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# Charter Township of Milford

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

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## Independent Auditor's Report

To the Township Board  
Charter Township of Milford

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Milford (the "Township") as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the Charter Township of Milford'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 opinion.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Milford as of December 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.

### *Emphasis of Matter*

As described in Note 14 to the financial statements, during the year ended December 31, 2018, the Township adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This new standard establishes accounting and financial reporting requirements for OPEB plans provided to the employees of governmental employers. The adoption of GASB Statement No. 75 resulted in the recognition of a net other postemployment benefit liability on the government-wide statements. Our opinion is not modified with respect to this matter.

To the Township Board  
Charter Township of Milford

**Other Matters**

**Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the 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 the Charter Township of Milford'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.



March 20, 2019

### **Overview of the Financial Statements**

The Charter Township of Milford's (the "Township") 2018 annual report is presented in conformity with the requirements of GASB No. 34. This annual report consists of four parts - management's discussion and analysis, the basic financial statements, required supplemental information, and other supplemental information, which presents combining statements for nonmajor governmental funds and agency funds. 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's government, reporting the Township's operations in more detail than the government-wide statements.

### **Government-wide Statements**

The government-wide 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 and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid (full accrual).

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 liabilities, is one way to measure the Township's financial health.

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

#### ***Governmental Activities***

Most of the Township's basic services are included here, such as public safety, public works, and general administration. Property taxes, state-shared revenue, and charges for services provide most of the funding.

#### ***Business-type Activities***

The activity during the current year was minimal, and there are very few customers of the system at this time. The Township's water and sewer system is treated as a business-type activity.

### **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 and bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three types of funds:

- **Governmental funds** - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year end that are available for spending. The governmental fund 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.
- **Proprietary funds** - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information.
- **Fiduciary funds** - The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of net position. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

## Charter Township of Milford

### Management's Discussion and Analysis (Continued)

#### Financial Overview

The Township has total net position of \$22 million, composed of \$15 million from governmental activities and \$7 million from business-type activities. This was an increase over 2017. In a condensed format, the table below shows a comparison of the net position as of the current date to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Other assets	\$ 19,634,339	\$ 18,702,747	\$ 2,951,654	\$ 3,191,050	\$ 22,585,993	\$ 21,893,797
Capital assets	8,957,354	8,681,708	7,121,436	7,284,793	16,078,790	15,966,501
Total assets	28,591,693	27,384,455	10,073,090	10,475,843	38,664,783	37,860,298
<b>Deferred Outflows of Resources</b>	481,355	217,407	-	-	481,355	217,407
<b>Liabilities</b>						
Current liabilities	650,152	531,389	17,200	23,386	667,352	554,775
Noncurrent liabilities	6,532,776	6,921,477	2,535,000	2,900,000	9,067,776	9,821,477
Total liabilities	7,182,928	7,452,866	2,552,200	2,923,386	9,735,128	10,376,252
<b>Deferred Inflows of Resources</b>	7,199,045	6,603,294	-	-	7,199,045	6,603,294
<b>Net Position</b>						
Net investment in capital assets	3,910,364	2,731,671	4,586,436	4,384,793	8,496,800	7,116,464
Restricted	2,575,515	2,913,310	132,000	132,000	2,707,515	3,045,310
Unrestricted	8,205,196	7,900,721	2,802,454	3,035,664	11,007,650	10,936,385
Total net position*	<b>\$ 14,691,075</b>	<b>\$ 13,545,702</b>	<b>\$ 7,520,890</b>	<b>\$ 7,552,457</b>	<b>\$ 22,211,965</b>	<b>\$ 21,098,159</b>

\* Note that the total net position includes the impact of implementing GASB No. 75. Due to this impact, the net position for the governmental activities decreased by \$227,061.

The Township experienced an increase in the net position of the governmental activities as revenue exceeded expenses.

# Charter Township of Milford

## Management's Discussion and Analysis (Continued)

The tables below show the changes in net position compared to the prior year:

	Governmental Activities			Percent Change
	2017	2018	Change	
<b>Revenue</b>				
Program revenue:				
Charges for services	\$ 782,439	\$ 874,806	\$ 92,367	11.8
Operating grants	29,793	40,243	10,450	35.1
Capital grants	12,597	352,515	339,918	2,698.4
General revenue:				
Taxes:				
Property taxes	2,768,149	2,835,177	67,028	2.4
Police millage	3,136,717	3,196,877	60,160	1.9
State-shared revenue	1,014,063	911,716	(102,347)	(10.1)
Investment earnings	93,638	140,342	46,704	49.9
Other revenue	399,109	331,132	(67,977)	(17.0)
Total revenue	8,236,505	8,682,808	446,303	5.4
<b>Expenses</b>				
General government	1,122,552	1,240,147	117,595	10.5
Public safety	4,466,476	4,533,836	67,360	1.5
Public works	703,776	702,123	(1,653)	(0.2)
Health and welfare	88,448	90,099	1,651	1.9
Community and economic development	124,724	272,009	147,285	118.1
Recreation and culture	344,174	335,889	(8,285)	(2.4)
Interest on long-term debt	154,461	136,271	(18,190)	(11.8)
Total expenses	7,004,611	7,310,374	305,763	4.4
<b>Change in Net Position</b>	1,231,894	1,372,434	140,540	11.4
<b>Net Position - Beginning of year, as restated</b> (resulting from implementation of GASB 75)	12,313,808	13,318,641	1,004,833	8.2
<b>Net Position - End of year</b>	<b>\$ 13,545,702</b>	<b>\$ 14,691,075</b>	<b>\$ 1,145,373</b>	8.5

## Charter Township of Milford

### Management's Discussion and Analysis (Continued)

	Business-type Activities			Percent Change
	2017	2018	Change	
<b>Revenue</b>				
Operating revenue	\$ 54,468	\$ 193,672	\$ 139,204	255.6
Interest income	135,177	124,122	(11,055)	(8.2)
Total revenue	189,645	317,794	128,149	67.6
<b>Expenses</b>				
Interest expense	129,966	115,367	(14,599)	(11.2)
Depreciation and amortization	182,832	183,857	1,025	0.6
Operating expenses, other than depreciation	27,739	50,137	22,398	80.7
Total expenses	340,537	349,361	8,824	2.6
<b>Change in Net Position</b>	(150,892)	(31,567)	119,325	(79.1)
<b>Net Position - Beginning of year</b>	7,703,349	7,552,457	(150,892)	(2.0)
<b>Net Position - End of year</b>	<u>\$ 7,552,457</u>	<u>\$ 7,520,890</u>	<u>\$ (31,567)</u>	(0.4)

Revenue for the governmental activities totaled \$8.7 million in 2018. A total of \$6 million, or approximately 69 percent, of all revenue received by the Township was in the form of property tax collections. Property taxes as a whole increased slightly in 2018 due to increased taxable value.

Overall, governmental activities revenue and expenses increased from 2017; revenue increased by approximately 5 percent and expenses by approximately 4 percent.

For business-type activities, the Township continued to collect on the special assessment receivable fully recognized in revenue in 2007. This special assessment is related to the construction of the SEMIS sewer during 2008.

#### **Financial Analysis of Township Funds and Budgets**

The General Fund ended in 2018 with a fund balance of \$7.3 million, with \$5.8 million assigned for specific purposes. License and permit revenue and revenue from state sources exceeded the amended budget by approximately \$299,000, while total revenue was over the amended budget by approximately \$342,000. License and permit revenue increased from 2017 and exceeded the amended budget due to the increased number of building permits. State sources exceeded the budget due to greater than anticipated reimbursements for lost personal property taxes. Total expenditures were under the amended budget by approximately \$488,000 due to general government being under budget by approximately \$131,000. Public safety was under budget by approximately \$150,000, and community and economic development was under budget by approximately \$107,000. Total revenue of \$5,887,309 exceeded expenditures in the General Fund of \$4,938,336 by \$948,973. After transfers out of \$187,467, the General Fund increased fund balance by \$761,506.

The General Fund budget is amended throughout the year, as deemed necessary. This is primarily done to prevent expenditures from exceeding the budget. With that in mind, the General Fund expenditures were 91 percent of budget.

#### **Capital Assets and Debt Administration**

At the end of 2018, the governmental activities of the Township had approximately \$9.0 million, net of depreciation, invested in a broad range of capital assets, including buildings, recreational trails, fire and office equipment, and vehicles. Business-type activities reported approximately \$7.1 million, net of depreciation, invested in a water and sewer system.

## **Charter Township of Milford**

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### **Management's Discussion and Analysis (Continued)**

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Debt relating to police, fire, and library buildings, the recreational trail, and the Olivia Drive special assessment of \$5,385,000 is recorded as a liability in the governmental activities in the statement of net position. Debt relating to special assessment projects for the sewer system totaling \$2,535,000 is recorded as a liability in the business-type activities in the statement of net position.

In addition to bond obligations, the Township has recorded \$300,000 of estimated postclosure care and remediation costs related to the cleanup efforts of the Old Plank landfill.

For more information on capital assets and debt, please see Note 4 and Note 6, respectively.

#### **Current Economic Events**

While the real estate markets continue to improve, it will be important for the Township to keep a watchful eye on expenses, as it is unlikely taxable value increases will be as great as the increases in expenses. Taxable value as of the December 1, 2018 tax billing had increased approximately 6 percent compared to the prior year.

#### **Contact Us**

This report is intended to aid our residents and other interested parties in understanding the Township's financial condition. Should you have further questions, we welcome you to contact the clerk's office.

# Charter Township of Milford

## Statement of Net Position

December 31, 2018

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 15,260,963	\$ 1,063,234	\$ 16,324,197
Receivables:			
Property taxes	3,284,017	-	3,284,017
Special assessments	264,929	1,946,316	2,211,245
Other receivables	181,914	-	181,914
Due from other governmental units	300,771	-	300,771
Other receivables	11,650	17,821	29,471
Interfund advances	207,717	(207,717)	-
Prepaid expenses and other assets	62,838	-	62,838
Restricted assets - Cash (Note 7)	59,540	132,000	191,540
Capital assets: (Note 4)			
Assets not subject to depreciation	351,165	-	351,165
Assets subject to depreciation - Net	8,606,189	7,121,436	15,727,625
Total assets	28,591,693	10,073,090	38,664,783
<b>Deferred Outflows of Resources</b>			
Bond refunding loss being amortized	198,502	-	198,502
Deferred OPEB costs (Note 12)	282,853	-	282,853
<b>Liabilities</b>			
Accounts payable	50,699	-	50,699
Due to other governmental units	90,589	-	90,589
Refundable deposits, bonds, etc.	416,930	-	416,930
Accrued liabilities and other	91,934	17,200	109,134
Noncurrent liabilities:			
Due within one year:			
Compensated absences (Note 6)	34,075	-	34,075
Current portion of long-term debt (Note 6)	980,000	365,000	1,345,000
Due in more than one year:			
Net OPEB liability (Note 12)	583,209	-	583,209
Long-term debt (Note 6)	4,935,492	2,170,000	7,105,492
Total liabilities	7,182,928	2,552,200	9,735,128
<b>Deferred Inflows of Resources</b>			
Property taxes levied for the following year	6,735,797	-	6,735,797
Refuse collection fee levied for the following year	463,248	-	463,248
Total deferred inflows of resources	7,199,045	-	7,199,045
<b>Net Position</b>			
Net investment in capital assets	3,910,364	4,586,436	8,496,800
Restricted:			
Debt service	159,555	-	159,555
Sears Lake	16,404	-	16,404
Moore Lake	22,006	-	22,006
Fire operations	2,298,708	-	2,298,708
Operations escrow account	-	132,000	132,000
Senior citizens	12,609	-	12,609
Olivia Drive	66,233	-	66,233
Unrestricted	8,205,196	2,802,454	11,007,650
Total net position	<u>\$ 14,691,075</u>	<u>\$ 7,520,890</u>	<u>\$ 22,211,965</u>

# Charter Township of Milford

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,240,147	\$ 392,341	\$ -	\$ 344,131
Public safety	4,533,836	-	-	-
Public works	702,123	461,168	11,296	8,384
Health and welfare	90,099	-	28,947	-
Community and economic development	272,009	17,985	-	-
Recreation and culture	335,889	3,312	-	-
Interest on long-term debt	136,271	-	-	-
Total governmental activities	7,310,374	874,806	40,243	352,515
Business-type activities - Water and sewer	349,361	193,672	-	-
Total primary government	<b>\$ 7,659,735</b>	<b>\$ 1,068,478</b>	<b>\$ 40,243</b>	<b>\$ 352,515</b>

General revenue:

Taxes:

Property taxes

Police millage

State-shared revenue

Interest 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, as restated (Note 14)

**Net Position** - End of year

## Statement of Activities

Year Ended December 31, 2018

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (503,675)	\$ -	\$ (503,675)
(4,533,836)	-	(4,533,836)
(221,275)	-	(221,275)
(61,152)	-	(61,152)
(254,024)	-	(254,024)
(332,577)	-	(332,577)
(136,271)	-	(136,271)
(6,042,810)	-	(6,042,810)
-	(155,689)	(155,689)
(6,042,810)	(155,689)	(6,198,499)
2,835,177	-	2,835,177
3,196,877	-	3,196,877
911,716	-	911,716
140,342	124,122	264,464
159,901	-	159,901
2,667	-	2,667
168,564	-	168,564
7,415,244	124,122	7,539,366
1,372,434	(31,567)	1,340,867
13,318,641	7,552,457	20,871,098
<b>\$ 14,691,075</b>	<b>\$ 7,520,890</b>	<b>\$ 22,211,965</b>

# Charter Township of Milford

## Governmental Funds Balance Sheet

December 31, 2018

	General Fund	Fire Voted Millage Operations Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments (Note 3)	\$ 9,703,514	\$ 3,004,261	\$ 454,558	\$ 2,098,630	\$ 15,260,963
Receivables:					
Property taxes	2,183,480	723,123	318,600	58,814	3,284,017
Special assessments	-	-	-	264,929	264,929
Other receivables	-	-	-	181,914	181,914
Due from other governmental units	259,543	24,569	14,291	2,368	300,771
Other receivables	11,650	-	-	-	11,650
Due from other funds (Note 5)	5,300	-	-	-	5,300
Advances to other funds (Note 5)	207,717	-	-	-	207,717
Prepaid expenses and other assets	33,198	28,854	-	786	62,838
Restricted assets - Cash (Note 7)	-	-	-	59,540	59,540
<b>Total assets</b>	<b>\$ 12,404,402</b>	<b>\$ 3,780,807</b>	<b>\$ 787,449</b>	<b>\$ 2,666,981</b>	<b>\$ 19,639,639</b>
<b>Liabilities</b>					
Accounts payable	\$ 27,264	\$ 11,260	\$ -	\$ 12,175	\$ 50,699
Due to other governmental units	90,589	-	-	-	90,589
Due to other funds (Note 5)	-	-	-	5,300	5,300
Refundable deposits, bonds, etc.	416,930	-	-	-	416,930
Accrued liabilities and other	7,190	45,805	-	1,819	54,814
<b>Total liabilities</b>	<b>541,973</b>	<b>57,065</b>	<b>-</b>	<b>19,294</b>	<b>618,332</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	-	-	-	248,329	248,329
Property taxes levied for the following year	4,569,524	1,425,034	627,894	113,345	6,735,797
Refuse collection fee levied for the following year	-	-	-	463,248	463,248
<b>Total deferred inflows of resources</b>	<b>4,569,524</b>	<b>1,425,034</b>	<b>627,894</b>	<b>824,922</b>	<b>7,447,374</b>
<b>Fund Balances</b>					
Nonspendable:					
Prepays	33,198	28,854	-	786	62,838
Long-term advance	207,717	-	-	-	207,717
Restricted:					
Debt service	-	-	159,555	187,904	347,459
Sears Lake	16,404	-	-	-	16,404
Moore Lake	22,006	-	-	-	22,006
Fire operations	-	2,269,854	-	-	2,269,854
Senior Center	-	-	-	12,609	12,609
Committed:					
Refuse collection	-	-	-	126,630	126,630
Cemetery improvement	-	-	-	90,721	90,721
Capital projects	-	-	-	915,785	915,785
Assigned (Note 13)	5,835,000	-	-	488,330	6,323,330
Unassigned	1,178,580	-	-	-	1,178,580
<b>Total fund balances</b>	<b>7,292,905</b>	<b>2,298,708</b>	<b>159,555</b>	<b>1,822,765</b>	<b>11,573,933</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 12,404,402</b>	<b>\$ 3,780,807</b>	<b>\$ 787,449</b>	<b>\$ 2,666,981</b>	<b>\$ 19,639,639</b>

See notes to financial statements.

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

**December 31, 2018**

<b>Fund Balances Reported in Governmental Funds</b>	\$ 11,573,933
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	8,957,354
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	248,329
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(5,716,990)
Accrued interest is not due and payable in the current period and is not reported in the funds	(37,120)
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	(34,075)
Retiree healthcare benefits	(300,356)
<b>Net Position of Governmental Activities</b>	<b><u>\$ 14,691,075</u></b>

# Charter Township of Milford

## Governmental Funds

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

**Year Ended December 31, 2018**

	General Fund	Fire Voted Millage Operations Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>					
Taxes:					
Property taxes	\$ 1,049,469	\$ 1,062,326	\$ 618,156	\$ 105,226	\$ 2,835,177
Police millage	3,196,877	-	-	-	3,196,877
Special assessments	-	-	-	33,122	33,122
Intergovernmental:					
Federal grants	26,364	-	-	-	26,364
State sources	871,514	24,221	14,071	1,910	911,716
Charges for services	189,928	-	-	474,553	664,481
Licenses and permits	332,209	-	-	-	332,209
Investment income	79,101	39,155	1,030	31,820	151,106
Other revenue	141,847	52,677	-	199,936	394,460
<b>Total revenue</b>	<b>5,887,309</b>	<b>1,178,379</b>	<b>633,257</b>	<b>846,567</b>	<b>8,545,512</b>
<b>Expenditures</b>					
Current services:					
General government	1,092,368	-	-	99,350	1,191,718
Public safety	3,334,972	903,106	-	-	4,238,078
Public works	37,332	-	-	651,328	688,660
Health and welfare	-	-	-	93,217	93,217
Community and economic development	272,009	-	-	-	272,009
Recreation and culture	174,435	-	-	-	174,435
Capital outlay	27,220	451,687	-	-	478,907
Debt service:					
Principal	-	170,000	605,000	45,000	820,000
Interest and fiscal charges	-	89,350	22,810	10,395	122,555
<b>Total expenditures</b>	<b>4,938,336</b>	<b>1,614,143</b>	<b>627,810</b>	<b>899,290</b>	<b>8,079,579</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>948,973</b>	<b>(435,764)</b>	<b>5,447</b>	<b>(52,723)</b>	<b>465,933</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in (Note 5)	-	-	-	187,467	187,467
Transfers out (Note 5)	(187,467)	-	-	-	(187,467)
Sale of capital assets	-	5,771	-	-	5,771
<b>Total other financing (uses) sources</b>	<b>(187,467)</b>	<b>5,771</b>	<b>-</b>	<b>187,467</b>	<b>5,771</b>
<b>Net Change in Fund Balances</b>	<b>761,506</b>	<b>(429,993)</b>	<b>5,447</b>	<b>134,744</b>	<b>471,704</b>
<b>Fund Balances - Beginning of year</b>	<b>6,531,399</b>	<b>2,728,701</b>	<b>154,108</b>	<b>1,688,021</b>	<b>11,102,229</b>
<b>Fund Balances - End of year</b>	<b>\$ 7,292,905</b>	<b>\$ 2,298,708</b>	<b>\$ 159,555</b>	<b>\$ 1,822,765</b>	<b>\$ 11,573,933</b>

## Charter Township of Milford

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

Year Ended December 31, 2018

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	\$ 471,704
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	718,409
Depreciation expense	(783,790)
Net book value of assets disposed of	(3,104)
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	(209,502)
Capital asset contributions are reported in the statement of activities, but not in the governmental funds	344,131
Repayment of bond principal and postclosure and remediation costs are expenditures in the governmental funds, but not in the statement of activities (where they reduce long-term debt)	960,000
Change in accrued interest payable and amortization of bond premiums and deferred outflows related to refunding are not recorded in the governmental funds	7,511
Some employee costs (OPEB and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(132,925)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 1,372,434</u></b>

# Charter Township of Milford

## Proprietary Funds Statement of Net Position

December 31, 2018

	<u>Enterprise Fund - Water and Sewer</u>
<b>Assets</b>	
Current assets:	
Cash and investments	\$ 1,063,234
Receivables:	
Special assessments receivable - Due within one year	380,859
Other receivables	<u>17,821</u>
Total current assets	1,461,914
Noncurrent assets:	
Restricted assets - Cash	132,000
Special assessment receivables - Greater than one year	1,565,457
Capital assets - Net (Note 4)	<u>7,121,436</u>
Total noncurrent assets	<u>8,818,893</u>
Total assets	10,280,807
<b>Liabilities</b>	
Current liabilities:	
Accrued liabilities and other	17,200
Current portion of long-term debt (Note 6)	<u>365,000</u>
Total current liabilities	382,200
Noncurrent liabilities:	
Due to other funds (Note 5)	207,717
Long-term debt (Note 6)	<u>2,170,000</u>
Total noncurrent liabilities	<u>2,377,717</u>
Total liabilities	<u>2,759,917</u>
<b>Net Position</b>	
Net investment in capital assets	4,586,436
Restricted - Operations escrow account	132,000
Unrestricted	<u>2,802,454</u>
Total net position	<u><u>\$ 7,520,890</u></u>

**Charter Township of Milford**

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

**Year Ended December 31, 2018**

	<u>Enterprise Fund - Water and Sewer</u>
<b>Operating Revenue</b> - Other charges for service	\$ 193,672
<b>Operating Expenses</b>	
Billing and administrative costs	50,137
Depreciation	<u>183,857</u>
Total operating expenses	<u>233,994</u>
<b>Operating Loss</b>	(40,322)
<b>Nonoperating Revenue (Expense)</b>	
Investment income	124,122
Interest expense	<u>(115,367)</u>
Total nonoperating revenue	<u>8,755</u>
<b>Change in Net Position</b>	(31,567)
<b>Net Position</b> - Beginning of year	<u>7,552,457</u>
<b>Net Position</b> - End of year	<u><u>\$ 7,520,890</u></u>

**Proprietary Funds  
Statement of Cash Flows**

**Year Ended December 31, 2018**

	Enterprise Fund - Water and Sewer
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 193,672
Payments to suppliers	<u>(53,890)</u>
Net cash and cash equivalents provided by operating activities	139,782
<b>Cash Flows from Capital and Related Financing Activities</b>	
Special assessment collections	482,431
Purchase of capital assets	(20,500)
Principal and interest paid on capital debt	<u>(482,800)</u>
Net cash and cash equivalents used in capital and related financing activities	(20,869)
<b>Cash Flows Provided by Investing Activities</b> - Interest received on investments	<u>11,421</u>
<b>Net Increase in Cash and Cash Equivalents</b>	130,334
<b>Cash and Cash Equivalents</b> - Beginning of year	<u>1,064,900</u>
<b>Cash and Cash Equivalents</b> - End of year	<b><u>\$ 1,195,234</u></b>
<b>Statement of Net Position Classification of Cash and Cash Equivalents</b>	
Cash and investments	\$ 1,063,234
Restricted cash	<u>132,000</u>
Total cash and cash equivalents	<b><u>\$ 1,195,234</u></b>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>	
Operating loss	\$ (40,322)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	183,857
Changes in assets and liabilities - Change in accounts payable	<u>(3,753)</u>
Total adjustments	<u>180,104</u>
Net cash and cash equivalents provided by operating activities	<b><u>\$ 139,782</u></b>

**Charter Township of Milford**

**Fiduciary Funds  
Statement of Fiduciary Net Position**

**December 31, 2018**

	<u>Retiree Health Care Fund</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 17,572	\$ 3,863,409
Investments: (Note 3)		
Commercial paper	728,108	-
Stocks	807,849	-
	<u>1,553,529</u>	<u>\$ 3,863,409</u>
Total assets		
<b>Liabilities</b>		
Due to other governmental units	-	\$ 3,441,872
Refundable deposits, bonds, etc.	-	421,537
	<u>-</u>	<u>\$ 3,863,409</u>
Total liabilities		
<b>Net Position Restricted for OPEB</b>	<u><u>\$ 1,553,529</u></u>	

**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**

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**Year Ended December 31, 2018**

	<u>Retiree Health Care Fund</u>
<b>Additions</b>	
Investment income (loss):	
Interest and dividends	\$ 118,537
Net decrease in fair value of investments	(196,874)
Investment-related expenses	<u>(16,563)</u>
Total additions	(94,900)
<b>Deductions - Benefit payments</b>	<u>25,120</u>
<b>Net Decrease in Net Position</b>	(120,020)
<b>Net Position Restricted for OPEB - Beginning of year</b>	<u>1,673,549</u>
<b>Net Position Restricted for OPEB - End of year</b>	<u><b>\$ 1,553,529</b></u>

**Note 1 - Significant Accounting Policies**

***Accounting and Reporting Principles***

The Charter Township of Milford (the "Township") follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board. The following is a summary of the significant accounting policies used by the Township:

***Reporting Entity***

The Township is governed by an elected seven-member board of trustees. The accompanying financial statements present the financial operations of the Township. The cash and investments of the Charter Township of Milford Library are recorded in the Agency Fund.

***Report Presentation***

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

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

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

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

***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.

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

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, amounts related to the land contract 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.

***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 three broad fund types:

**Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, and capital project funds. The 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. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.
- The Fire Voted Millage Operations Fund accounts for the proceeds of a property tax levy that are earmarked for fire service.
- The Debt Service Fund accounts for the proceeds of a property tax levy that are earmarked for debt service on the Library and Police Facility Bonds.

**Proprietary Funds**

Proprietary funds include enterprise funds, which provide goods or services to users in exchange for charges or fees. The Township reports the following “major” proprietary fund:

- The Water and Sewer Fund is used to account for the issuance of debt to be used for the construction of a water distribution and sewer system as well as the operations provided to residents.

**Fiduciary Funds**

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government’s programs. Activities that are reported as fiduciary include the following:

- The Retiree Health Care Fund, which accumulates resources for future retiree healthcare payments to retirees
- Agency Funds, which account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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

**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 are eliminated so that only the net amount is included as internal balances in the governmental activities column.

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.

**Specific Balances and Transactions**

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

**Receivables and Payables**

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between 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.

**Investments**

Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market value are reported at estimated fair value, as determined by the plan's management.

**Restricted Assets**

The Water and Sewer Fund cash held in escrow is considered restricted cash, and net position has also been restricted for this amount. Unspent bond proceeds of the Olivia Drive SAD Fund are required to be set aside for specific purposes. These amounts have also been classified as restricted net position/fund balance.

**Capital Assets**

Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., buildings, vehicles, sewer lines, 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 \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

**December 31, 2018**

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

Infrastructure, intangibles, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Sewer lines	50
Library building and contents	16-40
Buildings and improvements	10-40
Furniture and fixtures	10-20
Vehicles	7-15
Machinery and equipment	10
Computer equipment	5-7
Recreation paths and infrastructure	15-40

**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 Fire Voted Millage Fund and the debt service funds are currently used to liquidate governmental long-term debt.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred loss on bond refunding qualifies for reporting in this category.

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 Township reports revenue collected beyond the period of availability (unavailable revenue), as well as property taxes and refuse collection fees levied for the following year in this category.

The Township reports both deferred outflows and inflows of resources related to OPEB, as applicable, in the government-wide statements.

**Net Position**

Net position of the Township is classified in three components. Net investment in capital assets consist of capital assets net of accumulated depreciation and are reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position represents resources that are legally restricted to be spent for specific purposes; this includes any unused resources from the Township's special voted tax millages (fire, police, debt, senior center, and recreation trails). Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

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

**Net Position Flow Assumption**

Sometimes, the Township will fund outlays for a particular purpose from both restricted 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**

Sometimes, the Township will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the 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).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Township Board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

**Property Tax Revenue**

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are due on February 28 of the following year and are considered delinquent on March 1, at which time penalties and interest are assessed.

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

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

The 2017 taxable valuation of the Township totaled \$864,922,360. Amounts for operating, police services, and the recreational trails are recognized in the General Fund financial statements as tax revenue. Amounts for fire service, fire debt service, and senior center operations are recognized in the respective special revenue funds as tax revenue. Amounts for debt service are recognized in the debt service fund as tax revenue. Taxes were levied as follows:

Purpose	Millage Rate	Revenue
General operating	1.0518	\$ 899,000
Police services	3.7844	3,197,000
Fire services	0.9206	802,000
Debt service	0.7100	618,000
Senior center	0.1236	105,000
Recreation trails	0.0979	83,000
Fire debt service	0.3000	259,000
Total		<u>\$ 5,963,000</u>

**Other Postemployment Benefit Costs**

The Township offers retiree healthcare benefits to retirees. The Township records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Compensated Absences (Vacation and Sick Leave)**

It is the Township's policy to not permit employees to accumulate earned but unused sick and vacation pay benefits if the time is not used within a year following the date of their anniversary. There is no liability for sick leave because the Township does not have a policy to pay any amounts upon employment termination. A liability is reported when incurred in the government-wide financial statements and the proprietary fund financial statements for unpaid vacation pay. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund.

**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 and internal service funds are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service 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.

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

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Upcoming Accounting Pronouncements**

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The 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 ended December 31, 2019.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The 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 December 31, 2020.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The 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 December 31, 2019.

**Note 2 - Stewardship, Compliance, and Accountability**

**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 January 1, 2000 is as follows:

Shortfall at January 1, 2018		\$	(908,377)
Current year permit revenue			328,197
Related expenses:			
Direct costs	\$	218,594	
Estimated indirect costs		29,859	248,453
		<u>          </u>	<u>          </u>
Current year surplus			79,744
			<u>          </u>
Cumulative shortfall December 31, 2018		\$	<u><u>(828,633)</u></u>

December 31, 2018

**Note 3 - Deposits and Investments**

Deposits and investments are reported in the financial statements as follows:

	Governmental Activities	Business-type Activities	Total Primary Government	Fiduciary	Total
Cash and cash equivalents	\$ 15,260,963	\$ 1,063,234	\$ 16,324,197	\$ 3,880,981	\$ 20,205,178
Investments	-	-	-	1,535,957	1,535,957
Restricted cash and investments	59,540	132,000	191,540	-	191,540
<b>Total deposits and investments</b>	<b>\$ 15,320,503</b>	<b>\$ 1,195,234</b>	<b>\$ 16,515,737</b>	<b>\$ 5,416,938</b>	<b>\$ 21,932,675</b>

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 Retiree Health Care Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

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

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 \$13,076,618 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.

***Interest Rate Risk***

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township has no investment policy that would further limit its investment choices.

December 31, 2018

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

At year end, the Township had the following investments:

Investment	Fair Value	Weighted- average Maturity (Years)
<b>Primary Government</b>		
Government investment pool	\$ 2,089,744	0.92
Investment	Fair Value	Weighted- average Maturity (Years)
<b>Fiduciary Funds</b>		
Fixed-income securities	\$ 309,437	5.89
Fixed-income securities	202,365	4.43
Fixed-income securities	<u>216,306</u>	4.63
Total	<u>\$ 728,108</u>	

**Credit Risk**

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
<b>Primary Government</b>			
Bank investment pools	\$ 215,878	N/A	N/A
Government investment pool	<u>2,089,744</u>	N/A	N/A
Total	<u>\$ 2,305,622</u>		
Investment	Fair Value	Rating	Rating Organization
<b>Fiduciary Funds</b>			
Fixed-income securities	\$ 511,802	A	S&P
Fixed-income securities	216,306	BBB	S&P
Bank investment pools	<u>17,548</u>	N/A	N/A
Total	<u>\$ 745,656</u>		

**Concentration of Credit Risk**

The Township places no limit on the amount it may invest in any one issuer.

**External Investment Pool**

The Township has \$2,089,744 invested with the Oakland County Local Government Investment Pool (the "Pool"). The Pool is not registered with the SEC and does not issue a separate report. The Pool reports its investments at fair market value. For withdrawal purposes, shares of the Pool will be redeemed at original cost. There are no limitations or restrictions on withdrawals.

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

***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 below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Township’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

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

- OPEB investments (\$728,108 of fixed-income securities and \$807,849 of equity securities) using quoted market prices (Level 1 inputs).
- The Township's investments in the Oakland County LGIP (\$2,089,744) and Michigan CLASS (\$215,878) are measured at net asset value (NAV).

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

***Investments in Entities that Calculate Net Asset Value per Share***

The Township holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At December 31, 2018, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Oakland County Local Government Investment Pool	\$ 2,089,744	\$ -	No restrictions	None
Michigan CLASS investment pool	215,878	-	No restrictions	None
Total	<u>\$ 2,305,622</u>	<u>\$ -</u>		

The Oakland County Local Government Investment Pool (LGIP) is not registered with the SEC and does not issue a separate report. The pool does not meet the requirements under GASB 79 to report its value for financial reporting purposes at amortized costs. Accordingly, the investment is reported at fair value. The fair value of the position in the pool is not the same as the value of the pool shares, because the pool redeems shares at \$1 per share regardless of current fair value.

December 31, 2018

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

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A 1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

**Note 4 - Capital Assets**

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

**Governmental Activities**

	Balance January 1, 2018	Additions	Disposals and Adjustments	Balance December 31, 2018
Capital assets not being depreciated - Land	\$ 7,034	\$ 344,131	\$ -	\$ 351,165
Capital assets being depreciated:				
Library building and contents	6,842,820	-	-	6,842,820
Buildings and improvements	7,989,496	155,847	-	8,145,343
Furniture and fixtures	178,184	3,309	-	181,493
Vehicles	2,049,414	484,010	(50,865)	2,482,559
Machinery and equipment	774,177	62,426	(11,520)	825,083
Computer equipment	183,863	9,802	(5,353)	188,312
Recreation paths and infrastructure	4,211,113	3,015	-	4,214,128
Subtotal	22,229,067	718,409	(67,738)	22,879,738
Accumulated depreciation:				
Library building and contents	4,850,890	114,825	-	4,965,715
Buildings and improvements	4,081,532	270,625	-	4,352,157
Furniture and fixtures	162,489	5,836	-	168,325
Vehicles	1,748,026	127,718	(47,761)	1,827,983
Machinery and equipment	550,209	35,057	(11,520)	573,746
Computer equipment	165,691	11,168	(5,353)	171,506
Recreation paths and infrastructure	1,995,556	218,561	-	2,214,117
Subtotal	13,554,393	783,790	(64,634)	14,273,549
Net capital assets being depreciated	8,674,674	(65,381)	(3,104)	8,606,189
Net capital assets	<u>\$ 8,681,708</u>	<u>\$ 278,750</u>	<u>\$ (3,104)</u>	<u>\$ 8,957,354</u>

December 31, 2018

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

**Business-type Activities**

	Balance January 1, 2018	Additions	Disposals and Adjustments	Balance December 31, 2018
<b>Water and Sewer</b>				
Capital assets being depreciated:4				
Sewer lines	\$ 9,141,588	\$ -	\$ -	\$ 9,141,588
Laser meter	-	20,500	-	20,500
Subtotal	9,141,588	20,500	-	9,162,088
Accumulated depreciation:				
Sewer lines	1,856,795	182,832	-	2,039,627
Laser meter	-	1,025	-	1,025
Subtotal	1,856,795	183,857	-	2,040,652
Net business-type activity capital assets	\$ 7,284,793	\$ (163,357)	\$ -	\$ 7,121,436

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

Governmental activities:	
General government	\$ 53,355
Public safety	387,074
Public works	31,479
Health and welfare	4,201
Recreation and culture	307,681
Total governmental activities	\$ 783,790

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

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	\$ 5,300

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

Fund Borrowed From	Fund Loaned To	Amount
General Fund	Water and Sewer Fund	\$ 207,717

The balance owing from the Water and Sewer Fund and the Nonmajor Fund to the General Fund resulted from loans made for working capital purposes.

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Nonmajor funds:	
	Cemetery improvement	\$ 86,467
	Road fund	101,000
	Total	\$ 187,467

December 31, 2018

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

The transfers from the General Fund to the other funds represent the use of unrestricted resources to finance improvements and operations.

**Note 6 - Long-term Debt**

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

**Governmental Activities**

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
General obligations	\$ 5,915,000	\$ -	\$ (900,000)	\$ 5,015,000	\$ 935,000
Special assessment bonds	415,000	-	(45,000)	370,000	45,000
Unamortized bond premiums	252,444	-	(21,952)	230,492	-
Compensated absences	24,033	10,042	-	34,075	34,075
Landfill closure and postclosure	315,000	-	(15,000)	300,000	-
Total governmental activities long-term debt	<u>\$ 6,921,477</u>	<u>\$ 10,042</u>	<u>\$ (981,952)</u>	<u>\$ 5,949,567</u>	<u>\$ 1,014,075</u>

**Business-type Activities**

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable	\$ 2,900,000	\$ -	\$ (365,000)	\$ 2,535,000	\$ 365,000

The Township had deferred outflows of \$198,502 related to deferred charges on bond refundings at December 31, 2018.

**General Obligation Bonds and Contracts**

The Township issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the Township. General obligations outstanding at December 31, 2018 are as follows:

Purpose	Year Issued *	Interest Rates	Maturing	Outstanding
<b>Governmental Activities</b>				
Library and police facility (issued in 2005, refunded in 2015)	2005	1.51%	2020	\$ 1,235,000
Fire station (issued in 2009, partially refunded in 2016)	2009	2.00-4.00%	2029	2,720,000
Recreation path (issued in 2008, refunded in 2016)	2008	1.80%	2024	1,060,000
Total governmental activities				<u>\$ 5,015,000</u>
<b>Business-type Activities</b>				
SEMIS note payable	2005	4.00-4.13%	2025	\$ 2,535,000

December 31, 2018

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

**Special Assessment Bonds**

Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties that benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the Township) are received.

Purpose	Year Issued	Interest Rates	Maturing	Outstanding
<b>Governmental Activities</b>				
Olivia Drive paving	2016	2.00-3.15%	2026	\$ 370,000

**Other Long-term Liabilities**

The landfill postclosure care liability will be liquidated through the Township’s General Fund.

**Debt Service Requirements to Maturity**

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

Years Ending December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 980,000	\$ 125,168	\$ 1,105,168	\$ 365,000	\$ 103,200	\$ 468,200
2020	1,025,000	108,724	1,133,724	365,000	88,600	453,600
2021	420,000	96,169	516,169	365,000	74,000	439,000
2022	450,000	87,806	537,806	360,000	59,400	419,400
2023	475,000	78,884	553,884	360,000	44,550	404,550
2024-2028	1,710,000	228,478	1,938,478	720,000	44,550	764,550
2029	325,000	13,000	338,000	-	-	-
Total	<u>\$ 5,385,000</u>	<u>\$ 738,229</u>	<u>\$ 6,123,229</u>	<u>\$ 2,535,000</u>	<u>\$ 414,300</u>	<u>\$ 2,949,300</u>

**Note 7 - Restricted Assets**

At December 31, 2018, restricted assets are composed of the following:

Description	Nonmajor Governmental Funds	Water and Sewer Fund
Unspent bond proceeds, Olivia Drive Amount held in escrow	\$ 59,540	\$ -
	-	132,000
Total	<u>\$ 59,540</u>	<u>\$ 132,000</u>

Fund balance/net positions have been restricted for the same amounts.

**Note 8 - Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and workers’ compensation. The Township has purchased commercial insurance for employee medical and dental claims and participates in the Michigan Municipal League risk pool for claims relating to property loss, torts, errors and omissions, and workers’ compensation; the Township is uninsured for unemployment claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 8 - Risk Management (Continued)**

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

**Note 9 - Pension Plan**

*Plan Description*

The Township provides pension benefits to all of its full-time employees and firefighters through a defined contribution plan administered by Burnham & Flower Insurance Group.

*Benefits Provided*

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Township employees are eligible to participate upon completion of six months of employment, and firefighters are eligible upon completion of one year of employment. As established by the Township Board, the Township contributes an amount equal to 10 percent of the Township employee's base salary each month. The Township also contributes an amount equal to 10 percent of the firefighter's salary based on eligible hours. All participating employees shall have their benefits vested at the rate of 25 percent after one year of completed service and 25 percent for each additional year of completed service until 100 percent vested. In accordance with these requirements, the Township contributed approximately \$83,000 during the current year. There were no employee contributions to the plan during the current year.

**Note 10 - Joint Ventures**

The Township is a member of the Western Oakland County Cable Commission Authority (the "Authority"), which provides cable services to the residents of the villages of Milford and Wolverine Lake, Michigan; the townships of Commerce, Highland, Lyon, Milford, and White Lake; and the cities of Walled Lake and Wixom, Michigan. The Authority receives a management fee from the cable television company and currently does not receive a subsidy from the Township.

The Township is a member of the Resource Recovery and Recycling Authority of Southwest Oakland County (RRRASOC), which is a solid waste authority serving member communities in southwest Oakland county. RRRASOC is incorporated by the cities of Farmington, Farmington Hills, Novi, South Lyon, Southfield, Walled Lake, and Wixom, Michigan; the Village of Milford, Michigan; and the Charter Township of Milford. The joint venture receives its operating revenue from member contributions and miscellaneous revenue. Total payments from the Township to RRRASOC for 2018 were \$11,951.

The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

December 31, 2018

**Note 11 - Contingent Liabilities and Postclosure Care, Remediation Costs, and Commitments**

The Michigan Department of Environmental Quality (MDEQ) named the Township; the Village of Milford, Michigan; the Road Commission of Oakland County; and CSX Transportation as liable parties responsible for certain interim remedial response and investigation activities related to the Old Plank Road landfill in 2002. The Township; the Village of Milford, Michigan; and CSX Transportation formed a joint group and complied with all requirements mandated by the MDEQ's initial request. In December 2004, the joint parties submitted a remedial investigation report to the MDEQ. The MDEQ approved this remedial investigation report, and the joint liable parties began evaluating the remedial options for the landfill and prepared and submitted a feasibility study report to the MDEQ in March 2005. In April 2005, the MDEQ informed the joint liability parties to proceed with the preparation of the remedial action plan to identify the planned remedial actions to address the landfill conditions. This report was submitted to the MDEQ in April 2006. In August 2006, the MDEQ notified the joint parties that the remedial action plan was not considered complete and requested additional information from the joint liable parties.

During September 2008, a revised response activity plan and administrative consent order that set forth those response activities that the joint liable parties would be willing to complete to fully resolve their liability were submitted to the MDEQ. In spring 2009, the responsible parties extended a municipal waterline to service residences located hydraulically down gradient to the landfill. In November 2010, a revised response activity plan was submitted to the MDEQ, and in 2011, the plan was approved.

The liability related to the postclosure maintenance is estimated at approximately \$300,000 over a 20-year period of responsibility. In addition, the Township, in the normal course of its activities, is involved in a variety of other issues which lend themselves to potential legal exposure. The estimated liability associated with these issues, if any, cannot be determined; therefore, no liability has been recorded.

**Note 12 - Other Postemployment Benefit Plan**

***Plan Description***

The Township provides other postemployment benefits (OPEB) for all employees who meet eligibility requirements. The benefits are provided through the retiree healthcare plan (the "Plan"), a single-employer plan administered by the Township.

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

Management of the Plan is vested with the Township's board of trustees.

***Benefits Provided***

The Plan provides healthcare benefits for retirees and their spouses. Benefits are provided through a third-party insurer, and the Township pays between 50 and 100 percent of the premium based on years of service attainment.

***Employees Covered by Benefit Terms***

The following members were covered by the benefit terms:

Date of member count	December 31, 2017
Inactive plan members or beneficiaries currently receiving benefits	3
Active plan members	7
Total plan members	10

***Contributions***

There is no formal policy related to contributions.

December 31, 2018

**Note 12 - Other Postemployment Benefit Plan (Continued)**

**Net OPEB Liability**

The Township has chosen to use the December 31 measurement date as its measurement date for the net OPEB liability. The December 31, 2018 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the December 31, 2018 measurement date. The December 31, 2018 measurement date total OPEB liability was determined by an actuarial valuation performed as of January 1, 2018.

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
<b>Balance at January 1, 2018</b>	\$ 1,851,022	\$ 1,673,549	\$ 177,473
Changes for the year:			
Service cost	35,779	-	35,779
Interest	136,219	-	136,219
Differences between expected and actual experience	121,540	-	121,540
Changes in assumptions	17,298	-	17,298
Net investment income	-	(94,900)	94,900
Benefit payments, including refunds	(25,120)	(25,120)	-
Net changes	285,716	(120,020)	405,736
<b>Balance at December 31, 2018</b>	<u>\$ 2,136,738</u>	<u>\$ 1,553,529</u>	<u>\$ 583,209</u>

The plan's fiduciary net position represents 73 percent of the total OPEB liability.

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

For the year ended December 31, 2018, the Township recognized OPEB expense of \$122,883.

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

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 99,725
Changes in assumptions	14,193
Net difference between projected and actual earnings on OPEB plan investments	168,935
Total	<u>\$ 282,853</u>

December 31, 2018

**Note 12 - Other Postemployment Benefit Plan (Continued)**

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

Years Ending December 31	Amount
2019	\$ 67,154
2020	67,154
2021	67,154
2022	67,154
2023	14,237
Total	<u>\$ 282,853</u>

**Actuarial Assumptions**

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using an inflation assumption of 3 percent; assumed salary increases (including inflation) of 2 percent, average; an investment rate of return (net of investment expenses and including inflation) of 7.0 percent; a healthcare cost trend rate of 8.5 percent for 2018, decreasing 0.5 percent per year to an ultimate rate of 5 percent for 2025 and later years; and using the 2014 U.S. Life mortality tables for males or females. These assumptions were applied to all periods included in the measurement.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at the current contribution rate.

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

**Investment Rate of Return**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2018 measurement date for each major asset class included in the OPEB plan’s target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Expected Real Rate of Return
Equities	65.00 %	6.00 %
Fixed income	35.00	2.25

December 31, 2018

**Note 12 - Other Postemployment Benefit Plan (Continued)**

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the net OPEB liability of the Township, calculated using the discount rate of 7 percent, as well as what the Township's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1 Percent Decrease (6%)</u>	<u>Current Discount Rate (7%)</u>	<u>1 Percent Increase (8%)</u>
Net OPEB liability	\$ 793,169	\$ 583,209	\$ 367,820

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

The following presents the net OPEB liability of the Township, calculated using the healthcare cost trend rate of 8.5 percent, as well as what the Township's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1 Percent Decrease (7.5%)</u>	<u>Current Healthcare Cost Trend Rate (8.5%)</u>	<u>1 Percent Increase (9.5%)</u>
Net OPEB liability	\$ 354,145	\$ 583,209	\$ 809,591

***Investment Policy***

It is the policy of the Plan to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The OPEB plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

***Rate of Return***

For the year ended December 31, 2018, the annual weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was (4.7) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Note 13 - Assignments**

In addition to the \$488,330 fund balance of the Senior Citizens Fund being assigned for the purpose of that fund, the fund balance of the General Fund has been assigned for the following purposes:

Assigned:	
Community and recreational development	\$ 200,000
Landfill reclamation	300,000
Land acquisition	600,000
Recreational trail repair and replacement	2,500,000
Road projects	800,000
Cemetery roads	100,000
Civic center improvements	750,000
Retiree healthcare	<u>585,000</u>
Total assigned	<u>\$ 5,835,000</u>

**Note 14 - Change in Accounting Principle**

During the current year, the Village adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the government-wide statements now include a liability for the underfunded portion of the Township's retiree healthcare costs. Some of the change in this net OPEB liability will be recognized immediately as part of the OPEB expense measurement, and part will be deferred and recognized over future years. Refer to the other postemployment benefit plan footnote for further details (see Note 12). This change does not impact the General Fund or any other governmental funds.

As a result of implementing this statement, the beginning net position of the governmental activities has been restated as follows:

	Net Position		
	December 31, 2017 - As Previously Reported	December 31, 2017 - As Restated	Adjustment for Implementation of GASB Statement No. 75
Governmental activities	\$ 13,545,702	\$ 13,318,641	\$ (227,061)

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## Required Supplemental Information

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# Charter Township of Milford

## Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Taxes:				
Property taxes	\$ 1,054,720	\$ 1,054,720	\$ 1,049,469	\$ (5,251)
Police millage	3,269,571	3,269,571	3,196,877	(72,694)
Intergovernmental:				
Federal grants	18,193	18,193	26,364	8,171
State sources	801,770	801,770	871,514	69,744
Charges for services	148,070	148,070	189,928	41,858
Licenses and permits	103,864	103,864	332,209	228,345
Investment income	30,000	30,000	79,101	49,101
Other revenue	112,326	118,746	141,847	23,101
Total revenue	5,538,514	5,544,934	5,887,309	342,375
<b>Expenditures</b>				
Current services:				
General government:				
Legislative	15,883	15,883	11,233	4,650
Executive	226,807	227,183	223,603	3,580
Administrative	953,197	979,993	857,532	122,461
Public safety:				
Police protection	3,269,571	3,269,571	3,151,706	117,865
Building department	213,466	215,699	183,266	32,433
Public works	87,750	87,750	37,332	50,418
Community and economic development	333,007	379,327	272,009	107,318
Recreation and culture	178,223	178,323	174,435	3,888
Capital outlay	76,000	73,000	27,220	48,780
Total expenditures	5,353,904	5,426,729	4,938,336	488,393
<b>Excess of Revenue Over Expenditures</b>	184,610	118,205	948,973	830,768
<b>Other Financing Uses - Transfers out</b>	(449,838)	(383,433)	(187,467)	195,966
<b>Net Change in Fund Balance</b>	(265,228)	(265,228)	761,506	1,026,734
<b>Fund Balance - Beginning of year</b>	6,531,399	6,531,399	6,531,399	-
<b>Fund Balance - End of year</b>	<u>\$ 6,266,171</u>	<u>\$ 6,266,171</u>	<u>\$ 7,292,905</u>	<u>\$ 1,026,734</u>

**Charter Township of Milford**

Required Supplemental Information  
 Budgetary Comparison Schedule - Major Special Revenue Fund  
 Fire Voted Millage Operations

**Year Ended December 31, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 1,055,467	\$ 1,055,467	\$ 1,062,326	\$ 6,859
Intergovernmental	-	-	24,221	24,221
Investment income	17,000	17,000	39,155	22,155
Other revenue	20,000	26,135	52,677	26,542
Total revenue	1,092,467	1,098,602	1,178,379	79,777
<b>Expenditures</b>				
Current services - Public safety	1,303,729	1,309,864	903,106	406,758
Capital outlay	75,000	475,000	451,687	23,313
Debt service	259,350	259,350	259,350	-
Total expenditures	1,638,079	2,044,214	1,614,143	430,071
<b>Other Financing Sources - Sale of capital assets</b>	-	-	5,771	5,771
<b>Excess of Expenditures Over Revenue - Net Change in Fund Balance</b>	(545,612)	(945,612)	(429,993)	515,619
<b>Fund Balance - Beginning of year</b>	2,728,701	2,728,701	2,728,701	-
<b>Fund Balance - End of year</b>	<u><u>\$ 2,183,089</u></u>	<u><u>\$ 1,783,089</u></u>	<u><u>\$ 2,298,708</u></u>	<u><u>\$ 515,619</u></u>

**Charter Township of Milford**

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

	<b>Last Two Fiscal Years Years Ended December 31</b>	
	2018	2017
<b>Total OPEB Liability</b>		
Service cost	\$ 35,779	\$ 54,786
Interest	136,219	122,880
Differences between expected and actual experience	121,540	-
Changes in assumptions	17,298	-
Benefit payments, including refunds	(25,120)	-
	285,716	177,666
<b>Net Change in Total OPEB Liability</b>	285,716	177,666
<b>Total OPEB Liability - Beginning of year</b>	1,851,022	1,673,356
	<b>\$ 2,136,738</b>	<b>\$ 1,851,022</b>
<b>Plan Fiduciary Net Position</b>		
Net investment (loss) income	\$ (94,900)	\$ 191,150
Benefit payments, including refunds	(25,120)	(23,965)
	(120,020)	167,185
<b>Net Change in Plan Fiduciary Net Position</b>	(120,020)	167,185
<b>Plan Fiduciary Net Position - Beginning of year</b>	1,673,549	1,506,364
	<b>\$ 1,553,529</b>	<b>\$ 1,673,549</b>
<b>Net OPEB Liability - Ending</b>	<b>\$ 583,209</b>	<b>\$ 177,473</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	72.7 %	90.4 %
<b>Covered Employee Payroll</b>	\$ 492,367	\$ 461,169
<b>Net OPEB Liability as a Percentage of Covered Employee Payroll</b>	118.5 %	38.5 %

\* Schedule is being built prospectively from adoption of GASB 74.

## Charter Township of Milford

### Required Supplemental Information Schedule of OPEB Contributions

**Last Ten Fiscal Years  
Years Ended December 31**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 78,198	\$ 76,234	\$ 4,115	\$ 4,115	\$ 4,115	\$ 143,204	\$ 145,173	\$ 144,317	\$ 107,776	\$ 107,776
Contributions in relation to the actuarially determined contribution	-	-	75,000	75,000	-	118,775	229,039	229,652	27,701	107,776
<b>Contribution (Deficiency) Excess</b>	<b>\$ (78,198)</b>	<b>\$ (76,234)</b>	<b>\$ 70,885</b>	<b>\$ 70,885</b>	<b>\$ (4,115)</b>	<b>\$ (24,429)</b>	<b>\$ 83,866</b>	<b>\$ 85,335</b>	<b>\$ (80,075)</b>	<b>\$ -</b>

#### Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date                      Actuarially determined contribution rates are obtained from actuarial valuations performed at least every three years. The most recent valuation was as of January 1, 2018.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Remaining amortization period	30 years
Asset valuation method	Market value
Inflation	3.0 percent
Healthcare cost trend rates	8.5 percent for 2018, decreasing 0.5 percent per year to an ultimate rate of 5.0 percent for 2025 and later years
Salary increase	2.0 percent, average
Investment rate of return	7.0 percent, net of OPEB plan investment expense, including inflation
Mortality	2014 U.S. Life table for males or females

**Charter Township of Milford**

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

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**Last Two Fiscal Years  
Years Ended December 31**

	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	(4.7)%	12.7 %

**December 31, 2018**

***Budgetary Information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds. The annual budget is prepared by the township supervisor and adopted by the Township Board; subsequent amendments are approved by the Township Board. All annual appropriations lapse at fiscal year end. During the current year, the budget was amended in a legally permissible manner.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund and major special revenue fund budget as adopted by the Township Board is included in the required supplemental information. A comparison of the actual results of operations to the nonmajor special revenue funds budget as adopted by the Township Board is available at the clerk's office for inspection.

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## Other Supplemental Information

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**Charter Township of Milford**

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

**December 31, 2018**

	Nonmajor Special Revenue Funds			Nonmajor Debt Service Fund	Nonmajor Capital Project Funds		Total
	Refuse Collection	Senior Citizens	Cemetery Improvement	Oliva Drive SAD	Road Fund	Land Acquisition	
<b>Assets</b>							
Cash and investments	\$ 413,264	\$ 556,746	\$ 95,151	\$ 111,764	\$ 243,134	\$ 678,571	\$ 2,098,630
Receivables:							
Property taxes	-	58,814	-	-	-	-	58,814
Special assessments	-	-	-	264,929	-	-	264,929
Other receivables	181,914	-	-	-	-	-	181,914
Due from other governmental units	-	2,368	-	-	-	-	2,368
Prepaid expenses and other assets	-	786	-	-	-	-	786
Restricted assets - Cash	-	-	-	59,540	-	-	59,540
<b>Total assets</b>	<b>\$ 595,178</b>	<b>\$ 618,714</b>	<b>\$ 95,151</b>	<b>\$ 436,233</b>	<b>\$ 243,134</b>	<b>\$ 678,571</b>	<b>\$ 2,666,981</b>
<b>Liabilities</b>							
Accounts payable	\$ -	\$ 1,825	\$ 4,430	\$ -	\$ 5,920	\$ -	\$ 12,175
Due to other funds	5,300	-	-	-	-	-	5,300
Accrued liabilities and other	-	1,819	-	-	-	-	1,819
<b>Total liabilities</b>	<b>5,300</b>	<b>3,644</b>	<b>4,430</b>	<b>-</b>	<b>5,920</b>	<b>-</b>	<b>19,294</b>
<b>Deferred Inflows of Resources</b>							
Unavailable revenue	-	-	-	248,329	-	-	248,329
Property taxes levied for the following year	-	113,345	-	-	-	-	113,345
Refuse collection fee levied for the following year	463,248	-	-	-	-	-	463,248
<b>Total deferred inflows of resources</b>	<b>463,248</b>	<b>113,345</b>	<b>-</b>	<b>248,329</b>	<b>-</b>	<b>-</b>	<b>824,922</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>468,548</b>	<b>116,989</b>	<b>4,430</b>	<b>248,329</b>	<b>5,920</b>	<b>-</b>	<b>844,216</b>
<b>Fund Balances</b>							
Nonspendable - Prepaids	-	786	-	-	-	-	786
Restricted:							
Debt service	-	-	-	187,904	-	-	187,904
Senior citizens	-	12,609	-	-	-	-	12,609
Committed:							
Refuse collection	126,630	-	-	-	-	-	126,630
Cemetery improvement	-	-	90,721	-	-	-	90,721
Capital projects	-	-	-	-	237,214	678,571	915,785
Assigned	-	488,330	-	-	-	-	488,330
<b>Total fund balances</b>	<b>126,630</b>	<b>501,725</b>	<b>90,721</b>	<b>187,904</b>	<b>237,214</b>	<b>678,571</b>	<b>1,822,765</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 595,178</b>	<b>\$ 618,714</b>	<b>\$ 95,151</b>	<b>\$ 436,233</b>	<b>\$ 243,134</b>	<b>\$ 678,571</b>	<b>\$ 2,666,981</b>

**Charter Township of Milford**

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

**Year Ended December 31, 2018**

	Nonmajor Special Revenue Funds			Nonmajor Debt Service Fund	Nonmajor Capital Project Funds		Total
	Refuse Collection	Senior Citizens	Cemetery Improvement	Oliva Drive SAD	Road Fund	Land Acquisition	
<b>Revenue</b>							
Taxes - Property taxes	\$ -	\$ 105,226	\$ -	\$ -	\$ -	\$ -	\$ 105,226
Special assessments	-	-	-	33,122	-	-	33,122
Intergovernmental	-	1,910	-	-	-	-	1,910
Charges for services	461,168	10	13,375	-	-	-	474,553
Investment income	2,121	5,987	612	11,182	4,222	7,696	31,820
Other revenue	-	13,605	1,035	-	11,296	174,000	199,936
<b>Total revenue</b>	<b>463,289</b>	<b>126,738</b>	<b>15,022</b>	<b>44,304</b>	<b>15,518</b>	<b>181,696</b>	<b>846,567</b>
<b>Expenditures</b>							
Current services:							
General government	-	-	99,350	-	-	-	99,350
Public works	506,106	-	-	-	145,222	-	651,328
Health and welfare	-	93,217	-	-	-	-	93,217
Debt service:							
Principal	-	-	-	45,000	-	-	45,000
Interest and fiscal charges	-	-	-	10,395	-	-	10,395
<b>Total expenditures</b>	<b>506,106</b>	<b>93,217</b>	<b>99,350</b>	<b>55,395</b>	<b>145,222</b>	<b>-</b>	<b>899,290</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(42,817)</b>	<b>33,521</b>	<b>(84,328)</b>	<b>(11,091)</b>	<b>(129,704)</b>	<b>181,696</b>	<b>(52,723)</b>
<b>Other Financing Sources - Transfers in</b>	<b>-</b>	<b>-</b>	<b>86,467</b>	<b>-</b>	<b>101,000</b>	<b>-</b>	<b>187,467</b>
<b>Net Change in Fund Balances</b>	<b>(42,817)</b>	<b>33,521</b>	<b>2,139</b>	<b>(11,091)</b>	<b>(28,704)</b>	<b>181,696</b>	<b>134,744</b>
<b>Fund Balances - Beginning of year</b>	<b>169,447</b>	<b>468,204</b>	<b>88,582</b>	<b>198,995</b>	<b>265,918</b>	<b>496,875</b>	<b>1,688,021</b>
<b>Fund Balances - End of year</b>	<b>\$ 126,630</b>	<b>\$ 501,725</b>	<b>\$ 90,721</b>	<b>\$ 187,904</b>	<b>\$ 237,214</b>	<b>\$ 678,571</b>	<b>\$ 1,822,765</b>

**Charter Township of Milford**

Other Supplemental Information  
Combining Statement of Assets and Liabilities  
Fiduciary Funds

**December 31, 2018**

	Tax Collection	Trust & Agency	Library General Fund	Total Agency Funds
<b>Assets - Cash and cash equivalents</b>	<b>\$ 2,656,205</b>	<b>\$ 421,537</b>	<b>\$ 785,667</b>	<b>\$ 3,863,409</b>
<b>Liabilities</b>				
Due to other governmental units	\$ 2,656,205	\$ -	\$ 785,667	\$ 3,441,872
Refundable deposits, bonds, etc.	-	421,537	-	421,537
Total liabilities	<b>\$ 2,656,205</b>	<b>\$ 421,537</b>	<b>\$ 785,667</b>	<b>\$ 3,863,409</b>