

CHARTER TOWNSHIP OF BLACKMAN

JACKSON COUNTY - MICHIGAN

FINANCIAL STATEMENTS

Year Ended December 31, 2018

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## INDEPENDENT AUDITORS' REPORT

Township Board  
Charter Township of Blackman  
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Blackman as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the 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 opinion.

### ***Opinion***

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

## ***Other-Matter***

### *Required Supplementary Information*

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

### *Other Information*

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

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

*Boswell, Schultz, Sonnenberg, & Arnett, P.L.C.*

Jackson, Michigan

June 27, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## CHARTER TOWNSHIP OF BLACKMAN MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Charter Township of Blackman's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2018. Please read it in conjunction with the Township's financial statements that follow.

### **Financial Highlights**

The following represents the most significant financial highlights for the year ended December 31, 2018:

- The Township's total combined net position for both governmental and business-type activities decreased during the year by \$818,619.
- The governmental activities total net position decreased by \$112,234 and the business-type activities total net position decreased by \$706,385 for the current year.
- As of the close of 2018, the Township's governmental funds reported combined ending fund balances of \$3,226,170, an increase of \$962,955 in comparison with the prior year. The amount available for spending at the government's discretion (unassigned fund balance) is \$1,966,285.
- At the end of 2018, fund balance for the General Fund was \$2,068,773, an increase of \$360,990 in comparison with the prior year.

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

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

### **Government-wide financial statements**

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

The statement of net position presents information on all of the Township's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. Evaluation of the overall health of the Township may extend to various non-financial factors as well.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both government-wide financial statements distinguish governmental activities of the Township that are principally supported by taxes and revenue sharing from the business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include such activities as general government, public safety, and planning and zoning departments. Business-type activities include sewer and water system operations. Fiduciary activities such as tax collection are not included in the government-wide statements since these assets are not available to fund the Township's programs.

The Township's financial reporting includes all the funds of the Township (primary government) and, additionally, organizations for which the Township is accountable (component units).

### **Fund financial statements**

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

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

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

A budgetary comparison statement has been provided for the major governmental fund (General Fund and Public Safety Fund) to demonstrate compliance with budget.

*Proprietary Funds.* Proprietary funds are reported in the fund financial statements and are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges.

*Fiduciary Funds.* The Fiduciary Funds are used to account for resources held under tax collection activity and for the benefit of parties outside the government. The Fiduciary Fund financial statements report resources that are not available to fund Township activities.

## Charter Township of Blackman as a Whole

The following table shows a condensed format of the net position as of December 31, 2018 and 2017.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>Primary Government</u>	<u>2018</u>	<u>2017</u>
<b>Assets</b>							
Current and Other Assets	\$ 4,998,727	\$ 4,079,505	\$ 15,643,833	\$16,110,284	\$20,642,560	\$20,189,789	
Non-current Special Assessments	-	-	401,697	463,721	401,697	463,721	
Non-current Capital Assets	<u>1,924,821</u>	<u>1,787,073</u>	<u>14,645,324</u>	<u>14,792,887</u>	<u>16,570,145</u>	<u>16,579,960</u>	
Total assets	<u>6,923,548</u>	<u>5,866,578</u>	<u>30,690,854</u>	<u>31,366,892</u>	<u>37,614,402</u>	<u>37,233,470</u>	
<b>Deferred Outflow of Resources</b>							
OPEB related amounts	1,142,957	-	99,387	-	1,242,344	-	
Pension	<u>914,827</u>	<u>451,128</u>	<u>-</u>	<u>-</u>	<u>914,827</u>	<u>451,128</u>	
Total deferred outflows of resources	<u>2,057,784</u>	<u>451,128</u>	<u>99,387</u>	<u>-</u>	<u>2,157,171</u>	<u>451,128</u>	
<b>Liabilities</b>							
Other liabilities	375,732	388,519	540,773	529,433	916,505	917,952	
Long-term liabilities	406,433	458,382	-	-	406,433	458,382	
Net OPEB liability	15,593,400	13,603,735	1,281,688	1,108,040	16,875,088	14,711,775	
Net pension liability	<u>5,570,400</u>	<u>4,623,431</u>	<u>-</u>	<u>-</u>	<u>5,570,400</u>	<u>4,623,431</u>	
Total liabilities	<u>21,945,965</u>	<u>19,074,067</u>	<u>1,822,461</u>	<u>1,637,473</u>	<u>23,768,426</u>	<u>20,711,540</u>	
<b>Deferred Inflows of Resources:</b>							
Unavailable special assessment revenue	111,278	113,550	-	-	111,278	113,550	
Revenue for future year services	-	-	-	60,000	-	60,000	
Property taxes levied for following year	1,451,879	1,459,537	-	-	1,451,879	1,459,537	
OPEB related amounts	54,588	-	4,746	-	59,334	-	
Pension related amounts	<u>266,625</u>	<u>407,321</u>	<u>-</u>	<u>-</u>	<u>266,625</u>	<u>407,321</u>	
Total deferred inflows of resources	<u>1,884,370</u>	<u>1,980,408</u>	<u>4,746</u>	<u>60,000</u>	<u>1,889,116</u>	<u>2,040,408</u>	
<b>Net Position</b>							
Invested in capital assets - net of related debt	1,498,664	1,309,152	14,645,324	14,792,887	16,143,988	16,102,039	
Restricted	1,161,827	558,764	-	-	1,161,827	558,764	
Unrestricted	<u>(17,509,494)</u>	<u>(16,604,685)</u>	<u>14,317,710</u>	<u>14,876,532</u>	<u>(3,191,784)</u>	<u>(1,728,153)</u>	
<b>Total Net Position(Deficit)</b>	<b>\$ <u>(14,849,003)</u></b>	<b>\$ <u>(14,736,769)</u></b>	<b>\$ <u>28,963,034</u></b>	<b>\$ <u>29,669,419</u></b>	<b>\$ <u>14,114,031</u></b>	<b>\$ <u>14,932,650</u></b>	

The Township's combined net position for both governmental and business-type activities total \$14,114,031 for the year 2018. Net position is further segregated between restricted and unrestricted net position. The restricted net position is restricted and invested in capital assets, total \$17,305,815. Unrestricted net position, the part of net position that can be used to finance day-to-day operations, total \$(3,191,784).

## Charter Township of Blackman as a Whole (Continued)

The following table shows the change in net position for the year ended December 31, 2018 and 2017.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Revenue</b>						
Program revenue:						
Charges for service	\$ 3,163,386	\$ 2,269,668	\$ 3,265,276	\$ 3,065,740	\$ 6,428,662	\$ 5,335,408
Operating grants and contributions	97,439	64,889	-	-	97,439	64,889
Capital grants and contributions	42,968	16,863	38,850	265,647	81,818	282,510
General revenue:						
Property taxes	1,480,579	1,349,548	-	-	1,480,579	1,349,548
State sources	1,896,713	1,835,353	48,502	27,360	1,945,215	1,862,713
Investment earnings	25,437	11,261	209,731	249,970	235,168	261,231
Gain (loss) on sale of assets	21,482	37,955	-	-	21,482	37,955
Cable franchise fees	<u>244,936</u>	<u>247,674</u>	<u>-</u>	<u>-</u>	<u>244,936</u>	<u>247,674</u>
Total revenue	<u>6,972,940</u>	<u>5,833,211</u>	<u>3,562,359</u>	<u>3,608,717</u>	<u>10,535,299</u>	<u>9,441,928</u>
<b>Expenses</b>						
General government	887,585	732,994	-	-	887,585	732,994
Public Safety	5,996,811	4,918,081	-	-	5,996,811	4,918,081
Public Works	144,268	101,896	-	-	144,268	101,896
Community and economic development	38,405	30,581	-	-	38,405	30,581
Recreation	18,105	25,664	-	-	18,105	25,664
Sewer	-	-	3,861,824	3,532,997	3,861,824	3,532,997
Water	<u>-</u>	<u>-</u>	<u>406,920</u>	<u>569,624</u>	<u>406,920</u>	<u>569,624</u>
Total expenses	<u>7,085,174</u>	<u>5,809,216</u>	<u>4,268,744</u>	<u>4,102,621</u>	<u>11,353,918</u>	<u>9,911,837</u>
<b>Change in Net Position</b>	<u>\$ (112,234)</u>	<u>\$ 23,995</u>	<u>(\$ 706,385)</u>	<u>(\$ 493,904)</u>	<u>(\$ 818,619)</u>	<u>(\$ 469,909)</u>

### Governmental Activities

Governmental activities are those activities (such as public safety and street improvement and maintenance) provided to the constituents of the Township and supported by financing from property taxes and state-shared revenues.

The cost of providing services for governmental activities was \$7,085,174 for the year 2018. Additionally, revenues for governmental activities totaled \$6,972,940, which netted to a decrease in net position for the year of \$112,234.

### Business-type Activities

Business-type activities are those that are financed primarily by charges for services or user fees. The Township's business-type activities consist of the Sewer and Water Funds; these types of operations are most similar to private businesses.

## **The Township's Funds**

The fund financial statements provide detailed information about the most significant funds. The Township board of trustees creates accounting funds to segregate monies, manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds include the General Fund, Public Safety Fund, Sewer Fund, and Water Fund.

The General fund pays for most of the Township's governmental services. The most significant expenditure was Transfer to Public Safety for \$1,732,000 in audit year 2018, and \$1,500,000 in audit year 2017.

## **General Budgetary Highlights**

Over the course of the year, the Township Board monitors the budget, and if necessary, amends the budget to take into account anticipated events that occur during the year.

The following provides specific details regarding the amendments:

- The budget for General Fund total revenues were increased \$90,976 compared to the original budget.
- The budget for General Fund total expenditures increased \$66,156 compared to the original budget.
- The budget for General other financing uses increased \$515 compared to the original budget.

The following provides specific details regarding the variances between the final General Fund budget and actual results:

- The actual positive revenue variance was \$150,408.
- The actual positive expenditures variance was \$224,943.
- The actual positive other financing sources(uses) variance was \$980.
- The actual positive combined variance was \$376,331.

## **Capital Asset and Debt Administration**

At the end of the year 2018, the Township had \$16,570,145, net of accumulated depreciation and amortization, invested in capital assets (land, buildings, equipment, vehicles, and sewer and water lines). These assets are necessary to carry out the day-to-day operations of the Township. During the current year the Township purchased new public safety vehicles for \$121,469. Also, 2018 was the first year of the new voter approved Parks millage, which allowed the Township spend \$95,201 on improvements to the Township's park.

## **Economic Factors and Next Year's Budgets and Rates**

The Township Board continues to maintain a conservative approach when it comes to budgeting for future years.

## **Contacting the Township's Management**

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

## BASIC FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF BLACKMAN  
STATEMENT OF NET POSITION  
December 31, 2018

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b><u>ASSETS:</u></b>				
Cash and cash equivalents	\$ 3,275,890	\$ 1,672,679	\$ 4,948,569	\$ 997,399
Investments	29,547	13,105,977	13,135,524	-
Prepaid expenses	83,428	5,009	88,437	-
Receivables:				
Taxes	1,144,714	-	1,144,714	209,564
Accrued interest	-	75,678	75,678	-
Customers	-	596,632	596,632	-
Special assessments - current	81,559	64,227	145,786	-
Other	85,658	-	85,658	-
Due from other governments	311,874	116,131	428,005	-
Internal Balances	(13,943)	7,500	(6,443)	6,443
Inventory	-	-	-	4,982,179
Special assessments - net of current portion	-	401,697	401,697	-
Capital assets - net	1,924,821	14,645,324	16,570,145	5,737
Total assets	<u>6,923,548</u>	<u>30,690,854</u>	<u>37,614,402</u>	<u>6,201,322</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES:</u></b>				
OPEB related plan obligations	1,142,957	99,387	1,242,344	-
Pension related plan obligations	914,827	-	914,827	-
Total deferred outflows of resources	<u>2,057,784</u>	<u>99,387</u>	<u>2,157,171</u>	<u>-</u>
<b><u>LIABILITIES:</u></b>				
Accounts payable and accrued liabilities	209,400	539,910	749,310	3,164
Accrued interest	-	-	-	5,922
Compensated absences:				
Due within one year	113,132	863	113,995	-
Due in more than one year	33,247	-	33,247	-
Non-current liabilities:				
Net OPEB liability	15,593,400	1,281,688	16,875,088	-
Net pension liability	5,570,629	-	5,570,629	-
Long-term debt:				
Due within one year	53,200	-	53,200	230,908
Due in more than one year	372,957	-	372,957	2,066,071
Total liabilities	<u>21,945,965</u>	<u>1,822,461</u>	<u>23,768,426</u>	<u>2,306,065</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>				
Unavailable special assessment revenue	111,278	-	111,278	-
Revenue for future year services	-	-	-	-
Property taxes levied for following year	1,451,879	-	1,451,879	207,724
OPEB related plan obligations	54,588	4,746	59,334	-
Pension related plan obligations	266,625	-	266,625	-
Total deferred inflows of resources	<u>1,884,370</u>	<u>4,746</u>	<u>1,889,116</u>	<u>207,724</u>
<b><u>NET POSITION:</u></b>				
Invested in capital assets - net of related debt	1,498,664	14,645,324	16,143,988	5,737
Restricted:				
Metro Authority	83,481	-0-	83,481	-
Street light services	138,561	-0-	138,561	-
Public Safety	910,238	-0-	910,238	-
Perpetual care-expendable	13,701	-0-	13,701	-
Perpetual care-nonexpendable	15,846	-0-	15,846	-
Unrestricted	(17,509,494)	14,317,710	(3,191,784)	3,681,796
Total net position (deficit)	<u>\$ (14,849,003)</u>	<u>\$ 28,963,034</u>	<u>\$ 14,114,031</u>	<u>\$ 3,687,533</u>

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

CHARTER TOWNSHIP OF BLACKMAN  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2018

<u>Functions/Programs</u>	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>PRIMARY GOVERNMENT:</b>				
<b>GOVERNMENTAL</b>				
<b>ACTIVITIES:</b>				
General government	\$ 887,585	\$ 300,322	\$ -	\$ 37,544
Public safety	5,996,811	2,735,759	97,439	5,424
Public works	144,268	113,550	-	-
Community and economic development	38,405	9,585	-	-
Recreation	18,105	4,170	-	-
Total governmental activities	7,085,174	3,163,386	97,439	42,968
<b><u>BUSINESS-TYPE</u></b>				
<b>ACTIVITIES:</b>				
Sewer	3,861,824	3,038,850	-	24,725
Water	406,920	226,426	-	14,125
Total business-type activities	4,268,744	3,265,276	-	38,850
Total primary government	\$ 11,353,918	\$ 6,428,662	\$ 97,439	\$ 81,818
<b>COMPONENT UNITS:</b>				
Local Development Finance Authority	51,444	-	-	-
Downtown Development Authority	115,005	3,000	-	-
Total business-type activities	\$ 166,449	\$ 3,000	\$ -	\$ -

**GENERAL REVENUES:**

Property taxes  
Captured taxes  
State sources  
Investment earnings  
Gain (loss) on sale of assets  
Cable franchise fees  
Total general revenues

**CHANGES IN NET POSITION**

**NET POSITION (DEFICIT)- BEGINNING OF  
YEAR (RESTATED)**

**NET POSITION (DEFICIT) - END OF YEAR**

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

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total	Component Units
\$ (549,719)	\$ -	\$ (549,719)	\$ -
(3,158,189)	-	(3,158,189)	-
(30,718)	-	(30,718)	-
	-	-	-
(28,820)	-	(28,820)	-
(13,935)	-	(13,935)	-
<u>(3,781,381)</u>	<u>-</u>	<u>(3,781,381)</u>	<u>-</u>
	(798,249)	(798,249)	-
	(166,369)	(166,369)	-
	(964,618)	(964,618)	-
<u>(3,781,381)</u>	<u>(964,618)</u>	<u>(4,745,999)</u>	<u>-</u>
			(51,444)
			(112,005)
			(163,449)
1,480,579	-	1,480,579	-
-	-	-	418,034
1,896,713	48,502	1,945,215	106,657
25,437	209,731	235,168	1,956
21,482	-	21,482	-
244,936	-	244,936	-
<u>3,669,147</u>	<u>258,233</u>	<u>3,927,380</u>	<u>526,647</u>
(112,234)	(706,385)	(818,619)	363,198
<u>(14,736,769)</u>	<u>29,669,419</u>	<u>14,932,650</u>	<u>3,324,335</u>
<u>\$ (14,849,003)</u>	<u>\$ 28,963,034</u>	<u>\$ 14,114,031</u>	<u>\$ 3,687,533</u>

BLACKMAN CHARTER TOWNSHIP  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
December 31, 2018

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Public Safety Fund</u>	<u>Other Non-Major Funds</u>	
<b><u>ASSETS:</u></b>				
Cash and cash equivalents	\$ 1,813,680	\$ 977,297	\$ 514,460	\$ 3,305,437
Prepaid expenses	19,007	58,389	6,032	83,428
Receivables:				
Taxes	308,374	742,039	94,301	1,144,714
Special assessments	-	-	81,559	81,559
Other	62,658	23,000	-	85,658
Due from other governments	304,099	7,775	-	311,874
Due from other funds	13,175	12,524	-	25,699
	<u>13,175</u>	<u>12,524</u>	<u>-</u>	<u>25,699</u>
Total assets	\$ <u>2,520,993</u>	\$ <u>1,821,024</u>	\$ <u>696,352</u>	\$ <u>5,038,369</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</u></b>				
Liabilities:				
Accounts payable	\$ 19,801	\$ 89,460	\$ 20,181	\$ 129,442
Accrued liabilities	14,832	63,164	1,963	79,959
Due to other funds	20,024	-	13,175	33,199
Due to component units	6,443	-	-	6,443
Total liabilities	<u>61,100</u>	<u>152,624</u>	<u>35,319</u>	<u>249,043</u>
Deferred inflows of resources:				
Unavailable special assessment	-	-	111,278	111,278
Property taxes levied for following year	391,120	941,155	119,604	1,451,879
Total deferred inflows of resources	<u>391,120</u>	<u>941,155</u>	<u>230,882</u>	<u>1,563,157</u>
Fund balance:				
Nonspendable:				
Prepaid items	19,007	58,389	6,032	83,428
Permanent fund corpus	-	-	15,846	15,846
Restricted:				
Metro Authority	83,481	-	-	83,481
Public Safety	-	668,857	241,381	910,238
Public Works	-	-	138,561	138,561
Recreation	-	-	14,630	14,630
Permanent fund spendable portion	-	-	13,701	13,701
Unassigned	1,966,285	-	-	1,966,285
Total fund balances	<u>2,068,773</u>	<u>727,246</u>	<u>430,151</u>	<u>3,226,170</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>2,520,993</u>	\$ <u>1,821,025</u>	\$ <u>696,352</u>	\$ <u>5,038,370</u>

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

BLACKMAN CHARTER TOWNSHIP  
RECONCILIATION OF FUND BALANCES ON THE  
BALANCE SHEET FOR GOVERNMENTAL FUNDS  
THE STATEMENT OF NET POSITION  
December 31, 2018

Fund balances - total governmental funds	\$	3,226,170
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets are used in governmental activities are not financial resources and are not reported in the funds, net of depreciation		1,924,821
---	--	-----------

Differences between expected and actual experiences, assumption changes and net differences between projected actual earnings are recognized as deferred outflows and inflows of resources on the statement of net position		1,736,571
---	--	-----------

Long-term liabilities not due and payable in the current period and are not reported in the governmental funds:

Note payable		(426,157)
Compensated absences		(146,379)
Net OPEB liability		(15,593,400)
Net pension liability		<u>(5,570,629)</u>

Net position of governmental activities	\$	<u><u>(14,849,003)</u></u>
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The accompanying notes are an integral part of the financial statements.

BLACKMAN CHARTER TOWNSHIP  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
Year Ended December 31, 2018

	General Fund	Public Safety Fund	Other Non-Major Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes and penalties	\$ 673,209	\$ 957,027	\$ 118,509	\$ 1,748,745
Licenses and permits	255,046	-	176,246	431,292
Federal sources	-	4,558	-	4,558
State sources	1,885,245	1,139,512	-	3,024,757
Contribution from local units	-	1,404,303	-	1,404,303
Fines and forfeitures	-	74,378	-	74,378
Charges for services	26,333	22,248	4,650	53,231
Interest	24,421	-	1,016	25,437
Other revenues	4,818	65,674	114,264	184,756
Total revenues	<u>2,869,072</u>	<u>3,667,700</u>	<u>414,685</u>	<u>6,951,457</u>
<b>EXPENDITURES</b>				
Current:				
General government	630,180	-	-	630,180
Public safety	-	4,526,604	193,601	4,720,205
Public works	11,923	-	132,345	144,268
Community and economic development	38,405	-	-	38,405
Recreation	-	-	14,272	14,272
Other	4,618	3,677	-	8,295
Capital outlay	92,528	229,163	95,201	416,892
Debt service	-	64,212	-	64,212
Total expenditures	<u>777,654</u>	<u>4,823,656</u>	<u>435,419</u>	<u>6,036,729</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>2,091,418</u>	<u>(1,155,956)</u>	<u>(20,734)</u>	<u>914,728</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of capital assets	1,572	46,655	-	48,227
Operating transfers in	-	1,732,000	-	1,732,000
Operating transfers (out)	(1,732,000)	-	-	(1,732,000)
Total other financing sources (uses)	<u>(1,730,428)</u>	<u>1,778,655</u>	<u>-</u>	<u>48,227</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	360,990	622,699	(20,734)	962,955
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,707,783</u>	<u>104,547</u>	<u>450,885</u>	<u>2,263,215</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 2,068,773</u>	<u>\$ 727,246</u>	<u>\$ 430,151</u>	<u>\$ 3,226,170</u>

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

BLACKMAN CHARTER TOWNSHIP  
RECONCILIATION OF STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
December 31, 2018

Net change in fund balance - total governmental funds \$ 962,955

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

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation and when disposed of remaining basis is offset against the proceeds 390,146

Depreciation on capital assets is reported as part of governmental activities. (252,399)

Principal portion of note payments are recorded as expenditures in the governmental funds, but on the statement of expenditures 51,764

Accumulated employee vacation pay, recorded when earned in the statement of activities - change in accrual. (20,601)

Non-current liability for other post-employment benefits are not reported as expenditures in the funds. (901,296)

Non-current benefit for pension benefits are not reported as expenditures in funds. (342,803)

Changes in net position of governmental activities \$ (112,234)

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

BLACKMAN CHARTER TOWNSHIP  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION

December 31, 2018

	Business-Type Activities Enterprise Funds		Total
	Sewer Fund	Water Fund	
<b><u>ASSETS:</u></b>			
Current assets:			
Cash and cash equivalents	\$ 812,768	\$ 859,911	\$ 1,672,679
Investments	10,535,651	2,570,326	13,105,977
Prepaid expenses	4,791	218	5,009
Receivables:			
Accrued interest	52,276	23,402	75,678
Customers	596,632	-	596,632
Special assessments - current	52,253	11,974	64,227
Due from other governments	59,960	56,171	116,131
Due from other funds	3,750	3,750	7,500
Total current assets	12,118,081	3,525,752	15,643,833
Non-current assets:			
Special assessments - net of current portion	374,712	26,985	401,697
Capital assets - net	6,756,334	7,888,990	14,645,324
Total non-current assets	7,131,046	7,915,975	15,047,021
Total assets	19,249,127	11,441,727	30,690,854
<b><u>DEFERRED OUTFLOWS OF RESOURCES:</u></b>			
OPEB related plan obligations	86,964	12,423	99,387
Total deferred outflows of resources	86,964	12,423	99,387
<b><u>LIABILITIES:</u></b>			
Current liabilities:			
Accounts payable	531,579	3,741	535,320
Accrued expenses	4,241	349	4,590
Total current liabilities	535,820	4,090	539,910
Non-current liabilities:			
Compensated absences	863	-	863
Net OPEB liability	1,141,689	139,999	1,281,688
Total non-current liabilities	1,142,552	139,999	1,282,551
Total liabilities	1,678,372	144,089	1,822,461
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>			
OPEB related plan obligations	4,153	593	4,746
Total deferred inflows of resources	4,153	593	4,746
<b><u>NET POSITION:</u></b>			
Invested in capital assets - net of related debt	6,756,334	7,888,990	14,645,324
Unrestricted	10,897,232	3,420,478	14,317,710
Total net position	\$ 17,653,566	\$ 11,309,468	\$ 28,963,034

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

BLACKMAN CHARTER TOWNSHIP  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION  
 Year Ended December 31, 2018

	Business-Type Activities Enterprise Funds		Total
	Sewer Fund	Water Fund	
<b>OPERATING REVENUES:</b>			
Charges for services and penalties	\$ 3,038,850	\$ 226,426	\$ 3,265,276
Operating grant	48,502	-	48,502
Total revenues	3,087,352	226,426	3,313,778
<b>OPERATING EXPENDITURES:</b>			
Treatment fees	1,972,906	-	1,972,906
Operation and maintenance	1,317,496	62,111	1,379,607
General and administrative	312,913	83,433	396,346
Depreciation and amortization	258,509	261,376	519,885
Total operating expenditures	3,861,824	406,920	4,268,744
<b>OPERATING INCOME (LOSS)</b>	<b>(774,472)</b>	<b>(180,494)</b>	<b>(954,966)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Connection fees	24,725	14,125	38,850
Net investment income	171,716	38,015	209,731
Total non-operating revenues - net	196,441	52,140	248,581
<b>CHANGES IN NET POSITION</b>	<b>(578,031)</b>	<b>(128,354)</b>	<b>(706,385)</b>
<b>NET POSITION - BEGINNING OF YEAR (RESTATED)</b>	<b>18,231,597</b>	<b>11,437,822</b>	<b>29,669,419</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 17,653,566</b>	<b>\$ 11,309,468</b>	<b>\$ 28,963,034</b>

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

BLACKMAN TOWNSHIP  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 Year Ended December 31, 2018

	Business-Type Activities		
	Enterprise Funds		
	Sewer Fund	Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 2,905,049	\$ 225,910	\$ 3,130,959
Payments to employees	(209,186)	(24,283)	(233,469)
Payments to suppliers	(3,318,645)	(108,795)	(3,427,440)
Internal activity - payment (to) from other funds	-	-	-
Net cash provided (used) by operating activities	<u>(622,782)</u>	<u>92,832</u>	<u>(529,950)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Connection fees and capital contributions	116,693	32,170	148,863
Construction/acquisition of capital assets	<u>(363,755)</u>	<u>(8,568)</u>	<u>(372,323)</u>
Net cash provided (used) by capital and related financing activities	<u>(247,062)</u>	<u>23,602</u>	<u>(223,460)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	199,332	45,440	244,772
Proceeds from sales and maturities from investments	1,122,989	817,313	1,940,302
Purchase of investments	<u>(1,429,724)</u>	<u>(923,379)</u>	<u>(2,353,103)</u>
Net cash provided (used) by investing activities	<u>(107,403)</u>	<u>(60,626)</u>	<u>(168,029)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(977,247)	55,808	(921,439)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,790,015</u>	<u>804,103</u>	<u>2,594,118</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 812,768</u>	<u>\$ 859,911</u>	<u>\$ 1,672,679</u>

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

BLACKMAN CHARTER TOWNSHIP  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS (Continued)  
 Year Ended December 31, 2018

	Business-Type Activities Enterprise Funds		Total
	Sewer Fund	Water Fund	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ (774,472)	\$ (180,494)	\$ (954,966)
Adjustment to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation and amortization	258,509	261,376	519,885
Changes in assets and liabilities:			
Prepaid expenses	(2,432)	36	(2,396)
Receivables	(95,922)	-	(95,922)
Due from other governments	(26,381)	(516)	(26,897)
Due (to) from other funds and component units	-	-	-
Accounts payable and other accrued liabilities	<u>17,916</u>	<u>12,430</u>	<u>30,346</u>
Net cash provided (used) by operating activities	<u>\$ (622,782)</u>	<u>\$ 92,832</u>	<u>\$ (529,950)</u>

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

CHARTER TOWNSHIP OF BLACKMAN  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
December 31, 2018

ASSETS:

Cash and cash equivalents	\$ <u>997,891</u>
Total assets	\$ <u><u>997,891</u></u>

LIABILITIES:

Due to others	\$ 79,372
Due to other government units	<u>918,519</u>
Total liabilities	\$ <u><u>997,891</u></u>

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

CHARTER TOWNSHIP OF BLACKMAN  
 COMPONENT UNITS  
 STATEMENT OF NET POSITION  
 December 31, 2018

	<u>Local Development Finance Authority</u>	<u>Downtown Development Authority</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and cash equivalents	\$ 233,194	\$ 764,205	\$ 997,399
Receivables:			
Taxes	60,414	149,150	209,564
Due from primary governments	-	6,443	6,443
Inventory	1,013,161	3,969,018	4,982,179
Capital assets - net	<u>5,737</u>	<u>-</u>	<u>5,737</u>
 Total assets	 <u>1,312,506</u>	 <u>4,888,816</u>	 <u>6,201,322</u>
 <u>LIABILITIES:</u>			
Accounts payable	2,657	507	3,164
Accrued interest	1,637	4,285	5,922
Long-term debt:			
Due within one year	30,908	200,000	230,908
Due in more than one year	<u>141,071</u>	<u>1,925,000</u>	<u>2,066,071</u>
 Total liabilities	 <u>176,273</u>	 <u>2,129,792</u>	 <u>2,306,065</u>
 <u>DEFERRED INFLOWS OF RESOURCES:</u>			
Property taxes levied for following year	 <u>58,707</u>	 <u>149,017</u>	 <u>207,724</u>
 <u>NET POSITION:</u>			
Invested in capital assets - net of related debt	5,737	-	5,737
Unrestricted	<u>1,071,789</u>	<u>2,610,007</u>	<u>3,681,796</u>
 Total net position	 <u>\$ 1,077,526</u>	 <u>\$ 2,610,007</u>	 <u>\$ 3,687,533</u>

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

CHARTER TOWNSHIP OF BLACKMAN  
 COMPONENT UNITS  
 STATEMENT OF ACTIVITIES  
 Year Ended December 31, 2018

		Program Revenues		
Expenses	Charges Services	Operating Grants and Contributions	Capital Grants and Contributions	
Local Development Finance Authority - Community Development	\$ 51,444	\$ -	\$ -	\$ -
Downtown Development Authority - Community Development	115,005	3,000	-	-
Total component units	\$ 166,449	\$ 3,000	\$ -	\$ -

GENERAL REVENUES:

Captured taxes  
 State sources  
 Interest

Total general revenues

CHANGES IN NET POSITION

NET POSITION - BEGINNING OF YEAR

NET POSITION - END OF YEAR

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

Net (Expense) Revenue  
and Changes in Net Position

Local Development Finance	Downtown Development Authority	Total
\$ (51,444)	\$ -	\$ (51,444)
-	(112,005)	(112,005)
(51,444)	(112,005)	(163,449)
183,303	234,731	418,034
73,535	33,122	106,657
36	1,920	1,956
256,874	269,773	526,647
205,430	157,768	363,198
872,096	2,452,239	3,324,335
\$ 1,077,526	\$ 2,610,007	\$ 3,687,533

CHARTER TOWNSHIP OF BLACKMAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Charter Township of Blackman is governed by an elected seven (7) member board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The following component units are reported within the component unit column in the combined financial statements. Separate financial statements are not issued for these component units. They are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township (see discussion below for description).

Local Development Finance Authority

The Local Development Finance Authority (L.D.F.A.) which was created pursuant to the provisions of Public Act 281 of 1986, is governed by an eleven (11) member board, which consists of seven (7) representatives appointed by the Charter Township of Blackman, one (1) representative appointed by Jackson College, two (2) representatives of Northwest School District, and one (1) representative appointed by the County of Jackson.

The L.D.F.A. was established to finance the acquisition and development of an industrial site in the Township. Subsequently the initial plan was amended and the boundary expanded. In 2008 the expanded properties in the L.D.F.A. received the designation of the Jackson Technology Park SmartZone, as one of the new SmartZones in Michigan. SmartZones provide distinct geographical locations where technology-based firms, entrepreneurs and researchers can locate in close proximity to each other and the community assets they need. The L.D.F.A. captures real and personal property taxes within the district over the initial assessed value of the same property, multiplied by the millage rates (operating only) of all applicable units of government.

There are no separately issued financial statements for the L.D.F.A. component unit.

CHARTER TOWNSHIP OF BLACKMAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Downtown Development Authority

The Downtown Development Authority of the Charter Township of Blackman (D.D.A.) was established as a legally separate entity and is governed by a nine (9) member board appointed by the Charter Township of Blackman. This authority was established to finance improvements to the Township's water supply system serving the downtown development district. The plan was amended to expand the boundaries and provide for the construction of sidewalks, a bike path, and an access drive. The revenues of this authority consist of captured real and personal property taxes within the district over the initial assessed value of the same property (assessed value at the time of the D.D.A.'s creation, multiplied by the millage rate of all applicable units of government).

There are no separately issued financial statements for the D.D.A. component unit.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from a legally separate component unit for which the primary government is financially accountable.

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 who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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

CHARTER TOWNSHIP OF BLACKMAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary funds, fiduciary fund, and component units' financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability. All other revenue items are considered to be available only when cash is received by the Township.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes and state-shared revenue.

Public Safety Fund - The Public Safety Fund is used to account for all the activities of the Township's Public Safety Department. It also accounts for the use of property taxes received under a specially voted millage.

CHARTER TOWNSHIP OF BLACKMAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The Township reports the following major proprietary funds:

Sewer Fund - The Sewer Fund is used to account for the results of operations for providing sewer service. The primary revenues are generated through user charges from those requesting sewer service.

Water Fund - The Water Fund is used to account for the results of operations for providing water service. The fund's primary revenues are generated through user charges from those requesting water service.

Additionally, the Township reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Permanent Fund - The Permanent Fund accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for perpetual care of cemetery lots.

Agency Funds - The Agency Funds account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, and other governments.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's sewer and water function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The sewer fund directly bills customers for their usage. The water fund billing is provided through a contractual agreement with the City of Jackson. The City bills 160% of its billing and readiness charges and then forwards 60% to the Township. The City also charges 125% of its commodity charge, but retains the entire charge. The sewer and water fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

CHARTER TOWNSHIP OF BLACKMAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

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

The 2017 taxable valuation of the Township totaled approximately \$496,028,000 on which ad valorem taxes levied consisted of .8174 mills for operating purposes and 1.9668 mills for Public Safety. These tax amounts are recognized in the General Fund, Special Revenue Fund and discrete component unit's financial statements as tax revenue (net of reductions for delinquent amounts and prior year tax tribunal changes).

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Equity

Bank Deposits 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.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are considered to be fully collectible.

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

Inventory - Component unit inventory consists of land and infrastructure improvements held for resale and are valued at cost.

CHARTER TOWNSHIP OF BLACKMAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Equity (Continued)

Capital Assets - Capital assets, which include property, plant, and equipment, 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 \$1,000 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.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 to 45 years
Sewer and water transportation lines	50 years
Furnishings and equipment	3 to 10 years
Vehicles	3 to 25 years
Land improvements	25 years
Access rights	11 years

Deferred Outflows/Inflows of Resources – The Township reports decreases in net assets that relate to future periods as deferred outflows of resources reported in a separate section of its government-wide and proprietary funds statements of net position. Deferred outflows of resources reported in the financial statements include amounts related to the differences between the expected and actual demographics for the Townships defined benefit net pension liability and net OPEB liability. The deferred amounts related to the actuarial assumptions for demographic factors will be recognized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan. No deferred outflows of resources affect the governmental funds financial statements.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, reflects an increase in net assets that applies to future periods. The Township has three types of items, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. The Township reports unavailable revenues from property taxes, special assessments, and captured property taxes. Unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CHARTER TOWNSHIP OF BLACKMAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Equity (Continued)

Compensated Absences - It is the Township's policy to not permit employees to accumulate earned but unused sick pay benefits if the time is not used within a year following the date of their anniversary. There is no liability for unpaid sick pay since the Township does not have a policy to pay any amounts when employees separate from service with the Township. It is the policy to permit eligible employees to accumulate earned but unused vacation pay benefits. Employees may accrue and carryover at their anniversary date, up to forty hours of vacation time. Vacation 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.

Long-term Obligations - In the government-wide financial statements and 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, as well as issuance costs, 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 premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

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

Other Postemployment Benefit Costs (OPEB) - The Township offers retiree healthcare benefits to retirees. The Township receives a calculation in accordance with GASB No. 75 to compute the total OPEB liability. In the governmental funds, OPEB costs are recognized as premiums are paid or additional contributions are made to the trust. For the government-wide statements, the Township reports the full accrual cost equal to the change in the total OPEB liability for the year.

CHARTER TOWNSHIP OF BLACKMAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Equity (Continued)

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted - Amounts that are legally restricted by outside parties, constitutional provisions or enabling legalization for use for specific purpose.
- Committed - Amounts that can be used only for specific purposes determined by a formal action by the Township Board ordinance or resolution.
- Assigned - Amounts that are designated by the Supervisor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval by the Township Board.
- Unassigned - Amounts that do not fall into any other category above. This is the residual classification of amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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.

CHARTER TOWNSHIP OF BLACKMAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

2. CHANGE IN ACCOUNTING

During the current year, the Township adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB)*. As a result, the government-wide statements and the proprietary funds now include a liability for unfunded legacy costs. Refer to the OPEB footnote for further details. This change does not impact the General Fund or any other governmental fund.

As a result of implementing this statement, the beginning governmental activities and business-type activities net position were restated to (\$14,736,769) and \$29,669,419 (a reduction of \$10,494,776 for governmental activities and \$912,589 for business-type activities). The beginning net position for the Sewer and Water Funds were restated to \$18,231,597 and \$11,437,822 (a reduction of \$798,515 for Sewer Fund and \$114,074 for Water Fund).

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and all Special Revenue Funds. All annual appropriations lapse at year end. The proposed budget is submitted to the Township Board 120 days prior to the beginning of the next year. Public hearings are held, and a final budget is adopted no later than December 31. The Township Board must approve any budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control is the department level.

The Township does not utilize encumbrance accounting.

4. 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 which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the board of trustees in accordance with Public Act 196 of 1997, has authorized investment in the investments in the preceding paragraph. The Township's deposit and investment policy is in accordance with statutory authority.

CHARTER TOWNSHIP OF BLACKMAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

4. DEPOSITS AND INVESTMENTS (Continued)

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township and its component unit had \$11,145,352 and \$997,399 of bank deposits (certificates of deposit, checking and savings accounts), respectively, of which \$4,825,185 and \$483,194 were covered by federal depository insurance, respectively, and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. Certificates of deposit and money market accounts are included in the above totals.

Interest Rate Risk

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

<u>Investment</u>	<u>Fair Value</u>	<u>Less than One Year</u>	<u>1 to 5 Years</u>	<u>6 to 10 Years</u>	<u>More than 10 Years</u>
Primary Government					
U.S. agency securities	\$7,876,658	\$ 395,549	\$3,099,264	\$3,338,643	\$1,043,202
Negotiable certificates of deposit	5,229,319	1,434,908	3,594,411	200,000	-
Bank investment pools	29,547	29,547	-	-	-

Credit Risk

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

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
U.S. agency securities	\$ 7,381,469	AAA	S&P
U.S. agency securities	495,189	AA+	S&P
Negotiable certificates of deposit	5,229,319	Not rated	N/A
Bank investment pools	<u>29,547</u>	Not rated	N/A
Total	\$ <u>13,135,524</u>		

CHARTER TOWNSHIP OF BLACKMAN  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2018

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

- U.S. agency securities of \$7,876,658 valued using matrix pricing model (Level 2 inputs)
- Negotiable certificates of deposit of \$5,229,319 valued using matrix pricing model (Level 2 inputs)
- The Township's investment in Comerica Government Cash Investment Fund of \$29,547 is measured at net asset value (NAV)

Summary of deposit and investment balances. The following is a reconciliation of deposit and investment balances as of December 31, 2018.

Deposits (including deposits in transit at year end)	\$ 6,942,329
Investments	13,135,524
Cash on hand	<u>1,530</u>
	<u>\$ 20,079,383</u>
Cash and cash equivalents:	
Township wide	4,948,569
Component units	997,399
Agency funds (fiduciary funds)	997,891
Investments:	
Township wide	<u>13,135,524</u>
	<u>\$ 20,079,383</u>

CHARTER TOWNSHIP OF BLACKMAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

5. CAPITAL ASSETS

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

	Balance January 1, 2018	Additions	Disposals	Balance December 31, 2018
Primary Government:				
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 67,384	\$ -	\$ -	\$ 67,384
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>67,384</u>	<u>-</u>	<u>-</u>	<u>67,384</u>
Capital assets being depreciated:				
Buildings and improvements	1,246,589	127,762	-	1,374,351
Furniture and equipment	797,193	167,661	108,856	855,998
Vehicles	2,277,130	121,469	58,423	2,340,176
Land improvements	<u>275,544</u>	<u>-</u>	<u>-</u>	<u>275,544</u>
Total capital assets being depreciated	<u>4,596,456</u>	<u>416,892</u>	<u>167,279</u>	<u>4,846,069</u>
Less: accumulated depreciation:				
Buildings and improvements	674,298	29,102	-	703,400
Furniture and equipment	682,820	55,274	106,642	631,452
Vehicles	1,407,692	157,002	33,892	1,530,802
Land improvements	<u>111,957</u>	<u>11,021</u>	<u>-</u>	<u>122,978</u>
Total accumulated depreciation	<u>2,876,767</u>	<u>252,399</u>	<u>140,534</u>	<u>2,988,632</u>
Total capital assets being depreciated - net	<u>1,719,689</u>	<u>164,493</u>	<u>26,745</u>	<u>1,857,437</u>
Total capital assets - net	<u>\$ 1,787,073</u>	<u>\$ 164,493</u>	<u>\$ 26,745</u>	<u>\$ 1,924,821</u>

CHARTER TOWNSHIP OF BLACKMAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

5. CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>January 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>December 31, 2018</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ <u>8,675</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>8,675</u>
Capital assets being depreciated:				
Buildings and improvements	1,636,207	154,827	-	1,791,034
Sewer and water transportation lines	26,298,423	212,650	-	26,511,073
Equipment	<u>413,648</u>	<u>4,846</u>	<u>48,460</u>	<u>370,034</u>
Total capital assets being depreciated	<u>28,348,278</u>	<u>372,323</u>	<u>48,460</u>	<u>28,672,141</u>
Less: accumulated depreciation:				
Buildings and improvements	599,669	40,543	-	640,212
Sewer and water transportation lines	12,612,749	474,964	-	13,087,713
Equipment	<u>351,649</u>	<u>4,378</u>	<u>48,460</u>	<u>307,567</u>
Total accumulated depreciation	<u>13,564,067</u>	<u>519,885</u>	<u>48,460</u>	<u>14,035,492</u>
Total capital assets being depreciated - net	<u>14,784,211</u>	<u>(147,559)</u>	<u>-</u>	<u>14,636,649</u>
Total capital assets - net	<u>\$14,792,886</u>	<u>(\$ 147,562)</u>	<u>\$ -</u>	<u>\$14,645,324</u>
Component Units:				
Capital assets being depreciated:				
Building and improvements	\$ <u>11,225</u>	\$ <u>-</u>	\$ <u>--</u>	\$ <u>11,225</u>
Total capital assets being depreciated	<u>11,225</u>	<u>-</u>	<u>-</u>	<u>11,225</u>
Less: accumulated depreciation:				
Building and improvements	<u>4,739</u>	<u>749</u>	<u>-</u>	<u>5,488</u>
Total accumulated depreciation	<u>4,739</u>	<u>749</u>	<u>-</u>	<u>5,488</u>
Total capital assets being depreciated - net	<u>\$ 6,486</u>	<u>\$(749)</u>	<u>\$ -</u>	<u>\$ 5,737</u>

CHARTER TOWNSHIP OF BLACKMAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

5. CAPITAL ASSETS (Continued)

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

Governmental activities:		
General government	\$	39,626
Public Safety		208,940
Recreation		<u>3,833</u>
Total governmental activities	\$	<u><u>252,399</u></u>
Business-type activities:		
Sewer Fund	\$	258,509
Water Fund		<u>261,376</u>
Total business-type activities	\$	<u><u>519,885</u></u>
Component units:		
L.D.F.A.	\$	<u>749</u>

6. 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	Building Fund	\$ 5,744
	Parks Fund	541
	Street Lights Fund	<u>6,890</u>
		\$ <u><u>13,175</u></u>
Public Safety Fund	General Fund	\$ <u><u>12,524</u></u>
Sewer Fund	General Fund	\$ <u><u>3,750</u></u>
Water Fund	General Fund	\$ <u><u>3,750</u></u>
Due to Component Unit/from Primary Government:		
Downtown Development Fund	General Fund	\$ <u><u>6,443</u></u>

Interfund transfers reported in the fund financial statements for the year ended December 31, 2018, are as follows:

	<u>Transfers in</u>	<u>Transfers (out)</u>
General Fund	\$ -	\$ 1,732,000
Public Safety Fund	1,732,000	-

The interfund transfers from the General Fund to the Public Safety Fund are to subsidize the operations.

CHARTER TOWNSHIP OF BLACKMAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

7. LONG-TERM OBLIGATIONS

Installment Purchase Agreements - The Township entered into an installment purchase agreement to finance the construction of a fire truck. The LDFA entered into an installment purchase agreement to finance the purchase of investment land.

General Obligation Bonds - 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. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the district) are received.

Long-term obligation activity can be summarized as follows:

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Primary Government:						
Governmental activities:						
Compensated absences			\$ 125,778	\$ 20,601	\$ 146,379	\$ 113,132
Installment purchase agreement to purchase fire truck, issue amount \$561,108, monthly payments of \$5,351, including interest 2.74%			<u>477,921</u>	<u>(51,764)</u>	<u>426,157</u>	<u>53,200</u>
Total governmental activities			<u>\$ 603,699</u>	<u>(\$ 31,163)</u>	<u>\$ 572,536</u>	<u>\$ 166,332</u>
Business-type activities:						
Compensated absences			\$ <u>2,029</u>	\$ <u>149</u>	\$ <u>2,178</u>	\$ <u>1,314</u>
Total business-type activities			<u>\$ 2,029</u>	<u>\$ 149</u>	<u>\$ 2,178</u>	<u>\$ 1,314</u>
Component Units:						
General obligation Limited Tax Bond to purchase land, DDA, issue amount \$3,380,000 maturity through 2027	1.200 - 5.75% before 45% Build American Bond interest credit	\$80,000 - 300,000	2,325,000	(200,000)	2,125,000	200,000
Installment purchase agreement to purchase land, LDFA issue amount \$307,400, annual payment of \$18,206, including interest 3.29%			-	307,400 <u>(135,421)</u>	<u>171,979</u>	<u>30,908</u>
Total component units			<u>\$ 2,325,000</u>	<u>(\$ 28,021)</u>	<u>\$ 2,296,979</u>	<u>\$ 230,908</u>

CHARTER TOWNSHIP OF BLACKMAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

7. LONG-TERM OBLIGATIONS (Continued)

For the governmental activities, compensated absences are liquidated by general and public safety activities.

Annual debt service requirement to maturity for the above obligations are as follows:

	Governmental Activities			Business-Type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 53,200	\$ 11,012	\$ 64,212	\$ -	\$ -	\$ -	\$ 230,908	119,137	350,045
2020	54,676	9,536	64,212	-	-	-	232,013	108,481	340,494
2021	56,194	8,018	64,212	-	-	-	258,091	96,086	354,177
2022	57,753	6,459	64,212	-	-	-	259,205	82,034	341,239
2023	59,335	4,877	64,212	-	-	-	260,356	67,945	328,301
2024-2027	<u>144,999</u>	<u>4,829</u>	<u>149,828</u>	-	-	-	<u>1,056,406</u>	<u>125,169</u>	<u>1,181,575</u>
Total	<u>\$ 426,157</u>	<u>\$ 44,731</u>	<u>\$ 470,888</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,296,979</u>	<u>\$ 598,852</u>	<u>\$ 2,895,831</u>

8. RISK MANAGEMENT

The Charter Township of Blackman is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker’s compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for employee injury and medical claims, and participates in the Michigan Township Participating Plan risk pool for claims relating to property loss, torts and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township Participating Plan risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Administration

The Township administers a single-employer, defined benefit post-employment health insurance plan. This plan does not include the pension benefits discussed in Note 13. The Bookkeeper is responsible for administration of the plan in accordance with the Township Board oversight. The plan is funded on a pay-as-you-go basis and there is no irrevocable trust established for the plan. The Township has not accumulated assets for the future payment of OPEB benefit payments. A legal trust has been established for the plan subsequent to December 31, 2018.

CHARTER TOWNSHIP OF BLACKMAN  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2018

9. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Plan Membership

As of December 31, 2018, plan members consisted of the following:

Active employees	42
Retirees	<u>44</u>
Total participants	<u>86</u>

Benefits Provided

The Township provides medical, dental, and prescription insurance benefits for retired employees meeting specific age and years of continued service requirements. The Township will provide 100% of premiums for retirees prior to 2017 and 80% of premiums for retirees starting in 2017 medical, dental, and prescription insurance coverage comparable to that provided to active employees. Retired employees have the option of receiving an annual benefit of 50% of the employer cost in lieu of coverage.

Contributions

Employees do not contribute to the plan during their active service. The Township contributes amounts sufficient to cover OPEB benefit payments as they come due. The Township contributed \$312,449 to provide insurance coverage for retired employees for the year ended December 31, 2018. Subsequent to December 31, 2018, a legal trust was created and the normal cost of \$5,341 for employees hired after June 30, 2018, was deposited into the trust.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age Normal Cost Method
Salary increases	3.5%
Inflation	Implicit in expected payroll increases
Municipal Bond Rate	3.00% of 20-year Aa Municipal bond rate
Health cost trend rates	PA 202 uniform trend
Mortality	RP-2014 adjusted to 2006 Total Data Set with MP-2018 mortality improvement

CHARTER TOWNSHIP OF BLACKMAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

Discount Rate

The discount rate used to measure the OPEB liability was 3.00%. Because the plan did not have a dedicated OPEB trust as of December 31, 2018, there are no assets projected to be sufficient to make projected future benefit payments for current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the “deletion date”), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. The discount rate used for December 31, 2017 was 3.51%.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at December 31, 2017	\$ 14,711,775
Changes for the year:	
Service Cost	280,699
Interest in total OPEB liability	520,753
Experience (Gains)/Losses	(84,245)
Changes in assumptions	1,763,897
Benefit payments	(317,791)
Other	<u>-</u>
Net changes	<u>2,163,313</u>
Balance at December 31, 2018	\$ <u>16,875,088</u>

Sensitivity of the Total OPEB Liability to changes in the discount rate

The following table represents the total OPEB Liability of the Township, calculated using the discount rate of 3.00%, as well as what the Township’s total OPEB Liability would be using a discount rate that is 1 percentage point lower (2.00%) or 1% higher (4.00%) than the current rate.

	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
Total OPEB Liability at 12/31/2018	\$20,295,622	\$16,875,088	\$14,259,947

CHARTER TOWNSHIP OF BLACKMAN  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2018

9. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Sensitivity of the Total OPEB Liability to changes in the healthcare cost trend rates

The following table represents the total OPEB Liability of the Township, calculated using the current rate, as well as what the Township's total OPEB Liability would be using a discount rate that is 1 percentage point lower or 1% higher than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability at 12/31/2018	\$13,965,794	\$16,875,088	\$20,721,415

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

For the year ended December 31, 2018 the employer recognized OPEB expense of \$ 317,791. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in experience	\$ -	\$ 59,334
Differences in assumptions	<u>1,242,345</u>	<u>-</u>
Total	<u>\$1,242,345</u>	<u>\$ 59,334</u>

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

<u>Year ended</u>	
2019	\$ 496,642
2020	496,642
2021	189,725

10. DEFINED CONTRIBUTION PENSION PLAN

The Charter Township of Blackman contributes to the Blackman Township pension plan, which is a defined contribution pension plan administered by John Hancock Company. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

CHARTER TOWNSHIP OF BLACKMAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

10. DEFINED CONTRIBUTION PENSION PLAN (Continued)

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant’s account, the returns earned on investments of those contributions, and forfeitures of other participants’ benefits that may be allocated to such participant’s account. All office employees and union staff electing this plan participate in the plan. Contributions made by an employee vest immediately and contributions made by the Township vest after 20 months of full employment. An employee who leaves the employment of the Township is entitled to their contributions made and the earnings on those contributions immediately. An employee is entitled to the Township’s portion of contributions and the earnings on those contributions twelve months after termination of employment, if vesting requirements are satisfied.

All full time office and electing union employees of the Township are covered by the plan. The total payroll covered by the plan for the year was \$363,950. The contribution rate for 2015 was 12.5% for employees hired prior to November 1, 2006, and 5% for employees hired after November 1, 2006, of regular pay.

During the year the Township’s required and actual contributions amounted to \$26,851.

11. EMPLOYEE RETIREMENT SYSTEM AND PLAN

Plan Description

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

Benefits Provided

02 – Public Safety: Open Division

	2018 Valuation	2017 Valuation
Benefit Multiplier:	2.50% Multiplier (80% max)	2.50% Multiplier (80% max)
Normal Retirement Age:	60	60
Vesting:	6 years	6 years
Early Retirement (Unreduced):	25 and Out	25 and Out
Early Retirement (Reduced):	55/15	55/15
Final Average Compensation:	3 years	3 years
Employee Contributions:	17.80%	18.34%
RS50% Percentage:	50%	50%
Act 88:	Yes (Adopted 1/23/2003)	Yes (Adopted 1/23/2003)

CHARTER TOWNSHIP OF BLACKMAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

11. EMPLOYEE RETIREMENT SYSTEM AND PLAN (Continued)

Employees covered by benefit terms

At the December 31, 2018 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefit	1
Active employees	<u>37</u>
	<u>53</u>

Contributions

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

For the public safety employees, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. Employees were required to contribute 16.44% of compensation for the current year and the employer contributions were 12.50% based on annual payroll for open division.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2018, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions

The total pension liability in the December 31, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.5%
- Salary Increases 3.75% in the long-term
- Investment rate of return: 7.75%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

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

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

CHARTER TOWNSHIP OF BLACKMAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

11. EMPLOYEE RETIREMENT SYSTEM AND PLAN (Continued)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	55.5%	8.65%
Global Fixed Income	18.5%	3.76%
Real Assets	13.5%	9.72%
Diversifying Strategies	12.5%	7.50%

Discount rate

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

Changes in Net Pension Liability

	<u>Increase (Decrease)</u>		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/17	\$12,377,473	\$7,724,042	\$4,653,431
<u>Changes for the Year</u>			
Service Cost	450,463		450,463
Interest on Total Pension Liability	987,048		987,048
Changes in benefits	15,027		15,027
Difference between expected and actual experience	(96,872)		(96,872)
Changes in assumptions	-		-
Employer Contributions		331,740	(331,740)
Employee Contributions		436,382	(436,382)
Net investment income		(314,463)	314,463
Benefit payments, including employee refunds	(529,209)	(529,209)	-
Administrative expense		(15,191)	15,191
Other changes	-	-	-
Net changes	<u>826,457</u>	<u>(90,741)</u>	<u>917,198</u>
Balances as of 12/31/18	<u>\$13,203,930</u>	<u>\$ 7,633,301</u>	<u>\$5,570,629</u>

CHARTER TOWNSHIP OF BLACKMAN  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2018

11. EMPLOYEE RETIREMENT SYSTEM AND PLAN (Continued)

Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net Pension Liability at 12/31/18	\$7,379,482	\$ 5,570,629	\$4,082,729

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

For the year ended December 31, 2018 the employer recognized pension expense of \$ 674,543. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in experience	\$ -	\$ 266,625
Differences in assumptions	338,346	-
Excess(Deficit) Investment Returns	<u>576,481</u>	<u>-</u>
Total	<u>\$ 914,827</u>	<u>\$ 266,625</u>

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

<u>Year ended</u>	
2019	\$ 240,066
2020	130,761
2021	167,738
2022	137,315
2023	(13,839)
2024	(13,839)

CHARTER TOWNSHIP OF BLACKMAN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

12. TAX ABATEMENTS

Industrial Facilities Tax (IFT) – The Township entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovations and expansion of aging facilities, assist in building new facilities, and to promote the establishment of high tech facilities. An Industrial Facilities Tax Exemption (IFT) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government. The IFT on new plant and new industrial property is computed at 50% of the taxes levied. The Township can elect to freeze the taxable values for rehabilitation properties. The Township can recoup the taxes abated if the terms of the contract are not met.

For the year ended December 31, 2018, the Township abated property tax revenue for general operations and public safety services totaling \$41,876 under this program. This amount includes the portion of the Township's IFT captured by the Blackman Local Development Authority and the Blackman Downtown Development Authority, component units, which amounted to \$26,427 and \$541, respectively.

**REQUIRED SUPPLEMENTAL INFORMATION**

CHARTER TOWNSHIP OF BLACKMAN  
 REQUIRED SUPPLEMENTAL INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended December 31, 2018

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>REVENUES:</b>				
Taxes and penalties	\$ 639,807	\$ 639,807	\$ 673,209	\$ 33,402
Licenses and permits	256,539	256,539	255,046	(1,493)
State sources	1,686,236	1,762,494	1,885,245	122,751
Charges for services	37,430	40,662	26,333	(14,329)
Interest	3,514	15,000	24,421	9,421
Other revenues	4,162	4,162	4,818	656
Total revenues	<u>2,627,688</u>	<u>2,718,664</u>	<u>2,869,072</u>	<u>150,408</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Committees	1,309	1,615	1,157	458
Township Board	27,716	24,533	23,653	880
Supervisor	222,517	231,542	221,886	9,656
Elections	61,605	62,126	39,961	22,165
Clerk	128,087	130,466	119,696	10,770
Retiree health insurance	121,944	113,024	106,279	6,745
Board of Review	2,704	2,704	1,405	1,299
Treasurer	55,999	55,999	44,653	11,346
Cemetery	7,487	10,502	8,691	1,811
Township Hall	71,428	82,960	62,799	20,161
Public Works:				
Drains at large	14,595	14,595	11,923	2,672
Highways, streets and bridges	2,252	2,252	-	2,252
Community economic development				
Planning	13,439	18,339	14,415	3,924
Zoning	47,051	28,310	23,990	4,320
Other:				
Technology improvements	721	721	649	72
P.A. 425 Contractual payments	996	996	285	711
Tax Tribunal	8,240	8,240	3,684	4,556
Capital outlay	55,823	121,145	92,528	121,145
Total expenditures	<u>843,913</u>	<u>910,069</u>	<u>777,654</u>	<u>224,943</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>1,783,775</u>	<u>1,808,595</u>	<u>2,091,418</u>	<u>375,351</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of capital assets	592	592	1,572	980
Operating transfers (out)	(1,732,515)	(1,732,000)	(1,732,000)	-
Total other financing sources (uses)	<u>(1,731,923)</u>	<u>(1,731,408)</u>	<u>(1,730,428)</u>	<u>980</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	51,852	77,187	360,990	376,331
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>1,707,783</u>	<u>1,707,783</u>	<u>1,707,783</u>	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,759,635</u>	<u>\$ 1,784,970</u>	<u>\$ 2,068,773</u>	<u>\$ 376,331</u>

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

CHARTER TOWNSHIP OF BLACKMAN  
 REQUIRED SUPPLEMENTAL INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - PUBLIC SAFETY FUND  
 Year Ended December 31, 2018

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>REVENUES:</b>				
Taxes and penalties	\$ 964,136	\$ 964,136	\$ 957,027	\$ (7,109)
Federal sources	-	-	4,558	4,558
State sources	317,679	1,149,039	1,139,512	(9,527)
Contribution from local units	1,303,361	1,430,461	1,404,303	(26,158)
Fines and forfeitures	87,661	83,161	74,378	(8,783)
Charges for services	15,200	18,500	22,248	3,748
Other revenues	<u>76,500</u>	<u>79,500</u>	<u>65,674</u>	<u>(13,826)</u>
Total revenues	<u>2,764,537</u>	<u>3,724,797</u>	<u>3,667,700</u>	<u>(57,097)</u>
<b>EXPENDITURES</b>				
Public Safety:				
Public Safety	4,503,973	4,615,323	4,526,604	88,719
Other:				
P.A. 425 Contractual payments	2,575	2,575	686	1,889
Tax Tribunal	4,000	4,000	2,991	1,009
Capital outlay	144,168	247,561	229,163	18,398
Debt service	<u>65,000</u>	<u>65,000</u>	<u>64,212</u>	<u>788</u>
Total expenditures	<u>4,719,716</u>	<u>4,934,459</u>	<u>4,823,656</u>	<u>110,803</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>(1,955,179)</u>	<u>(1,209,662)</u>	<u>(1,155,956)</u>	<u>53,706</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from sale of capital assets	15,000	15,000	46,655	31,655
Operating transfers in	<u>1,732,515</u>	<u>1,732,000</u>	<u>1,732,000</u>	<u>-</u>
Total other financing sources (uses)	<u>1,747,515</u>	<u>1,747,000</u>	<u>1,778,655</u>	<u>31,655</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(207,664)	537,338	622,699	85,361
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>104,547</u>	<u>104,547</u>	<u>104,547</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ (103,117)</u></u>	<u><u>\$ 641,885</u></u>	<u><u>\$ 727,246</u></u>	<u><u>\$ 85,361</u></u>

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

CHARTER TOWNSHIP OF BLACKMAN  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY  
AND RELATED RATIOS  
December 31, 2018

	<u>2018</u>	<u>2017</u>
Total Pension Liability		
Service Cost	\$ 450,463	\$ 399,627
Interest	987,048	949,625
Changes of Benefit Terms	15,027	(1,638)
Difference between expected and actual experience	(96,872)	(222,678)
Changes of assumptions	-	-
Benefit payments including employee refunds	(529,209)	(454,983)
Other	-	(190,473)
Net Change in Total Pension Liability	<u>826,457</u>	<u>479,480</u>
Total Pension Liability beginning	<u>12,377,473</u>	<u>11,897,993</u>
Total Pension Liability ending	<u>\$ 13,203,930</u>	<u>\$ 12,377,473</u>
Plan Fiduciary Net Position		
Contributions-employer	331,740	312,369
Contributions-employee	436,382	438,920
Net Investment income	(314,463)	888,760
Benefit payments including employee refunds	(529,209)	(454,983)
Administrative expense	(15,191)	(14,014)
Other	-	403
Net Change in Plan Fiduciary Net Position	<u>(90,741)</u>	<u>1,171,455</u>
Plan Fiduciary Net Position beginning	<u>7,724,042</u>	<u>6,552,587</u>
Plan Fiduciary Net Position ending	<u>7,633,301</u>	<u>7,724,042</u>
Employer Net Pension Liability	<u>\$ 5,570,629</u>	<u>\$ 4,653,431</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	58%	62%
Covered Employee Payroll	\$ 2,716,906	\$ 2,400,162
Employer's Net Pension Liability as a percentage of covered employee payroll	205%	194%

Charter Township of Blackman  
Required Supplemental Information  
Schedule of Township's Pension Contributions  
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarial Determined Contributions	\$ 331,740	\$ 312,369	\$ 289,703	\$ 278,313	\$ 271,994	\$ 268,443	\$ 259,222	\$ 259,430	\$ 222,196	\$ 210,036
Contributions in relation to the actuarially determined contribution	331,740	312,369	289,703	278,313	271,994	268,443	259,222	259,430	222,196	210,036
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	2,716,906	2,400,162	2,400,085	2,169,432	2,198,833	2,139,082	2,084,171	2,075,437	1,945,164	1,708,560
Contributions as a percentage of covered employee payroll	12.2%	13.0%	12.1%	12.8%	12.4%	12.5%	12.4%	12.5%	11.4%	12.3%

**Notes to Schedule**

Actuarial valuation information relative to the determination of contributions:

Valuation date

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported. Contributions for the Township's fiscal year ended December 31, 2018 were determined based up the actuarial valuation as of December 31, 2016. The most recent valuation is as of December 31, 2018.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	22 years
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary Increases	3.75%
Investment rate of return	7.75%
Retirement age	Varies depending on plan adoption
Mortality	50% Female/50% Male RP-2014 Group Annuity Mortality Table

CHARTER TOWNSHIP OF BLACKMAN  
 REQUIRED SUPPLEMENTAL INFORMATION  
 SCHEDULE OF CHANGES IN THE EMPLOYER'S TOTAL OTHER POSTEMPLOYMENT BENEFIT  
 (OPEB) PLAN  
 For the year ended December 31, 2018

	2018
Total OPEB liability	
Service Cost	\$ 280,699
Interest	520,753
Changes of Benefit Terms	-
Difference between expected and actual experience	(84,245)
Changes of assumptions	1,763,897
Benefit payments including employee refunds	(317,791)
Other	-
Net Change in Total OPEB Liability	2,163,313
Total OPEB liability beginning	14,711,775
Total OPEB liability ending	\$ 16,875,088
Covered Payroll	\$ 3,036,824
Total OPEB liability as a percentage of covered payroll	555.68%

**Notes to Schedule**

The total OPEB liability amount presented for each fiscal year was determined as of the fiscal year-end. No assets have been accumulated in a trust that meets the criteria of GASB No. 75, paragraph 4, to pay related benefits. The schedules are intended to present ten years of data. Additional years of data will be presented as they become available.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to December 31, 2018, the measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age Normal Cost Method
Salary increase	3.50%
Inflation	Implicit in expected payroll increases
Municipal Bond Rate	3.00%
Health cost trend rates	PA 202 uniform trend increments over 10 years
Mortality	RPH-2014 adjusted to 2006 Total Data Set with MP- 2018 mortality improvement

CHARTER TOWNSHIP OF BLACKMAN  
 REQUIRED SUPPLEMENTAL INFORMATION  
 SCHEDULE OF OPEB CONTRIBUTIONS  
 For the year ended December 31, 2018

	2018
Actuarial Determined Contributions	\$ 1,298,094
Contributions in relation to the actuarially determined contribution	(317,791)
Contribution deficiency (excess)	\$ 980,303
 Covered Employee Payroll	 \$ 3,036,824
 Contributions as a percentage of covered employee payroll	 42.7%

**Notes to Schedule**

The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to December 31, 2018, the measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Actuarial Assumptions

Actuarial cost method	Entry Age Normal Cost Method
Salary increase	3.50%
Inflation	Implicit in expected payroll increases
Municipal Bond Rate	3.00%
Health cost trend rates	PA 202 uniform trend
Mortality	RPH-2014 adjusted to 2006 Total Data Set with MP-2018 mortality improvement

OTHER SUPPLEMENTAL INFORMATION

CHARTER TOWNSHIP OF BLACKMAN  
OTHER SUPPLEMENTAL INFORMATION  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
December 31, 2018

	Non-Major Special Revenue Funds			Permanent Fund	Total Non-Major Governmental Funds
	Parks	Building Department	Street Lights	Cemetery	
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 40,524	\$ 259,209	\$ 185,180	\$ 29,547	\$ 514,460
Prepaid expenses	-	6,032	-	-	6,032
Receivables:					
Taxes	94,301				94,301
Special assessments	-	-	81,559	-	81,559
Total assets	<u>\$ 134,825</u>	<u>\$ 265,241</u>	<u>\$ 266,739</u>	<u>\$ 29,547</u>	<u>\$ 696,352</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>					
Liabilities:					
Accounts payable	\$ -	\$ 9,025	\$ 11,156	\$ -	\$ 20,181
Accrued liabilities	50	1,913	-	-	1,963
Due to other funds	541	6,890	5,744	-	13,175
Total liabilities	<u>591</u>	<u>17,828</u>	<u>16,900</u>	<u>-</u>	<u>35,319</u>
Deferred inflows of resources:					
Unavailable special assessment	-	-	111,278	-	111,278
Property taxes levied for following year	119,604	-	-	-	119,604
Total deferred inflows of resources	<u>119,604</u>	<u>-</u>	<u>111,278</u>	<u>-</u>	<u>230,882</u>
Fund balance:					
Nonspendable:					
Prepaid items	-	6,032	-	-	6,032
Permanent fund corpus	-	-	-	15,846	15,846
Restricted:					
Public Safety	-	241,381	-	-	241,381
Public Works	-	-	138,561	-	138,561
Recreation	14,630	-	-	-	14,630
Permanent fund spendable portion	-	-	-	13,701	13,701
Total fund balance	<u>14,630</u>	<u>247,413</u>	<u>138,561</u>	<u>29,547</u>	<u>430,151</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 134,825</u>	<u>\$ 265,241</u>	<u>\$ 266,739</u>	<u>\$ 29,547</u>	<u>\$ 696,352</u>

CHARTER TOWNSHIP OF BLACKMAN  
OTHER SUPPLEMENTAL INFORMATION  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
Year Ended December 31, 2018

	Non-Major Special Revenue Funds			Permanent Fund	Total Non-Major Governmental Funds
	Parks	Building Department	Street Lights	Cemetery	
REVENUES:					
Taxes	\$ 118,509	\$ -	\$ -	\$ -	\$ 118,509
Licenses and permits	-	176,246	-	-	176,246
Charges for services	4,170	-	-	480	4,650
Interest	-	27	482	507	1,016
Other revenues	-	714	113,550	-	114,264
Total revenues	<u>122,679</u>	<u>176,987</u>	<u>114,032</u>	<u>987</u>	<u>414,685</u>
EXPENDITURES:					
Current:					
Public Safety	-	193,601	-	-	193,601
Public Works	-	-	132,345	-	132,345
Recreation	14,272	-	-	-	14,272
Capital Outlay	93,777	1,424	-	-	95,201
Total expenditures	<u>108,049</u>	<u>195,025</u>	<u>132,345</u>	<u>-</u>	<u>435,419</u>
EXCESS OF REVENUES OVER EXPENDITURES	14,630	(18,038)	(18,313)	987	(20,734)
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>265,451</u>	<u>156,874</u>	<u>28,560</u>	<u>450,885</u>
FUND BALANCE - END OF YEAR	<u>\$ 14,630</u>	<u>\$ 247,413</u>	<u>\$ 138,561</u>	<u>\$ 29,547</u>	<u>\$ 430,151</u>

CHARTER TOWNSHIP OF BLACKMAN  
 OTHER SUPPLEMENTAL INFORMATION  
 COMBINING ASSETS AND LIABILITIES -  
 FIDUCIARY FUNDS  
 December 31, 2018

	Agency Funds		
	Current Tax Collection	Trust and Agency	Total Agency Funds
<u>ASSETS:</u>			
Cash and cash equivalents	\$ <u>974,199</u>	\$ <u>23,692</u>	\$ \$ <u>997,891</u>
Total assets	\$ <u><u>974,199</u></u>	\$ <u><u>23,692</u></u>	\$ \$ <u><u>997,891</u></u>
<u>LIABILITIES:</u>			
Due to others	\$ 78,811	\$ 561	\$ \$ 79,372
Due to other governmental units	<u>895,388</u>	<u>23,131</u>	<u>918,519</u>
Total liabilities	\$ <u><u>974,199</u></u>	\$ <u><u>23,692</u></u>	\$ \$ <u><u>997,891</u></u>

CHARTER TOWNSHIP OF BLACKMAN  
OTHER SUPPLEMENTAL INFORMATION  
COMBINING BALANCE SHEET  
COMPONENT UNITS - GOVERNMENTAL FUNDS  
December 31, 2018

	Local Development Financing Authority		Downtown Development Authority		
	General Fund	SmartZone General Fund	General Fund	Total	
<u>ASSETS:</u>					
Cash and cash equivalents	\$ 233,194	\$ -	\$ 764,205	\$ 997,399	
Receivables:					
Taxes	17,618	42,796	149,150	209,564	
Due from primary government	-	-	6,443	6,443	
Total assets	\$ 250,812	\$ 42,796	\$ 919,798	\$ 1,213,406	
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</u>					
Liabilities:					
Accounts payable	\$ 2,657	\$ -	\$ 507	\$ 3,164	
Total liabilities	2,657	-	507	3,164	
Deferred inflows of resources:					
Deferred property taxes	15,911	42,796	149,017	207,724	
Total deferred inflows of resources	15,911	42,796	149,017	207,724	
Fund balance:					
Restricted:					
Community development	232,244	-	770,274	1,002,518	
Total fund balance	232,244	-	770,274	1,002,518	
Total liabilities, deferred inflows of resources, and fund balances	\$ 250,812	\$ 42,796	\$ 919,798	\$ 1,213,406	

CHARTER TOWNSHIP OF BLACKMAN  
 OTHER SUPPLEMENTAL INFORMATION  
 RECONCILIATION OF FUND BALANCES ON  
 THE BALANCE SHEET FOR COMPONENT UNITS TO  
 THE STATEMENT OF NET POSITION  
 December 31, 2018

Fund balances - total discretely presented component units		\$ 1,002,518
<p>Amounts reported for component units in the statement of net position are different because:</p>		
Inventory held by component units is not a financial resources and is not reported in the funds		4,982,179
Capital assets are used in component units are not financial resources and are not reported in the funds, net of depreciation		5,738
<p>Long-term liabilities not due and payable in the current period and are not reported in the component units:</p>		
Notes and bonds payable		(2,296,979)
Accrued interest payable is not included as a liability in the component units		<u>(5,923)</u>
Net position of component units		<u><u>\$ 3,687,533</u></u>

CHARTER TOWNSHIP OF BLACKMAN  
OTHER SUPPLEMENTAL INFORMATION  
COMPONENT UNITS  
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES  
IN FUND BALANCE  
Year Ended December 31, 2018

	Local Development Financing Authority		Downtown Development Authority		
	SmartZone				
	General	General	General		
	Fund	Fund	Fund		Total
<b>REVENUES:</b>					
Taxes	\$ 36,632	\$ 146,671	\$ 234,731	\$ 418,034	
State sources	71,534	2,001	33,122	106,657	
Interest income	36	-	1,920	1,956	
Other revenues	-	-	3,000	3,000	
Total revenues	108,202	148,672	272,773	529,647	
<b>EXPENDITURES:</b>					
Current:					
Other	30,654	13,825	44,229	88,708	
Debt payments		140,000	271,180	411,180	
Capital outlay	3,352	911,574	-	914,926	
Total expenditures	34,006	1,065,399	315,409	1,414,814	
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	74,196	(916,727)	(42,636)	(885,167)	
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from installment purchase agreement	-	307,400	-	307,400	
Operating transfers in		298,091		298,091	
Operating transfers (out)	(298,091)	-		(298,091)	
Total other financing sources (uses)	(298,091)	605,491	-	307,400	
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(223,895)	(311,236)	(42,636)	(577,767)	
<b>FUND BALANCE - BEGINNING OF YEAR</b>	456,139	311,236	812,910	1,580,285	
<b>FUND BALANCE - END OF YEAR</b>	\$ 232,244	\$ -	\$ 770,274	\$ 1,002,518	

CHARTER TOWNSHIP OF BLACKMAN  
 OTHER SUPPLEMENTAL INFORMATION  
 RECONCILIATION OF STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF COMPONENT UNITS  
 TO THE STATEMENT OF ACTIVITIES  
 December 31, 2018

Net change in fund balance - total component units \$ (577,767)

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

Inventory and capital assets are reported as an expenditure in the governmental funds, but not in the statement of operations and when disposed of or sold, the basis is offset against the proceeds 914,926

Depreciation on capital assets (749)

Interest expense is reported in the statement of activities when incurred; it is not reported in the component units governmental funds until paid (1,233)

Installment purchase agreement note issued for the purchase of investment land is reported as an other financing source in the governmental funds, but not on the statement of activities (307,400)

Repayment of note/bond principal is an expenditure in the governmental funds, but not in the statement of activities, where it reduces long-term debt 335,421

Changes in net position of component units \$ 363,198