Township of Scio

Washtenaw County, Michigan

Financial Report
with Supplemental Information
March 31, 2019

Contents

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Independent Auditor's Report

To the Board of Trustees
Township of Scio

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Scio (the "Township") as of and for the year ended March 31, 2019 and the related notes to the financial statements, which collectively comprise the Township of Scio's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Scio as of March 31, 2019 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 11 to the financial statements, during the year ended March 31, 2019, the Township adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which established accounting and financial reporting standards for defined benefit OPEB plans provided to the employees of governmental employers. Our opinion is not modified with respect to this matter.

To the Board of Trustees
Township of Scio

Other Matters

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township of Scio's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

September 20, 2019

Our discussion and analysis of the Township of Scio's (the "Township") financial performance provides an overview of the financial activities for the fiscal year ended March 31, 2019. Please read it in conjunction with the Township's financial statements.

Financial Highlights

The following are the most significant financial highlights for the year ended March 31, 2019

- The Township’s property tax collection remains the largest single revenue source for the general operations of the Township. The collection was relatively flat for the previous five years because of the tax formula used to determine taxable value.
- The fire special assessment district (SAD) funded the fire department budget for the first time in fiscal year 2010. The voter-approved SAD levy is a maximum of 0.9 mills on the taxable value of real property in the district that excludes the City of Dexter, Michigan. It is collected annually with the December tax bills. This collection is not subject to state rollback requirements and is not captured by the Township’s Downtown Development Authority. The first collection occurred following the vote with the December 2008 taxes. The monies represent deferred revenue and are committed to the fiscal year budget that starts following collection. Revenue is segregated in the Fire Department Fund and expended only on fire service costs.
- On the sheriff side of public safety, the Township has seen expenditures for sheriff services remain consistent for the sixth year after several years of significant increases related to increasing the number of deputies assigned to the Township and the total number of deployment hours.
- State-shared revenue, the Township’s second largest revenue source, increased by approximately $92,000 in fiscal year 2019 compared to 2018.
- Because of the economic downturn, development fee revenue was significantly reduced in the past several years. These fees increased slightly in the prior fiscal year and continued to see an increase in the current fiscal year as the economy continues to improve.
- The revamped billing method for water and sewer service continues to be monitored closely. In this fiscal year, the water and sewer rates were consistent with the prior year. In fiscal year 2019, the Sewer Fund revenue slightly exceeded expenditures, and Water Fund expenditures exceeded revenue.

Using this Annual Report

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

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

It is important that the reader note that this report represents a snapshot of the financial position of the Township as of the close of business on March 31, 2019. The largest financial resource, property tax collection, is seasonal. It is collected late in the budget year and only during the fourth quarter (December to February). The revenue generated from property tax collection is in the fourth quarter revenue stream and not available for the first three quarters. As such, it becomes reflected in fund balance. Sufficient cash balance must be in reserve to meet the expenditures for the entire year.

Township's Net Position

The following table shows, in a condensed format, the net position as of the end of the fiscal year compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current assets	$ 18,184,018	$ 17,538,017	$ 20,817,516	$ 22,908,862	$ 39,001,534	$ 40,446,879
Noncurrent assets	14,013,321	13,692,759	33,332,171	32,258,700	47,345,492	45,951,459
Total assets	32,197,339	31,230,776	54,149,687	55,167,562	86,347,026	86,398,338
Deferred Outflows of Resources	397,359	330,087	68,070	41,442	465,429	371,529
Liabilities						
Current liabilities	186,567	157,985	1,207,141	1,581,509	1,393,708	1,739,494
Long-term liabilities	1,544,451	1,571,780	5,800,269	6,150,466	7,344,720	7,722,246
Total liabilities	1,731,018	1,729,765	7,007,410	7,731,975	8,738,428	9,461,740
Deferred Inflows of Resources	1,229,963	1,053,943	50,603	1,374	1,280,566	1,055,317
Net Position						
Net investment in capital assets	13,765,321	13,376,759	28,047,961	26,626,869	41,813,282	40,003,628
Restricted	7,967,339	7,827,363	19,111,783	20,848,786	27,079,122	28,676,149
Unrestricted	7,901,057	7,573,033	-	-	7,901,057	7,573,033
Total net position	**$ 29,633,717**	**$ 28,777,155**	**$ 47,159,744**	**$ 47,475,655**	**$ 76,793,461**	**$ 76,252,810**

A significant portion of the assets represents fixed capital improvements. The equity in township capital assets, such as sewer and water lines, is not readily transferable to cash. The unrestricted net position is more liquid in nature and is available to finance day-to-day operations. Unrestricted net position was approximately $7,902,000 and $7,573,000 as of March 31, 2019 and 2018, respectively. The current level of unrestricted net position for governmental activities is approximately 27 percent of total governmental activities net position. The reader should note throughout the statements that certain amounts remain restricted for specific items and legally can only be expended on those items, such as land preservation, boulevard landscape maintenance, tree activities, special assessment purposes, sewer and water operations, and capital projects.

Township's Changes in Net Position

The following table shows the changes in the net position during the fiscal year as compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue						
Program revenue:						
Charges for services	$ 1,500,068	$ 1,325,568	$ 5,790,178	$ 5,538,083	$ 7,290,246	$ 6,863,651
Operating grants and contributions	126,200	67,102	-	-	126,200	67,102
Capital grants and contributions	-	-	406,849	2,188,640	406,849	2,188,640
General revenue:						
Property taxes	2,570,528	2,510,693	-	-	2,570,528	2,510,693
State-shared revenue	1,499,303	1,407,499	-	-	1,499,303	1,407,499
Unrestricted investment earnings	278,931	165,429	479,880	252,721	758,811	418,150
Other revenue:						
Franchise fees	351,603	328,962	-	-	351,603	328,962
Miscellaneous	114,994	157,728	-	-	114,994	157,728
Total revenue	6,441,627	5,962,981	6,676,907	7,979,444	13,118,534	13,942,425
Program Expenses						
General government	2,593,034	2,365,834	-	-	2,593,034	2,365,834
Public safety	2,694,784	3,005,961	-	-	2,694,784	3,005,961
Public works	399,948	240,660	-	-	399,948	240,660
Debt service	14,436	18,877	-	-	14,436	18,877
Water	-	-	3,643,114	3,159,207	3,643,114	3,159,207
Sewer	-	-	3,419,974	3,195,327	3,419,974	3,195,327
Total program expenses	5,702,202	5,631,332	7,063,088	6,354,534	12,765,290	11,985,866
Change in Net Position	**$ 739,425**	**$ 331,649**	**$ (386,181)**	**$ 1,624,910**	**$ 353,244**	**$ 1,956,559**

Financial Analysis of Individual Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for discretionary use, as it represents the portion of the fund balance that has not yet been limited to use for a particular purpose by an external party. Uncommitted or unassigned fund balance provides further information about the resources that have not been constrained by either the board of trustees or a group or individual that has been delegated authority to assign resources for use for particular purposes by the board of trustees.

Within these governmental funds, the General Fund is the most significant to understanding the Township's financial activities. In addition, the Water and Sewer funds are a significant enterprise activity for the Township. A brief analysis of each of those funds is presented below.

Governmental Activities

Charges for services increased during the current year, which was largely related to the township-wide special assessments.

Business-type Activities

The Township’s largest business-type activities consist of the Water and Sewer funds. All assets, liabilities, revenue, and expenses are restricted solely for those operations. The Township provides water and sewage services to property owners within a defined district in the Township. The water supply and sewerage processing is through contract with the City of Ann Arbor, Michigan (the "City").

The Township’s operational responsibility for sewer and water is limited to the service lines and pumping facilities located within the borders of the Township. The utilities department continues to implement an adopted capital improvement program. Over the past eight years, the department implemented an extensive in-flow and infiltration (I&I) program on the sanitary sewer system that has led to a lesser problem with wet-weather flooding.

The Loch Alpine Sewer Authority also provides public utility service in the Township, but it is a separate entity from the Township and is subject to a separate audit.

Township Funds

The analysis of the Township’s major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds. The township board of trustees creates accounting funds to segregate monies, manage money for specific purposes, and show accountability for certain activities, such as special property tax millages. The Township’s major funds include the General Fund, Fire Department Fund, Sewer Fund, Water Fund, and Township Road Improvement Special Assessment Fund.

The General Fund revenue is not restricted or dedicated to specific uses. The General Fund pays for most of the Township’s governmental services. The most significant expenditures are those for the police department, which incurred expenses of approximately $1,401,888 in fiscal year 2019 and $1,399,000 in 2018. All public safety expenditures except for the fire department have been funded entirely by the General Fund. The dedicated fire special assessment has funded the fire department since 2010.

The Scio Downtown Development Authority (DDA) remains a major player in the physical development of the Township. Jackson Road improvements have been funded by the DDA through the capture of 50 percent of the property tax increment funds in its district since 1986. Thus, the DDA captures 50 percent of the new taxes that would be available for unrestricted general operations of the Township from its district, the major growth area of the Township. However, the DDA also captures taxes from other jurisdictions that can be used for DDA purposes. The DDA has incurred most of the Township’s outstanding debt for improvements to Jackson Road, as discussed below. The debt will be repaid through the collection of future tax increments.

The Fire Department Fund accounts for monies collected under the fire special assessment district millage. These funds are required to be used only for the provision of fire services to the community.

Budgetary Highlights

Over the course of the year, the Township amended the budget in a legally permissible manner to reflect changing events. There were minimal amendments made in the Township’s General Fund budget.

Capital Assets and Debt Administration

At the end of fiscal year 2019, the Township had approximately $47 million invested in a broad range of capital assets, including buildings, fire equipment, and water and sewer lines (not including the Jackson Road improvements). Capital assets are not liquid and cannot be easily transferred to cash equivalents.

The Township's Downtown Development Authority has a debt obligation at the end of the audit year of approximately $8.6 million. The proceeds from these debt issuances financed the development of the Jackson Road corridor. The DDA amended its financing plan in fall 2006 to extend its life and fund Phase III of Jackson Road. A bond issue of $3.47 million was sold in February 2012, refunding the remaining debt from the 2002 issue. A bond issue of $9.7 million was sold in December 2006. An additional $3.3 million of debt was issued in 2008. A bond issue of $6.88 million was sold in July 2015, refunding the remaining debt from the 2006 issue. Per the adopted DDA financing plan, all bond payments will be met by the DDA through the capture of tax increment revenue. The Washtenaw County Road Commission has full jurisdiction over the road, retains the asset, and is responsible for the project and contract administration of funds from township, state, and federal sources. The numbers in this audit represent contributions from the DDA and the Township's sewer funds. The total final costs, including acquisition, design, and construction through Phase III, were approximately $22 million and were completed in 2011. The proposed Phase IV construction (Dino Drive to Parker Road) has been planned since 1986; however, the uncertainty over the current state of the economy and a decrease in the level of activity on this portion of the road means that the start of this final phase will be placed on hold for the foreseeable future.

Economic Factors and Next Year's Budgets and Rates

The recent national economic downturn caused a decline in property values in the past several years that has resulted in lower property tax collections for the Township. There was an increase in property values in the prior fiscal year, and this increase continued in the current fiscal year as the economy continues to improve.

Most readers are familiar with fiscal planning that occurs on a calendar-year basis. However, when analyzing various funding cycles that apply to the statements in this report, one needs to consider the varying fiscal years of the State of Michigan (October 1 to September 30); Washtenaw County, Michigan (January 1 to December 31); and the Township of Scio (April 1 to March 31). The timing of the revenue stream can confuse the average resident. It can also present funding problems for the Township.

Contacting Township Management

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

Statement of Net Position

March 31, 2019

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and investments	$ 15,336,426	$ 20,025,101	$ 35,361,527	$ 2,564,560
Receivables:				
Property taxes receivable	8,717	-	8,717	-
Special assessments receivable	2,260,629	-	2,260,629	-
Customer receivables - Net	75,144	791,301	866,445	-
Other receivables	5,800	-	5,800	-
Due from other governmental units	497,302	1,114	498,416	191
Capital assets - Net: (Note 5)				
Nondepreciated	8,875,020	2,301,448	11,176,468	16,010,711
Depreciated	5,138,301	31,030,723	36,169,024	7,913,811
Total assets	32,197,339	54,149,687	86,347,026	26,489,273
Deferred Outflows of Resources				
Bond refunding loss being amortized	-	-	-	280,857
Deferred outflows related to pensions (Note 9)	361,294	52,906	414,200	-
Deferred outflows related to other postemployment benefits (Note 10)	36,065	15,164	51,229	-
Total deferred outflows of resources	397,359	68,070	465,429	280,857
Liabilities				
Accounts payable	139,564	110,541	250,105	143
Due to other governmental units	-	699,416	699,416	-
Accrued liabilities and other	47,003	397,184	444,187	96,201
Noncurrent liabilities:				
Due within one year:				
Compensated absences	125,435	39,188	164,623	-
Current portion of long-term debt (Note 7)	-	375,749	375,749	820,000
Due in more than one year:				
Net pension liability (Note 9)	569,803	224,087	793,890	-
Total other postemployment benefit liability	601,213	252,784	853,997	-
Long-term debt - Net of current portion (Note 7)	248,000	4,908,461	5,156,461	7,801,994
Total liabilities	1,731,018	7,007,410	8,738,428	8,718,338
Deferred Inflows of Resources				
Special assessment revenue for the following year	1,096,096	-	1,096,096	-
Deferred pension cost reductions (Note 9)	133,867	50,603	184,470	-
Total deferred inflows of resources	1,229,963	50,603	1,280,566	-

See notes to financial statements.

Statement of Net Position (Continued)

March 31, 2019

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Net Position				
Net investment in capital assets	$ 13,765,321	$ 28,047,961	$ 41,813,282	$ 15,583,385
Restricted for:				
Metro act	13,245	-	13,245	-
Land preservation	2,443,990	-	2,443,990	-
Debt service	80,112	-	80,112	-
Public safety	1,295,521	-	1,295,521	-
Water operations	-	5,396,008	5,396,008	-
Sewer operations	-	13,715,775	13,715,775	-
Road improvement	2,973,726	-	2,973,726	-
Bridge maintenance	43,199	-	43,199	-
Bus	356,822	-	356,822	-
Public improvement	545,042	-	545,042	-
Tree mitigation	215,682	-	215,682	-
Unrestricted	7,901,057	-	7,901,057	2,468,407
Total net position	**$ 29,633,717**	**$ 47,159,744**	**$ 76,793,461**	**$ 18,051,792**

	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	$ 2,593,034	$ 270,784	$ 126,200	$ -
Public safety - Police, fire, and EMS	2,694,784	1,074,208	-	-
Public works	399,948	155,076	-	-
Debt service	14,436	-	-	-
Total governmental activities	5,702,202	1,500,068	126,200	-
Business-type activities:				
Water Fund	3,643,114	2,922,157	-	140,944
Sewer Fund	3,419,974	2,868,021	-	265,905
Total business-type activities	7,063,088	5,790,178	-	406,849
Total primary government	**$ 12,765,290**	**$ 7,290,246**	**$ 126,200**	**$ 406,849**
Component units - Downtown Development Authority	**$ 1,148,025**	**$ -**	**$ -**	**$ -**

General revenue:
- Property taxes
- State-shared revenue
- Investment income
- Franchise fees
- Other miscellaneous income

Total general revenue

Change in Net Position

Net Position - Beginning of year, as restated (Note 11)

Net Position - End of year

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (2,196,050)	$ -	$ (2,196,050)	$ -
(1,620,576)	-	(1,620,576)	-
(244,872)	-	(244,872)	-
(14,436)	-	(14,436)	-
(4,075,934)	-	(4,075,934)	-
-	(580,013)	(580,013)	-
-	(286,048)	(286,048)	-
-	(866,061)	(866,061)	-
(4,075,934)	(866,061)	(4,941,995)	-
-	-	-	(1,148,025)
2,570,528	-	2,570,528	1,603,459
1,499,303	-	1,499,303	-
278,931	479,880	758,811	14,075
351,603	-	351,603	-
114,994	-	114,994	63,750
4,815,359	479,880	5,295,239	1,681,284
739,425	(386,181)	353,244	533,259
28,894,292	47,545,925	76,440,217	17,518,533
$ 29,633,717	**$ 47,159,744**	**$ 76,793,461**	**$ 18,051,792**

Governmental Funds Balance Sheet

March 31, 2019

	General Fund	Fire Department Fund	Township Road Improvement Special Assessment Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments (Note 3)	$ 7,384,748	$ 2,414,823	$ 1,019,507	$ 4,517,348	$ 15,336,426
Receivables - Net:					
Property taxes receivable	5,520	-	-	3,197	8,717
Special assessments receivable	-	-	2,215,832	44,797	2,260,629
Customer receivables - Net	75,144	-	-	-	75,144
Other receivables	5,800	-	-	-	5,800
Due from other governmental units	406,526	35,433	21,760	33,583	497,302
Due from other funds (Note 6)	463,000	-	-	-	463,000
Prepaid expenses	-	-	53,747	21,484	75,231
Total assets	**$ 8,340,738**	**$ 2,450,256**	**$ 3,310,846**	**$ 4,620,409**	**$ 18,722,249**
Liabilities					
Accounts payable	$ 66,315	$ 33,686	$ 120	$ 39,443	$ 139,564
Due to other funds (Note 6)	-	-	337,000	126,000	463,000
Accrued liabilities and other	21,212	24,953	-	838	47,003
Total liabilities	87,527	58,639	337,120	166,281	649,567
Deferred Inflows of Resources (Note 4)	121,165	1,096,096	2,215,832	47,994	3,481,087
Fund Balances					
Nonspendable - Prepaids	-	-	53,747	21,484	75,231
Restricted:					
Roads	-	-	704,147	-	704,147
Land preservation	-	-	-	2,441,811	2,441,811
Public safety	-	1,295,521	-	-	1,295,521
Debt service	-	-	-	13,831	13,831
Tree mitigation	-	-	-	215,682	215,682
Bus	-	-	-	355,804	355,804
Metro act	-	-	-	13,245	13,245
Public improvements	-	-	-	545,042	545,042
Bridge maintenance	-	-	-	43,199	43,199
Committed:					
Capital projects	-	-	-	756,036	756,036
Other postemployment benefit obligations	853,997	-	-	-	853,997
Assigned - Subsequent year's budget	112,225	-	-	-	112,225
Unassigned	7,165,824	-	-	-	7,165,824
Total fund balances	8,132,046	1,295,521	757,894	4,406,134	14,591,595
Total liabilities, deferred inflows of resources, and fund balances	**$ 8,340,738**	**$ 2,450,256**	**$ 3,310,846**	**$ 4,620,409**	**$ 18,722,249**

See notes to financial statements.

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

	March 31, 2019
Fund Balances Reported in Governmental Funds	$ 14,591,595
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	14,013,321
Grants and other receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	2,384,991
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(323,231)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(125,435)
Net pension liability and related deferred inflows and outflows	(342,376)
Other postemployment benefit obligations	(565,148)
Net Position of Governmental Activities	**$ 29,633,717**

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended March 31, 2019

	General Fund	Fire Department Fund	Township Road Improvement Special Assessment Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Property taxes	$ 1,120,132	$ -	$ -	$ 995,435	$ 2,115,567
Special assessments	-	1,051,818	653,459	19,932	1,725,209
State-shared revenue	1,486,002	-	-	9,864	1,495,866
Locally raised	1,186,032	140	-	-	1,186,172
Rental income	43,475	22,250	-	-	65,725
Federal grants	-	60,024	-	-	60,024
Investment income	130,849	33,087	37,616	77,379	278,931
Other miscellaneous income	15,888	3,320	-	13,511	32,719
Total revenue	3,982,378	1,170,639	691,075	1,116,121	6,960,213
Expenditures					
Current:					
General government	1,608,009	-	-	442,855	2,050,864
Public safety	1,552,432	1,170,204	-	225	2,722,861
Public works	87,226	-	258,318	1,717	347,261
Capital outlay	295,083	3,330	-	372,705	671,118
Debt service	-	-	60,643	23,333	83,976
Total expenditures	3,542,750	1,173,534	318,961	840,835	5,876,080
Excess of Revenue Over (Under) Expenditures	439,628	(2,895)	372,114	275,286	1,084,133
Other Financing Sources - Proceeds from sale of capital assets	-	40,000	-	-	40,000
Net Change in Fund Balances	439,628	37,105	372,114	275,286	1,124,133
Fund Balances - Beginning of year	7,692,418	1,258,416	385,780	4,130,848	13,467,462
Fund Balances - End of year	**$ 8,132,046**	**$ 1,295,521**	**$ 757,894**	**$ 4,406,134**	**$ 14,591,595**

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

Year Ended March 31, 2019

Net Change in Fund Balances Reported in Governmental Funds	$ 1,124,133
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	666,329
Depreciation expense	(271,166)
Net book value of assets disposed of	(74,601)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(558,589)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	68,000
Change in accrued interest payable and other	1,539
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(216,220)
Change in Net Position of Governmental Activities	**$ 739,425**

Proprietary Funds
Statement of Net Position

March 31, 2019

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 1,318,139	$ 2,587,387	$ 3,905,526
Investments	4,587,467	11,532,108	16,119,575
Receivables:			
Customer receivables - Net	358,397	432,904	791,301
Due from other governmental units	1,114	-	1,114
Total current assets	6,265,117	14,552,399	20,817,516
Noncurrent assets - Capital assets (Note 5)	18,318,702	15,013,469	33,332,171
Total assets	24,583,819	29,565,868	54,149,687
Deferred Outflows of Resources			
Deferred outflows related to pensions (Note 9)	25,530	27,376	52,906
Deferred outflows related to other postemployment benefits (Note 10)	7,582	7,582	15,164
Total deferred outflows of resources	33,112	34,958	68,070
Liabilities			
Current liabilities:			
Accounts payable	64,728	45,813	110,541
Due to other governmental units	404,771	294,645	699,416
Accrued liabilities and other	150,740	246,444	397,184
Compensated absences	19,594	19,594	39,188
Current portion of long-term debt (Note 7)	375,749	-	375,749
Total current liabilities	1,015,582	606,496	1,622,078
Noncurrent liabilities:			
Net pension liability (Note 9)	111,181	112,906	224,087
Total other postemployment benefit liability	126,392	126,392	252,784
Long-term debt - Net of current portion (Note 7)	4,908,461	-	4,908,461
Total noncurrent liabilities	5,146,034	239,298	5,385,332
Total liabilities	6,161,616	845,794	7,007,410
Deferred Inflows of Resources - Deferred inflows related to pensions (Note 9)	24,815	25,788	50,603
Net Position			
Net investment in capital assets	13,034,492	15,013,469	28,047,961
Restricted:			
Restricted for water operations	5,396,008	-	5,396,008
Restricted for sewer operations	-	13,715,775	13,715,775
Total net position	**$ 18,430,500**	**$ 28,729,244**	**$ 47,159,744**

See notes to financial statements.

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

Year Ended March 31, 2019

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenue			
Charges for services	$ 2,847,226	$ 2,657,730	$ 5,504,956
Other	74,931	210,291	285,222
Total operating revenue	2,922,157	2,868,021	5,790,178
Operating Expenses			
Cost of water	2,118,813	-	2,118,813
Cost of sewage treatment	-	2,073,169	2,073,169
Operation and maintenance	368,580	480,253	848,833
General and administrative	496,031	426,796	922,827
Depreciation	525,457	434,611	960,068
Total operating expenses	3,508,881	3,414,829	6,923,710
Operating Loss	(586,724)	(546,808)	(1,133,532)
Nonoperating Revenue (Expense)			
Investment income	142,696	337,184	479,880
Interest expense	(134,233)	-	(134,233)
Loss on sale of assets	-	(5,145)	(5,145)
Total nonoperating revenue	8,463	332,039	340,502
Loss - Before contributions	(578,261)	(214,769)	(793,030)
Capital Contributions			
Lines donated by developers	55,000	-	55,000
Other capital contributions	85,944	265,905	351,849
Total capital contributions	140,944	265,905	406,849
Change in Net Position	(437,317)	51,136	(386,181)
Net Position - Beginning of year, as restated (Note 11)	18,867,817	28,678,108	47,545,925
Net Position - End of year	**$ 18,430,500**	**$ 28,729,244**	**$ 47,159,744**

See notes to financial statements.

Proprietary Funds
Statement of Cash Flows

Year Ended March 31, 2019

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	$ 2,936,489	$ 2,864,215	$ 5,800,704
Payments to suppliers	(2,760,841)	(2,888,677)	(5,649,518)
Payments to employees	(242,910)	(158,573)	(401,483)
Other receipts	558	55,142	55,700
Net cash and cash equivalents used in operating activities	(66,704)	(127,893)	(194,597)
Cash Flows from Capital and Related Financing Activities			
Collection of connection fees	85,944	265,905	351,849
Tap fees collected on behalf of the City of Ann Arbor, Michigan	275,599	303,739	579,338
Tap fees paid to the City of Ann Arbor, Michigan	(368,734)	(391,419)	(760,153)
Purchase of capital assets	(558,760)	(1,430,069)	(1,988,829)
Debt service	(492,608)	-	(492,608)
Net cash and cash equivalents used in capital and related financing activities	(1,058,559)	(1,251,844)	(2,310,403)
Cash Flows from Investing Activities			
Interest received on investments	142,696	337,184	479,880
Purchase of investment securities	868,552	720,983	1,589,535
Net cash and cash equivalents provided by investing activities	1,011,248	1,058,167	2,069,415
Net Decrease in Cash and Cash Equivalents	(114,015)	(321,570)	(435,585)
Cash and Cash Equivalents - Beginning of year	1,432,154	2,908,957	4,341,111
Cash and Cash Equivalents - End of year	**$ 1,318,139**	**$ 2,587,387**	**$ 3,905,526**
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	$ (586,724)	$ (546,808)	$ (1,133,532)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	525,457	434,611	960,068
Changes in assets and liabilities:			
Receivables	14,890	51,336	66,226
Accrued and other liabilities	54,685	46,364	101,049
Accounts payable	(123,374)	(253,602)	(376,976)
Accrued and other liabilities	48,362	140,206	188,568
Total adjustments	520,020	418,915	938,935
Net cash and cash equivalents used in operating activities	**$ (66,704)**	**$ (127,893)**	**$ (194,597)**
Significant Noncash Transactions - Lines donated by developers	$ 55,000	$ -	$ 55,000

See notes to financial statements.

Fiduciary Funds
Statement of Assets and Liabilities

March 31, 2019

	Current Tax Collection	Trust and Agency	Total Fiduciary Funds
Assets - Cash and investments	$ 80,332	$ 274,260	$ 354,592
Liabilities - Accrued liabilities and other	$ 80,332	$ 274,260	$ 354,592

See notes to financial statements.

Component Units
Statement of Net Position

March 31, 2019

		Downtown Development Authority		Economic Development Corporation		Total
Assets						
Cash and investments	$	2,554,329	$	10,231	$	2,564,560
Receivables - Due from other governmental units		191		-		191
Capital assets (Note 5)		23,924,522		-		23,924,522
Total assets		26,479,042		10,231		26,489,273
Deferred Outflows of Resources - Bond refunding loss being amortized		280,857		-		280,857
Liabilities						
Accounts payable		143		-		143
Accrued interest payable		96,201		-		96,201
Long-term debt:						
Due within one year - Current portion of long-term debt		820,000		-		820,000
Due in more than one year - Long-term debt		7,801,994		-		7,801,994
Total liabilities		8,718,338		-		8,718,338
Net Position						
Net investment in capital assets		15,583,385		-		15,583,385
Unrestricted		2,458,176		10,231		2,468,407
Total net position	**$**	**18,041,561**	**$**	**10,231**	**$**	**18,051,792**

		Program Revenue		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Downtown Development Authority	$ 1,148,025	$ -	$ -	$ -
Economic Development Corporation	-	-	-	-
Total	**$ 1,148,025**	**$ -**	**$ -**	**$ -**

General revenue:
Property taxes
Investment income
Other miscellaneous income

Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Year Ended March 31, 2019

Net (Expense) Revenue and Changes in Net Position		
Downtown Development Authority	Economic Development Corporation	Total
$ (1,148,025)	$ -	$ (1,148,025)
-	-	-
(1,148,025)	-	(1,148,025)
1,603,459	-	1,603,459
14,050	25	14,075
63,750	-	63,750
1,681,259	25	1,681,284
533,234	25	533,259
17,508,327	10,206	17,518,533
$ 18,041,561	**$ 10,231**	**$ 18,051,792**

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

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

Reporting Entity

The Township of Scio is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Blended component units are, in substance, part of the Township's operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the Township. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township (see discussion below for description).

Blended Component Units

The Building Authority was created to provide for the financing of renovations to the Township Hall. The Building Authority's governing body, which consists of three individuals, was created during the fiscal year ended March 31, 1999. Building authority operations consist of the issuance and repayment of debt and the construction of facilities. Although it is legally separate from the Township, the Building Authority is reported as if it were part of the primary government because its primary purpose is to finance and construct the Township's public buildings.

Discretely Presented Component Units

Downtown Development Authority

The Downtown Development Authority (DDA or the "Authority") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of nine individuals, is selected by the Township's board. In addition, the Authority's budget is subject to approval by the Township's board. Interim internal financial statements are prepared monthly and available at the Township Hall. The report may be obtained by writing to the Township at 827 North Zeeb Road, Ann Arbor, MI 48103.

Economic Development Corporation

The Economic Development Corporation (the "Corporation") was created to provide the means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township so as to provide needed services and facilities of such enterprises to the residents of the Township. A 10-member board appointed by the township board administers the Economic Development Corporation. Interim financial statements are prepared monthly and available at the Township Hall. The report may be obtained by writing to the Township at 827 North Zeeb Road, Ann Arbor, MI 48103.

Note 1 - Significant Accounting Policies (Continued)

Report Presentation

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

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

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

Basis of Accounting

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

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

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Township considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow."

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

Note 1 - Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Fund Accounting

The Township accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenue was used. The various funds are aggregated into three broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The Township reports the following funds as "major" governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Fire Department Fund is used to account for monies collected and expended for fire protection services.
- The Township Road Improvement Special Assessment Fund is used to account for the monies collected and expended for road improvements. This fund includes the Township Special Assessment District Fund, Township Road Improvement Revolving Fund, Newman Boulevard Special Assessment District Fund, the 2014 Road Special Assessment District Fund, Park Road Special Assessment District Fund, the 2015 Road Special Assessment District Road Fund, the 2016 Road Special Assessment Fund, the 2017 Road Special Assessment Fund, and the 2018 Road Special Assessment Fund.

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees). The Township reports the following funds as "major" enterprise funds:

- The Water Fund accounts for activities of the water distribution.
- The Sewer Fund accounts for activities of the sewage collection system.

Agency Funds

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

Note 1 - Significant Accounting Policies (Continued)

Interfund Activity

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

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

Specific Balances and Transactions

Cash and Cash Equivalents

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

Investments

Investments are reported at fair value. Pooled investment income from the General Fund is generally allocated to each fund based on the relative participation in the pool.

Prepaid Items

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

Capital Assets

Capital assets, which include property, plant, equipment, intangible assets, 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. Capital assets are recorded by the Township as appropriate based on cost and useful life. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

Capital Asset Class	Depreciable Life - Years
Sewer meters	25
Utility system	25-50
Buildings	20 to 50
Machinery and equipment	5 to 30
Vehicles	5
Fire vehicles	20
Land improvements	10 to 25
Road rights and infrastructure	25

Note 1 - Significant Accounting Policies (Continued)

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The General Fund and Park Road SAD Fund are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time.

The Township reports deferred outflows of resources for deferred charges on bond refunding in the government-wide financial statements and the Downtown Development Authority. A deferred charge on refunding results from the difference in carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The deferred outflows of resources related to the defined benefit pension plan are reported in the government-wide financial statements and the Water and Sewer Fund. The deferred outflows of resources result from three transactions: contributions to the defined benefit pension plan subsequent to the plan's year end through the Township's fiscal year end, the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings, and changes in assumptions related to economic and demographic factors.

The deferred outflows of resources related to the other postemployment benefit plan are reported in the government-wide financial statements and the Water and Sewer funds. The deferred outflows of resources result from two transactions: the variance between the pension plan's actual experience compared to the plan's assumed experience and changes in assumptions related to economic and demographic factors.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from four sources: grants, delinquent property taxes, state-shared revenue, and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Also, in the government-wide and proprietary funds' financial statements, a deferred inflow has been recorded related to the variance between the pension plan's actual experience compared to the plan's assumed experience.

Net Position

Net position of the Township is classified in three components. Net investment in capital assets - net of related debt consist of capital assets net of accumulated depreciation and are reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position is further classified as expendable and nonexpendable. Expendable restricted net position has been limited for use by donors and as held in trust for debt service and self-insured professional liability. Nonexpendable restricted net position has been restricted by donors to be maintained in perpetuity. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Note 1 - Significant Accounting Policies (Continued)

Net Position Flow Assumption

The Township will sometimes 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 government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Township has, by resolution, authorized the board of trustees to assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

Property taxes are levied on each December 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. Taxes are due on February 14 with the final collection date of the last day of February before they are added to the county tax roll.

The Township's 2018 property tax revenue was levied and collectible on December 31, 2018 and is recognized as revenue in the year ended March 31, 2019 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2018 taxable valuation of the Township totaled $1.3 billion (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 0.9381 mills for operating purposes, 0.4870 mills for land preservation services, and 0.3575 mills for bus transportation. After DDA capture, this resulted in approximately $1,120,000 million for operating, $574,000 for open space land preservation, and $421,000 for bus transportation. These amounts are recognized in the respective General, Open Space Land Preservation, and Bus fund financial statements as tax revenue.

Note 1 - Significant Accounting Policies (Continued)

In addition, the Township assesses 0.90000 mills for fire protection under Public Act 33 of 1951. The assessment is collectible on December 1 and is recognized at the beginning of the next fiscal year. As of March 31, 2019, $1,096,096 is included in deferred inflows. This is reported in the Fire Department Fund.

Special Assessment Revenue

The Township has various special assessments for capital projects throughout the Township. These special assessments are placed on tax bills levied on December 1. Special assessment revenue for the year ended March 31, 2019 is $673,000 and included in the Township's various capital projects funds. A 10-year special assessment for road construction and maintenance in the amount of $5.26 million was approved during the year ended March 31, 2014. This assessment is collectible in 10 equal annual installments beginning on December 1, 2013 for the next fiscal year. As of March 31, 2019, $1,689,292 is included in deferred inflows. This is reported in the Township Road Improvement Special Assessment Fund.

Pension

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

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

Compensated Absences (Paid Time Off)

It is the Township's policy to permit employees to accumulate earned but unused paid time off. All paid time off is accrued when incurred and reported in the government-wide, proprietary, and fiduciary fund financial statements. No liability for these amounts is reported in governmental funds, as there were no employee terminations as of year end.

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund. The claims and judgments liability will generally be liquidated through the Township's General Fund. The net pension obligation and net OPEB obligation have generally been liquidated from the funds from which the individual employees' salaries are paid, which are primarily the General Fund, the Fire Department Fund, and Water and Sewer funds.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer funds is charges to customers for sales and services. The Water and Sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

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

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending March 31, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending March 31, 2021.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.* This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending March 31, 2020.

Note 1 - Significant Accounting Policies (Continued)

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period,* which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the Township's financial statements for the March 31, 2021 fiscal year.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by April 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Construction Code Fees

The Township does not collect construction code fees, as allowed by the State's Construction Code Act. Accordingly, no separate reporting of this activity has been reflected in the financial statements.

Note 3 - Deposits and Investments

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

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

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had $6,586,284 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized; the component units had $1,955,404 of bank deposits that 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.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.

At year end, the Township had the following investments:

Investment	Fair Value	Weighted-average Maturity (Days)
U.S. government agency securities	$ 991,922	355
Commercial paper	7,876,200	42
Total	$ 8,868,122	

Credit Risk

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

Investment	Fair Value	Rating	Rating Organization
Primary Government			
U.S. government agency securities	$ 991,922	AA+	S&P
Commercial paper	7,876,200	AI/PI	S&P
Money market	5,838,140	Unrated	S&P
Bank investment pool	6,183,329	AAA	S&P
Total	$ 20,889,591		

Note 3 - Deposits and Investments (Continued)

Fair Value Measurements

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

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

The Township has the following recurring fair value measurements as of March 31, 2019:

- Money market funds of $5,838,140 (debt securities) are valued using quoted marketed prices (Level 1 inputs).
- Government securities of $991,922 (debt securities) are valued using quoted market prices (Level 1 inputs).
- Corporate fixed income of $7,876,200 (debt securities) are valued using a matrix pricing model (Level 2 inputs).
- Investment pools of $6,183,329 (debt securities) are valued using quoted market prices (Level 1 inputs).

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

Note 4 - Deferred Inflows of Resources

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

	Governmental Funds
Delinquent property taxes - Unavailable	$ 8,716
Special assessments - Unavailable	2,260,629
State-shared revenue - Unavailable	115,646
Special assessment revenue for the following year	1,096,096
Total deferred inflows of resources	$ 3,481,087

Note 5 - Capital Assets

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

Governmental Activities

	Balance April 1, 2018	Reclassifications	Additions	Disposals	Balance March 31, 2019
Capital assets not being depreciated:					
Land	$ 1,006,268	$ -	$ -	$ -	$ 1,006,268
Land preservation - Land and easement	7,334,127	-	318,670	-	7,652,797
Construction in progress	159,229	(159,229)	-	-	-
Drain rights and infrastructure	215,955	-	-	-	215,955
Subtotal	8,715,579	(159,229)	318,670	-	8,875,020
Capital assets being depreciated:					
Sidewalks and other intangible rights	2,181,108	-	-	-	2,181,108
Buildings	2,534,344	159,229	265,944	-	2,959,517
Equipment	1,237,288	-	78,385	(27,445)	1,288,228
Vehicles	1,606,343	-	3,330	(289,753)	1,319,920
Land improvements	156,087	-	-	-	156,087
Subtotal	7,715,170	159,229	347,659	(317,198)	7,904,860
Accumulated depreciation:					
Sidewalks and other intangible rights	266,083	-	87,245	-	353,328
Buildings	1,174,722	-	64,241	-	1,238,963
Equipment	459,137	-	53,532	(25,282)	487,387
Vehicles	703,514	-	64,085	(217,315)	550,284
Land improvements	134,534	-	2,063	-	136,597
Subtotal	2,737,990	-	271,166	(242,597)	2,766,559
Net capital assets being depreciated	4,977,180	159,229	76,493	(74,601)	5,138,301
Net governmental activities capital assets	$ 13,692,759	$ -	$ 395,163	$ (74,601)	$ 14,013,321

Note 5 - Capital Assets (Continued)

Business-type Activities

	Balance April 1, 2018	Reclassifications	Additions	Disposals	Balance March 31, 2019
Capital assets not being depreciated:					
Land	$ 1,995,542	$ -	$ -	$ -	$ 1,995,542
Construction in progress	1,712,756	(3,329,981)	1,924,146	(1,015)	305,906
Subtotal	3,708,298	(3,329,981)	1,924,146	(1,015)	2,301,448
Capital assets being depreciated:					
Utility systems	42,660,039	1,677,987	70,257	-	44,408,283
Buildings	761,586	1,651,994	-	-	2,413,580
Machinery and equipment	433,626	-	45,295	(25,726)	453,195
Vehicles	81,426	-	-	-	81,426
Sewer meters	7,118	-	-	-	7,118
Subtotal	43,943,795	3,329,981	115,552	(25,726)	47,363,602
Accumulated depreciation:					
Utility system	14,459,796	-	878,550	-	15,338,346
Buildings	578,811	-	52,317	-	631,128
Machinery and equipment	286,931	-	26,624	(20,582)	292,973
Vehicles	60,808	-	2,577	-	63,385
Sewer meters	7,047	-	-	-	7,047
Subtotal	15,393,393	-	960,068	(20,582)	16,332,879
Net capital assets being depreciated	28,550,402	3,329,981	(844,516)	(5,144)	31,030,723
Net business-type activities capital assets	$ 32,258,700	$ -	$ 1,079,630	$ (6,159)	$ 33,332,171

Component Units

	Balance April 1, 2018	Reclassifications	Additions	Disposals	Balance March 31, 2019
Capital assets not being depreciated - Road rights and infrastructure	$ 16,010,711	$ -	$ -	$ -	$ 16,010,711
Capital assets being depreciated - Road rights and infrastructure	21,926,424	-	-	-	21,926,424
Accumulated depreciation - Road rights and infrastructure	13,135,556	-	877,057	-	14,012,613
Net capital assets being depreciated	8,790,868	-	(877,057)	-	7,913,811
Net component units capital assets	$ 24,801,579	$ -	$ (877,057)	$ -	$ 23,924,522

Note 5 - Capital Assets (Continued)

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

Governmental activities:		
General government	$	170,889
Public safety		100,277
Total governmental activities	$	271,166
Business-type activities:		
Water	$	525,457
Sewer		434,611
Total business-type activities	$	960,068
Component unit activities - Public works	$	877,057

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Township Road Improvement Special Assessment Fund	$ 337,000
	Other nonmajor funds	126,000
	Total	$ 463,000

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payment between funds are made.

Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Installment purchase agreements are also general obligations of the government.

Long-term debt activity for the year ended March 31, 2019 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
2012 Special Assessment Bonds - Amount of issue: $190,000 Maturing through April 2022	3.71%	$20,000	$ 80,000	$ -	$ (20,000)	$ 60,000	$ -
2013 Special Assessment Bonds - Amount of issue: $460,000 Maturing through April 2023	4.87%	$46,000 - $49,000	236,000	-	(48,000)	188,000	-
Accumulated compensated absences			116,867	83,073	(74,505)	125,435	125,435
Total governmental activities			$ 432,867	$ 83,073	$ (142,505)	$ 373,435	$ 125,435

Note 7 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Contractual obligation to the City of Ann Arbor, Michigan related to the City's 2008 DWRF Bonds - Amount of issue: $2,490,749 Maturing through October 2028	2.50%	$5,749 - $170,000	$ 1,260,749	$ -	$ (155,000)	$ 1,105,749	$ 160,000
Contractual obligation to the City of Ann Arbor, Michigan related to the City's 2012 DWRF Bonds - Amount of issue: $4,882,478 Maturing through April 2034	2.50%	$192,862 - $310,800	4,371,082	-	(192,621)	4,178,461	215,749
Compensated absences			30,668	41,414	(32,894)	39,188	39,188
Total business-type activities			$ 5,662,499	$ 41,414	$ (380,515)	$ 5,323,398	$ 414,937

Component Units

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
2015 Downtown Development and Refunding Bonds - Amount of issue: $6,910,000 Maturing through March 2026	2% - 4%	$30,000 - $1,000,000	$ 6,315,000	$ -	$ (630,000)	$ 5,685,000	$ 630,000
2008 Downtown Development and Refunding Bonds - Amount of issue: $3,250,000 Maturing through November 2028	4% - 5%	$100,000 - $400,000	150,000	-	(150,000)	-	-
2017 Downtown Development and Refunding Bonds - Amount of issue: $2,765,000 Maturing through November 2028	2.210%	$35,000 - $385,000	2,765,000	-	(35,000)	2,730,000	190,000
Unamortized bond premiums			236,565	-	(29,571)	206,994	-
Total component units			$ 9,466,565	$ -	$ (844,571)	$ 8,621,994	$ 820,000

Note 7 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

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

Years Ending March 31	Governmental Activities Principal	Governmental Activities Interest	Governmental Activities Total	Business-type Activities Principal	Business-type Activities Interest	Business-type Activities Total	Component Units Activities Principal	Component Units Activities Interest	Component Units Activities Total
2020	$ -	$ 5,691	$ 5,691	$ 375,749	$ 115,587	$ 491,336	$ 820,000	$ 230,883	$ 1,050,883
2021	68,000	9,842	77,842	381,502	119,943	501,445	965,000	207,784	1,172,784
2022	67,000	6,787	73,787	392,255	110,333	502,588	955,000	180,730	1,135,730
2023	67,000	3,755	70,755	403,009	100,455	503,464	1,045,000	153,937	1,198,937
2024	46,000	1,120	47,120	408,762	90,308	499,070	1,080,000	124,404	1,204,404
2025-2029	-	-	-	1,560,858	317,048	1,877,906	3,550,000	200,010	3,750,010
2030-2034	-	-	-	1,449,832	131,443	1,581,275	-	-	-
2035-2036	-	-	-	312,243	3,902	316,145	-	-	-
Total	$ 248,000	$ 27,195	$ 275,195	$ 5,284,210	$ 989,019	$ 6,273,229	$ 8,415,000	$ 1,097,748	$ 9,512,748

Bond Refunding

In previous years, the Township defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. As of March 31, 2019, there is still $7,400,000 of bonds outstanding that is considered defeased.

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 for property loss, torts, errors and omissions, and medical benefit claims from the Accident Fund Insurance Company of America for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past four fiscal years.

Note 9 - Pension Plans

Plan Description

The Township participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS of Michigan), an agent multiple-employer defined benefit pension plan that covers all full- and part-time firefighters of the Township and all full-time employees, except the elected officials other than the current treasurer. MERS of Michigan was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS of Michigan issues a publicly available financial report that includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmichigan.com or in writing to MERS of Michigan at 1134 Municipal Way, Lansing, MI 48917.

The Township also offers pension benefits to its elected officials through a defined contribution plan. This plan is administered through John Hancock Retirement Plan Services, LLC. Firefighters and other full-time employees participated in this plan in the past, but have since transferred to the defined benefit plan.

Note 9 - Pension Plans (Continued)

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate 90 days from the date of employment. As established by the board of trustees, the Township contributes 8 percent of an employee's approved pension earnings. Employee contributions are not required. In accordance with these requirements, the Township contributed approximately $13,000 during the current year. The Township's contributions for each employee are fully vested upon entering service.

As of September 14, 2016, the MERS of Michigan defined benefit pension plan is closed to new hires.

Benefits Provided

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

Retirement benefits for fire employees are calculated at 2.25 percent of the employee's final five-year average compensation times the employee's years of service. Normal retirement is age 60, with early retirement at age 50 with 30 years of service (unreduced) or age 55 and 50 with 15 and 25 years of service (reduced), respectively. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits and are payable immediately without an actuarial reduction. An employee who leaves township service may withdraw his or her contributions, plus any accumulated interest.

Retirement benefits for general employees are calculated at 1.5 percent of the employee’s three-year average salary times the employee’s years of service. Normal retirement is age 60, with early retirement at ages 55 and 50 with 15 and 25 years of service (reduced), respectively. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits and are payable immediately without an actuarial reduction. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Employees Covered by Benefit Terms

At the December 31, 2018 measurement date, the following members were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	4
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	22
Total employees covered by MERS of Michigan	29

Contributions

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

Note 9 - Pension Plans (Continued)

For general and fire employees, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. General and fire employees are required to contribute 1.30 and 1.38 percent of compensation, respectively. The Township makes employer contributions in accordance with funding requirements determined by the system's actuary. For the measurement year ended December 31, 2018, the average employer contribution rate was 8.0 percent of annual payroll.

Net Pension Liability

The Township has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The March 31, 2019 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2018 measurement date. The December 31, 2018 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

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

	Increase (Decrease)		
Changes in Net Pension Liability	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2017	$ 3,539,750	$ 2,994,557	$ 545,193
Changes for the year:			
Service cost	115,683	-	115,683
Interest	286,297	-	286,297
Changes in benefits	5,065	-	5,065
Differences between expected and actual experience	(143,490)	-	(143,490)
Contributions - Employer	-	123,561	(123,561)
Contributions - Employee	-	20,976	(20,976)
Net investment loss	-	(123,721)	123,721
Benefit payments, including refunds	(37,766)	(37,766)	-
Administrative expenses	-	(5,958)	5,958
Net changes	225,789	(22,908)	248,697
Balance at December 31, 2018	$ 3,765,539	$ 2,971,649	$ 793,890

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

For the year ended March 31, 2019, the Township recognized pension expense of $225,745. At March 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 89,855	$ (184,470)
Changes in assumptions	74,510	-
Net difference between projected and actual earnings on pension plan investments	218,815	-
Employer contributions to the plan subsequent to the measurement date	31,020	-
Total	$ 414,200	$ (184,470)

Note 9 - Pension Plans (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net position liability and, therefore, will not be included in future pension expense):

Years Ending March 31	Amount
2020	$ 70,066
2021	29,342
2022	44,239
2023	72,895
2024	(17,832)

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (in the long term, plus a percentage based on an age-related scale to reflect merit, longevity, and promotional pay increases) of 3.75 percent, an investment rate of return (net of investment expenses, including inflation) of 8.0 percent, and the RP-2014 mortality tables.

Mortality rates were based on the 2014 Group Annuity Mortality Table of a 50 percent male and 50 percent female blend of the following tables:

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

For disabled retirees, the RP-2014 Disable Retiree Mortality Table is used with a 50 percent male and 50 percent female blend.

These assumptions were applied to all periods included in the measurement and are based on an experience study conducted for the period from January 1, 2009 through December 31, 2013.

Discount Rate

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

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

Note 9 - Pension Plans (Continued)

Investment Rate of Return

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55.50 %	6.15 %
Global fixed income	18.50	1.26
Real assets	13.50	7.22
Diversifying strategies	12.50	5.00

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

	1 Percent Decrease (7.0%)	Current Discount Rate (8.0%)	1 Percent Increase (9.0%)
Net pension liability of the Township	$ 1,256,269	$ 793,890	$ 399,272

Pension Plan Fiduciary Net Position

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

Note 10 - Other Postemployment Benefit Plan

Plan Description

The Township provides retiree healthcare benefits to eligible employees. This is single-employer defined benefit plan administered by the Township. The benefits are provided through board resolution. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The Township provides a monthly stipend to be used to supplement the insurance cost for postemployment healthcare benefits upon retirement, in accordance with labor contracts.

Note 10 - Other Postemployment Benefit Plan (Continued)

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	March 31, 2019
Inactive plan members or beneficiaries currently receiving benefits	6
Active plan members	25
Total plan members	31

Contributions

Retiree healthcare costs are paid by the Township on a "pay-as-you-go" basis. The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended March 31, 2019, the Township made payments for postemployment health benefit premiums of $14,512.

Total OPEB Liability

The Township has chosen to use the March 31 measurement date as its measurement date for the total OPEB liability. The March 31, 2019 measurement date total OPEB liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net OPEB Liability	Increase (Decrease) Total OPEB Liability
Balance at April 1, 2018	$ 755,207
Changes for the year:	
Service cost	26,065
Interest	27,472
Differences between expected and actual experience	36,304
Changes in assumptions	23,461
Benefit payments, including refunds	(14,512)
Net changes	98,790
Balance at March 31, 2019	$ 853,997

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

For the year ended March 31, 2019, the Township recognized OPEB expense of $62,075.

At March 31, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 31,118	$ -
Changes in assumptions	20,111	-
Total	$ 51,229	$ -

Note 10 - Other Postemployment Benefit Plan (Continued)

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

Years Ending March 31	Amount
2020	$ 8,538
2021	8,538
2022	8,538
2023	8,538
2024	8,538
Thereafter	8,539
Total	$ 51,229

Actuarial Assumptions

The total OPEB liability in the March 31, 2019 actuarial valuation was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 2.5 percent, average; a healthcare cost trend rate of 2.5 percent; and using the 50 percent female/50 percent male 2014 Group Annuity Mortality Table. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.42 percent. The single discount rate was based on the Fidelity 20-Year Municipal GO AA Index bond rate as of the measurement date, as there are no assets set aside to pay benefits out of a trust.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Township, calculated using the discount rate of 3.42 percent, as well as what the Township's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (2.42%)	Current Discount Rate (3.42%)	1 Percent Increase (4.42%)
Total OPEB liability of the plan	$ 994,271	$ 853,997	$ 740,014

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

The following presents the total OPEB liability of the Township, calculated using the healthcare cost trend rate of 2.50 percent, as well as what the Township's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (1.5%)	Current Healthcare Cost Trend Rate (2.5%)	1 Percent Increase (3.5%)
Total OPEB liability of the plan	$ 738,376	$ 853,997	$ 990,364

Note 11 - Change in Accounting Principle

During the current year, the Township adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* As a result, the government-wide statements and the proprietary funds now include a liability for the unfunded portion of the Township's retiree healthcare costs. Some of the change in this net OPEB liability will be recognized immediately as part of the OPEB expense measurement, and part will be deferred and recognized over future years. Refer to the other postemployment benefit plan footnote for further details (see Note 10). This change does not impact the General Fund or any other governmental funds.

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

	Net Position		
	March 31, 2018 - As Previously Reported	March 31, 2018 - As Restated	Adjustment for Implementation of GASB Statement No. 75
Governmental activities	$ 28,777,155	$ 28,894,292	$ 117,137
Business-type activities	47,475,655	47,545,925	70,270
Water Fund	18,832,682	18,867,817	35,135
Sewer Fund	28,642,973	28,678,108	35,135

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule
General Fund

Year Ended March 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	$ 1,079,000	$ 1,100,000	$ 1,120,132	$ 20,132
State-shared revenue and grants	1,354,000	1,240,000	1,486,002	246,002
Locally raised	1,313,100	1,178,395	1,186,032	7,637
Rental income	50,000	25,000	43,475	18,475
Investment income	35,000	90,000	130,849	40,849
Other revenue	16,400	15,700	15,888	188
Total revenue	3,847,500	3,649,095	3,982,378	333,283
Expenditures				
Current services:				
General government:				
General government	1,022,160	932,800	815,458	117,342
Assessing	469,060	461,300	424,526	36,774
Elections	44,475	49,745	47,629	2,116
Boards and commissions	483,775	346,350	320,396	25,954
Health and safety	3,024,450	1,754,450	1,552,432	202,018
Building and grounds	83,200	94,950	87,226	7,724
Capital outlay	381,000	397,000	295,083	101,917
Total expenditures	5,508,120	4,036,595	3,542,750	493,845
Net Change in Fund Balance	(1,660,620)	(387,500)	439,628	827,128
Fund Balance - Beginning of year	7,692,418	7,692,418	7,692,418	-
Fund Balance - End of year	**$ 6,031,798**	**$ 7,304,918**	**$ 8,132,046**	**$ 827,128**

See notes to required supplemental information.

Required Supplemental Information
Budgetary Comparison Schedule
Fire Department Fund

Year Ended March 31, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Special assessments	$ 1,045,000	$ 1,045,760	$ 1,051,818	$ 6,058
Charges for services	500	130	140	10
Rental income	22,250	22,250	22,250	-
Federal grants	28,270	31,750	60,024	28,274
Investment income	6,000	21,500	33,087	11,587
Other revenue	4,500	3,380	3,320	(60)
Total revenue	1,106,520	1,124,770	1,170,639	45,869
Expenditures				
Current services - Public safety	1,711,775	1,291,420	1,170,204	121,216
Capital outlay	45,000	3,500	3,330	170
Total expenditures	1,756,775	1,294,920	1,173,534	121,386
Excess of Expenditures Over Revenue	(650,255)	(170,150)	(2,895)	167,255
Other Financing Sources - Proceeds from sale of capital assets	32,000	40,000	40,000	-
Net Change in Fund Balance	(618,255)	(130,150)	37,105	167,255
Fund Balance - Beginning of year	1,258,416	1,258,416	1,258,416	-
Fund Balance - End of year	**$ 640,161**	**$ 1,128,266**	**$ 1,295,521**	**$ 167,255**

See notes to required supplemental information.

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

Last Five Fiscal Years (Prospectively Built from 2015)

	2019 (Measurement Date 12/31/18)	2018 (Measurement Date 12/31/17)	2017 (Measurement Date 12/31/16)	2016 (Measurement Date 12/31/15)	2015 (Measurement Date 12/31/14)
Total Pension Liability					
Service cost	$ 115,683	$ 110,220	$ 105,564	$ 86,870	$ 84,554
Interest	286,297	250,562	232,738	207,927	187,978
Changes in benefit terms	5,065	(4,856)	15,021	(14,402)	-
Differences between expected and actual experience	(143,490)	125,799	(95,097)	(10,921)	-
Changes in assumptions	-	-	-	149,019	-
Benefit payments, including refunds	(37,766)	(37,767)	(37,766)	(40,118)	(23,658)
Net Change in Total Pension Liability	225,789	443,958	220,460	378,375	248,874
Total Pension Liability - Beginning of year	3,539,750	3,095,792	2,875,332	2,496,957	2,248,083
Total Pension Liability - End of year	**$ 3,765,539**	**$ 3,539,750**	**$ 3,095,792**	**$ 2,875,332**	**$ 2,496,957**
Plan Fiduciary Net Position					
Contributions - Employer	$ 123,561	$ 228,687	$ 110,862	$ 104,248	$ 98,495
Contributions - Member	20,976	51,858	17,669	14,638	12,301
Net investment (loss) income	(123,721)	345,694	244,417	(32,319)	118,779
Administrative expenses	(5,958)	(5,439)	(4,817)	(4,600)	(4,402)
Benefit payments, including refunds	(37,766)	(37,767)	(37,766)	(40,118)	(23,658)
Net Change in Plan Fiduciary Net Position	(22,908)	583,033	330,365	41,849	201,515
Plan Fiduciary Net Position - Beginning of year	2,994,557	2,411,524	2,081,159	2,039,310	1,837,795
Plan Fiduciary Net Position - End of year	**$ 2,971,649**	**$ 2,994,557**	**$ 2,411,524**	**$ 2,081,159**	**$ 2,039,310**
Township's Net Pension Liability - Ending	**$ 793,890**	**$ 545,193**	**$ 684,268**	**$ 794,173**	**$ 457,647**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	78.92 %	84.60 %	77.90 %	72.38 %	81.67 %
Covered Payroll	$ 1,498,568	$ 1,498,568	$ 1,499,212	$ 1,429,665	$ 1,221,187
Township's Net Pension Liability as a Percentage of Covered Payroll	52.98 %	36.38 %	45.64 %	55.55 %	37.48 %

*In 2016, the discount rate was changed from 8.25 to 8.00 percent.

Required Supplemental Information
Schedule of Township Contributions

Last Ten Fiscal Years

Years Ended March 31

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	$ 124,080	$ 119,806	$ 128,709	$ 118,886	$ 101,020	$ 94,445	$ 98,710	$ 89,603	$ 91,202	$ 88,208
Contributions in relation to the actuarially determined contribution	124,080	229,198	128,709	118,886	101,020	94,445	98,710	89,603	91,202	88,208
Contribution Excess	**$ -**	**$ 109,392**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Covered Payroll	$ 1,498,568	$ 1,499,212	$ 1,429,665	$ 1,419,544	$ 1,221,187	$ 1,202,784	$ 1,171,216	$ 1,034,441	$ 113,744	$ 1,121,009
Contributions as a Percentage of Covered Payroll	8.28 %	15.29 %	9.00 %	8.37 %	8.27 %	7.85 %	8.43 %	8.66 %	80.18 %	7.87 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of December 31 each year, one year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level of percentage of payroll, closed
Remaining amortization period	21
Asset valuation method	Five-year smoothed
Inflation	2.5 percent
Salary increase	3.75 percent
Investment rate of return	8.0 percent
Retirement age	60 years old, 50 with 25 years of service, 55 with 15 years of service, or 55 with 30 years of service
Mortality	50 percent female/50 percent male 2014 Group Annuity Mortality Table
Other information	None

Required Supplemental Information
Schedule of Changes in the Total OPEB Liability and Related Ratios
No Trust

Last Fiscal Year (Prospectively Built from 2019)

	2019
Total OPEB Liability	
Service cost	$ 26,065
Interest	27,472
Differences between expected and actual experience	36,304
Changes in assumptions	23,461
Benefit payments, including refunds	(14,512)
Net Change in Total OPEB Liability	98,790
Total OPEB Liability - Beginning of year	755,207
Total OPEB Liability - End of year	**$ 853,997**

Contributions to the OPEB plan are not based on a measure of pay; therefore, no covered payroll is presented.

Required Supplemental Information
Schedule of OPEB Contributions

Last Ten Fiscal Years

Years Ended March 31

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	$ 113,302	$ 137,355	$ 168,052	$ 93,183	$ 99,164	$ 107,299	$ 109,296	$ 111,124	$ 122,132	$ 93,063
Contributions in relation to the actuarially determined contribution	14,512	8,417	8,120	10,146	10,202	11,648	12,143	11,390	15,263	15,305
Contribution Deficiency	**$ (98,790)**	**$ (128,938)**	**$ (159,932)**	**$ (83,037)**	**$ (88,962)**	**$ (95,651)**	**$ (97,153)**	**$ (99,734)**	**$ (106,869)**	**$ (77,758)**

*Contributions to the OPEB plan are not based on a measure of pay; therefore, no covered payroll is presented.

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are obtained from actuarial valuations performed at least every three years. The most recent valuation was as of March 31, 2019.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Inflation	2.5 percent
Healthcare cost trend rates	2.5 percent
Salary increase	2.5 percent
Mortality	50 percent female/50 percent male 2014 Group Annuity Mortality Table

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds, except that operating transfers and debt proceeds have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)."

The annual budget is prepared by the Township's department heads and finance department. It is approved by the township budget committee and adopted by the township board; subsequent amendments are approved by the township board.

Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2019 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

Pension Information

Changes in Assumptions

In 2016, the mortality table was adjusted to reflect longer lifetimes, and the assumed annual rate of investment return, net of all expenses, was lowered from 8 to 7.75 percent.

Other Supplemental Information

	Special Revenue Funds			
	Public Improvement Fund	Tree Mitigation Fund	Bus Fund	Open Space Land Preservation Fund
Assets				
Cash and investments	$ 684,287	$ 215,682	$ 376,415	$ 2,428,107
Receivables:				
Property taxes receivable	-	-	1,018	2,179
Special assessments receivable	-	-	-	-
Due from other governmental units	-	-	14,128	19,246
Prepaid expenses and other assets	-	-	-	-
Total assets	**$ 684,287**	**$ 215,682**	**$ 391,561**	**$ 2,449,532**
Liabilities				
Accounts payable	$ -	$ -	$ 34,384	$ 5,059
Due to other funds	126,000	-	-	-
Accrued liabilities and other	-	-	355	483
Total liabilities	126,000	-	34,739	5,542
Deferred Inflows of Resources	-	-	1,018	2,179
Fund Balances				
Nonspendable - Prepaids	-	-	-	-
Restricted:				
Land preservation	-	-	-	2,441,811
Debt service	-	-	-	-
Tree mitigation	-	215,682	-	-
Bus	-	-	355,804	-
Metro act	13,245	-	-	-
Public improvements	545,042	-	-	-
Bridge maintenance	-	-	-	-
Committed - Capital projects	-	-	-	-
Total fund balances	558,287	215,682	355,804	2,441,811
Total liabilities, deferred inflows of resources, and fund balances	**$ 684,287**	**$ 215,682**	**$ 391,561**	**$ 2,449,532**

March 31, 2019

Capital Project Funds			
East Delhi Bridge Maintenance Fund	Public Safety and Improvement Fund	Park Road SAD Fund	Total
$ 43,025	$ 756,036	$ 13,796	$ 4,517,348
-	-	-	3,197
-	-	44,797	44,797
174	-	35	33,583
-	-	21,484	21,484
$ 43,199	**$ 756,036**	**$ 80,112**	**$ 4,620,409**
$ -	$ -	$ -	$ 39,443
-	-	-	126,000
-	-	-	838
-	-	-	166,281
-	-	44,797	47,994
-	-	21,484	21,484
-	-	-	2,441,811
-	-	13,831	13,831
-	-	-	215,682
-	-	-	355,804
-	-	-	13,245
-	-	-	545,042
43,199	-	-	43,199
-	756,036	-	756,036
43,199	756,036	35,315	4,406,134
$ 43,199	**$ 756,036**	**$ 80,112**	**$ 4,620,409**

	Special Revenue Funds			
	Public Improvement Fund	Tree Mitigation Fund	Bus Fund	Open Space Land Preservation Fund
Revenue				
Property taxes	$ -	$ -	$ 421,377	$ 574,058
Special assessments	-	-	-	-
State-shared revenue - State sources - Local Community Stabilization Authority	-	-	4,175	5,689
Investment income	15,601	4,666	778	36,443
Other miscellaneous income	13,511	-	-	-
Total revenue	29,112	4,666	426,330	616,190
Expenditures				
Current:				
General government	33,230	1,415	408,122	-
Public safety	-	-	-	-
Public works	-	-	-	1,491
Capital outlay	-	-	-	372,705
Debt service	-	-	-	-
Total expenditures	33,230	1,415	408,122	374,196
Net Change in Fund Balances	(4,118)	3,251	18,208	241,994
Fund Balances - Beginning of year	562,405	212,431	337,596	2,199,817
Fund Balances - End of year	**$ 558,287**	**$ 215,682**	**$ 355,804**	**$ 2,441,811**

Year Ended March 31, 2019

Capital Project Funds			
East Delhi Bridge Maintenance Fund	Public Safety and Improvement Fund	Park Road SAD Fund	Total
$ -	$ -	$ -	$ 995,435
4,999	-	14,933	19,932
-	-	-	9,864
127	16,755	3,009	77,379
-	-	-	13,511
5,126	16,755	17,942	1,116,121
88	-	-	442,855
-	225	-	225
-	-	226	1,717
-	-	-	372,705
-	-	23,333	23,333
88	225	23,559	840,835
5,038	16,530	(5,617)	275,286
38,161	739,506	40,932	4,130,848
$ 43,199	**$ 756,036**	**$ 35,315**	**$ 4,406,134**

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September 20, 2019

To the Board of Trustees
Township of Scio

We have audited the financial statements of the Township of Scio (the "Township") as of and for the year ended March 31, 2019 and have issued our report thereon dated September 20, 2019. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

Section I - Internal Control Related Matters Identified in an Audit

Section II - Required Communications with Those Charged with Governance

Section III - Legislative and Informational Items

Section I includes any deficiencies we observed in the Township's accounting principles or internal control that we believe are significant. Current auditing standards require us to formally communicate annually matters we note about the Township's accounting policies and internal control.

Section II includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the board of trustees of the Township.

Section III contain updated legislative and informational items that we believe will be of interest to you.

We would like to take this opportunity to thank the Township's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the board of trustees and management of the Township and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any questions you may have regarding the following communications, and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC

David Helisek

David H. Helisek

Melanie Crowther

Melanie L. Crowther

Section I - Internal Control Related Matters Identified in an Audit

In planning and performing our audit of the financial statements of the Township as of and for the year ended March 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

We consider the following deficiency in the Township's internal control to be a material weakness:

Bank Reconciliation: During our review of the year-end bank statement, we noted the reconciliation did not agree to the general ledger by approximately $200,000. The variance was caused by a misplaced deposit that was improperly reconciled. We further noted no confirmation that a review had occurred, as there were no reviewer initials on the bank reconciliation. The Township should implement a process whereby all unreconciled amounts are identified timely.

Section II - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 11, 2019, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 18, 2019.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements.

No new accounting policies were adopted, and the application of existing policies was not changed during 2019, except for the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were water and sewer receivables, the calculation of the net other postemployment benefits liability (i.e., retiree health care), and the calculation of the net pension liability. The unbilled water and sewer receivable estimate is based on prior performance. Management's estimate of the net pension liability is based on assumptions used in the actuarial valuation. The net other postemployment benefits liability is based on an actuarial valuation that includes assumptions for the anticipated rate of return on investments, estimated future healthcare costs, life expectancies, and employee eligibility rates. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Township, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 20, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Section III - Legislative and Informational Items

Updated Uniform Chart of Accounts

In April 2017, the State released an updated Uniform Chart of Accounts. Originally, local units of government were expected to comply with the changes beginning with June 30, 2018 year ends. However, on June 4, 2018, the State extended the deadline for compliance to "sometime in 2019." While a mandatory implementation date has not been set, on November 27, 2018, further guidance was issued. The Treasury is encouraging those who have not yet implemented to delay doing so to allow the Treasury to digest the suggestions that have been made to make the process smoother. In the meantime, the Treasury is working on developing training and additional information to assist in the transition. The Treasury also assured that plenty of advance warning would be given when a date is set and that it will most likely be for years beginning January 1, 2020 or later.

Local units should begin evaluating this new chart of accounts to determine what changes will be necessary, including any budgetary changes, and set up a plan to achieve compliance. Some accounting software vendors have already been working with some local units on an automated remapping solution. The new chart of accounts can be found at the following link: http://www.michigan.gov/documents/uniformchart_24524_7.pdf.

Revenue Sharing

The fiscal year 2020 governor's budget recommendation includes $1.4 billion for revenue sharing broken down as follows:

Description	Final 2019 Budget	Final 2020 Budget
Constitutionally required payments	$835.3 M	$886.5 M
CVTRS	243.0 M	262.8 M
CVTRS - One-time payments	5.8 M	0 M
County revenue sharing	177.2 M	184.8 M
County incentive program	43.3 M	43.3 M
County one-time payments	1.0 M	0 M
Fiscally distressed community grants	2.5 M	5.0 M
Supplemental CVTRS	6.2 M	0 M
Total	**$1,314.3 M**	**$1,382.4 M**

For the third year in a row, local units will experience an increase in 2020 based on the governor's budget recommendation, as the constitutional payment budget has been increased by $68.1 million over the 2019 budget act appropriated amount. The FY 2020 budget also includes the "City, Village, and Township Revenue Sharing" (CVTRS) appropriation that was established in FY 2015, and that number increased to $262.8 million. Each community's overall increase will vary, as each has a different mix of constitutional and CVTRS.

In order to receive the CVTRS payments in FY 2020, qualified local units will once again need to comply with the same best practices as they did last year, as follows:

- A citizen's guide to local finances with disclosure of unfunded liabilities
- Performance dashboard
- Debt service report
- Two-year budget projection

The amount budgeted for distressed CVTRS has been increased from $2.5 million in 2019 to $5 million in 2020. The governor's recommendation has removed $6.2 million for "supplemental CVTRS" payments in FY 2020.

Administrative Charges

The services provided by employees that are traditionally charged to the General Fund, like treasury, finance, HR, etc., oftentimes significantly benefits other funds. As a result, it is a fairly common practice to allocate a portion of these costs via an administrative charge to other funds of the government. Administrative charges can take many forms, such as interfund allocations, chargebacks, and payment in lieu of taxes to other funds (such as a golf courses). While the practice of charging for administrative services provided to other funds may certainly be justified, there seems to be a heightened focus lately on the methodology and amount of charges. Given the fact that many cost allocation methodologies were implemented several years ago, it would be prudent to revisit your current methodology and the related inputs to ensure that any administrative charges are fully substantiated.

Public Act 202 of 2017

On January 5, 2018, the Michigan Department of Treasury released initial reporting requirements under Public Act 202 of 2017 (the "Act"), which was a primary component of the Act. These reporting requirements apply to all local units of government that offer or provide defined benefit pension and/or defined benefit OPEB retirement benefits.

On September 25, 2018, the Michigan Department of Treasury released the final uniform assumptions to be used for reporting requirements under the Act. Local units must begin reporting funded ratios and contributions in accordance with the uniform assumptions, starting with their fiscal year 2019 if their audited financial statements are based on an actuarial valuation issued after December 31, 2018. If their fiscal year 2019 audited financial statements are based on an actuarial valuation issued prior to December 31, 2018, the local units must begin reporting on the uniform assumptions starting with their fiscal year 2020. This means that the local unit may potentially need three valuations: a funding valuation (if the local unit chooses to have different assumptions for funding purposes), a valuation that complies with GAAP to be used for financial statement reporting, and a valuation that complies with the State's new uniform assumptions.

The releases by the Department of Treasury includes the letter titled "Public Act 202: Selection of the Uniform Assumptions," Numbered Letter 2018-1, Form 5572, detailed instructions for completion of Form 5572, and a listing of frequently asked questions. All documents can be located at http://www.michigan.gov/treasury/0,4679,7-121-1751_51556_84499---,00.html.

Form 5572 is due annually for both pension and OPEB plans provided by an employer no later than six months after the end of your fiscal year.

In addition to submitting this new form to the Department of Treasury, a local unit must also post this information on its website, or in a public place if the local unit does not have a website. The governing body of a local unit will also need to receive a copy of this form in accordance with the Act, but the Act does not require approval by the governing body before submission to the Treasury.

Public Act 202 defines that a local unit of government is in "underfunded status" if any of the following apply:

1. OPEB - Total plan assets are less than 40 percent of total plan liabilities according to the most recent annual report, and, for primary units of government*, the annual required contribution for all of the retirement health systems of the local unit is greater than 12 percent of the local unit of government's governmental funds operations revenue.
2. Retirement Pension Plans - Total plan assets are less than 60 percent of plan total liabilities according to the most recent annual report, and, for primary units of government, the annual required contribution for all of the retirement pension systems of the local unit is greater than 10 percent of the local unit of government's governmental funds operations revenue.

*Primary units of government are cities, villages, townships, and counties.

If, after submission of Form 5572, the Treasury determines your community to have underfunded status, you will have the opportunity to file a "waiver" under Section 6 of the Act. The waiver needs to provide a plan for how the underfunding is being addressed. This waiver will then be submitted to the Treasury.

In the event that a local unit has underfunded plans and does not submit a waiver or the waiver is not approved, the Treasury will perform an internal review. The local unit will also need to submit a corrective action plan to the newly created Municipal Stability Board (under Section 7 of the Act). The local unit will be responsible for creating the corrective action plan.

For governments with OPEB plans, Section 4(l)(a)(i)(ii) of Public Act 202 of 2017 requires the local unit to pay retiree insurance premiums for the year, as well as the normal costs for the new employees hired after June 30, 2018. The actuary will likely need to calculate this number in order for governments to comply. In addition, if your community must essentially prefund this additional cost, those communities without a qualifying OPEB trust will need to consider where these contributions will go.

Questions should be directed via email to the Treasury offices at LocalRetirementReporting@michigan.gov or by visiting their website at www.Michigan.gov/LocalRetirementReporting.

Public Act 57 Consolidation of Tax Increment Authorities

Public Act 57 of 2018, otherwise known as The Recodified Tax Increment Financing Act (PA 57) went into effect January 1, 2019. PA 57 consolidated the ability to create and operate tax increment authorities (other than brownfield redevelopment authorities) into a single statute. All previously created authorities will remain; however, the following acts were repealed, and the corresponding authorities will now operate under PA 57:

- Downtown Development Authority Act (PA 197 of 1975)
- Tax Increment Finance Authority Act (PA 450 of 1980)
- Local Development Finance Authority Act (PA 281 of 1986)
- Nonprofit Street Railway Act (PA 35 of 1867)
- Corridor Improvement Authority Act (PA 280 of 2005)
- Water Resource Improvement Tax Increment Finance Authority Act (PA 94 of 2008)
- Neighborhood Improvement Authority Act (PA 61 of 2007)

Note that the above acts were repealed and recodified into PA 57. The acts listed below were repealed; however, they were not recodified:

- Historical Neighborhood Tax Increment Finance Authority Act (PA 530 of 2004)
- Private Investment Infrastructure Funding Act (PA 250 of 2010)

Any obligation, or refunding of an obligation, that was issued by an authority or by the municipality that created the authority under a statute that was repealed by Public Act 57 will continue in effect under its original terms under the corresponding part of PA 57.

Transparency and Reporting Requirements

1. By April 1, 2019, each authority was required to submit its currently adopted development plan or tax increment finance plan to the Department of Treasury.

2. Annually, after January 1, 2019, each authority must submit a comprehensive annual report to the Treasury, the governing bodies of its related municipality, and each taxing unit levying taxes that are captured by the authority. This report must contain detailed information on the capture and use of tax increment revenue and is due concurrent with the authority's audit report due date (typically six months after the fiscal year end).

3. Within 180 days after the authority's fiscal year end, subsequent to January 1, 2019, the municipality that created the authority must give public access (either on its website or at a physical location within the municipality) to the following documents:

    - Minutes of all authority board meetings
    - Current authority staff contact information
    - Authority's approved budgets and annual audits
    - Currently adopted development and/or tax increment financing plans
    - Current contracts with descriptions
    - Annual synopsis of the authority's activity, which includes the following:

        - For any tax increment revenue not expended within five years of receipt, include the reasoning for accumulating the funds, their expected uses, and a time frame of when they will be expended.

        - For any tax increment revenue not expended within 10 years of receipt, include the amount of those funds, along with a written explanation for the reason the funds have not been expended.

    - For the immediately preceding fiscal year, a list of the authority's accomplishments, projects, investments, events, and promotional campaigns

4. The authority must hold, at a minimum, two informational meetings each year and give a 14-day advance notice to the public and to the governing body of each taxing unit. These meetings may be held in conjunction with other public meetings of the authority or municipality.

Any authority not in compliance with the above reporting requirements will receive a notice from the Department of Treasury. If the authority is still in noncompliance status after 60 days from receipt of the notice, the authority will be prohibited from capturing tax increment revenue in excess of the amounts needed to pay bonded indebtedness and other obligations of the authority during this period of noncompliance.

Additional Information

To view Public Act 57 of 2018, regarding the consolidation of tax increment authorities and additional reporting requirements, visit the State of Michigan's website: http://www.legislature.mi.gov/(S(nhboq4doz1h4bwbqb0gcxqim))/mileg.aspx?page=GetObject&objectname=mcl-Act-57-of-2018.

Other New Legislation

Opportunity Zones

The Tax Cuts and Jobs Act of 2017 (TCJA) introduced "opportunity zones," a new incentive to encourage investment in low-income communities by providing tax benefits to investors. The new law shares some similarities with other incentives by focusing on specific disadvantaged geographic areas, but unlike other programs that provide tax credits or accelerated deductions for making investments or creating jobs in distressed areas, the opportunity zone program allows taxpayers to defer and possibly exclude gains from taxable income. To realize the benefits of the program, investments must be made into a new type of investment vehicle known as a "qualified opportunity fund" (QOF). Any entity, group, or organization can establish a QOF as long as they follow the proper guidelines. The QOFs use these funds to respond to the needs of the community, allowing for investment in businesses, equipment, and/or real property. Opportunity zones were established through a nomination by the State, followed by a certification from the secretary of the U.S. Treasury, via his delegation authority to the IRS. We encourage you to become familiar with where these opportunity zones are located and the potential impact on your community. Local units that will be affected should start to consider a plan for the designated opportunity zone and what types of developments you would like to see come to the area. For more information, please refer to the IRS website at https://www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions or to Plante & Moran, PLLC's article at https://www.plantemoran.com/explore-our-thinking/insight/2018/05/opportunity-zones-offer-tax-benefits-to-invest-in-new-qov, which addresses some of the details and complexities of the program.

Transformational Brownfields (PA 46-50 of 2017)

This reintroduced legislation became Public Acts 46-50 of 2017 with immediate effect. Public Act 46 of 2017 has created a new type of brownfield, while Public Acts 47-50 of 2017 amend prior acts for this change. The acts grant the ability to create "Transformational Brownfields" allowing the capture of income taxes and exemption of sales and use tax from "certain" personal property. In order to qualify, projects must obtain approval from the local brownfield redevelopment authority, the local governing body, and the Michigan Strategic Fund (MSF).

Projects should have a transformational impact on local economic development and community revitalization. Each project must meet the definition of a "large-scale investment." This definition varies based upon population. The minimum is $15 million for communities under 25,000, but increases based upon population (for example the City of Detroit, Michigan, at over 600,000 in population, would have a minimum of $500 million).

During the construction, renovation, or improvement phases, projects could capture up to 50 percent of income taxes (state and city, if applicable) related to the wages paid for those physically present and working on the project. Upon completion, the project would capture up to 50 percent of income taxes related to those domiciled within the property. The limit for total tax capture over the life of the bill is $1 billion, with a maximum of $40 million per year and a further limit of five projects in any one community prior to December 31, 2022. In addition, in one calendar year, the MSF may not approve more than five transformational brownfield plans (with the exception that, if fewer than five are approved in a year, the unused quota can carry over to the next calendar year). Tax captures per parcel are limited to 20 years.

Public Act 47 amends the Income Tax Act to allow for the income tax captures noted above. Public Act 48 amends the General Sales Tax Act to exempt from sales tax the sale of goods for use in eligible projects. Public Act 49 amends the Use Tax Act and would not apply to goods used in the project. Public Act 50 amends the Michigan Renaissance Zone Act so that income tax exemptions would not apply.

LCSA Act Amendments

Public Acts 247 and 248 of 2018 were signed into law on June 27, 2018 by Governor Snyder. These acts significantly impact the Local Community Stabilization Authority (LCSA) Act, including how personal property tax reimbursements are calculated.

The State Department of Treasury issued a summary of the amendments in July 2018, which can be found at the following link: https://www.michigan.gov/documents/treasury/Overview_of_2018_LCSA_Act_Amendments_627459_7.pdf.

This summary document lists the following changes that resulted from these acts:

1. Accelerate some reporting deadlines and add two new reporting requirements.

2. Change the calculation of the millage rate to be used in the calculation of the PPT reimbursements.

3. Change the calculation of the personal property exemption loss and eliminate the requirements to recalculate prior year taxable values.

4. Change the millage rate to be used in the calculation of a tax increment finance authority's (TIFA) PPT reimbursement.

5. Make the local community stabilization authority responsible for distributing the fire protection services payments.

6. Create a process for correcting PPT reimbursements.

7. Allow for a one-time PPT advance for prior year underpayments of $500,000 or more.

8. Change the payment dates of the PPT reimbursements to allow for corrections to current year reimbursements and delay the payment of qualified loss in excess of 100 percent until May 20.

9. Change how municipalities are required to record and allocate the revenue.

While we strongly recommend reviewing the link provided above for an in-depth look at the changes, highlighted below are the more significant changes:

- PPT reimbursement calculations are changing, as follows:
    - The requirements for recalculation of prior year taxable value have changed. Going forward, prior year property tax values for commercial and industrial personal property will only be modified for municipality boundary changes, as well as to exclude any that were classified in the municipality where they are currently located as utility personal property or real property after 2012.
    - The calculation of PPT reimbursements that are based on the acquisition cost of eligible personal property for two years has been delayed until 2021.
    - Reimbursement for 100 percent of the calculated qualified loss going forward will be received in either October or February.
    - Each year, any remaining balance of the local community stabilization share fund revenue for the calendar year will be distributed to counties, cities, townships, villages, and community colleges. The allocation will be based on each municipality’s share of the total reimbursement based on the acquisition cost of all eligible personal property and qualified loss. These reimbursement payments will be a separate payment that will be reimbursed in May. This allows time for any errors in that year’s PPT reimbursement calculation to be identified and corrected.
    - There are also changes to the tax increment finance authority PPT reimbursement calculation; please refer to the link above for more details.
- Fire protection service payments were distributed by LCSA to municipalities starting in 2018. The payment distributions will continue to occur by November 30 each year. Each municipality is to continue to complete and submit the required questionnaire to LARA in order to qualify.
- Timing of PPT reimbursements have changed, as follows:
    - Tax increment finance authorities - For a TIFA that previously received payments in November, reimbursements will be issued on October 20 of each year. Corrections for the underpayment of a prior year PPT reimbursement or a current year reimbursement will be issued on May 20 of each year.
    - Municipalities, excluding school districts, ISDs, and TIFAs - For a municipality that previously received payments in November, reimbursements for essential services, small taxpayer exemption loss, and qualified loss up to 100 percent will be issued on October 20 of each year. For municipalities that previously received payments in February, reimbursements for essential services, small taxpayer exemption loss, and qualified loss up to 100 percent will continue to be issued on February 20 of each year. Corrections for the underpayment of a prior year PPT reimbursement or a current year reimbursement will be issued on May 20 of each year, as will the portion of qualified loss exceeding 100 percent reimbursement.

The table below provides a schedule of payment dates for all municipalities:

Description of PPT Reimbursement	Date of Reimbursement
Payment of calculated current year PPT reimbursements up to 100 percent of the calculated losses for county-allocated millage to municipalities that do not levy millage 100 percent in December and TIFAs (Note that payment must be allocated to the funds based on millages)	October 20 (each year)
Payment of calculated current year PPT reimbursements up to 100 percent of the calculated losses for townships, county extra-voted millage, and to municipalities that levy millage 100 percent in December	February 20 (each following year)
Payment of prior year underpayment that was not advanced and current year underpayment and prorated qualified loss in excess of 100 percent (Note that payment does not need to be allocated based on millages. If the local unit chooses, this can be fully recorded in the General Fund)	May 20 (each following year)

- Changes to the requirement to restrict revenue - To date, the previous LCSA act had only required a municipality to use the reimbursement amount received for debt millage to pay for debt and to use the essential service reimbursement to pay for the cost of essential services. The newly signed amendment now also requires that each municipality allocate and record the payments received in the same manner as the millage levied, up to 100 percent reimbursement. The October payment represents the 100 percent reimbursement and should be allocated by millages. The May payment does not represent reimbursement and can be receipted into the General Fund at the discretion of the local unit.

In addition, for county road millages levied under Section 20b of 1909 PA 283, MCL 224.20b, a formula to allocate a portion of the PPT reimbursement to each city and village must be decided on by March 31 by the cities, villages, and road commission. If this does not occur, a formula for allocating payments will be determined by the Department of Treasury.

As a reminder, the LCSA reimbursements should not be reported on the financial statements with property taxes; instead, they should be included with other intergovernmental revenue from the State (state-shared revenue, grants, and other). The State has created a new account number for the revenue, 573, and titled it “Local Community Stabilization Share Appropriation.” As always, communities should follow the State’s guidance related to the Uniform Chart of Accounts.

Upcoming Accounting Standards Requiring Preparation

GASB Statement No. 83 - Asset Retirement Obligations

This new pronouncement will be effective for reporting periods beginning after June 15, 2018. This statement will require governments to record a liability for any anticipated obligations that are established through law, regulation, contract, or court judgment related to the future retirement of certain capital assets. One of the first challenges with this standard is identifying the population of assets that might potentially be associated with legally enforceable retirement obligations. Once identified, governments may need some lead time to estimate the cost of these future obligations. Therefore, we encourage you to start brainstorming about what capital assets may need to be considered under this standard.

GASB Statement No. 84 - Fiduciary Activities

This new pronouncement will be effective for reporting periods beginning after December 15, 2018. This statement provides criteria for state and local governments to use to identify whether an activity is fiduciary and should be reported as a fiduciary fund type in its financial statements. In addition, once identified as a fiduciary activity, GASB 84 also provides specific reporting requirements.

This statement has the potential to significantly impact what governments report currently as a fiduciary activity. Upon adoption, we anticipate that some governments' fiduciary activities will need to move to governmental funds, while other activities that never before were considered fiduciary will now be reported as such. It is also possible that certain pension and OPEB fiduciary funds will no longer be reported in a local unit's financial statements.

Given the potential to have a major impact on many governments, not only to its external financial statements, but also to its accounting system requirements and budget document, we encourage you to start analyzing the impact of this standard now. The first step to implementation is identifying the type of activities that should be analyzed and then running those activities through the lens of this standard.

GASB Statement No. 87 - Leases

This new accounting pronouncement will be effective for reporting periods beginning after December 15, 2019. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

We recommend beginning to accumulate information related to all significant lease agreements now in order to more efficiently implement this new standard once it becomes effective.

Plante & Moran, PLLC will be providing trainings and other resources to our clients over the coming months in order to help prepare for the implementation of all these new standards. In the interim, please reach out to your engagement team for assistance in getting started.

GASB Statement No. 88 - Debt Disclosures

This new accounting pronouncement will be effective for reporting periods beginning after June 15, 2018. The primary objective of this statement is to improve the information that is disclosed in the notes to the financial statements related to debt, including direct borrowings and direct placements. It also requires that additional information be disclosed, including unused lines of credit, assets pledged as collateral, and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Plante & Moran, PLLC will be providing resources to assist with compiling information related to these new disclosures.

Section III - Legislative and Informational Items (Continued)

GASB Statement No. 89 - Interest Incurred During Construction

This new accounting pronouncement will be effective for reporting periods beginning after December 15, 2019. This statement eliminates capitalized interest and instead requires all interest expense, including the portion incurred during construction of a capital asset, to be expensed. Early adoption is encouraged.

GASB Statement No. 90 - Majority Equity Interest

This new accounting pronouncement will be effective for reporting periods beginning after December 15, 2018. This statement requires that governments analyze the holdings of legally separate organizations to see if the ownership of a majority interest in a separate legal organization qualifies as an investment or a component unit. Plante & Moran, PLLC will be providing resources to assist with this analysis.