
Charter Township of Milford

**Financial Report
with Supplemental Information
December 31, 2017**

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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, 2017, 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 Charter Township of Milford as of December 31, 2017 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the 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.

Plante & Moran, PLLC

February 20, 2018

Overview of the Financial Statements

The Charter Township of Milford's (the "Township") 2017 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 \$21 million, comprised of \$13.5 million from governmental activities and \$7.5 million from business-type activities. This was an increase over 2016. 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	
	2016	2017	2016	2017	2016	2017
Assets						
Other assets	\$ 17,728,692	\$ 18,702,747	\$ 3,504,970	\$ 3,173,229	\$ 21,233,662	\$ 21,875,976
Capital assets	9,135,239	8,681,708	7,467,625	7,284,793	16,602,864	15,966,501
Total assets	26,863,931	27,384,455	10,972,595	10,458,022	37,836,526	37,842,477
Deferred Outflows of Resources	236,312	217,407	-	-	236,312	217,407
Liabilities						
Current liabilities	598,790	531,389	4,246	5,565	603,036	536,954
Long-term liabilities	7,837,173	6,921,477	3,265,000	2,900,000	11,102,173	9,821,477
Total liabilities	8,435,963	7,452,866	3,269,246	2,905,565	11,705,209	10,358,431
Deferred Inflows of Resources	6,350,472	6,603,294	-	-	6,350,472	6,603,294
Net Position						
Net investment in capital assets	2,591,551	2,731,671	4,202,625	4,384,793	6,794,176	7,116,464
Restricted	2,828,832	2,913,310	132,000	132,000	2,960,832	3,045,310
Unrestricted	6,893,425	7,900,721	3,368,724	3,035,664	10,262,149	10,936,385
Total net position	\$ 12,313,808	\$ 13,545,702	\$ 7,703,349	\$ 7,552,457	\$ 20,017,157	\$ 21,098,159

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)

Governmental Activities

The following table shows the changes in net position compared to the prior year for the governmental activities:

	Governmental Activities			Percent
	2016	2017	Change	Change
Revenue				
Program revenue:				
Charges for services	\$ 860,927	\$ 782,439	\$ (78,488)	-9%
Operating grants	67,318	29,793	(37,525)	-56%
Capital grants	435,500	-	(435,500)	-100%
General revenue:				
Property taxes	2,987,412	2,768,149	(219,263)	-7%
Police millage	3,249,549	3,136,717	(112,832)	-3%
State-shared revenue	920,452	1,014,063	93,611	10%
Investment earnings	61,874	106,235	44,361	72%
Other revenue	286,482	399,109	112,627	39%
Total revenue	<u>8,869,514</u>	<u>8,236,505</u>	<u>(633,009)</u>	-7%
Program Expenses				
General government	1,154,941	1,122,552	(32,389)	-3%
Public safety	4,545,898	4,466,476	(79,422)	-2%
Public works	1,103,889	703,776	(400,113)	-36%
Health and welfare	119,527	88,448	(31,079)	-26%
Community and economic development	213,385	124,724	(88,661)	-42%
Recreation and culture	337,108	344,174	7,066	2%
Interest on long-term debt	203,140	154,461	(48,679)	-24%
Total expenses	<u>7,677,888</u>	<u>7,004,611</u>	<u>(673,277)</u>	-9%
Change in Net Position	<u>\$ 1,191,626</u>	<u>\$ 1,231,894</u>	<u>\$ 40,268</u>	3%

Revenue for governmental activities totaled \$8.2 million in 2017. A total of \$5.9 million, or approximately 72 percent, of all revenue received by the Township was in the form of property tax collections. Property taxes as a whole decreased in 2017 as a result of state-wide exemptions of certain personal property.

Overall revenue and expenses decreased from 2016; revenue decreased by approximately 7 percent and expenses by approximately 9 percent.

Charter Township of Milford

Management's Discussion and Analysis (Continued)

Business-type Activities

The following table shows the changes in net position compared to the prior year for the business-type activities:

	Business-type Activities			Percent
	2016	2017	Change	Change
Operating revenue	\$ 51,431	\$ 54,468	\$ 3,037	6%
Operating expenses, other than depreciation	23,506	27,739	4,233	18%
Depreciation and amortization	182,832	182,832	-	-
Operating Loss	(154,907)	(156,103)	(1,196)	-1%
Interest income	146,404	135,177	(11,227)	-8%
Interest expense	144,567	129,966	(14,601)	-10%
Capital contributions	33,280	-	(33,280)	-100%
Change in Net Position	\$ (119,790)	\$ (150,892)	\$ (31,102)	-26%

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.

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, 2017 tax billing had increased approximately 4 percent compared to the prior year.

Financial Analysis of Township Funds and Budgets

The General Fund ended 2017 with a fund balance of \$6.5 million, with \$5.1 million assigned for specific purposes. License and permit revenue and revenue from state sources each exceeded the amended budget by approximately \$290,000, while total revenue was over the amended budget by approximately \$393,000. License and permit revenue increased from 2016 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 \$450,000 due to general government being under budget by approximately \$162,000 and community and economic development being under budget by approximately \$126,000. Total revenue of \$5,765,813 exceeded expenditures in the General Fund of \$4,697,147 by \$1,068,666. After transfers out of \$174,306, the General Fund increased fund balance by \$894,360.

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

At the end of 2017, the governmental activities of the Township had approximately \$8.7 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 \$7.3 million, net of depreciation, invested in a water and sewer system.

Charter Township of Milford

Management's Discussion and Analysis (Continued)

Debt relating to police, fire, and library buildings, the recreational trail, and the Olivia Drive special assessment of \$6,330,000 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 \$2,900,000 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 \$315,000 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 Notes 4 and 6, respectively.

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, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 12,328,492	\$ 932,900	\$ 13,261,392
Receivables:			
Property taxes	4,666,950	-	4,666,950
Special assessments	302,445	2,316,046	2,618,491
Other receivables	349,686	-	349,686
Due from other governmental units	516,898	-	516,898
Other receivables	174,000	-	174,000
Interfund advances	207,717	(207,717)	-
Prepaid expenses and other assets	47,431	-	47,431
Restricted assets - Cash (Note 7)	59,540	132,000	191,540
Net OPEB asset	49,588	-	49,588
Capital assets: (Note 4)			
Assets not subject to depreciation	7,034	-	7,034
Assets subject to depreciation - Net	8,674,674	7,284,793	15,959,467
Total assets	27,384,455	10,458,022	37,842,477
Deferred Outflows of Resources - Bond refunding loss being amortized	217,407	-	217,407
Liabilities			
Accounts payable	49,200	3,753	52,953
Due to other governmental units	186,568	-	186,568
Refundable deposits, bonds, etc.	198,984	-	198,984
Accrued liabilities and other	96,637	1,812	98,449
Noncurrent liabilities: (Note 6)			
Due within one year	969,033	365,000	1,334,033
Due in more than one year	5,952,444	2,535,000	8,487,444
Total liabilities	7,452,866	2,905,565	10,358,431
Deferred Inflows of Resources			
Property taxes levied for the following year	6,142,494	-	6,142,494
Refuse collection fee levied for the following year	460,800	-	460,800
Total deferred inflows of resources	6,603,294	-	6,603,294
Net Position			
Net investment in capital assets	2,731,671	4,384,793	7,116,464
Restricted	2,913,310	132,000	3,045,310
Unrestricted	7,900,721	3,035,664	10,936,385
Total net position	<u>\$ 13,545,702</u>	<u>\$ 7,552,457</u>	<u>\$ 21,098,159</u>

Charter Township of Milford

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,122,552	\$ 330,034	\$ -	\$ -
Public safety	4,466,476	-	5,000	-
Public works	703,776	430,782	11,891	-
Health and welfare	88,448	-	12,902	-
Community and economic development	124,724	20,078	-	-
Recreation and culture	344,174	1,545	-	-
Interest on long-term debt	154,461	-	-	-
Total governmental activities	7,004,611	782,439	29,793	-
Business-type activities - Water and sewer	340,537	54,468	-	-
Total primary government	\$ 7,345,148	\$ 836,907	\$ 29,793	\$ -

General revenue:

- Taxes:
 - Property taxes
 - Police millage
- State-shared revenue
- Interest income
- Cable franchise fees
- Other miscellaneous income

Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Statement of Activities

Year Ended December 31, 2017

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (792,518)	\$ -	\$ (792,518)
(4,461,476)	-	(4,461,476)
(261,103)	-	(261,103)
(75,546)	-	(75,546)
(104,646)	-	(104,646)
(342,629)	-	(342,629)
(154,461)	-	(154,461)
(6,192,379)	-	(6,192,379)
-	(286,069)	(286,069)
(6,192,379)	(286,069)	(6,478,448)
2,768,149	-	2,768,149
3,136,717	-	3,136,717
1,014,063	-	1,014,063
106,235	135,177	241,412
162,573	-	162,573
236,536	-	236,536
7,424,273	135,177	7,559,450
1,231,894	(150,892)	1,081,002
12,313,808	7,703,349	20,017,157
\$ 13,545,702	\$ 7,552,457	\$ 21,098,159

Charter Township of Milford

Governmental Funds Balance Sheet

December 31, 2017

	General Fund	Major Special Revenue Fund - Fire Voted Millage Operations Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments (Note 3)	\$ 7,371,444	\$ 2,986,356	\$ 233,637	\$ 1,737,055	\$ 12,328,492
Receivables:					
Property taxes	3,286,189	820,112	477,027	83,622	4,666,950
Special assessments	-	-	-	302,445	302,445
Other receivables	-	-	-	349,686	349,686
Due from other governmental units	411,972	35,614	59,693	9,619	516,898
Other receivables	-	-	-	174,000	174,000
Advances to other funds (Note 5)	207,717	-	-	-	207,717
Prepaid expenses and other assets	30,678	16,170	-	583	47,431
Restricted assets - Cash (Note 7)	-	-	-	59,540	59,540
Total assets	\$ 11,308,000	\$ 3,858,252	\$ 770,357	\$ 2,716,550	\$ 18,653,159
Liabilities					
Accounts payable	\$ 23,686	\$ 24,087	\$ -	\$ 1,427	\$ 49,200
Due to other governmental units	186,568	-	-	-	186,568
Refundable deposits, bonds, etc.	198,984	-	-	-	198,984
Accrued liabilities and other	7,790	46,043	-	1,220	55,053
Total liabilities	417,028	70,130	-	2,647	489,805
Deferred Inflows of Resources					
Unavailable revenue	-	-	-	457,831	457,831
Property taxes levied for the following year	4,359,573	1,059,421	616,249	107,251	6,142,494
Refuse collection fee levied for the following year	-	-	-	460,800	460,800
Total deferred inflows of resources	4,359,573	1,059,421	616,249	1,025,882	7,061,125
Fund Balances					
Nonspendable:					
Prepays	30,678	16,170	-	583	47,431
Long-term advance	207,717	-	-	-	207,717
Restricted:					
Debt service	-	-	154,108	198,995	353,103
Sears Lake	10,495	-	-	-	10,495
Moore Lake	20,006	-	-	-	20,006
Fire operations	-	2,712,531	-	-	2,712,531
Committed:					
Refuse collection	-	-	-	169,447	169,447
Cemetery improvement	-	-	-	88,582	88,582
Capital projects	-	-	-	762,793	762,793
Assigned (Note 14)	5,125,000	-	-	467,621	5,592,621
Unassigned	1,137,503	-	-	-	1,137,503
Total fund balances	6,531,399	2,728,701	154,108	1,688,021	11,102,229
Total liabilities, deferred inflows of resources, and fund balances	\$ 11,308,000	\$ 3,858,252	\$ 770,357	\$ 2,716,550	\$ 18,653,159

See notes to financial statements.

Charter Township of Milford

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

December 31, 2017

Fund Balances Reported in Governmental Funds	\$ 11,102,229
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	8,681,708
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	457,831
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(6,680,037)
Accrued interest is not due and payable in the current period and is not reported in the funds	(41,584)
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	(24,033)
Retiree healthcare benefits	49,588
Net Position of Governmental Activities	<u>\$ 13,545,702</u>

Charter Township of Milford

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2017

	General Fund	Fire Voted Millage Operations	Debt Service	Nonmajor Funds	Total Governmental Funds
Revenue					
Taxes:					
Property taxes	\$ 1,015,595	\$ 1,044,020	\$ 606,482	\$ 102,052	\$ 2,768,149
Police millage	3,136,717	-	-	-	3,136,717
Special assessments	-	-	-	76,730	76,730
Intergovernmental:					
Federal grants	10,495	-	-	-	10,495
State sources	909,137	35,614	60,060	9,252	1,014,063
Charges for services	190,639	-	-	464,817	655,456
Licenses and permits	245,355	-	-	-	245,355
Investment income	48,894	31,769	753	24,819	106,235
Other revenue	208,981	50,322	-	165,732	425,035
Total revenue	5,765,813	1,161,725	667,295	843,402	8,438,235
Expenditures					
Current services:					
General government	1,011,103	-	-	102,100	1,113,203
Public safety	3,329,334	803,664	-	-	4,132,998
Public works	44,380	-	-	694,118	738,498
Health and welfare	-	-	-	93,396	93,396
Community and economic development	124,724	-	-	-	124,724
Recreation and culture	164,559	-	-	-	164,559
Capital outlay	23,047	75,758	-	-	98,805
Debt service:					
Principal	-	160,000	590,000	20,000	770,000
Interest and fiscal charges	-	95,550	32,065	14,918	142,533
Total expenditures	4,697,147	1,134,972	622,065	924,532	7,378,716
Excess of Revenue Over (Under) Expenditures	1,068,666	26,753	45,230	(81,130)	1,059,519
Other Financing Sources (Uses)					
Transfers in (Note 5)	-	-	-	174,306	174,306
Transfers out (Note 5)	(174,306)	-	-	-	(174,306)
Total other financing (uses) sources	(174,306)	-	-	174,306	-
Net Change in Fund Balances	894,360	26,753	45,230	93,176	1,059,519
Fund Balances - Beginning of year	5,637,039	2,701,948	108,878	1,594,845	10,042,710
Fund Balances - End of year	<u>\$ 6,531,399</u>	<u>\$ 2,728,701</u>	<u>\$ 154,108</u>	<u>\$ 1,688,021</u>	<u>\$ 11,102,229</u>

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, 2017

Net Change in Fund Balances Reported in Governmental Funds	\$ 1,059,519
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	282,259
Depreciation expense	(735,790)
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	(201,730)
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)	900,000
Change in accrued interest payable and amortization of bond premiums and deferred outflows related to refunding are not recorded in the governmental funds	11,472
Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(83,836)
Change in Net Position of Governmental Activities	<u>\$ 1,231,894</u>

Charter Township of Milford

Proprietary Funds Statement of Net Position

December 31, 2017

	Enterprise Fund - Water and Sewer
Assets	
Current assets:	
Cash and investments	\$ 932,900
Receivables - Special assessments receivable - Due within one year	434,934
Total current assets	<u>1,367,834</u>
Noncurrent assets:	
Restricted assets - Cash	132,000
Special assessment receivables - Greater than one year	1,881,112
Capital assets - Net	7,284,793
Total noncurrent assets	<u>9,297,905</u>
Total assets	<u>10,665,739</u>
Liabilities	
Current liabilities:	
Accounts payable	3,753
Accrued liabilities and other	1,812
Current portion of long-term debt	365,000
Total current liabilities	<u>370,565</u>
Noncurrent liabilities:	
Advances from other funds	207,717
Long-term debt	2,535,000
Total noncurrent liabilities	<u>2,742,717</u>
Total liabilities	<u>3,113,282</u>
Net Position	
Net investment in capital assets	4,384,793
Restricted - Operations escrow account	132,000
Unrestricted	3,035,664
Total net position	<u><u>\$ 7,552,457</u></u>

Charter Township of Milford

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

Year Ended December 31, 2017

	Enterprise Fund - Water and Sewer
Operating Revenue - Other charges for service	\$ 54,468
Operating Expenses	
Billing and administrative costs	27,739
Depreciation	182,832
Total operating expenses	<u>210,571</u>
Operating Loss	(156,103)
Nonoperating Revenue (Expense)	
Investment income	135,177
Interest expense	(129,966)
Total nonoperating revenue	<u>5,211</u>
Change in Net Position	(150,892)
Net Position - Beginning of year	<u>7,703,349</u>
Net Position - End of year	<u><u>\$ 7,552,457</u></u>

Charter Township of Milford

Proprietary Funds Statement of Cash Flows

Year Ended December 31, 2017

	Enterprise Fund - Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 54,468
Payments to suppliers	<u>(23,986)</u>
Net cash and cash equivalents provided by operating activities	30,482
Cash Flows from Capital and Related Financing Activities	
Special assessment collections	463,633
Principal and interest paid on capital debt	<u>(497,400)</u>
Net cash and cash equivalents used in capital and related financing activities	(33,767)
Cash Flows Provided by Investing Activities - Interest received on investments	<u>6,593</u>
Net Increase in Cash and Cash Equivalents	3,308
Cash and Cash Equivalents - Beginning of year	<u>1,061,592</u>
Cash and Cash Equivalents - End of year	<u>\$ 1,064,900</u>
Statement of Net Position Classification of Cash and Cash Equivalents	
Cash and investments	\$ 932,900
Restricted cash	<u>132,000</u>
Total cash and cash equivalents	<u>\$ 1,064,900</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (156,103)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	182,832
Changes in assets and liabilities - Change in accounts payable	<u>3,753</u>
Total adjustments	<u>186,585</u>
Net cash and cash equivalents provided by operating activities	<u>\$ 30,482</u>

Charter Township of Milford

**Fiduciary Funds
Statement of Fiduciary Net Position**

December 31, 2017

	<u>Retiree Health Care Fund</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents (Note 3)	\$ 21,863	\$ 3,806,322
Investments: (Note 3)		
Commercial paper	607,029	-
Stocks	<u>1,044,657</u>	<u>-</u>
Total assets	1,673,549	<u><u>\$ 3,806,322</u></u>
Liabilities		
Due to other governmental units	-	\$ 3,407,264
Refundable deposits, bonds, etc.	<u>-</u>	<u>399,058</u>
Total liabilities	<u>-</u>	<u><u>\$ 3,806,322</u></u>
Net Position Held in Trust for Other Employee Benefits	<u><u>\$ 1,673,549</u></u>	

Charter Township of Milford

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

Year Ended December 31, 2017

	<u>Retiree Health Care Fund</u>
Additions	
Investment income (loss):	
Interest and dividends	\$ 87,324
Net increase in fair value of investments	119,151
Investment-related expenses	<u>(15,325)</u>
Total additions	191,150
Deductions - Benefit payments	<u>23,965</u>
Net Increase in Net Position Held in Trust	167,185
Net Position Held in Trust for Other Employee Benefits - Beginning of year	<u>1,506,364</u>
Net Position Held in Trust for Other Employee Benefits - End of year	<u>\$ 1,673,549</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 are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

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

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.

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.

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.

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.

Note 1 - Significant Accounting Policies (Continued)

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 2016 property tax revenue was levied and collectible on December 1, 2016 and is recognized as revenue in the year ended December 31, 2017 when the proceeds of the levy are budgeted and available for the financing of operations.

Note 1 - Significant Accounting Policies (Continued)

The 2016 taxable valuation of the Township totaled \$830,250,130. 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	1.0631	\$ 860,000
Police services	3.8046	3,140,000
Fire services	.9305	787,000
Debt service	.7167	606,000
Senior center	.1250	102,000
Recreation trails	.0990	80,000
Fire debt service	.3098	257,000
Total		<u>\$ 5,832,000</u>

Other Postemployment Benefit Costs

The Township offers retiree healthcare benefits to retirees. The Township receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the Township reports the full accrual cost equal to the current year required contribution adjusted for interest and “adjustment to the ARC” on the beginning of year underpaid amount, if any. The net OPEB obligation has been liquidated from the General Fund, which is the fund from which the individual employees' salaries are paid.

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.

Use of Estimates

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

Note 1 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Township to recognize on the face of the financial statements its net OPEB liability related to its OPEB plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township’s financial statements for the year ending December 31, 2018.

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township’s financial statements for the year 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.

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, 2017		\$	(910,032)
Current year permit revenue			240,838
Related expenses:			
Direct costs	\$	209,937	
Estimated indirect costs		29,246	239,183
			<hr/>
Current year shortfall			1,655
			<hr/>
Cumulative shortfall December 31, 2017		\$	<u>(908,377)</u>

December 31, 2017

Note 3 - Deposits and Investments

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

	Governmental Activities	Business-type Activities	Total	Fiduciary	Total Primary Government
Cash and cash equivalents	\$ 12,328,492	\$ 932,900	\$ 13,261,392	\$ 3,828,185	\$ 17,089,577
Investments	-	-	-	1,651,686	1,651,686
Restricted cash and investments	59,540	132,000	191,540	-	191,540
Total deposits and investments	\$ 12,388,032	\$ 1,064,900	\$ 13,452,932	\$ 5,479,871	\$ 18,932,803

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 \$12,570,238 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, 2017

Note 3 - Deposits and Investments (Continued)

At year end, the Township had the following investments:

Investment	Fair Value	Weighted- average Maturity (Years)
Primary Government		
Government investment pool	\$ 2,358,181	0.66
Fixed-income securities	264,254	5.58
Fixed-income securities	148,900	3.47
Fixed-income securities	<u>193,875</u>	6.11
Total	<u>\$ 2,965,210</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
Primary Government			
Bank investment pools	\$ 284,454	N/A	N/A
Government investment pool	<u>2,358,181</u>	N/A	N/A
Total	<u>\$ 2,642,635</u>		

Investment	Fair Value	Rating	Rating Organization
Fiduciary Funds			
Fixed-income securities	\$ 607,029	N/A	N/A
Bank investment pools	<u>21,839</u>	N/A	N/A
Total	<u>\$ 628,868</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 \$2,358,181 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 the 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, 2017:

- OPEB investments (\$607,029 of fixed-income securities and \$1,044,657 of equity securities) using quoted market prices (Level 1 inputs).
- The Township's investments in the Oakland County LGIP (\$2,358,181) and Michigan CLASS (\$211,542) 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, 2017, 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	\$ 2,358,181	\$ -	No restrictions	None
Michigan CLASS investment pool	211,542	-	No restrictions	None
Total	<u>\$ 2,569,723</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, 2017

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, 2017	Additions	Disposals and Adjustments	Balance December 31, 2017
Capital assets not being depreciated - Land	\$ 7,034	\$ -	\$ -	\$ 7,034
Capital assets being depreciated:				
Library building and contents	6,842,820	-	-	6,842,820
Buildings and improvements	7,923,311	66,185	-	7,989,496
Furniture and fixtures	188,379	-	(10,195)	178,184
Vehicles	2,049,414	-	-	2,049,414
Machinery and equipment	660,058	164,120	(50,001)	774,177
Computer equipment	186,566	9,487	(12,190)	183,863
Recreation paths and infrastructure	4,160,113	51,000	-	4,211,113
Subtotal	22,010,661	290,792	(72,386)	22,229,067
Accumulated depreciation:				
Library building and contents	4,736,064	114,826	-	4,850,890
Buildings and improvements	3,815,893	265,639	-	4,081,532
Furniture and fixtures	161,916	5,670	(5,097)	162,489
Vehicles	1,673,123	74,903	-	1,748,026
Machinery and equipment	570,378	33,267	(53,436)	550,209
Computer equipment	158,219	12,792	(5,320)	165,691
Recreation paths and infrastructure	1,766,863	228,693	-	1,995,556
Subtotal	12,882,456	735,790	(63,853)	13,554,393
Net capital assets being depreciated	9,128,205	(444,998)	(8,533)	8,674,674
Net capital assets	\$ 9,135,239	\$ (444,998)	\$ (8,533)	\$ 8,681,708

December 31, 2017

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance January 1, 2017	Additions	Disposals and Adjustments	Balance December 31, 2017
Water and Sewer				
Capital assets being depreciated - Sewer lines	\$ 9,141,588	\$ -	\$ -	\$ 9,141,588
Accumulated depreciation - Sewer lines	1,673,963	182,832	-	1,856,795
Net business-type activity capital assets	<u>\$ 7,467,625</u>	<u>\$ (182,832)</u>	<u>\$ -</u>	<u>\$ 7,284,793</u>

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

Governmental activities:	
General government	\$ 52,017
Public safety	330,781
Public works	31,278
Health and welfare	3,699
Recreation and culture	318,015
Total governmental activities	<u>\$ 735,790</u>

Note 5 - Interfund Receivables, Payables, and Transfers

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

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 207,717

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

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Nonmajor funds:	
	Cemetery improvement	\$ 72,917
	Road fund	101,389
	Total	<u>\$ 174,306</u>

December 31, 2017

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, 2017 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and contracts payable:					
General obligations	\$ 6,780,000	\$ -	\$ (865,000)	\$ 5,915,000	\$ 900,000
Special assessment bonds	435,000	-	(20,000)	415,000	45,000
Unamortized bond premiums	274,396	-	(21,952)	252,444	-
Compensated absences	17,777	6,256	-	24,033	24,033
Landfill closure and postclosure	330,000	-	(15,000)	315,000	-
Total governmental activities long-term debt	\$ 7,837,173	\$ 6,256	\$ (921,952)	\$ 6,921,477	\$ 969,033

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and contracts payable	\$ 3,265,000	\$ -	\$ (365,000)	\$ 2,900,000	\$ 365,000

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, 2017 are as follows:

Purpose	Year Issued *	Interest Rates	Maturing	Outstanding
Governmental Activities				
Library and police facility (issued in 2005, refunded in 2015)	2005	1.51%	2020	\$ 1,840,000
Fire station (issued in 2009, partially refunded in 2016)	2009	2.00 - 4.00%	2029	2,890,000
Recreation path (issued in 2008, refunded in 2016)	2008	1.80%	2024	1,185,000
Total governmental activities				\$ 5,915,000
Business-type Activities				
SEMIS note payable	2005	4.00 - 4.13%	2025	\$ 2,900,000

December 31, 2017

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 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
Governmental Activities				
Olivia Drive paving	2016	2.00 - 3.15%	2026	\$ 415,000

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
2018	\$ 945,000	\$ 144,291	\$ 1,089,291	\$ 365,000	\$ 117,800	\$ 482,800
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
2023-2027	1,880,000	282,162	2,162,162	1,080,000	89,100	1,169,100
2028-2032	630,000	38,200	668,200	-	-	-
Total	<u>\$ 6,330,000</u>	<u>\$ 882,520</u>	<u>\$ 7,212,520</u>	<u>\$ 2,900,000</u>	<u>\$ 532,100</u>	<u>\$ 3,432,100</u>

Note 7 - Restricted Assets

At December 31, 2017, 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 15 percent of the Township employee's base salary each month. The Township also contributes an amount equal to 15 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 \$118,000 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 unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

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.

December 31, 2017

Note 11 - Contingent Liabilities and Postclosure Care, Remediation Costs, and Commitments (Continued)

The liability related to the postclosure maintenance is estimated at approximately \$315,000 over a 21-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 Benefits

Plan Description

The Township provides retiree healthcare benefits to eligible employees and their spouses. Benefits are provided to employees who retire after at least 20 years of continuous full-time service and who have attained at least the age of 55. The Township includes pre-Medicare retirees and their spouses in its insured healthcare plan, with no contribution required by the participant. Once the retiree is entitled to Medicare coverage, the Township shall provide the difference in coverage between coverages provided by Medicare and the retired employee's Township-provided insurance coverage. The Township also provides healthcare benefits to all employees who retire after at least 10 years of continuous full-time service and who have attained at least the age of 62.

Currently, the plan has 11 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

This is a single-employer defined benefit plan administered by the Township. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan.

Funding Policy

For eligible employees, the Township will contribute between 50 and 100 percent of the employee's and spouse's monthly health insurance. The contribution percentage is based on years of service. The retired employee and spouse must apply for Medicare when eligible. The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis).

Funding Progress

The Township's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). For the year ended December 31, 2017, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of January 1, 2017. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 76,234
Interest on the prior year's net OPEB obligation	(8,902)
Less adjustment to the annual required contribution	<u>10,248</u>
Annual OPEB cost - Increase in net OPEB obligation	77,580
OPEB asset - Beginning of year	<u>(127,168)</u>
OPEB asset - End of year	<u><u>\$ (49,588)</u></u>

December 31, 2017

Note 12 - Other Postemployment Benefits (Continued)

Employer contributions and annual OPEB cost data for the current and two preceding years were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage OPEB Costs Contributed	Net OPEB Asset
December 31, 2015	December 31, 2013	\$ 4,776	1,570.40 %	\$ (132,687)
December 31, 2016	December 31, 2013	5,519	-	(127,168)
December 31, 2017	January 1, 2017	77,580	-	(49,588)

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)
January 1, 2011	\$ 573,799	\$ 1,644,991	\$ 1,071,192	34.88 %
December 31, 2013	1,359,364	536,155	(823,209)	253.54
January 1, 2017	1,506,340	1,792,607	286,267	84.03

Actuarial Methods and Assumptions

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

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

In the January 1, 2017 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date and an annual healthcare cost trend rate of 9 percent initially reduced by decrements to an ultimate rate of 5 percent after eight years. Both rates included a 3 percent inflation assumption. The actuarial value of assets was based on the market value of investments. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2017 was 30 years.

Note 13 - Other Postemployment Benefit Plan

Plan Description

The Township administers the retiree healthcare plan (the "Plan"), a single-employer defined benefit OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible employees and their spouses.

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

December 31, 2017

Note 13 - Other Postemployment Benefit Plan (Continued)

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 at retirement.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	December 31, 2016
Date of member count	
Inactive plan members or beneficiaries currently receiving benefits	3
Active plan members	<u>8</u>
Total employees covered by the Plan	<u><u>11</u></u>

Contributions

There is no formal policy related to contributions.

Net OPEB Liability

The Township reports OPEB expense based on funding requirements, as directed by GASB Statement No. 45. Beginning next year, the Township will adopt GASB Statement No. 75, which will require the measurement of OPEB expense as it is earned, rather than as it is funded. The net OPEB liability of the Township has been measured as of December 31, 2017 and is composed of the following:

Total OPEB liability	\$ 1,851,022
Plan fiduciary net position	<u>1,673,549</u>
Net OPEB liability	<u><u>\$ 177,473</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	90.00 %

The Plan's fiduciary net position represents 90 percent of the total OPEB liability.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2017, which used updated procedures to roll forward the estimated liability to December 31, 2017. The valuation used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0 percent	
Healthcare cost trend rate	9.0 percent for 2017, decreasing 0.5 percent per year to an ultimate rate of 5.0 percent for 2025 and later years	
Salary increases	2.0 percent average	
Investment rate of return	7.0 percent net of OPEB plan investment expense, including inflation	

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 rates equal to the actuarially determined contribution rates.

Note 13 - Other Postemployment Benefit Plan (Continued)

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 pension 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 pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities	65.00 %	6.00 %
Fixed income	35.00	2.25
Total	<u>100.00 %</u>	

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. The following also reflects what the Township's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6 percent) or 1 percentage point higher (8 percent) than the current rate:

	1 Percent Decrease (6%)	Current Discount Rate (7%)	1 Percent Increase (8%)
Net OPEB liability of the Township	\$ 398,641	\$ 177,473	\$ (13,889)

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

The following presents the net OPEB liability of the Township, calculated using the healthcare cost trend rate of 9 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (8 percent) or 1 percentage point higher (10 percent) than the current rate:

	1 Percent Decrease (8%)	Current Discount Rate (9%)	1 Percent Increase (10%)
Net pension liability of the Township	\$ 28,828	\$ 177,473	\$ 416,426

December 31, 2017

Note 13 - Other Postemployment Benefit Plan (Continued)

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 Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Plan's asset allocation policy as of December 31, 2017:

Asset Class	Target Allocation
Equities	65 %
Fixed income	35
Total	<u>100 %</u>

Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 12.7 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 14 - Assignments

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

Assigned:	
Landfill reclamation	\$ 300,000
Land acquisition	500,000
Recreational trail repair and replacement	2,500,000
Road projects	800,000
Cemetery roads	100,000
Civic center improvements	750,000
Retiree healthcare	<u>175,000</u>
Total assigned	<u>\$ 5,125,000</u>

Required Supplemental Information

Charter Township of Milford

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes:				
Property taxes	\$ 1,020,292	\$ 1,018,792	\$ 1,015,595	\$ (3,197)
Police millage	3,175,020	3,175,020	3,136,717	(38,303)
Intergovernmental:				
Federal grants	18,193	18,193	10,495	(7,698)
State sources	760,371	760,371	909,137	148,766
Charges for services	148,321	148,321	190,639	42,318
Licenses and permits	103,864	103,864	245,355	141,491
Investment income	24,000	24,000	48,894	24,894
Other revenue	123,840	123,840	208,981	85,141
Total revenue	5,373,901	5,372,401	5,765,813	393,412
Expenditures				
Current services:				
General government:				
Legislative	15,385	15,385	12,917	2,468
Executive	217,990	218,192	214,253	3,939
Administrative	912,634	939,722	783,933	155,789
Public safety:				
Police protection	3,158,769	3,158,769	3,159,292	(523)
Building department	207,428	208,090	170,042	38,048
Public works	87,750	87,750	44,380	43,370
Community and economic development	247,621	250,651	124,724	125,927
Recreation and culture	170,293	170,443	164,559	5,884
Capital outlay	98,000	98,000	23,047	74,953
Total expenditures	5,115,870	5,147,002	4,697,147	449,855
Excess of Revenue Over Expenditures	258,031	225,399	1,068,666	843,267
Other Financing Uses - Transfers out	(374,306)	(341,674)	(174,306)	167,368
Net Change in Fund Balance	(116,275)	(116,275)	894,360	1,010,635
Fund Balance - Beginning of year	5,637,039	5,637,039	5,637,039	-
Fund Balance - End of year	<u>\$ 5,520,764</u>	<u>\$ 5,520,764</u>	<u>\$ 6,531,399</u>	<u>\$ 1,010,635</u>

Charter Township of Milford

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

Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
Taxes	\$ 1,122,807	\$ 1,122,807	\$ 1,044,020	\$ (78,787)
Intergovernmental	-	-	35,614	35,614
Investment income	17,000	17,000	31,769	14,769
Other revenue	15,000	15,000	50,322	35,322
Total revenue	<u>1,154,807</u>	<u>1,154,807</u>	<u>1,161,725</u>	<u>6,918</u>
Expenditures				
Current services - Public safety	1,141,476	1,172,576	803,664	368,912
Capital outlay	548,800	548,800	75,758	473,042
Debt service	255,550	255,550	255,550	-
Total expenditures	<u>1,945,826</u>	<u>1,976,926</u>	<u>1,134,972</u>	<u>841,954</u>
Excess of Revenue (Under) Over Expenditures - Net Change in Fund Balance	(791,019)	(822,119)	26,753	848,872
Fund Balance - Beginning of year	<u>2,701,948</u>	<u>2,701,948</u>	<u>2,701,948</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 1,910,929</u></u>	<u><u>\$ 1,879,829</u></u>	<u><u>\$ 2,728,701</u></u>	<u><u>\$ 848,872</u></u>

Charter Township of Milford

Note to Required Supplemental Information

Year Ended December 31, 2017

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.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Charter Township of Milford had the following budget overrun related to expenditures and other financing uses:

	<u>Budget</u>		<u>Actual</u>		<u>Variance</u>
General Fund - Police protection	\$ 3,158,769	\$	3,159,292	\$	(523)

Charter Township of Milford

**Required Supplemental Information
Schedule of OPEB Funding Progress**

Actuarial Valuation Date	Last Ten Fiscal Years Years Ended December 31			
	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)
January 1, 2011	\$ 573,799	\$ 1,644,991	\$ 1,071,192	34.88
December 31, 2013	1,359,364	536,155	(823,209)	253.54
January 1, 2017	1,506,340	1,792,607	286,267	84.03

Charter Township of Milford

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

	Last Fiscal Year Year Ended December 31
	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 54,786
Interest	<u>122,880</u>
Net Change in Total OPEB Liability	177,666
Total OPEB Liability - Beginning of year	<u>1,673,356</u>
Total OPEB Liability - End of year	<u>\$ 1,851,022</u>
Plan Fiduciary Net Position	
Net investment income	\$ 191,150
Benefit payments, including refunds	<u>(23,965)</u>
Net Change in Plan Fiduciary Net Position	167,185
Plan Fiduciary Net Position - Beginning of year	<u>1,506,364</u>
Plan Fiduciary Net Position - End of year	<u>\$ 1,673,549</u>
Net OPEB Liability - Ending	<u>\$ 177,473</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	90.4 %

Charter Township of Milford

Required Supplemental Information Schedule of OPEB Contributions

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 76,234	\$ 4,115	\$ 4,115	\$ 4,115	\$ 143,204	\$ 145,173	\$ 144,317	\$ 107,776	\$ 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	172,500
Contribution Excess (Deficiency)	\$ (76,234)	\$ 70,885	\$ 70,885	\$ (4,115)	\$ (24,429)	\$ 83,866	\$ 85,335	\$ (80,075)	\$ -	\$ 64,724

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contributions are obtained from actuarial valuations performed at least every three years. The most recent valuation was as of January 1, 2017.

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	9.0 percent for 2017, 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	2013 US Life table for males or females

Charter Township of Milford

Required Supplemental Information
Schedule of OPEB Investment Returns

**Last Fiscal Year
Year Ended December 31**

2017

Annual money-weighted rate of return, net of investment expense

12.7 %

Other Supplemental Information

Charter Township of Milford

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

December 31, 2017

	Nonmajor Special Revenue Funds			Nonmajor Debt Service Funds	Nonmajor Capital Project Funds		Total
	Refuse Collection	Senior Citizens	Cemetery Improvement	Oliva Drive SAD	Road Fund	Land Acquisition	
Assets							
Cash and investments	\$ 280,561	\$ 484,235	\$ 88,582	\$ 120,841	\$ 265,961	\$ 496,875	\$ 1,737,055
Receivables:							
Property taxes	-	83,622	-	-	-	-	83,622
Special assessments	-	-	-	302,445	-	-	302,445
Other receivables	349,686	-	-	-	-	-	349,686
Due from other governmental units	-	9,619	-	-	-	-	9,619
Other receivables	-	-	-	-	-	174,000	174,000
Prepaid expenses and other assets	-	583	-	-	-	-	583
Restricted assets - Cash	-	-	-	59,540	-	-	59,540
Total assets	\$ 630,247	\$ 578,059	\$ 88,582	\$ 482,826	\$ 265,961	\$ 670,875	\$ 2,716,550
Liabilities							
Accounts payable	\$ -	\$ 1,384	\$ -	\$ -	\$ 43	\$ -	\$ 1,427
Accrued liabilities and other	-	1,220	-	-	-	-	1,220
Total liabilities	-	2,604	-	-	43	-	2,647
Deferred Inflows of Resources							
Unavailable revenue	-	-	-	283,831	-	174,000	457,831
Property taxes levied for the following year	-	107,251	-	-	-	-	107,251
Refuse collection fee levied for the following year	460,800	-	-	-	-	-	460,800
Total deferred inflows of resources	460,800	107,251	-	283,831	-	174,000	1,025,882
Total liabilities and deferred inflows of resources	460,800	109,855	-	283,831	43	174,000	1,028,529
Fund Balances							
Nonspendable - Prepays	-	583	-	-	-	-	583
Restricted - Debt service	-	-	-	198,995	-	-	198,995
Committed:							
Refuse collection	169,447	-	-	-	-	-	169,447
Cemetery improvement	-	-	88,582	-	-	-	88,582
Capital projects	-	-	-	-	265,918	496,875	762,793
Assigned	-	467,621	-	-	-	-	467,621
Total fund balances	169,447	468,204	88,582	198,995	265,918	496,875	1,688,021
Total liabilities, deferred inflows of resources, and fund balances	\$ 630,247	\$ 578,059	\$ 88,582	\$ 482,826	\$ 265,961	\$ 670,875	\$ 2,716,550

Charter Township of Milford

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

Year Ended December 31, 2017

	Nonmajor Special Revenue Funds			Nonmajor Debt Service Funds	Nonmajor Capital Project Funds		Total
	Refuse Collection	Senior Citizens	Cemetery Improvement	Oliva Drive SAD	Road Fund	Land Acquisition	
Revenue							
Taxes - Property taxes	\$ -	\$ 102,052	\$ -	\$ -	\$ -	\$ -	\$ 102,052
Special assessments	-	-	-	76,730	-	-	76,730
Intergovernmental	-	9,252	-	-	-	-	9,252
Charges for services	430,782	-	34,035	-	-	-	464,817
Investment income	1,594	2,621	425	13,063	3,885	3,231	24,819
Other revenue	-	22,680	35	-	11,891	131,126	165,732
Total revenue	432,376	136,605	34,495	89,793	15,776	134,357	843,402
Expenditures							
Current services:							
General government	-	-	95,974	-	-	6,126	102,100
Public works	476,486	-	-	36,214	181,418	-	694,118
Health and welfare	-	93,396	-	-	-	-	93,396
Debt service:							
Principal	-	-	-	20,000	-	-	20,000
Interest and fiscal charges	-	-	-	14,918	-	-	14,918
Total expenditures	476,486	93,396	95,974	71,132	181,418	6,126	924,532
Excess of Revenue (Under) Over Expenditures	(44,110)	43,209	(61,479)	18,661	(165,642)	128,231	(81,130)
Other Financing Sources - Transfers in	-	-	72,917	-	101,389	-	174,306
Net Change in Fund Balances	(44,110)	43,209	11,438	18,661	(64,253)	128,231	93,176
Fund Balances - Beginning of year	213,557	424,995	77,144	180,334	330,171	368,644	1,594,845
Fund Balances - End of year	\$ 169,447	\$ 468,204	\$ 88,582	\$ 198,995	\$ 265,918	\$ 496,875	\$ 1,688,021

Charter Township of Milford

Other Supplemental Information
Statement of Assets and Liabilities
Fiduciary Funds

December 31, 2017

	Tax Collection	Trust & Agency	Library General Fund	Total Agency Funds
Assets - Cash and cash equivalents	\$ 2,722,686	\$ 399,058	\$ 684,578	\$ 3,806,322
Liabilities				
Due to other governmental units	\$ 2,722,686	\$ -	\$ 684,578	\$ 3,407,264
Refundable deposits, bonds, etc.	-	399,058	-	399,058
Total liabilities	\$ 2,722,686	\$ 399,058	\$ 684,578	\$ 3,806,322