

**Charter Township of Brownstown  
Wayne County, Michigan**

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

# Charter Township of Brownstown

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# **Charter Township of Brownstown**

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## Independent Auditor's Report

To the Board of Trustees  
Charter Township of Brownstown

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Brownstown (the "Township") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Charter Township of Brownstown's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Brownstown as of December 31, 2016, and the respective changes in its financial position, and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees  
Charter Township of Brownstown

*Required Supplemental Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Brownstown'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, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plante & Moran, PLLC*

June 8, 2017

# **Charter Township of Brownstown**

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## **Management's Discussion and Analysis**

Our discussion and analysis of the Charter Township of Brownstown's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the Township's financial statements.

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2016:

- The DDA still holds title to the land purchased in 2004 for the Town Center Development. Several acres were sold in 2016 and the remainder is expected to be sold to developers in future years.
- State-shared revenue, the General Fund's largest single revenue source at \$2,691,000, was increased by the State of Michigan by approximately \$60,000 for 2016 from the 2015 figure, and is \$100,000 less than the amount received in 2002.
- The General Fund unassigned fund balance increased by approximately \$134,000 from 2015 to 2016.
- The 2015 taxable value of the entire Township increased by 3 percent (the value used to calculate 2016 tax revenue).

### **Using this Annual Report**

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

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

# Charter Township of Brownstown

## Management's Discussion and Analysis (Continued)

### The Township as a Whole

The following table shows, in a condensed format, the approximate net position as of the current date and compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current and other assets	\$ 23,965,000	\$ 23,228,000	\$ 6,752,000	\$ 5,027,000	\$ 30,717,000	\$ 28,255,000
Noncurrent assets	944,000	927,000	7,597,000	5,738,000	8,541,000	6,665,000
Capital assets	27,379,000	28,108,000	61,581,000	63,202,000	88,960,000	91,310,000
Total assets	52,288,000	52,263,000	75,930,000	73,967,000	128,218,000	126,230,000
<b>Deferred Outflows</b>	3,965,000	1,072,000	-	-	3,965,000	1,072,000
<b>Liabilities</b>						
Current liabilities	1,688,000	1,649,000	1,000,000	783,000	2,688,000	2,432,000
Long-term liabilities	37,284,000	33,178,000	16,684,000	16,823,000	53,968,000	50,001,000
Total liabilities	38,972,000	34,827,000	17,684,000	17,606,000	56,656,000	52,433,000
<b>Deferred Inflows</b>	11,795,000	11,259,000	1,009,000	998,000	12,804,000	12,257,000
<b>Net Position</b>						
Net investment in capital assets	22,224,000	21,974,000	47,647,000	49,125,000	69,871,000	71,099,000
Restricted	1,649,000	1,786,000	3,589,000	2,383,000	5,238,000	4,169,000
Unrestricted	(18,387,000)	(16,511,000)	6,001,000	3,855,000	(12,386,000)	(12,656,000)
Total net position	<u>\$ 5,486,000</u>	<u>\$ 7,249,000</u>	<u>\$ 57,237,000</u>	<u>\$ 55,363,000</u>	<u>\$ 62,723,000</u>	<u>\$ 62,612,000</u>

The Township's combined net position increased less than 0.1 percent from a year ago, increasing from \$62,612,000 to \$62,723,000. As we look at the governmental activities separately from the business-type activities, we can see that net position decreased by \$1,763,000 in governmental activities and increased by \$1,874,000 in business-type activities, compared to one year ago.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, decreased by \$1,876,000 for the governmental activities. This represents a decrease of approximately 11.4 percent. The current level of unrestricted net position for our governmental activities stands at (\$18,387,000) compared to (\$16,511,000) at December 31, 2015. The decrease is attributable to increases in the net pension liability and the net OPEB obligation.

# Charter Township of Brownstown

## Management's Discussion and Analysis (Continued)

The following table shows the approximate changes of the net position during the current year and as compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 6,116,000	\$ 7,111,000	\$ 12,485,000	\$ 10,500,000	\$ 18,601,000	\$ 17,611,000
Operating grants and contributions	309,000	452,000	-	-	309,000	452,000
Capital grants and contributions	705,000	721,000	43,000	-	748,000	721,000
General revenue:						
Property taxes	10,076,000	9,782,000	1,000,000	941,000	11,076,000	10,723,000
State-shared revenue	2,703,000	2,643,000	-	-	2,703,000	2,643,000
Investment earnings	1,000	-	18,000	10,000	19,000	10,000
Cable franchise fees	453,000	425,000	-	-	453,000	425,000
Miscellaneous	132,000	77,000	6,000	-	138,000	77,000
Total revenue	20,495,000	21,211,000	13,552,000	11,451,000	34,047,000	32,662,000
<b>Program Expenses</b>						
General government and district court	3,473,000	3,533,000	-	-	3,473,000	3,533,000
Public safety	12,218,000	11,752,000	-	-	12,218,000	11,752,000
Public works	3,385,000	2,881,000	-	-	3,385,000	2,881,000
Community and economic development	1,501,000	1,581,000	-	-	1,501,000	1,581,000
Recreation and culture	1,487,000	1,548,000	-	-	1,487,000	1,548,000
Interest on long-term debt	194,000	211,000	-	-	194,000	211,000
Water and sewer	-	-	11,678,000	10,994,000	11,678,000	10,994,000
Total program expenses	22,258,000	21,506,000	11,678,000	10,994,000	33,936,000	32,500,000
<b>Change in Net Position</b>	<b>\$ (1,763,000)</b>	<b>\$ (295,000)</b>	<b>\$ 1,874,000</b>	<b>\$ 457,000</b>	<b>\$ 111,000</b>	<b>\$ 162,000</b>

### Governmental Activities

The Township's total governmental revenue decreased by approximately \$716,000, a decrease of 3.4 percent. Property taxes increased by \$294,000. Charges for services decreased by \$995,000 as a result of the DDA no longer making payments for police and fire services as well as other decreases.

Expenses increased by \$752,000 (3.5 percent) during the year, which related mainly to the increased public safety and public works expenses. Expenses increased in many categories as a result of increases to the net pension liability and net OPEB obligation. Overall, governmental net position decreased by \$1,763,000.



# **Charter Township of Brownstown**

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

### **Business-type Activities**

The Township's business-type activities consist of the Water and Sewer Funds. We provide water to residents from the Great Lakes Water Authority system. We provide sewage treatment through the South Huron Valley Utility Authority and the Downriver Sewage Disposal System. The combined change in net position of both funds was an increase of \$1,874,000.

### **The Township's Funds**

Our analysis of the Township's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major governmental-type funds for 2016 include the General Fund, the Police Operation Fund, and the Fire Protection Fund. The major business-type funds are the Sanitary Sewer Fund and the Water Fund.

The General Fund, Police Operation Fund, and Fire Protection Fund pay for most of the Township's governmental services. The most significant costs are police and fire activities, which incurred expenses of approximately \$5,005,000 (3.4 percent decrease over 2015) and \$4,623,000 (1.8 percent increase over 2015), respectively, in 2016. These two services are supported by special millages that are recorded in their individual special revenue funds.

During 2016, many of the Township's departments continued to make great strides to better the lives of our residents while continuing to control costs. The Department of Public Works continued to operate and maintain the water mains throughout the Township.

In 2016, the Downtown Development Authority (DDA) continued construction and improvements to the Township Recreation Campus. Phase 5A improvements were completed which included 80 additional parking spaces, a drive connecting the Event Center complex to the Community Center, ADA walkways, a soccer field, and site lighting and landscaping. The DDA and Township closed on the sale of Town Center land to Kroger and the Shoppes at Town Center to construct approximately 175,000 square feet of retail/services on approximately 30 acres. The DDA continues to work with Kroger and the developer to obtain county and state construction permits. Also in 2016, the DDA completed a market assessment and prepared a draft strategy plan for the Telegraph Road Corridor. The corridor has faced challenges following the second great contraction in 2009, but with recent developments in the Town Center, conditions are improving and there will likely be potential for new corridor development activity/development based on emerging trends along the corridor.

# **Charter Township of Brownstown**

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

### **General Fund Budgetary Highlights**

Over the course of the year, the Township amended the budget to take into account events during the year. The largest increases were to licenses and permits (\$767,000) and property taxes (\$52,000) with a partially offsetting decrease to fines and forfeitures. Actual revenue was approximately \$338,000 under budgeted amounts. Township departments overall expended slightly less than the amended budget amounts by a total of \$7,000. The overall actual revenue was nearly equal to expenditures and transfers; as a result, the General Fund's fund balance remained steady at approximately \$7.5 million. The combined fund balance of the General Fund, Police Operation Fund, and Fire Protection Fund (excluding amounts assigned for retiree insurance) is \$8,626,000 at December 31, 2016, which represents approximately 48.2 percent of 2016 combined expenditures for the three funds. Last year, this figure was 46.9 percent of 2015 combined expenditures for the same funds.

### **Capital Asset and Debt Administration**

At the end of 2016, the Township had \$88,960,000 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines net of related accumulated depreciation. In addition, the Township has invested significantly in roads within the Township. These assets, worth approximately \$11.3 million, net of related accumulated depreciation, are reported in the Township's financial statements as investment in infrastructure. Because Michigan law makes these roads the property of the Wayne County Road Commission, along with the responsibility to maintain them, they are listed as road usage rights.

During the year, the Township retired approximately \$2.3 million of debt. At the end of the year, the Township had \$5.2 million in bonds and notes outstanding for governmental activities compared to \$5.8 million at December 31, 2015, while business-type activities had \$13.7 million outstanding at the end of the year compared to \$14.1 million in the prior year. The DDA component unit has \$12.9 million in outstanding debt compared to \$14.1 million in the prior year.

### **Economic Factors and Next Year's Budgets and Rates**

The Township continues to maintain healthy fund balances and will continue to operate conservatively due to future uncertainties in the economy. Our current budget is being continuously reviewed in order to ensure that only necessary expenditures are included. To help offset rising costs and address concerns of the residents, the Township continues to strive for uniformity in health care as it negotiates the union contracts. Currently, not all of the employees are required to pay a portion of their health care upon retirement. Requiring future retirees to contribute to their health care will help lower the Township's OPEB liability.

### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

# Charter Township of Brownstown

## Statement of Net Position December 31, 2016

	Primary Government			Component Unit - Downtown Development Authority
	Governmental	Business-type	Total	
	Activities	Activities		
<b>Assets</b>				
Cash and investments (Note 3)	\$ 15,615,147	\$ 3,376,760	\$ 18,991,907	\$ 2,515,034
Receivables - Net (Note 4)	7,194,651	2,846,796	10,041,447	3,439,916
Due from component units (Note 7)	810,545	56,849	867,394	-
Inventory	-	242,730	242,730	-
Prepaid expenses and other assets	345,062	71,002	416,064	57,463
Restricted assets (Note 10)	-	3,696,287	3,696,287	-
Investment in joint ventures (Note 15)	943,576	3,585,373	4,528,949	-
Land held for resale (Note 9)	-	-	-	5,139,442
Current portion of amount receivable from other governmental entities (Note 8)	-	157,850	157,850	-
Capital assets (Note 6):				
Assets not subject to depreciation	4,630,273	300,529	4,930,802	1,018,116
Assets subject to depreciation - Net	22,748,506	61,280,195	84,028,701	9,230,452
Noncurrent portion of amount due from other governmental entities (Note 8)	-	315,668	315,668	-
<b>Total assets</b>	<b>52,287,760</b>	<b>75,930,039</b>	<b>128,217,799</b>	<b>21,400,423</b>
<b>Deferred Outflows of Resources</b>				
Bond refunding loss being amortized	28,287	-	28,287	-
Related to pensions	3,937,168	-	3,937,168	-
<b>Total deferred outflows of resources</b>	<b>3,965,455</b>	<b>-</b>	<b>3,965,455</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	693,000	952,795	1,645,795	251,120
Due to primary government (Note 7)	-	-	-	867,394
Refundable deposits, bonds, etc.	35,212	18,735	53,947	-
Accrued liabilities and other	502,926	28,117	531,043	35,838
Escrows	457,002	73	457,075	-
Noncurrent liabilities:				
Due within one year:				
Payable from restricted assets (Note 10)	-	797,596	797,596	-
Compensated absences	527,585	32,676	560,261	-
Current portion of long-term debt (Note 8)	740,000	1,006,988	1,746,988	1,290,000
Due in more than one year:				
Compensated absences	73,495	33,516	107,011	-
Net OPEB obligation (Note 14)	22,852,736	2,103,884	24,956,620	-
Net pension liability (Note 13)	8,646,914	-	8,646,914	-
Long-term debt (Note 8)	4,443,328	12,710,104	17,153,432	11,569,574
<b>Total liabilities</b>	<b>38,972,198</b>	<b>17,684,484</b>	<b>56,656,682</b>	<b>14,013,926</b>
<b>Deferred Inflows of Resources - Property taxes levied for the following year (Note 5)</b>	<b>11,795,225</b>	<b>1,008,928</b>	<b>12,804,153</b>	<b>3,224,683</b>
<b>Net Position</b>				
Net investment in capital assets	22,223,738	47,646,780	69,870,518	4,213,568
Restricted for:				
Grants	964,105	-	964,105	-
Police	585,079	-	585,079	-
Debt service and capital projects	-	3,589,061	3,589,061	-
Fire	99,432	-	99,432	-
Unrestricted	(18,386,562)	6,000,786	(12,385,776)	(51,754)
<b>Total net position</b>	<b>\$ 5,485,792</b>	<b>\$ 57,236,627</b>	<b>\$ 62,722,419</b>	<b>\$ 4,161,814</b>

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

# Charter Township of Brownstown

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,922,057	\$ 708,922	\$ 6,001	\$ -
District Court	551,486	543,526	-	-
Public safety	12,218,405	1,095,251	51,912	704,505
Public works	3,385,039	2,169,077	-	-
Community and economic development	1,500,695	1,215,613	192,889	-
Recreation and culture	1,487,270	383,952	58,595	-
Interest on long-term debt	193,670	-	-	-
Total governmental activities	<u>22,258,622</u>	<u>6,116,341</u>	<u>309,397</u>	<u>704,505</u>
Business-type activities:				
Water Fund	6,109,772	6,718,984	-	11,948
Sanitary Sewer Fund	5,567,990	5,766,000	-	31,219
Total business-type activities	<u>11,677,762</u>	<u>12,484,984</u>	<u>-</u>	<u>43,167</u>
Total primary government	<u>\$ 33,936,384</u>	<u>\$ 18,601,325</u>	<u>\$ 309,397</u>	<u>\$ 747,672</u>
Component unit - Downtown Development Authority	<u>\$ 2,388,122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Gain on sale of fixed assets				
Loss on sale of land held for resale				
Total general revenue				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

## Statement of Activities Year Ended December 31, 2016

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit - Downtown Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (2,207,134)	\$ -	\$ (2,207,134)	\$ -
(7,960)	-	(7,960)	-
(10,366,737)	-	(10,366,737)	-
(1,215,962)	-	(1,215,962)	-
(92,193)	-	(92,193)	-
(1,044,723)	-	(1,044,723)	-
(193,670)	-	(193,670)	-
(15,128,379)	-	(15,128,379)	-
-	621,160	621,160	-
-	229,229	229,229	-
-	850,389	850,389	-
(15,128,379)	850,389	(14,277,990)	-
-	-	-	(2,388,122)
10,076,048	999,629	11,075,677	3,106,447
2,703,190	-	2,703,190	-
1,024	17,843	18,867	-
452,637	-	452,637	-
106,493	5,648	112,141	793,212
25,445	-	25,445	-
-	-	-	(882,280)
13,364,837	1,023,120	14,387,957	3,017,379
(1,763,542)	1,873,509	109,967	629,257
7,249,334	55,363,118	62,612,452	3,532,557
<b>\$ 5,485,792</b>	<b>\$ 57,236,627</b>	<b>\$ 62,722,419</b>	<b>\$ 4,161,814</b>

# Charter Township of Brownstown

## Governmental Funds Balance Sheet December 31, 2016

	General Fund	Police Operation Fund	Fire Protection Fund	Nonmajor Funds	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 8,698,368	\$ 3,383,176	\$ 1,924,101	\$ 1,609,502	\$ 15,615,147
Receivables - Net (Note 4)	2,100,457	2,046,823	1,717,368	1,330,003	7,194,651
Due from component units (Note 7)	810,545	-	-	-	810,545
Due from other funds (Note 7)	139,237	-	-	-	139,237
Prepaid expenses and other assets	137,177	120,512	87,373	-	345,062
<b>Total assets</b>	<b>\$ 11,885,784</b>	<b>\$ 5,550,511</b>	<b>\$ 3,728,842</b>	<b>\$ 2,939,505</b>	<b>\$ 24,104,642</b>
<b>Liabilities</b>					
Accounts payable	\$ 573,959	\$ 44,536	\$ 35,367	\$ 39,138	\$ 693,000
Due to other funds (Note 7)	-	-	-	139,237	139,237
Deposits	35,212	-	-	-	35,212
Accrued liabilities and other	50,967	242,461	180,510	8,016	481,954
Escrows	438,310	-	-	18,692	457,002
<b>Total liabilities</b>	<b>1,098,448</b>	<b>286,997</b>	<b>215,877</b>	<b>205,083</b>	<b>1,806,405</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	72,052	67,476	43,738	968,839	1,152,105
Property taxes levied for the following year	2,663,226	4,678,435	3,413,533	1,040,031	11,795,225
<b>Total deferred inflows of resources</b>	<b>2,735,278</b>	<b>4,745,911</b>	<b>3,457,271</b>	<b>2,008,870</b>	<b>12,947,330</b>
<b>Fund Balances</b>					
Nonspendable - Prepays	137,177	120,512	87,373	-	345,062
Restricted:					
Police	-	397,091	-	-	397,091
Grants	-	-	-	261,363	261,363
Assigned:					
Retiree insurance	570,467	-	-	-	570,467
Capital improvements	-	-	-	690,481	690,481
Unassigned	7,344,414	-	(31,679)	(226,292)	7,086,443
<b>Total fund balances</b>	<b>8,052,058</b>	<b>517,603</b>	<b>55,694</b>	<b>725,552</b>	<b>9,350,907</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 11,885,784</b>	<b>\$ 5,550,511</b>	<b>\$ 3,728,842</b>	<b>\$ 2,939,505</b>	<b>\$ 24,104,642</b>

# Charter Township of Brownstown

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

<b>Fund Balance Reported in Governmental Funds</b>	\$ 9,350,907
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	27,378,779
Investments in joint ventures are not financial resources and are not reported in the funds	943,576
Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	1,152,105
Bonds payable and capital lease obligations, including related deferred outflow, are not due and payable in the current period and are not reported in the funds	(5,155,041)
Accrued interest is not due and payable in the current period and is not reported in the funds	(20,972)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(601,080)
Net pension liabilities and related deferred outflows of resources do not present a claim on current financial resources and are not reported as fund liabilities	(4,709,746)
Net OPEB obligations do not present a claim on current financial resources and are not reported as fund liabilities	(22,852,736)
<b>Net Position of Governmental Activities</b>	<b><u>\$ 5,485,792</u></b>

# Charter Township of Brownstown

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

	General Fund	Police Operation Fund	Fire Protection Fund	Nonmajor Funds	Total
<b>Revenue</b>					
Property taxes	\$ 1,130,349	\$ 4,578,432	\$ 3,355,757	\$ 1,011,510	\$ 10,076,048
Licenses and permits	2,024,998	-	-	-	2,024,998
Federal grants	-	-	-	91,024	91,024
State-shared revenue and grants	2,709,191	-	-	145,194	2,854,385
Charges for services	668,256	-	754,188	-	1,422,444
District Court and other fines	611,045	-	-	-	611,045
Investment income	-	-	-	1,024	1,024
Debt charges	-	-	-	631,725	631,725
Other revenue:					
Special assessments	1,483,994	-	-	-	1,483,994
Local contributions	-	-	-	1,049,309	1,049,309
Other miscellaneous income	160,308	118,916	38,773	17,400	335,397
Total revenue	<u>8,788,141</u>	<u>4,697,348</u>	<u>4,148,718</u>	<u>2,947,186</u>	<u>20,581,393</u>
<b>Expenditures</b>					
Current:					
General government	2,433,702	-	-	-	2,433,702
District Court	551,486	-	-	-	551,486
Public safety	374,502	5,005,126	4,622,579	320,917	10,323,124
Public works	2,446,707	-	-	-	2,446,707
Community and economic development	1,012,188	-	-	212,554	1,224,742
Recreation and culture	1,439,063	-	-	8,480	1,447,543
Capital outlay	-	-	-	1,329,670	1,329,670
Debt service	-	-	-	914,881	914,881
Total expenditures	<u>8,257,648</u>	<u>5,005,126</u>	<u>4,622,579</u>	<u>2,786,502</u>	<u>20,671,855</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	530,493	(307,778)	(473,861)	160,684	(90,462)
<b>Other Financing Sources (Uses)</b>					
Face value of debt issue	-	-	-	2,645,000	2,645,000
Debt premium	-	-	-	69,085	69,085
Proceeds from sale of capital assets	2,500	-	3,750	19,195	25,445
Transfers in	-	470,000	410,000	630,424	1,510,424
Transfers out	(916,357)	-	-	(594,067)	(1,510,424)
Payment to bond refunding escrow agent	-	-	-	(2,675,858)	(2,675,858)
Total other financing (uses) sources	<u>(913,857)</u>	<u>470,000</u>	<u>413,750</u>	<u>93,779</u>	<u>63,672</u>
<b>Net Change in Fund Balances</b>	(383,364)	162,222	(60,111)	254,463	(26,790)
<b>Fund Balances - Beginning of year</b>	<u>8,435,422</u>	<u>355,381</u>	<u>115,805</u>	<u>471,089</u>	<u>9,377,697</u>
<b>Fund Balances - End of year</b>	<u>\$ 8,052,058</u>	<u>\$ 517,603</u>	<u>\$ 55,694</u>	<u>\$ 725,552</u>	<u>\$ 9,350,907</u>



# Charter Township of Brownstown

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

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ (26,790)
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	1,538,004
Depreciation expense	(1,958,484)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(133,779)
Changes in joint ventures are not recorded in the governmental funds, but are recorded in the statement of activities	16,226
Bond proceeds and bond premiums provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position	(35,039)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	705,000
Change in accrued interest payable	13,025
Increase in accumulated employee sick and vacation pay expenses reported in the statement of activities does not require the use of current resources, and therefore is not reported in the fund statements until it comes due for payment	(95,766)
Increase in net pension liability and deferred outflows reported in the statement of activities does not require the use of resources, and therefore is not reported in the fund statements until it comes due for payment	(655,377)
Increase in net OPEB obligation reported in the statement of activities does not require the use of current resources, and therefore is not reported in the fund statements until it comes due for payment	<u>(1,130,562)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (1,763,542)</u></b>

# Charter Township of Brownstown

## Proprietary Funds Statement of Net Position December 31, 2016

	Enterprise Funds		
	Sanitary Sewer Fund	Water Fund	Total
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 2,200,481	\$ 1,176,279	\$ 3,376,760
Receivables (Note 4)	1,547,868	1,298,928	2,846,796
Due from component units	11,100	45,749	56,849
Inventory	77,222	165,508	242,730
Prepaid expenses and other assets	36,410	34,592	71,002
Current portion of amounts receivable from other governmental entities	157,850	-	157,850
<b>Total current assets</b>	<b>4,030,931</b>	<b>2,721,056</b>	<b>6,751,987</b>
Noncurrent assets:			
Restricted assets (Note 10)	2,305,824	1,390,463	3,696,287
Investment in joint ventures (Note 15)	3,585,373	-	3,585,373
Capital assets (Note 6):			
Assets not subject to depreciation	300,529	-	300,529
Assets subject to depreciation - Net	38,529,640	22,750,555	61,280,195
Noncurrent portion of amounts due from other governmental entities	315,668	-	315,668
<b>Total noncurrent assets</b>	<b>45,037,034</b>	<b>24,141,018</b>	<b>69,178,052</b>
<b>Total assets</b>	<b>49,067,965</b>	<b>26,862,074</b>	<b>75,930,039</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	313,336	639,459	952,795
Deposits	16,750	1,985	18,735
Accrued liabilities and other	16,949	11,168	28,117
Escrows	-	73	73
Compensated absences	16,338	16,338	32,676
Current portion of long-term debt (Note 8)	949,420	57,568	1,006,988
<b>Total current liabilities</b>	<b>1,312,793</b>	<b>726,591</b>	<b>2,039,384</b>
Noncurrent liabilities:			
Payable from restricted assets (Note 10)	475,255	322,341	797,596
Compensated absences	16,758	16,758	33,516
Net OPEB obligation (Note 14)	1,051,942	1,051,942	2,103,884
Long-term debt - Net of current portion (Note 8)	6,547,023	6,163,081	12,710,104
<b>Total noncurrent liabilities</b>	<b>8,090,978</b>	<b>7,554,122</b>	<b>15,645,100</b>
<b>Total liabilities</b>	<b>9,403,771</b>	<b>8,280,713</b>	<b>17,684,484</b>
<b>Deferred Inflows of Resources</b> - Property taxes levied for the following year (Note 5)	1,008,928	-	1,008,928
<b>Net Position</b>			
Net investment in capital assets	31,371,874	16,274,906	47,646,780
Restricted - Debt service and capital projects	2,265,939	1,323,122	3,589,061
Unrestricted	5,017,453	983,333	6,000,786
<b>Total net position</b>	<b>\$ 38,655,266</b>	<b>\$ 18,581,361</b>	<b>\$ 57,236,627</b>

# Charter Township of Brownstown

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

	Enterprise Funds		
	Sanitary Sewer Fund	Water Fund	Total
<b>Operating Revenue</b>			
Sale of water	\$ -	\$ 6,677,806	\$ 6,677,806
Sewage disposal charges	4,560,199	-	4,560,199
Other	162,339	41,178	203,517
Total operating revenue	4,722,538	6,718,984	11,441,522
<b>Operating Expenses</b>			
Cost of water	-	3,628,402	3,628,402
Cost of sewage treatment	2,105,157	-	2,105,157
General and administrative	855,210	875,193	1,730,403
Operation and maintenance	643,013	393,437	1,036,450
Depreciation	1,762,479	948,102	2,710,581
Total operating expenses	5,365,859	5,845,134	11,210,993
<b>Operating (Loss) Income</b>	(643,321)	873,850	230,529
<b>Nonoperating Revenue (Expenses)</b>			
Property tax revenue	999,629	-	999,629
Investment income	13,735	4,108	17,843
Interest expense	(202,131)	(264,638)	(466,769)
Change in investment in joint venture	986,613	-	986,613
Connection fees	56,849	-	56,849
Other nonoperating revenue	5,648	-	5,648
Total nonoperating revenue (expenses)	1,860,343	(260,530)	1,599,813
<b>Income - Before capital contributions</b>	1,217,022	613,320	1,830,342
<b>Capital Contributions</b>	31,219	11,948	43,167
<b>Change in Net Position</b>	1,248,241	625,268	1,873,509
<b>Net Position - Beginning of year</b>	37,407,025	17,956,093	55,363,118
<b>Net Position - End of year</b>	<b>\$ 38,655,266</b>	<b>\$ 18,581,361</b>	<b>\$ 57,236,627</b>

# Charter Township of Brownstown

## Proprietary Funds Statement of Cash Flows Year Ended December 31, 2016

	Enterprise Funds		
	Sanitary Sewer Fund	Water Fund	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 4,499,075	\$ 6,586,531	\$ 11,085,606
Payments to suppliers	(2,402,874)	(3,949,432)	(6,352,306)
Payments to employees	(776,948)	(822,594)	(1,599,542)
Other receipts (payments)	102,219	(47,310)	54,909
Net cash provided by operating activities	1,421,472	1,767,195	3,188,667
<b>Cash Flows from Capital and Related Financing Activities</b>			
Capital contributions	5,648	-	5,648
Property taxes (restricted for capital or capital debt)	644,790	-	644,790
Purchase of capital assets	(630,183)	(347,650)	(977,833)
Principal and interest paid on capital debt	(799,870)	(532,249)	(1,332,119)
Connection fees	56,849	-	56,849
Net cash used in capital and related financing activities	(722,766)	(879,899)	(1,602,665)
<b>Cash Flows from Investing Activities</b>			
Interest received on investments	13,735	4,108	17,843
Purchase of investment securities	-	(64,531)	(64,531)
Net cash provided by (used in) investing activities	13,735	(60,423)	(46,688)
<b>Net Increase in Cash and Cash Equivalents</b>	712,441	826,873	1,539,314
<b>Cash and Cash Equivalents - Beginning of year</b>	2,162,846	916,081	3,078,927
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 2,875,287</b>	<b>\$ 1,742,954</b>	<b>\$ 4,618,241</b>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>			
Cash and investments	\$ 2,200,481	\$ 1,176,279	\$ 3,376,760
Restricted cash	674,806	1,390,463	2,065,269
Less amounts classified as investments	-	(823,788)	(823,788)
Total cash and cash equivalents	<b>\$ 2,875,287</b>	<b>\$ 1,742,954</b>	<b>\$ 4,618,241</b>
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>			
Operating (loss) income	\$ (643,321)	\$ 873,850	\$ 230,529
Adjustments to reconcile operating (loss) income to net cash from operating activities:			
Depreciation and amortization	1,762,479	948,102	2,710,581
Changes in assets and liabilities:			
Receivables	(121,244)	(179,763)	(301,007)
Inventories	(3,405)	(24,525)	(27,930)
Prepaid and other assets	(14,217)	(10,743)	(24,960)
Accounts payable	205,079	108,099	313,178
Compensated absences, accrued, and other liabilities	90,181	(15,839)	74,342
Net OPEB obligation	145,920	68,014	213,934
Net cash provided by operating activities	<b>\$ 1,421,472</b>	<b>\$ 1,767,195</b>	<b>\$ 3,188,667</b>

**Noncash Investing, Capital, and Financing Activities** - During 2016, the County paid approximately \$367,000 in principal, interest, and fees on behalf of the Township related to Downriver Sewage Disposal System Bonds. The taxes collected for this judgment levy total \$452,207. The County made additional SRF draws for the Downriver Sewage Disposal System. The Township has recorded its share of the draw and related utility improvements in the amount of \$271,954 at December 31, 2016. The Township has also recorded \$96,780 of capital asset additions representing its share of improvements made to the South Huron Valley Utility Authority system from amounts previously paid to SHVUA.

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

# Charter Township of Brownstown

## Fiduciary Funds Statement of Fiduciary Net Position December 31, 2016

	Other Employee Benefit Trust Fund	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 42,120	\$ 5,871,873
Investments:		
U.S. government securities	106,737	-
Agency securities	31,190	-
Stocks	1,747,903	-
Bonds	220,802	-
Real estate	47,724	-
Municipal bonds	352,964	-
Total assets	2,549,440	<u>\$ 5,871,873</u>
<b>Liabilities - Due to other governmental units</b>	<u>-</u>	<u>\$ 5,871,873</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<u>\$ 2,549,440</u>	

# Charter Township of Brownstown

## Fiduciary Funds Statement of Changes in Fiduciary Net Position Retiree Health Care Year Ended December 31, 2016

	Retiree Health Care
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 55,248
Net increase in fair value of investments	112,733
Investment-related expenses	<u>(29,949)</u>
Net investment income	138,032
Contributions - Employer	<u>990,845</u>
Total additions	1,128,877
<b>Deductions - Benefit payments</b>	<u>590,845</u>
<b>Net Increase in Net Position Held in Trust</b>	538,032
<b>Net Position Held in Trust for Other Employee Benefits - Beginning of year</b>	<u>2,011,408</u>
<b>Net Position Held in Trust for Other Employee Benefits - End of year</b>	<u><u>\$ 2,549,440</u></u>

# Charter Township of Brownstown

## Notes to Financial Statements December 31, 2016

### Note 1 - Nature of Business and Significant Accounting Policies

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

#### **Reporting Entity**

The Charter Township of Brownstown is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the Township's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township (see discussion below for description).

#### **Blended Component Units**

The Township Building Authority is governed by a board appointed by the Township's board of trustees. Although it is legally separate from the Township, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings.

#### **Discretely Presented Component Units**

**Downtown Development Authority** - The Downtown Development Authority (the "DDA") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA's governing body, which consists of nine individuals, is selected by the Township's board of trustees. In addition, the DDA's budget is subject to approval by the Township's board of trustees. It is reported in the component unit column in the combined financial statements to emphasize that it is legally separate from the Township. Although no separate financial statements are prepared for this component unit, financial information can be obtained from the Township offices at 21313 Telegraph Road, Brownstown, Michigan.

**Brownfield Redevelopment Financing Authority** - The Brownfield Redevelopment Financing Authority (the "Authority") was established pursuant to Public Act 381 of 1996. The Authority was created to promote revitalization of environmentally distressed areas within the boundaries of the Township. The Authority had no financial activity during the year ended December 31, 2016; however, the Township is in negotiations for a reimbursement agreement with a developer in regard to a parcel within a Brownfield Redevelopment Financing Authority.

**Jointly Governed Organization** - Jointly governed organizations are discussed in Note 15.

# Charter Township of Brownstown

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## Notes to Financial Statements December 31, 2016

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

#### **Accounting and Reporting Principles**

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

#### **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 sanitary 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.



# Charter Township of Brownstown

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## Notes to Financial Statements December 31, 2016

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

#### 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:** 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 general government services, other than those specifically assigned to another fund.
- The Police Operation Fund and the Fire Protection Fund account for activities of the police and fire departments requiring separate accounting because of special tax levies to fund operations.

**Proprietary Funds:** Include enterprise funds, which provide goods or services to users in exchange for charges or fees. The Township reports the Water and Sanitary Sewer Funds as “major” enterprise funds.

- The Water Fund and Sanitary Sewer Fund account for the results of operations for providing water and sewer service to the citizens and businesses of the Township. The funds' primary revenue is generated through user charges from those requesting water and sewer services.

**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 Retiree Health Care Trust Fund accounts for the activities of the other postemployment benefits plan, which accumulates resources for retiree healthcare payments for qualified retirees; and
- Agency funds, which account for assets held by the Township as an agent for individuals, organizations, and other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

# Charter Township of Brownstown

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## Notes to Financial Statements December 31, 2016

### **Note 1 - Nature of Business and 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. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

#### **Basis of Accounting**

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

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

Revenue is not recognized until it is collected, or collected soon enough after the end of year that it is available to pay for obligations outstanding at the end of 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, district court fines, and interest associated with the current fiscal period. Conversely, federal grant reimbursements, ambulance fees, land contracts, and excavation fees will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow."

# Charter Township of Brownstown

## Notes to Financial Statements December 31, 2016

### Note I - Nature of Business and Significant Accounting Policies (Continued)

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

#### Specific Balances and Transactions

**Cash, Cash Equivalents, and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. To the extent that cash from various funds has been pooled, pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** - Capital assets, which include property, furniture, equipment, intangible assets, and infrastructure assets (e.g., road usage rights 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 \$2,500 and an estimated useful life in excess of one year, although assets purchased under that threshold may be capitalized at the Township's discretion. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

<u>Capital Asset Class</u>	<u>Lives</u>
Road usage rights	20 years
Land improvements	15 to 20 years
Utility systems	40 to 45 years
Buildings and improvements	20 to 50 years
Vehicles	4 to 15 years
Office furnishings	4 to 15 years
Other tools, machinery, and equipment	5 to 20 years

# Charter Township of Brownstown

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## Notes to Financial Statements December 31, 2016

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds 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. Township Hall Renovation Bonds, Police Facility Refunding Bonds, and fire truck contractual obligations are paid through DDA payments to the debt service funds. The debt service funds are generally used to liquidate other governmental long-term debt.

#### **Deferred Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Township reports deferred outflows of resources related to pensions representing the net difference between projected and actual earnings on pension plan investments and the employer contributions to the plan made subsequent to the measurement date. In addition, the Township has deferred outflows related to the deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Township has two items that qualify for reporting in this category. The deferred inflows of resources relate to (1) unavailable revenue which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from various sources: grants, land contracts, excavation fees, and ambulance fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. (2) The Township also has property taxes levied before the period they will finance. These property taxes are shown as deferred inflows of resources on both the governmental funds balance sheet as well as the statement of net position. Those property taxes will be recognized as revenue next year, as those amounts were levied for the subsequent year's budgeted operations.

# Charter Township of Brownstown

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## Notes to Financial Statements December 31, 2016

### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

#### **Net Position Flow Assumption**

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

#### **Fund Balance Flow Assumption**

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

#### **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 Township 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 Township's highest level of decision-making authority. The Township board of trustees is the highest level of decision-making authority for the Township 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.

# Charter Township of Brownstown

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## Notes to Financial Statements December 31, 2016

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

Amounts in the assigned fund balance classification are intended to be used by the Township board of trustees for specific purposes but do not meet the criteria to be classified as committed. The board of trustees may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

#### **Property Tax Revenue**

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

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

The 2015 taxable valuation of the Township totaled \$896.2 million (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of a millage of .8705 mills for general operations, an assessment of 4.00 mills for fire operations, a millage of 1.7410 mills and an assessment of 4.00 mills for police operations, 0.4772 mills for police capital improvement, 0.6032 mills for SHVUA debt service, 0.4772 mills for fire capital improvement, 0.4772 mills for road capital improvement, and 0.5023 mills for EPA debt. This resulted in \$600,000 for operating purposes, \$3.3 million for fire operations, \$4.6 million for police operations, \$334,000 for police capital improvement, \$544,000 for SHVUA debt service, \$334,000 for fire capital improvement, \$334,000 for road capital improvement, and \$452,000 for EPA debt. These amounts, in addition to collection fees, interest, and penalties, are recognized in the respective General Fund, special revenue funds, and enterprise funds financial statements as tax revenue.

# Charter Township of Brownstown

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## Notes to Financial Statements December 31, 2016

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Pension** - The Township offers a defined benefit pension plan to eligible employees. The Township records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Postemployment Benefit Costs** - The Township offers healthcare benefits to retirees. The Township receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the Township reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any. The net OPEB obligation will be liquidated from the funds from which the individual employee's salaries are paid, generally, the General Fund, Police Operation Fund, and Fire Protection Fund.

**Compensated Absences (Vacation and Sick Leave)** - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits, except for employees covered under the collective bargaining unit for fire department employees who are paid for sick leave at their regular pay rate at the end of the year in most circumstances. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**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 Fund and Sanitary Sewer Fund is charges to customers for sales and services. The Water Fund and Sanitary Sewer Fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary 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.

# Charter Township of Brownstown

## Notes to Financial Statements December 31, 2016

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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

**New Accounting Standard** - In the current year, the Township adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. The requirements of this statement enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques (see Note 3). The adoption of this statement did not have an impact on amounts reported in the basic financial statements.

The Township also adopted Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments to disclose in their financial statements information related to tax abatement agreements (see Note 18). The adoption of this statement did not have an impact on amounts reported in the basic financial statements.

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

**State Construction Code Act** - 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:

Cumulative shortfall at January 1, 2016		\$	(756,469)
Current year building permit revenue			1,245,404
Related expenses:			
Direct costs	\$	902,394	
Estimated indirect costs		101,951	1,004,345
			<u>241,059</u>
Current year surplus			<u>241,059</u>
Cumulative shortfall at December 31, 2016		\$	<u>(515,410)</u>



# Charter Township of Brownstown

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## Notes to Financial Statements December 31, 2016

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

**Fund Deficits** - The Township has accumulated fund deficits in the CDBG Fund and the Housing Assistance Fund. These deficits are a result of unavailable grant revenue recorded as deferred inflows.

The Township also has an accumulated fund deficit in the Road Improvement Fund. This deficit was a result of certain cash receipts not being received within the period of availability.

The governmental activities and Downtown Development Authority both reported negative unrestricted net position, although each total net position is positive.

### **Note 3 - Deposits and Investments**

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

The Retiree Health Care Fund is authorized by Michigan Public Act 347 of 2012, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The Township has designated five 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 accordance with state statutory authority as listed above.

# Charter Township of Brownstown

## Notes to Financial Statements December 31, 2016

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

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township's deposit policy for custodial credit risk requires all qualified institutions to provide audited financial statements, proof of certification and registration, and certification of having read the Township's investment policy. The Township is also to perform an annual review of financial condition and registration. At year end, the Township and DDA had a combined \$28,251,723 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's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

At year end, the Township had the following investments and maturities:

Investment	Fair Value	Less than One Year	One to Five Years	Six to Ten Years	More than Ten Years
Retiree Health Care Trust Fund:					
Corporate bonds	\$ 220,802	\$ 38,055	\$ 111,459	\$ 51,533	\$ 19,755
U.S. agency bonds	31,190	9,004	16,087	6,099	-
U.S. government bonds	106,737	21,247	48,124	37,366	-
Municipal bonds	352,964	20,493	108,382	159,077	65,012
Total	<u>\$ 711,693</u>	<u>\$ 88,799</u>	<u>\$ 284,052</u>	<u>\$ 254,075</u>	<u>\$ 84,767</u>

# Charter Township of Brownstown

## Notes to Financial Statements December 31, 2016

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

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

Investment	Fair Value	Rating	Rating Organization
<b>Retiree Health Care Trust Fund</b>			
Corporate bonds	\$ 15,243	AA	S&P
Corporate bonds	3,991	AA-	S&P
Corporate bonds	18,920	A+	S&P
Corporate bonds	48,337	A	S&P
Corporate bonds	12,042	A-	S&P
Corporate bonds	33,873	BBB+	S&P
Corporate bonds	39,812	BBB	S&P
Corporate bonds	9,675	BBB-	S&P
Corporate bonds	24,649	BB+	S&P
Corporate bonds	3,990	B+	S&P
Corporate bonds	10,270	not rated	n/a
U.S. agency bonds	31,190	Aaa	Moody's
U.S. government bonds	106,737	Aaa	Moody's
Municipal bonds	18,209	AA+	S&P
Municipal bonds	128,679	AA	S&P
Municipal bonds	18,986	Aa2	Moody's
Municipal bonds	19,786	AA-	S&P
Municipal bonds	39,181	A-	S&P
Municipal bonds	24,601	A3	Moody's
Municipal bonds	19,303	BBB+	S&P
Municipal bonds	35,432	BBB	S&P
Municipal bonds	19,612	Baa2	Moody's
Municipal bonds	29,175	not rated	n/a

**Concentration of Credit Risk** - The Township places no limit on the amount it may invest in any one issuer.

#### Fair Value Measurement

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. 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.

# Charter Township of Brownstown

## Notes to Financial Statements December 31, 2016

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

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.

The Township has the following recurring fair value measurements as of December 31, 2016:

#### Assets Measured at Fair Value on a Recurring Basis

	Balance at December 31, 2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
Debt securities:				
U.S. government bonds	\$ 106,737	\$ -	\$ 106,737	\$ -
U.S. agency bonds	31,190	-	31,190	-
Municipal bonds	352,964	-	352,964	-
Corporate bonds	220,802	-	220,802	-
Total debt securities	711,693	-	711,693	-
Equity securities	1,747,903	1,747,903	-	-
Other investments:				
Money market mutual funds	42,120	42,120	-	-
Real estate investment trusts	47,724	47,724	-	-
Total other investments	89,844	89,844	-	-
Total investments by fair value level	\$ 2,549,440	\$ 1,837,747	\$ 711,693	\$ -

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of debt securities at December 31, 2016 was determined primarily based on Level 2 inputs. The Township estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

# Charter Township of Brownstown

## Notes to Financial Statements December 31, 2016

### Note 4 - Receivables

Receivables as of year end for the Township's individual major funds, the nonmajor funds in the aggregate, and the component unit are as follows:

	General Fund	Police Operation Fund	Fire Protection Fund	Nonmajor Governmental Funds	Sanitary Sewer Fund	Water Fund	Downtown Development Authority
Receivables:							
Property taxes receivable	\$ 935,360	\$ 1,977,374	\$ 1,538,147	\$ 361,164	\$ 484,687	\$ -	\$ 3,224,683
Receivables from sales to customers on account	-	-	-	-	1,063,181	1,284,604	64,453
Liens and other receivables	167,942	42,940	179,221	695,229	-	14,324	150,780
Due from other governmental units	997,155	26,509	-	273,610	-	-	-
Net receivables	<u>\$ 2,100,457</u>	<u>\$ 2,046,823</u>	<u>\$ 1,717,368</u>	<u>\$ 1,330,003</u>	<u>\$ 1,547,868</u>	<u>\$ 1,298,928</u>	<u>\$ 3,439,916</u>

### Note 5 - Deferred Inflows

At the end of the current fiscal year, the various components of deferred inflows of resources are as follows:

	Governmental Funds	Governmental Activities
Property taxes levied for the next fiscal year	\$ 11,795,225	\$ 11,795,225
Land contracts - Unavailable	12,000	-
Grant reimbursements - Unavailable	176,672	-
Liens - Unavailable	668,697	-
Ambulance fees - Net of allowance - Unavailable	43,738	-
Other - Unavailable	45,431	-
Local stabilization revenue - Unavailable	111,099	-
Intergovernmental agreement - Unavailable	94,468	-
Total deferred inflows	<u>\$ 12,947,330</u>	<u>\$ 11,795,225</u>

For business-type activities, deferred inflows consist of \$1,008,928 for property taxes for the subsequent year. For the Downtown Development Authority, deferred inflows consist of \$3,224,683 for property taxes for the subsequent year.

# Charter Township of Brownstown

## Notes to Financial Statements December 31, 2016

### Note 6 - Capital Assets

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

	Balance January 1, 2016	Additions	Disposals and Adjustments	Balance December 31, 2016
<b>Governmental Activities</b>				
Capital assets not being depreciated -				
Land	\$ 4,614,898	\$ 15,375	\$ -	\$ 4,630,273
Capital assets being depreciated:				
Road usage rights	19,678,311	1,057,315	647,277	21,382,903
Buildings and improvements	13,930,868	23,297	(19,152)	13,935,013
Vehicles	4,374,076	291,128	(337,856)	4,327,348
Office furnishings	539,295	97,097	(77,650)	558,742
Land improvements	2,779,687	8,480	(647,277)	2,140,890
Other tools, machinery, and equipment	3,822,373	45,312	(48,701)	3,818,984
Total capital assets being depreciated	45,124,610	1,522,629	(483,359)	46,163,880
Accumulated depreciation:				
Road rights	9,075,535	1,031,737	2,697	10,109,969
Buildings and improvements	5,656,950	282,115	(19,152)	5,919,913
Vehicles	3,469,391	288,968	(337,856)	3,420,503
Office furnishings	423,823	35,435	(77,650)	381,608
Land improvements	1,079,001	83,755	(2,697)	1,160,059
Other tools, machinery, and equipment	2,235,549	236,474	(48,701)	2,423,322
Total accumulated depreciation	21,940,249	1,958,484	(483,359)	23,415,374
Net capital assets being depreciated	23,184,361	(435,855)	-	22,748,506
Net capital assets	\$ 27,799,259	\$ (420,480)	\$ -	\$ 27,378,779
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 203,749	\$ -	\$ -	\$ 203,749
Construction in progress	-	96,780	-	96,780
Subtotal	203,749	96,780	-	300,529
Capital assets being depreciated:				
Utility systems	98,079,311	976,064	-	99,055,375
Buildings and improvements	11,033,539	5,500	-	11,039,039
Vehicles	1,344,830	27,668	(12,368)	1,360,130
Other tools, machinery, and equipment	1,851,995	183,830	(259,071)	1,776,754
Total capital assets being depreciated	112,309,675	1,193,062	(271,439)	113,231,298
Accumulated depreciation:				
Utility systems	43,442,774	2,233,267	-	45,676,041
Buildings and improvements	3,837,353	252,935	-	4,090,288
Vehicles	883,263	119,205	(12,368)	990,100
Other tools, machinery, and equipment	1,148,190	105,174	(58,690)	1,194,674
Total accumulated depreciation	49,311,580	2,710,581	(71,058)	51,951,103
Net capital assets being depreciated	62,998,095	(1,517,519)	(200,381)	61,280,195
Net capital assets	\$ 63,201,844	\$ (1,420,739)	\$ (200,381)	\$ 61,580,724

# Charter Township of Brownstown

## Notes to Financial Statements December 31, 2016

### Note 6 - Capital Assets (Continued)

Component Units	Balance January 1, 2016	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2016
Capital assets not being depreciated:					
Land	\$ 291,500	\$ -	\$ 701,582	\$ -	\$ 993,082
Construction in progress	33,131	(11,988)	3,891	-	25,034
Subtotal	324,631	(11,988)	705,473	-	1,018,116
Capital assets being depreciated:					
Buildings and improvements	4,610,064	-	-	-	4,610,064
Office furnishings	-	-	2,675	-	2,675
Land improvements	4,798,572	11,988	538,853	-	5,349,413
Solar upgrade	355,572	-	-	-	355,572
Total capital assets being depreciated	9,764,208	11,988	541,528	-	10,317,724
Accumulated depreciation:					
Buildings and improvements	378,788	-	187,683	-	566,471
Office furnishings	-	-	267	-	267
Land improvements	187,762	-	242,412	-	430,174
Solar upgrade	72,584	-	17,776	-	90,360
Total accumulated depreciation	639,134	-	448,138	-	1,087,272
Net capital assets being depreciated	9,125,074	11,988	93,390	-	9,230,452
Net capital assets	\$ 9,449,705	\$ -	\$ 798,863	\$ -	\$ 10,248,568

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

#### Governmental activities:

General government	\$ 165,718
Public safety	619,928
Public works	1,039,447
Community and economic development	25,395
Recreation and culture	107,996
Total governmental activities	\$ 1,958,484

#### Business-type activities:

Water	\$ 948,102
Sewer	1,762,479
Total business-type activities	\$ 2,710,581

**Construction Commitments** - As of December 31, 2016, the DDA had one active construction project. At that time, the DDA had spent \$25,034 on the Township campus project and had a remaining commitment of \$1,192,979.

# Charter Township of Brownstown

## Notes to Financial Statements December 31, 2016

### Note 7 - Interfund Receivables, Payables, and Transfers

At December 31, 2016, \$810,545 was owed from the Downtown Development Authority to the General Fund, \$11,100 was owed from the Downtown Development Authority to the Sanitary Sewer Fund, \$45,749 was owed from the Downtown Development Authority to the Water Fund, and \$139,237 was owed from the nonmajor governmental funds to the General Fund.

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

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
General Fund	Fire Protection Fund	\$ 280,000
	Police Operation Fund	300,000
	Nonmajor governmental funds	<u>336,357</u>
	Total General Fund	916,357
Nonmajor governmental funds	Police Operation Fund	170,000
	Nonmajor governmental funds	294,067
	Fire Protection Fund	<u>130,000</u>
	Total nonmajor governmental funds	<u>594,067</u>
	Total	<u>\$ 1,510,424</u>

The transfer from the General Fund to the nonmajor governmental funds was for capital projects. The transfers from the General Fund and other nonmajor governmental funds to the Fire Protection Fund and the Police Operation Fund were transfers of eligible tax dollars from these funds to support the fire and police operations. The transfer from nonmajor governmental funds to other nonmajor governmental funds was for debt payments.

Additionally, the DDA contributed approximately \$632,000 to pay debt service for the Township Hall Renovation Bonds, Police Facility Refunding Bonds, and fire truck contractual obligations.



# Charter Township of Brownstown

## Notes to Financial Statements December 31, 2016

### Note 8 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. 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 government.

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
General obligations:							
Police Facility Refunding Bonds - 2006							
Amount of issue - \$5,610,000		\$390,000-					
Maturing through 2022	4.00%	\$450,000	\$ 3,065,000	\$ -	\$ 3,065,000	\$ -	\$ -
Township Hall Renovation Bonds							
Amount of issue - \$1,200,000	4.250%-	\$100,000-					
Maturing through 2017	4.625%	\$115,000	225,000	-	110,000	115,000	115,000
Road Improvement Bonds - 2012							
Amount of issue - \$2,870,000	2.00%-	\$165,000-					
Maturing through 2027	3.150%	\$260,000	2,535,000	-	175,000	2,360,000	185,000
Police Facility Refunding Bonds- 2016							
Amount of issue - \$2,645,000		\$440,000-					
Maturing through 2022	2.00%	\$445,000	-	2,645,000	-	2,645,000	440,000
Contractual obligations - Fire truck - 2000							
Add unamortized bond premium	-	-	-	69,085	5,757	63,328	-
Total bonds payable			5,825,000	2,714,085	3,355,757	5,183,328	740,000
Accumulated compensated absences			505,314	542,927	447,161	601,080	527,585
Total governmental activities			\$ 6,330,314	\$ 3,257,012	\$ 3,802,918	\$ 5,784,408	\$ 1,267,585

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund, Police Operation Fund, and Fire Protection Fund.

# Charter Township of Brownstown

## Notes to Financial Statements December 31, 2016

### Note 8 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>							
Water:							
DWRF Water Main Bonds - 2009 amount of issue - \$1,185,000 maturing through 2019	2.50%	\$40,000- \$70,000	\$ 773,354	\$ -	\$ 45,000	\$ 728,354	\$ 45,000
Water Capital Improvement Bonds - 2011 amount of issue - \$6,700,000 maturing through 2031	2.00%- 4.75%	\$215,000- \$525,000	5,855,000	-	240,000	5,615,000	255,000
Caterpillar Tractor - 2016 (50%) amount of issue - \$77,447 maturing through 2018	2.49%	\$13,227	-	38,724	12,262	26,462	12,568
Add - Unamortized premium			113,132	-	7,299	105,833	-
Sewer:							
SHVUA Plant Expansion Bonds - 1998 amount of issue - \$8,606,758 maturing through 2020	2.250%	\$454,349- \$521,334	2,490,717	-	475,369	2,015,348	486,687
SHVUA Sewer System Improvement Bonds - 2010 amount of issue - \$567,760 maturing through 2030	3.50%- 6.375%	\$21,291- \$47,905	482,596	-	23,065	459,531	24,840
SHVUA Sewer System Improvement Bonds - 2011 amount of issue - \$840,906 maturing through 2031	2.500%	\$34,297- \$52,080	691,713	-	35,567	656,146	36,837
Caterpillar Tractor - 2016 (50%) amount of issue - \$77,447 maturing through 2018	2.49%	\$13,227	-	38,724	12,262	26,462	12,568
SHVUA 2016 Biodeck Conversion Project amount - \$1,880,000 maturing through 2026	2.95%	\$188,000	-	914,808	-	914,808	91,481
Contractual obligations - SHVUA Installment Agreement amount of issue \$1,540,000 maturing through 2019	4.800%	-	1,232,000	-	308,000	924,000	308,000
EPA Judgment - Brownstown Share of Downriver Sewage Disposal System Bonds:							
SRF #5 Project 5117-15 - \$2,698,311; 2018	2.250%	\$151,193- \$165,631	485,995	-	158,275	327,720	162,089
SRF #6 Project 5117-18, 19, 21 - \$192,776; 2017	2.250%	\$10,768 - \$11,014	21,182	-	10,955	10,227	10,227
SRF #7 Project 5117-23; \$731; 2017	2.250%	\$42 - \$45	90	-	44	46	46
SRF #9 Project 5117-24, 31 - \$291,996; 2020	2.250%	\$16,549 - \$17,748	58,126	-	16,985	41,141	17,364
SRF #10 Project 5117-25, 32 - \$691,456; 2020	2.250%	\$37,417 - \$41,455	161,281	-	39,153	122,128	40,031
SRF #11 Project 5117-20 - \$4,313; 2020	2.250%	\$233 - \$271	1,290	-	246	1,044	251
SRF #12 1999 A & B Refunding - \$887,593; 2018	4.750% - 5.125%	\$50,337 - \$63,702	169,133	-	53,609	115,524	56,378
SRF #13 Project 5117-01 - \$7,321; 2020	2.500%	\$389 - \$454	1,835	-	389	1,446	454
SRF #14 Project 5117-34 - \$315,567; 2021	2.500%	\$16,445- \$19,948	111,706	-	17,376	94,330	17,997
Series 2007B - \$520,912	4.000% - 5.400%	\$21,114 - \$39,918	370,807	-	23,423	347,384	24,413
Brownstown Share of Downriver Sewage Disposal System Bonds paid through rates:							
SRF #5217-01 - \$131,040; 2026	1.625%	\$6,593- \$11,224	91,924	-	6,891	85,033	9,108
SRF #5217-15 (2011A) - \$452,160*	4.250% - 5.750%	\$7,978 - \$28,320	387,425	-	16,928	370,497	18,444
SRF # 5419-01 (2013) - \$350,282*	2.00%	\$14,357- \$21,096	271,296	63,821	14,681	320,436	15,900
SRF #5420-01 (2016) - \$531,150*	2.50%	\$20,700 - \$33,300	-	208,133	-	208,133	-
Series 2007D - \$128,950*	1.250% - 2.500%	\$4,981 - \$10,080	105,903	-	5,661	100,242	6,201
Series 2008A 5217-02 - \$139,620*	1.250% - 2.500%	\$5,421 - \$8,960	112,165	-	5,692	106,473	6,360
Series 2008B 5217-03 - \$348,660*	1.250% - 2.500%	\$13,039 - \$22,400	296,440	-	14,081	282,359	15,264
Series 2008C 5217-04 - \$377,988*	1.250% - 2.500%	\$14,943 - \$24,230	316,396	-	16,029	300,367	17,490
Series 2008D 5217-05 - \$135,096*	1.250% - 2.500%	\$5,419 - \$8,640	106,830	-	5,842	100,988	6,360
Subtotal - Downriver Sewage Disposal System Bonds			3,069,824	271,954	406,260	2,935,518	424,377
Less current amount payable from restricted assets			(651,375)	(690,370)	(651,375)	(690,370)	(690,370)
Total bonds payable			14,056,961	573,840	913,709	13,717,092	1,006,988
Accumulated compensated absences			75,558	38,276	47,642	66,192	32,676
Total business-type activities			\$ 14,132,519	\$ 612,116	\$ 961,351	\$ 13,783,284	\$ 1,039,664

\* The Township's share of the debt is calculated each year based on the five-year average flow of the Township compared to the other participating communities in the system.

# Charter Township of Brownstown

## Notes to Financial Statements December 31, 2016

### Note 8 - Long-term Debt (Continued)

Component Unit	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation:							
DDA Bonds - 2004							
Amount of issue - \$15,000,000		\$905,000-					
Maturing through 2022	Variable	\$1,245,000	\$ 7,755,000	\$ -	\$ 980,000	\$ 6,775,000	\$ 1,020,000
DDA Township Campus Bonds - 2012							
Amount of issue - \$7,000,000	3.00%-	\$235,000-					
Maturing through 2032	3.625%	\$510,000	6,295,000	-	260,000	6,035,000	270,000
Add unamortized premium			52,772	-	3,198	49,574	-
Total bonds payable			<u>\$ 14,102,772</u>	<u>\$ -</u>	<u>\$ 1,243,198</u>	<u>\$ 12,859,574</u>	<u>\$ 1,290,000</u>

During the year, the DDA obtained a \$412,000 line of credit that expires on September 28, 2017. During 2016, there was no borrowing against the line and there was no outstanding balance as of December 31, 2016.

Total interest expense for the year was \$982,400. 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**			Component Unit Activities***		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 740,000	\$ 116,924	\$ 856,924	\$ 1,697,358	\$ 441,648	\$ 2,139,006	\$ 1,290,000	\$ 405,180	\$ 1,695,180
2018	625,000	101,765	726,765	1,743,260	405,353	2,148,613	1,340,000	369,887	1,709,887
2019	630,000	88,265	718,265	1,513,713	363,950	1,877,663	1,395,000	343,132	1,738,132
2020	635,000	73,690	708,690	1,200,312	328,406	1,528,718	1,455,000	287,466	1,742,466
2021	635,000	59,040	694,040	699,148	294,624	993,772	1,515,000	231,551	1,746,551
2022-2026	1,595,000	135,513	1,730,513	3,807,733	1,099,199	4,906,932	3,055,000	644,918	3,699,918
2027-2031	260,000	4,095	264,095	3,543,819	379,182	3,923,001	2,250,000	295,281	2,545,281
2032-2036	-	-	-	96,286	2,240	98,526	510,000	9,244	519,244
Total	<u>\$ 5,120,000</u>	<u>\$ 579,292</u>	<u>\$ 5,699,292</u>	<u>\$ 14,301,629</u>	<u>\$ 3,314,602</u>	<u>\$ 17,616,231</u>	<u>\$ 12,810,000</u>	<u>\$ 2,586,659</u>	<u>\$ 15,396,659</u>

\* Net of unamortized premium on bonds of \$63,328

\*\* Net of unamortized premium on bonds of \$105,833

\*\*\* Net of unamortized premium on bonds of \$49,574

**Advance and Current Refundings** - In prior years, the Township defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. The old bonds are not callable. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At December 31, 2016, \$2,650,000 of bonds outstanding is considered defeased.

# Charter Township of Brownstown

## Notes to Financial Statements December 31, 2016

### Note 8 - Long-term Debt (Continued)

During the year, the Township issued \$2.65 million in 2016 Police Facility Refunding Bonds with an average interest rate of 2.0 percent. The proceeds of these bonds were used to advance refund \$2.65 million of outstanding 2006 Police Facility Refunding Bonds with an average interest rate of 4.0 percent. The net proceeds of \$2.68 million (after payment of \$54,000 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. The refunded bonds were subsequently called and paid in full. The liability for the bonds has been removed from the government-wide statement of net position. The refunding reduced total debt service payments over the next years by approximately \$162,000, which represents an economic gain of approximately \$157,000.

### Note 9 - Land Held for Resale

During the year ended December 31, 2004, the Downtown Development Authority issued \$15,000,000 in bonds to purchase \$14,265,000 of land which has been recorded at the lower of cost or market value. In addition, the DDA purchased additional adjoining land for \$423,000. Portions of the land were sold in 2014 and 2016 and management anticipates the remaining land will be sold to developers in conjunction with the Town Center Project and, accordingly, it has been included as an asset in the Downtown Development Authority in the accompanying financial statements. The Downtown Development Authority had an appraisal conducted in 2010. The appraisal report, dated November 1, 2010, indicated a value of \$10,600,000, or an average value of \$136,000 per acre.

An updated appraisal was performed in June 2013 and revised in July 2013 which valued the parcel at \$10,167,000. The appraisal report indicates the following: "The appraisal is based on the assumption that the vacant land is intended to be developed with a variety of uses. The value analysis that was conducted estimates the value contribution of each type of land by examining sales of properties with similar potential highest and best use. The value of the property is derived by summing the value contribution of the individual components and comparing that sum to the value per acre indicated by sales of land acquired or being marketed for mixed-use development. The analysis incorporates the demand and supply conclusions of the appraiser based on an analysis of economic factors impacting future demand and competing supply of sites suited for development." Given the speculative nature of the project and the impact on the longer-term development prospects, management views the project as an economic development stimulator. As a result, the selling price of specific parcels may be higher or lower than the estimate of fair market value arrived at in the appraisal. The analysis is premised on the appraiser's conclusion that the expected mixed-use development will create synergies and thus increase the relative appeal of the development.

# Charter Township of Brownstown

## Notes to Financial Statements December 31, 2016

### Note 9 - Land Held for Resale (Continued)

In October 2014, the DDA sold 19 acres of land with an adjusted cost basis of approximately \$414,000. The property sold for \$950,000 and a gain on the sale of approximately \$536,000 was recorded. After the sale, the remaining adjusted cost basis for the land held for resale by the DDA totals approximately \$9,777,000.

In November 2016, the DDA sold 28 acres of land with an adjusted cost basis of approximately \$4.3 million. The property sold for approximately \$3.4 million and a loss on the sale of approximately \$900,000 was recorded. There was also a donation of approximately one acre with an adjusted cost basis of \$350,000. After the sale and donation, the remaining adjusted cost basis for the land held for resale by the DDA totals approximately \$5,140,000.

### Note 10 - Restricted Assets

The balances of the restricted asset accounts reflected as business-type activities (Sanitary Sewer and Water Funds) are as follows:

Sanitary sewer restricted assets - Cash and cash equivalents:	
To repay South Huron Valley Plant Expansion bonds	\$ 106,120
For future sewer capital improvements	568,686
Prepaid and accrued interest	5,388
Downriver sewage disposal system - Assets held by the	
County for future EPA debt payments	1,615,630
South Huron Valley Utility Authority - Start-up costs	10,000
Water restricted assets - Cash and cash equivalents -	
To repay 2011 Water Capital Improvement bonds and	
for water system capital improvements	<u>1,390,463</u>
Total restricted assets	<u>\$ 3,696,287</u>

Current liabilities to be paid from restricted assets of the Sanitary Sewer and Water Funds consist of the following:

Bond principal payments:	
SHVUA Plant Expansion bonds	\$ 106,120
EPA Sewage Disposal System bonds	329,250
2011 Water Capital Improvement bonds	255,000
Accrued interest	<u>107,226</u>
Total current liabilities payable from restricted assets	<u>\$ 797,596</u>

# Charter Township of Brownstown

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## Notes to Financial Statements December 31, 2016

### **Note 11 - Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefits claims and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation and the Michigan Municipal Risk Management Authority state risk pool for property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program and the Michigan Municipal Risk Management Authority (MMRMA) state risk pool program operate as common risk-sharing management programs 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. For the MMRMA program, a portion of the excess insurance coverage is underwritten by the authority itself.

### **Note 12 - Defined Contribution Pension Plan**

The Township provides pension benefits to all of its full-time employees who are at least 18 years of age. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is a 457(b) deferred compensation plan administered by MBC retirement services. Salaried employees are eligible to participate the first of the month 30 days after hire. Union employees are eligible to participate the first of the month 90 days after hire. As established by the Township board, the Township contributes 11 percent to 15 percent of employees' base earnings for AFSCME union employees.

In addition, the Township contributed 14 percent to 15 percent of base earnings for MAP union employees. AFSCME union employees, nonunion employees, and board members are required to contribute 5 percent of base earnings before taxes.

Also, 8 percent to 15 percent of base earnings are contributed for administrative nonunion personnel and board members. All participants may voluntarily contribute an additional amount, on an after-tax basis, not to exceed the Internal Revenue Service guidelines.

In accordance with these requirements, the Township contributed \$386,515 and employees contributed \$165,631.

# Charter Township of Brownstown

## Notes to Financial Statements December 31, 2016

### Note 13 - Pension Plan

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

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

Retirement benefits for all participants are calculated as 2.5 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 50 with 25 years of service or 55 with 15 years of service. Vesting period is 10 years.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are 2.5 percent, noncompounding.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Township board, generally after negotiations of these terms with the affected unions. Police and fire employees benefit terms may be subject to binding arbitration in certain circumstances.

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

Inactive plan members or beneficiaries currently receiving benefits	9
Inactive plan members entitled to but not yet receiving benefits	5
Active plan members	<u>63</u>
Total employees covered by MERS	<u><u>77</u></u>

# Charter Township of Brownstown

## Notes to Financial Statements December 31, 2016

### Note 13 - Pension Plan (Continued)

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

For the year ended December 31, 2016, the average active employee contribution rate was 3.6 percent of annual pay and the Township's average contribution rate was 18.9 percentage of annual payroll.

#### Net Pension Liability

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

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2014</b>	\$ 21,994,136	\$ 16,867,992	\$ 5,126,144
Service cost	654,963	-	654,963
Interest	1,770,855	-	1,770,855
Changes in benefits	(116,600)	-	(116,600)
Differences between expected and actual experience	551,167	-	551,167
Changes in assumptions	1,309,173	-	1,309,173
Contributions - Employer	-	847,414	(847,414)
Contributions - Employee	-	161,491	(161,491)
Net investment income	-	(266,793)	266,793
Benefit payments, including refunds	(371,855)	(371,855)	-
Administrative expenses	-	(37,985)	37,985
Miscellaneous other charges	55,339	-	55,339
Net changes	3,853,042	332,272	3,520,770
<b>Balance at December 31, 2015</b>	<b>\$ 25,847,178</b>	<b>\$ 17,200,264</b>	<b>\$ 8,646,914</b>



# Charter Township of Brownstown

## Notes to Financial Statements December 31, 2016

### Note 13 - Pension Plan (Continued)

**Assumption Changes** - From the time of the last measurement date at December 31, 2014 to December 31, 2015, the actuary modified significant assumptions that affect the measurement of the total pension liability. The actuary adjusted the assumed annual rate of return down from 8.25 percent to 8.00 percent. The mortality tables were updated from the 1994 Group Mortality Table to a blend of the RP-2014 tables described below.

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

For the year ended December 31, 2016, the Township recognized pension expense of \$1,473,174. At December 31, 2016, the Township reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 482,271
Changes in assumptions	1,145,526
Net difference between projected and actual earnings on pension plan investments	1,491,574
Employer contributions to the plan subsequent to the measurement date	<u>817,797</u>
Total	<u>\$ 3,937,168</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$817,797), which will impact the net pension liability in year 2017, rather than pension expense.

<u>Years Ending December 31</u>	<u>Amount</u>
2017	\$ 620,388
2018	620,388
2019	620,388
2020	560,581
2021	232,543
Thereafter	465,083

# Charter Township of Brownstown

## Notes to Financial Statements December 31, 2016

### Note 13 - Pension Plan (Continued)

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

Inflation	2.50%	
Salary increases	3.75%	The pay increase assumption used in the actuarial valuation projects annual pay increases of 3.75% in the long-term, including inflation
Investment rate of return	8.00%	Gross of pension plan investment expense, including inflation

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

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

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

**Discount Rate** - The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

### Projected Cash Flows

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

# Charter Township of Brownstown

## Notes to Financial Statements December 31, 2016

### Note 13 - Pension Plan (Continued)

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

Asset Class	Target Allocation (%)	Long-term Expected Real Rate of Return
Global equity	58 %	5.00 %
Global fixed income	20	2.20
Real assets	12	4.20
Diversifying strategies	10	6.50

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the Township, calculated using the discount rate of 8.00 percent, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	1 Percent Decrease (7.0%)	Current Discount Rate (8.0%)	1 Percent Increase (9.0%)
Net pension liability of the Township	\$ 13,085,855	\$ 8,646,914	\$ 5,011,990

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

# Charter Township of Brownstown

## Notes to Financial Statements December 31, 2016

### Note 14 - Other Postemployment Benefits

**Plan Description** - The Township provides retiree healthcare and life insurance benefits to retirees. The Township includes both retirees and their spouses in its insurance healthcare plan but only retirees in the life insurance plan. Currently, the plan has 195 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

This is a single-employer defined benefit plan administered by the Township. The benefits are provided under labor contracts. The plan does not issue a separate stand-alone financial statement.

**Funding Policy** - The collective bargaining agreements require a contribution of 3 percent premiums from police and some fire employees. The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment. In the current year, the Township paid postemployment healthcare premiums of \$590,845 and an advanced payment of \$400,000.

**Funding Progress** - For the year ended December 31, 2016, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of January 1, 2016. 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)	\$ 2,987,414
Interest on the prior year's net OPEB obligation	710,702
Less adjustment to the annual required contribution	<u>(1,440,683)</u>
Annual OPEB cost	2,257,433
Amounts contributed - Payments of current premiums	(590,845)
Advance funding	<u>(400,000)</u>
Increase in net OPEB obligation	1,266,588
OPEB obligation - Beginning of year	<u>23,690,032</u>
OPEB obligation - End of year	<u>\$ 24,956,620</u>

# Charter Township of Brownstown

## Notes to Financial Statements December 31, 2016

### Note 14 - Other Postemployment Benefits (Continued)

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

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Annual OPEB Costs	Employer Contributions		Net OPEB Obligation
				Percentage of ARC Contributed	Percentage OPEB Costs Contributed	
12/31/14	1/1/13	\$ 7,374,187	\$ 6,967,684	7.5 %	7.9 %	\$ 21,238,182
12/31/15	1/1/15	3,812,242	3,195,328	19.5	23.3	23,690,032
12/31/16	1/1/16	2,987,414	2,257,433	33.2	43.9	24,956,620

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
1/1/13	\$ 1,682,028	\$ 59,629,862	\$ 57,947,834	2.8 %	Not available	Not available
1/1/15	2,066,820	37,846,011	35,779,191	5.5	Not available	Not available
1/1/16	2,011,408	29,384,669	27,373,261	6.8	Not available	Not available

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

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

# Charter Township of Brownstown

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## Notes to Financial Statements December 31, 2016

### **Note 14 - Other Postemployment Benefits (Continued)**

In the January 1, 2016 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 3 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 7.5 percent initially for 2016, then 7.5 percent for 2017 grading down to 4.0 percent (in 0.5 percent increments) in 2024. There was a dental trend of 3.0 percent for all years. The actuarial value of assets was determined using market value. The UAAL is being amortized on a level dollar, closed basis. The remaining amortization period at January 1, 2016 was 22 years.

### **Note 15 - Joint Ventures**

The Township is a member of the 33rd District Court (the "Court"), which provides services to the member communities. The Court receives its operating revenue mainly from fines and fees, in addition to annual funding provided by member communities.

During the current year, the Township contributed approximately \$551,000 for its operations. The Township received approximately \$544,000 in revenue from Court collections. Complete financial statements for the Court can be obtained from the administrative offices at 19000 Van Horn Road, Woodhaven, MI 48183. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating communities in the near future. The Township's total interest in this joint venture (including the Township's share of working capital) is \$943,576.

# Charter Township of Brownstown

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## Notes to Financial Statements December 31, 2016

### Note 15 - Joint Ventures (Continued)

The Township is a member of the South Huron Valley Utility Authority (the "Authority"). The Authority is a joint venture of the charter townships of Brownstown, Huron, and Van Buren, the cities of Flat Rock, Gibraltar, Romulus, and Woodhaven, and the village of South Rockwood. The Authority was founded in order to acquire and operate a sewage disposal and wastewater treatment system. During the year, the Township contributed \$1,395,000 toward the operation of the system. In addition, debt payments of \$746,000, including both principal and interest, were made to the Authority. The Township's portion of the debt is recorded in the Township's Sewer Fund. The Township's share of the capital assets and net operating excess is also reflected in the Sewer Fund. The Township's interest in this joint venture is \$939,926, exclusive of capital assets and debt. During 2014, the Township entered into an installment purchase agreement in order to finance the Trenton Arm Pump rebuild and Sludge Tank Thickener projects. The installment purchase agreement covers Brownstown Township's portion of the projects along with three other member communities. As of December 31, 2016, the total outstanding balance of the installment purchase agreement was \$924,000, with \$450,982 of the principal attributable to Brownstown Township and the remaining \$473,518 attributable to other communities. The full amount of this debt is recorded as a liability within these financial statements and the amount of principal attributable to other communities is recorded as an intergovernmental receivable. Complete financial statements for the Authority can be obtained from the administrative offices at 46425 Tyler Road, Belleville, MI 48111. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

The Township, along with 12 other communities, jointly participates in the Downriver Sewage Disposal System. The Township's share of capital assets, restricted assets (for debt service), and related debt is recorded in the Sewer Fund. During the year, the Township paid \$705,000 for operations of the system and \$491,000 for debt service. The Township's interest in this joint venture is \$2,645,447, exclusive of capital assets and debt. Complete financial statements can be obtained from the administrative offices at 415 Clifford, Detroit, MI 48226. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

# Charter Township of Brownstown

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## Notes to Financial Statements December 31, 2016

### **Note 16 - Upcoming Accounting Pronouncements**

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statements more extensive footnote disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the Township will, after adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. The Township is currently evaluating the impact these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for fiscal years beginning after June 15, 2016, whereas GASB Statement No. 75 is effective one year later.

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2019.

### **Note 17 - Contingencies**

The Township has been named as a defendant in certain lawsuits and claims requesting damages of various amounts, the majority of which do not state a specific maximum. The ultimate effect on the financial statements is, in the opinion of management and legal counsel, not expected to be material considering available insurance coverage.

### **Note 18 - Tax Abatements**

The Township uses the Industrial Facilities Tax exemption (PA 198 of 1974) to enter into agreements with local businesses to construct new industrial facilities or rehabilitate historical facilities. Under the program, the Township grants reductions of 50 percent of the property tax bill for new property (or it can freeze taxable values for rehabilitation properties) for up to 12 years.

For the fiscal year ended December 31, 2016, the Township abated \$171,076 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.



# **Charter Township of Brownstown**

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## **Notes to Financial Statements December 31, 2016**

### **Note 18 - Tax Abatements (Continued)**

The Township uses personal property tax exemptions (PA 328 of 1998, as amended by PA 20 of 1999) to enter into agreements with local businesses to add additional personal property to their facilities. Under the program, the new purchases of eligible personal property are 100 percent exempt from personal property taxes. For the fiscal year ended December 31, 2016, the Township abated approximately \$233,000 of taxes under this program. There are no provisions to recapture taxes.

There are no significant abatements made by other governments that reduce the Township's tax revenue.

## **Required Supplemental Information**

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# Charter Township of Brownstown

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 1,042,197	\$ 1,093,612	\$ 1,130,349	\$ 36,737
Licenses and permits	1,200,000	1,966,850	2,024,998	58,148
State-shared revenue and grants	2,776,434	2,795,834	2,709,191	(86,643)
Charges for services	735,150	748,950	668,256	(80,694)
Fines and forfeitures	652,000	623,700	611,045	(12,655)
Other revenue:				
Special assessments	1,744,500	1,744,500	1,483,994	(260,506)
Other miscellaneous income	90,100	152,683	160,239	7,556
Total revenue	8,240,381	9,126,129	8,788,072	(338,057)
<b>Expenditures</b>				
Current:				
General government:				
Legislative	104,765	104,765	102,769	1,996
Executive	238,413	238,413	254,310	(15,897)
Accounting	220,705	221,705	241,526	(19,821)
Treasurer	211,919	250,919	252,309	(1,390)
Assessing	181,116	181,116	182,356	(1,240)
Board of Review	2,710	2,710	2,006	704
Clerk	214,274	231,789	229,486	2,303
Elections	193,099	193,099	160,707	32,392
Buildings and grounds	140,400	140,400	127,632	12,768
Legal	43,000	52,300	49,603	2,697
Human resources	98,322	100,222	97,893	2,329
Tax collection	64,464	76,674	77,408	(734)
Nondepartmental	81,000	140,275	91,373	48,902
Employee benefits and insurance	450,989	421,389	412,681	8,708
Total general government	2,245,176	2,355,776	2,282,059	73,717
Judicial	600,000	555,000	551,486	3,514
Public safety - Animal control	174,666	221,476	219,736	1,740
Public works:				
Sanitation	1,503,000	1,726,275	1,840,793	(114,518)
Public works	575,700	575,700	616,566	(40,866)
Total public works	2,078,700	2,301,975	2,457,359	(155,384)

# Charter Township of Brownstown

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Expenditures (Continued)</b>				
Current (Continued):				
Community and economic development:				
Community development	\$ 782,649	\$ 881,449	\$ 890,308	\$ (8,859)
Planning	25,670	33,070	38,543	(5,473)
Economic development opportunities	21,150	21,150	19,368	1,782
Zoning board of appeals	19,160	18,760	8,092	10,668
Total community and economic development	848,629	954,429	956,311	(1,882)
Recreation and culture:				
Library	174,000	174,000	185,990	(11,990)
Parks and recreation	993,642	1,034,542	945,111	89,431
Community center	270,332	281,932	274,596	7,336
Beautification commission	3,461	3,461	2,994	467
Total recreation and culture	1,441,435	1,493,935	1,408,691	85,244
Total expenditures	7,388,606	7,882,591	7,875,642	6,949
<b>Excess of Revenue Over Expenditures</b>	851,775	1,243,538	912,430	(331,108)
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	-	2,500	2,500	-
Transfers out	(665,000)	(1,059,263)	(916,357)	142,906
Total other financing uses	(665,000)	(1,056,763)	(913,857)	142,906
<b>Net Change in Fund Balance</b>	186,775	186,775	(1,427)	(188,202)
<b>Fund Balance - Beginning of year</b>	7,483,020	7,483,020	7,483,020	-
<b>Fund Balance - End of year</b>	<u>\$ 7,669,795</u>	<u>\$ 7,669,795</u>	<u>\$ 7,481,593</u>	<u>\$ (188,202)</u>

# Charter Township of Brownstown

## Required Supplemental Information Budgetary Comparison Schedule - Major Funds Police Operation Fund Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 4,529,869	\$ 4,529,869	\$ 4,578,432	\$ 48,563
Other revenue	23,500	23,500	118,916	95,416
Total revenue	4,553,369	4,553,369	4,697,348	143,979
<b>Expenditures - Current - Public safety - Police</b>	5,074,923	5,074,923	5,005,126	69,797
<b>Excess of Expenditures Over Revenue</b>	(521,554)	(521,554)	(307,778)	213,776
<b>Other Financing Sources - Transfers in</b>	530,000	530,000	470,000	(60,000)
<b>Net Change in Fund Balance</b>	8,446	8,446	162,222	153,776
<b>Fund Balance - Beginning of year</b>	355,381	355,381	355,381	-
<b>Fund Balance - End of year</b>	<b>\$ 363,827</b>	<b>\$ 363,827</b>	<b>\$ 517,603</b>	<b>\$ 153,776</b>

# Charter Township of Brownstown

## Required Supplemental Information Budgetary Comparison Schedule - Major Funds Fire Protection Fund Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 3,349,475	\$ 3,378,076	\$ 3,355,757	\$ (22,319)
Charges for services	650,000	650,000	754,188	104,188
Other miscellaneous income	35,000	43,500	38,773	(4,727)
Total revenue	4,034,475	4,071,576	4,148,718	77,142
<b>Expenditures - Current - Public safety - Fire</b>	4,440,216	4,761,230	4,622,579	138,651
<b>Excess of Expenditures Over Revenue</b>	(405,741)	(689,654)	(473,861)	215,793
<b>Other Financing Sources</b>				
Proceeds from sale of capital assets	-	3,750	3,750	-
Transfers in	410,000	690,163	410,000	(280,163)
Total other financing sources	410,000	693,913	413,750	(280,163)
<b>Net Change in Fund Balance</b>	4,259	4,259	(60,111)	(64,370)
<b>Fund Balance - Beginning of year</b>	115,805	115,805	115,805	-
<b>Fund Balance - End of year</b>	<u>\$ 120,064</u>	<u>\$ 120,064</u>	<u>\$ 55,694</u>	<u>\$ (64,370)</u>

# **Charter Township of Brownstown**

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## **Note to Required Supplemental Information Year Ended December 31, 2016**

**Budgetary Information** - The Township is legally subject to the budgetary control requirements of the Charter Township Act 359 of 1947.

The Township adopts its budget by budgetary center (activity/department), which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations. A comparison of actual results of operations to the General Fund and major special revenue funds budgets adopted by the Township board is included as required supplemental information. This comparison includes expenditure budget overruns. A comparison of actual results of operations, including budget overruns, to the nonmajor fund budgets as adopted by the Township board is available at the clerk's office for inspection.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township supervisor, on or before 120 days prior to the commencement of the fiscal and budgetary year (January 1), shall prepare and submit to the board a complete itemized proposed budget for the next fiscal year.
2. A public hearing on the budget shall be held before its final adoption, at such time and place as the board shall direct, and notice of such public hearing shall be published at least one week in advance thereof by the clerk.
3. The board shall, prior to the commencement of the next fiscal year, adopt a budget for the ensuing fiscal year.

The annual budget is prepared by the Township management and adopted by the Township board; subsequent amendments are approved by the Township board. Unexpended appropriations lapse at year end. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that transfers to/from other funds have been included in revenue and expenditures, rather than as other financing sources (uses), and reimbursing transfers have been included as other financing sources (uses) rather than revenue and expenditures.

The budget statements are presented on the same basis of accounting used in preparing the adopted budget.

# Charter Township of Brownstown

## Note to Required Supplemental Information (Continued) Year Ended December 31, 2016

A reconciliation of the budgetary comparison schedules to the fund-based statement of changes in fund balance is as follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>
General Fund:		
Amounts per operating statement	\$ 8,788,141	\$ 8,257,648
Amounts in Retiree Insurance Fund (former special revenue fund combined with General Fund for GASB No. 54 purposes)	<u>(69)</u>	<u>(382,006)</u>
Amounts per budget statement	<u>\$ 8,788,072</u>	<u>\$ 7,875,642</u>

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the Charter Township of Brownstown incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General government - Executive	\$ 238,413	\$ 254,310	\$ (15,897)
General government - Accounting	221,705	241,526	(19,821)
General government - Treasurer	250,919	252,309	(1,390)
General government - Assessing	181,116	182,356	(1,240)
General government - Tax collection	76,674	77,408	(734)
Public works - Sanitation	1,726,275	1,840,793	(114,518)
Public works - Public works	575,700	616,566	(40,866)
Community and Economic Development - Community development	881,449	890,308	(8,859)
Community and Economic Development - Planning	33,070	38,543	(5,473)
Recreation and culture - Library	174,000	185,990	(11,990)



# Charter Township of Brownstown

## Required Supplemental Information OPEB System Schedule Year Ended December 31, 2016

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
1/1/13	\$ 1,682,028	\$ 59,629,862	\$ 57,947,834	2.8 %	Not available	Not available
1/1/15	2,066,820	37,846,011	35,779,191	5.5	Not available	Not available
1/1/16	2,011,408	29,384,669	27,373,261	6.8	Not available	Not available

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
12/31/14	1/1/13	\$ 7,374,187	7.5 %
12/31/15	1/1/15	3,812,242	19.5
12/31/16	1/1/16	2,987,414	33.2

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of January 1, 2016, the latest actuarial valuation, follows:

Amortization method	Level dollar - Closed
Amortization period	22 years
Actuarial assumptions:	
Investment rate of return	3.0%
Annual healthcare cost trend rate	4.0 - 7.5%
Annual dental care rate	3.0%
Mortality	RP 2014 white collar

# Charter Township of Brownstown

## Required Supplemental Information Schedule of Changes in the Net Pension Liability Last Two Fiscal Years

	2016 (12/31/2015 Measurement Date)	2015 (12/31/2014 Measurement Date)
<b>Total Pension Liability</b>		
Service cost	\$ 654,963	\$ 635,762
Interest	1,770,855	1,660,389
Changes in benefit terms	(116,600)	-
Differences between expected and actual experience	551,167	-
Changes in assumptions	1,309,173	-
Miscellaneous other	55,339	-
Benefit payments, including refunds	<u>(371,855)</u>	<u>(293,556)</u>
<b>Net Change in Total Pension Liability</b>	3,853,042	2,002,595
<b>Total Pension Liability - Beginning of year</b>	<u>21,994,136</u>	<u>19,991,541</u>
<b>Total Pension Liability - End of year</b>	<b><u>\$ 25,847,178</u></b>	<b><u>\$ 21,994,136</u></b>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 847,414	\$ 793,910
Contributions - Member	161,491	135,442
Net investment (loss) income	(266,793)	986,585
Administrative expenses	(37,985)	(36,523)
Benefit payments, including refunds	(371,855)	(293,556)
Other	-	(2,909)
<b>Net Change in Plan Fiduciary Net Position</b>	332,272	1,582,949
<b>Plan Fiduciary Net Position - Beginning of year</b>	<u>16,867,992</u>	<u>15,285,043</u>
<b>Plan Fiduciary Net Position - End of year</b>	<b><u>\$ 17,200,264</u></b>	<b><u>\$ 16,867,992</u></b>
<b>Township's Net Pension Liability - Ending</b>	<b><u>\$ 8,646,914</u></b>	<b><u>\$ 5,126,144</u></b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	66.55 %	76.69 %
<b>Covered Employee Payroll</b>	\$ 4,482,043	\$ 4,353,923
<b>Township's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	192.9 %	117.7 %

# Charter Township of Brownstown

## Required Supplemental Information Schedule of Pension Contributions Last Nine Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 847,414	\$ 793,910	\$ 803,818	\$ 794,578	\$ 789,967	\$ 778,640	\$ 716,878	\$ 739,951	\$ 387,129
Contributions in relation to the actuarially determined contribution	847,414	793,910	803,818	794,578	789,967	778,640	716,878	739,951	387,129
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 4,482,043	\$ 4,353,923	\$ 4,468,030	\$ 4,497,875	\$ 4,431,802	\$ 4,076,878	\$ 4,001,540	\$ 4,088,322	\$ 3,749,066
Contributions as a percentage of covered employee payroll	18.9 %	18.2 %	18.0 %	17.7 %	17.8 %	19.1 %	17.9 %	18.1 %	10.3 %

### Notes to Schedule of Township Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Methods and assumptions used to determine contribution rates	
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll - Closed
Remaining amortization period	24 years
Asset valuation method	10-year smoothed
Inflation	3.0 - 4.0 percent
Salary increases	4.5 percent
Investment rate of return	8.25 percent - Gross of administrative expenses
Retirement age	None
Mortality	50 percent female/50 percent male 1994 Group Annuity Mortality Table
Other information	Table above displays all nine years of the plan. The plan was not in existence previously.

## **Other Supplemental Information**

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# Charter Township of Brownstown

	Special Revenue Funds			Debt Service Funds	
	CDBG Fund	Drug Forfeiture Fund	Housing Assistance Fund	Debt Service Fund	Building Authority Fund
<b>Assets</b>					
Cash and investments	\$ -	\$ 262,583	\$ -	\$ -	\$ -
Receivables - Net	150,962	-	694,407	-	-
Total assets	<u>\$ 150,962</u>	<u>\$ 262,583</u>	<u>\$ 694,407</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficit)</b>					
<b>Liabilities</b>					
Accounts payable	\$ 3,390	\$ 1,220	\$ -	\$ -	\$ -
Due to other funds	113,528	-	25,709	-	-
Accrued liabilities and other	-	-	-	-	-
Escrows	-	-	-	-	-
Total liabilities	116,918	1,220	25,709	-	-
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	150,962	-	694,407	-	-
Property taxes levied for the following year	-	-	-	-	-
Total deferred inflows of resources	150,962	-	694,407	-	-
<b>Fund Balances (Deficit)</b>					
Restricted - Grants	-	261,363	-	-	-
Assigned - Capital improvements	-	-	-	-	-
Unassigned	(116,918)	-	(25,709)	-	-
Total fund balances (deficit)	(116,918)	261,363	(25,709)	-	-
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 150,962</u>	<u>\$ 262,583</u>	<u>\$ 694,407</u>	<u>\$ -</u>	<u>\$ -</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2016**

Capital Projects Funds				Total
Capital Improvement Fund	Police Improvement Fund	Fire Improvement Fund	Road Improvement Fund	Nonmajor Governmental Funds
\$ 680	\$ 469,519	\$ 692,670	\$ 184,050	\$ 1,609,502
12,000	127,654	127,654	217,326	1,330,003
<b>\$ 12,680</b>	<b>\$ 597,173</b>	<b>\$ 820,324</b>	<b>\$ 401,376</b>	<b>\$ 2,939,505</b>
\$ -	\$ 2,400	\$ 11,386	\$ 20,742	\$ 39,138
-	-	-	-	139,237
-	2,672	2,672	2,672	8,016
680	-	-	18,012	18,692
680	5,072	14,058	41,426	205,083
12,000	7,266	7,266	96,938	968,839
-	346,677	346,677	346,677	1,040,031
12,000	353,943	353,943	443,615	2,008,870
-	-	-	-	261,363
-	238,158	452,323	-	690,481
-	-	-	(83,665)	(226,292)
-	238,158	452,323	(83,665)	725,552
<b>\$ 12,680</b>	<b>\$ 597,173</b>	<b>\$ 820,324</b>	<b>\$ 401,376</b>	<b>\$ 2,939,505</b>

# Charter Township of Brownstown

	Special Revenue Funds			Debt Service Funds	
	CDBG Fund	Drug Forfeiture Fund	Housing Assistance Fund	Debt Service Fund	Building Authority Fund
<b>Revenue</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants	13,341	46,028	24,464	-	-
State-shared revenue and grants	-	145,194	-	-	-
Investment income	-	-	-	-	564
Debt charges	-	-	-	-	631,725
Other revenue	-	-	-	-	-
<b>Total revenue</b>	<b>13,341</b>	<b>191,222</b>	<b>24,464</b>	<b>-</b>	<b>632,289</b>
<b>Expenditures</b>					
Current:					
Public safety	-	320,917	-	-	-
Community and economic development	175,893	-	36,661	-	-
Recreation and culture	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service	-	-	-	244,365	670,516
<b>Total expenditures</b>	<b>175,893</b>	<b>320,917</b>	<b>36,661</b>	<b>244,365</b>	<b>670,516</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(162,552)</b>	<b>(129,695)</b>	<b>(12,197)</b>	<b>(244,365)</b>	<b>(38,227)</b>
<b>Other Financing Sources (Uses)</b>					
Face value of debt issue	-	-	-	-	2,645,000
Debt premium	-	-	-	-	69,085
Proceeds from sale of capital assets	-	7,215	-	-	-
Transfers in	49,702	-	-	244,365	-
Transfers out	-	-	(49,702)	-	-
Payment to bond refunding escrow agent	-	-	-	-	(2,675,858)
<b>Total other financing sources (uses)</b>	<b>49,702</b>	<b>7,215</b>	<b>(49,702)</b>	<b>244,365</b>	<b>38,227</b>
<b>Net Change in Fund Balances (Deficit)</b>	<b>(112,850)</b>	<b>(122,480)</b>	<b>(61,899)</b>	<b>-</b>	<b>-</b>
<b>Fund Balances (Deficit) - Beginning of year</b>	<b>(4,068)</b>	<b>383,843</b>	<b>36,190</b>	<b>-</b>	<b>-</b>
<b>Fund Balances (Deficit) - End of year</b>	<b>\$ (116,918)</b>	<b>\$ 261,363</b>	<b>\$ (25,709)</b>	<b>\$ -</b>	<b>\$ -</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances (Deficit)**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2016**

Capital Projects Funds				Total
Capital Improvement Fund	Police Improvement Fund	Fire Improvement Fund	Road Improvement Fund	Nonmajor Governmental Funds
\$ -	\$ 337,170	\$ 337,170	\$ 337,170	\$ 1,011,510
-	-	7,191	-	91,024
-	-	-	-	145,194
-	-	460	-	1,024
-	-	-	-	631,725
6,000	-	-	1,060,709	1,066,709
6,000	337,170	344,821	1,397,879	2,947,186
-	-	-	-	320,917
-	-	-	-	212,554
8,480	-	-	-	8,480
193,696	184,788	54,465	896,721	1,329,670
-	-	-	-	914,881
202,176	184,788	54,465	896,721	2,786,502
(196,176)	152,382	290,356	501,158	160,684
-	-	-	-	2,645,000
-	-	-	-	69,085
-	11,980	-	-	19,195
181,357	-	-	155,000	630,424
-	(170,000)	(130,000)	(244,365)	(594,067)
-	-	-	-	(2,675,858)
181,357	(158,020)	(130,000)	(89,365)	93,779
(14,819)	(5,638)	160,356	411,793	254,463
14,819	243,796	291,967	(495,458)	471,089
<b>\$ -</b>	<b>\$ 238,158</b>	<b>\$ 452,323</b>	<b>\$ (83,665)</b>	<b>\$ 725,552</b>



# Charter Township of Brownstown

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## Other Supplemental Information Statement of Assets and Liabilities Fiduciary Funds - Agency Funds December 31, 2016

	<u>School and County Fund</u>	<u>Tax Collection Fund</u>	<u>Total Agency Funds</u>
<b>Assets</b> - Cash and cash equivalents	<u>\$ 199,822</u>	<u>\$ 5,672,051</u>	<u>\$ 5,871,873</u>
<b>Liabilities</b> - Due to other governmental units	<u>\$ 199,822</u>	<u>\$ 5,672,051</u>	<u>\$ 5,871,873</u>