

**CHARTER TOWNSHIP OF MUSKEGON
MUSKEGON COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Charter Township of Muskegon, 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 Muskegon, Michigan (the "Township") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 Township, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

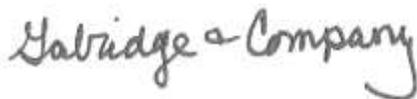
Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining nonmajor fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund statements are the responsibility of management and were derived from and relate 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 combining nonmajor fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Gabridge & Company, PLC
Grand Rapids, Michigan
June 3, 2019

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Charter Township of Muskegon, Michigan (The "Township" or "government") we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the Township exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$2,937,590 (net position). Of this amount, a deficit \$13,260,085 is shown in governmental activities unrestricted net position and a surplus of \$3,619,627 is shown in business-type activities unrestricted net position.
- At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$2,625,866. Approximately 18.8% (\$493,493) of this amount is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$767,241, or approximately 17.7% of total general fund expenditures and transfers out.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the Township's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., long-term debt, defined benefit retirement and OPEB expenses, and compensated absences).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, public works, and recreation and culture. The business-type activities of the Township include sewer and sanitation services.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and public safety funds, which are considered to be major funds. Data from the other eight governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The Township adopts an annual appropriated budget for the general fund and all special revenue funds. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided to demonstrate compliance with these budgets.

Proprietary Funds. The Township maintains two types of proprietary funds, which are enterprise funds and internal service funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprises funds to account for its sewer and sanitation system operations, which

are both major funds. Internal service funds are accounting devices used to accumulate and allocate costs internally among the Township's various functions.

The Township has one internal service fund to account for its equipment management services. Because these services primarily benefit the Township's governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and sanitation operations.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Township maintains four fiduciary funds. These funds report resources held by the Township in a custodial capacity for individuals, private organizations, and other governments.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* demonstrating the Township's compliance with its operating budgets by providing budgetary comparison schedules along with funding information related to its defined benefit pension and OPEB plans.

The combining statements in connection with the Township's nonmajor funds are presented immediately following the required supplementary information.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Township, assets and deferred outflows exceeded liabilities and deferred inflows by \$2,937,590 at the close of the most recent fiscal year.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 4,192,613	\$ 4,224,829	\$ 4,230,323	\$ 4,137,435	\$ 8,422,936	\$ 8,362,264
Receivables	2,091,431	1,664,568	920,206	866,610	3,011,637	2,531,178
Due from Other Governments	319,506	325,896	24,960	24,696	344,466	350,592
Prepays	-	-	-	-	-	-
Internal Balances	(294,329)	(84,451)	294,329	84,451	-	-
Total Current Assets	6,309,221	6,130,842	5,469,818	5,113,192	11,779,039	11,244,034
<i>Noncurrent Assets</i>						
Special Assessments Receivable	276,772	84,708	35,861	34,552	312,633	119,260
Capital Assets Not Being Depreciated	863,931	613,931	53,638	53,638	917,569	667,569
Capital Assets Being Depreciated	2,366,072	2,451,259	20,752,207	21,592,122	23,118,279	24,043,381
Total Noncurrent Assets	3,506,775	3,149,898	20,841,706	21,680,312	24,348,481	24,830,210
Total Assets	9,815,996	9,280,740	26,311,524	26,793,504	36,127,520	36,074,244
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related Deferred Outflows	502,423	1,318,139	37,818	99,216	540,241	1,417,355
Total Deferred Outflows of Resources	502,423	1,318,139	37,818	99,216	540,241	1,417,355
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	176,764	139,786	300,172	253,781	476,936	393,567
Accrued Liabilities	193,356	168,580	12,417	7,848	205,773	176,428
Unearned Revenues	20,000	20,000	-	-	20,000	20,000
Accrued Interest	-	-	91,928	95,135	91,928	95,135
Current Portion of Compensated Absences	177,556	214,229	15,964	14,215	193,520	228,444
Current Portion of Long-term Debt	-	-	404,276	384,840	404,276	384,840
Total Current Liabilities	567,676	542,595	824,757	755,819	1,392,433	1,298,414
<i>Noncurrent Liabilities</i>						
Long-term Debt	-	-	11,924,319	12,408,904	11,924,319	12,408,904
Compensated Absences	122,759	148,597	11,092	9,828	133,851	158,425
Net Pension Liability	6,040,606	6,749,613	454,669	508,035	6,495,275	7,257,648
OPEB Liability	9,061,279	8,801,213	1,006,846	977,912	10,068,125	9,779,125
Total Noncurrent Liabilities	15,224,644	15,699,423	13,396,926	13,904,679	28,621,570	29,604,102
Total Liabilities	15,792,320	16,242,018	14,221,683	14,660,498	30,014,003	30,902,516
DEFERRED INFLOWS OF RESOURCES						
Taxes Levied for a Subsequent Period	3,276,456	3,173,086	-	-	3,276,456	3,173,086
Pension Related Deferred Inflows	408,930	75,920	30,782	5,716	439,712	81,636
Total Deferred Inflows of Resources	3,685,386	3,249,006	30,782	5,716	3,716,168	3,254,722
NET POSITION						
Net Investment in Capital Assets	3,226,512	3,065,190	8,477,250	8,852,016	11,703,762	11,917,206
Restricted	874,286	865,297	-	-	874,286	865,297
Unrestricted	(13,260,085)	(12,822,632)	3,619,627	3,374,490	(9,640,458)	(9,448,142)
Total Net Position	\$ (9,159,287)	\$ (8,892,145)	\$ 12,096,877	\$ 12,226,506	\$ 2,937,590	\$ 3,334,361

The largest portion of the Township's net position (\$11,703,762) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

\$874,286 of the Township's net position represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of \$9,640,458 is unrestricted.

The Township's overall net position decreased \$396,771 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

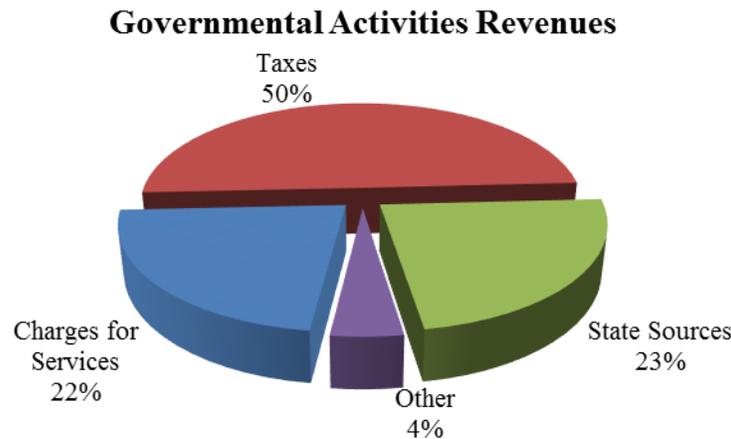
	Governmental Activities		Business-type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
Revenue						
Program Revenues						
Charges for Services	\$ 1,621,211	\$ 1,378,078	\$ 3,485,554	\$ 3,544,233	\$ 5,106,765	\$ 4,922,311
Operating Grants and Contributions	191,730	172,712	1,231,450	184,638	1,423,180	357,350
Total Program Revenues	1,812,941	1,550,790	4,717,004	3,728,871	6,529,945	5,279,661
General Revenues						
Taxes	3,618,626	3,039,123	-	-	3,618,626	3,039,123
State Sources	1,697,694	1,651,772	-	-	1,697,694	1,651,772
Investment Income	69,332	30,488	95,703	50,571	165,035	81,059
Other	56,786	53,617	-	-	56,786	53,617
Total General Revenues	5,442,438	4,775,000	95,703	50,571	5,538,141	4,825,571
Total Revenues	7,255,379	6,325,790	4,812,707	3,779,442	12,068,086	10,105,232
Expenses						
General Government	1,483,061	1,470,026	-	-	1,483,061	1,470,026
Public Safety	4,165,597	4,462,591	-	-	4,165,597	4,462,591
Public Works	1,428,844	814,125	-	-	1,428,844	814,125
Community and Economic Development	302,795	287,880	-	-	302,795	287,880
Recreation and Culture	142,224	133,714	-	-	142,224	133,714
Sanitation	-	-	707,961	851,280	707,961	851,280
Sewer	-	-	4,234,375	3,146,637	4,234,375	3,146,637
Total Expenses	7,522,521	7,168,336	4,942,336	3,997,917	12,464,857	11,166,253
Change in Net Position	(267,142)	(842,546)	(129,629)	(218,475)	(396,771)	(1,061,021)
<i>Net Position at the Beginning of Period</i>	<i>(8,892,145)</i>	<i>(8,049,599)</i>	<i>12,226,506</i>	<i>12,444,981</i>	<i>3,334,361</i>	<i>4,395,382</i>
Net Position at the End of Period	\$ (9,159,287)	\$ (8,892,145)	\$ 12,096,877	\$ 12,226,506	\$ 2,937,590	\$ 3,334,361

Governmental Activities

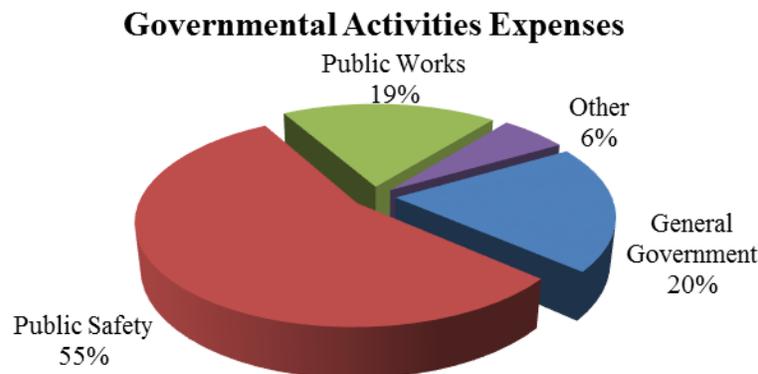
The decrease in the overall net position of the governmental activities of the Township was \$267,142 in 2018 compared to \$842,546 in 2017.

The Township levied new special assessments for paving projects, which led to higher receivables and increased public works expenditures. The net pension liability decreased in the current year due to higher return rates than expected.

The following charts are the breakdown of the Townships governmental activities revenues:



The following charts are the breakdown of the Townships governmental activities expenses:



Business-type Activities. For the Township’s business-type activities, the results for the current fiscal year show a decrease in overall net position of \$129,629 compared to a decrease of \$218,475 in 2017.

The sanitation fund increased its net position by \$105,204 in the current year. The main reason for this increase was a reduction in equipment maintenance expenses from the prior year. The sewer fund decreased its net position by \$234,833. The decrease is primarily related to the Township’s match of the SAW grant which led to higher expenses. The SAW grant did increase intergovernmental revenue related to the State’s share.

Financial Analysis of Governmental Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Township itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Township's Board.

At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$2,625,866, a decrease of \$22,750 over the prior year. Approximately 18.8% (\$493,493) of this amount is available for spending at the government's discretion (unassigned fund balance). The remainder of the fund balance is either *restricted or committed* to indicate that it is: 1) restricted for particular purposes (\$874,286, or 33.3%) or 2) committed for particular purposes (\$1,258,087, or 47.9%).

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$767,241 while total fund balance increased by \$264,002 to \$1,485,801. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. The general fund's unassigned fund balance represents approximately 17.7% of total general fund expenditures and transfers out while total fund balance represents approximately 34.3% of that same amount.

General fund revenues were very comparable to the prior year besides an increase in property taxes due to an additional millage. Expenditures were also comparable to the prior year, besides capital purchases.

The public safety fund, a major fund, had no fund balance at the end of the year, a decrease of \$3,294. The fund receives a large transfer in from the general fund every year as the millage is not sufficient to cover all of the public safety expenditures.

Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The sewer fund had a decrease in net position of \$234,833 in 2018 compared to a decrease of \$110,949 in 2017. The larger decrease in net position is due to the Stormwater, Asset Management, and Wastewater Grant match.

The sanitation fund had an increase in net position of \$105,204 in 2018 compared to a decrease of \$107,526 in 2017. The increase in net position is mostly attributable to decrease in equipment maintenance.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was no need for any significant amendments to increase either the total general fund original estimated revenues or original budgeted appropriations.

Final budget compared to actual results. During the current fiscal year the Township the following expenditures in excess of the appropriated amounts in the general fund:

<u>Department</u>	<u>Final Amended</u>	<u>Actual</u>	<u>Variance</u>
<i>General Fund</i>			
Elections	\$ 30,420	\$ 30,429	\$ (9)
Treasurer	198,635	199,520	(885)
Parks and Recreation	196,148	200,458	(4,310)
Transfers Out	1,795,573	1,796,069	(496)

Capital Assets and Debt Administration

Capital Assets

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2018 amounts to \$24,035,848 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, vehicles, equipment, and sewer system infrastructure. The total decrease in capital assets for the current fiscal year was approximately 2.7% as a result of depreciation expense exceeding the capital asset additions during the year.

Major capital asset additions during the year included the following:

- Three Ford Vehicles \$69,573
- Spencer Pumper Tanker - Partial \$250,000
- Kubota 60" Mower \$21,600
- Leaf Vacuum \$32,850

Following is a summary of the changes of the Township's capital assets:

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 613,931	\$ 613,931	\$ 53,638	\$ 53,638	\$ 667,569	\$ 667,569
CIP	250,000	-	-	-	250,000	-
Land Improvements	343,411	341,433	-	-	343,411	341,433
Buildings and Improvements	1,228,163	1,292,813	-	-	1,228,163	1,292,813
Furniture and Equipment	175,482	99,728	51,427	58,602	226,909	158,330
Vehicles	619,016	717,285	239,428	315,215	858,444	1,032,500
Utility Systems	-	-	20,333,455	21,083,302	20,333,455	21,083,302
Access Rights	-	-	127,897	135,003	127,897	135,003
Total	<u>\$ 3,230,003</u>	<u>\$ 3,313,804</u>	<u>\$ 20,805,845</u>	<u>\$ 22,481,016</u>	<u>\$ 24,035,848</u>	<u>\$ 25,794,820</u>

Further details on capital assets can be found in the notes to the financial statements.

Long-term Debt

At the end of the 2018 fiscal year, the Township had total debt outstanding of \$29,219,366 consisting of general obligation bonds, compensated absences, other postemployment benefits, and net pension liability.

A summary of the changes in the Township's long-term debt follows:

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ -	\$ -	\$ 12,328,595	\$ 12,793,744	\$ 12,328,595	\$ 12,793,744
Compensated Absences	300,315	362,826	27,056	24,043	327,371	386,869
Other Postemployment Benefits	9,061,279	8,801,213	1,006,846	977,912	10,068,125	9,779,125
Net Pension Liability	6,040,606	6,749,613	454,669	508,035	6,495,275	7,257,648
Total	<u>\$ 15,402,200</u>	<u>\$ 15,913,652</u>	<u>\$ 13,817,166</u>	<u>\$ 14,303,734</u>	<u>\$ 29,219,366</u>	<u>\$ 30,217,386</u>

The Township's total debt decreased by \$998,020 during the year. This decrease includes: a \$465,149 decrease in general obligation bonds payable as a result of the Township making scheduled debt service payments, a \$59,498 decrease in compensated absences, a \$289,000 increase in other postemployment benefits as a result of the Township's actual payments of retiree premiums being less than the actuarially determined annual expense, and a \$762,373 decrease in net pension liability primarily as a result of improved investment income.

Further details on long-term debt can be found in the notes to the financial statements.

Economic Condition and Outlook

The Township's general fund has two major revenue sources - state revenue sharing and property tax revenue. These two sources comprise approximately 77% of our general fund revenues. Taxable value of property within the Township increased 3.3% for 2018 and we anticipate an increase of approximately 1.8% percent for 2019 with modest rate increases in subsequent years.

The economy of Michigan continued to expand in 2018, which resulted in higher sales tax collections. This in turn resulted in an increase in our State Revenue Sharing payments of approximately 2.8%. We anticipate revenue sharing to increase between two and three percent in 2019.

A new residential development was started on the old airport property on River Road. The project consists of 167 acres that fronts along River and Becker Roads and will include 363 residential units. The project will construct new roadways and other infrastructure to support the development and will be developed in phases over several years. The first phase was initiated in 2017 and will include 44 residential units. Construction of the first units began in 2018 and we expect more to occur in 2019.

Tax collections are based on the property values of the current year. However, the property tax collections for Muskegon Township begin in December, resulting in most of the revenue being reflected in the following year's budget. We anticipate that the increase in home prices will continue at a modest rate in 2019 and continue to increase in coming years. For the 2019 fiscal year, we anticipate tax collections will increase slightly compared with 2018, but will be mitigated by an increase in Disabled Veteran exemptions and negative Tax Tribunal rulings.

The 2019 general fund budgeted expenditures were approved at \$4,414,183, an increase of 1.8% from the actual general fund expenditures of 2018. The general fund's total fund balance at 12/31/18 was \$1,485,801 with \$767,241 (17.4% of budgeted expenditures) classified as unassigned. Our total fund balance is budgeted to grow by \$167,405 in 2019. The fiscally conservative approach of the Township Board over the last ten years has allowed the Township to maintain its focus on providing a high level of service for minimal costs and to maintain an "A" credit rating with a stable outlook from Standard and Poor's.

In 2017, the Township renewed our agreement with the Muskegon County Road Commission to provide additional funding for the maintenance of local roads within Muskegon Charter Township for 2018-2022 with incremental increases in compensation received by Muskegon Township. We anticipate that the compensation received from this agreement, along with the revenue generated by the Road Repair and Maintenance millage, will generate enough revenue to allow the road repair and maintenance activity to be self-funded and will require little or no subsidy from the general fund.

Contacting the Township

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances. If you have questions about this report or need additional information, contact the Township Supervisor at:

Muskegon Charter Township
1990 E. Apple Avenue
Muskegon, Michigan 49442
(231) 777-2555

Basic Financial Statements

Charter Township of Muskegon
Statement of Net Position
December 31, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 4,192,613	\$ 4,230,323	\$ 8,422,936
Receivables	2,091,431	920,206	3,011,637
Due from Other Governments	319,506	24,960	344,466
Internal Balances	(294,329)	294,329	--
Total Current Assets	6,309,221	5,469,818	11,779,039
<i>Noncurrent Assets</i>			
Special Assessments Receivable	276,772	35,861	312,633
Capital Assets not being Depreciated	863,931	53,638	917,569
Capital Assets being Depreciated	2,366,072	20,752,207	23,118,279
Total Noncurrent Assets	3,506,775	20,841,706	24,348,481
Total Assets	9,815,996	26,311,524	36,127,520
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferred Outflows	502,423	37,818	540,241
Total Deferred Outflows of Resources	502,423	37,818	540,241
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	176,764	300,172	476,936
Accrued Liabilities	193,356	12,417	205,773
Unearned Revenue	20,000	--	20,000
Accrued Interest	--	91,928	91,928
Current Portion of Compensated Absences	177,556	15,964	193,520
Current Portion of Long-term Debt	--	404,276	404,276
Total Current Liabilities	567,676	824,757	1,392,433
<i>Noncurrent Liabilities</i>			
Long-term Debt	--	11,924,319	11,924,319
Compensated Absences	122,759	11,092	133,851
Net Pension Liability	6,040,606	454,669	6,495,275
OPEB Liability	9,061,279	1,006,846	10,068,125
Total Noncurrent Liabilities	15,224,644	13,396,926	28,621,570
Total Liabilities	15,792,320	14,221,683	30,014,003
DEFERRED INFLOWS OF RESOURCES			
Taxes Levied for a Subsequent Period	3,276,456	--	3,276,456
Pension Related Deferred Outflows	408,930	30,782	439,712
Total Deferred Inflows of Resources	3,685,386	30,782	3,716,168
NET POSITION			
Net Investment in Capital Assets	3,226,512	8,477,250	11,703,762
<i>Restricted for:</i>			
Public Safety	6,560	--	6,560
Street Lights	305,052	--	305,052
Hydrants	76,068	--	76,068
Water Purposes	394,105	--	394,105
Local Streets	92,501	--	92,501
<i>Unrestricted</i>	(13,260,085)	3,619,627	(9,640,458)
Total Net Position	\$ (9,159,287)	\$ 12,096,877	\$ 2,937,590

The Notes to the Financial Statement are integral part of these financial statements

**Charter Township of Muskegon
Statement of Activities
For the Year Ended December 31, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 1,483,061	\$ 514,751	\$ 22,513	\$ --	\$ (945,797)	\$ --	\$ (945,797)
Public Safety	4,165,597	623,863	82,725	--	(3,459,009)	--	(3,459,009)
Public Works	1,428,844	307,043	86,492	--	(1,035,309)	--	(1,035,309)
Community and Economic Development	302,795	152,814	--	--	(149,981)	--	(149,981)
Recreation and Culture	142,224	22,740	--	--	(119,484)	--	(119,484)
Total Governmental Activities	7,522,521	1,621,211	191,730	--	(5,709,580)	--	(5,709,580)
Business-type Activities:							
Sanitation	707,961	802,023	--	--	--	94,062	94,062
Sewer	4,234,375	2,683,531	1,231,450	--	--	(319,394)	(319,394)
Total Business-type Activities	4,942,336	3,485,554	1,231,450	--	--	(225,332)	(225,332)
Total Government	\$ 12,464,857	\$ 5,106,765	\$ 1,423,180	\$ --	\$ (5,709,580)	\$ (225,332)	\$ (5,934,912)
General Purpose Revenues:							
Property Taxes					3,618,626	--	3,618,626
Interest Income					69,332	95,703	165,035
Intergovernmental					1,697,694	--	1,697,694
Other					56,786	--	56,786
Total General Revenues					5,442,438	95,703	5,538,141
Change in Net Position					(267,142)	(129,629)	(396,771)
<i>Net Position at Beginning of Period</i>					(8,892,145)	12,226,506	3,334,361
Net Position at End of Period					\$ (9,159,287)	\$ 12,096,877	\$ 2,937,590

The Notes to the Financial Statement are integral part of these financial statements

**Charter Township of Muskegon
Balance Sheet
Governmental Funds
December 31, 2018**

	<u>Special Revenue</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Public Safety</u>		
ASSETS				
Cash and Investments	\$ 1,881,257	\$ 538,635	\$ 1,770,452	\$ 4,190,344
Receivables				
Accounts Receivable	77,016	--	--	77,016
Property Taxes Receivable	928,465	590,666	440,297	1,959,428
Special Assessments Receivable	--	--	315,241	315,241
Other Receivables	3,208	12,092	1,218	16,518
Due from Other Governments	289,756	--	29,750	319,506
Total Assets	\$ 3,179,702	\$ 1,141,393	\$ 2,556,958	\$ 6,878,053
LIABILITIES				
Accounts Payable	\$ 100,904	\$ 21,974	\$ 53,886	\$ 176,764
Accrued Liabilities	37,339	108,594	47,423	193,356
Unearned Revenue	20,000	--	--	20,000
Advance from Other Funds	--	--	290,838	290,838
Total Liabilities	158,243	130,568	392,147	680,958
DEFERRED INFLOWS OF RESOURCES				
Taxes Levied for a Subsequent Period	1,535,658	1,010,825	729,973	3,276,456
Unavailable Revenues - Special Assessments	--	--	294,773	294,773
Total Liabilities and Deferred Inflows of Resources	1,693,901	1,141,393	1,416,893	4,252,187
FUND BALANCE				
Restricted				
Public Safety	6,560	--	--	6,560
Local Streets	--	--	92,501	92,501
Street Lights	--	--	305,052	305,052
Hydrants	--	--	76,068	76,068
Water Purposes	--	--	394,105	394,105
Committed				
Building and Grounds Improvements	410,000	--	--	410,000
Public Safety	157,000	--	546,087	703,087
Compensated Absences	50,000	--	--	50,000
Other	95,000	--	--	95,000
Unassigned	767,241	--	(273,748)	493,493
Total Fund Balance	1,485,801	--	1,140,065	2,625,866
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 3,179,702	\$ 1,141,393	\$ 2,556,958	\$ 6,878,053

The Notes to the Financial Statement are integral part of these financial statements

Charter Township of Muskegon
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2018

Total Fund Balance - Governmental Funds	\$	2,625,866
Net position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements.		82,910
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. This represents capital assets of \$8,360,839 less accumulated depreciation of \$5,214,968.		3,145,871
Other long-term assets, such as special assessments receivable, are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the governmental funds.		294,773
Long-term liabilities in governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental funds. This represents compensated absences of \$300,315, other postemployment benefits of \$9,061,279, and the net pension liability (and the pension related deferrals) of \$5,947,113.		(15,308,707)
Total Net Position - Governmental Activities	\$	<u>(9,159,287)</u>

The Notes to the Financial Statement are integral part of these financial statements

Charter Township of Muskegon
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2018

	<u>Special Revenue</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Public Safety</u>		
Revenues				
Property Taxes	\$ 1,853,138	\$ 1,019,404	\$ 746,084	\$ 3,618,626
Licenses and Permits	561,856	--	--	561,856
Intergovernmental	1,697,694	79,225	83,879	1,860,798
Charges for Services	366,126	6,636	346,088	718,850
Fines and Forfeitures	3,974	18,228	2,074	24,276
Interest Income	42,724	1,140	33,490	77,354
Other	74,120	27,109	82,325	183,554
Total Revenues	<u>4,599,632</u>	<u>1,151,742</u>	<u>1,293,940</u>	<u>7,045,314</u>
Expenditures				
General Government	858,910	--	--	858,910
Public Safety	206,740	2,974,143	17,998	3,198,881
Public Works	6,711	--	1,156,083	1,162,794
Community and Economic Development	288,611	--	--	288,611
Recreation and Culture	103,490	--	--	103,490
Other Governmental Functions	971,931	--	--	971,931
Capital Outlay	103,168	67,962	312,317	483,447
Total Expenditures	<u>2,539,561</u>	<u>3,042,105</u>	<u>1,486,398</u>	<u>7,068,064</u>
Excess of Revenues Over (Under) Expenditures	<u>2,060,071</u>	<u>(1,890,363)</u>	<u>(192,458)</u>	<u>(22,750)</u>
Other Financing Sources (Uses)				
Transfers In	--	1,887,069	15,000	1,902,069
Transfers Out	(1,796,069)	--	(106,000)	(1,902,069)
Net Other Financing Sources (Uses)	<u>(1,796,069)</u>	<u>1,887,069</u>	<u>(91,000)</u>	<u>--</u>
Net Change in Fund Balance	264,002	(3,294)	(283,458)	(22,750)
<i>Fund Balance at Beginning of Period</i>	1,221,799	3,294	1,423,523	2,648,616
Fund Balance at End of Period	<u>\$ 1,485,801</u>	<u>\$ --</u>	<u>\$ 1,140,065</u>	<u>\$ 2,625,866</u>

The Notes to the Financial Statement are integral part of these financial statements

Charter Township of Muskegon
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended December 31, 2018

Total Net Change in Fund Balances - Governmental Funds	\$	(22,750)
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements.		(21,225)
Governmental funds report outlays for capital assets as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This represents current year depreciation expense of \$279,405 net of capital outlay expenditures of \$483,447.		204,042
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		210,065
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This represents the change in compensated absences of \$(62,511), the change in other postemployment benefits of \$260,066, and the change in the net pension liability (and pension related deferrals) of \$439,719.		(637,274)
Changes in Net Position - Governmental Activities	\$	<u>(267,142)</u>

The Notes to the Financial Statement are integral part of these financial statements

Charter Township of Muskegon
Statement of Net Position
Proprietary Funds
December 31, 2018

	Business-type Activities - Enterprise Funds			Governmental
	Sanitation	Sewer	Total Enterprise Funds	Activities Internal Service Funds
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 632,023	\$ 3,598,300	\$ 4,230,323	\$ 2,269
Accounts Receivable	198,535	719,174	917,709	--
Other Receivables	431	2,066	2,497	--
Due from Other Governments	--	24,960	24,960	--
Due from Other Funds	--	294,329	294,329	--
Total Current Assets	830,989	4,638,829	5,469,818	2,269
<i>Noncurrent Assets</i>				
Special Assessments Receivable	--	35,861	35,861	--
Capital Assets not being Depreciated	--	53,638	53,638	--
Capital Assets being Depreciated	217,916	20,534,291	20,752,207	84,132
Total Noncurrent Assets	217,916	20,623,790	20,841,706	84,132
Total Assets	1,048,905	25,262,619	26,311,524	86,401
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Deferred Outflows	21,610	16,208	37,818	--
Total Deferred Outflows of Resources	21,610	16,208	37,818	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	26,974	273,198	300,172	--
Accrued Liabilities	8,820	3,597	12,417	--
Accrued Interest	--	91,928	91,928	--
Current Portion of Compensated Absences	706	15,258	15,964	--
Current Portion of Long-term Debt	--	404,276	404,276	--
Due to Other Funds	--	--	--	3,491
Total Current Liabilities	36,500	788,257	824,757	3,491
<i>Noncurrent Liabilities</i>				
Long-term Debt	--	11,924,319	11,924,319	--
Compensated Absences	489	10,603	11,092	--
Net Pension Liability	259,811	194,858	454,669	--
OPEB Liability	503,423	503,423	1,006,846	--
Total Noncurrent Liabilities	763,723	12,633,203	13,396,926	--
Total Liabilities	800,223	13,421,460	14,221,683	3,491
DEFERRED INFLOWS OF RESOURCES				
Pension Related Deferred Inflows	17,589	13,193	30,782	--
Total Deferred Inflows of Resources	17,589	13,193	30,782	--
NET POSITION				
Net Investment in Capital Assets	217,916	8,259,334	8,477,250	80,641
<i>Unrestricted</i>	34,787	3,584,840	3,619,627	2,269
Total Net Position	\$ 252,703	\$ 11,844,174	\$ 12,096,877	\$ 82,910

The Notes to the Financial Statement are integral part of these financial statements

Charter Township of Muskegon
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2018

	<u>Business-type Activities - Enterprise Funds</u>			Governmental
	<u>Sanitation</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>	Internal Service Funds
Operating Revenues				
Charges for Services	\$ 784,523	\$ 2,683,531	\$ 3,468,054	\$ 13,256
Other	17,500	--	17,500	--
Total Operating Revenues	<u>802,023</u>	<u>2,683,531</u>	<u>3,485,554</u>	<u>13,256</u>
Operating Expenses				
Administration	58,500	157,000	215,500	--
Operations	569,736	2,820,203	3,389,939	--
Depreciation	79,725	769,917	849,642	34,028
Total Operating Expenses	<u>707,961</u>	<u>3,747,120</u>	<u>4,455,081</u>	<u>34,028</u>
Operating Income (Loss)	<u>94,062</u>	<u>(1,063,589)</u>	<u>(969,527)</u>	<u>(20,772)</u>
Non-Operating Revenues (Expenses)				
Interest Income	11,142	84,561	95,703	--
Connection Fee	--	173,003	173,003	--
Intergovernmental	--	1,058,447	1,058,447	--
Interest Expense	--	(487,255)	(487,255)	(453)
Net Non-Operating Revenues (Expenses)	<u>11,142</u>	<u>828,756</u>	<u>839,898</u>	<u>(453)</u>
Change In Net Position	105,204	(234,833)	(129,629)	(21,225)
<i>Net Position at Beginning of Period</i>	147,499	12,079,007	12,226,506	104,135
Net Position at End of Period	\$ 252,703	\$ 11,844,174	\$ 12,096,877	\$ 82,910

The Notes to the Financial Statement are integral part of these financial statements

**Charter Township of Muskegon
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Sanitation</u>	<u>Sewer</u>	<u>Total</u>	<u>Internal Service Fund</u>
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 764,123	\$ 2,666,526	\$ 3,430,649	\$ -
Cash Received from Interfund Services Provided	-	-	-	13,256
Cash Payments for Wages and Benefits	(196,411)	(145,876)	(342,287)	-
Cash Payments to Suppliers for Goods and Services	(417,215)	(2,730,196)	(3,147,411)	-
Total Cash Flows Provided (Used) by Operating Activities	150,497	(209,546)	(59,049)	13,256
Cash Flows from Non-capital Financing Activities				
Change in Interfund Balances	-	(209,878)	(209,878)	(15,735)
Total Cash Flows Used by Non-capital Financing Activities	-	(209,878)	(209,878)	(15,735)
Cash Flows from Capital and Related Financing Activities				
Cash Received from Connection Fees	-	173,003	173,003	-
Purchase of Capital Assets	(9,727)	-	(9,727)	5,201
Cash Received from Intergovernmental Grants	-	1,058,447	1,058,447	-
Interest Payments on Debt	-	(490,462)	(490,462)	(453)
Principal Payments on Debt	-	(465,149)	(465,149)	-
Total Cash Flows Provided (Used) by Capital and Related Financing Activities	(9,727)	275,839	266,112	4,748
Cash Flows from Investing Activities				
Interest Earned	11,142	84,561	95,703	-
Total Cash Flows Provided by Investing Activities	11,142	84,561	95,703	-
Net Increase (Decrease) in Cash and Cash Equivalents	151,912	(59,024)	92,888	2,269
Cash and Cash Equivalents - Beginning of Year	480,111	3,657,324	4,137,435	-
Cash and Cash Equivalents - End of Year	\$ 632,023	\$ 3,598,300	\$ 4,230,323	\$ 2,269
Reconciliation of Operating Income to				
Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 94,062	\$ (1,063,589)	\$ (969,527)	\$ (20,772)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	79,725	769,917	849,642	34,028
Changes in Assets and Liabilities				
Receivables	(37,900)	(17,005)	(54,905)	-
Due from Other Governments	-	(264)	(264)	-
Accounts Payable	(22,845)	69,236	46,391	-
Accrued Liabilities	3,723	846	4,569	-
Compensated Absences	351	2,662	3,013	-
Net Pension Liability and Pension Deferrals	18,914	14,184	33,098	-
Other Post-Employment Benefits Liability	14,467	14,467	28,934	-
Net Cash Provided (Used) by Operating Activities	\$ 150,497	\$ (209,546)	\$ (59,049)	\$ 13,256

The Notes to the Financial Statement are integral part of these financial statements

**Charter Township of Muskegon
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
December 31, 2018**

	Agency				
	Trust and Agency	Current Tax	Payroll	Central Dispatch	Total Agency Funds
ASSETS					
Cash and Investments	\$ 73,565	\$ 2,513,559	\$ 1,136	\$ 1,382,122	\$ 3,970,382
Accounts Receivable	--	--	--	1,608	1,608
Prepays	--	--	--	3,996	3,996
Total Assets	73,565	2,513,559	1,136	1,387,726	3,975,986
LIABILITIES					
Accounts Payable	174	--	--	151,001	151,175
Accrued Liabilities	--	--	1,136	--	1,136
Due to Other Governments	8,791	2,513,559	--	1,236,725	3,759,075
Due to Others	64,600	--	--	--	64,600
Total Liabilities	\$ 73,565	\$ 2,513,559	\$ 1,136	\$ 1,387,726	\$ 3,975,986

The Notes to the Financial Statement are integral part of these financial statements

Notes to the Financial Statements

Charter Township of Muskegon

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Muskegon (the “Township” or “government”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township.

Reporting entity

The Township is incorporated as a charter township governed by an elected seven-member Board. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 61, "*The Financial Reporting Entity*," these financial statements only present the Township. Management has determined that there are no other units of government that should be included in these financial statements. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Government-wide and Fund Financial Statements

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. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus.

Charter Township of Muskegon

Notes to the Financial Statements

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term debt expenditures are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

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

The ***public safety fund*** is used to account for a special tax millage levied by the Township for the operation of the police and fire departments.

The Township reports the following major enterprise funds:

The ***sanitation fund*** accounts for user charges and for operating expenses of the Township's sanitation department.

The ***sewer fund*** operates the Township's sewage pumping station, collection systems and pays for access to the county's sewage treatment plant.

Additionally, the Township reports the following fund types:

The ***special revenue funds*** are used to account for the proceeds of specific revenue sources (other than permanent trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The ***capital projects fund*** accounts for the accumulation and disbursement of resources for the construction of governmental fund capital projects.

Charter Township of Muskegon

Notes to the Financial Statements

The *internal service fund* accounts for equipment management services provided to other funds of the government on a cost reimbursement basis.

The *agency funds* are custodial in nature and used to account for assets held by the Township as an agent for another organization or individual.

Assets, Liabilities, Deferred Inflows of Resources, and Equity

Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Township are reported at fair value (generally based on quoted market prices).

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools, and certain mutual funds.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns 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 two years.

As the Township constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their acquisition value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances.

Charter Township of Muskegon

Notes to the Financial Statements

Land and construction in progress are not depreciated. The other property, plant, and equipment of the Township are depreciated or amortized using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Life (years)</u>
Furniture & Office Equipment	5 - 10
Land Improvements	20 - 30
Utility Systems	50
Buildings and Improvements	30 - 40
Vehicles	5 - 10
Access Rights	20

Defined Benefit Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan fiduciary net position have been determined on the same basis as they are reported by the Municipal Employees Retirement System (MERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township reports deferred outflows of resources for changes in expected and actual investment returns, assumptions, and contributions made subsequent to the measurement date of its pension plan. More detailed information can be found in Note 7.

In addition to liabilities, the statement of financial position and/or the fund level balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Township has three types of deferred inflows of resources, one of which arises only under the modified accrual basis of accounting. Unavailable revenues for special assessments receivable qualify for reporting in this category. Accordingly, these items, unavailable revenues, are reported in the governmental funds balance sheet and are reflected as a reconciling item to the governmental activities. The governmental funds report unavailable revenues from revenues collected subsequent to 60 days after year end. These amounts are deferred and recognized as an inflows of

Charter Township of Muskegon

Notes to the Financial Statements

resources in the period that the amounts become available. The second type of deferred inflows of resources reported at the fund level and the government-wide level is for taxes levied for subsequent periods. Finally, the Township reports deferred outflows of resources for differences in actual experience of its pension plan. More detailed information can be found in Note 7.

Net Position Flow Assumption

Sometimes the Township will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted 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

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

Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as committed. The Township Board has by resolution authorized the Township Treasurer to assign fund balance. The Township Board may also assign fund balance as it does when appropriating fund balance to cover a gap between

Charter Township of Muskegon

Notes to the Financial Statements

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.

The Township Board has adopted a financial policy to maintain a minimum level of unassigned fund balance in the general fund of one month of general fund expenditures (approximately 8.3 percent) or 10 percent of general fund revenues, whichever is greater. This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur. If fund balance falls below the minimum target level because it has been used, essentially as a "revenue" source, as dictated by current circumstances, the policy provides for actions to replenish the amount to the minimum target level. Generally, replenishment is to occur at the earliest possible opportunity.

Property Taxes

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied and liened on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. Taxes levied on December 1 are recorded as receivables and deferred inflows. Taxes are recognized as revenue (and become available for appropriation) in the calendar year following the levy.

The 2017 state taxable value for real/personal property of the Township totaled approximately \$345,982,640. The ad valorem taxes levied consisted of 4.3124, .55, 2.75, and 1.50 mills for the Township's general operating, street lighting, public safety, and road, repair, and improvement purposes, respectively. These amounts are recognized in the general fund, street lighting fund, public safety fund, and local streets fund respectively.

Compensated Absences

Township employees are granted vacation and sick leave in varying amounts based on length of service and employee group. Upon termination, employees are paid for unused vacation at their current rates. Sick leave is accumulated at the rate of one day per month of employment. Unused sick leave is accumulated up to 180 days for employees. One half of all unused accumulated sick leave is paid to employees upon retirement. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. The current portion of this liability is estimated based on historical trends. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Charter Township of Muskegon

Notes to the Financial Statements

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

Property Tax Revenue Recognition

Property taxes are levied each December 1 (lien date) on the taxable valuation of property as of the preceding December 31. Property taxes are considered delinquent on March 1 of the following year, at which time interest and penalties are assessed. Although the Township's 2018 ad valorem taxes are levied on December 1, 2018, it is the Township's policy to recognize revenue from the 2017 tax levy in the current year, when the proceeds are budgeted and made available for the financing of operations.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level for the general fund and the fund level for all other governmental funds.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

Charter Township of Muskegon

Notes to the Financial Statements

Excess of Expenditures Over Appropriations

The Township had the following budget exceptions:

<u>Department</u>	<u>Final Amended</u>	<u>Actual</u>	<u>Variance</u>
<i>General Fund</i>			
Elections	\$ 30,420	\$ 30,429	\$ (9)
Treasurer	198,635	199,520	(885)
Parks and Recreation	196,148	200,458	(4,310)
Transfers Out	1,795,573	1,796,069	(496)

Fund Deficit

As of December 31, 2018, the Township's paving projects capital projects fund had an unassigned fund deficit of \$273,748. The deficit will be eliminated through future special assessment collections.

Note 3 - Deposits and Investments

The Township maintains pooled and individual fund demand deposits, certificates of deposit, and short-term investment accounts.

Following is a reconciliation of deposit and investment balances as of December 31, 2018:

Statement of Net Position

Cash and Investments \$ 8,422,936

Statement of Fiduciary Net Position

Cash and Investments 3,970,382

Total Deposits and Investments \$ 12,393,318

Deposits and Investments

Cash and Cash Equivalents \$ 1,072,601

Certificates of Deposit 699,102

Investments 10,620,885

Cash on Hand 730

Total \$ 12,393,318

Charter Township of Muskegon

Notes to the Financial Statements

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year-end, \$752,174 of the Township's bank balance of \$1,031,400 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Township believes it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township does not have a custodial credit risk policy for investments.

Credit Risk

State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Township's investment policy does not have specific limits in excess of state law on investment credit risk.

Credit risk ratings, where applicable, are summarized as follows:

Not Rated		\$	450,000
Standard & Poor's	AAAm		9,626,314
Standard & Poor's	AA+		544,571
		<u>\$</u>	<u>10,620,885</u>

Interest Rate Risk

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Charter Township of Muskegon

Notes to the Financial Statements

Maturity dates for investments and certificates of deposit held at year-end are summarized as follows:

	Certificates of Deposit	Cash Equivalents and Investments
No Maturity	\$ -	\$ 10,076,314
Due Within 1 Year	249,805	149,747
Due in 1-5 Years	449,297	394,824
	<u>\$ 699,102</u>	<u>\$ 10,620,885</u>

Concentration of Credit Risk

The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Fair Value Measurement

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

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

- Investments held with Multi-Bank Securities (MBS) totaled \$1,243,673. Investments included in MBS are certificates of deposits, U.S. Government bonds, and municipal bonds. These are valued using Level 2 inputs.
- Investments held with MICLASS totaled \$9,626,314. MICLASS is authorized to invest in the same investment types as local units of government in Michigan. These holdings are valued using Level 2 inputs.

Note 4 - Transfers and Interfund Balances

Interfund transfers consisted of the following during the year:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Public Safety	Nonmajor Governmental Funds	\$ 106,000
Nonmajor Governmental Funds	General Fund	15,000
Public Safety	General Fund	1,781,069

Charter Township of Muskegon

Notes to the Financial Statements

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

The amount of interfund balances at December 31, 2018 are as follows:

Due from Other Funds	Due to Other Funds	Amount
Sewer Fund	Paving Projects Fund	\$ 290,838
Sewer Fund	Equipment Fund	3,491

Interfund balances represent: 1) short-term borrowings between funds for cash flow purposes, 2) to act as an intermediate term loan to finance capital purchases, and 3) to transfer expenses to funds where they should have been recorded.

Note 5 - Capital Assets

Capital asset activity of the Township's governmental activities during the year was as follows:

	December 31, 2017	Additions	Disposals	December 31, 2018
Governmental Activities:				
Capital Assets not being Depreciated				
Land	\$ 613,931	\$ -	\$ -	\$ 613,931
Construction in Progress	-	250,000	-	250,000
Total Capital Assets not being Depreciated	613,931	250,000	-	863,931
Capital Assets being Depreciated				
Land Improvements	1,145,538	32,169	-	1,177,707
Buildings and Improvements	2,852,073	-	-	2,852,073
Furniture and Equipment	627,169	99,668	92,949	633,888
Vehicles	3,244,411	101,610	193,240	3,152,781
Total Capital Assets being Depreciated	7,869,191	233,447	286,189	7,816,449
Less Accumulated Depreciation				
Land Improvements	804,105	30,191	-	834,296
Buildings and Improvements	1,559,260	64,650	-	1,623,910
Furniture and Equipment	527,441	23,914	92,949	458,406
Vehicles	2,527,126	194,678	188,039	2,533,765
Total Accumulated Depreciation	5,417,932	313,433	280,988	5,450,377
Total Capital Assets being Depreciated, Net	2,451,259	(79,986)	5,201	2,366,072
Capital Assets, Net	\$ 3,065,190	\$ (79,986)	\$ 5,201	\$ 3,230,003

Charter Township of Muskegon

Notes to the Financial Statements

Depreciation expense was charged to governmental activities of the Township as follows:

Governmental Activities	
General Government	\$ 20,801
Public Safety	215,426
Public Works	9,172
Recreation & Culture	34,006
Internal Service Fund - Public Works	34,028
Total Governmental Activities	<u>\$ 313,433</u>

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

	December 31, 2017	Additions	Disposals	December 31, 2018
Business-type Activities:				
Capital Assets not being Depreciated				
Land	\$ 53,638	\$ -	\$ -	\$ 53,638
Capital Assets being Depreciated				
Utility Systems	37,508,555	-	-	37,508,555
Furniture and Equipment	69,913	-	-	69,913
Vehicles	1,339,181	9,727	-	1,348,908
Access Rights	213,162	-	-	213,162
Total Capital Assets being Depreciated	<u>39,130,811</u>	<u>9,727</u>	<u>-</u>	<u>39,140,538</u>
Less Accumulated Depreciation				
Utility Systems	16,425,253	749,847	-	17,175,100
Furniture and Equipment	11,311	7,175	-	18,486
Vehicles	1,023,966	85,514	-	1,109,480
Access Rights	78,159	7,106	-	85,265
Total Accumulated Depreciation	<u>17,538,689</u>	<u>849,642</u>	<u>-</u>	<u>18,388,331</u>
Total Capital Assets being Depreciated, Net	<u>21,592,122</u>	<u>(839,915)</u>	<u>-</u>	<u>20,752,207</u>
Capital Assets, Net	<u>\$ 21,645,760</u>	<u>\$ (839,915)</u>	<u>\$ -</u>	<u>\$ 20,805,845</u>

Depreciation expense was charged to business-type activities of the Township as follows:

Business-type Activities	
Sanitation Fund	\$ 79,725
Sewer Fund	769,917
Total Business-type Activities	<u>\$ 849,642</u>

Charter Township of Muskegon

Notes to the Financial Statements

Note 6 - Long-term Debt

The following is a summary of the changes in the long-term debt for the year ended December 31, 2018:

	December 31, 2017	Additions	Reductions	December 31, 2018	Due Within One Year
Governmental Activities					
Compensated Absences	\$ 362,826	\$ -	\$ 62,511	\$ 300,315	\$ 177,556
Total Governmental Activities	<u>362,826</u>	<u>-</u>	<u>62,511</u>	<u>300,315</u>	<u>177,556</u>
Business-type Activities					
General Obligation Bonds	11,871,720	-	384,840	11,486,880	404,276
Premium	922,024	-	80,309	841,715	-
Compensated Absences	24,043	3,013	-	27,056	15,964
Total Business-type Activities	<u>12,817,787</u>	<u>3,013</u>	<u>465,149</u>	<u>12,355,651</u>	<u>420,240</u>
Total	<u>\$13,180,613</u>	<u>\$ 3,013</u>	<u>\$ 527,660</u>	<u>\$12,655,966</u>	<u>\$ 597,796</u>

For governmental activities, compensated absences are generally liquidated by the general fund.

In 2005, the County of Muskegon began making improvements to the regional sewer treatment facilities. The project was funded with \$17,500,000 bonds issued through the State of Michigan Clean Water Revolving Fund Loan Program. The County operates the system and makes payments on the bonds with user charges to the local units. The Township has pledged its limited tax full faith and credit for the payment of its portion of the debt should user charges collected by the County be insufficient to make the debt payments. The Township's portion of the debt on December 31, 2018 was \$786,078. The Township is unaware of any circumstances that would cause a shortfall in the near future.

The County of Muskegon issued a \$9,215,000 Water Supply System Bond in 2008 to fund improvements to the Northside Water System which includes part of the Township. The Township has pledged its full faith and credit for a portion of the debt should user charges collected by the County be insufficient to make the debt payments. The Township's portion of the debt on December 31, 2018 was \$1,358,362. The Township is unaware of any circumstances that would cause a shortfall in the near future.

The County of Muskegon issued a \$6,550,000 Water Supply System Refunding Bond in 2015 to refund bonds which had been issued to fund improvements to the Northside Water System which includes part of the Township. The Township has pledged its full faith and credit for a portion of the debt should user charges collected by the County be insufficient to make the debt payments. The Township's portion of the debt on December 31, 2018 was \$1,584,700. The Township is unaware of any circumstances that would cause a shortfall in the near future.

In 2015, the County of Muskegon, on behalf of the Township and two other local units, issued \$16,185,000 in Wastewater Management – Number One Bonds of 2015 to refund the outstanding

Charter Township of Muskegon

Notes to the Financial Statements

balance of the Wastewater Management – Number One Bonds of 2006. The County refunded the Wastewater Management – Number One Bonds of 2006 to reduce total debt service payments over 22 years by \$1,978,543 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,415,276. The Township’s share of both the savings and debt is 77.75%.

Annual debt service requirements to maturity for debt outstanding as of December 31, 2018 follows:

Year Ended December 31	Business-type Activities	
	Principal	Interest
2018	\$ 404,276	\$ 551,531
2019	423,712	531,317
2020	450,923	510,131
2021	474,247	487,585
2022	497,570	463,873
2023-2027	2,888,241	1,934,762
2028-2032	3,654,033	1,288,698
2033-2036	2,693,878	274,247
	<u>\$ 11,486,880</u>	<u>\$ 6,042,144</u>

Note 7 - Pension Plans

Defined Contribution Pension Plan

The Township also maintains a defined contribution plan offered by MERS for its full-time employees hired after the defined benefit plan was closed to new participants.

Benefit terms, including contribution requirements, for the MERS defined contribution plan are established and may be amended by the Township Board as determined by negotiated labor contracts. The Township is required to contribute 2 percent of a qualified employees’ annual compensation each year and also match employee contributions for up to an additional 6 percent (maximum Township contribution of 8 percent). Employees are not required to contribute. For the year ended December 31, 2018, Township and employee contributions were \$91,175 and \$79,135, respectively.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in Township contributions and earnings on Township contributions by 20 percent for each full year of service, leaving employees fully vested after five years of service. Nonvested Township contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan’s administrative expenses. For the year ended December 31, 2018, there were no forfeitures recognized in pension expense.

Charter Township of Muskegon

Notes to the Financial Statements

Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time Township employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

Defined Benefit Pension Plan

Plan Description

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

Retirement benefits for employees are calculated as follows:

Division	Benefit Multiplier	Benefit Maximum	Final Average Compensation (Years)	Normal Retirement Age	Unreduced Benefit (Age/Years of Service)	Reduced Benefit (Age/Years of Service)	Vesting (Years)
General - Closed	2.50%	80%	5	60	50/25 or 55/15	NA	10
Police - Closed	2.50%	80%	5	60	50/25 or 55/15	NA	10
Fire - Closed	2.50%	80%	5	60	50/25 or 55/15	NA	10
Clerical DPW - Closed	2.50%	80%	5	60	50/25 or 55/15	NA	10

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

Charter Township of Muskegon

Notes to the Financial Statements

Employees Covered by Benefit Terms

At the December 31, 2017 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	44
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>34</u>
Total employees covered by MERS	<u>81</u>

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended December 31, 2018, the Township had the following contribution rates:

<u>Division</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>
General - Closed	10.00%	\$ 169,236
Police - Closed	10.00%	144,264
Fire - Closed	10.00%	124,896
Clerical DPW - Closed	10.00%	101,844

Net Pension Liability

The net pension liability reported at December 31, 2018 was determined using a measure of the total pension liability and the pension net position as of December 31, 2017. The December 31, 2017 total pension liability was determined by an actuarial valuation performed as of that date.

Charter Township of Muskegon

Notes to the Financial Statements

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2016	\$ 22,110,043	\$ 14,852,395	\$ 7,257,648
Service cost	336,141	-	336,141
Interest	1,739,957	-	1,739,957
Contributions - Employer	-	570,648	(570,648)
Contributions - Employee	-	225,519	(225,519)
Difference between expected and actual experience	(111,579)	-	(111,579)
Net investment income	-	1,961,776	(1,961,776)
Benefit payments, including refunds	(1,057,276)	(1,057,276)	-
Administrative expenses	-	(31,051)	31,051
Net changes	907,243	1,669,616	(762,373)
Balance at December 31, 2017	\$ 23,017,286	\$ 16,522,011	\$ 6,495,275

Net pension liabilities are generally liquidated by the general fund within the governmental activities.

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

For the year ended December 31, 2018, the Township recognized pension expense of \$1,013,057. At December 31, 2018, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 335,342
Differences in experience	-	104,370
Employer contributions to the plan subsequent to the measurement date	540,241	-
Total	\$ 540,241	\$ 439,712

Charter Township of Muskegon

Notes to the Financial Statements

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31,	Amount
2019	\$ (47,243)
2020	15,150
2021	(250,563)
2022	(157,056)

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5% (3-4% for 2014)

Salary Increases: base wage inflation of 3.75% in the long-term (plus merit and longevity from 0 to 11% based on age) (4.5 for 2014)

Investment rate of return: 7.75%, net of investment expense, including inflation

Mortality rates used for non-disabled plan member were based on a weighted blend of RP-2014 mortality tables of a 50% Male and 50% Female blend. Mortality rates used for disabled plan member were based on a blend of RP-2014 disabled retire mortality tables of a 50% Male and 50% Female blend of disabled retirees. (1994 group annuity tables is 2014)

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study.

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

Charter Township of Muskegon

Notes to the Financial Statements

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money Weighted Rate of Return
Global equity	57.50%	6.27%	3.60%
Global fixed income	20.00%	3.43%	0.68%
Real assets	12.50%	5.48%	0.69%
Diversifying strategies	10.00%	7.81%	0.78%
Inflation			2.00%
Administrative fee			0.25%
Investment rate of return			8.00%

Discount Rate

The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Township, calculated using the discount rate of 8.00 percent, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent) or one percentage point higher (9.00 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability of the Township	\$ 9,311,887	\$ 6,495,275	\$ 4,131,601

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued plan financial statements.

Charter Township of Muskegon

Notes to the Financial Statements

Note 8 - Other Postemployment Benefits

Retiree Healthcare Plan

Plan Description

The Township administers a single-employer defined benefit healthcare plan (the “Retiree Healthcare Plan” or “Plan”). The Retiree Healthcare Plan provides health insurance to eligible retirees and their spouses. Act No. 149 of the Public Acts of 1999 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the Retiree Healthcare Plan to the respective employer entities; that authority rests with the Township. The Retiree Healthcare Plan does not issue a publicly available financial report and a legal trust has not been established for the Plan.

Funding Policy

Plan members are not required to contribute to the Plan. The contribution requirements of plan members and the Township are established and may be amended by the Township Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Township.

Benefits Provided

The plan provides medical benefits to retirees who are eligible for the benefits. Eligibility is determined based on tenure at the Township as well as position and classification and is maintained until the employee’s & spouse death (or, if hired after January 1, 2013, the age of 65).

Membership of the Plan consisted of the following at the date of the last actuarial valuation (December 31, 2017):

Inactive plan members or beneficiaries currently receiving benefits	50
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	<u>47</u>
Total employees covered by Plan	<u>97</u>

Contributions

The Township Retiree Healthcare Plan was established and is being funded under the authority of the Township Board of Trustees and under agreements with the unions representing various classes of employees. The plan’s funding policy is that the employer will contribute any required amounts on a pay-as-you-go basis. This is, contributions will be made to the extent necessary to cover retiree medical costs as they occur. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves.

Charter Township of Muskegon

Notes to the Financial Statements

Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2017 and the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	2.50%
Discount rate	3.16% (4.00% in 2016)
Mortality	As set forth in IRS Regulations for Non-annuitants, separately for males and females as well as annuitants and non-annuitants. Based on Rp-2000 Tables with Scale AA.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.16%. The projection of cash flows used to determine the discount rate assumed that Township contributions will be made at rates equal to the most recent recommended contribution expressed as a percentage of covered payroll. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. December 31, 2018 is the second year of compliance with GASB 74/75. Previously, the discount rate used to calculate liabilities under GASB 43/45 was 4.0%.

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

Changes in OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	OPEB Liability
Balance at December 31, 2017	\$ 9,779,125	\$ -	\$ 9,779,125
Service cost	226,190	-	226,190
Interest	306,187	-	306,187
Contributions - Employer	-	243,377	(243,377)
Benefit payments, including refunds	(243,377)	(243,377)	-
Net changes	289,000	-	289,000
Balance at December 31, 2018	\$ 10,068,125	\$ -	\$ 10,068,125

Charter Township of Muskegon

Notes to the Financial Statements

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

The following presents the net OPEB liability of the employer, calculated using the discount rate of 3.16%, as well as what the employer's net OPEB liability would be using a discount rate that is 1 percentage point lower or higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB liability of the Township	\$ 12,005,926	\$ 10,068,125	\$ 8,553,733

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

The following presents the net OPEB liability of the employer, calculated using the healthcare cost trend rate of 8.0% to 5.0% depending on coverage type, as well as what the employer's net OPEB liability would be using a healthcare cost trend rate that is 1 percentage point lower or higher than the current rate:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB liability of the Township	\$ 8,489,249	\$ 10,068,125	\$ 12,092,789

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

For the year ended December 31, 2018 the employer recognized OPEB expense of \$532,377. The Township reported no deferred outflows or inflows of resources related to the OPEB plan.

Note 9 - Other Information

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters for which the Township carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Charter Township of Muskegon

Notes to the Financial Statements

The Township manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Township pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally insuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10 - Subsequent Events and Commitments

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through June 3, 2019, which is the date the financial statements were available to be issued. The Board of Trustees approved a purchase of a new Fire Truck for a cost of \$518,766, and have already made a deposit of \$250,000, leaving \$268,766 committed at delivery of the fire truck in fiscal year 2019.

Note 11 - Tax Abatements

The Township received reduced property tax revenues during 2018 as a result of industrial facilities tax exemptions (IFT's) and Tool and Die Recovery Zones ("Recovery Zones").

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property in the Township. The abatements amounted to \$25,730 in reduced Township tax revenues for 2018.

The Recovery Zones were entered into under the Michigan Renaissance Zone Act, PA 376 of 1996 and have a duration of not less than five years and not more than fifteen years as determined by the board of the Michigan Strategic Fund. The recovery zones are intended to offer tax incentives to participants who enhance economic effectiveness utilizing collaborative agreements for specified products and services. Properties qualifying for Recovery Zone status are taxed at 25% of the millage rate applicable to other real and personal property in the Township. The abatements amounted to \$2,200 in reduced Township tax revenues for 2018.

Required Supplementary Information

Charter Township of Muskegon
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Property Taxes	\$ 1,821,224	\$ 1,842,819	\$ 1,853,138	\$ 10,319
Licenses and Permits	511,100	565,100	561,856	(3,244)
Intergovernmental	1,639,338	1,673,338	1,697,694	24,356
Charges for Services	399,409	363,409	366,126	2,717
Fines and Forfeitures	8,500	8,500	3,974	(4,526)
Interest and Rental	15,000	45,000	42,724	(2,276)
Other	65,924	83,317	74,120	(9,197)
Total Revenues	4,460,495	4,581,483	4,599,632	18,149
Expenditures				
General Government				
Board of Trustees	37,276	37,276	35,074	2,202
Supervisor	82,601	83,389	82,676	713
Elections	28,520	30,420	30,429	(9)
Assessing	170,873	170,873	162,519	8,354
Professional Services	32,000	42,000	39,581	2,419
Clerk	228,084	228,084	224,426	3,658
Treasurer	192,370	198,635	199,520	(885)
Township Hall	78,345	95,845	90,885	4,960
Total General Government	850,069	886,522	865,110	21,412
Public Safety				
Inspection Department	217,809	217,809	206,740	11,069
Public Works				
Leaf Collection	6,969	6,969	6,711	258
Community and Economic Development				
Planning	20,213	26,213	22,788	3,425
Zoning	89,513	98,773	87,386	11,387
Rental Inspections	178,853	180,353	177,976	2,377
Board of Appeals	1,644	1,644	461	1,183
Total Community and Economic Development	290,223	306,983	288,611	18,372
Recreation and Culture				
Parks and Recreation	188,833	196,148	200,458	(4,310)
Other Governmental Functions				
Insurance	350,000	361,000	357,081	3,919
Retirement	605,000	508,000	505,418	2,582
Payroll Benefits	44,035	84,726	82,853	1,873
Other	14,750	27,979	26,579	1,400
Other Governmental Functions	1,013,785	981,705	971,931	9,774
Total Expenditures	2,567,688	2,596,136	2,539,561	56,575
Other Financing Uses				
Transfers Out	1,789,685	1,795,573	1,796,069	(496)
Total Expenditures and Other Financing Uses	4,357,373	4,391,709	4,335,630	56,079
Excess (Deficiency) of Revenues and Over Expenditures and Other Uses				
	103,122	189,774	264,002	74,228
Net Change in Fund Balance	103,122	189,774	264,002	74,228
<i>Fund Balance at Beginning of Period</i>	1,221,799	1,221,799	1,221,799	--
Fund Balance at End of Period	\$ 1,324,921	\$ 1,411,573	\$ 1,485,801	\$ 74,228

Charter Township of Muskegon
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Public Safety
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
				<u>Final to Actual</u>
Revenues				
Property Taxes	\$ 1,012,058	\$ 1,018,590	\$ 1,019,404	\$ 814
Intergovernmental	86,900	86,900	79,225	(7,675)
Charges for Services	8,000	8,000	6,636	(1,364)
Fines and Forfeitures	15,000	15,000	18,228	3,228
Interest and Rental	--	--	1,140	1,140
Other	15,000	27,529	27,109	(420)
<i>Total Revenues</i>	<u>1,136,958</u>	<u>1,156,019</u>	<u>1,151,742</u>	<u>(4,277)</u>
Other Financing Sources				
Transfers In	1,892,685	1,908,790	1,887,069	(21,721)
<i>Total Revenues and Other Financing Sources</i>	<u>3,029,643</u>	<u>3,064,809</u>	<u>3,038,811</u>	<u>(25,998)</u>
Expenditures				
<i>Public Safety</i>				
Police Department	1,590,189	1,616,988	1,604,808	12,180
Fire Department	1,379,454	1,379,454	1,369,335	10,119
<i>Total Public Safety</i>	<u>2,969,643</u>	<u>2,996,442</u>	<u>2,974,143</u>	<u>22,299</u>
Capital Outlay	60,000	68,367	67,962	405
<i>Total Expenditures</i>	<u>3,029,643</u>	<u>3,064,809</u>	<u>3,042,105</u>	<u>22,704</u>
<i>Excess (Deficiency) of Revenues and Other Sources Over Expenditures</i>	<u>--</u>	<u>--</u>	<u>(3,294)</u>	<u>(3,294)</u>
<i>Net Change in Fund Balance</i>	<u>--</u>	<u>--</u>	<u>(3,294)</u>	<u>(3,294)</u>
<i>Fund Balance at Beginning of Period</i>	3,294	3,294	3,294	--
<i>Fund Balance at End of Period</i>	<u>\$ 3,294</u>	<u>\$ 3,294</u>	<u>\$ --</u>	<u>\$ (3,294)</u>

Charter Township of Muskegon
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios - MERS Pension Plan
Last Four Years *

	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 336,141	\$ 383,721	\$ 378,951	\$ 372,585
Interest	1,739,957	1,666,365	1,558,449	1,480,346
Differences Between Expected & Actual Experience	(111,579)	(89,950)	(65,004)	-
Changes in Assumptions	-	-	1,018,947	-
Benefit Payments, Including Refunds	(1,057,276)	(975,557)	(933,370)	(885,473)
Net Change in Pension Liability	<u>907,243</u>	<u>984,579</u>	<u>1,957,973</u>	<u>967,458</u>
<i>Total Pension Liability - Beginning</i>	<u>22,110,043</u>	<u>21,125,464</u>	<u>19,167,491</u>	<u>18,200,033</u>
Total Pension Liability - Ending (a)	<u>\$ 23,017,286</u>	<u>\$ 22,110,043</u>	<u>\$ 21,125,464</u>	<u>\$ 19,167,491</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 570,648	\$ 480,936	\$ 402,696	\$ 375,012
Contributions - Member	225,519	238,752	236,590	215,262
Net Investment Income	1,961,776	1,543,703	(211,091)	856,532
Benefit Payments, Including Refunds	(1,057,276)	(975,557)	(933,370)	(885,473)
Administrative Expenses	(31,051)	(30,467)	(30,840)	(31,458)
Net Change in Plan Fiduciary Net Position	<u>1,669,616</u>	<u>1,257,367</u>	<u>(536,015)</u>	<u>529,875</u>
<i>Plan Fiduciary Net Position - Beginning</i>	<u>14,852,395</u>	<u>13,595,028</u>	<u>14,131,043</u>	<u>13,601,168</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 16,522,011</u>	<u>\$ 14,852,395</u>	<u>\$ 13,595,028</u>	<u>\$ 14,131,043</u>
Net Pension Liability - Ending (a) - (b)	\$ 6,495,275	\$ 7,257,648	\$ 7,530,436	\$ 5,036,448
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	71.78%	67.17%	64.35%	73.72%
Covered Employee Payroll	\$ 2,077,001	\$ 2,368,116	\$ 2,365,902	\$ 2,326,293
Net Pension Liability as a Percentage of Covered Employee Payroll	312.72%	306.47%	318.29%	216.50%

* Built prospectively upon implementation on GASB 68

**Charter Township of Muskegon
Required Supplementary Information
Schedule of Contributions - MERS Pension Plan
Last Ten Fiscal Years**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially Determined Contribution	\$ 540,240	\$ 570,648	\$ 480,936	\$ 402,696	\$ 375,012	\$ 383,471	\$ 340,167	\$ 320,962	\$ 289,547	\$ 307,787
Contributions in Relation to the Actuarially Determined Contribution	540,240	570,648	480,936	402,696	375,012	383,471	340,167	320,962	289,547	307,787
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	1,897,908	2,368,116	2,365,902	2,326,293	2,326,293	2,477,312	2,660,739	2,633,655	2,671,357	2,747,478
Contributions as a Percentage of Covered Employee Payroll	28.5%	20.3%	18.8%	17.3%	16.1%	15.5%	12.8%	12.3%	11.8%	11.2%

Notes

Valuation Date

Actuarially determined contribution amounts are calculated as of December 31 each year, which is two years prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry-age Normal
Amortization method	Level percentage of pay, closed
Remaining amortization period	21 Years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	2.50% in the long-term
Investment rate of return	7.75%
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	50% Male - 50% Female blend of the RP-2014 Group Annuity Mortality Table

**Build prospectively upon implementation of GASB 68*

Charter Township of Muskegon
Required Supplementary Information
Schedule of Changes in OPEB Liability and Related Ratios - Retiree Health Care Plan

	2018	2017
Total OPEB Liability		
Service Cost	\$ 226,190	\$ 220,673
Interest	306,187	305,517
Benefit Payments, Including Refunds	(243,377)	(221,710)
<i>Net Change in Pension Liability</i>	289,000	304,480
<i>Total OPEB Liability - Beginning</i>	9,779,125	9,474,645
<i>Total OPEB Liability - Ending (a)</i>	\$ 10,068,125	\$ 9,779,125
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 243,377	\$ 221,710
Benefit Payments, Including Refunds	(243,377)	(221,710)
<i>Net Change in Plan Fiduciary Net Position</i>	-	-
<i>Plan Fiduciary Net Position - Beginning</i>	-	-
<i>Plan Fiduciary Net Position - Ending (b)</i>	\$ -	\$ -
 <i>Net OPEB Liability - Ending (a) - (b)</i>	\$ 10,068,125	\$ 9,779,125
 Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	0.00%	0.00%
 Covered Employee Payroll	\$ 2,753,806	\$ 2,918,734
 Net OPEB Liability as a Percentage of Covered Employee Payroll	365.61%	335.05%

Charter Township of Muskegon
Required Supplementary Information
Schedule of Contributions - Retiree Health Care Plan
Last Three Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 552,730	\$ 552,730	\$ 552,730
Contributions in Relation to the Actuarially Determined Contribution	243,377	221,710	209,563
Contribution Deficiency (Excess)	<u>\$ 309,353</u>	<u>\$ 331,020</u>	<u>\$ 343,167</u>
Covered Employee Payroll	2,753,806	2,918,734	2,847,545
Contributions as a Percentage of Covered Employee Payroll	8.8%	7.6%	7.4%

Notes

Valuation Date

Actuarially determined contribution amounts are calculated as of December 31 each year, which is one year prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry-age Normal - Level Percent of Pay
Inflation	2.75%
Salary increases	2.50% in the long-term
Investment rate of return	N/A
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	50% Male - 50% Female blend of the RP-2014 Group Annuity Mortality Table

Combining and Individual Fund Statements and Schedules

**Charter Township of Muskegon
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2018**

	Special Revenue						Capital Projects		Total Nonmajor Governmental Funds
	Local Streets	Fire Equipment	Street Lighting	Hydrant	Northside Water System	Southside Water System	Local Water Improvement	Paving Projects	
ASSETS									
Cash and Investments	\$ 317,631	\$ 549,544	\$ 400,092	\$ 76,030	\$ 147,550	\$ 59,657	\$ 218,317	\$ 1,631	\$ 1,770,452
Receivables									
Property Taxes Receivable	322,178	--	118,119	--	--	--	--	--	440,297
Special Assessments Receivable	--	--	--	--	--	25,110	--	290,131	315,241
Other Receivables	228	419	279	38	106	--	148	--	1,218
Due from Other Governments	--	--	--	--	--	--	29,750	--	29,750
Total Assets	\$ 640,037	\$ 549,963	\$ 518,490	\$ 76,068	\$ 147,656	\$ 84,767	\$ 248,215	\$ 291,762	\$ 2,556,958
LIABILITIES									
Accounts Payable	\$ 5,537	\$ 3,876	\$ 17,609	\$ --	\$ 2,500	\$ 24,364	\$ --	\$ --	\$ 53,886
Accrued Liabilities	7,855	--	--	--	--	39,393	175	--	47,423
Advances from Other Funds	--	--	--	--	--	--	--	290,838	290,838
Total Liabilities	13,392	3,876	17,609	--	2,500	63,757	175	290,838	392,147
DEFERRED INFLOWS OF RESOURCES									
Taxes Levied for a Subsequent Period	534,144	--	195,829	--	--	--	--	--	729,973
Unavailable Revenues - Special Assessments	--	--	--	--	--	20,101	--	274,672	294,773
Total Liabilities and Deferred Inflows of Resources	547,536	3,876	213,438	--	2,500	83,858	175	565,510	1,416,893
FUND BALANCE									
Restricted	92,501	--	305,052	76,068	145,156	909	248,040	--	867,726
Committed	--	546,087	--	--	--	--	--	--	546,087
Unassigned	--	--	--	--	--	--	--	(273,748)	(273,748)
Total Fund Balance	92,501	546,087	305,052	76,068	145,156	909	248,040	(273,748)	1,140,065
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 640,037	\$ 549,963	\$ 518,490	\$ 76,068	\$ 147,656	\$ 84,767	\$ 248,215	\$ 291,762	\$ 2,556,958

Charter Township of Muskegon
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2018

	Special Revenue						Capital Projects	Total Nonmajor Governmental Funds
	Local Streets	Fire Equipment	Street Lighting	Hydrant	Northside Water System	Southside Water System	Local Water Improvement	
Revenues								
Property Taxes	\$ 524,491	\$ --	\$ 221,593	\$ --	\$ --	\$ --	\$ --	\$ 746,084
Intergovernmental	83,879	--	--	--	--	--	--	83,879
Charges for Services	--	327,428	--	--	--	--	18,660	346,088
Fines and Forfeitures	--	2,074	--	--	--	--	--	2,074
Interest Income	8,022	10,848	7,002	757	2,326	137	4,310	33,490
Other	916	8,500	--	--	--	18,939	300	82,325
Total Revenues	617,308	348,850	228,595	757	2,326	19,076	23,270	1,293,940
Expenditures								
Public Safety	--	17,998	--	--	--	--	--	17,998
Public Works	624,807	--	212,572	1,450	--	18,939	19,224	1,156,083
Capital Outlay	--	312,317	--	--	--	--	--	312,317
Total Expenditures	624,807	330,315	212,572	1,450	--	18,939	19,224	1,486,398
Excess of Revenues Over (Under) Expenditures	(7,499)	18,535	16,023	(693)	2,326	137	4,046	(225,333)
Other Financing Sources (Uses)								
Transfers In	--	--	--	--	--	--	15,000	15,000
Transfers Out	--	(106,000)	--	--	--	--	--	(106,000)
Net Other Financing Sources (Uses)	--	(106,000)	--	--	--	--	15,000	(91,000)
Net Change in Fund Balance	(7,499)	(87,465)	16,023	(693)	2,326	137	4,046	(283,458)
<i>Fund Balance at Beginning of Period</i>	100,000	633,552	289,029	76,761	142,830	772	243,994	1,423,523
Fund Balance at End of Period	\$ 92,501	\$ 546,087	\$ 305,052	\$ 76,068	\$ 145,156	\$ 909	\$ 248,040	\$ 1,140,065

June 3, 2019

To the Board of Trustees of the
Charter Township of Muskegon, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Muskegon, Michigan for the year ended December 31, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 28, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended December 31, 2018.. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the accrued compensated absences and the related pay rates as of December 31, 2018.
- Management's assumptions used to calculate the actuarial report and the net present value of post-employment benefits, including health and pension benefits.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 3, 2019.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison schedules, and the pension and OPEB schedules, which are required supplementary

information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining nonmajor fund statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Trustees and management of the Charter Township of Muskegon and is not intended to be, and should not be, used by anyone other than these specified parties

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the company.

Gabridge & Company, PLC
Grand Rapids, MI