

TITTABAWASSEE TOWNSHIP

Saginaw County, Michigan

FINANCIAL STATEMENTS

March 31, 2018

TITTABAWASSEE TOWNSHIP

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INDEPENDENT AUDITORS' REPORT

To the Township Board
Tittabawassee Township, Michigan

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 Tittabawassee Township as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Township'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.

Auditors' Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Tittabawassee Township as of March 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Township Board
Tittabawassee Township, Michigan

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 9), schedule of changes in net pension liability and related ratios (page 48), schedule of defined benefit plan pension contributions (page 49), schedules of other postemployment benefits funding progress and employer contributions (page 50), and budgetary comparison information (pages 51 through 54) 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, who 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 supplementary 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 Tittabawassee Township's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary 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. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Bertchume & Co.

Saginaw, Michigan
September 7, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

TITTABAWASSEE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2018

As management of Tittabawassee Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS:

- The Township's combined total net position is reported as \$20,362,348 for the fiscal year ended March 31, 2018, compared to \$20,347,185 for the fiscal year ended March 31, 2017. Total net position increased by \$15,163.
- In the Township's governmental activities, revenues generated were \$3,249,330 while expenses totaled \$3,336,860.
- In the Township's business-type activities, revenues generated were \$3,139,283 while expenses totaled \$3,036,590.

OVERVIEW OF THE FINANCIAL STATEMENTS:

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements:

The government-wide statements are designed to provide readers with a broad overview of the Township's finances, as a whole, in a manner similar to a private sector business. The *statement of net position* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net position. The *statement of activities* presents all of the Township's revenues and expenses, and is reported based on when the underlying event giving rise to the revenue or expense occurs, regardless of when cash is received or paid.

The government-wide statements of Tittabawassee Township are divided into three categories:

Governmental Activities – Most of the Township's basic services are included here, such as the public safety, public works, and general administration. Property taxes, state shared revenue, and charges for services finance most of these activities.

Business-type Activities – The Township charges fees to customers to recover all or a significant portion of certain services it provides. These business-type activities include water distribution and sewage collection.

Component Unit – The Township includes the Downtown Development Authority as a discretely presented component unit.

Fund Financial Statements:

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

TITTABAWASSEE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2018

The Township has three types of funds:

Governmental Funds – Many of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out. The funds also show the balances left at year-end that are available for spending.

The governmental funds focus on a short-term view, rather than the long-term focus of the government-wide statements, so additional information is provided after each of the governmental fund statements that explain the relationship of differences between the fund and government-wide statements.

The Township maintains five (5) individual governmental funds. Separate information is presented for the General Fund, Police Fund, and Refuse Collection Fund, which are considered to be "major" funds. Data from the other two (2) governmental funds, considered to be "nonmajor" funds, are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Township adopts an annual budget for each of its governmental funds. Budgetary comparison statements have been provided for major governmental funds to demonstrate compliance with those budgets.

Proprietary Funds – Proprietary funds are used to report services where the Township charges a fee to the customer to recover most or all of the cost of the service rendered. Proprietary funds provide both long- and short-term financial information. The two types of proprietary funds are enterprise and internal service funds. The Township has no internal service funds.

- Enterprise funds and business-type funds are the same, but the fund statements provide more detail and additional information such as cash flows. The Township's enterprise funds are the Sewer Fund and Water Fund.

Fiduciary Funds – Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of the funds are not available to support the Township's own programs.

Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township. The combining statements referred to earlier in connection with the nonmajor governmental funds are presented immediately following the required supplementary information.

TITTABAWASSEE TOWNSHIP AS A WHOLE:

The Township's total combined net position for the fiscal year ended March 31, 2018 is \$20,362,348, consisting of \$5,002,510 in governmental activities and \$15,359,838 in business-type activities.

TITTABAWASSEE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2018

Combined unrestricted net position, that part of net position that can be used to finance day-to-day operations, is \$4,714,485. Governmental activities unrestricted total is \$1,230,071, while business-type activities is \$3,484,414.

The following table shows comparisons of total assets, total deferred outflows, total liabilities, total deferred inflows and total net position in a condensed format as of March 31, 2018 and March 31, 2017.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Assets:						
Current and other assets	\$ 2,536,446	\$ 2,619,238	\$ 3,650,647	\$ 2,938,330	\$ 6,187,093	\$ 5,557,568
Capital assets, net	<u>2,807,109</u>	<u>2,911,911</u>	<u>11,875,425</u>	<u>12,530,800</u>	<u>14,682,534</u>	<u>15,442,711</u>
Total assets	<u>5,343,555</u>	<u>5,531,149</u>	<u>15,526,072</u>	<u>15,469,130</u>	<u>20,869,627</u>	<u>21,000,279</u>
Deferred outflows	<u>93,703</u>	<u>166,587</u>	<u>43,702</u>	<u>74,858</u>	<u>137,405</u>	<u>241,445</u>
Liabilities:						
Current and other liabilities	149,312	129,862	118,319	148,436	267,631	278,298
Long-term liabilities	<u>216,727</u>	<u>472,061</u>	<u>56,141</u>	<u>135,690</u>	<u>272,868</u>	<u>607,751</u>
Total liabilities	<u>366,039</u>	<u>601,923</u>	<u>174,460</u>	<u>284,126</u>	<u>540,499</u>	<u>886,049</u>
Deferred inflows	<u>68,709</u>	<u>5,773</u>	<u>35,476</u>	<u>2,717</u>	<u>104,185</u>	<u>8,490</u>
Net position:						
Net investment in capital assets	2,698,927	2,721,048	11,875,424	12,530,800	14,574,351	15,251,848
Restricted	1,073,512	1,048,192	-	-	1,073,512	1,048,192
Unrestricted	<u>1,230,071</u>	<u>1,320,800</u>	<u>3,484,414</u>	<u>2,726,345</u>	<u>4,714,485</u>	<u>4,047,145</u>
Total net position	<u>\$ 5,002,510</u>	<u>\$ 5,090,040</u>	<u>\$15,359,838</u>	<u>\$15,257,145</u>	<u>\$20,362,348</u>	<u>\$20,347,185</u>

The Township's combined total net position increased by \$15,163 during the current fiscal year. Governmental activities decreased by \$87,530 while business-type activities increased by \$102,693.

Governmental Activities:

The Township's total governmental revenue is reported at \$3,249,330, an increase of \$100,086 from the prior fiscal year. Total expenses decreased by \$107,867 from the prior fiscal year. The Township continued its practice of investing in assets and expanding infrastructure without incurring additional debt. In fiscal year 2017-2018, these investments included:

- Two (2) major road improvements on Hospital and Orr roads were completed
- The sidewalk system was expanded by adding over 1 mile of new sidewalks.
- New vehicles for the Police, Water/Sewer and Parks departments.
- Expanded the sanitary sewer system.
- The Parks improved the annual Freeland Light Display with \$10,000 of new exhibits.
- The DDA also replaced its lighting at the Freeland SportsZone.

TITTABAWASSEE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2018

The budget policy of maintaining sufficient cash reserves in the General Fund remained a high priority. Management is focused on the impact of the financial activities within the Township and reviews the budget monthly. Financial forecasts are based on the best available data while considering the demands for service and programming that arise with an expanding population.

Business-type Activities:

The Township's total business-type revenue is reported at \$3,139,283 an increase of \$66,014 from the prior fiscal year. Total expenses decreased by \$50,106 from the prior fiscal year.

The following table shows comparison of the change in net position in a condensed format for the years ended March 31, 2018 and March 31, 2017:

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Revenues:						
Program revenues						
Charges for services	\$ 986,987	\$ 929,196	\$ 2,669,006	\$ 2,543,075	\$ 3,655,993	\$ 3,472,271
Operating grants/contributions	43,014	42,343	261,719	195,250	304,733	237,593
Capital grants/contributions	-	-	191,629	329,653	191,629	329,653
General revenues						
Property taxes	1,361,107	1,332,886	-	-	1,361,107	1,332,886
Franchise fees	58,067	57,388	-	-	58,067	57,388
Unrestricted grants	771,810	744,375	-	-	771,810	744,375
Investment earnings	5,547	4,920	16,929	5,291	22,476	10,211
Other	22,798	38,136	-	-	22,798	38,136
Total revenues	<u>3,249,330</u>	<u>3,149,244</u>	<u>3,139,283</u>	<u>3,073,269</u>	<u>6,388,613</u>	<u>6,222,513</u>
Program Expenses:						
General government	660,391	671,131	-	-	660,391	671,131
Public safety	1,261,747	1,205,134	-	-	1,261,747	1,205,134
Public works	1,016,894	873,170	-	-	1,016,894	873,170
Community and economic development	115,447	38,538	-	-	115,447	38,538
Recreation and culture	277,893	649,145	-	-	277,893	649,145
Interest on long-term debt	4,488	7,609	-	-	4,488	7,609
Sewer	-	-	1,301,495	1,368,911	1,301,495	1,368,911
Water	-	-	1,735,095	1,717,785	1,735,095	1,717,785
Total program expenses	<u>3,336,860</u>	<u>3,444,727</u>	<u>3,036,590</u>	<u>3,086,696</u>	<u>6,373,450</u>	<u>6,531,423</u>
Decrease in net position before special items	<u>(87,530)</u>	<u>(295,483)</u>	<u>102,693</u>	<u>(13,427)</u>	<u>15,163</u>	<u>(308,910)</u>
Special items:						
Sale of capital assets	-	9,423	-	(4,156)	-	5,267
Changes in net position	<u>(87,530)</u>	<u>(286,060)</u>	<u>102,693</u>	<u>(17,583)</u>	<u>15,163</u>	<u>(303,643)</u>
Net position, beginning of year	<u>5,090,040</u>	<u>5,376,100</u>	<u>15,257,145</u>	<u>15,274,728</u>	<u>20,347,185</u>	<u>20,650,828</u>
Net position, end of year	<u>\$ 5,002,510</u>	<u>\$ 5,090,040</u>	<u>\$ 15,359,838</u>	<u>\$ 15,257,145</u>	<u>\$ 20,362,348</u>	<u>\$ 20,347,185</u>

TITTABAWASSEE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2018

TITTABAWASSEE TOWNSHIP'S FUNDS:

Presentation of Tittabawassee Township's major funds and aggregate nonmajor funds begins on page 14, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. Funds are created to help manage money for specific purposes, as well as show accountability for certain activities, such as specific property tax millages and restricted receipts from Federal and State sources.

The General Fund is the Township's largest governmental fund and one of three governmental funds that is considered a major fund. It pays for most of the Township's government services. Its major components of revenue are property taxes and state shared revenue. For the year ended March 31, 2018, General Fund financing uses exceeded its financing sources by \$128,128, decreasing its ending fund balance to \$1,314,189. The Township's second major governmental fund, the Police Fund decreased its ending fund balance by \$27,694. The Township's third major governmental fund, the Refuse Collection Fund was able to increase its ending fund balance by \$42,239.

General Fund Budgetary Highlights:

The General Fund budget, as originally adopted, projected a net decrease in fund balance of \$95,338. During the year, the Township made budget amendments that changed the projection to a net decrease in fund balance of \$183,091. The actual results for the fiscal year yielded a decrease in fund balance of \$128,128.

Capital Assets and Debt Administration:

At March 31, 2018, Tittabawassee Township had \$14,682,534 invested in a range of capital assets including land, buildings, equipment, infrastructure, land improvements, vehicles, and water and sewer lines, net of accumulated depreciation. At March 31, 2017, this total was \$15,442,711. Additional information about the Township's capital assets is presented in Note 1 and Note 4 of the Notes to the Financial Statements.

At March 31, 2018, Tittabawassee Township's total long-term indebtedness (not including compensated absences, net pension liability, and net OPEB obligation) was \$145,674, which was backed by the full faith and credit of the Township. The Township's DDA had long-term indebtedness (not including compensated absences) of \$405,209. Additional information about the Township's and DDA's indebtedness is presented in Note 5 of the Notes to the Financial Statements.

Economic Factors:

Tittabawassee Township again benefited from steady economic growth marking its 6th consecutive year of increases in new construction. New residential housing starts lead the way with 46 in fiscal year 2017-2018. Fiscal year 2018-2019 continues strong with more than 40 residential new construction permits issued within the first six (6) months. Commercial building starts again mirror the last several years' growth.

This growth continues to increase the tax base of the Township and, in turn, produces increased revenue for the Township's millage funded programs. These include the Fire Fund, Police Fund, General Fund and the Tittabawassee Downtown Development District (DDA).

The Township's leaders remain committed to managing this growth as well as providing forecasts of need created by an expanding population. A Master Plan revision was completed in this fiscal year to assist with planning and development for land use in the years to come.

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2018

Finally, Freeland Chamber of Commerce again reports strong sales over this past six (6) year growth period. The Township is committed to working with community organizations, local businesses and property owners to maintain a level of community events, recreation programs and safety-minded service to its residents. This is possible because of a strong steadily growing tax base supported largely by new family housing starts in the Freeland Community School District.

As the population increases, the increases in student count within the Freeland Community School District enable the schools to receive increased State Aid funding. It takes a healthy school system to maintain the growth we're experiencing and together the Township, Schools and Business community are very satisfied with the continued steady growth of our community.

Contacting the Township's Financial Management:

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact the Township Office, 145 S. Second Street, Freeland, MI 48623.

BASIC FINANCIAL STATEMENTS

TITTABAWASSEE TOWNSHIP

STATEMENT OF NET POSITION

March 31, 2018

	<i>Primary Government</i>			<i>Component Unit - DDA</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
Assets:				
Cash and cash equivalents	\$ 2,232,879	\$ 2,525,656	\$ 4,758,535	\$ 9,350
Receivables	251,554	1,062,929	1,314,483	14,792
Internal balances	(600)	600	-	-
Inventory	-	51,184	51,184	-
Prepaid expenses	52,613	9,130	61,743	13
Capital assets not being depreciated	425,527	126,074	551,601	407,379
Capital assets being depreciated, net	2,381,582	11,749,351	14,130,933	5,632,049
Net pension asset	-	1,148	1,148	-
Total assets	5,343,555	15,526,072	20,869,627	6,063,583
Deferred outflows of resources:				
Related to pension	93,703	43,702	137,405	-
Liabilities:				
Accounts payable and accrued expenses	149,312	118,319	267,631	22,016
Long-term liabilities:				
Due within one year				
Current portion of long-term debt	83,414	-	83,414	238,952
Due in more than one year				
Long-term debt	24,768	37,492	62,260	166,257
Compensated absences payable	91,280	-	91,280	1,755
Net pension liability	9,151	1,879	11,030	-
Net OPEB obligation	8,114	16,770	24,884	-
Total liabilities	366,039	174,460	540,499	428,980
Deferred inflows of resources:				
Related to pension	68,709	35,476	104,185	-
Net position:				
Net investment in capital assets	2,698,927	11,875,424	14,574,351	5,634,219
Restricted for:				
Construction code activities	87,281	-	87,281	-
Public safety	705,718	-	705,718	-
Refuse collection	280,513	-	280,513	-
Unrestricted	1,230,071	3,484,414	4,714,485	384
Total net position	\$ 5,002,510	\$ 15,359,838	\$ 20,362,348	\$ 5,634,603

The accompanying notes are an integral part of these financial statements.

TITTABAWASSEE TOWNSHIP

STATEMENT OF ACTIVITIES

Year Ended March 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
<i>Governmental activities:</i>					
General government	\$ 660,391	\$ 205,577	\$ -	\$ -	\$ (454,814)
Public safety	1,261,747	148,296	17,757	-	(1,095,694)
Public works	1,016,894	582,512	13,007	-	(421,375)
Community and economic development	115,447	11,400	-	-	(104,047)
Recreation and culture	277,893	39,202	12,250	-	(226,441)
Interest on long-term debt	4,488	-	-	-	(4,488)
Total governmental activities	<u>3,336,860</u>	<u>986,987</u>	<u>43,014</u>	<u>-</u>	<u>(2,306,859)</u>
<i>Business-type activities:</i>					
Sewer	1,301,495	1,060,478	261,719	84,189	104,891
Water	<u>1,735,095</u>	<u>1,608,528</u>	<u>-</u>	<u>107,440</u>	<u>(19,127)</u>
Total business-type activities	<u>3,036,590</u>	<u>2,669,006</u>	<u>261,719</u>	<u>191,629</u>	<u>85,764</u>
Total primary government	<u>\$6,373,450</u>	<u>\$ 3,655,993</u>	<u>\$ 304,733</u>	<u>\$ 191,629</u>	<u>\$ (2,221,095)</u>
COMPONENT UNIT:					
Downtown development authority	<u>\$ 641,497</u>	<u>\$ 125,160</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ (466,337)</u>

continued

The accompanying notes are an integral part of these financial statements.

TITTABAWASSEE TOWNSHIP

STATEMENT OF ACTIVITIES, CONTINUED

Year Ended March 31, 2018

	<i>Primary Government</i>			<i>Component Unit - DDA</i>
	<i>Governmental Activities</i>	<i>Business- type Activities</i>	<i>Total</i>	
<i>Changes in net position:</i>				
Net (Expense) Revenue	\$ (2,306,859)	\$ 85,764	\$ (2,221,095)	\$ (466,337)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	335,589	-	335,589	-
Property taxes, levied for police	750,300	-	750,300	-
Property taxes, levied for public safety	275,218	-	275,218	-
Property taxes, captured by DDA	-	-	-	359,792
Franchise fees	58,067	-	58,067	-
Grants and contributions not restricted to specific programs	771,810	-	771,810	-
Unrestricted investment earnings	5,547	16,929	22,476	197
Other	22,798	-	22,798	10,475
Total general revenues	2,219,329	16,929	2,236,258	370,464
Changes in net position	(87,530)	102,693	15,163	(95,873)
Net position, beginning of year	5,090,040	15,257,145	20,347,185	5,730,476
Net position, end of year	\$ 5,002,510	\$ 15,359,838	\$ 20,362,348	\$ 5,634,603

The accompanying notes are an integral part of these financial statements.

TITTABAWASSEE TOWNSHIP

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2018

	<i>General Fund</i>	<i>Police Fund</i>	<i>Refuse Collection Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>
Assets:					
Cash and cash equivalents	\$ 1,164,382	\$ 563,420	\$ 293,338	\$ 211,739	\$ 2,232,879
Taxes receivable	11,539	31,048	-	4,811	47,398
Accounts receivable	25,707	-	23,323	11,535	60,565
Accounts receivable - tax account	2,890	260	170	40	3,360
Special assessments receivable	3,021	-	-	-	3,021
Due from other governmental units	121,329	-	-	-	121,329
Due from component unit	15,881	-	-	-	15,881
Due from other funds	-	-	-	289	289
Prepaid expenditures	17,965	4,799	29,175	674	52,613
Total assets	<u>\$ 1,362,714</u>	<u>\$ 599,527</u>	<u>\$ 346,006</u>	<u>\$ 229,088</u>	<u>\$ 2,537,335</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 26,842	\$ 12,610	\$ 64,893	\$ 8,722	\$ 113,067
Accrued expenses	15,394	10,534	-	3,750	29,678
Due to other funds	289	-	600	-	889
Deposits payable	6,000	-	-	-	6,000
Total liabilities	<u>48,525</u>	<u>23,144</u>	<u>65,493</u>	<u>12,472</u>	<u>149,634</u>
Fund balances:					
Nonspendable	17,965	4,799	29,175	674	52,613
Restricted	-	571,584	251,338	215,942	1,038,864
Committed	207,910	-	-	-	207,910
Unassigned	1,088,314	-	-	-	1,088,314
Total fund balances	<u>1,314,189</u>	<u>576,383</u>	<u>280,513</u>	<u>216,616</u>	<u>2,387,701</u>
Total liabilities and fund balances	<u>\$ 1,362,714</u>	<u>\$ 599,527</u>	<u>\$ 346,006</u>	<u>\$ 229,088</u>	<u>\$ 2,537,335</u>

The accompanying notes are an integral part of these financial statements.

TITTABAWASSEE TOWNSHIP

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES

March 31, 2018

Fund balances of governmental funds	\$ 2,387,701
Net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Capital assets not being depreciated	425,527
Capital assets being depreciated, net	2,381,582
Deferred outflows of resources from changes in assumptions as well as the Township contributions made after the measurement date of the net pension liability are not reported in the funds.	93,703
Certain liabilities are not due and payable in the current period and are not reported in the governmental funds.	
Accrued interest	(567)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds.	
Long-term debt	(108,182)
Compensated absences	(91,280)
Net pension liability	(9,151)
Net OPEB obligation	(8,114)
Deferred inflows of resources from the differences between projected and actual investment earnings of the pension plan and differences between expected and actual experience of the pension plan are not reported in the funds.	<u>(68,709)</u>
Net position of governmental activities	<u>\$ 5,002,510</u>

The accompanying notes are an integral part of these financial statements.

TITTABAWASSEE TOWNSHIP

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2018

	<i>General Fund</i>	<i>Police Fund</i>	<i>Refuse Collection Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>
Revenues:					
Property taxes	\$ 344,881	\$ 887,909	\$ -	\$ 137,609	\$ 1,370,399
Special assessments	42,987	-	-	-	42,987
Licenses and permits	58,067	-	-	143,676	201,743
State grants	778,186	10,097	-	4,734	793,017
Contributions from other units	11,432	-	-	-	11,432
Charges for services	294,118	80	513,230	5	807,433
Fines and forfeits	-	1,442	-	-	1,442
Interest and rents	62,671	202	163	33	63,069
Other revenue	29,055	3,423	2,565	12,655	47,698
Total revenues	<u>1,621,397</u>	<u>903,153</u>	<u>515,958</u>	<u>298,712</u>	<u>3,339,220</u>
Expenditures:					
Current					
General government	712,777	-	-	-	712,777
Public safety	-	886,432	-	319,680	1,206,112
Public works	541,760	-	473,719	-	1,015,479
Community and economic development	65,447	-	-	-	65,447
Recreation and culture	180,417	-	-	-	180,417
Other	8,860	-	-	-	8,860
Capital outlay	70,786	44,415	-	-	115,201
Debt service					
Principal	27,200	-	-	55,481	82,681
Interest and fees	2,278	-	-	2,776	5,054
Total expenditures	<u>1,609,525</u>	<u>930,847</u>	<u>473,719</u>	<u>377,937</u>	<u>3,392,028</u>
Excess (deficiency) of revenues over expenditures	<u>11,872</u>	<u>(27,694)</u>	<u>42,239</u>	<u>(79,225)</u>	<u>(52,808)</u>
Other financing sources (uses):					
Interfund transfers in	-	-	-	90,000	90,000
Interfund transfers out	(90,000)	-	-	-	(90,000)
Transfer to component unit	(50,000)	-	-	-	(50,000)
Net other financing sources (uses)	<u>(140,000)</u>	<u>-</u>	<u>-</u>	<u>90,000</u>	<u>(50,000)</u>
Changes in fund balances	(128,128)	(27,694)	42,239	10,775	(102,808)
Fund balances, beginning of year	<u>1,442,317</u>	<u>604,077</u>	<u>238,274</u>	<u>205,841</u>	<u>2,490,509</u>
Fund balances, end of year	<u>\$ 1,314,189</u>	<u>\$ 576,383</u>	<u>\$ 280,513</u>	<u>\$ 216,616</u>	<u>\$ 2,387,701</u>

The accompanying notes are an integral part of these financial statements.

TITTABAWASSEE TOWNSHIP

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2018

Changes in fund balances of governmental funds	\$ (102,808)
Change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.	
Purchases of capital assets	82,132
Depreciation expense	(186,934)
Payments of principal on long-term obligations are expenditures in the governmental funds but the payments reduce long-term liabilities in the statement of net position.	82,681
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Change in accrued interest payable	566
Change in compensated absences payable	7,158
Change in net pension liability and related deferred outflows and inflows of resources	30,640
Change in net OPEB obligation	(965)
Change in net position of governmental activities	<u>\$ (87,530)</u>

The accompanying notes are an integral part of these financial statements.

TITTABAWASSEE TOWNSHIP

PROPRIETARY FUNDS STATEMENT OF NET POSITION

March 31, 2018

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,429,171	\$ 1,096,485	\$ 2,525,656
Accounts receivable	191,315	282,434	473,749
Accounts receivable - tax account	-	30	30
Special assessments receivable	32,214	4,056	36,270
Loan receivable	38,624	-	38,624
Due from other governments	89,919	-	89,919
Due from other funds	1,763	600	2,363
Inventory	-	51,184	51,184
Prepaid expenses	4,606	4,524	9,130
Total current assets	<u>1,787,612</u>	<u>1,439,313</u>	<u>3,226,925</u>
Noncurrent assets:			
Special assessments receivable, net of current	424,337	-	424,337
Capital assets not being depreciated	120,000	6,073	126,073
Capital assets being depreciated, net	6,892,832	4,856,520	11,749,352
Net pension asset	-	1,148	1,148
Total noncurrent assets	<u>7,437,169</u>	<u>4,863,741</u>	<u>12,300,910</u>
Total assets	<u>9,224,781</u>	<u>6,303,054</u>	<u>15,527,835</u>
Deferred outflows of resources:			
Related to pension	<u>26,106</u>	<u>17,596</u>	<u>43,702</u>
Liabilities:			
Current liabilities:			
Accounts payable	19,101	68,526	87,627
Accrued expenses	5,569	3,108	8,677
Due to other funds	-	1,763	1,763
Deposits payable	-	22,015	22,015
Total current liabilities	<u>24,670</u>	<u>95,412</u>	<u>120,082</u>
Noncurrent liabilities:			
Compensated absences payable	20,247	17,245	37,492
Net OPEB obligation	8,385	8,385	16,770
Net pension liability	1,879	-	1,879
Total noncurrent liabilities	<u>30,511</u>	<u>25,630</u>	<u>56,141</u>
Total liabilities	<u>55,181</u>	<u>121,042</u>	<u>176,223</u>

continued

The accompanying notes are an integral part of these financial statements.

TITTABAWASSEE TOWNSHIP

PROPRIETARY FUNDS
STATEMENT OF NET POSITION, CONTINUED

March 31, 2018

	<u><i>Sewer Fund</i></u>	<u><i>Water Fund</i></u>	<u><i>Total</i></u>
Deferred inflows of resources:			
Related to pension	<u>19,794</u>	<u>15,682</u>	<u>35,476</u>
Net position:			
Investment in capital assets	7,012,832	4,862,593	11,875,425
Unrestricted	<u>2,163,080</u>	<u>1,321,333</u>	<u>3,484,413</u>
Total net position	<u>\$ 9,175,912</u>	<u>\$ 6,183,926</u>	<u>\$ 15,359,838</u>

The accompanying notes are an integral part of these financial statements.

TITTABAWASSEE TOWNSHIP

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Year Ended March 31, 2018

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating revenues:			
Charges for services			
Sales	\$ 965,795	\$ 1,568,784	\$ 2,534,579
Penalties	10,973	19,697	30,670
Other	180	20,047	20,227
Hydrant assessments	-	83,530	83,530
SAW grant	261,719	-	261,719
Total operating revenues	<u>1,238,667</u>	<u>1,692,058</u>	<u>2,930,725</u>
Operating expenses:			
Personal services	364,689	282,553	647,242
Supplies	54,340	39,745	94,085
Contracted services	143,967	54,311	198,278
Purchase of water	-	747,507	747,507
Administrative expense	60,440	87,143	147,583
Other services and charges	154,872	134,648	289,520
Depreciation	523,187	389,188	912,375
Total operating expenses	<u>1,301,495</u>	<u>1,735,095</u>	<u>3,036,590</u>
Operating income (loss)	<u>(62,828)</u>	<u>(43,037)</u>	<u>(105,865)</u>
Non-operating revenues (expenses):			
Interest income	10,976	5,953	16,929
Loan interest income	3,940	-	3,940
Special assessments	9,751	-	9,751
Net non-operating revenues	<u>24,667</u>	<u>5,953</u>	<u>30,620</u>
Changes in net position before capital contributions	(38,161)	(37,084)	(75,245)
Capital contributions - connection and tap fees	<u>70,498</u>	<u>107,440</u>	<u>177,938</u>
Changes in fund net position	32,337	70,356	102,693
Net position, beginning of year	<u>9,143,575</u>	<u>6,113,570</u>	<u>15,257,145</u>
Net position, end of year	<u>\$ 9,175,912</u>	<u>\$ 6,183,926</u>	<u>\$ 15,359,838</u>

The accompanying notes are an integral part of these financial statements.

TITTABAWASSEE TOWNSHIP

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended March 31, 2018

	<u><i>Sewer Fund</i></u>	<u><i>Water Fund</i></u>	<u><i>Total</i></u>
Cash flows from operating activities:			
Cash received from customers	\$ 973,222	\$ 1,671,536	\$ 2,644,758
Cash received from grants	278,773	-	278,773
Cash payments to and on behalf of employees	(374,413)	(289,703)	(664,116)
Cash payments for goods, services and other	<u>(419,320)</u>	<u>(1,076,548)</u>	<u>(1,495,868)</u>
Net cash provided (used) by operating activities	<u>458,262</u>	<u>305,285</u>	<u>763,547</u>
Cash flows from capital related financing activities:			
Special assessments interest	9,751	-	9,751
Capital contributions - special assessments	70,720	404	71,124
Capital contributions - connection and tap fees	70,498	107,440	177,938
Loan principal and interest received	53,242	-	53,242
Acquisition and construction of capital assets	<u>(247,550)</u>	<u>(9,450)</u>	<u>(257,000)</u>
Net cash provided (used) by capital and related financing activities	<u>(43,339)</u>	<u>98,394</u>	<u>55,055</u>
Cash flows from investing activities:			
Interest received	<u>10,976</u>	<u>5,953</u>	<u>16,929</u>
Net increase in cash and cash equivalents	425,899	409,632	835,531
Cash and cash equivalents, beginning of year	<u>1,003,272</u>	<u>686,853</u>	<u>1,690,125</u>
Cash and cash equivalents, end of year	<u>\$ 1,429,171</u>	<u>\$ 1,096,485</u>	<u>\$ 2,525,656</u>

continued

The accompanying notes are an integral part of these financial statements.

TITTABAWASSEE TOWNSHIP

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS, CONTINUED

Year Ended March 31, 2018

	<u>Sewer</u> <u>Fund</u>	<u>Water</u> <u>Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (62,828)	\$ (43,037)	\$ (105,865)
Adjustments:			
Depreciation	523,187	389,188	912,375
Change in assets and liabilities:			
Accounts receivable	(996)	(21,288)	(22,284)
Accounts receivable - tax account	-	(30)	(30)
Due from other governments	17,054	-	17,054
Due from other funds	(1,763)	-	(1,763)
Inventory	-	9,411	9,411
Prepaid expenses	(88)	1,807	1,719
Net pension asset	-	(1,148)	(1,148)
Accounts payable	(5,613)	(9,878)	(15,491)
Accrued expenses	358	(450)	(92)
Due to other funds	(967)	796	(171)
Deposits payable	-	(14,534)	(14,534)
Compensated absences payable	(2,489)	(1,811)	(4,300)
Net OPEB obligation	968	969	1,937
Net pension liability and related deferred outflows/inflows	(8,561)	(4,710)	(13,271)
Net cash provided (used) by operating activities	<u>\$ 458,262</u>	<u>\$ 305,285</u>	<u>\$ 763,547</u>

The accompanying notes are an integral part of these financial statements.

TITTABAWASSEE TOWNSHIP

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

March 31, 2018

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 90,502
Liabilities:	
Accounts payable	\$ 33,652
Undistributed tax collections	<u>56,850</u>
Total liabilities	<u>\$ 90,502</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

TITTABAWASSEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies used by Tittabawassee Township, (the "Township").

Reporting Entity:

Tittabawassee Township is governed by an elected seven-member council. The Township provides the following services: general administrative services, road maintenance, fire protection, police protection, recreation and other governmental functions. The component unit discussed below is included in the Township's financial reporting entity because of the significance of its operational and financial relationship with the Township. In accordance with generally accepted accounting principles, these financial statements present the Township (the primary government) and its component unit. The criteria established by the Government Accounting Standards Board (GASB) for determining the reporting entity includes financial accountability and whether the financial statements would be misleading if data were not included. Data from the component unit is segregated from the primary government in the combined financial statements. The component unit's financial information has been included based upon a March 31 year-end.

Component Unit:

Downtown Development Authority – The Township Board established the Downtown Development Authority (DDA) in 1988. The DDA was formed to sustain and improve the redevelopment of the downtown village area of the Township. A Board of nine individuals representing various segments of the DDA District and Township provided the direction for the activities of the DDA.

Jointly Governed Organization:

Mid Michigan Waste Authority – The Township is a member of and receives trash collection services from Mid Michigan Waste Authority (MMWA). MMWA was created in 1991 by twelve municipal corporations within Saginaw County under the provisions of Act 233, Public Acts of Michigan, 1995 as amended, for the purpose of acquiring, owning, improving, enlarging, extending and operating a solid waste management system. The Township does not have any equity interest in MMWA. The cost of trash collection services for the year ended March 31, 2018, from MMWA, was \$448,211.

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 Government 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 unit. 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 revenues 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.

TITTABAWASSEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues 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 enterprise functions and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are not included in the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Accounting:

The Township accounts for its various activities in several different funds in order to demonstrate accountability for how it has spent certain resources - separate funds allow the Township to show the particular expenditures that specific revenues were used for. 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.

Proprietary funds provide goods or services to users in exchange for charges or fees.

Fiduciary funds account for the resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of the funds are not available to support the Township's own programs.

The Township reports the following major governmental funds:

General Fund is the Township's primary operating fund. It accounts for all financial resources, except for those required to be accounted for in another fund.

Special Revenue Fund – Police Fund accounts for all financial transactions of the police protection services provided by the Township. Revenues are derived from property taxes.

Special Revenue Fund – Refuse Collection Fund accounts for all financial transactions of the refuse collection services provided by the Township. Revenues are derived from charges for services.

The Township reports the following major proprietary funds:

Enterprise Fund – Sewer Fund accounts for the operation and maintenance of the Township's sewage disposal system.

Enterprise Fund – Water Fund accounts for the operation and maintenance of the Township's water supply system.

TITTABAWASSEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Additionally, the Township reports the following fund types:

Special Revenue Funds – Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Fiduciary Funds – Agency Funds – Agency funds account for assets held by the Township in a trustee capacity. These funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results in operations.

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 health care 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.

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the Township considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: most state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period.

Proprietary 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:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Township considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Inventory – Inventory is valued at cost, on a first-in, first-out basis. Inventories of proprietary funds are recorded as expenditures when consumed rather than when purchased.

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

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the proprietary fund statements.

TITTABAWASSEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital assets are defined by the Township as assets with an individual cost in excess of \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	5-50 years
Equipment	3-10 years
Fitness equipment	3 years
Land improvements	5-50 years
Sewer system	5-75 years
Vehicles	5-15 years
Water system	20-75 years

Long-term Obligations – In the government-wide financial statements and the proprietary fund type 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. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, 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. Unavailable revenue qualifies for reporting in this category and arises only under a modified accrual basis of accounting.

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. 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.

TITTABAWASSEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Balance Policies – Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid expenditures) or (b) legally or contractually required to be maintained intact (i.e. corpus of permanent funds). Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Township Board. A formal resolution of the Township Board is required to establish, modify, or rescind a fund balance commitment. The Township reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the General Fund. The General Fund is the only fund that reports unassigned fund balance.

The Township has established a policy to maintain a minimum unassigned fund balance for the General Fund of \$1,000,000. This is to provide stability and flexibility to respond to unexpected adversity and/or opportunities. The use of fund balance is appropriate as part of a financial plan and one-time expenditures. If unassigned fund balance falls below or grows above the established policy range, the Township Manager will present a financial plan, typically as part of the fiscal budgeting process, to address the deficiency or surplus of unassigned fund balance.

Property Tax Revenue – Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed. The delinquent real property taxes of the Township are purchased by Saginaw County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year. The 2017 taxable valuation of the Township totaled \$299,952,479 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments) on which ad valorem taxes levied consisted of .8894 mills for the Township's operating purposes, 2.7266 for police protection and 1.00 mill for public safety.

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

Other Postemployment Benefit Costs (OPEB) – The Township offers qualified retirees a monthly stipend to be used for postemployment healthcare benefits. The Township used the alternative measurement method 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 the stipend is paid. For the government-wide statements and proprietary funds, the Township reports the full accrual cost equal to the current year annual required contribution (ARC) less any current year paid benefits, adjusted for interest and "adjustment to the ARC" on the beginning of the year underpaid amount, if any.

TITTABAWASSEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Compensated Absences (Vacation and Sick Leave) – The Township provides its full-time employees with a method for taking time off for vacation and sick leave which is commonly called “paid time off” (PTO). Rather than provide vacation or sick time, the Township provides PTO. Employees earn PTO hours every biweekly pay period based on their years of service with the Township. Entry level employees earn 224 hours of PTO. As employees gain more years of service their annual earning of PTO hours increases. The maximum annual earning of PTO is 304 hours for employees serving 10 years or more. It is the Township’s policy to permit employees to accumulate earned but unused (PTO) hours. Unused (or banked) PTO may be carried over year-to-year with a maximum of 600 hours being carried over. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The funds that report each employee’s compensation are used to liquidate the obligation.

Proprietary Funds Operating Classification – Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues 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 revenues of the Sewer Fund and Water Fund are charges to customers for sales and services. The Sewer Fund and Water Fund recognize as capital contributions the connection and tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All expenses not included in these classifications are reported as nonoperating expenses.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Interfund Activity:

During the course of operations, the Township has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Further, 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.

TITTABAWASSEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all special revenue funds. Before the beginning of the next fiscal year, a proposed operating budget is submitted to the Township Board by fund. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted to obtain taxpayer comments. Prior to April 1, the budget is legally enacted by adoption of the Township Board. Any revision that alters the total expenditures of any fund must be approved by the Township Board. Formal budgetary integration is employed as a management control device during the year for all funds. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the budgeted amounts for the General Fund as well as any other major funds is included in the required supplementary information. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Township incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over Final Budget</u>
General Fund:			
General government			
Clerk	\$ 52,430	\$ 52,674	\$ 244
Community and economic development			
Planning	29,006	29,469	463
Capital outlay	69,500	70,786	1,286
Police Fund:			
Public safety	873,517	886,432	12,915

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 local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of 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 investment policy adopted by the Township Board is in accordance with Public Act 196 of 1997. The Township's deposits and investments have been made in accordance with statutory authority.

TITTABAWASSEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE 3: DEPOSITS AND INVESTMENTS, CONTINUED

The Township's deposits and investments are subject to risk, which is 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. State law does not require and the Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$4,905,011 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$948,465 was covered by federal depository insurance and the remainder was 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.

The Township had no investments at March 31, 2018.

NOTE 4: CAPITAL ASSETS

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

	<u>April 1,</u> <u>2017</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>March 31,</u> <u>2018</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 425,527	\$ -	\$ -	\$ 425,527
Capital assets being depreciated:				
Buildings and improvements	1,900,133	29,016	-	1,929,149
Infrastructure	115,204	-	-	115,204
Land improvements	1,512,819	-	-	1,512,819
Machinery and equipment	598,093	8,728	-	606,821
Vehicles	1,067,254	44,388	-	1,111,642
Total capital assets being depreciated	<u>5,193,503</u>	<u>82,132</u>	<u>-</u>	<u>5,275,635</u>
Less accumulated depreciation for:				
Buildings and improvements	(725,516)	(37,197)	-	(762,713)
Infrastructure	(26,466)	(2,686)	-	(29,152)
Land improvements	(833,197)	(69,922)	-	(903,119)
Machinery and equipment	(484,015)	(18,507)	-	(502,522)
Vehicles	<u>(637,925)</u>	<u>(58,622)</u>	<u>-</u>	<u>(696,547)</u>
Total accumulated depreciation	<u>(2,707,119)</u>	<u>(186,934)</u>	<u>-</u>	<u>(2,894,053)</u>
Capital assets being depreciated, net	<u>2,486,384</u>	<u>(104,802)</u>	<u>-</u>	<u>2,381,582</u>
Governmental activities, capital assets, net	<u>\$ 2,911,911</u>	<u>\$ (104,802)</u>	<u>\$ -</u>	<u>\$ 2,807,109</u>

TITTABAWASSEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE 4: CAPITAL ASSETS, CONTINUED

	<u>April 1, 2017</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>March 31, 2018</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 126,073	\$ -	\$ -	\$ 126,073
Capital assets being depreciated:				
Buildings and improvements	1,681,059	-	(4,956)	1,676,103
Equipment and vehicles	786,014	18,900	-	804,914
Sanitation plant	1,388,193	-	-	1,388,193
Sewer lines	16,613,613	238,100	-	16,851,713
Water mains	11,571,694	-	(12,492)	11,559,202
Total capital assets being depreciated	<u>32,040,573</u>	<u>257,000</u>	<u>(17,448)</u>	<u>32,280,125</u>
Less accumulated depreciation for:				
Buildings and improvements	(635,161)	(80,584)	4,956	(710,789)
Equipment and vehicles	(487,231)	(31,397)	-	(518,628)
Sanitation plant	(725,774)	(27,459)	-	(753,233)
Sewer lines	(10,766,777)	(447,091)	-	(11,213,868)
Water mains	(7,020,903)	(325,844)	12,492	(7,334,255)
Total accumulated depreciation	<u>(19,635,846)</u>	<u>(912,375)</u>	<u>17,448</u>	<u>(20,530,773)</u>
Capital assets being depreciated, net	<u>12,404,727</u>	<u>(655,375)</u>	<u>-</u>	<u>11,749,352</u>
Business-type activities, capital assets, net	<u>\$ 12,530,800</u>	<u>\$ (655,375)</u>	<u>\$ -</u>	<u>\$ 11,875,425</u>
Component unit:				
Capital assets not being depreciated:				
Land	\$ 407,379	\$ -	\$ -	\$ 407,379
Capital assets being depreciated:				
Buildings and improvements	6,247,025	-	-	6,247,025
Land improvements	527,846	-	-	527,846
Machinery and equipment	980,398	34,740	-	1,015,138
Total capital assets being depreciated	7,755,269	34,740	-	7,790,009
Less accumulated depreciation for:				
Buildings and improvements	(1,047,262)	(139,057)	-	(1,186,319)
Land improvements	(145,661)	(26,392)	-	(172,053)
Machinery and equipment	(692,763)	(106,825)	-	(799,588)
Total accumulated depreciation	<u>(1,885,686)</u>	<u>(272,274)</u>	<u>-</u>	<u>(2,157,960)</u>
Capital assets being depreciated, net	<u>5,869,583</u>	<u>(237,534)</u>	<u>-</u>	<u>5,632,049</u>
Component unit, capital assets, net	<u>\$ 6,276,962</u>	<u>\$ (237,534)</u>	<u>\$ -</u>	<u>\$ 6,039,428</u>

TITTABAWASSEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE 4: CAPITAL ASSETS, CONTINUED

Depreciation expense was charged to various functions as follows:

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Component Unit</i>
General government	\$ 31,434	\$ -	\$ -
Public safety	74,634	-	-
Public works	1,415	-	-
Community and economic development	-	-	272,274
Recreation and culture	79,451	-	-
Sewer	-	523,187	-
Water	-	389,188	-
Total depreciation expense	<u>\$ 186,934</u>	<u>\$ 912,375</u>	<u>\$ 272,274</u>

NOTE 5: LONG-TERM DEBT

The Township may issue bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds and installment purchase agreements are direct obligations and pledge the full faith and credit of the Township.

Long-term debt activity for the fiscal year ended March 31, 2018 was as follows:

	<i>April 1, 2017</i>	<i>Additions</i>	<i>Retirements</i>	<i>March 31, 2018</i>	<i>Due Within One Year</i>
Governmental activities:					
<i>Bonds and notes payable:</i>					
1999 County Bond - Bishop Tile Drain, due in annual amounts of \$27,200 plus interest at 5.75% through 2019.	\$ 54,400	\$ -	\$ (27,200)	\$ 27,200	\$ 27,200
2013 Installment Loan - Fire Truck due in annual amounts of \$26,041 to \$58,255 including interest at 2.5% through 2020.	136,463	-	(55,481)	80,982	56,214
<i>Other liabilities:</i>					
Compensated absences	98,438	-	(7,158)	91,280	-
Total governmental activities long- term debt	<u>\$ 289,301</u>	<u>\$ -</u>	<u>\$ (89,839)</u>	<u>\$ 199,462</u>	<u>\$ 83,414</u>
Business-type activities:					
<i>Other liabilities:</i>					
Compensated absences	\$ 41,792	\$ -	\$ (4,300)	\$ 37,492	\$ -
Total business-type activities long- term debt	<u>\$ 41,792</u>	<u>\$ -</u>	<u>\$ (4,300)</u>	<u>\$ 37,492</u>	<u>\$ -</u>

TITTABAWASSEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE 5: LONG-TERM DEBT, CONTINUED

	<u>April 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2018</u>	<u>Due Within One Year</u>
Component unit:					
<i>Bonds and notes payable:</i>					
2007 General Obligation Limited Tax Development Bonds, Series B, due in annual amounts ranging from \$125,000 plus interest at 4.65% through 2019.	\$ 245,000	\$ -	\$ (120,000)	\$ 125,000	\$ 125,000
2009 Loan Agreement for Assignment of Rents, due in annual amounts of \$49,657 to \$125,160 including interest at 4.00% through 2021 (collateralized by assignment of future rents received).	391,730	-	(111,521)	280,209	113,952
<i>Other liabilities:</i>					
Compensated absences	<u>1,573</u>	<u>182</u>	<u>-</u>	<u>1,755</u>	<u>-</u>
Total component unit long-term debt	<u>\$ 638,303</u>	<u>\$ 182</u>	<u>\$ (231,521)</u>	<u>\$ 406,964</u>	<u>\$ 238,952</u>

Annual debt service requirements to maturity for the above contractual obligations (excluding compensated absences) are as follows:

<i>Year Ended</i>	<i>Governmental Activities</i>			<i>Component Unit</i>								
	<i>March 31,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>					
2019	\$	83,414	\$	2,721	\$	86,135	\$	238,952	\$	14,114	\$	253,066
2020		25,406		635		26,041		118,510		6,650		125,160
2021		-		-		-		47,747		1,910		49,657
	\$	<u>108,820</u>	\$	<u>3,356</u>	\$	<u>112,176</u>	\$	<u>405,209</u>	\$	<u>22,674</u>	\$	<u>427,883</u>

NOTE 6: INTERFUND BALANCES AND TRANSFERS

The interfund receivable and payable balances for the year ended March 31, 2018 were as follows:

<i>Receivable Fund</i>	<i>Payable Fund</i>	<i>Amount</i>
General Fund	Building Inspection Fund	\$ 289
Sewer Fund	Water Fund	1,763
Water Fund	Refuse Collection Fund	600
		<u>\$ 2,652</u>
<i>Receivable Fund</i>	<i>Payable Fund</i>	<i>Amount</i>
General Fund	Downtown Development Authority	<u>\$ 15,881</u>

TITTABAWASSEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE 6: INTERFUND BALANCES AND TRANSFERS, CONTINUED

Interfund transfers during the fiscal year were as follows:

<i>Funds Transferred From</i>	<i>Funds Transferred To</i>	<i>Amount</i>
General Fund	Fire Fund	\$ 90,000

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivable and payable balances for the fiscal year ended March 31, 2018 were as follows:

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	<i>Component Unit</i>
Receivables:				
Property taxes receivable	\$ 47,398	\$ -	\$ 47,398	\$ 14,061
Accounts receivable	63,925	473,779	537,704	731
Special assessments receivable				
Current	3,021	36,270	39,291	-
Noncurrent	-	424,337	424,337	-
Loan receivable		38,624	38,624	-
Intergovernmental	121,329	89,919	211,248	-
Total receivables	<u>\$ 251,554</u>	<u>\$ 1,062,929</u>	<u>\$ 1,314,483</u>	<u>\$ 14,792</u>
Accounts payable and accrued expenses:				
Accounts payable	\$ 113,067	\$ 87,627	\$ 200,694	\$ 3,713
Accrued payroll and related liabilities	29,678	8,677	38,355	-
Deposits payable	6,000	22,015	28,015	-
Intergovernmental	-	-	-	15,881
Accrued interest payable	567	-	567	2,422
Total accounts payable and accrued expenses	<u>\$ 149,312</u>	<u>\$ 118,319</u>	<u>\$ 267,631</u>	<u>\$ 22,016</u>

NOTE 8: 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 to cover any potential claims associated with these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

TITTABAWASSEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE 8: RISK MANAGEMENT, CONTINUED

The Township has a high deductible BCBS HRA form of coverage which enables the Township to self-fund the reimbursement of employees' deductibles, fixed dollar copays and coinsurance limits. The reimbursement of employees' deductibles and coinsurance limits are as follows:

<u>Coverage for:</u>	<u>Deductibles</u>	<u>Coinsurance</u> <u>Amounts</u>
Employee Only	\$ 4,000	\$ 2,500
Family	8,000	5,000

NOTE 9: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS

The Township has two employee pension plans: a Defined Contribution Plan administered by John Hancock Insurance Co. and a Defined Benefit Plan administered by the Municipal Employee's Retirement System of Michigan (MERS). Information concerning each plan follows:

Defined Contribution Plan (John Hancock Insurance Co.):

The Township contributes to a single-employer defined contribution pension plan for certain municipal employees. Separate financial statements are prepared and distributed by the administrator as required by the state statute. The Township is the only non-employee contributor to the pension plan. As of March 31, 2018, the pension plan covers two (2) employees and three (3) elected officials. This defined contribution plan is closed to all new employees (effective October 1, 2010) unless approved by the Township Board. All other full-time Township employees are covered under the MERS defined benefit pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and return earned on investments of those contributions. An employee that leaves the employment of the Township is entitled to his or her contribution and the Township's contributions if vesting requirements are satisfied, plus interest earnings. The mandatory employer contribution percentages are 10% for Manager and 8% for Clerk, Treasurer and Supervisor. There is an additional employee whom is part of the plan whose contribution rate per contract is 12%. The mandatory employee contribution percentages are 3% for Manager and 5% for Clerk, Treasurer and Supervisor. Employees may voluntarily contribute an additional 20%. During the year, the Township's required and actual contributions amounted to \$22,273 and the employees contributed \$4,858 required and \$5,350 voluntary.

Defined Benefit Pension Plan (Municipal Employees' Retirement System of Michigan):

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, if any, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. 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.

TITTABAWASSEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE 9: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

Plan Description – The employer’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided – The following are the benefits provided from the December 31, 2016 valuation. The division is open.

	<u>All Full Time Employees</u>
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	55/20
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Member Contributions:	5%
Act 88:	Yes (Adopted 8/10/2010)

Employees covered by benefit terms – At the December 31, 2016 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits:	4
Inactive employees entitled to but not yet receiving benefits:	1
Active employees:	<u>14</u>
Total	<u><u>19</u></u>

Contributions – The Township 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 cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Township may establish contribution rates to be paid by its covered employees. Township’ contributions were 7.73% based on annual payroll. The amount was based on the valuation payroll from the December 31, 2015 actuarial valuation.

Net Pension Liability – The Township’s net pension liability was measured as of December 31, 2017. The total pension liability as of December 31, 2017 was calculated by the roll-forward method based on the December 31, 2016 actuarial valuation.

Actuarial assumptions – The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: Inflation: 2.5%; Salary Increases: 3.75% in the long-term; Investment rate of return: 7.75%, net of investment and administrative expenses including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%. Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

TITTABAWASSEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE 9: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of the most recent actuarial experience study of 2009-2013.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount rate – The discount rate used to measure the total pension liability is 8%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay 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.

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

	<i>Increase (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability</i>
Balances at 12/31/16	\$ 3,312,526	\$ 3,057,850	\$ 254,676
Service cost	96,018	-	96,018
Interest on total pension liability	264,597	-	264,597
Difference between expected and actual experience	(23,686)	-	(23,686)
Employer contributions	-	118,921	(118,921)
Employee contributions	-	41,229	(41,229)
Net investment income	-	410,695	(410,695)
Benefit payments, including employee refunds	(106,155)	(106,155)	-
Administrative expenses	-	(6,486)	6,486
Other changes	(17,364)	-	(17,364)
Net changes	213,410	458,204	(244,794)
Balances at 12/31/17	<u>\$ 3,525,936</u>	<u>\$ 3,516,054</u>	<u>\$ 9,882</u>

TITTABAWASSEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE 9: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

The net pension liability is recorded as follows:

Governmental activities net pension liability	\$	9,151
Business-type activities net pension asset		(1,148)
Business-type activities net pension liability		<u>1,879</u>
	\$	<u>9,882</u>

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%, as well as what the Township’s net pension liability (asset) would be using a discount rate that is 1 percentage point lower (7%) or 1 percentage point higher (9%) than the current rate.

	<u>1% Decrease Rate 7%</u>	<u>Current Rate 8%</u>	<u>1% Increase Rate 9%</u>
Net pension liability	\$ -	\$ 9,882	\$ -
Change in net pension liability as of 12/31/2017	<u>426,569</u>	<u>-</u>	<u>(347,186)</u>
	<u>\$ 436,451</u>	<u>\$ 9,882</u>	<u>\$ (337,304)</u>

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended March 31, 2018, the Township recognized pension expense, on the defined benefit plan, of \$80,281.

The Township reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 26,813
Changes in assumptions	103,519	-
Net difference between projected and actual earnings on pension plan investments	-	77,372
Contributions subsequent to the measurement date	<u>33,886</u>	<u>-</u>
	<u>\$ 137,405</u>	<u>\$ 104,185</u>

The deferred outflows of resources and deferred inflows of resources are recorded as follows:

Governmental activities	\$	93,703	\$	68,709
Business-type activities		<u>43,702</u>		<u>35,476</u>
	\$	<u>137,405</u>	\$	<u>104,185</u>

TITTABAWASSEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE 9: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the Township contributions to the plan made subsequent to the measurement date (\$33,886), which would impact the net pension liability in fiscal year 2019, rather than pension expense.

<i>Year Ended</i>	<i>Amount</i>
2019	\$ 18,302
2020	18,302
2021	(35,118)
2022	(17,492)
2023	15,340

Pension Plan Fiduciary Net Position – Detailed information about the plan’s fiduciary net position is available in the separately issued financial report found at www.mersofmichigan.com. The plan’s fiduciary net position has been determined on the same basis used 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.

Deferred Compensation Plan:

The Township offers its employees a choice of two deferred compensation plans created in accordance with IRC Section 457. The plans, available to all employees, permit them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS

Plan Description – Retirees who have retired from the Township, and who had 10 years continuous service full-time employment, will receive \$400 per month to place towards health insurance via the MERS Health Savings Account Plan from age of 60 to attainment of age 65. In no event will a retiree receive more than five (5) years of the monthly \$400 employer contributions toward retiree health insurance. There is no coverage for the spouse.

Funding Policy – The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a “pay-as-you-go” basis). At the fund level, the expense is recognized by the Township as the payments to the employees are made. The Township paid \$9,600 on behalf of two (2) current retirees.

TITTABAWASSEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

The computed annual required contribution and actual funding are summarized as follows:

Year Ended March 31, 2018

Annual required contribution (recommended)	\$ 14,806
Interest on the prior year's net OPEB obligation	769
Less adjustment to the annual required contribution	<u>(3,073)</u>
Annual OPEB cost	12,502
Amounts contributed:	
Payments of current premiums	(9,600)
Advance funding	<u>-</u>
Increase in net OPEB obligation	2,902
Net OPEB obligation, beginning of year	<u>21,982</u>
Net OPEB obligation, end of year	<u>\$ 24,884</u>

The net OPEB obligation is recorded as follows:

Governmental activities	\$ 8,114
Business-type activities	<u>16,770</u>
Total	<u>\$ 24,884</u>

<i>Fiscal Year</i>	<i>Actuarial Valuation Date</i>	<i>Annual Required Contribution</i>	<i>Annual OPEB Cost</i>	<i>Employer Contributions</i>		<i>Net OPEB Obligation</i>
				<i>Percentage of ARC Contributed</i>	<i>Percentage of OPEB Costs Contributed</i>	
3/31/2016	4/1/2015	\$ 14,806	\$ 13,043	80.5%	91.4%	\$ 17,932
3/31/2017	4/1/2015	14,806	12,926	59.9%	68.7%	21,982
3/31/2018	4/1/2015	14,806	12,502	64.8%	76.8%	24,884

The funding progress of the plan is as follows:

<i>Actuarial Valuation Date</i>	<i>Actuarial Accrued Liability</i>	<i>Value of Assets</i>	<i>Unfunded AAL (UAAL)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>UAAL as a Percentage of Covered Payroll</i>
3/31/2010	\$ 94,614	\$ -	\$ 94,614	0%	Not available	Not available
3/31/2013	92,505	-	92,505	0%	Not available	Not available
4/1/2015	73,983	-	73,983	0%	\$ 548,989	13.48%

TITTABAWASSEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

Methods and Assumptions – 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 and in the required supplemental information, 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 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.

Actuarial Methods and Assumptions

Valuation Date	April 1, 2015
Actuarial cost method	Entry Age Normal as a level percentage of payroll
Discount rate	3.5%
Salary increases	3.0%
Inflation	2.5%
Investment rate of return	N/A
Actuarial value of assets	N/A
Annual healthcare trend	4.0%
Morbidity	N/A
Election rates	<i>Future Retirees:</i> 100% of future retirees are assumed to elect coverage at retirement. <i>Current Retirees:</i> Based on current coverage election. It is assumed that no one will opt in or opt out of coverage once initial retirement election is made.
Spousal election rates	N/A
Spouse age	N/A
Mortality rates	<i>Healthy:</i> 50% Male-50% Female blend of the following tables: 1. The RP-2014 Health Annuitant Mortality Tables, with rates multiplied by 105% 2. The RP-2014 Employee Mortality Tables 3. The RP-2014 Juvenile Mortality Tables
Retirement rates	100% at age 60
Disability rates	None

TITTABAWASSEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE 11: FUND BALANCES

The following illustrates the segregation of fund balances of the governmental funds shown on page 14.

	<i>General Fund</i>	<i>Police Fund</i>	<i>Refuse Collection Fund</i>	<i>Nonmajor Funds</i>	<i>Total</i>
<i>Nonspendable:</i>					
Prepaid expenditures	\$ 17,965	\$ 4,799	\$ 29,175	\$ 674	\$ 52,613
<i>Restricted:</i>					
Construction code activities	-	-	-	87,281	87,281
Public safety	-	571,584	-	128,661	700,245
Refuse collection	-	-	251,338	-	251,338
	<u>-</u>	<u>571,584</u>	<u>251,338</u>	<u>215,942</u>	<u>1,038,864</u>
<i>Committed:</i>					
Capital improvements	30,218	-	-	-	30,218
Parks	18,910	-	-	-	18,910
Road improvements	158,782	-	-	-	158,782
	<u>207,910</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207,910</u>
Unassigned	<u>1,088,314</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,088,314</u>
Total fund balances	<u>\$ 1,314,189</u>	<u>\$ 576,383</u>	<u>\$ 280,513</u>	<u>\$ 216,616</u>	<u>\$ 2,387,701</u>

NOTE 12: DDA HEALTH/FITNESS FUND - DESIGNATED FUND

In an agreement dated December 18, 2013, the Tittabawassee Township DDA established a permanently endowed designated fund to be administered by The Saginaw Community Foundation (SCF). The DDA irrevocably gave, assigned, and transferred to the Foundation \$1,400,000 to create a permanent endowment with opportunity for the DDA and/or other supporters to make further contributions to the established Fund at any time. The Foundation will hold, in perpetuity, the transferred property and additional property transferred to the Fund.

Charitable distributions from SCF in amounts determined by the SCF Board's established spending policy will be made periodically to the DDA. Only the DDA shall have the right to request distributions from the Available Fund. In the event that the DDA is dissolved, or otherwise is no longer in existence, the Tittabawassee Township Board of Trustees shall have the right to request distributions from the Available Fund.

Distributions from the Available Fund shall be made when the balance is at or below \$600,000, only to the Freeland SportsZone in care of the Freeland Community Sports Association, or any successor management entity of the Freeland SportsZone, according to the following terms and restrictions outlined in the agreement:

- a. Distributions shall only be for capital items
- b. No funds shall be distributed for the operating costs of the SportsZone

TITTABAWASSEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE 12: DDA HEALTH/FITNESS FUND - DESIGNATED FUND, CONTINUED

Distributions from the Available Fund may be made when the balance is above \$600,000, to any not-for-profit entity located in and doing activities within Tittabawassee Township for sports/fitness purposes, according to the following terms and restrictions outlined in the agreement:

- a. Distributions shall only be for capital items
- b. No funds shall be distributed for the operating costs of the not-for-profit entity

As of March 31, 2018, the SCF endowment balance was \$1,697,514. During the year ended March 31, 2018, the DDA did not receive a distribution from the Available Fund.

The Saginaw Community Foundation is the sole owner of all assets in the Endowment Fund. The DDA has no right, title, interest, or incidents of ownership in the \$1,400,000 transferred to the Fund or any additional property transferred to the Fund.

NOTE 13: TAX ABATEMENTS

Industrial Facilities Exemption:

The Township has entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended. PA 198 of 1974, as amended is designed to maintain existing jobs and create new job opportunities for residents by providing substantial property tax incentives to industry to renovate and expand aging manufacturing plants or to build new plants. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the Township. The IFT on a new plant and non-industrial property, such as some high-tech personal property, is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%.

The Township Board evaluates all PA 198 applications to determine that a good public purpose for the Township would be served, that is, an economic growth, expanded tax base, and job creation. The Township has the right to revoke the exemption and the recipient would be responsible to pay to the affecting taxing units an amount equal to those taxes it would have paid had the abatement not been in effect if the recipient is determined to be in violation of the provisions of the written agreement, such as insufficient job creation and/or investment.

For the fiscal year ended March 31, 2018, abated Township property tax revenues totaled approximately \$2,700 under this program.

NOTE 14: UPCOMING ACCOUNTING PRONOUNCEMENT

In June 2015, the GASB issued a new standard addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). 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.

TITTABAWASSEE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE 14: UPCOMING ACCOUNTING PRONOUNCEMENT

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. 75 is effective for fiscal year ending March 31, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

TITTABAWASSEE TOWNSHIP

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Service cost	\$ 96,018	\$ 92,780	\$ 85,159
Interest on total pension liability	264,597	243,139	224,886
Difference between expected and actual experience	(23,686)	(9,904)	-
Changes in assumptions	-	144,927	-
Benefit payments, including employee refunds	(106,155)	(103,497)	(84,476)
Other changes	(17,364)	(7,414)	1,373
Net change in total pension liability	213,410	360,031	226,942
Total pension liability - beginning	3,312,526	2,952,495	2,725,553
Total pension liability - ending	<u>\$ 3,525,936</u>	<u>\$ 3,312,526</u>	<u>\$ 2,952,495</u>
Plan fiduciary net position			
Contributions - employer	\$ 118,921	\$ 104,565	\$ 97,417
Contributions - employee	41,229	40,530	39,199
Net investment income (loss)	410,695	313,108	(42,013)
Benefit payments, including employee refunds	(106,155)	(103,497)	(84,476)
Administrative expenses	(6,486)	(6,174)	(6,028)
Net change in plan fiduciary net position	458,204	348,532	4,099
Total plan fiduciary net position - beginning	3,057,850	2,709,318	2,705,219
Total plan fiduciary net position - ending	<u>\$ 3,516,054</u>	<u>\$ 3,057,850</u>	<u>\$ 2,709,318</u>
Township's net pension liability	\$ 9,882	\$ 254,676	\$ 243,177
Plan fiduciary net position as a percentage of the total pension liability	99.72%	92.31%	91.76%
Covered employee payroll	\$ 816,119	\$ 815,186	\$ 771,616
Township's net pension liability as a percentage of covered employee payroll	1.21%	31.24%	31.52%

Note: GASB Statement No. 68 was implemented for year ended March 31, 2016 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

TITTABAWASSEE TOWNSHIP

SCHEDULE OF TOWNSHIP DEFINED BENEFIT PLAN PENSION CONTRIBUTIONS

Last Eight Fiscal Years (Since Inception of Plan)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 64,393	\$ 44,877	\$ 45,603	\$ 25,638	\$ 40,217
Contributions in relation to the actuarially determined contribution	<u>125,339</u>	<u>105,232</u>	<u>106,536</u>	<u>79,009</u>	<u>82,550</u>
Contribution (excess) deficiency	<u>\$ (60,946)</u>	<u>\$ (60,355)</u>	<u>\$ (60,933)</u>	<u>\$ (53,371)</u>	<u>\$ (42,333)</u>
Covered-employee payroll	\$ 816,119	\$ 815,186	\$ 771,616	\$ 746,387	\$ 722,950
Actuarially determined contribution as a percentage of covered-employee payroll	8%	6%	6%	3%	6%
	<u>2013</u>	<u>2012</u>	<u>2011</u>		
Actuarially determined contribution	\$ 37,646	\$ 61,316	\$ 33,542		
Contributions in relation to the actuarially determined contribution	<u>97,516</u>	<u>98,393</u>	<u>54,719</u>		
Contribution (excess) deficiency	<u>\$ (59,870)</u>	<u>\$ (37,077)</u>	<u>\$ (21,177)</u>		
Covered-employee payroll	\$ 801,684	\$ 841,195	\$ 841,195		
Actuarially determined contribution as a percentage of covered-employee payroll	5%	7%	4%		

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of December 31 each year, 15 months prior to the beginning of the fiscal year in which contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	22 years
Asset valuation method	5-year smoothed market
Inflation	2.5%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation
Retirement age	Experience based tables of rates that are specific to the type of eligibility condition
Mortality	50% Male - 50% Female blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables

TITTABAWASSEE TOWNSHIP

OTHER POSTEMPLOYMENT BENEFITS

Schedule of Funding Progress

<i>Actuarial Valuation Date</i>	<i>Actuarial Accrued Liability</i>	<i>Value of Assets</i>	<i>Unfunded AAL (UAAL)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>UAAL as a Percentage of Covered Payroll</i>
3/31/2010	\$ 94,614	\$ -	\$ 94,614	0%	Not available	Not available
3/31/2013	92,505	-	92,505	0%	Not available	Not available
4/1/2015	73,983	-	73,983	0%	\$ 548,989	13.48%

Schedule of Employer Contributions

<i>Fiscal Year Ending</i>	<i>Actuarial Valuation Date</i>	<i>Annual Required Contribution</i>	<i>Annual OPEB Cost</i>	<i>Employer Contributions</i>		<i>Net OPEB Obligation</i>
				<i>Percentage of ARC Contributed</i>	<i>Percentage of OPEB Costs Contributed</i>	
3/31/2016	4/1/2015	\$ 14,806	\$ 13,043	80.5%	91.4%	\$ 17,932
3/31/2017	4/1/2015	14,806	12,926	59.9%	68.7%	21,982
3/31/2018	4/1/2015	14,806	12,502	64.8%	76.8%	24,884

TITTABAWASSEE TOWNSHIP

GENERAL FUND BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2018

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i>
				<i>Final Budget</i>
Revenues:				
Property taxes	\$ 344,045	\$ 345,226	\$ 344,881	\$ (345)
Special assessments	43,400	43,208	42,987	(221)
Licenses and permits	58,000	58,000	58,067	67
State grants	738,820	776,666	778,186	1,520
Contributions from other units	11,432	11,432	11,432	-
Charges for services	283,073	288,073	294,118	6,045
Interest and rents	62,812	57,522	62,671	5,149
Other revenue	13,000	26,150	29,055	2,905
Total revenues	<u>1,554,582</u>	<u>1,606,277</u>	<u>1,621,397</u>	<u>15,120</u>
Expenditures:				
Current				
General government				
Administrative services	317,084	308,153	297,115	(11,038)
Trustees	24,815	21,724	20,685	(1,039)
Supervisor	16,722	16,522	16,470	(52)
Fiscal services	139,307	134,554	132,616	(1,938)
Elections	14,500	3,500	2,635	(865)
Assessor	60,218	60,018	59,274	(744)
Clerk	52,988	52,430	52,674	244
Board of review	2,065	2,065	1,077	(988)
Treasurer	64,053	63,146	57,609	(5,537)
Offices and other buildings	27,763	28,890	27,628	(1,262)
Community hall	45,000	45,000	44,994	(6)
Total general government	<u>764,515</u>	<u>736,002</u>	<u>712,777</u>	<u>(23,225)</u>
Public works				
Department of public works	273,653	293,100	292,732	(368)
Roads	200,000	242,000	232,824	(9,176)
Cemetery	20,422	20,422	16,204	(4,218)
Total public works	<u>494,075</u>	<u>555,522</u>	<u>541,760</u>	<u>(13,762)</u>
Community and economic development				
Planning	21,468	29,006	29,469	463
Zoning	1,842	1,842	117	(1,725)
Community development	22,748	36,207	35,861	(346)
Total community and economic	<u>46,058</u>	<u>67,055</u>	<u>65,447</u>	<u>(1,608)</u>
Recreation and culture				
Parks	192,632	182,749	180,417	(2,332)

continued

TITTABAWASSEE TOWNSHIP

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE, CONTINUED

Year Ended March 31, 2018

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i>
				<i>Final Budget</i>
Other				
Insurance	8,500	9,000	8,860	(140)
Total other	8,500	9,000	8,860	(140)
Capital outlay	28,000	69,500	70,786	1,286
Debt service				
Principal	23,800	27,200	27,200	-
Interest and fees	2,340	2,340	2,278	(62)
Total debt service	26,140	29,540	29,478	(62)
Total expenditures	1,559,920	1,649,368	1,609,525	(39,843)
Excess (deficiency) of revenues over expenditures	(5,338)	(43,091)	11,872	54,963
Other financing sources (uses):				
Interfund transfers out	(90,000)	(90,000)	(90,000)	-
Transfer to component unit	-	(50,000)	(50,000)	-
Net other financing sources (uses)	(90,000)	(140,000)	(140,000)	-
Change in fund balance	(95,338)	(183,091)	(128,128)	54,963
Fund balance, beginning of year	1,442,317	1,442,317	1,442,317	-
Fund balance, end of year	<u>\$ 1,346,979</u>	<u>\$ 1,259,226</u>	<u>\$ 1,314,189</u>	<u>\$ 54,963</u>

TITTABAWASSEE TOWNSHIP

POLICE FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2018

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under)</i>
				<i>Final Budget</i>
Revenues:				
Property taxes	\$ 890,723	\$ 887,880	\$ 887,909	\$ 29
State grants	3,600	4,356	10,097	5,741
Contributions from other units	600	600	-	(600)
Charges for services	-	-	80	80
Fines and forfeits	4,000	4,000	1,442	(2,558)
Interest and rents	200	200	202	2
Other revenue	1,500	2,700	3,423	723
Total revenues	<u>900,623</u>	<u>899,736</u>	<u>903,153</u>	<u>3,417</u>
Expenditures:				
Current				
Public safety	840,117	873,517	886,432	12,915
Capital outlay	<u>45,000</u>	<u>45,000</u>	<u>44,415</u>	<u>(585)</u>
Total expenditures	<u>885,117</u>	<u>918,517</u>	<u>930,847</u>	<u>12,330</u>
Excess (deficiency) of revenues over expenditures	<u>15,506</u>	<u>(18,781)</u>	<u>(27,694)</u>	<u>(8,913)</u>
Other financing sources:				
Sale of capital assets	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>
Change in fund balance	18,506	(15,781)	(27,694)	(11,913)
Fund balance, beginning of year	<u>604,077</u>	<u>604,077</u>	<u>604,077</u>	<u>-</u>
Fund balance, end of year	<u>\$ 622,583</u>	<u>\$ 588,296</u>	<u>\$ 576,383</u>	<u>\$ (11,913)</u>

TITTABAWASSEE TOWNSHIP

REFUSE COLLECTION FUND BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2018

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under) Final Budget</i>
Revenues:				
Charges for services	\$ 515,000	\$ 515,000	\$ 513,230	\$ (1,770)
Interest and rents	500	500	163	(337)
Other revenue	150	150	2,565	2,415
Total revenues	515,650	515,650	515,958	308
Expenditures:				
Current				
Public works	515,831	515,831	473,719	(42,112)
Change in fund balance	(181)	(181)	42,239	42,420
Fund balance, beginning of year	238,274	238,274	238,274	-
Fund balance, end of year	\$ 238,093	\$ 238,093	\$ 280,513	\$ 42,420

OTHER SUPPLEMENTARY INFORMATION

TITTABAWASSEE TOWNSHIP

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

March 31, 2018

	<i>Special Revenue Funds</i>		
	<i>Fire Fund</i>	<i>Building Inspection Fund</i>	<i>Total</i>
Assets:			
Cash and cash equivalents	\$ 121,479	\$ 90,260	\$ 211,739
Taxes receivable	4,811	-	4,811
Accounts receivable	10,935	600	11,535
Accounts receivable - tax account	40	-	40
Due from other funds	-	289	289
Prepaid expenditures	674	-	674
Total assets	<u>\$ 137,939</u>	<u>\$ 91,149</u>	<u>\$ 229,088</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 8,604	\$ 118	\$ 8,722
Accrued expenses	-	3,750	3,750
Total liabilities	<u>8,604</u>	<u>3,868</u>	<u>12,472</u>
Fund balances:			
Nonspendable	674	-	674
Restricted	<u>128,661</u>	<u>87,281</u>	<u>215,942</u>
Total fund balances	<u>129,335</u>	<u>87,281</u>	<u>216,616</u>
Total liabilities and fund balances	<u>\$ 137,939</u>	<u>\$ 91,149</u>	<u>\$ 229,088</u>

TITTABAWASSEE TOWNSHIP

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2018

	<i>Special Revenue Funds</i>		
	<i>Fire Fund</i>	<i>Building Inspection Fund</i>	<i>Total</i>
Revenues:			
Property taxes	\$ 137,609	\$ -	\$ 137,609
Licenses and permits	-	143,676	143,676
State grants	4,734	-	4,734
Charges for services	5	-	5
Other revenue	12,655	-	12,655
Total revenues	<u>155,036</u>	<u>143,676</u>	<u>298,712</u>
Expenditures:			
Current			
Public safety	162,010	157,670	319,680
Debt service			
Principal	55,481	-	55,481
Interest and fees	2,776	-	2,776
Total expenditures	<u>220,267</u>	<u>157,670</u>	<u>377,937</u>
Excess (deficiency) of revenues over expenditures	<u>(65,231)</u>	<u>(13,994)</u>	<u>(79,225)</u>
Other financing sources (uses):			
Interfund transfers in	90,000	-	90,000
Changes in fund balances	24,769	(13,994)	10,775
Fund balances, beginning of year	<u>104,566</u>	<u>101,275</u>	<u>205,841</u>
Fund balances, end of year	<u>\$ 129,335</u>	<u>\$ 87,281</u>	<u>\$ 216,616</u>

TITTABAWASSEE TOWNSHIP

COMPONENT UNIT

BALANCE SHEET

March 31, 2018

Assets:

Cash and cash equivalents	\$	9,350
Taxes receivable		14,061
Accounts receivable		731
Prepaid expenditures		<u>13</u>
Total assets	\$	<u><u>24,155</u></u>

Liabilities and Fund Balance:

Liabilities:

Accounts payable	\$	3,713
Due to primary government - General Fund		<u>15,881</u>
Total liabilities		<u>19,594</u>

Fund balance:

Unassigned		<u>4,561</u>
Total liabilities and fund balance	\$	<u><u>24,155</u></u>

RECONCILIATION OF FUND BALANCE TO NET POSITION:

Fund balance of the component unit \$ 4,561

Net position reported for the component unit in the statement of net position is different because:

Capital assets are not current financial resources and therefore are not reported in the funds.

Capital assets not being depreciated	407,379
Capital assets being depreciated, net	5,632,049

Certain liabilities are not due and payable in the current period and are not reported in the funds.

Accrued interest	(2,422)
Compensated absences	(1,755)
Long-term debt	<u>(405,209)</u>

Net position of the component unit \$ 5,634,603

TITTABAWASSEE TOWNSHIP

COMPONENT UNIT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2018

Revenues:

Property taxes	\$	359,792
Interest and rents		125,357
Other revenue		<u>60,475</u>
Total revenues		<u>545,624</u>

Expenditures:

Current:

Community and economic development		287,949
Capital outlay		95,930
Debt service:		
Principal		231,521
Interest and fees		<u>22,152</u>
Total expenditures		<u>637,552</u>

Change in fund balance (91,928)

Fund balance, beginning of year 96,489

Fund balance, end of year \$ 4,561

RECONCILIATION OF CHANGE IN FUND BALANCE TO CHANGE IN NET POSITION:

Change in fund balance of component unit \$ (91,928)

Change in net position reported for component unit in the statement of activities is different because:

Component unit fund statements report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	34,740
Less depreciation expense	(272,274)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the component unit fund statements.

Change in accrued interest payable	2,250
Change in compensated absences payable	(182)
Repayments of long-term debt	<u>231,521</u>

Change in net position of component unit \$ (95,873)

TITTABAWASSEE TOWNSHIP

GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

March 31, 2018

1999 COUNTY BOND - BISHOP TILE DRAIN

Original issue amount	\$	340,000
Less: Principal paid in prior years		(285,600)
Principal paid in current year		<u>(27,200)</u>
Balance payable at March 31, 2018	\$	<u>27,200</u>

Balance payable as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Interest</u> <u>Rate</u>	<u>Principal due</u>	<u>Interest due</u>	<u>Interest due</u>	<u>Total</u> <u>Annual</u> <u>Requirement</u>
2019	5.75%	\$ <u>27,200</u>	\$ <u>680</u>	\$ <u>-</u>	\$ <u>27,880</u>

2013 INSTALLMENT LOAN - FIRE TRUCK

Original issue amount	\$	324,611
Less: Principal paid in prior years		(188,148)
Principal paid in current year		<u>(55,481)</u>
Balance payable at March 31, 2018	\$	<u>80,982</u>

Balance payable as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Interest</u> <u>Rate</u>	<u>Principal due</u>	<u>Interest due</u>	<u>Total</u> <u>Annual</u> <u>Requirement</u>
2019	2.50%	\$ 56,214	\$ 2,041	\$ 58,255
2020	2.50%	<u>24,768</u>	<u>635</u>	<u>25,403</u>
		<u>\$ 80,982</u>	<u>\$ 2,676</u>	<u>\$ 83,658</u>

TITTABAWASSEE TOWNSHIP

COMPONENT UNIT SCHEDULE OF INDEBTEDNESS

March 31, 2018

2007 GENERAL OBLIGATION LIMITED TAX DEVELOPMENT BONDS, SERIES B

Original issue amount	\$ 1,000,000
Less: Principal paid in prior years	(755,000)
Principal paid in current year	<u>(120,000)</u>
Balance payable at March 31, 2018	<u>\$ 125,000</u>

Balance payable as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Interest</u> <u>Rate</u>	<u>Principal due</u>	<u>Interest due</u>	<u>Interest due</u>	<u>Total</u> <u>Annual</u> <u>Requirement</u>
2019	4.65%	<u>\$ 125,000</u>	<u>\$ 2,906</u>	<u>\$ -</u>	<u>\$ 127,906</u>

2009 LOAN AGREEMENT FOR ASSIGNMENT OF RENTS

Original issue amount	\$ 500,000
Add: Additional borrowing	575,000
Add: Accrued interest on borrowing	6,449
Less: Principal paid in prior years	(689,719)
Principal paid in current year	<u>(111,521)</u>
Balance payable at March 31, 2018	<u>\$ 280,209</u>

Balance payable as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Interest</u> <u>Rate</u>	<u>Principal due</u>	<u>Interest due</u>	<u>Total</u> <u>Annual</u> <u>Requirement</u>
2019	4.00%	\$ 113,952	\$ 11,208	\$ 125,160
2020	4.00%	118,510	6,650	125,160
2021	4.00%	<u>47,747</u>	<u>1,910</u>	<u>49,657</u>
		<u>\$ 280,209</u>	<u>\$ 19,768</u>	<u>\$ 299,977</u>