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# Charter Township of Washington

Macomb County, Michigan

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

<b>Independent Auditor's Report</b>	1-2
<b>Management's Discussion and Analysis</b>	3-8
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10-11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of the Balance Sheet to the Statement of Net Position	13
Statement of Revenue, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	15
Proprietary Funds:	
Statement of Net Position	16
Statement of Revenue, Expenses, and Changes in Net Position	17
Statement of Cash Flows	18-19
Fiduciary Funds - Statement of Fiduciary Net Position	20
Notes to Financial Statements	21-38
<b>Required Supplemental Information</b>	39
Budgetary Comparison Schedule - General Fund	40
Budgetary Comparison Schedule - Major Special Revenue Funds	41-43
Schedule of OPEB Funding Progress	44
Note to Required Supplemental Information	45
<b>Other Supplemental Information</b>	46
Nonmajor Governmental Funds:	
Combining Balance Sheet	47-48
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	49-50

## Independent Auditor's Report

To the Board of Trustees  
Charter Township of Washington  
Macomb County, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Washington as of and for the year ended March 31, 2018 and the related notes to the financial statements, which collectively comprise the Charter Township of Washington'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, each major fund, and the aggregate remaining fund information of the Charter Township of Washington as of March 31, 2018 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees  
Charter Township of Washington  
Macomb County, Michigan

**Other Matters**

**Required Supplemental Information**

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

**Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Charter Township of Washington'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, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plante & Moran, PLLC*

August 13, 2018

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

The Charter Township of Washington's (the "Township") 2018 annual report is presented in conformity with the requirements of GASB Statement No. 34. This annual report consists of four parts: management's discussion and analysis, the basic financial statements, required supplemental information, and other supplemental information, which presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

### **Government-wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities, regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net position and how it has changed. Net position, the difference between the Township's assets and liabilities, is one way to measure the Township's financial health or position.

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

**Governmental Activities** - Most of the Township's basic services are included here, such as police, fire, public works, and general administration. Property taxes, state-shared revenue, charges for services, and three special operating millages provide most of the funding.

**Business-type Activities** - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system and building inspection services are treated as business-type activities.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of financial support and spending for particular purposes. Some funds are required by state law and bond covenants. The township board establishes other funds to control and manage money for particular purposes.

The Township has three types of funds:

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

# Charter Township of Washington

## Management's Discussion and Analysis (Continued)

### Government-wide Overall Financial Analysis

The Township has combined total net position of approximately \$97 million. This is an increase from 2017 of approximately \$3.1 million. Business-type activities comprise approximately \$60.8 million, and governmental activities make up approximately \$36.2 million of the total net position. In a condensed format, the table below shows a comparison of the net position as of the current date to the prior year:

### Township's Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current and other assets	\$26,900,792	\$25,658,813	\$37,050,569	\$35,712,740	\$63,951,361	\$61,371,553
Capital assets	10,492,246	10,495,863	49,635,460	47,713,778	60,127,706	58,209,641
Total assets	37,393,038	36,154,676	86,686,029	83,426,518	24,079,067	19,581,194
<b>Liabilities</b>						
Current liabilities	450,699	388,398	1,162,945	1,081,116	1,613,644	1,469,514
Noncurrent liabilities	781,271	798,537	24,705,990	23,443,686	25,487,261	24,242,223
Total liabilities	1,231,970	1,186,935	25,868,935	24,524,802	27,100,905	25,711,737
<b>Net Position</b>						
Net investment in capital assets	10,243,214	10,236,003	32,788,080	33,429,628	43,031,294	43,665,631
Restricted	10,096,561	10,091,668	1,525,788	1,439,380	11,622,349	11,531,048
Unrestricted	15,821,293	14,640,070	26,503,226	24,032,708	42,324,519	38,672,778
Total net position	<b>\$36,161,068</b>	<b>\$34,967,741</b>	<b>\$60,817,094</b>	<b>\$58,901,716</b>	<b>\$96,978,162</b>	<b>\$93,869,457</b>

The Township's solid financial position was validated in 2015 when we issued a \$16,225,000 Capital Improvement Bond. It is a 20-year bond at 3.17 percent. The bond was issued to finance the wastewater treatment facility, water storage facility, and miscellaneous water and sewer main. Prior to issuance, we were given an AA bond rating by Standard & Poor's, which praised our strong financial management, strong financial performance, and strong budgetary flexibility. Those conditions continue to exist today.

In addition to this bond, our debt position reflects our share of investments by the county sewer district. Though these debts are not directly incurred by the Township, we are required to reflect them in our financial statements.

The Township experienced increases in both assets of the governmental activities and business-type activities due to favorable operations resulting in a net improved condition. Both the governmental funds and the business-type activities had positive operating results, which improved our position. The Township maintains healthy levels of cash and other assets to protect against downturns and to deal with the long-term demands associated with infrastructure. As water and sewer infrastructure ages, it must be replaced, typically at much higher than historical costs reflected in depreciation. System expansions, such as the new water storage facility, are made possible by maintaining a healthy balance sheet. Maintaining a healthy balance sheet allows us to participate with the county in major road improvements as our community grows. The growth of our community gives rise to emergency service infrastructure needs such as new land, buildings, and equipment for our fire department. We maintain a healthier balance sheet than most communities despite our lower than average millage rates. We do this to be able to respond to these infrastructure needs.

# Charter Township of Washington

## Management's Discussion and Analysis (Continued)

The following table shows the changes in net position for 2018 and 2017:

### Township's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 1,076,637	\$ 1,136,465	\$ 9,548,993	\$ 9,460,203	\$10,625,630	\$10,596,668
Operating grants	13,607	13,841	62,400	293,500	76,007	307,341
Capital grants	127,530	148,473	696,716	291,390	824,246	439,863
General revenue:						
Taxes	7,481,544	7,162,347	-	-	7,481,544	7,162,347
State-shared revenue and grants	1,968,042	1,851,135	-	-	1,968,042	1,851,135
Investment earnings	178,692	92,051	249,111	137,433	427,803	229,484
Other revenue	221,886	189,140	1,155,184	1,194,881	1,377,070	1,384,021
Total revenue	11,067,938	10,593,452	11,712,404	11,377,407	22,780,342	21,970,859
<b>Expenses</b>						
General government	2,386,305	2,531,792	-	-	2,386,305	2,531,792
Public safety	7,197,369	6,831,386	-	-	7,197,369	6,831,386
Public works	290,937	352,694	-	-	290,937	352,694
Water and Sewer Fund	-	-	9,142,897	8,925,922	9,142,897	8,925,922
Building Inspection Fund	-	-	654,129	596,433	654,129	596,433
Total expenses	9,874,611	9,715,872	9,797,026	9,522,355	19,671,637	19,238,227
Transfers	-	28,550	-	-	-	28,550
<b>Change in Net Position</b>	<b>\$ 1,193,327</b>	<b>\$ 906,130</b>	<b>\$ 1,915,378</b>	<b>\$ 1,855,052</b>	<b>\$ 3,108,705</b>	<b>\$ 2,761,182</b>

### **Governmental Activities**

Revenue for governmental activities totaled approximately \$11.1 million in 2018 compared to approximately \$10.6 million in 2017. A total of approximately \$7.5 million was in the form of property tax collections, an increase of \$0.3 million over 2017. This increase is mainly a reflection of an increase in taxable value of \$62 million and no change to the overall millage rates. The police, fire, and advance life support special assessment millages generated \$6.7 million of the total \$7.5 million of property tax revenue reported above. Property tax collections are expected to rise in the next year. Activity beyond that is uncertain and tied to the overall economy and the housing market. State-shared revenue provided approximately \$2.0 million, an increase of approximately \$0.1 million over the prior year. We are uncertain what will happen in the future as state collections of sales tax react to economic conditions and legislative action. Other revenue remained fairly consistent.

Total program expenses rose by approximately \$159,000 due to acquisition of land for a new fire station, dispatch equipment, automatic CPR units, new stretchers, a trailer, and new hose. These safety expenditures were offset partially by the fact that we expended substantial funds on parking lots in the prior year that were not repeating in the 2018 fiscal year.

## Charter Township of Washington

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

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

The Township has two business-type activities, the water and sewer operations and building inspection services. Revenue for business-type activities increased by approximately \$0.3 million to approximately \$11.7 million. Water and sewer rates to customers increased slightly. Pipeline contributed by developers increased by approximately \$405,000 year over year. Investment earnings increased due to greater returns available in the market and increased investment balances due to operational performance. These increases were somewhat offset by declining permit fees for building and less proceeds from state grants in 2018.

Program expenses increased by approximately \$0.2 million driven by increased labor costs for field operations, increased interest expense, and other nonoperating expense increases. These were mostly offset by decreases in water purchase costs. Water rate reductions caused by the new water storage facility contributed to a decline in water and sewer costs of approximately \$0.8 million.

The water and sewer operation consists of the following: water is provided to the township residents via the Great Lakes Water Authority. Sewage treatment is provided by contracts with the Great Lakes Water Authority and Macomb County, Michigan. The Township participates in the Oakland-Macomb Interceptor Drain Drainage District, the Macomb Interceptor Drain Drainage District, and the North Gratiot Interceptor Drain Drainage District to ensure sewer capacity for the community.

Effective during fiscal year 2018, the Township renegotiated water rates from the Great Lakes Water Authority as a result of our investment in a water storage facility. This facility allows us to control peaking factors, a major source of high rates. This decreased annual water contract charges by roughly \$1 million. However, going forward from that base, we expect both water and sewer costs to continue to increase into the future. We anticipate continuing to pass on sewer rate increases from Macomb County, Michigan to our customers. However, we intend to allow the water storage facility to mitigate rate increases to our customers as appropriate into the near future.

#### ***Current Economic Events***

The Township, like many communities in southeastern Michigan, has endured a number of serious challenges in the last decade, yet we have thrived. The primary uncertainty related to the housing market, which caused our taxable property value to decline up until the 2014 fiscal year - the first year to show an increase in several years. Our taxable value has increased from \$1.3 billion to \$1.37 billion for the coming year. Residential development has been strong in recent years and several commercial and office developments are in various stages of development. However, the market is still somewhat unstable and unpredictable given uncertainty over interest rates. Market conditions have a direct impact on property tax revenue and various fees, as well as our cost of operations to manage the activity. We will continue to be deliberate with spending as we await greater stability in the markets.

Interest revenue continues to be low versus historic levels of a decade ago as a result of market conditions, but is on an upswing due to market conditions, bond proceeds, and diligent investment management. Tap fees and other fees related to development have rebounded from the downturn a decade ago due to the ongoing development that has come to the Township, though such contributions fluctuate annually as projects shift from development to home building phases.

Despite the challenges of the last decade, aggressive intervention by our board of trustees over the last 10 years has kept the Township financially sound. We have substantially reduced medical costs, eliminated our unfunded postemployment medical obligation, closed the defined benefit postemployment medical plan, identified and obtained grants to finance projects, and adjusted staff levels to economic conditions. We entered into agreements with our bargaining units, which provided for substantial additional concessions by those units, including some emphasis on bonuses versus automatic cost of living adjustments, reduced retirement, and setting tiers to reduce costs as retiring employees are replaced. We have endured the economic challenges of the last few years and are poised for prosperity as the economy continues to strengthen. We have done this while maintaining a very low local millage rate by comparison to other towns in the county. We intend to keep our commitment to current and future residents to provide cost-effective quality services to the community.

# Charter Township of Washington

## Management's Discussion and Analysis (Continued)

The Township is facing increased costs due to an infrastructure failure in a sewer joint venture. The Macomb Interceptor Drainage District (MIDD) owns a sewer line on 15 Mile in Fraser that began sinking in late 2016. The 11-town venture has bonded \$70 million over 25 years at 3.07 percent to cover the costs of repair. The Township will bear approximately 3 percent of that cost over time. Those obligations are reflected in these financial statements.

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

The General Fund ended 2018 with a fund balance of approximately \$7.8 million, an increase from approximately \$6.5 million in 2017 due to positive operating results. Of that balance, approximately \$602,000 is committed property tax revenue to be used for fiscal year 2019 expenditures. Most of the remainder is assigned for capital and other expenditures.

The General Fund budget is amended throughout the year as deemed necessary. This is primarily done to prevent over-expenditures. With that in mind, the General Fund expenditures were approximately 90 percent of budget due to lower insurance and building maintenance costs.

Police and fire and advanced life support operations are funded separately through special assessment millages. These funds are expended exclusively for operations of police and fire services and advanced life support. All of these funds have a positive fund balance. Each will face challenges due to increased demand for services by a growing population and our Ambulance Fund continues to face revenue pressure caused by the Affordable Care Act. That said, our collective bargaining negotiations have helped mitigate those pressures. The actual expenditures for these funds were 95 percent, 95 percent, and 100 percent of budget for the Fire, Ambulance, and Police Funds, respectively.

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

The Township continues to pursue capital projects intended to address the growing needs of a rapidly expanding population.

In order to ensure our unpaved roads have adequate strength, we partner each year with the Macomb County Department of Roads to apply limestone to three miles of gravel road. Subsequent to year end, the Township and Macomb County, Michigan agreed to pave 30 Mile from M53 to Powell Road and Powell Road north for roughly three quarters of a mile. This will commence in the summer of 2018.

Our Fire and Ambulance Funds invested in land for a new station during fiscal 2018. In addition, we expended funds for drones, stretchers, hose, automatic CPR units, dispatch equipment, and a trailer.

The Township continues to make multiple improvements to water and sewer infrastructure. We completed building a water storage facility, which allowed us to renegotiate rates with the Great Lakes Water Authority, saving almost \$1.0 million per year. We have authorized the construction of a water main on Mound Road from 29 Mile to 30 Mile during fiscal year 2019. We have received a discharge permit for a sewer treatment facility to serve the northern end of the Township. A sewer line connecting to that anticipated facility was begun during fiscal year 2017, then temporarily halted and will resume in 2018. The township board awarded the contract for construction of the actual facility in fiscal year 2018 and is currently in construction. Subsequent to year end, the township board awarded the contract for construction of the actual facility itself. Also subsequent to year end, the township received a petition to extend sewer from the facility to Van Dyke between 30 and 31 Mile Roads. This petition will be considered in fiscal year 2019. This will have a significant impact on the Township's sovereignty and economic development.

The Township is currently investigating additional capital projects, including a potential community center. The Township also intends to make significant annual investments to complete the newly designed pathways master plan. Additional investments will be made in real estate for an additional fire station, the ambulance fleet, and other fire apparatus over the next few years.

As stated previously, the Township has issued a \$16,225,000 Capital Improvement Bond. It is a 20-year bond at 3.17 percent. The bond was issued to finance the wastewater treatment facility, water storage facility, and miscellaneous water and sewer main. In addition, we record the debt of various joint ventures on our financial statements to the extent of our interest in them.

## **Charter Township of Washington**

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

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Debt relating to special assessment projects and compensated absences totaling \$781,271 is recorded as a liability in the governmental activities in the statement of net position. Debt relating to the water and sewer system and compensated absences totaling \$24,705,990 is recorded as a liability in the business-type activities in the statement of net position.

The Township has been given an AA bond rating by Standard & Poor's, which praised our strong financial management, strong financial performance, and strong budgetary flexibility. Those conditions continue to exist today.

#### ***Overall***

The Township continues to flourish both in terms of population growth and the improvement of amenities we offer. Our financial condition continues to be strong. We look forward with continued cautious optimism to the future.

#### **Requests for Further Information**

This report is intended to aid our residents and other interested parties in understanding the Township's financial condition. Should you have further questions, please contact the finance and budget department at the Washington Township Municipal Building.

# Charter Township of Washington

## Statement of Net Position

March 31, 2018

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments (Note 2)	\$ 21,315,028	\$ 25,772,922	\$ 47,087,950
Receivables:			
Customer receivables	-	1,697,062	1,697,062
Accrued interest receivable	31,049	19,851	50,900
Other receivables	159,468	49,933	209,401
Due from other governments	970,647	61,355	1,032,002
Special assessments receivable	199,283	-	199,283
Prepaid expenses and other assets	578,469	20,089	598,558
Restricted assets (Note 6)	-	9,251,504	9,251,504
Investment in joint ventures (Note 10)	2,294,627	-	2,294,627
Land held for resale	931,208	-	931,208
Other postemployment benefits asset (Note 9)	421,013	177,853	598,866
Capital assets: (Note 3)			
Assets not subject to depreciation	3,588,705	5,571,096	9,159,801
Assets subject to depreciation - Net	6,903,541	44,064,364	50,967,905
Total assets	37,393,038	86,686,029	124,079,067
<b>Liabilities</b>			
Accounts payable	178,271	1,004,106	1,182,377
Due to other governmental units	119,123	-	119,123
Accrued liabilities and other	153,305	158,839	312,144
Noncurrent liabilities: (Note 5)			
Due within one year	150,828	885,805	1,036,633
Due in more than one year	630,443	23,820,185	24,450,628
Total liabilities	1,231,970	25,868,935	27,100,905
<b>Net Position</b>			
Net investment in capital assets	10,243,214	32,788,080	43,031,294
Restricted:			
Water and sewer line maintenance and construction	-	1,525,788	1,525,788
Fire service	6,183,020	-	6,183,020
Law enforcement	3,719,980	-	3,719,980
Street lighting	39,563	-	39,563
Fire employee benefits	76,999	-	76,999
ALS employee benefits	76,999	-	76,999
Unrestricted	15,821,293	26,503,226	42,324,519
Total net position	<u>\$ 36,161,068</u>	<u>\$ 60,817,094</u>	<u>\$ 96,978,162</u>

# Charter Township of Washington

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Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,386,305	\$ 494,700	\$ -	\$ -
Public safety	7,197,369	571,409	-	-
Public works	290,937	10,528	13,607	127,530
Total governmental activities	9,874,611	1,076,637	13,607	127,530
Business-type activities:				
Water and Sewer Fund	9,142,897	8,646,788	62,400	696,716
Building Inspection Fund	654,129	902,205	-	-
Total business-type activities	9,797,026	9,548,993	62,400	696,716
Total primary government	<b>\$ 19,671,637</b>	<b>\$ 10,625,630</b>	<b>\$ 76,007</b>	<b>\$ 824,246</b>
General revenue:				
Property taxes				
State-shared revenue				
Interest income				
Other miscellaneous income				
Total general revenue				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

## Statement of Activities

**Year Ended March 31, 2018**

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,891,605)	\$ -	\$ (1,891,605)
(6,625,960)	-	(6,625,960)
(139,272)	-	(139,272)
(8,656,837)	-	(8,656,837)
-	263,007	263,007
-	248,076	248,076
-	511,083	511,083
(8,656,837)	511,083	(8,145,754)
7,481,544	-	7,481,544
1,968,042	-	1,968,042
178,692	249,111	427,803
221,886	1,155,184	1,377,070
9,850,164	1,404,295	11,254,459
1,193,327	1,915,378	3,108,705
34,967,741	58,901,716	93,869,457
<b>\$ 36,161,068</b>	<b>\$ 60,817,094</b>	<b>\$ 96,978,162</b>

# Charter Township of Washington

## Governmental Funds Balance Sheet

March 31, 2018

	General Fund	Fire Fund	Advanced Life Support Fund	Police Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>						
Cash and investments (Note 2)	\$ 7,358,830	\$ 5,833,097	\$ 3,451,400	\$ 3,918,457	\$ 753,244	\$ 21,315,028
Receivables	1,028,800	122,003	125,611	81,184	2,849	1,360,447
Prepaid expenses	29,892	515,732	23,609	-	9,236	578,469
Land held for resale	14,058	-	-	-	917,150	931,208
<b>Total assets</b>	<b>\$ 8,431,580</b>	<b>\$ 6,470,832</b>	<b>\$ 3,600,620</b>	<b>\$ 3,999,641</b>	<b>\$ 1,682,479</b>	<b>\$ 24,185,152</b>
<b>Liabilities</b>						
Accounts payable	\$ 73,582	\$ 18,135	\$ 76,292	\$ 2,073	\$ 8,189	\$ 178,271
Due to other governmental units	119,123	-	-	-	-	119,123
Accrued liabilities and other	46,572	53,732	53,001	-	-	153,305
<b>Total liabilities</b>	<b>239,277</b>	<b>71,867</b>	<b>129,293</b>	<b>2,073</b>	<b>8,189</b>	<b>450,699</b>
<b>Deferred Inflows of Resources -</b>						
Unavailable revenue	365,896	-	-	-	-	365,896
<b>Fund Balances</b>						
Nonspendable:						
Land held for resale	14,058	-	-	-	917,150	931,208
Prepays	29,892	515,732	23,609	-	9,236	578,469
Restricted:						
Police	-	-	-	3,670,915	49,065	3,719,980
Fire	-	5,667,288	-	-	-	5,667,288
Fire employee benefits	-	-	-	-	76,999	76,999
ALS employee benefits	-	-	-	-	76,999	76,999
Street lighting	-	-	-	-	39,563	39,563
Committed - Tax collections for subsequent year	602,238	-	-	-	-	602,238
Assigned:						
Capital projects (Note 11)	5,926,000	-	-	-	432,479	6,358,479
Cable activities	375,157	-	-	-	-	375,157
General employee benefits	-	-	-	-	72,799	72,799
Fire	-	215,945	-	-	-	215,945
Advanced life support	-	-	3,447,718	-	-	3,447,718
Police	-	-	-	326,653	-	326,653
Sidewalks	192,536	-	-	-	-	192,536
Unassigned	686,526	-	-	-	-	686,526
<b>Total fund balances</b>	<b>7,826,407</b>	<b>6,398,965</b>	<b>3,471,327</b>	<b>3,997,568</b>	<b>1,674,290</b>	<b>23,368,557</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 8,431,580</b>	<b>\$ 6,470,832</b>	<b>\$ 3,600,620</b>	<b>\$ 3,999,641</b>	<b>\$ 1,682,479</b>	<b>\$ 24,185,152</b>

# Charter Township of Washington

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

March 31, 2018

<b>Fund Balances Reported in Governmental Funds</b>	\$ 23,368,557
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	10,492,246
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	365,896
Investments in joint ventures are not financial resources and are not reported in the funds	2,294,627
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(249,032)
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 or assets:	
Employee compensated absences	(532,239)
Retiree healthcare benefits	421,013
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ 36,161,068</u></u></b>

# Charter Township of Washington

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

**Year Ended March 31, 2018**

	General Fund	Fire Fund	Advanced Life Support Fund	Police Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>						
Property taxes	\$ 808,461	\$ 2,572,278	\$ 1,919,307	\$ 2,147,252	\$ 35,714	\$ 7,483,012
State-shared revenue and grants	2,083,630	-	-	30,865	14,215	2,128,710
Charges for services	268,237	-	528,372	43,037	-	839,646
Fines and forfeitures	818	-	-	-	-	818
Investment income	80,715	51,649	28,064	29,240	8	189,676
Other revenue:						
Other miscellaneous income	171,393	24,281	18,540	-	-	214,214
Cable franchise fees	431,977	-	-	-	-	431,977
Special assessments	59,685	-	-	-	56,861	116,546
Total revenue	3,904,916	2,648,208	2,494,283	2,250,394	106,798	11,404,599
<b>Expenditures</b>						
Current services:						
General government	2,463,843	-	-	-	32,765	2,496,608
Public safety	204,487	2,233,501	2,209,585	2,087,341	14,400	6,749,314
Public works	65,941	-	-	-	57,933	123,874
Capital outlay	68,003	267,413	416,726	-	52,924	805,066
Total expenditures	2,802,274	2,500,914	2,626,311	2,087,341	158,022	10,174,862
<b>Excess of Revenue Over (Under) Expenditures</b>	1,102,642	147,294	(132,028)	163,053	(51,224)	1,229,737
<b>Other Financing Sources (Uses)</b>						
Transfers in (Note 4)	240,972	-	-	-	-	240,972
Transfers out (Note 4)	-	-	-	-	(240,972)	(240,972)
Total other financing sources (uses)	240,972	-	-	-	(240,972)	-
<b>Net Change in Fund Balances</b>	1,343,614	147,294	(132,028)	163,053	(292,196)	1,229,737
<b>Fund Balances - Beginning of year</b>	6,482,793	6,251,671	3,603,355	3,834,515	1,966,486	22,138,820
<b>Fund Balances - End of year</b>	<b>\$ 7,826,407</b>	<b>\$ 6,398,965</b>	<b>\$ 3,471,327</b>	<b>\$ 3,997,568</b>	<b>\$ 1,674,290</b>	<b>\$ 23,368,557</b>

# Charter Township of Washington

## Governmental Funds

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

**Year Ended March 31, 2018**

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ 1,229,737</b>
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	839,749
Depreciation expense	(843,366)
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	(147,061)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	10,828
Equity interests in the Romeo, Washington, Bruce Parks and Recreation Commission and the Washington and Bruce Townships Senior Transportation Thru Advanced Reservation Commission are not reported in the governmental funds	124,631
Governmental funds do not report contributions to other postemployment benefits as an asset; in the statement of activities, contributions in excess of the actuarial recommended contribution are recorded as an asset	(27,629)
The change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	6,438
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 1,193,327</u></b>

# Charter Township of Washington

## Proprietary Funds Statement of Net Position

March 31, 2018

	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Enterprise Fund Building Inspection Fund	Total
<b>Assets</b>			
Current assets:			
Cash and investments (Note 2)	\$ 23,948,510	\$ 1,824,412	\$ 25,772,922
Receivables:			
Customer receivables	1,697,062	-	1,697,062
Accrued interest receivable	17,306	2,545	19,851
Other receivables	49,803	130	49,933
Due from other governments	61,355	-	61,355
Prepaid expenses	14,875	5,214	20,089
Total current assets	25,788,911	1,832,301	27,621,212
Noncurrent assets:			
Restricted assets (Note 6)	9,251,504	-	9,251,504
Other postemployment benefits asset (Note 9)	53,941	123,912	177,853
Capital assets: (Note 3)			
Assets not subject to depreciation	5,571,096	-	5,571,096
Assets subject to depreciation - Net	44,040,732	23,632	44,064,364
Total noncurrent assets	58,917,273	147,544	59,064,817
Total assets	84,706,184	1,979,845	86,686,029
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	995,322	8,784	1,004,106
Accrued liabilities and other	149,855	8,984	158,839
Compensated absences (Note 5)	45,900	8,100	54,000
Current portion of long-term debt (Note 5)	831,805	-	831,805
Total current liabilities	2,022,882	25,868	2,048,750
Noncurrent liabilities - Long-term obligations (Note 5)	23,794,144	26,041	23,820,185
Total liabilities	25,817,026	51,909	25,868,935
<b>Net Position</b>			
Net investment in capital assets	32,764,448	23,632	32,788,080
Restricted - Water and sewer line maintenance and construction	1,525,788	-	1,525,788
Unrestricted	24,598,922	1,904,304	26,503,226
Total net position	<b>\$ 58,889,158</b>	<b>\$ 1,927,936</b>	<b>\$ 60,817,094</b>

# Charter Township of Washington

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

**Year Ended March 31, 2018**

	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Enterprise Fund Building Inspection Fund	Total
<b>Operating Revenue</b>			
Water usage	\$ 4,411,693	\$ -	\$ 4,411,693
Sewage usage	3,505,207	-	3,505,207
Charges for services	-	901,962	901,962
Other operating revenue	729,888	243	730,131
Total operating revenue	8,646,788	902,205	9,548,993
<b>Operating Expenses</b>			
Sewer and water purchases	4,457,373	-	4,457,373
Administration	87,010	-	87,010
Billing and clerical	196,280	-	196,280
Other services	528,952	133,064	662,016
Building and grounds	65,043	-	65,043
Inspections	392,560	308,420	700,980
Insurance	72,216	14,686	86,902
Fringe benefits	251,200	157,168	408,368
Other operating expenses	-	34,482	34,482
Depreciation (Note 3)	1,394,793	6,309	1,401,102
Total operating expenses	7,445,427	654,129	8,099,556
<b>Operating Income</b>	1,201,361	248,076	1,449,437
<b>Nonoperating Revenue (Expense)</b>			
Investment income	232,879	16,232	249,111
Interest expense	(900,243)	-	(900,243)
Other nonoperating expenses	(797,227)	-	(797,227)
State grants	62,400	-	62,400
Other nonoperating revenue	1,155,184	-	1,155,184
Total nonoperating (expense) revenue	(247,007)	16,232	(230,775)
<b>Income - Before contributions</b>	954,354	264,308	1,218,662
<b>Capital Contributions</b>			
Lines donated by developers	532,120	-	532,120
Other capital contributions	164,596	-	164,596
Total capital contributions	696,716	-	696,716
<b>Change in Net Position</b>	1,651,070	264,308	1,915,378
<b>Net Position - Beginning of year</b>	57,238,088	1,663,628	58,901,716
<b>Net Position - End of year</b>	<b>\$ 58,889,158</b>	<b>\$ 1,927,936</b>	<b>\$ 60,817,094</b>

# Charter Township of Washington

## Proprietary Funds Statement of Cash Flows

Year Ended March 31, 2018

	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Enterprise Fund Building Inspection Fund	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 8,641,702	\$ 902,205	\$ 9,543,907
Payments to suppliers	(5,040,893)	(167,771)	(5,208,664)
Payments to employees and fringes	(906,643)	(472,935)	(1,379,578)
Net cash provided by operating activities	2,694,166	261,499	2,955,665
<b>Cash Flows from Noncapital Financing Activities</b>			
Grant revenue	395,883	-	395,883
State grant expenses	(80,090)	-	(80,090)
Net cash provided by noncapital financing activities	315,793	-	315,793
<b>Cash Flows from Capital and Related Financing Activities</b>			
Issuance of bonds	1,161,705	-	1,161,705
Tap fees and other capital items	1,276,850	-	1,276,850
Purchase of capital assets	(1,455,635)	-	(1,455,635)
Principal and interest paid on capital debt	(1,709,904)	-	(1,709,904)
Net cash used in capital and related financing activities	(726,984)	-	(726,984)
<b>Cash Flows from Investing Activities</b>			
Interest received on investments	240,618	17,370	257,988
Purchases of investment securities	(3,978,567)	(5,897)	(3,984,464)
Net cash (used in) provided by investing activities	(3,737,949)	11,473	(3,726,476)
<b>Net (Decrease) Increase in Cash</b>	(1,454,974)	272,972	(1,182,002)
<b>Cash - Beginning of year</b>	25,638,614	1,112,827	26,751,441
<b>Cash - End of year</b>	<b>\$ 24,183,640</b>	<b>\$ 1,385,799</b>	<b>\$ 25,569,439</b>
<b>Classification of Cash</b>			
Cash and investments	\$ 23,948,510	\$ 1,824,412	\$ 25,772,922
Restricted cash	5,602,873	-	5,602,873
Restricted investments	(5,367,743)	(438,613)	(5,806,356)
Total cash	<b>\$ 24,183,640</b>	<b>\$ 1,385,799</b>	<b>\$ 25,569,439</b>

# Charter Township of Washington

## Proprietary Funds Statement of Cash Flows (Continued)

**Year Ended March 31, 2018**

	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Enterprise Fund Building Inspection Fund	Total
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>			
Operating income	\$ 1,201,361	\$ 248,076	\$ 1,449,437
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	1,394,793	6,309	1,401,102
Changes in assets and liabilities:			
Receivables	(5,086)	2,322	(2,764)
Prepaid and other assets	8,450	(2,188)	6,262
Accrued and other liabilities	17,754	5,017	22,771
Accounts payable	76,894	1,963	78,857
	<b>\$ 2,694,166</b>	<b>\$ 261,499</b>	<b>\$ 2,955,665</b>
Net cash provided by operating activities	<b>\$ 2,694,166</b>	<b>\$ 261,499</b>	<b>\$ 2,955,665</b>

**Noncash Investing, Capital, and Financing Activities** - During the year ended March 31, 2018, the Water and Sewer Fund received approximately \$532,000 of lines donated by developers. During the year, Macomb County, Michigan, on behalf of the Township and other communities, issued debt of which Washington Township's portion is approximately \$5.7 million. The debt was used to refund existing and debt and construct sewer lines for drainage district projects.

**Charter Township of Washington**

**Fiduciary Funds  
Statement of Fiduciary Net Position**

**March 31, 2018**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,231,346
Receivables	<u>27,566</u>
Total assets	<b><u>\$ 1,258,912</u></b>
<b>Liabilities</b>	
Accounts payable	\$ 426
Due to other governmental units	11,235
Refundable deposits, bonds, etc.	1,157,873
Accrued liabilities and other	<u>89,378</u>
Total liabilities	<b><u>\$ 1,258,912</u></b>

March 31, 2018

### Note 1 - Significant Accounting Policies

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

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

#### ***Reporting Entity***

The Township is governed by an elected seven-member board of trustees. The accompanying financial statements present the 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 Township Building Authority (the "Building Authority") is governed by a board appointed by the Township's board of trustees. Although it is legally separate from the Township, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings. The Township Building Authority was inactive during the year and has no assets or liabilities.

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

The Economic Development Corporation (the "Corporation") was created to provide a means and method 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. The Corporation's governing body is selected by the township board of trustees. The Corporation was inactive during the year and has no assets or liabilities.

#### ***Report Presentation***

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

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

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

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

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.

***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, which is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund
- The Fire Fund, which accounts for the proceeds of a property tax levy that are earmarked for fire service
- The Police Fund, which accounts for the proceeds of a property tax levy that are earmarked for police service
- The Advanced Life Support Fund, which accounts for the proceeds of a property tax levy that are earmarked for advanced life support service

**Proprietary Funds**

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

- The Water and Sewer Fund provides water to customers and disposes of sanitary sewage in exchange for user charges.

The Township does not have any internal service funds.

**Fiduciary Funds**

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

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

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

**Interfund Activity**

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

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

**Basis of Accounting**

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

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

Revenue is not recognized until it is collected, or collected soon enough after the end of 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: property taxes, grants, and interest associated with the current fiscal period. Conversely, state-shared revenue and special assessments will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow of resources."

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

**Specific Balances and Transactions**

**Cash, Cash Equivalents, and Investments**

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

**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.

Note 1 - Significant Accounting Policies (Continued)

Restricted Assets

The Water and Sewer Fund has restricted assets relating to collections to be used to pay for construction of the Macomb Interceptor, receivables and collections to be used for the Hayes Road sewer line construction, and unspent bond proceeds.

*Land Held for Resale*

The land held for resale in the General Fund and the Capital Improvement Fund consists of real property purchased by the Township. The Township plans to sell the land. The land is recorded at the lower of cost or fair market value.

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 defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

	Depreciable Life - Years
Water and sewer treatment facilities	50
Buildings and building improvements	10 - 30
Vehicles	5 - 25
Office furnishings	5 - 10
Office tools and equipment	5 - 20

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 Capital Improvement Fund is used to liquidate the existing governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Township does not have any items that qualify for reporting in this category.

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

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue qualifies for reporting in this category. The deferred inflows of resources related to unavailable revenue are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from two sources: special assessments and state-shared revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**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 Township'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 Township'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 Township itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Township's highest level of decision-making authority. The 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 board of trustees has, by resolution, authorized the finance committee to assign fund balance. The board of trustees may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

**Property Tax Revenue**

Properties are assessed as of December 31. The related property taxes become a lien on December 1 of the following year. The taxes are due on February 28, after which point they are added to the county tax roll.

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

The 2017 real and personal taxable valuation of the Township (including Romeo Village) totaled \$1.3 billion, on which taxes levied consisted of 0.6198 mills for operating purposes, 1.6895 mills for advanced life support services (applied against real property only and excluding Romeo Village), 1.7378 mills for police services (excluding Romeo Village), and 2.2590 mills for fire services (applied against real property only and excluding Romeo Village). This resulted in \$800,000 for operating purposes, \$1,900,000 for advanced life support services, \$2,100,000 for police services, and \$2,600,000 for fire services. These amounts are recognized in the respective General Fund and special revenue funds financial statements as tax revenue.

The Township annually sells its delinquent real property taxes to Macomb County, Michigan (the "County"), which then becomes responsible for collecting the taxes and taking any uncollected tax parcels through the tax reversion process. The County purchases these taxes at 100 percent face value, and in return the County is allowed to retain all interest and penalties it collects. The estimated present value of the future delinquent collections to the Township is less than the face value that has been received because of the time value of money; however, the net present value to the County is greater than this amount because of the statutory provision that allows the County to retain all penalties and interest. During the current year, the Township received \$363,962 from this sale. At the end of the tax reversion process (approximately three years), the County charges the Township back for any uncollected taxes. Historically, this amount has not been significant.

**Other Postemployment Benefit Costs**

The Township offers retiree healthcare benefits to qualified retirees. The Township performs an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the Township reports the full accrual cost equal to the current year required contribution adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

**Compensated Absences (Paid Time Off)**

It is the Township's policy to permit employees to accumulate earned but unused paid time-off benefits. All paid-time-off pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Compensated absences attributable to the governmental activities will be liquidated by the General Fund, Fire Fund, Police Fund, and Advanced Life Support Fund. Compensated absences attributable to the business-type activities will be liquidated by the Water and Sewer Fund and the Building Inspection Fund.

**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 Fund is charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. The principal operating revenue of the Building Inspection Fund is charges to customers for inspection services. 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 June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Township to recognize on the face of the financial statements its net OPEB liability related to its OPEB plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending March 31, 2019.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. 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 January 2017, the 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.

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

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, 2021.

**Note 2 - 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 five banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in 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.

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 \$33,734,219 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

***Interest Rate Risk***

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

At year end, the Township had the following investments:

Investment	Fair Value	Weighted- average Maturity (Years)
U.S. agency securities	\$ 2,958,770	0.89
Commercial paper	5,931,525	0.45
Municipal bonds	4,056,832	1.23

March 31, 2018

**Note 2 - Deposits and Investments (Continued)**

**Credit Risk**

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

Investment	Fair Value	Rating	Rating Organization
Comerica J Fund	\$ 272,623	Not rated	n/a
U.S. agency securities	2,958,770	AA+	S&P
Municipal bonds	450,840	AA+	S&P
Municipal bonds	109,394	AA	S&P
Municipal bonds	2,113,498	AA-	S&P
Municipal bonds	924,306	Aa1	Moody's
Municipal bonds	407,278	Aa2	Moody's
Municipal bonds	51,516	A+	S&P
Commercial paper	5,931,525	A1	Moody's

The Comerica J Fund is recorded at amortized cost. There is no limit on restriction on participant withdrawals from the pool.

**Fair Value Measurements**

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

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

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

- U.S. agency securities of \$2,958,770 are valued using a matrix pricing model (Level 2 inputs).
- Municipal bonds of \$4,056,832 are valued using a matrix pricing model (Level 2 inputs).
- Commercial paper debt securities of \$5,931,525 are valued using a matrix pricing model (Level 2 inputs).

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

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

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

March 31, 2018

**Note 2 - Deposits and Investments (Continued)**

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

	Carrying Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
MI CLASS	\$ 4,316,328	\$ -	None	None

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

**Note 3 - Capital Assets**

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

**Governmental Activities**

	Balance April 1, 2017	Reclassifications	Additions	Disposals	Balance March 31, 2018
Capital assets not being depreciated:					
Land	\$ 3,099,537	\$ -	\$ 430,000	\$ -	\$ 3,529,537
Construction in progress	86,581	(27,413)	-	-	59,168
Subtotal	3,186,118	(27,413)	430,000	-	3,588,705
Capital assets being depreciated:					
Roads and sidewalks	2,544,733	27,413	4,304	-	2,576,450
Building and building improvements	7,230,789	-	42,003	-	7,272,792
Vehicles	3,557,996	-	5,935	(2,667)	3,561,264
Office furnishings	501,173	-	-	-	501,173
Other tools and equipment	1,700,676	-	357,507	(114,545)	1,943,638
Subtotal	15,535,367	27,413	409,749	(117,212)	15,855,317
Accumulated depreciation:					
Roads and sidewalks	1,337,446	-	190,888	-	1,528,334
Building and building improvements	3,181,125	-	272,142	-	3,453,267
Vehicles	2,024,840	-	228,517	(2,667)	2,250,690
Office furnishings	456,737	-	27,477	-	484,214
Other tools and equipment	1,225,474	-	124,342	(114,545)	1,235,271
Subtotal	8,225,622	-	843,366	(117,212)	8,951,776
Net capital assets being depreciated	7,309,745	27,413	(433,617)	-	6,903,541
Net governmental activities capital assets	\$ 10,495,863	\$ -	\$ (3,617)	\$ -	\$ 10,492,246

**March 31, 2018**

**Note 3 - Capital Assets (Continued)**

***Business-type Activities***

	Balance April 1, 2017	Reclassifications	Additions	Disposals	Balance March 31, 2018
Capital assets not being depreciated:					
Land	\$ 12,612	\$ -	\$ -	\$ -	\$ 12,612
Construction in progress	2,966,136	(102,838)	2,695,186	-	5,558,484
Subtotal	2,978,748	(102,838)	2,695,186	-	5,571,096
Capital assets being depreciated:					
Water and sewer lines	62,109,156	97,439	532,120	(80,090)	62,658,625
Buildings and improvements	425,828	-	-	-	425,828
Vehicles	544,460	-	36,817	-	581,277
Office furnishings	81,866	-	-	-	81,866
Other tools and equipment	1,603,379	5,399	138,751	-	1,747,529
Subtotal	64,764,689	102,838	707,688	(80,090)	65,495,125
Accumulated depreciation:					
Water and sewer lines	18,862,286	-	1,273,753	-	20,136,039
Buildings and improvements	332,602	-	5,422	-	338,024
Vehicles	317,965	-	38,756	-	356,721
Office furnishings	66,352	-	6,556	-	72,908
Other tools and equipment	450,454	-	76,615	-	527,069
Subtotal	20,029,659	-	1,401,102	-	21,430,761
Net capital assets being depreciated	44,735,030	102,838	(693,414)	(80,090)	44,064,364
Net business-type activity capital assets	<u>\$ 47,713,778</u>	<u>\$ -</u>	<u>\$ 2,001,772</u>	<u>\$ (80,090)</u>	<u>\$ 49,635,460</u>

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

Governmental activities:	
General government	\$ 203,687
Public safety	448,791
Public works	190,888
Total governmental activities	<u>\$ 843,366</u>
Business-type activities:	
Water and sewer fund	\$ 1,394,793
Building inspection fund	6,309
Total business-type activities	<u>\$ 1,401,102</u>

**March 31, 2018**

**Note 3 - Capital Assets (Continued)**

**Construction Commitments**

The Township has active construction projects at year end. At year end, the Township's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Interceptors	\$ 1,772,155	\$ 81,368
Clintondale Pump Station	716,000	36,382
Wastewater Treatment Plant	2,092,401	8,357,599
Total	<u>\$ 4,580,556</u>	<u>\$ 8,475,349</u>

**Note 4 - Interfund Receivables, Payables, and Transfers**

During the year, nonmajor governmental funds transferred \$240,972 to the General Fund. This represents the amount the General Fund refunded taxpayers for over-assessments related to three special assessment projects.

**Note 5 - Long-term Debt**

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

**Governmental Activities**

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds - County contractual obligations - Macomb County Bridge Program: Amount of issue: \$324,828 Maturing through 2041	0.0%	\$10,828	\$ 259,860	\$ -	\$ (10,828)	\$ 249,032	\$ 10,828
Other long-term obligations - Compensated absences			<u>538,677</u>	<u>479,825</u>	<u>(486,263)</u>	<u>532,239</u>	<u>140,000</u>
Total governmental activities			<u>\$ 798,537</u>	<u>\$ 479,825</u>	<u>\$ (497,091)</u>	<u>\$ 781,271</u>	<u>\$ 150,828</u>

March 31, 2018

Note 5 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds - County contractual obligations:							
OMID Series 2010A:							
Amount of issue: \$328,035		\$12,781 -					
Maturing through 2036	2.50%	\$20,569	\$ 246,189	\$ -	\$ (14,843)	\$ 231,346	\$ 15,222
OMID Series 2010B:							
Amount of issue: \$84,286		\$2,390 -					
Maturing through 2032	1.15% -5.9%	\$6,542	63,340	-	(3,521)	59,819	3,711
MIDD Series 2010A:							
Amount of issue: \$4,469,497	1.25% -	\$139,529 -					
Maturing through 2036	5.38%	\$263,159	3,605,465	-	(3,605,465)	-	-
NGIDD Series 2015:							
Amount of issue: \$157,679	3.50% -	\$6,496 -					
Maturing through 2034	5.50%	\$10,719	151,182	-	(6,544)	144,638	8,909
NGIDD Series 2010:							
Amount of issue: \$19,283	3.25% -	\$369 -					
Maturing through 2036	4.75%	\$1,108	15,283	-	(670)	14,613	665
OMID Series 2011A:							
Amount of issue: \$394,317		\$15,445 -					
Maturing through 2033	2.50%	\$24,635	346,822	-	(16,601)	330,221	17,068
OMID Series 2013A:							
Amount of issue: \$860,454		\$35,401 -					
Maturing through 2035	2.00%	\$51,582	782,567	581	(36,854)	746,294	37,580
CPS Series 2011:							
Amount of issue: \$752,382		\$17,100 -					
Maturing through 2031	5.00%	\$91,070	621,696	-	(29,309)	592,387	31,756
OMID Series 2014A:							
Amount of issue: \$125,808	2.00% -	\$4,869 -					
Maturing through 2034	3.125%	\$8,260	115,984	-	(5,042)	110,942	5,217
Capital Improvement Series 2015B:							
Amount of issue: \$16,225,000	3.00% -	\$425,000 -					
Maturing through 2036	4.00%	\$1,175,000	15,800,000	-	(450,000)	15,350,000	500,000
Unamortized bond premium			463,658	-	(25,062)	438,596	-
Capital Improvement Series 2015A:							
Amount of issue: \$1,345,000		\$55,000 -					
Maturing through 2036	2.50%	\$85,000	1,055,214	5,000	(55,000)	1,005,214	55,000
MIDD Series 2015A:							
Amount of issue: \$96,388		\$3,806 -					
Maturing through 2036	2.50%	\$6,032	63,191	8,805	(3,803)	68,193	3,934
MIDD Series 2017A (Refunding Portion):							
Amount of issue: \$3,099,229	3.45% -	\$114,985 -					
Maturing through 2035	5.50%	\$249,602	-	3,099,229	(131,111)	2,968,118	114,985
MIDD Series 2017A (New Money Portion):							
Amount of issue: \$1,687,749	3.45% -	\$31,301 -					
Maturing through 2042	5.50%	\$111,590	-	1,687,749	(31,301)	1,656,448	37,758
Unamortized bond premium			-	856,267	-	856,267	-
Total general obligation bonds - County contractual obligations			23,330,591	5,657,631	(4,415,126)	24,573,096	831,805
Other long-term obligations - Compensated absences			113,095	111,273	(91,474)	132,894	54,000
Total business-type activities			\$ 23,443,686	\$ 5,768,904	\$ (4,506,600)	\$ 24,705,990	\$ 885,805

**Note 5 - Long-term Debt (Continued)**

The Oakland-Macomb Interceptor Drain Drainage District (OMID) has issued county contractual obligations relating to the OMID. These obligations represent the Township's obligation to service a portion of the bond issues. The Township has pledged its full faith and credit related to the repayment of these county contractual obligations and has recorded the liabilities in the Water and Sewer Fund since it is anticipated that the debt service requirements of these obligations will be provided from the revenue of this fund. During the current year, net revenue of the system was \$2,643,047 compared to the annual debt requirements of \$1,709,904.

**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			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 10,828	\$ -	\$ 10,828	\$ 831,805	\$ 813,419	\$ 1,645,224
2020	10,828	-	10,828	899,126	781,951	1,681,077
2021	10,828	-	10,828	1,011,801	746,965	1,758,766
2022	10,828	-	10,828	1,074,591	708,383	1,782,974
2023	10,828	-	10,828	1,186,847	666,219	1,853,066
2024-2028	54,140	-	54,140	6,766,650	2,647,273	9,413,923
2029-2033	54,140	-	54,140	7,726,514	1,488,859	9,215,373
2034-2038	54,140	-	54,140	3,566,568	297,735	3,864,303
2039-2042	32,472	-	32,472	415,480	42,811	458,291
Total	<u>\$ 249,032</u>	<u>\$ -</u>	<u>\$ 249,032</u>	<u>\$ 23,479,382</u>	<u>\$ 8,193,615</u>	<u>\$ 31,672,997</u>

**Commitments**

The Township is part of the Oakland-Macomb Interceptor Drain Drainage District (OMID). The Series 2013A issuance that was issued in fiscal year 2014 is a State Revolving Fund loan. The Township has been tentatively advised that its assessment to pay the debt related to the Series 2013A bond is \$860,454. The scheduled payments related to the Series 2013A bond are included in the debt service requirement table above. However, as of March 31, 2018, the Township's portion of Series 2013A drawdowns was only \$855,486, which was recorded as debt at year end net of principal payments expended through year end.

The Township is also part of the Macomb Interceptor Drainage District (MIDD). The Series 2015A issuance from fiscal year 2016 is also a State Revolving Fund loan. The Township has been tentatively advised that its assessment to pay the debt related to the bond is \$96,388. The scheduled payments related to the Series 2015A bond are included in the debt service requirement table above. However, as of March 31, 2018, the Township's portion of drawdowns was only \$75,799, which was recorded as debt at year end net of principal payments expended through year end.

The 2015A capital improvement issuance is a State Revolving Fund loan. Total debt authorized is \$1,345,000; however, as of March 31, 2018, \$1,170,214 has been drawn. All scheduled payments related to the 2015A debt are included in the debt service requirement table above.

The difference between the debt schedule above and the debt recorded in the business-type activities is \$1,093,714. The unamortized bond premium in the amount of \$1,294,863 is excluded from the above schedule. Debt relating to the State Revolving Fund loans in the amount of \$201,149 is included in the above schedule; however, it is excluded from the debt recorded in the business-type activities, as those funds have not yet been drawn down as of March 31, 2018.

March 31, 2018

**Note 5 - Long-term Debt (Continued)**

**Bond Refunding**

During the year, the County issued \$124,425,000 of drain and refunding bonds. Approximately \$78 million of the proceeds were used to refund the Macomb Interceptor Drainage District - Series 2010 bonds. The Township's share of the refunded debt was \$3,605,465. The Township's share of the refunding portion of the debt was \$3,099,229 and the Township's share of the new money portion of the bonds was \$1,687,749.

**Note 6 - Restricted Assets**

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

Description	Business-type Activities
Sewer benefit fees	\$ 761,976
Hayes Road construction	259,215
Court judgment receivable - \$435,285 payable over 45 years with no stated interest - Recorded at present value using imputed interest rate of 8 percent - Final payment due in April 2031	102,278
Unspent bond proceeds	7,725,716
Restricted cash held at the County	402,319
Total	<u>\$ 9,251,504</u>

The sewer benefit fees of \$761,976 and the restricted cash held at the County of \$402,319 are restricted for construction of the Oakland-Macomb Interceptor, Macomb Interceptor, and the North Gratiot Interceptor. The Hayes Road construction cash and equivalents of \$259,215 is restricted for maintenance on the Hayes Road sewer line. The unspent bond proceeds of \$7,725,716 are restricted for water supply and sewage disposal system improvements (water storage and the wastewater treatment plant).

**Note 7 - Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical claims and is covered by Nickel & Saph, Inc. for claims relating to property loss, torts, and errors and omissions. The Township participates in the Michigan Municipal League shared risk program 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 three fiscal years.

**Note 8 - Defined Contribution Retirement Plans**

The Township provides pension benefits to all of its full-time employees through two defined contribution plans: (1) Township of Washington Group Pension Plan administered by Principal Financial Group and (2) MERS Defined Contribution Plan administered by Municipal Employees' Retirement System of Michigan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the township board resolution, the Township contributes 5-15 percent of compensation, as defined by W-2 wages for employees, depending on their union and hire date. Employees may voluntarily contribute up to 10 percent. In accordance with these requirements, the Township contributed \$465,353. Employee contributions in the current year totaled \$95,985.

**Note 9 - Other Postemployment Benefits**

**Plan Description**

The Township provides retiree healthcare benefits to qualified retirees and their spouses. There are currently eight retirees. This is a single-employer defined benefit plan administered by the Township. The benefits are provided under employee union agreements. The plan is closed to new members.

This Township has set aside advanced funding of this obligation in the Municipal Employees' Retirement System (MERS) Retiree Health Funding Vehicle (RHFV), which is held in a separate reserve but invested on a pooled basis by MERS with other governmental units. The balance as of March 31, 2018 in this restricted plan is \$357,343. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

**Funding Policy**

The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis).

**Funding Progress**

For the year ended March 31, 2018, the Township has estimated the annual cost of providing retiree healthcare benefits through an actuarial calculation performed as of March 31, 2016. The Township's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer. The Township has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a closed period of 24 years. The following table shows the components of the Township's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the net OPEB obligation:

Annual required contribution (recommended)	\$ 4,680
Interest on the prior year's net OPEB obligation	(12,530)
Adjustment to the annual required contribution	<u>35,479</u>
Annual OPEB cost	<u>27,629</u>
Decrease in net OPEB asset	(27,629)
OPEB asset - Beginning of year	<u>626,495</u>
OPEB asset - End of year	<u>\$ 598,866</u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB asset for the current and preceding years were as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage Contributed	Net OPEB Asset
March 31, 2016	\$ 27,062	-	% \$ 653,842
March 31, 2017	27,347	-	626,495
March 31, 2018	27,629	-	598,866

**Note 9 - Other Postemployment Benefits (Continued)**

The funding progress of the plan is as follows:

For the Year Ended *	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)
March 31, 2014	\$ 520,860	\$ 523,936	\$ 3,076	99.41 %
March 31, 2015	459,404	456,027	(3,377)	100.74
March 31, 2016	427,244	515,764	88,520	82.84

\* Note: A new valuation was not required to be performed in 2018.

**Actuarial Methods and Assumptions**

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

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

The following simplifying assumptions were made:

**Retirement Age for Active Employees**

Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 65, or at the first subsequent year in which the member would qualify for benefits.

**Marital Status**

Marital status of members at the calculation date was assumed to continue throughout retirement.

**Mortality**

Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2002 United States life tables for males and females were used.

**Turnover**

Nongroup-specific age-based turnover data from GASB Statement No. 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

**Healthcare Cost Trend Rate**

The healthcare cost trend rate used was 1 percent, as the Township will only provide increases to the benefits for cost of living.

**Note 9 - Other Postemployment Benefits (Continued)**

**Health Insurance Premiums**

2015 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

**Inflation Rate**

The expected long-term inflation assumption of 0 percent was based on the fact that all individuals in the calculation are retired or near retirement.

**Payroll Growth Rate**

No salary increase was assumed given all eligible employees are retired or close to retirement.

Based on the historical and expected returns of the Township’s short-term investment portfolio, a discount rate of 2 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at March 31, 2016 was 24 years.

**Note 10 - Joint Ventures**

The Township is a member of the Romeo, Washington, Bruce Parks and Recreation Commission and the Washington and Bruce Townships Senior Transportation Thru Advanced Reservation Commission (S.T.A.R.). The Township appoints one member to each joint venture's governing board, which then approves the annual budget. The Romeo, Washington, Bruce Parks and Recreation Commission is funded primarily from property taxes and program fees. S.T.A.R. is funded primarily from property taxes and operating grants. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The Township's equity interest of \$1,490,309 and \$804,318 in the Romeo, Washington, Bruce Parks and Recreation Commission and the Washington and Bruce Townships Senior Transportation Thru Advanced Reservation Commission, respectively, is recorded within the governmental activities column of the statement of net position. Complete financial statements for the joint ventures can be obtained from the administrative offices at 361 Morton, Romeo, Michigan 48061.

**Note 11 - Fund Balance Constraints**

The detail of the General Fund assigned fund balance is as follows:

Fund balance - Assigned for capital projects:	
Community center	\$ 1,000,000
Road improvements	3,000,000
Building improvements	500,000
Planner and architect	300,000
Limestone	42,000
Phragmites elimination	60,000
Parking lots	400,000
Eastside sewer line - Township portion	<u>624,000</u>
Total fund balance - Assigned for capital projects	<u>\$ 5,926,000</u>

**Note 12 - Subsequent Event**

In June 2018, the Township paid \$1.6 million to Macomb County for a 30 Mile Road project. Construction will begin later in 2018.

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## Required Supplemental Information

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# Charter Township of Washington

## Required Supplemental Information Budgetary Comparison Schedule General Fund

**Year Ended March 31, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 793,124	\$ 737,518	\$ 808,461	\$ 70,943
State-shared revenue and grants	1,811,000	2,105,157	2,083,630	(21,527)
Charges for services	309,000	267,994	268,237	243
Fines and forfeitures	-	818	818	-
Investment income	110,595	71,246	80,715	9,469
Other revenue:				
Other miscellaneous income	1,116,450	161,400	171,393	9,993
Cable franchise fees	420,000	420,000	431,977	11,977
Special assessments	44,350	57,911	59,685	1,774
Total revenue	4,604,519	3,822,044	3,904,916	82,872
<b>Expenditures</b>				
Current services:				
General government:				
Township board	63,404	46,764	45,238	1,526
Supervisor	107,105	102,633	100,063	2,570
Accounting	222,875	203,806	197,220	6,586
Treasurer	221,841	203,692	200,231	3,461
Assessing	277,497	264,404	262,312	2,092
Board of review	3,997	3,673	2,261	1,412
Clerk	124,827	123,303	120,252	3,051
Buildings and grounds	378,303	328,394	284,845	43,549
Elections	178,835	190,670	186,627	4,043
Insurance and other functions	1,303,090	1,249,043	1,064,794	184,249
Public safety	284,582	228,614	204,487	24,127
Public works	396,469	90,887	65,941	24,946
Capital outlay	70,900	68,003	68,003	-
Total expenditures	3,633,725	3,103,886	2,802,274	301,612
<b>Excess of Revenue Over Expenditures</b>	970,794	718,158	1,102,642	384,484
<b>Other Financing Sources - Transfers in</b>	-	240,973	240,972	(1)
<b>Net Change in Fund Balance</b>	970,794	959,131	1,343,614	384,483
<b>Fund Balance - Beginning of year</b>	6,482,793	6,482,793	6,482,793	-
<b>Fund Balance - End of year</b>	<u>\$ 7,453,587</u>	<u>\$ 7,441,924</u>	<u>\$ 7,826,407</u>	<u>\$ 384,483</u>

# Charter Township of Washington

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Fire Fund

Year Ended March 31, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 2,530,672	\$ 2,582,756	\$ 2,572,278	\$ (10,478)
Investment income	22,000	43,000	51,649	8,649
Other revenue	8,300	24,308	24,281	(27)
Total revenue	2,560,972	2,650,064	2,648,208	(1,856)
<b>Expenditures</b>				
Current services - Public safety	2,301,231	2,358,826	2,233,501	125,325
Capital outlay	230,980	273,780	267,413	6,367
Total expenditures	2,532,211	2,632,606	2,500,914	131,692
<b>Net Change in Fund Balance</b>	28,761	17,458	147,294	129,836
<b>Fund Balance - Beginning of year</b>	6,251,671	6,251,671	6,251,671	-
<b>Fund Balance - End of year</b>	<u>\$ 6,280,432</u>	<u>\$ 6,269,129</u>	<u>\$ 6,398,965</u>	<u>\$ 129,836</u>

## Charter Township of Washington

### Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Advanced Life Support Fund

Year Ended March 31, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 1,892,683	\$ 1,928,792	\$ 1,919,307	\$ (9,485)
Charges for services	520,000	534,000	528,372	(5,628)
Investment income	11,000	23,000	28,064	5,064
Other revenue	7,800	18,031	18,540	509
Total revenue	2,431,483	2,503,823	2,494,283	(9,540)
<b>Expenditures</b>				
Current services - Public safety	2,314,645	2,335,975	2,209,585	126,390
Capital outlay	317,200	417,500	416,726	774
Total expenditures	2,631,845	2,753,475	2,626,311	127,164
<b>Other Financing Sources</b>	200,362	249,652	-	(249,652)
<b>Net Change in Fund Balance</b>	-	-	(132,028)	(132,028)
<b>Fund Balance - Beginning of year</b>	3,603,355	3,603,355	3,603,355	-
<b>Fund Balance - End of year</b>	<u>\$ 3,603,355</u>	<u>\$ 3,603,355</u>	<u>\$ 3,471,327</u>	<u>\$ (132,028)</u>

**Charter Township of Washington**

Required Supplemental Information  
 Budgetary Comparison Schedule  
 Major Special Revenue Funds (Continued)  
 Police Fund

**Year Ended March 31, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 2,140,062	\$ 2,150,132	\$ 2,147,252	\$ (2,880)
State-shared revenue and grants	-	30,865	30,865	-
Charges for services	40,000	40,000	43,037	3,037
Investment income	9,500	26,000	29,240	3,240
Total revenue	2,189,562	2,246,997	2,250,394	3,397
<b>Expenditures - Current - Public safety</b>	2,093,897	2,090,107	2,087,341	2,766
<b>Net Change in Fund Balance</b>	95,665	156,890	163,053	6,163
<b>Fund Balance - Beginning of year</b>	3,834,515	3,834,515	3,834,515	-
<b>Fund Balance - End of year</b>	<b>\$ 3,930,180</b>	<b>\$ 3,991,405</b>	<b>\$ 3,997,568</b>	<b>\$ 6,163</b>

**Charter Township of Washington**

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

**Years Ended March 31**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Overfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c) *	UAAL as a Percentage of Covered Payroll **
March 31, 2014	\$ 520,860	\$ 523,936	\$ 3,076	99.41 %	\$ -	- %
March 31, 2015	459,404	456,027	(3,377)	100.74	-	-
March 31, 2016	427,244	515,764	88,520	82.84	-	-

\* Covered payroll - Not available

\*\* UAAL as a percentage of covered payroll - Not available

March 31, 2018

### ***Budgetary Information***

The annual budget is prepared by management and adopted by the township board; subsequent amendments are approved by the township board. Unexpected appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2018 has not been calculated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, with the exception of operating transfers, which have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." The budget statements (budgetary comparison schedules - General Fund and major special revenue funds) are presented on the same basis of accounting used in preparing the adopted budgets.

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

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## Other Supplemental Information

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# Charter Township of Washington

	Special Revenue Funds		
	Liquor Enforcement Fund	Street Light Assessment Fund	Employee Benefits Fund
<b>Assets</b>			
Cash and investments	\$ 49,065	\$ 41,312	\$ 226,797
Receivables - Due from other governmental units	-	2,849	-
Prepaid expenses	-	-	-
Land held for resale	-	-	-
<b>Total assets</b>	<b>\$ 49,065</b>	<b>\$ 44,161</b>	<b>\$ 226,797</b>
<b>Liabilities - Accounts payable</b>	\$ -	\$ 4,598	\$ -
<b>Fund Balances</b>			
Nonspendable:			
Land held for resale	-	-	-
Prepays	-	-	-
Restricted:			
Police	49,065	-	-
Fire employee benefits	-	-	76,999
ALS employee benefits	-	-	76,999
Street lighting	-	39,563	-
Assigned:			
Capital projects	-	-	-
General employee benefits	-	-	72,799
<b>Total fund balances</b>	<b>49,065</b>	<b>39,563</b>	<b>226,797</b>
<b>Total liabilities and fund balances</b>	<b>\$ 49,065</b>	<b>\$ 44,161</b>	<b>\$ 226,797</b>

Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds

March 31, 2018

Capital Project Funds				
Capital Improvement Fund	Quaker Lane Paving Project	Ivy Lane Construction Fund	Applewood Paving Project	Total
\$ 436,070	\$ -	\$ -	\$ -	\$ 753,244
-	-	-	-	2,849
9,236	-	-	-	9,236
917,150	-	-	-	917,150
<b>\$ 1,362,456</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,682,479</b>
\$ 3,591	\$ -	\$ -	\$ -	\$ 8,189
917,150	-	-	-	917,150
9,236	-	-	-	9,236
-	-	-	-	49,065
-	-	-	-	76,999
-	-	-	-	76,999
-	-	-	-	39,563
432,479	-	-	-	432,479
-	-	-	-	72,799
1,358,865	-	-	-	1,674,290
<b>\$ 1,362,456</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,682,479</b>

# Charter Township of Washington

	Special Revenue Funds		
	Liquor Enforcement Fund	Street Light Assessment Fund	Employee Benefits Fund
<b>Revenue</b>			
Property taxes	\$ -	\$ -	\$ 35,714
State-shared revenue and grants	14,215	-	-
Investment income	-	8	-
Other revenue - Special assessments	-	56,861	-
<b>Total revenue</b>	<b>14,215</b>	<b>56,869</b>	<b>35,714</b>
<b>Expenditures</b>			
Current services:			
General government	-	-	23,953
Public safety	14,400	-	-
Public works:			
Highway and streets	-	-	-
Street lighting	-	50,439	-
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>14,400</b>	<b>50,439</b>	<b>23,953</b>
<b>Other Financing Uses - Transfers out</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(185)</b>	<b>6,430</b>	<b>11,761</b>
<b>Fund Balances - Beginning of year</b>	<b>49,250</b>	<b>33,133</b>	<b>215,036</b>
<b>Fund Balances - End of year</b>	<b>\$ 49,065</b>	<b>\$ 39,563</b>	<b>\$ 226,797</b>

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

Year Ended March 31, 2018

Capital Project Funds				
Capital Improvement Fund	Quaker Lane Paving Project	Ivy Lane Construction Fund	Applewood Paving Project	Total
\$ -	\$ -	\$ -	\$ -	\$ 35,714
-	-	-	-	14,215
-	-	-	-	8
-	-	-	-	56,861
-	-	-	-	106,798
8,812	-	-	-	32,765
-	-	-	-	14,400
-	1,468	2,056	3,970	7,494
-	-	-	-	50,439
52,924	-	-	-	52,924
61,736	1,468	2,056	3,970	158,022
-	(4,114)	(5,861)	(230,997)	(240,972)
(61,736)	(5,582)	(7,917)	(234,967)	(292,196)
1,420,601	5,582	7,917	234,967	1,966,486
<b>\$ 1,358,865</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,674,290</b>