period for which the proceeds are budgeted and will be made available for the financing of operations.

NOTE 10 - DEFINED CONTRIBUTION AND MONEY PURCHASE PLAN

The Township and its employees contribute to the Township of Oshtemo Group Pension Plan, a defined contribution pension plan, which is administered by a third party administrator. The plan covers three classes of employees, as allowed under Internal Revenue Code Section 401(a). The first class of employees includes paid on-call firefighters, the second class of employees includes all full-time or part-time employees, and the third class of employees includes elected officials.

Benefit terms, including contribution requirements, for the Plan are established, and may be amended, by the Township Board. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate as described above. The Township contributes 10% of covered payroll to the first class of qualifying employees. The Township contributes 4% of covered payroll to the second and third classes of qualifying employees. Employees are permitted to make contributions to the Plan, up to applicable Internal Revenue Code limits, and the Township also matches voluntary contributions made by officials, full-time employees, and permanent part-time employees, up to a limit of 4%. For the year ended December 31, 2018, the Township made the required and matching contribution of \$171,299 and eligible employees made contributions of \$64,823. At December 31, 2018, the Township reported no accrued liability as part of the contributions to the plan.

The Township's contributions for each paid on-call firefighter (and investment earnings allocated to the employee's account) are fully vested immediately, while contributions for participating full-time or part-time employees and officials are fully vested after two years of continuous service.

The Township is not a trustee of the defined contribution pension plan, nor is the Township responsible for investment management of the pension plan assets. Accordingly, plan assets, and changes therein, are not reported in these financial statements.

NOTE 11 - DEFINED BENEFIT POSTEMPLOYMENT HEALTHCARE PLAN

Plan description:

Oshtemo Charter Township OPEB Plan is a single employer plan established and administered by Oshtemo Charter Township and can be amended at its discretion.

Benefits provided:

Benefit eligibility - Participation limited to four current retirees

Benefit - Reimbursement of premiums for retiree and spouse, for the life of the retiree, up to an annual reimbursement cap, determined annually. \$4,500 for 2018 and 2017.

Retiree contributions - Balance of premium in excess of the employer contribution

Balance of premium in excess of the employer contribution:

As of December 31, 2018, Plan membership consisted of the following:

Inactive participants receiving benefits	4
Active participants	<u>-</u>
Total participants	<u><u>4</u></u>

Contributions:

The Oshtemo Charter Township OPEB Plan was established and is being funded under the authority of the Township. The plan's funding policy is that the employer will not make future contributions. Currently, benefit payments are made from general operating funds. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves.

Actuarial Assumptions:

The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date. The following actuarial assumptions were used in the measurement:

Inflation	2.50%
Investment rate of return	7.23% (including inflation)
20-year Aa Municipal bond rate	3.00%
Mortality	RP-2014 adjusted to 2006 total data set, headcount weighted with MP-2018 improvement

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Est Market Portfolio	50.10%	4.20%
Total Market Portfolio	49.90%	5.25%

The sum of each target allocation times its long-term expected real rate is 4.73%. Together with 2.5% inflation, the long-term expected rate of return is 7.23%.

Discount rate:

The discount rate used to measure the total OPEB liability was 7.23%. The projection of cash flows used to determine the discount rate assumed that no further contributions will be made. Based on those assumptions, the retirement plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. The discount rate used for December 31, 2018, was 7.75%.

NOTE 11 - DEFINED BENEFIT POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

Changes in the net OPEB liability:

	<i>Increase (decrease)</i>		
	<i>Total OPEB liability (a)</i>	<i>Plan fiduciary net position (b)</i>	<i>Net OPEB liability (asset) (a) - (b)</i>
Balances at December 31, 2017	\$ 205,960	\$ 312,176	\$ (106,216)
Changes for the year:			
Interest	15,489	-	15,489
Experience (Gains)/Losses	(6,724)	-	(6,724)
Change in assumptions	(493)	-	(493)
Contributions - employer	-	12,198	(12,198)
Net investment loss	-	(14,732)	14,732
Benefit payments			
Benefit payments; including refunds of Employee Contributions	(12,198)	(12,198)	-
Administrative expenses	-	(761)	761
Net changes	(3,926)	(15,493)	11,567
Balances at December 31, 2018	\$ 202,034	\$ 296,683	\$ (94,649)

Plan fiduciary net position as a percentage of total OPEB liability 0.0%

Sensitivity of the net OPEB liability to changes in the discount rate:

The following schedule presents the net OPEB liability of the Township, calculated using the discount rates 1% higher and lower than the current rate:

	<u>1% decrease</u>	<u>Current rate</u>	<u>1% increase</u>
Net OPEB liability (asset)	\$ (80,274)	\$ (94,649)	\$ (107,381)

Sensitivity of the net OPEB liability to changes in the trend rate:

The following schedule presents the net OPEB liability of the Township, calculated using healthcare cost trend rates 1% higher and lower than the current rate:

	<u>1% decrease</u>	<u>Current rate</u>	<u>1% increase</u>
Net OPEB liability (asset)	\$ (109,552)	\$ (94,649)	\$ (78,034)

NOTE 11 - DEFINED BENEFIT POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

OPEB expense, deferred outflows of resources, and deferred inflows of resources related to OPEB Plan:

Components of Township’s OPEB Expense for the Fiscal Year Ending December 31, 2018

Below are the components of the Total OPEB Expense:

	<i>Fiscal Year</i> <u>Ending 12/31/2018</u>
Interest on Total OPEB Liability	\$ 15,489
Experience (Gains)/Losses	(6,724)
Change in assumptions	(493)
Projected earnings on OPEB plan investments	(24,165)
Investments earnings (gains)/losses	7,779
Administrative expenses	<u>761</u>
	<u>\$ (7,353)</u>

OPEB Plan Fiduciary Net Position:

The OPEB Plan Fiduciary Net Position as of December 31, 2018 is \$296,683.

Deferred Inflows and Outflows of Resources Related to OPEB Plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Investment earnings (gains)/losses	<u>31,118</u>	<u>-</u>
Total	<u>\$ 31,118</u>	<u>\$ -</u>

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

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u> <u>Recognized</u>
2019	\$ 7,779
2020	7,779
2021	7,779
2022	7,781
2023	-
Thereafter	<u>-</u>
	<u>\$ 31,118</u>

Reconciliation of Net OPEB Liability (Asset):

	<i>Net OPEB Liability (Asset)</i>
Net OPEB Liability December 31, 2017	\$ (106,216)
Total OPEB expense	(7,353)
Contributions	(12,198)
Change in deferred outflows of Resources	<u>31,118</u>
Net OPEB Liability (Asset) December 31, 2018	<u>\$ (94,649)</u>

Net OPEB liability by participant status:

	<i>Total OPEB Liability</i>
Active participants	\$ -
Inactive participants receiving benefits	<u>202,034</u>
Total	<u>\$ 202,034</u>

NOTE 12 - DEFINED CONTRIBUTION POSTEMPLOYMENT HEALTHCARE SAVINGS PLAN

The Township established a non-contributory defined contribution plan (Retiree Health Care Defined Contribution Plan) in 2013 through which it provides retiree health insurance benefits to its employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Eligible current employees began participating on the date the plan started and were given credit for each year employed by the Township since 2000 (up to 12 years), the date retiree healthcare benefits were initially provided by the Township. The plan covers all full-time employees. The plan is administered by MERS.

The Township contributed \$93,600 to the plan to fund the current year’s contribution for employees in 2018. All of the Township’s contributions for participating full-time employees and officials (and interest allocated to the participants’ accounts) are fully vested immediately.

NOTE 13 - INTERFUND BALANCES AND TRANSFERS

A summary of interfund transfers for the year ended December 31, 2018, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Police	\$ 38,400	General	<u>\$ 250,136</u>
Nonmajor	<u>211,736</u>		
Total	<u>\$ 250,136</u>		

The transfers to the Police fund represent operating transfers to cover costs associated with police protection. The transfers from the General fund to the Park funds represent transfers to cover project costs and improvements.

NOTE 14 - JOINT VENTURE

The Township is a member of the Southwest Michigan Building Authority (the Authority), which is a joint venture of the Charter Townships of Oshtemo, and Cooper. The administrative board of the Authority consists of members appointed by each participating unit and a member at-large. The Authority was established to administer and enforce the Michigan State Construction Code within its constituent municipalities. The Authority paid the Township for rent and attorney services in the amounts of \$20,000, and \$16,785, respectively, during the period.

The Township does not expect to receive residual equity from the joint venture. The Township is unaware of any indication that the joint venture is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit or burden on the Township in the near future. Audited financial statements for the Authority are available at the Oshtemo Township Municipal Building.

NOTE 15 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers’ compensation). The risks of loss arising from general liability, property and casualty, and workers’ compensation are managed through purchased commercial insurance. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 16 - CONTINGENCIES

The Township has been named in various litigation and claims during the year. Management and the Township’s legal advisors do not believe that any known circumstances or ongoing claims will result in significant financial losses for the Township.

The Township has indicated there is potential to continue expansion of water service to additional township residents due to the previously closed KL Landfill. The Landfill has been capped and per prior judgments, outside entities have been named to be responsible for any clean-up related to the Landfill. However, the Township could have continued expenses in the future to install water service to its residents that are not already connected to the Township water lines. As of the date of the audit, expansion discussions are ongoing and likely, but actual costs are not expected to significantly impact the Township.

NOTE 17 - CONSTRUCTION COMMITMENT

	<u>Project authorization</u>	<u>Expended through December 31, 2018</u>	<u>Committed</u>
Drake Farm - Carriage project	\$ 333,647	\$ 53,353	\$ 280,294

NOTE 18 - CHANGE IN ACCOUNTING PRINCIPLE

During the current year, the Township adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, the government-wide financial statements now include an asset for the overfunded OPEB costs, known as the net OPEB asset. Some of the changes in the net OPEB liability (asset) are recognized immediately, as part of health insurance expense, and other changes will be deferred and recognized over future years. See Note 11 for more details.

The cumulative effect of this new accounting standard was an increase in opening net position of governmental activities, at January 1, 2018, to record the net OPEB asset, as shown below. The adoption of GASB Statement No. 75 did not affect the beginning of year equity of any governmental fund.

	<u>Governmental activities</u>
Net position, beginning of year, as previously reported	\$ 28,731,589
Cumulative effect of change in accounting principle:	
Net OPEB asset	<u>106,216</u>
Net position, beginning of year, after effect of the accounting change	<u>\$ 28,837,805</u>

NOTE 19 - PENDING ACCOUNTING PRONOUNCEMENT

In June 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, effective for periods beginning after December 15, 2018. The objective of this Statement is to increase the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the fiscal year beginning January 1, 2019.

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2018, and will be effective for periods beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

NOTE 20 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 25, 2019, the date on which the financial statements were available to be issued. As a result of this evaluation, no events were identified that would require adjustment or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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Charter Township of Oshtemo

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended December 31, 2018

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
REVENUES				
Taxes	\$ 786,970	\$ 775,560	\$ 754,279	\$ (21,281)
Licenses and permits	240,200	240,200	200,618	(39,582)
State grants	1,849,232	1,849,232	1,932,914	83,682
Intergovernmental	929,030	929,030	60,000	(869,030)
Charges for services	343,771	353,771	363,717	9,946
Interest and rentals	6,700	6,700	45,500	38,800
Other	<u>243,628</u>	<u>246,400</u>	<u>185,394</u>	<u>(61,006)</u>
Total revenues	<u>4,399,531</u>	<u>4,400,893</u>	<u>3,542,422</u>	<u>(858,471)</u>
EXPENDITURES				
General government:				
Legislative	30,142	30,142	25,330	4,812
Supervisor	167,685	168,735	164,542	4,193
Elections	50,900	51,900	45,929	5,971
Assessor	226,117	241,777	212,455	29,322
Clerk	127,422	133,872	127,872	6,000
Treasurer	110,468	110,468	114,869	(4,401)
Professional services	255,742	268,742	273,337	(4,595)
Cemetery, buildings, and grounds	94,500	106,637	77,112	29,525
General operations	<u>643,168</u>	<u>688,342</u>	<u>699,301</u>	<u>(10,959)</u>
Total general government	<u>1,706,144</u>	<u>1,800,615</u>	<u>1,740,747</u>	<u>59,868</u>
Public safety - inspections	<u>50,516</u>	<u>51,151</u>	<u>50,948</u>	<u>203</u>
Public works:				
Highways and streets	593,136	260,080	165,107	94,973
Street lights	145,000	145,000	133,112	11,888
Other	52,346	86,981	79,174	7,807
Waste collection	<u>61,750</u>	<u>64,920</u>	<u>64,719</u>	<u>201</u>
Total public works	<u>852,232</u>	<u>556,981</u>	<u>442,112</u>	<u>114,869</u>
Community and economic development - planning and zoning	<u>255,628</u>	<u>277,128</u>	<u>238,387</u>	<u>38,741</u>

Charter Township of Oshtemo

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended December 31, 2018

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
EXPENDITURES (Continued)				
Capital outlay	\$ 2,453,500	\$ 2,405,775	\$ 280,833	\$ 2,124,942
Total expenditures	<u>5,318,020</u>	<u>5,091,650</u>	<u>2,753,027</u>	<u>2,338,623</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(918,489)</u>	<u>(690,757)</u>	<u>789,395</u>	<u>1,480,152</u>
OTHER FINANCING USES				
Operating transfers out:				
Police Fund	(38,400)	(38,400)	(38,400)	-
Fire Fund	(5,000)	(5,000)	-	5,000
Parks Fund	<u>(220,000)</u>	<u>(220,000)</u>	<u>(211,736)</u>	<u>8,264</u>
Total other financing uses	<u>(263,400)</u>	<u>(263,400)</u>	<u>(250,136)</u>	<u>13,264</u>
NET CHANGES IN FUND BALANCES	(1,181,889)	(954,157)	539,259	1,493,416
FUND BALANCES - BEGINNING	<u>3,652,521</u>	<u>3,652,521</u>	<u>3,652,521</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 2,470,632</u>	<u>\$ 2,698,364</u>	<u>\$ 4,191,780</u>	<u>\$ 1,493,416</u>

Charter Township of Oshtemo

BUDGETARY COMPARISON SCHEDULE - Fire Fund

Year ended December 31, 2018

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
REVENUES				
Charges for services	\$ 1,500	\$ 1,500	\$ 79	\$ (1,421)
Interest	3,500	3,500	20,659	17,159
Other:				
Special assessments	1,862,974	1,852,140	1,848,430	(3,710)
Miscellaneous	555,623	559,212	28,782	(530,430)
Total revenues	<u>2,423,597</u>	<u>2,416,352</u>	<u>1,897,950</u>	<u>(518,402)</u>
EXPENDITURES				
Public safety	1,854,610	1,848,785	1,673,958	174,827
Capital outlay	728,600	1,455,600	1,401,141	54,459
Total expenditures	<u>2,583,210</u>	<u>3,304,385</u>	<u>3,075,099</u>	<u>229,286</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(159,613)	(888,033)	(1,177,149)	(289,116)
OTHER FINANCING SOURCES				
Operating transfers in - General Fund	5,000	5,000	-	(5,000)
NET CHANGES IN FUND BALANCES	(154,613)	(883,033)	(1,177,149)	(294,116)
FUND BALANCES - BEGINNING	<u>1,913,431</u>	<u>1,913,431</u>	<u>1,913,431</u>	-
FUND BALANCES - ENDING	<u>\$ 1,758,818</u>	<u>\$ 1,030,398</u>	<u>\$ 736,282</u>	<u>\$ (294,116)</u>

Charter Township of Oshtemo

BUDGETARY COMPARISON SCHEDULE - Police Fund

Year ended December 31, 2018

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	Variance with final budget positive (negative)
REVENUES				
Charges for services	\$ 19,500	\$ 19,500	\$ 22,977	\$ 3,477
Fines and forfeitures	49,500	49,500	62,316	12,816
Interest and rentals	600	600	5,467	4,867
Other - special assessments	<u>1,289,272</u>	<u>1,288,672</u>	<u>1,287,564</u>	<u>(1,108)</u>
Total revenues	<u>1,358,872</u>	<u>1,358,272</u>	<u>1,378,324</u>	<u>20,052</u>
EXPENDITURES				
Public safety:				
Police protection	1,182,936	1,182,936	1,182,936	-
Ordinance enforcement and parking violations	<u>109,673</u>	<u>114,308</u>	<u>78,734</u>	<u>35,574</u>
Total public safety	1,292,609	1,297,244	1,261,670	35,574
Capital outlay	<u>25,000</u>	<u>25,000</u>	<u>17,071</u>	<u>7,929</u>
Total expenditures	<u>1,317,609</u>	<u>1,322,244</u>	<u>1,278,741</u>	<u>43,503</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	41,263	36,028	99,583	63,555
OTHER FINANCING SOURCES				
Operating transfers in - General Fund	<u>38,400</u>	<u>38,400</u>	<u>38,400</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	79,663	74,428	137,983	63,555
FUND BALANCES - BEGINNING	<u>140,267</u>	<u>140,267</u>	<u>140,267</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 219,930</u>	<u>\$ 214,695</u>	<u>\$ 278,250</u>	<u>\$ 63,555</u>

SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET OPEB LIABILITY AND RELATED RATIOS

Year Ended December 31, 2018

	<u>2018</u>	<u>2017</u>
Total OPEB liability:		
Interest	15,489	15,380
Difference between expected and actual experience	(6,724)	-
Changes in assumptions	(493)	-
Benefit payments, including refunds	<u>(12,198)</u>	<u>(15,753)</u>
Net change in total OPEB liability	(3,926)	(373)
Total OPEB liability, beginning of year	<u>205,960</u>	<u>206,333</u>
Total OPEB liability, end of year	<u>\$ 202,034</u>	<u>\$ 205,960</u>
Plan fiduciary net position:		
Contributions:		
Employer	\$ 12,198	\$ 15,753
Net investment income	(14,732)	37,865
Benefit payments, including refunds	(12,198)	(15,753)
Administrative expenses	<u>(761)</u>	<u>(704)</u>
Net change in plan fiduciary net position	(15,493)	37,161
Plan fiduciary net position, beginning of year	<u>312,176</u>	<u>275,015</u>
Plan fiduciary net position, end of year	<u>\$ 296,683</u>	<u>\$ 312,176</u>
Township's net OPEB liability (asset), end of year	<u>\$ (94,649)</u>	<u>\$ (106,216)</u>
Plan fiduciary net position as a percent of total OPEB liability	146.85%	151.57%
Covered payroll	\$ -	\$ -
Township's net OPEB liability as a percentage of covered payroll	NA	NA

Note: This schedule is being built prospectively after the implementation of GASB 75 in 2018. Ultimately, ten years of data will be presented.

Charter Township of Oshtemo

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31, 2018

Actuarially Recommended Contribution (ARC)	Fiscal Year Ending December 31,	
	<u>2019</u>	<u>2018</u>
Amortization of unfunded liability	(11,250)	(11,698)
Interest cost	<u>(813)</u>	<u>(906)</u>
Actuarial determined employer contribution	(12,063)	(12,604)
Employer contributions (benefit payment)	<u>TBD</u>	<u>(12,198)</u>
Contribution deficiency/(excess)	<u>TBD</u>	<u>\$ (24,802)</u>
Covered payroll	\$ -	\$ -
Contribution as a percentage of covered payroll	NA	NA

Charter Township of Oshtemo

STATE OF MICHIGAN PUBLIC ACTS 530 AND 202 INFORMATION

Year Ended December 31, 2018

	<u>2018</u>
Financial information	
Assets (fiduciary net position)	296,683
Liabilities (total OPEB liability)	202,034
Funded ratio for the plan year	146.85%
Actuarial recommended contributions (ARC)	(12,605)
Is ARC calculated in compliance with No. Letter 2018-3?	Yes
 Membership	
Active members	-
Retirees and beneficiaries	4
Premiums paid on behalf of the retirees	12,198
 Actuarial assumptions	
Actuarially assumed rate of investment return	7.23%
Discount rate	7.23%
Amortization method used for funding unfunded liability	Level dollar
Amortization period used for funding unfunded liability	11 years
Is each division closed to new employees	Yes
Healthcare trend assumption	NA
 Uniform Assumptions	
Actuarial value of assets using uniform assumptions	296,683
Actuarial accrued liability using uniform assumptions	205,185
Funded ratio using uniform assumptions	144.6%
Actuarially determined contribution (ADC) using uniform assumptions	(12,254)
 Information for Summary Report (minimum required contribution)	
Retiree insurance premiums for the year (1)	12,198
Normal cost as a percent of covered payroll (2)	0.00%
Covered payroll for employees hired after June 30, 2018 (3)	-
Normal cost for employees hired after June 30, 2018 (4) = (2)X(3)	-
Minimum required contribution under PA 202 (1) + (4)	-

SUPPLEMENTARY INFORMATION

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Charter Township of Oshtemo

BALANCE SHEET - component units

December 31, 2018

	<u>Downtown Development Authority</u>	<u>South Drake Road Corridor Improvement Authority</u>
ASSETS		
Cash	\$ 842,520	\$ 68,668
Receivables	<u>32,834</u>	<u>20,764</u>
Total assets	<u>\$ 875,354</u>	<u>\$ 89,432</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities - payables	\$ 4,098	\$ -
Deferred inflows of resources - property tax revenues levied for the subsequent year	88,778	48,360
Fund balance - unassigned	<u>782,478</u>	<u>41,072</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 875,354</u>	<u>\$ 89,432</u>
Reconciliation of the balance sheet to the statement of net position:		
Total fund balances - <i>component units</i>	\$ 782,478	\$ 41,072
Amounts reported for the <i>component units</i> in the statement of net position (page 11) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>423,623</u>	<u>-</u>
Net position of <i>component units</i>	<u>\$ 1,206,101</u>	<u>\$ 41,072</u>

Charter Township of Oshtemo

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - *component units*

Year ended December 31, 2018

	<u><i>Downtown Development Authority</i></u>	<u><i>South Drake Road Corridor Improvement Authority</i></u>
REVENUES		
Property taxes	\$ 108,124	\$ 34,921
Interest	7,849	671
Other	<u>3,621</u>	<u>-</u>
Total revenues	<u>119,594</u>	<u>35,592</u>
EXPENDITURES		
Current - public works	51,988	-
Capital outlay	<u>35,912</u>	<u>60,000</u>
Total expenditures	<u>87,900</u>	<u>60,000</u>
NET CHANGES IN FUND BALANCES	31,694	(24,408)
FUND BALANCES - BEGINNING	<u>750,784</u>	<u>65,480</u>
FUND BALANCES - ENDING	<u><u>\$ 782,478</u></u>	<u><u>\$ 41,072</u></u>
Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:		
Net changes in fund balances - <i>component units</i>	\$ 31,694	\$ (24,408)
Amounts reported for the <i>component units</i> in the statement of activities (page 12) are different because:		
Capital assets:		
Asset acquisitions	45,055	-
Depreciation provision	<u>(5,099)</u>	<u>-</u>
Changes in net position of <i>component units</i>	<u><u>\$ 71,650</u></u>	<u><u>\$ (24,408)</u></u>

Charter Township of Oshtemo

BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority - component unit

Year ended December 31, 2018

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 132,000	\$ 132,000	\$ 108,124	\$ (23,876)
Interest	400	400	7,849	7,449
Other	-	-	3,621	3,621
Total revenues	<u>132,400</u>	<u>132,400</u>	<u>119,594</u>	<u>(12,806)</u>
EXPENDITURES				
Public works	86,250	86,250	51,988	34,262
Capital outlay	<u>94,150</u>	<u>134,150</u>	<u>35,912</u>	<u>98,238</u>
Total expenditures	<u>180,400</u>	<u>220,400</u>	<u>87,900</u>	<u>132,500</u>
NET CHANGES IN FUND BALANCES	(48,000)	(88,000)	31,694	119,694
FUND BALANCES - BEGINNING	<u>750,784</u>	<u>750,784</u>	<u>750,784</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 702,784</u>	<u>\$ 662,784</u>	<u>\$ 782,478</u>	<u>\$ 119,694</u>

Charter Township of Oshtemo

BUDGETARY COMPARISON SCHEDULE - South Drake Road Corridor Improvement Authority - component unit

Year ended December 31, 2018

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 32,500	\$ 32,500	\$ 34,921	\$ 2,421
Interest	200	200	671	471
Total revenues	<u>32,700</u>	<u>32,700</u>	<u>35,592</u>	<u>2,892</u>
EXPENDITURES				
Capital outlay	<u>33,300</u>	<u>63,300</u>	<u>60,000</u>	<u>3,300</u>
NET CHANGES IN FUND BALANCES	(600)	(30,600)	(24,408)	6,192
FUND BALANCES - BEGINNING	<u>65,480</u>	<u>65,480</u>	<u>65,480</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 64,880</u>	<u>\$ 34,880</u>	<u>\$ 41,072</u>	<u>\$ 6,192</u>