

**Charter Township of Washington
Macomb County, Michigan**

**Financial Report
with Supplemental Information
March 31, 2015**

Charter Township of Washington

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Washington as of and for the year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise the Charter Township of Washington's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Washington as of March 31, 2015 and the respective changes in its financial position, and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplemental Information

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

Other Information

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

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

Plante & Morse, PLLC

August 7, 2015

Charter Township of Washington

Management's Discussion and Analysis

Overview of the Financial Statements

The Charter Township of Washington's (the "Township") 2015 annual report is presented in conformity with the requirements of GASB Statement No. 34. This annual report consists of four parts: management's discussion and analysis, the basic financial statements, required supplemental information, and other supplemental information, which presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

Charter Township of Washington

Management's Discussion and Analysis (Continued)

The Township has three types of funds:

Governmental Funds - Most of the Township's basic services are included in governmental funds, which focus on how cash, and other financial assets that can readily be converted to cash, flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Proprietary Funds - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information.

Fiduciary Funds - The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of net position. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Financial Overview

The Township has combined total net position of \$87.2 million. This is an increase from 2014 of \$2.1 million. Business-type activities comprise \$54.6 million, and governmental activities make up \$32.6 million of the total net position. In a condensed format, the table below shows a comparison of the net position as of the current date to the prior year:

Summary Condensed Statement of Net Position (normally presented in thousands of dollars)

In Thousands

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Capital assets	\$ 9,284	\$ 9,234	\$ 38,968	\$ 38,485	\$ 48,252	\$ 47,719
Other assets	24,585	24,101	22,913	21,277	47,498	45,378
Total assets	33,869	33,335	61,881	59,762	95,750	93,097
Liabilities						
Current liabilities	472	458	1,009	742	1,481	1,200
Long-term liabilities	773	790	6,302	5,977	7,075	6,767
Total liabilities	1,245	1,248	7,311	6,719	8,556	7,967
Net Position						
Net investment in capital assets	8,992	8,931	32,747	32,927	41,739	41,858
Restricted	10,611	11,375	1,260	1,087	11,871	12,462
Unrestricted	13,021	11,781	20,563	19,029	33,584	30,810
Total net position	<u>\$ 32,624</u>	<u>\$ 32,087</u>	<u>\$ 54,570</u>	<u>\$ 53,043</u>	<u>\$ 87,194</u>	<u>\$ 85,130</u>

Charter Township of Washington

Management's Discussion and Analysis (Continued)

The Township experienced increases in both assets of the governmental activities and business-type activities.

The Township continues to pay debt service on water and sewer capital-related items, which is its largest liability of the business-type activities. Due to increased debt from our share of investments by the County sewer district, our overall liabilities increased. Though these debts are not directly incurred by the Township, we are required to reflect them in our financial statements. Other balances are improved from last year due to operations as shown below.

The following table shows the changes in net position for 2015 and 2014:

Summary Condensed Statement of Activities (normally presented in thousands of dollars):
In Thousands

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue						
Program revenue:						
Charges for services	\$ 1,334	\$ 1,430	\$ 7,899	\$ 7,880	\$ 9,233	\$ 9,310
Operating grants and contributions	270	32	384	-	654	32
Capital grants and contributions	84	256	424	1,012	508	1,268
General revenue:						
Property taxes	5,535	5,351	-	-	5,535	5,351
State-shared revenue	1,853	1,750	-	-	1,853	1,750
Unrestricted investment earnings (loss)	45	27	49	(9)	94	18
Miscellaneous	202	172	65	66	267	238
Total revenue	9,323	9,018	8,821	8,949	18,144	17,967
Program Expenses						
General government	2,857	2,615	-	-	2,857	2,615
Public safety	5,618	5,363	-	-	5,618	5,363
Public works	311	391	-	-	311	391
Water and sewer	-	-	6,814	6,665	6,814	6,665
Building inspection	-	-	480	456	480	456
Total program expenses	8,786	8,369	7,294	7,121	16,080	15,490
Change in Net Position	\$ 537	\$ 649	\$ 1,527	\$ 1,828	\$ 2,064	\$ 2,477

Charter Township of Washington

Management's Discussion and Analysis (Continued)

Governmental Activities

Revenues for governmental activities totaled \$9.3 million in 2015 compared to \$9.0 million in 2014. A total of \$5.5 million was in the form of property tax collections, an increase of \$184,000 over 2014. This increase is mainly a reflection of an increase in taxable value of \$31 million and no change to the general operating millage of .6198 mills. The police, fire, and advance life support special assessment millages generated \$4.8 million of the total \$5.5 million of property tax revenue reported above. Future property tax collections are expected to rise in the next year. Activity beyond that is uncertain and tied to the overall economy and the housing market. State-shared revenue provided \$1.9 million, an increase of \$103,000 over the prior year. A total of \$62,000 of this was driven by our compliance with state, city, village, township revenue sharing requirements (previously EVIP) with the remainder caused by greater economic activity causing greater generation of state sales tax. We are uncertain what will happen in the future as state collections of sales tax react to economic conditions. Capital grants and contributions decreased due to grants received in the prior year that do not carry over year to year. Investment earnings generated \$45,000 compared to \$27,000 in 2014, the increase being driven by returns available in the financial markets. Charges for services, including general government activities (\$749,000); public safety (\$574,000), which includes advanced life services; and public works (\$11,000), generated a total of \$1.3 million, which decreased \$0.1 million. Total program expenses rose \$0.4 million due to increased police presence, enhanced personnel to meet the demand of increased development activity, and timing of expenditures related to the public access cable studio.

Business-type Activities

The Township has two business-type activities, the water and sewer operations and building inspection services. Revenues for business-type activities decreased by \$0.1 million to \$8.8 million due to increased rates for water and sewer being more than offset by less grants received and less pipe contributed to the township by developers as part of their construction projects. Program expenses increased \$0.2 million largely due to increased water and sewer rates from Detroit Water and Sewer and Macomb County as well as maintenance projects on our system.

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

Continued increases in rates from the Detroit Water and Sewer Department and Macomb County have increased both program expenses and revenues for the business-type activities since the Township passes these increases through to its customers. We see this continuing into the near future.

Charter Township of Washington

Management's Discussion and Analysis (Continued)

Current Economic Events

The Township, like many communities in southeastern Michigan, has endured a number of serious challenges, yet we have thrived. The primary uncertainty related to the housing market which caused our taxable property value to decline up until the 2014 fiscal year - the first year to show an increase in several years. Our taxable value has increased from \$1.146 billion to \$1.2 billion for the coming year. Residential development continues to be solid and several commercial and office developments are in various stages of development. However, the market is still somewhat unstable and unpredictable given uncertainty over interest rates. Market conditions have a direct impact on property tax revenues and various fees as well as our cost of operations to manage the activity. We will continue to be deliberate with spending as we await greater stability in the markets.

State revenue sharing experienced a significant increase due to our increased economic activity causing higher state sales taxes. Interest revenues continue to be low versus historic levels as a result of market conditions. Tap fees and other fees related to development are rebounding due to the large number of new developments that have come to the Township.

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

Financial Analysis of Township Funds and Budgets

The General Fund ended 2015 with a fund balance of \$6.01 million, a slight decrease from \$6.03 million in 2014. Of that balance, \$530,000 is committed property tax revenue to be used for fiscal year 2016 expenditures. Most of the remainder is assigned for capital expenditures.

The General Fund budget is amended throughout the year as deemed necessary. This is primarily done to prevent over-expenditures. With that in mind, the General Fund expenditures were approximately 102 percent of budget due to a decision to shift funds from the General Fund to the Improvement Revolving Fund for future capital expenditures.

Charter Township of Washington

Management's Discussion and Analysis (Continued)

Police and fire and advanced life support operations are funded separately through special assessment millages. These funds are expended exclusively for operations of police and fire services and advanced life support. All of these funds have a positive fund balance. Each will face challenges due to increased demand for services by a growing population and our Ambulance Fund will face revenue pressure caused by the Affordable Care Act. That said, our recent collective bargaining negotiations have helped mitigate those pressures. The actual expenditures for these funds were 90 percent, 95 percent, and 99 percent of budget for the Fire, Ambulance, and Police Funds, respectively.

Capital Assets and Debt

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

In order to ensure our non-paved roads have adequate strength, we partnered with the Macomb County Department of Roads to apply limestone to three miles of gravel road. We also paved Mound Road between 28 Mile and 29 Mile Roads so that Mound Road is fully paved throughout the Township.

Our Ambulance Fund acquired a new ambulance, continuing our commitment to updating our fleet.

Going forward, the Township has obtained the commitment of the Macomb County Department of Roads to partner on paving 30 Mile Road from M-53 to Powell Road and Powell Road halfway to 31 Mile Road. We also intend to resurface Van Dyke Road between West and Campground Roads and install a turn lane, sidewalks, and curbing in 2015.

The Township intends to make multiple improvements to water and sewer infrastructure. We will build a water storage facility during 2015. We have received a discharge permit for a sewer treatment facility to serve the northern end of the Township by mid-2016 while concurrently working with the County Drain Commissioner regarding planned downstream improvements to sewer pipes. We may also bring water lines to additional areas of the Township including 30 Mile and 31 Mile and Powell Roads east of M-53.

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

Debt relating to special assessment projects, tax refunds, and compensated absences totaling \$773,000 is recorded as a liability in the governmental activities in the statement of net position. Debt relating to the water and sewer system and compensated absences totaling \$6,302,000 is recorded as a liability in the business-type activities in the statement of net position.

Charter Township of Washington

Management's Discussion and Analysis (Continued)

Contact Us

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

Charter Township of Washington

Statement of Net Position March 31, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents (Note 2)	\$ 19,034,108	\$ 19,880,949	\$ 38,915,057
Receivables:			
Customers	-	1,337,104	1,337,104
Other receivables	239,849	41,908	281,757
Due from other governmental units	841,671	190,564	1,032,235
Special assessments receivable	145,705	-	145,705
Internal balances (Note 4)	5,417	(5,417)	-
Prepaid expenses	836,487	23,038	859,525
Restricted assets (Note 6)	-	1,260,128	1,260,128
Investment in joint ventures (Note 10)	2,061,902	-	2,061,902
Land held for resale	923,808	-	923,808
Capital assets (Note 3):			
Capital assets not being depreciated	2,684,737	2,120,408	4,805,145
Capital assets being depreciated - Net	6,599,371	36,847,786	43,447,157
Other postemployment benefits asset (Note 9)	496,310	184,654	680,964
Total assets	33,869,365	61,881,122	95,750,487
Liabilities			
Accounts payable	232,297	957,477	1,189,774
Due to other governmental units	11,328	1,106	12,434
Accrued liabilities and other	228,356	50,356	278,712
Noncurrent liabilities (Note 5):			
Due within one year	161,656	306,305	467,961
Due in more than one year	611,669	5,996,127	6,607,796
Total liabilities	1,245,306	7,311,371	8,556,677
Net Position			
Net investment in capital assets	8,991,764	32,746,969	41,738,733
Restricted for:			
Water and sewer line maintenance and construction	-	1,260,128	1,260,128
Fire service	5,909,027	-	5,909,027
Law enforcement	3,287,800	-	3,287,800
Advanced life support	990,776	-	990,776
Sidewalk	181,345	-	181,345
Street lighting	30,636	-	30,636
Fire employee benefits	74,312	-	74,312
ALS employee benefits	76,113	-	76,113
Capital expenditures	61,500	-	61,500
Unrestricted	13,020,786	20,562,654	33,583,440
Total net position	\$ 32,624,059	\$ 54,569,751	\$ 87,193,810

Charter Township of Washington

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,856,641	\$ 749,282	\$ -	\$ -
Public safety	5,617,666	573,955	198,433	-
Public works	311,074	10,683	71,972	83,993
Total governmental activities	8,785,381	1,333,920	270,405	83,993
Business-type activities:				
Water and Sewer Fund	6,813,626	7,126,223	383,726	424,425
Building Inspection Fund	480,322	772,545	-	-
Total business-type activities	7,293,948	7,898,768	383,726	424,425
Total primary government	\$ 16,079,329	\$ 9,232,688	\$ 654,131	\$ 508,418
General revenue:				
Property taxes				
State-shared revenue				
Interest income				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

**Statement of Activities
Year Ended March 31, 2015**

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (2,107,359)	\$ -	\$ (2,107,359)
(4,845,278)	-	(4,845,278)
(144,426)	-	(144,426)
(7,097,063)	-	(7,097,063)
-	1,120,748	1,120,748
-	292,223	292,223
-	1,412,971	1,412,971
(7,097,063)	1,412,971	(5,684,092)
5,534,592	-	5,534,592
1,852,741	-	1,852,741
45,058	49,415	94,473
201,572	64,633	266,205
7,633,963	114,048	7,748,011
536,900	1,527,019	2,063,919
32,087,159	53,042,732	85,129,891
\$ 32,624,059	\$ 54,569,751	\$ 87,193,810

Charter Township of Washington

Governmental Funds Balance Sheet March 31, 2015

	General Fund	Fire Fund	Advanced Life Support Fund	Police Fund	Capital Improvement Fund	Other Nonmajor Governmental Funds	Total
Assets							
Cash and cash equivalents (Note 2)	\$ 5,720,787	\$ 6,033,350	\$ 3,115,861	\$ 3,353,548	\$ 255,519	\$ 555,043	\$ 19,034,108
Receivables	813,651	91,159	169,107	45,500	107,022	786	1,227,225
Due from other funds (Note 4)	8,817	-	-	-	-	5,582	14,399
Prepaid expenses	21,294	19,653	15,565	-	772,058	7,917	836,487
Land held for resale	6,658	-	-	-	917,150	-	923,808
Total assets	\$ 6,571,207	\$ 6,144,162	\$ 3,300,533	\$ 3,399,048	\$ 2,051,749	\$ 569,328	\$ 22,036,027
Liabilities							
Accounts payable	\$ 196,028	\$ 9,198	\$ 13,349	\$ 1,160	\$ -	\$ 12,562	\$ 232,297
Due to other governmental units	500	-	-	-	10,828	-	11,328
Due to other funds (Note 4)	5,582	-	-	-	-	3,400	8,982
Accrued liabilities and other	59,551	83,137	85,587	81	-	-	228,356
Total liabilities	261,661	92,335	98,936	1,241	10,828	15,962	480,963
Deferred Inflows of Resources - Unavailable revenue							
	300,326	-	-	-	-	-	300,326
Fund Balances							
Nonspendable:							
Land held for resale	6,658	-	-	-	917,150	-	923,808
Prepays	21,294	19,653	15,565	-	772,058	7,917	836,487
Restricted:							
Police	-	-	-	3,238,894	-	48,906	3,287,800
Fire	-	5,889,374	-	-	-	-	5,889,374
Sidewalk improvements	-	-	-	-	-	181,345	181,345
Advanced life support	-	-	975,211	-	-	-	975,211
Fire employee benefits	-	-	-	-	-	74,312	74,312
ALS employee benefits	-	-	-	-	-	76,113	76,113
Street lighting	-	-	-	-	-	30,636	30,636
Capital projects	-	-	-	-	-	53,583	53,583
Committed - Tax collections for subsequent year							
	530,420	-	-	-	-	-	530,420
Assigned:							
Capital projects (Note 11)	4,045,000	-	-	-	351,713	-	4,396,713
Cable activities	347,497	-	-	-	-	-	347,497
General employee benefits	-	-	-	-	-	80,554	80,554
Fire	-	142,800	-	-	-	-	142,800
Advanced life support	-	-	2,210,821	-	-	-	2,210,821
Police	-	-	-	158,913	-	-	158,913
Unassigned	1,058,351	-	-	-	-	-	1,058,351
Total fund balances	6,009,220	6,051,827	3,201,597	3,397,807	2,040,921	553,366	21,254,738
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,571,207	\$ 6,144,162	\$ 3,300,533	\$ 3,399,048	\$ 2,051,749	\$ 569,328	\$ 22,036,027

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

Charter Township of Washington

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position March 31, 2015

Fund Balance Reported in Governmental Funds	\$ 21,254,738
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	9,284,108
Investments in joint ventures are not financial resources and are not reported in the funds	2,061,902
Certain receivables were earned during the current fiscal year but are not available to pay for current year expenditures	300,326
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(773,325)
Other postemployment benefit assets are not reported in the funds	<u>496,310</u>
Net Position of Governmental Activities	<u>\$ 32,624,059</u>

Charter Township of Washington

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2015

	General Fund	Fire Fund	Advanced Life Support Fund	Police Fund	Capital Improvement Fund	Other Nonmajor Governmental Funds	Total
Revenue							
Property taxes	\$ 714,057	\$ 2,132,373	\$ 1,563,526	\$ 1,088,748	\$ -	\$ 35,888	\$ 5,534,592
Federal grants	-	197,317	-	-	-	-	197,317
State-shared revenue and grants	1,900,752	-	-	-	-	14,053	1,914,805
Charges for services	216,213	12,704	521,368	39,883	-	10,683	800,851
Interest	28,903	13,960	4,036	4,825	-	330	52,054
Other revenue:							
Special assessments	45,472	-	-	-	-	51,151	96,623
Local donations	-	-	1,116	-	-	-	1,116
Cable franchise fees	533,069	-	-	-	-	-	533,069
Other miscellaneous income	194,546	5,552	14,643	-	-	-	214,741
Total revenue	3,633,012	2,361,906	2,104,689	1,133,456	-	112,105	9,345,168
Expenditures - Current							
General government	2,489,041	-	-	-	-	26,211	2,515,252
Public safety	202,197	1,871,931	1,916,106	1,200,347	4,420	11,004	5,206,005
Public works	65,151	-	-	-	-	77,154	142,305
Capital outlay	124,903	254,672	186,520	-	331,833	-	897,928
Total expenditures	2,881,292	2,126,603	2,102,626	1,200,347	336,253	114,369	8,761,490
Other Financing Sources (Uses)							
Transfers in (Note 4)	-	-	-	-	750,000	24,311	774,311
Transfers out (Note 4)	(774,311)	-	-	-	-	-	(774,311)
Net Change in Fund Balances	(22,591)	235,303	2,063	(66,891)	413,747	22,047	583,678
Fund Balances - Beginning of year, as restated (Note 12)	6,031,811	5,816,524	3,199,534	3,464,698	1,627,174	531,319	20,671,060
Fund Balances - End of year	\$ 6,009,220	\$ 6,051,827	\$ 3,201,597	\$ 3,397,807	\$ 2,040,921	\$ 553,366	\$ 21,254,738

Charter Township of Washington

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2015

Net Change in Fund Balances - Total Governmental Funds \$ 583,678

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	847,050
Depreciation expense	(781,226)
Net book value of assets disposed of	(15,772)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 10,828

Certain revenue recorded in the statement of activities in the current year did not provide current financial resources in the funds until 60 days after year end 9,908

Special assessment revenue is recorded as a revenue in the statement of activities when the assessment is set; it is not reported in the funds until collected or collectible within 60 days of year end (19,626)

Governmental funds do not report contributions to other postemployment benefits as an asset; in the statement of activities, contributions in excess of the actuarial recommended contribution are recorded as an asset (19,725)

Equity interests in the Romeo, Washington, Bruce Parks and Recreation Commission and the Washington and Bruce Townships Senior Transportation Thru Advanced Reservation Commission are not reported in the governmental funds (83,596)

The change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities 5,381

Change in Net Position of Governmental Activities \$ 536,900

Charter Township of Washington

Proprietary Funds Statement of Net Position March 31, 2015

	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Enterprise Fund - Building Inspection Fund	Total
Assets			
Current assets:			
Cash and cash equivalents (Note 2)	\$ 19,133,821	\$ 747,128	\$ 19,880,949
Receivables:			
Customers	1,337,104	-	1,337,104
Other receivables	41,858	50	41,908
Due from other governmental units	190,564	-	190,564
Prepaid expenses	20,838	2,200	23,038
Total current assets	20,724,185	749,378	21,473,563
Noncurrent assets:			
Restricted assets (Note 6)	1,260,128	-	1,260,128
Capital assets (Note 3):			
Capital assets not being depreciated	2,120,408	-	2,120,408
Capital assets being depreciated - Net	36,836,171	11,615	36,847,786
Other postemployment benefits asset (Note 9)	53,941	130,713	184,654
Total noncurrent assets	40,270,648	142,328	40,412,976
Total assets	60,994,833	891,706	61,886,539
Liabilities			
Current liabilities:			
Accounts payable	954,129	3,348	957,477
Due to other governmental units	1,106	-	1,106
Due to other funds (Note 4)	5,417	-	5,417
Accrued liabilities and other	38,232	12,124	50,356
Compensated absences - Due within one year (Note 5)	45,900	8,100	54,000
Current portion of long-term obligations (Note 5)	252,305	-	252,305
Total current liabilities	1,297,089	23,572	1,320,661
Noncurrent liabilities - Long-term obligations (Note 5)	5,978,172	17,955	5,996,127
Total liabilities	7,275,261	41,527	7,316,788
Net Position			
Net investment in capital assets	32,735,354	11,615	32,746,969
Restricted - Water and sewer line maintenance and construction	1,260,128	-	1,260,128
Unrestricted	19,724,090	838,564	20,562,654
Total net position	<u>\$ 53,719,572</u>	<u>\$ 850,179</u>	<u>\$ 54,569,751</u>

Charter Township of Washington

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended March 31, 2015

	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Enterprise Fund - Building Inspection Fund	Total
Operating Revenue			
Water usage	\$ 3,219,849	\$ -	\$ 3,219,849
Sewage usage	2,677,953	-	2,677,953
Charges for services	-	769,819	769,819
Other	445,479	2,726	448,205
Total operating revenue	6,343,281	772,545	7,115,826
Operating Expenses			
Sewer and water purchases	3,829,612	-	3,829,612
Administration	67,503	-	67,503
Billing and clerical	223,283	-	223,283
Other services	220,443	94,826	315,269
Buildings and grounds	48,861	-	48,861
Inspections	342,677	236,277	578,954
Insurance	35,056	8,598	43,654
Fringe benefits	217,736	114,243	331,979
Other operating expenses	-	21,629	21,629
Depreciation (Note 3)	1,183,699	4,749	1,188,448
Total operating expenses	6,168,870	480,322	6,649,192
Operating Income	174,411	292,223	466,634
Nonoperating Revenue (Expenses)			
Investment income	48,455	960	49,415
Interest expense	(261,030)	-	(261,030)
Other nonoperating expenses	(383,726)	-	(383,726)
Tap fees	782,942	-	782,942
State grants	383,726	-	383,726
Federal grants	64,633	-	64,633
Total nonoperating revenue	635,000	960	635,960
Income - Before contributions	809,411	293,183	1,102,594
Capital Contributed by Developers	424,425	-	424,425
Change in Net Position	1,233,836	293,183	1,527,019
Net Position - Beginning of year	52,485,736	556,996	53,042,732
Net Position - End of year	<u>\$ 53,719,572</u>	<u>\$ 850,179</u>	<u>\$ 54,569,751</u>

Charter Township of Washington

Proprietary Funds Statement of Cash Flows Year Ended March 31, 2015

	Enterprise Funds		
	Water and Sewer Fund	Building Inspection Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 6,251,986	\$ 772,545	\$ 7,024,531
Payments to suppliers	(3,953,610)	(2,878)	(3,956,488)
Payments to employees	(735,389)	(467,509)	(1,202,898)
Net cash provided by operating activities	1,562,987	302,158	1,865,145
Cash Flows from Noncapital Financing Activities			
State grants	383,726	-	383,726
State grant expenses	(383,726)	-	(383,726)
Net cash provided by (used in) noncapital financing activities	-	-	-
Cash Flows from Capital and Related Financing Activities			
Federal grants	64,633	-	64,633
Purchase of capital assets	(688,325)	(1,037)	(689,362)
Principal and interest paid on capital debt	(495,135)	-	(495,135)
Tap fees	782,942	-	782,942
Net cash used in capital and related financing activities	(335,885)	(1,037)	(336,922)
Cash Flows from Investing Activities -			
Interest received on investments	48,455	960	49,415
Net Increase in Cash and Cash Equivalents	1,275,557	302,081	1,577,638
Cash and Cash Equivalents - Beginning of year	19,118,392	445,047	19,563,439
Cash and Cash Equivalents - End of year	<u>\$ 20,393,949</u>	<u>\$ 747,128</u>	<u>\$ 21,141,077</u>
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and investments	\$ 19,133,821	\$ 747,128	\$ 19,880,949
Restricted cash	1,260,128	-	1,260,128
Total cash and cash equivalents	<u>\$ 20,393,949</u>	<u>\$ 747,128</u>	<u>\$ 21,141,077</u>
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating income	\$ 174,411	\$ 292,223	\$ 466,634
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	1,183,699	4,749	1,188,448
Changes in assets and liabilities:			
Receivables	(92,006)	-	(92,006)
Inventories	40,496	-	40,496
Prepaid and other assets	(9,078)	(708)	(9,786)
Accounts payable	261,639	(2,170)	259,469
Accrued and other liabilities	3,826	8,064	11,890
Net cash provided by operating activities	<u>\$ 1,562,987</u>	<u>\$ 302,158</u>	<u>\$ 1,865,145</u>

Charter Township of Washington

Proprietary Funds Statement of Cash Flows (Continued) Year Ended March 31, 2015

Noncash Investing, Capital, and Financing Activities - During the year ended March 31, 2015, the Water and Sewer Fund received approximately \$424,000 of lines donated by developers. During the year, Macomb County, on behalf of the Township and other communities, issued debt of which Washington Township's portion is approximately \$557,000 to construct sewer lines for the Oakland-Macomb Interceptor Drain Drainage District (OMID) project. Approximately \$535,000 of unspent bond proceeds from current year and prior years was spent by the County at March 31, 2015 for the construction of OMID assets. Approximately \$148,000 is unspent bond proceeds being held at the County for completion of these projects.

Charter Township of Washington

Fiduciary Funds Statement of Fiduciary Net Position March 31, 2015

	Other Postemployment Benefits Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ 472,852	\$ 1,086,196
Prepaid expenses	7,099	-
Total assets	479,951	<u>\$ 1,086,196</u>
Liabilities		
Accounts payable	1,433	\$ -
Cash bonds and deposits	-	1,079,155
Accrued liabilities and other	19,114	7,041
Total liabilities	20,547	<u>\$ 1,086,196</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 459,404</u>	

Charter Township of Washington

Fiduciary Funds **Statement of Changes in Fiduciary Net Position** **Other Postemployment Benefits Trust Fund** **Year Ended March 31, 2015**

	Other Postemployment Benefits Trust Fund
Additions - Investment income	\$ 398
Deductions - Premiums paid	<u>61,854</u>
Net Decrease in Net Position Held in Trust	(61,456)
Net Position Held in Trust for Other Postemployment Benefits - Beginning of year	<u>520,860</u>
Net Position Held in Trust for Other Postemployment Benefits - End of year	<u><u>\$ 459,404</u></u>

Charter Township of Washington

Notes to Financial Statements March 31, 2015

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

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

Blended Component Units

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

Discretely Presented Component Units

The Economic Development Corporation (the "Corporation") was created to provide a means and method for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township so as to provide needed services and facilities of such enterprises to the residents. The Corporation's governing body is selected by the Township board of trustees. The Corporation was inactive during the year and has no assets or liabilities.

Accounting and Reporting Principles

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

Charter Township of Washington

Notes to Financial Statements March 31, 2015

Note I - Summary of Significant Accounting Policies (Continued)

Report Presentation

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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

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

Fund Accounting

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

Charter Township of Washington

Notes to Financial Statements March 31, 2015

Note I - Summary of Significant Accounting Policies (Continued)

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

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

Proprietary funds include enterprise funds, which provide goods or services to users in exchange for charges or fees. The Township reports the following fund as a “major” enterprise fund:

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

The Township does not have an internal service fund.

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

- The Other Postemployment Benefits Trust Fund, which accounts for the activities of the monies that have been set aside to fund future retiree healthcare costs;
- The Agency Funds, which account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Charter Township of Washington

Notes to Financial Statements March 31, 2015

Note I - Summary of Significant Accounting Policies (Continued)

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

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

Basis of Accounting

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

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

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the Township considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: property taxes, grants, and interest associated with the current fiscal period. Conversely, state shared revenue and special assessments will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow of resources".

Charter Township of Washington

Notes to Financial Statements March 31, 2015

Note I - Summary of Significant Accounting Policies (Continued)

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

Specific Balances and Transactions

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

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

Restricted Assets - The Water and Sewer Fund has restricted assets relating to collections to be used to pay for construction of the Macomb Interceptor and receivables and collections to be used for the Hayes Road sewer line construction.

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

Capital Assets - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

<u>Capital Asset Class</u>	<u>Lives</u>
Water and sewer treatment facilities	50 years
Buildings and building improvements	10-30 years
Vehicles	5-10 years
Office furnishings	5-10 years
Other tools and equipment	5-20 years

Charter Township of Washington

Notes to Financial Statements March 31, 2015

Note I - Summary of Significant Accounting Policies (Continued)

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

Deferred Outflows/Inflows of Resources

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

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

Net Position Flow Assumption

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

Charter Township of Washington

Notes to Financial Statements March 31, 2015

Note I - Summary of Significant Accounting Policies (Continued)

Fund Balance Flow Assumption

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

Fund Balance Policies

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

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

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 of trustees has by resolution authorized the finance committee to assign fund balance. The board of trustees may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

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

Charter Township of Washington

Notes to Financial Statements March 31, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

The Township's 2014 tax is levied and collectible on December 1, 2014 and is recognized as revenue in the year ended March 31, 2015, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2014 real and personal taxable valuation of the Township (including Romeo Village) totaled \$1.146 billion, on which taxes levied consisted of 0.6198 mills for operating purposes, 1.5895 mills for advanced life support services (applied against real property only and excluding Romeo Village), 1.0000 mills for police services (excluding Romeo Village), and 2.1590 mills for fire services (applied against real property only and excluding Romeo Village). This resulted in \$700,000 for operating purposes, \$1.6 million for advanced life support services, \$1.1 million for police services, and \$2.1 million for fire services. These amounts are recognized in the respective General and Special Revenue Funds financial statements as tax revenue.

The Township annually sells its delinquent real property taxes to Macomb County (the "County"), which then becomes responsible for collecting the taxes and taking any uncollected tax parcels through the tax reversion process. The County purchases these taxes at 100 percent face value, and in return the County is allowed to retain all interest and penalties it collects. The estimated present value of the future delinquent collections to the Township is less than the face value that has been received because of the time value of money; however, the net present value to the County is greater than this amount because of the statutory provision that allows the County to retain all penalties and interest. During the current year, the Township received \$297,736 from this sale. At the end of the tax reversion process (approximately three years), the County charges the Township back for any uncollected taxes. Historically, this amount has not been significant.

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

Charter Township of Washington

Notes to Financial Statements March 31, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

Note 2 - Deposits and Investments

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

Charter Township of Washington

Notes to Financial Statements March 31, 2015

Note 2 - Deposits and Investments (Continued)

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

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$21,126,921 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Money market	\$ 19,612,761	AAAm	S&P

Charter Township of Washington

Notes to Financial Statements March 31, 2015

Note 3 - Capital Assets

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

	Balance April 1, 2014	Additions	Disposals	Balance March 31, 2015
Governmental Activities				
Capital assets not being depreciated - Land	\$ 2,690,811	\$ -	\$ (6,074)	\$ 2,684,737
Capital assets being depreciated:				
Roads and sidewalks	1,839,704	277,052	-	2,116,756
Building and building improvements	6,531,438	66,355	-	6,597,793
Vehicles	2,874,192	183,343	(296,690)	2,760,845
Office furnishings	497,523	89,190	(74,518)	512,195
Other tools and equipment	1,319,276	231,110	(44,218)	1,506,168
Total capital assets being depreciated	13,062,133	847,050	(415,426)	13,493,757
Accumulated depreciation:				
Roads and sidewalks	788,204	179,597	-	967,801
Building and building improvements	2,534,312	221,544	-	2,755,856
Vehicles	1,810,292	174,565	(294,107)	1,690,750
Office furnishings	355,999	82,295	(67,403)	370,891
Other tools and equipment	1,030,081	123,225	(44,218)	1,109,088
Total accumulated depreciation	6,518,888	781,226	(405,728)	6,894,386
Net capital assets being depreciated	6,543,245	65,824	(9,698)	6,599,371
Net governmental capital assets	<u>\$ 9,234,056</u>	<u>\$ 65,824</u>	<u>\$ (15,772)</u>	<u>\$ 9,284,108</u>

Charter Township of Washington

Notes to Financial Statements March 31, 2015

Note 3 - Capital Assets (Continued)

Business-type Activities	Balance April 1, 2014	Additions	Disposals	Balance March 31, 2015
Capital assets not being depreciated:				
Land	\$ 12,612	\$ -	\$ -	\$ 12,612
Construction in progress	1,020,388	1,087,408	-	2,107,796
Subtotal	1,033,000	1,087,408	-	2,120,408
Capital assets being depreciated:				
Water and sewer lines	52,138,727	424,425	-	52,563,152
Buildings and building improvements	414,423	-	-	414,423
Vehicles	412,179	97,044	(42,686)	466,537
Office furnishings	76,799	2,766	(7,368)	72,197
Other tools and equipment	908,728	59,569	-	968,297
Subtotal	53,950,856	583,804	(50,054)	54,484,606
Accumulated depreciation:				
Water and sewer lines	15,466,719	1,074,825	-	16,541,544
Buildings and building improvements	305,934	8,568	-	314,502
Vehicles	334,278	19,014	(42,686)	310,606
Office furnishings	42,915	9,822	(7,368)	45,369
Other tools and equipment	348,580	76,219	-	424,799
Total accumulated depreciation	16,498,426	1,188,448	(50,054)	17,636,820
Net capital assets being depreciated	37,452,430	(604,644)	-	36,847,786
Net business-type capital assets	<u>\$ 38,485,430</u>	<u>\$ 482,764</u>	<u>\$ -</u>	<u>\$ 38,968,194</u>

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

Governmental activities:	
General government	\$ 188,959
Public safety	412,670
Public works	179,597
Total governmental activities	<u>\$ 781,226</u>
Business-type activities:	
Water and Sewer Fund	\$ 1,183,699
Building Inspection Fund	4,749
Total business-type activities	<u>\$ 1,188,448</u>

Charter Township of Washington

Notes to Financial Statements March 31, 2015

Note 3 - Capital Assets (Continued)

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

<u>Business-type Activities</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Interceptors	\$ 1,401,226	\$ 282,721
Clintondale Pump Station	<u>644,946</u>	<u>107,436</u>
Total	<u>\$ 2,046,172</u>	<u>\$ 390,157</u>

Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from Other Funds		
General Fund	Water and Sewer Fund	\$ 5,417
	Nonmajor governmental funds	<u>3,400</u>
	Total General Fund	8,817
Nonmajor governmental funds	General Fund	<u>5,582</u>
	Total	<u>\$ 14,399</u>

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

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

<u>Funds Receiving Resources</u>	<u>Fund Providing Resources</u>	<u>Amount</u>
Nonmajor governmental funds	General Fund	\$ 24,311
Capital Improvement Fund	General Fund	<u>750,000</u>
	Total	<u>\$ 774,311</u>

The transfers from the General Fund to the nonmajor governmental funds and Capital Improvement Fund were for capital projects.

Charter Township of Washington

Notes to Financial Statements March 31, 2015

Note 5 - Long-term Debt

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

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds - County contractual obligations - Macomb County Bridge Program Amount of issue: \$324,828 Maturing through 2041	0.0%	\$10,828	\$ 303,172	\$ -	\$ (10,828)	\$ 292,344	\$ 21,656
Other long-term obligations - Compensated absences			<u>486,362</u>	<u>429,071</u>	<u>(434,452)</u>	<u>480,981</u>	<u>140,000</u>
Total governmental activities			<u>\$ 789,534</u>	<u>\$ 429,071</u>	<u>\$ (445,280)</u>	<u>\$ 773,325</u>	<u>\$ 161,656</u>
Business-type Activities							
General obligation bonds - County contractual bonds:							
OMID Series 2010A: Amount of issue: \$328,035 Maturing through 2036	2.50%	\$12,781 - \$20,569	\$ 288,647	\$ -	\$ (13,775)	\$ 274,872	\$ 14,154
OMID Series 2010B: Amount of issue: \$84,286 Maturing through 2032	1.15% - 5.9%	\$2,390 - \$6,542	73,153	-	(3,145)	70,008	3,272
MIDD Series 2010A: Amount of issue: \$4,469,497 Maturing through 2036	1.25% - 5.38%	\$139,529 - \$263,159	4,046,483	-	(144,438)	3,902,045	146,772
NGIDD Series 2008: Amount of issue: \$207,370 Maturing through 2034	3.25% - 4.75%	\$4,548 - \$11,139	177,296	-	(6,962)	170,334	6,963
NGIDD Series 2010: Amount of issue: \$19,283 Maturing through 2036	3.25% - 4.75%	\$369 - \$1,108	17,130	-	(608)	16,522	609
OMID Series 2011A: Amount of issue: \$394,317 Maturing through 2033	2.50%	\$15,445 - \$24,635	394,317	-	(15,445)	378,872	15,833
OMID Series 2013A: Amount of issue: \$860,454 Maturing through 2035	2.00%	\$35,401 - \$51,582	178,152	489,088	-	667,240	35,403
CPS Series 2011: Amount of issue: \$752,382 Maturing through 2031	5.00%	\$17,100 - \$91,070	694,979	-	(21,984)	672,995	24,429
OMID Series 2014A: Amount of issue: \$125,808 Maturing through 2034	2.00% - 3.125%	\$4,869 - \$8,260	-	68,337	-	68,337	4,870
Total bonds			5,870,157	557,425	(206,357)	6,221,225	252,305
Other long-term obligations - Compensated absences			<u>106,575</u>	<u>78,406</u>	<u>(103,774)</u>	<u>81,207</u>	<u>54,000</u>
Total business-type activities			<u>\$ 5,976,732</u>	<u>\$ 635,831</u>	<u>\$ (310,131)</u>	<u>\$ 6,302,432</u>	<u>\$ 306,305</u>

Charter Township of Washington

Notes to Financial Statements March 31, 2015

Note 5 - Long-term Debt (Continued)

During the year, the Oakland-Macomb Interceptor Drain Drainage District (OMID) issued additional county contractual obligation relating to the OMID. This obligation represents the Township's obligation to service a portion of the bond issues. The Township has pledged its full faith and credit related to the repayment of these county contractual obligations and has recorded the liabilities in the Water and Sewer Fund since it is anticipated that the debt service requirements of these obligations will be provided from the revenue of this fund. During the current year, net revenue of the system was \$1,358,110 compared to the annual debt requirements of \$467,387.

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

Years Ending March 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 21,656	\$ -	\$ 21,656	\$ 309,605	\$ 203,001	\$ 512,606
2017	10,828	-	10,828	260,699	191,150	451,849
2018	10,828	-	10,828	268,235	184,332	452,567
2019	10,828	-	10,828	278,287	176,899	455,186
2020	10,828	-	10,828	286,779	168,825	455,604
2021-2025	54,140	-	54,140	1,570,241	703,955	2,274,196
2026-2030	54,140	-	54,140	1,844,905	423,531	2,268,436
2031-2035	54,140	-	54,140	1,653,159	117,207	1,770,366
2036-2040	54,140	-	54,140	-	-	-
2041	10,816	-	10,816	-	-	-
Total	\$ 292,344	\$ -	\$ 292,344	\$ 6,471,910	\$ 2,168,900	\$ 8,640,810

Commitments - The Township is part of the Oakland-Macomb Interceptor Drain Drainage District (OMID). The Series 2013A issuance that was issued in fiscal year 2014 is a State Revolving Fund loan. The Township has been tentatively advised that its assessment to pay the debt related to the Series 2013A bond is \$860,454. The scheduled payments related to the Series 2013A bond are included in the debt service requirement table above. However, as of March 31, 2015, the Township's portion of Series 2013A drawdowns was only \$667,240, which was recorded as debt at year end.

The Series 2014A bonds issued in fiscal year 2015 are considered a State Revolving Fund loan. The Township has been tentatively advised that its scheduled payments related to the Series 2014A bonds is \$125,808. The scheduled payments related to the Series 2014A bond are included in the debt service requirement table above. However, as of March 31, 2015, the Township's portion of Series 2014S drawdowns was only \$68,337.

The difference between the debt schedule and the debt recorded in the business-type activities is \$250,685.

Charter Township of Washington

Notes to Financial Statements March 31, 2015

Note 6 - Restricted Assets

The balance of the restricted asset accounts is as follows:

	<u>Business-type Activities</u>
Sewer benefit fees	\$ 761,976
Hayes Road construction	214,215
Court judgment receivable - \$435,285 payable over 45 years with no stated interest - Recorded at present value using imputed interest rate of 8 percent - Final payment due in April 2031	119,797
Unspent bond proceeds held at County	<u>164,140</u>
Total restricted assets	<u>\$ 1,260,128</u>

The sewer benefit fees of \$761,976 and the unspent bond proceeds held at the County of \$164,140 are restricted for construction of the Oakland-Macomb Interceptor, Macomb Interceptor, and the North Gratiot Interceptor. The Hayes Road construction cash and equivalents of \$214,215 and the court judgment receivable of \$119,797 are restricted for maintenance on the Hayes Road sewer line.

Note 7 - Risk Management

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

Note 8 - Defined Contribution Retirement Plan

The Township provides pension benefits to all of its full-time employees through two defined contribution plans: (1) Township of Washington Group Pension Plan administered by Principal Financial Group and (2) MERS Defined Contribution Plan administered by Municipal Employees' Retirement System of Michigan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township board resolution, the Township contributes 5-15 percent of compensation as defined by W-2 wages for employees, depending on their union and hire date. Employees may voluntarily contribute up to 10 percent. In accordance with these requirements, the Township contributed \$493,200. Employee contributions in the current year totaled \$5,323.

Charter Township of Washington

Notes to Financial Statements March 31, 2015

Note 9 - Other Postemployment Benefits

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

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

Funding Progress - For the year ended March 31, 2015, the Township has estimated the annual cost of providing retiree healthcare benefits through an actuarial calculation performed as of March 31, 2015. The Township's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer. The Township has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB No. 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a closed period of 24 years. The following table shows the components of the Township's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the net OPEB obligation:

Annual required contribution (recommended)	\$ 637
Interest on prior year's net OPEB obligation	(14,070)
Adjustment to the annual required contribution	<u>35,976</u>
OPEB cost	22,543
Amount contributed - Payments of current premiums	<u>-</u>
Decrease in net OPEB asset	22,543
OPEB asset - Beginning of year	<u>703,507</u>
OPEB asset - End of year	<u><u>\$ 680,964</u></u>

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

	For the Year Ended March 31		
	2013	2014	2015
Annual OPEB costs	\$ 19,765	\$ 22,242	\$ 22,543
Percentage contributed	- %	- %	- %
Net OPEB asset	\$ 725,749	\$ 703,507	\$ 680,694

Charter Township of Washington

Notes to Financial Statements March 31, 2015

Note 9 - Other Postemployment Benefits (Continued)

The funding progress of the plan is as follows:

	For the Year Ended March 31		
	2013	2014	2015
Actuarial value of assets	\$ 583,561	\$ 520,860	\$ 459,404
Actuarial accrued liability (AAL)	\$ 540,935	\$ 523,936	\$ 456,027
Overfunded (Underfunded)			
AAL	\$ 42,626	\$ (3,076)	\$ 3,377
Funded ratio	108 %	99 %	101 %

Methods and Assumptions - Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

The following simplifying assumptions were made:

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

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

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

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

Charter Township of Washington

Notes to Financial Statements March 31, 2015

Note 9 - Other Postemployment Benefits (Continued)

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

Health Insurance Premiums - 2014 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

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

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

Based on the historical and expected returns of the Township's short-term investment portfolio, a discount rate of 2 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at March 31, 2015 was 24 years.

Note 10 - Joint Ventures

The Township is a member of the Romeo, Washington, Bruce Parks and Recreation Commission and the Washington and Bruce Townships Senior Transportation Thru Advanced Reservation Commission (S.T.A.R.). The Township appoints one member to each joint venture's governing board, which then approves the annual budget. The Romeo, Washington, Bruce Parks and Recreation Commission is funded primarily from property taxes and program fees. S.T.A.R. is funded primarily from property taxes and operating grants. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The Township's equity interest of \$1,262,781 and \$799,121 in the Romeo, Washington, Bruce Parks and Recreation Commission and the Washington and Bruce Townships Senior Transportation Thru Advanced Reservation Commission, respectively, is recorded within the governmental activities column of the statement of net position. Complete financial statements for the joint ventures can be obtained from the administrative offices at 361 Morton, Romeo, Michigan 48061.

Charter Township of Washington

Notes to Financial Statements March 31, 2015

Note 11 - Fund Balance Constraints

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

	<u>General Fund</u>
Fund Balances - Assigned for capital projects	
Community Center - Road and water line	\$ 616,000
Van Dyke widening	269,000
Powell and 30 Mile paving	825,000
Powell to 31 Mile	2,033,000
Planner and architect	200,000
Limestone	42,000
Fragmites elimination	<u>60,000</u>
Total assigned	<u>\$ 4,045,000</u>

Note 12 - Reporting Change

Beginning April 1, 2015, the Cable Franchise Fee Reserve Fund (the "Cable Fund") has been consolidated into the General Fund. The Cable Fund receives revenue from the basic 5 percent cable fee, and its uses are not legally restricted; therefore, it is more appropriately reported as part of the General Fund. In order to present the current year activity appropriately, the beginning of year fund balance of the General Fund has been adjusted to reflect the Cable Fund.

The effect of this change is as follows:

	<u>General Fund</u>
Fund balance - March 31, 2014 - As previously reported	\$ 5,664,248
Adjustment for reclassification of Cable Franchise Fee Reserve Fund	<u>367,563</u>
Fund balance - March 31, 2014 - As restated	<u>\$ 6,031,811</u>

Charter Township of Washington

Notes to Financial Statements March 31, 2015

Note 12 - Reporting Change (Continued)

The effect of this change on the General Fund statement of revenue, expenditures, and changes in fund balances for the period ended March 31, 2014 is as follows:

	Balances Originally Stated	Adjusted	Balances Restated
Revenue:			
Property taxes	\$ 689,907	\$ -	\$ 689,907
Federal grants	1,751	-	1,751
State-shared revenue and grants	1,722,634	-	1,722,634
Charges for services	241,577	-	241,577
Interest	18,702	342	19,044
Other revenue:			
Special assessments	78,640	-	78,640
Cable franchise fees	-	504,677	504,677
Other miscellaneous income	118,970	-	118,970
Total revenue	2,872,181	505,019	3,377,200
Expenditures - Current:			
General government	1,843,085	415,010	2,258,095
Public safety	140,746	-	140,746
Public works	56,960	-	56,960
Capital outlay	83,575	8,621	92,196
Total expenditures	2,124,366	423,631	2,547,997
Other financing uses - Transfers out	(224,276)	-	(224,276)
Net change in fund balances	523,539	81,388	604,927
Fund balances - Beginning of year	5,140,709	286,175	5,426,884
Fund balances - End of year	<u>\$ 5,664,248</u>	<u>\$ 367,563</u>	<u>\$ 6,031,811</u>

Required Supplemental Information

Charter Township of Washington

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 722,927	\$ 713,616	\$ 714,057	\$ 441
State-shared revenue and grants	1,606,879	1,828,936	1,900,752	71,816
Charges for services	219,675	214,388	216,213	1,825
Interest	16,990	27,176	28,903	1,727
Other revenue:				
Special assessments	30,000	45,180	45,472	292
Cable franchise fees	491,000	525,196	533,069	7,873
Other miscellaneous income	44,475	187,190	194,546	7,356
Total revenue	3,131,946	3,541,682	3,633,012	91,330
Expenditures				
Current:				
General government:				
Township board	50,229	45,734	44,336	1,398
Supervisor	113,420	110,000	106,836	3,164
Accounting	202,079	196,330	193,484	2,846
Treasurer	258,225	242,200	239,268	2,932
Assessing	243,898	247,859	245,532	2,327
Board of Review	4,375	2,575	1,769	806
Clerk	122,776	119,551	115,473	4,078
Elections	152,923	147,243	142,498	4,745
Buildings and grounds	377,490	319,393	269,441	49,952
Insurance and other functions	1,206,794	1,252,441	1,130,404	122,037
Total general government	2,732,209	2,683,326	2,489,041	194,285
Public safety	245,037	232,356	202,197	30,159
Public works:				
Highway and streets	44,600	37,400	31,342	6,058
Street lighting	38,000	36,000	33,809	2,191
Total public works	82,600	73,400	65,151	8,249
Capital outlay	72,100	127,243	124,903	2,340
Other financing uses - Transfers and contingencies	-	475,751	774,311	(298,560)
Total expenditures	3,131,946	3,592,076	3,655,603	(63,527)
Net Change in Fund Balance	-	(50,394)	(22,591)	27,803
Fund Balance - Beginning of year	6,031,811	6,031,811	6,031,811	-
Fund Balance - End of year	<u>\$ 6,031,811</u>	<u>\$ 5,981,417</u>	<u>\$ 6,009,220</u>	<u>\$ 27,803</u>

Charter Township of Washington

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Fund Year Ended March 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,148,600	\$ 2,142,131	\$ 2,132,373	\$ (9,758)
Federal grants	-	197,317	197,317	-
Charges for services	-	12,704	12,704	-
Interest	8,600	12,450	13,960	1,510
Other revenue	352,873	1,802	5,552	3,750
Total revenue	2,510,073	2,366,404	2,361,906	(4,498)
Expenditures				
Current - Public safety	2,015,573	1,986,517	1,871,931	114,586
Capital outlay	494,500	257,224	254,672	2,552
Other financing uses - Transfers and contingencies	-	122,663	-	122,663
Total expenditures	2,510,073	2,366,404	2,126,603	239,801
Net Change in Fund Balance	-	-	235,303	235,303
Fund Balance - Beginning of year	5,816,524	5,816,524	5,816,524	-
Fund Balance - End of year	<u>\$ 5,816,524</u>	<u>\$ 5,816,524</u>	<u>\$ 6,051,827</u>	<u>\$ 235,303</u>

Charter Township of Washington

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Advanced Life Support Fund Year Ended March 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,754,323	\$ 1,686,296	\$ 1,563,526	\$ (122,770)
Federal grants	-	1,095	-	(1,095)
Charges for services	546,000	495,000	521,368	26,368
Interest	2,050	3,550	4,036	486
Other revenue	-	10,917	15,759	4,842
Total revenue	<u>2,302,373</u>	<u>2,196,858</u>	<u>2,104,689</u>	<u>(92,169)</u>
Expenditures				
Current - Public safety	2,146,873	2,010,338	1,916,106	94,232
Capital outlay	155,500	186,520	186,520	-
Total expenditures	<u>2,302,373</u>	<u>2,196,858</u>	<u>2,102,626</u>	<u>94,232</u>
Net Change in Fund Balance	-	-	2,063	2,063
Fund Balance - Beginning of year	<u>3,199,534</u>	<u>3,199,534</u>	<u>3,199,534</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 3,199,534</u></u>	<u><u>\$ 3,199,534</u></u>	<u><u>\$ 3,201,597</u></u>	<u><u>\$ 2,063</u></u>

Charter Township of Washington

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Police Fund Year Ended March 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,091,196	\$ 1,089,341	\$ 1,088,748	\$ (593)
Charges for services	18,000	33,158	39,883	6,725
Interest	-	4,653	4,825	172
Other financing sources	-	77,518	-	(77,518)
Total revenue	1,109,196	1,204,670	1,133,456	(71,214)
Expenditures				
Current - Public safety	998,770	1,204,670	1,200,347	4,323
Other financing uses - Transfers and contingencies	110,426	-	-	-
Total expenditures	1,109,196	1,204,670	1,200,347	4,323
Net Change in Fund Balance	-	-	(66,891)	(66,891)
Fund Balance - Beginning of year	3,464,698	3,464,698	3,464,698	-
Fund Balance - End of year	<u>\$ 3,464,698</u>	<u>\$ 3,464,698</u>	<u>\$ 3,397,807</u>	<u>\$ (66,891)</u>

Charter Township of Washington

Required Supplemental Information OPEB System Schedule of Funding Progress and Employer Contributions Year Ended March 31, 2015

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Overfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c) *	UAAL as a Percentage of Covered Payroll **
3/31/12	\$ 643,959	\$ 558,321	\$ (85,638)	115.3	\$ -	-
3/31/13	583,561	540,935	(42,626)	107.9	-	-
3/31/14	520,860	523,936	3,076	99.4	-	-
3/31/15	459,404	456,027	(3,377)	100.7	-	-

* Covered payroll - Not available

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

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
3/31/12	3/31/12	\$ -	-
3/31/13	3/31/13	-	-
3/31/14	3/31/14	688	-
3/31/15	3/31/15	637	-

Charter Township of Washington

Note to Required Supplemental Information Year Ended March 31, 2015

Budgetary Information - The annual budget is prepared by management and adopted by the Township board; subsequent amendments are approved by the Township board. Unexpected appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2015 has not been calculated.

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

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

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

	<u>Total Revenue</u>	<u>Total Expenditures</u>
General Fund:		
Amounts per operating statement	\$ 3,633,012	\$ 2,881,292
Interfund transfers budgeted as expenditures	<u> -</u>	<u> 774,311</u>
Amounts per budget statement	<u>\$ 3,633,012</u>	<u>\$ 3,655,603</u>

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, General Fund - other financing sources totaled \$774,311. The budgeted amount was \$475,751 - a variance of \$298,560.

Other Supplemental Information

Charter Township of Washington

	Special Revenue Funds			
	Liquor Enforcement Fund	Sidewalk Fund	Street Light Assessment Fund	Employee Benefits Fund
Assets				
Cash and cash equivalents	\$ 48,906	\$ 181,345	\$ 41,242	\$ 230,979
Receivables - Due from other governmental units	-	-	786	-
Due from other funds	-	-	-	-
Prepaid expenses	-	-	-	-
Total assets	<u>\$ 48,906</u>	<u>\$ 181,345</u>	<u>\$ 42,028</u>	<u>\$ 230,979</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 7,992	\$ -
Due to other funds	-	-	3,400	-
Total liabilities	-	-	11,392	-
Fund Balances				
Nonspendable - Prepays	-	-	-	-
Restricted:				
Police	48,906	-	-	-
Sidewalk improvements	-	181,345	-	-
Fire employee benefits	-	-	-	74,312
ALS employee benefits	-	-	-	76,113
Street lighting	-	-	30,636	-
Capital projects	-	-	-	-
Assigned - General employee benefits	-	-	-	80,554
Total fund balances	<u>48,906</u>	<u>181,345</u>	<u>30,636</u>	<u>230,979</u>
Total liabilities and fund balances	<u>\$ 48,906</u>	<u>\$ 181,345</u>	<u>\$ 42,028</u>	<u>\$ 230,979</u>

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2015

Capital Projects Funds					Total
Walnut Estates Paving Project	Daske Drive Paving Project	Quaker Lane Paving Project	Canterbury Court Paving Fund	Ivy Lane Construction Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 52,571	\$ -	\$ 555,043
-	-	-	-	-	786
-	-	5,582	-	-	5,582
-	-	-	-	7,917	7,917
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,582</u>	<u>\$ 52,571</u>	<u>\$ 7,917</u>	<u>\$ 569,328</u>
\$ -	\$ -	\$ -	\$ 4,570	\$ -	\$ 12,562
-	-	-	-	-	3,400
-	-	-	4,570	-	15,962
-	-	-	-	7,917	7,917
-	-	-	-	-	48,906
-	-	-	-	-	181,345
-	-	-	-	-	74,312
-	-	-	-	-	76,113
-	-	-	-	-	30,636
-	-	5,582	48,001	-	53,583
-	-	-	-	-	80,554
-	-	5,582	48,001	7,917	553,366
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,582</u>	<u>\$ 52,571</u>	<u>\$ 7,917</u>	<u>\$ 569,328</u>

Charter Township of Washington

	Special Revenue Funds			
	Liquor Enforcement Fund	Sidewalk Fund	Street Light Assessment Fund	Employee Benefits Fund
	Fund	Fund	Fund	Fund
Revenue				
Property taxes	\$ -	\$ -	\$ -	\$ 35,888
State-shared revenue and grants	14,053	-	-	-
Charges for services	-	10,683	-	-
Interest	-	148	10	172
Other revenue - Special assessments	-	-	51,151	-
Total revenue	14,053	10,831	51,161	36,060
Expenditures - Current				
General government	-	-	-	26,211
Public safety - Police/Sheriff (county)	11,004	-	-	-
Public works:				
Highway and streets	-	-	-	-
Street lighting	-	-	48,401	-
Other service activities	-	5,342	-	-
Total expenditures	11,004	5,342	48,401	26,211
Excess of Revenue Over (Under) Expenditures	3,049	5,489	2,760	9,849
Other Financing Sources - Transfers in	-	-	-	-
Net Change in Fund Balances	3,049	5,489	2,760	9,849
Fund Balances - Beginning of year	45,857	175,856	27,876	221,130
Fund Balances - End of year	\$ 48,906	\$ 181,345	\$ 30,636	\$ 230,979

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended March 31, 2015**

Capital Projects Fund					Total
Walnut Estates Paving Project	Daske Drive Paving Project	Quaker Lane Paving Project	Canterbury Court Paving Fund	Ivy Lane Construction Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,888
-	-	-	-	-	14,053
-	-	-	-	-	10,683
-	-	-	-	-	330
-	-	-	-	-	51,151
-	-	-	-	-	112,105
-	-	-	-	-	26,211
-	-	-	-	-	11,004
5,480	1,537	-	-	16,394	23,411
-	-	-	-	-	48,401
-	-	-	-	-	5,342
5,480	1,537	-	-	16,394	114,369
(5,480)	(1,537)	-	-	(16,394)	(2,264)
-	-	-	-	24,311	24,311
(5,480)	(1,537)	-	-	7,917	22,047
5,480	1,537	5,582	48,001	-	531,319
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,582</u>	<u>\$ 48,001</u>	<u>\$ 7,917</u>	<u>\$ 553,366</u>

August 7, 2015

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

We have audited the financial statements of the Charter Township of Washington (the "Township") as of and for the year ended March 31, 2015 and have issued our report thereon dated August 7, 2015. Professional standards require that we provide you with the following information related to our audit which is divided into the following sections:

Section I - Required Communications with Those Charged with Governance

Section II - Other Recommendations and Related Information

Section III - Legislative and Informational Items

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

Section II presents recommendations related to internal control, procedures, and other matters noted during our current year audit. These comments are offered in the interest of helping the Township in its efforts toward continuous improvement, not just in the areas of internal control and accounting procedures, but also in operational or administrative efficiency and effectiveness.

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

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

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

To the Board of Trustees
Charter Township of Washington

August 7, 2015

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

Very truly yours,

Plante & Moran, PLLC

Handwritten signature of Pamela L. Hill in black ink.

Pamela L. Hill, CPA
Partner

Handwritten signature of Joseph C. Heffernan in black ink.

Joseph C. Heffernan, CPA
Partner

Section I - Required Communications with Those Charged with Governance

Communications Required Under AU 260

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 3, 2015, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

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

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 26, 2015.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year.

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

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

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

The most sensitive estimate affecting the financial statements was the other postemployment benefits asset (OPEB asset) relating to the retiree healthcare funding. Management's estimate of the net OPEB asset is based on management's knowledge and experience about past and current events and assumptions about future events using the alternative measurement method for the calculation of the OPEB asset and annual required contribution. We evaluated the key factors and assumptions used to develop the net OPEB asset in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

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

Corrected and Uncorrected Misstatements

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

Other Significant Findings or Issues

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 7, 2015.

Management Consultations with Other Independent Accountants

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

Section II - Other Recommendations and Related Information

During our audit, we noted an area where we believe there are opportunities for the Township to further strengthen internal control or to increase operating efficiencies. Our observations on this area are presented for your consideration below:

Retiree Healthcare Investment Opportunity

The Township has set aside over \$470,000 to be spent on future retiree healthcare expenses. Because the assets have been placed in a trust, there is the opportunity to earn a greater rate of return by investing in securities allowed by the pension investment act (these are securities in which the Township itself is not permitted to invest). Investing in pension-type investments requires utilizing an investment manager with this type of expertise. One simple option for accomplishing this is to invest in the MERS Retiree Health Funding Vehicle. Investing in a portfolio that can achieve a higher rate of return will significantly reduce the Township's present value cost of the retiree healthcare benefit.

Section III - Legislative and Informational Items

Personal Property Tax

In August 2014, Michigan voters put the last piece of personal property tax reform in place. As a result, personal property taxes will be reduced in two respects:

1. Small taxpayers with total personal property within a taxing unit valued at less than \$80,000 will be able to sign an affidavit exempting this personal property from taxation. This exemption began with the 2014 tax billings.
2. Personal property used in a manufacturing process that is purchased after December 31, 2012 will be exempt. This exemption will begin in the 2016 tax billings.

The legislation is generally intended to fully reimburse local units of government for revenue losses that result from this exempt property. The changes include creation of a new Local Community Stabilization Authority (LCSA) that will receive money from two sources:

- Use Tax: The legislation includes specific amounts of the use tax that will be diverted from the State's General Fund to the new LCSA.
- Essential Services Assessment: Manufacturers will pay a "local community essential services assessment" to the LCSA based on the value of their exempt manufacturing property. The rate is set at 2.4 mills for a property's first five years, then 1.25 mills for the next five, then 0.9 mills thereafter.

The losses described by the bill are to be paid in order of this priority:

- a) School debt
- b) Intermediate School District losses
- c) School operations
- d) Government essential services (police, fire, ambulance, and jail)
- e) Debt and TIFA forgone increases
- f) All other reimbursements (defined below)

In theory, if there is not enough money available, the lower priority items may not be fully reimbursed. However, the department has indicated that it expects the fund to have enough to cover all reimbursements.

All Other Reimbursements - These reimbursements come from the use tax and would also begin in 2015-2016 and initially be proportional to each local unit's share of total "qualified losses," taking into account the losses of all municipalities. Over time, the reimbursement will shift to be based on each entity's share of eligible manufacturing personal property (based on the amount used in the ESA calculation above). Beginning in fiscal year 2017-2018, 5 percent of the revenue would be distributed proportionally based on each local unit's share of eligible manufacturing personal property. The 5 percent portion would increase in 5 percent increments in each subsequent year. By fiscal year 2036-2037, all revenue in the last category of reimbursements would be distributed based on the local unit's share of eligible manufacturing personal property. In short, in the beginning, the reimbursement is closely tied to the amount of lost personal property taxes, but over time, the community's reimbursement will be tied to the level of eligible manufacturing personal property then in existence.

Determining the Amount of Community Loss

Communities will first need to calculate their losses. Losses are classified as either debt loss or non-debt loss, as follows:

- **Debt Loss** - Debt loss is defined as the amount of ad valorem and dedicated taxes that go toward debt that are lost as a result of the personal property tax exemption. During fiscal years 2014-2015 and 2015-2016, revenue distributed by the newly created Local Community Stabilization Authority (LCSA) would equal either a community's debt loss or, in the case of a TIF, the small taxpayer loss. Through the 2015-2016 fiscal year, the losses are limited to the impact of the \$80,000 small business exemption. When the phase-out of eligible manufacturing property would begin to occur when tax bills go out in 2016, the debt loss (and corresponding reimbursement) will increase.
- **Non-debt Loss** - Non-debt loss is calculated using the lowest rate of each individual millage levied in the period between 2012 and the year immediately preceding the current year. This will exclude debt millage. The department will compute the loss by comparing the current year taxable value of commercial and industrial property to the taxable value that existed at December 31, 2012 (2013 tax year). In 2016, cities will be reimbursed for non-debt loss for 2014 and 2015 related to the small taxpayer exemption loss. This is for cities only. For 2014 and 2015, townships will be getting reimbursed for the debt loss related to the small business exemption, but not the other losses created by the small business exemption. Starting in 2016, all municipalities are reimbursed for non-debt loss.

These revisions are clearly the most significant changes to occur to federal grants management in recent history. Entities receiving federal funding will need to carefully digest these changes. Plante & Moran, PLLC has been on the cutting edge of these reforms, offering our clients free webinars, implementation checklists, and other tools to aid in implementation. The Township will need to ensure that the implementation of the new regulations occurs in a timely and complete manner. Plante & Moran, PLLC has many experts in this area and we welcome any questions or needs you may have.

New Freedom of Information Act (FOIA) Regulations

The governor signed PA 563 of 2014 (the "Act") into effect in January 2015. This new Act is effective beginning July 1, 2015 and will change the regulations on how governmental entities charge for FOIA requests. Under the new law, public bodies will need to establish and make publicly available written procedures and guidelines for FOIA requests. This can be done by providing paper copies or a link on the Township's website. The written procedures and guidelines, which must be provided free of charge upon request, must include certain items, including fee calculations and procedures for submitting written requests and to appeal denials.

The new Act has numerous other very specific requirements and guidelines that will require a significant change in practice. We strongly advise you to read the entire Act to ensure understanding with all the related provisions. Written documentation and appropriate tracking mechanisms will need to be put in place to ensure compliance by July 1, 2015.