

*Charter Township of Cooper
Kalamazoo County, Michigan*

FINANCIAL STATEMENTS

Year ended March 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Charter Township of Cooper, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of Cooper, Michigan, as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, as listed in the contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of Cooper, Michigan, as of March 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 14 to the basic financial statements, the Township adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in fiscal year 2019. Our opinions are not modified with respect to this matter.

Other Matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and the schedules for the postemployment healthcare plan, as listed in the 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.

Siegfried Crandall P.C.

September 19, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- The Township's total net position increased by \$146,448 as a result of this year's activities.
- Of the \$6,140,168 total net position reported, \$4,771,193 is available to be used to meet the Township's ongoing obligations to its citizens and customers, without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$3,312,076, which represents 267 percent of the actual General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's annual report is comprised of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental funds statements explain how government services, like general government, public safety, and public works, were financed in the short-term, as well as what remains for future spending.
 - Fiduciary funds statements provide information about the financial relationships in which the Township acts solely as an agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2019 and 2018 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Township's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

- Over time, increases or decreases in the Township's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements present governmental activities. These activities include functions most commonly associated with government (e.g., general government, public safety, public works, etc.). Property taxes and intergovernmental revenues generally fund these services.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain other revenues.

The Township has two types of funds:

- *Governmental funds.* All of the Township's basic services are included in its governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Fiduciary fund.* The Township is the trustee, or fiduciary, for its retiree medical trust. The Township's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Change in Fiduciary Net Position. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$6,140,168. Of this total, \$1,208,064 is invested in capital assets and \$160,911 is restricted for public works and public safety. The remaining unrestricted net position was \$4,771,193.

*Condensed financial information
Net position*

	<i>Governmental activities</i>	
	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 5,715,198	\$ 5,525,853
Capital assets	<u>1,208,064</u>	<u>1,330,491</u>
Total assets	<u>6,923,262</u>	<u>6,856,344</u>
Deferred outflows of resources	<u>30,078</u>	-
Current and other liabilities	405,472	366,237
Long-term debt	<u>405,000</u>	<u>540,000</u>
Total liabilities	<u>810,472</u>	<u>906,237</u>
Deferred inflows of resources	<u>2,700</u>	-
Net position:		
Net investment in capital assets	1,208,064	1,330,491
Restricted	160,911	155,844
Unrestricted	<u>4,771,193</u>	<u>4,463,772</u>
Total net position	<u>\$ 6,140,168</u>	<u>\$ 5,950,107</u>

Changes in net position

The Township's total revenues were \$1,844,729. Approximately 49 percent of the total comes from state shared revenue, 24 percent comes from charges for services, and 13 percent comes from property taxes.

The total cost of the Township's programs was \$1,698,281. Approximately 47 percent of the Township's expenses relates to the provision of general government costs, 22 percent relates to public safety, and public works amounts to 27 percent of the Township's total expenses.

Condensed financial information

Changes in net position

	<i>Governmental activities</i>	
	<u>2019</u>	<u>2018</u>
Net position, beginning of year*		
As previously reported	\$ 5,950,107	\$ 5,950,107
Cumulative effect of change in accounting principle	<u>43,613</u>	<u>-</u>
As restated	<u>5,993,720</u>	<u>5,950,107</u>
Program revenues:		
Charges for services	\$ 451,379	\$ 418,711
Operating grants and contributions	26,955	9,419
Capital grants and contributions	-	42,107
General revenues:		
Property taxes	241,224	233,829
State shared revenue	896,272	863,083
Franchise fees	141,743	144,708
Investment return	<u>87,156</u>	<u>32,871</u>
Total revenues	<u>1,844,729</u>	<u>1,744,728</u>
Expenses:		
General government	791,487	711,317
Public safety	376,424	341,671
Public works	459,721	353,116
Community and economic development	62,495	73,956
Interest	<u>8,154</u>	<u>10,785</u>
Total expenses	<u>1,698,281</u>	<u>1,490,845</u>
Changes in net position	<u>\$ 146,448</u>	<u>\$ 253,883</u>
Net position, end of year	<u>\$ 6,140,168</u>	<u>\$ 5,950,107</u>

* As described in Note 14 to the financial statements, the Township adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* during fiscal year 2019. In connection with the adoption of this statement, the Township recorded a cumulative effect of a change in an accounting principle in the amount of \$43,613 in fiscal year 2019. As this pronouncement has been adopted prospectively, there was no restatement of the 2018 financial position or results of operations.

Governmental activities

Governmental activities increased the Township's net position by \$146,448 compared to a \$253,883 increase last year, reflecting an increase in total revenues and an increase in expenses in 2019 compared to 2018. Revenues increased by \$100,001, as state shared revenue increased by \$33,189 because available funds distributed to local units by the State increased in the current year. The Township's charges for service increased by \$32,668 in the current period. Total expenses had a net increase of \$207,436, as public works expenses increased by \$106,605 because increased road and utility projects that occurred during the fiscal year.

The total cost of governmental activities this year was \$1,698,281. After subtracting the charges to those who directly benefited from the programs (\$451,379) and operating grants (\$26,955), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$1,219,947, compared to \$1,020,608 in 2018.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

At March 31, 2019, the Township's governmental funds reported combined ending fund balances of \$4,979,084, an increase of \$241,452 from the prior year.

The General Fund is the primary operating fund of the Township. Its fund balance was \$3,421,398 at the end of the fiscal year, which represents a \$302,104 increase, as revenues (\$1,574,564) were sufficient to cover the fund's expenditures (\$1,242,460) and transfers to other funds (\$30,000).

The Water and Sewer Fund had a decrease in fund balance of \$22,563 as revenues of \$33,806 were not sufficient to cover the fund's expenditures of \$56,369. Fund balance at year end was \$1,305,156.

The Recycling Fund's fund balance increased by \$7,524, as revenues of \$155,634 and transfers in of \$30,000 covered the fund's expenditures of \$178,110. The ending fund balance was \$51,774.

The Collingwood Debt Service Fund's fund balance decreased by \$51,540, as revenues of \$92,714 were not sufficient to cover the fund's expenditures of \$144,254. The ending fund balance was \$95,197.

General Fund budgetary highlights

The Township amended its General Fund budget to increase expenditures by \$32,000 for anticipated increases in multiple functions as follows: general government by \$4,482, public safety by \$21,518, and capital outlay by \$6,000. Actual revenues were \$152,238 more than budgeted, while expenditures were \$161,166 less than the amounts appropriated. Revenues showed positive variances in all areas except for other revenues. All of the budgeted functional categories were lower than expected in total, which resulted in a \$333,404 positive budget variance and a \$302,104 increase in fund balance compared to a budgeted decrease of \$31,300.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Township's investment in capital assets for its governmental activities as of March 31, 2019, amounts to \$1,208,064 (net of accumulated depreciation). This investment includes several different types of assets, including land, buildings, and equipment. The Township's investment in capital assets decreased by \$122,427 for the current year, as \$1,773 in asset acquisitions was offset by \$124,200 in depreciation expenses.

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

Debt

At the end of the fiscal year, the Township had total long-term bonds payable outstanding in the amount of \$405,000, a decrease of \$135,000 after scheduled payments on outstanding sewage system bonds. The debt is backed by the full faith and credit of the Township.

Noncurrent liabilities also include \$326,527 for other postemployment benefit obligations for retiree medical insurance.

More detailed information about the Township's noncurrent liabilities is presented in Notes 7 and 13 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Township expects to be affected to some degree by the general economic conditions currently facing the State of Michigan. Property taxes have increased slightly, and state revenue sharing is anticipated to increase slightly in 2020. The Township has maintained sufficient financial resources to continue all ongoing activities.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Jeff Sorensen, Township Supervisor
Charter Township of Cooper
1590 West D Avenue
Kalamazoo, MI 49009-6321

Phone: (269) 382-0223

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

March 31, 2019

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 4,811,877
Receivables, net	301,706
Prepaid expenses	<u>14,205</u>
Total current assets	<u>5,127,788</u>
Noncurrent assets:	
Receivables, net	587,410
Capital assets, not being depreciated	156,526
Capital assets, net of accumulated depreciation	<u>1,051,538</u>
Total noncurrent assets	<u>1,795,474</u>
Total assets	<u>6,923,262</u>
DEFERRED OUTFLOWS OF RESOURCES - OPEB	<u>30,078</u>
LIABILITIES	
Current liabilities:	
Payables	78,945
Current maturities of long-term debt	<u>135,000</u>
Total current liabilities	<u>213,945</u>
Noncurrent liabilities:	
Net other postemployment benefits	326,527
Long-term debt	<u>270,000</u>
Total noncurrent liabilities	<u>596,527</u>
Total liabilities	<u>810,472</u>
DEFERRED INFLOWS OF RESOURCES - OPEB	<u>2,700</u>
NET POSITION	
Investment in capital assets	1,208,064
Restricted for:	
Public safety	55,352
Public works	105,559
Unrestricted	<u>4,771,193</u>
Total net position	<u>\$ 6,140,168</u>

See notes to financial statements

Charter Township of Cooper

STATEMENT OF ACTIVITIES

Year ended March 31, 2019

	<u>Program revenues</u>			<i>Net (expenses) revenues and change in net position</i>
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Governmental activities</u>
Functions/Programs				
Governmental activities:				
General government	\$ 791,487	\$ 148,101	\$ -	\$ (643,386)
Public safety	376,424	10,627	17,518	(348,279)
Public works	459,721	260,173	9,437	(190,111)
Community and economic development	62,495	14,700	-	(47,795)
Interest	<u>8,154</u>	<u>17,778</u>	<u>-</u>	<u>9,624</u>
 Total governmental activities	 <u>\$ 1,698,281</u>	 <u>\$ 451,379</u>	 <u>\$ 26,955</u>	 <u>(1,219,947)</u>
General revenues:				
Taxes				241,224
State grants				896,272
Franchise fees				141,743
Investment income				<u>87,156</u>
Total general revenues				<u>1,366,395</u>
Change in net position				146,448
Net position - beginning				<u>5,993,720</u>
Net position - ending				<u>\$ 6,140,168</u>

See notes to financial statements

BALANCE SHEET - governmental funds

March 31, 2019

	<u>General</u>	<u>Water and Sewer</u>	<u>Recycling</u>	<u>Collingwood Debt Service</u>	<u>Nonmajor fund</u>	<u>Total governmental funds</u>
ASSETS						
Cash	\$ 3,233,874	\$ 1,329,165	\$ 55,839	\$ 84,556	\$ 108,443	\$ 4,811,877
Receivables	210,367	502,389	8,789	164,821	2,750	889,116
Prepaid items	<u>14,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,205</u>
Total assets	<u>\$ 3,458,446</u>	<u>\$ 1,831,554</u>	<u>\$ 64,628</u>	<u>\$ 249,377</u>	<u>\$ 111,193</u>	<u>\$ 5,715,198</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities - payables	<u>\$ 33,148</u>	<u>\$ 24,009</u>	<u>\$ 12,854</u>	<u>\$ -</u>	<u>\$ 5,634</u>	<u>\$ 75,645</u>
Deferred inflows of resources:						
Unavailable special assessment revenue	-	502,389	-	151,180	-	653,569
Unavailable interest revenue	<u>3,900</u>	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>6,900</u>
Total deferred inflows of resources	<u>3,900</u>	<u>502,389</u>	<u>-</u>	<u>154,180</u>	<u>-</u>	<u>660,469</u>
Fund balances:						
Nonspendable - prepaid items	14,205	-	-	-	-	14,205
Restricted for:						
Public safety	55,352	-	-	-	-	55,352
Public works	-	-	-	-	105,559	105,559
Debt service	-	-	-	95,197	-	95,197
Assigned for:						
Public works	-	1,305,156	51,774	-	-	1,356,930
Capital acquisitions - fire equipment	4,860	-	-	-	-	4,860
Capital acquisitions - general	34,905	-	-	-	-	34,905
Unassigned	<u>3,312,076</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,312,076</u>
Total fund balances	<u>3,421,398</u>	<u>1,305,156</u>	<u>51,774</u>	<u>95,197</u>	<u>105,559</u>	<u>4,979,084</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,458,446</u>	<u>\$ 1,831,554</u>	<u>\$ 64,628</u>	<u>\$ 249,377</u>	<u>\$ 111,193</u>	<u>\$ 5,715,198</u>

Reconciliation of the balance sheet to the statement of net position:

Total fund balance - total governmental funds	\$ 4,979,084
Amounts reported for <i>governmental activities</i> in the statement of net position (page 11) are different because:	
Capital assets used in <i>governmental activities</i> are not reported in the funds.	1,208,064
Deferred outflows of resources, related to the OPEB plan, relate to future years and, therefore, are not reported in the funds.	30,078
Other postemployment liabilities are not reported in the funds.	(326,527)
Long-term liabilities are not reported in the funds.	(405,000)
Deferred inflows of resources, related to the OPEB plan, relate to future years and, therefore, are not reported in the funds.	(2,700)
Certain special assessments and interest receivable are not available to spend and, therefore, are deferred in the funds.	660,469
Accrued interest payable is not due in the current period and, therefore, is not reported in the funds.	<u>(3,300)</u>
Net position of <i>governmental activities</i>	<u>\$ 6,140,168</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN

FUND BALANCES - governmental funds

Year ended March 31, 2019

	<u>General</u>	<u>Water and Sewer</u>	<u>Recycling</u>	<u>Collingwood Debt Service</u>	<u>Nonmajor fund</u>	<u>Total governmental funds</u>
REVENUES						
Taxes	\$ 338,759	\$ -	\$ -	\$ -	\$ -	\$ 338,759
State grants	927,209	-	-	-	-	927,209
Licenses and permits	161,025	-	-	-	-	161,025
Charges for services	46,960	31,737	-	-	-	78,697
Interest and rentals	98,539	990	-	14,943	-	114,472
Other	2,072	1,079	155,634	77,771	72,561	309,117
	<u>1,574,564</u>	<u>33,806</u>	<u>155,634</u>	<u>92,714</u>	<u>72,561</u>	<u>1,929,279</u>
Total revenues						
EXPENDITURES						
Current:						
General government	711,287	-	-	-	-	711,287
Public safety	290,260	-	-	-	-	290,260
Public works	151,101	56,369	178,110	-	66,634	452,214
Community and economic development	62,495	-	-	-	-	62,495
Capital outlay	27,317	-	-	-	-	27,317
Debt service:						
Principal	-	-	-	135,000	-	135,000
Interest	-	-	-	9,254	-	9,254
	<u>1,242,460</u>	<u>56,369</u>	<u>178,110</u>	<u>144,254</u>	<u>66,634</u>	<u>1,687,827</u>
Total expenditures						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)						
	<u>332,104</u>	<u>(22,563)</u>	<u>(22,476)</u>	<u>(51,540)</u>	<u>5,927</u>	<u>241,452</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	30,000	-	-	30,000
Transfers out	(30,000)	-	-	-	-	(30,000)
	<u>(30,000)</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)						
NET CHANGES IN FUND BALANCES	302,104	(22,563)	7,524	(51,540)	5,927	241,452
FUND BALANCES - BEGINNING	<u>3,119,294</u>	<u>1,327,719</u>	<u>44,250</u>	<u>146,737</u>	<u>99,632</u>	<u>4,737,632</u>
FUND BALANCES - ENDING	<u>\$ 3,421,398</u>	<u>\$ 1,305,156</u>	<u>\$ 51,774</u>	<u>\$ 95,197</u>	<u>\$ 105,559</u>	<u>\$ 4,979,084</u>

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds (Continued)**

Year ended March 31, 2019

Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:

Net change in fund balance - total governmental funds (page 14)	\$ 241,452
Amounts reported for <i>governmental activities</i> in the statement of activities (page 12) are different because:	
Capital assets:	
Assets acquired	1,773
Provision for depreciation	(124,200)
Long-term debt:	
Principal repayments	135,000
Deferred outflows of resources:	
Net increase in deferred outflows of resources - OPEB	30,078
Deferred inflows of resources:	
Net decrease in unavailable special assessments	(78,850)
Net increase in unavailable interest revenues	(5,700)
Net increase in deferred inflows of resources - OPEB	(2,700)
Changes in other assets/liabilities:	
Net increase in other postemployment liabilities	(51,505)
Net decrease in interest payable	<u>1,100</u>
Change in net position of <i>governmental activities</i>	<u>\$ 146,448</u>

STATEMENT OF FIDUCIARY NET POSITION

March 31, 2019

	<i>Retiree Medical Trust</i>
ASSETS	
Investments	\$ 261,967
NET POSITION	
Held in trust for retirees' health benefits	\$ 261,967

See notes to financial statements

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION

Year ended March 31, 2019

	Retiree Medical Trust
ADDITIONS	
Contributions - employer	\$ 14,017
Net appreciation of market value	<u>8,016</u>
Total additions	<u>22,033</u>
DEDUCTIONS	
Benefits paid	14,017
Advisory fees paid	<u>1,273</u>
Total deductions	<u>15,290</u>
NET INCREASE	6,743
NET POSITION HELD IN TRUST FOR RETIREE HEALTH BENEFITS	
Beginning	<u>255,224</u>
Ending	<u>\$ 261,967</u>

See notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charter Township of Cooper, Michigan (the Township), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting entity:

As required by generally accepted accounting principles, these financial statements present only the Township (located in Kalamazoo County), as management has determined that there are no other entities for which the Township is financially accountable.

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 Township. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement focus, basis of accounting, and financial statement presentation:

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

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued):

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Water and Sewer Fund accounts for financial resources used for the expansion and maintenance of water and sewer lines within the Township. Revenues are primarily derived from connection fees and special assessments.

The Recycling Fund accounts for financial resources used for the operation of the recycling center and seasonal collections within the Township. Revenues are primarily derived from special assessments.

The Collingwood Debt Service Fund accounts for financial resources used for payments of long-term bond obligations. Revenues are primarily derived from special assessments.

The Township also reports fiduciary funds, which account for assets held by the Township as an agent for individuals, private organizations, and other governments. The Township currently reports one fiduciary fund (Retiree Medical Trust Fund). Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position or equity:

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

Investments - Investments are reported at fair value, with changes in value recognized in the operating statements of each fund.

Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded, as the Township considers all receivables to be fully collectible.

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

Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (water and sewer systems, and similar items), are reported 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 (\$10,000 for infrastructure assets) 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 acquisition value as of the date received. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position or equity (continued):

Capital assets (continued) - Capital assets are depreciated or amortized using the straight-line method over the following useful lives:

Buildings and improvements	15 - 40 years
Equipment	3 - 10 years
Vehicles	3 - 20 years

Deferred outflows of resources - The statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The related expense will not be recognized until a future event occurs. The Township has one item in this category. The deferred outflows, related to the defined benefit other postemployment benefit plan, are discussed in note 13. No deferred outflows of resources affect the governmental funds financial statements.

Deferred inflows of resources - The statement of net position and the governmental funds balance sheet include a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenues will not be recognized until a future event occurs. The Township has three items that are included in this category: special assessments, interest, and defined benefit other postemployment benefit plan. Special assessment and interest revenues, which are not recognized until available (collected not later than 60 days after the end of the Township's fiscal year), are deferred and recognized as an inflow of resources in the period that the revenues become available. The deferred inflows, related to the defined benefit other postemployment benefit plan, are discussed in Note 13.

Net position - Net position represents the difference between assets, and liabilities and deferred inflows of resources. The Township reports three categories of net position, as follows: (1) *Net Investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the Township's debt. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the Township.

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

Postemployment benefits other than pensions - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Cooper Charter Township Retiree Medical Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position or equity (continued):

Fund equity - Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either a) not in spendable form, or b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. The Township Board retains the authority to assign fund balances as to purpose. Unassigned fund balances are amounts that do not fall into any other category above. This is the residual classification for amounts 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 or assigned to those purposes. When the Township incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Township’s policy to use the restricted fund balance first, followed by assigned fund balance, and, finally, unassigned fund balance.

Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, at which time the bill becomes delinquent and penalties and interest may be assessed by the Township. The Township considers property taxes levied December 1 to be revenue of the current year.

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. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations - The following schedule sets forth reportable budget variances:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Water and Sewer	Public works	\$ 23,500	\$ 56,369	\$ 32,869
Nonmajor	Public works	61,200	66,634	5,434

NOTE 3 - CASH

Cash and investments, as shown in the government-wide statement of net position and the fiduciary fund statement of net position, were as follows:

	<u>Governmental activities</u>	<u>Fiduciary activity</u>	<u>Totals</u>
Cash	\$ 4,811,877	\$ -	\$4,811,877
Investments	<u>-</u>	<u>261,967</u>	<u>261,967</u>
Total cash and investments	<u>\$ 4,811,877</u>	<u>\$ 261,967</u>	<u>\$5,073,844</u>
Composition of cash and investments:			
Deposits with financial institutions	\$ 4,811,827	\$ -	\$4,811,827
Cash on hand	50	-	50
Investments	<u>-</u>	<u>261,967</u>	<u>261,967</u>
Totals	<u>\$ 4,811,877</u>	<u>\$ 261,967</u>	<u>\$5,073,844</u>

Deposits - State statutes and the Township’s investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township’s deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. The Township’s investment policy does not specifically address custodial credit risk for deposits. At March 31, 2019, \$1,158,848 of the Township’s bank balances of \$4,814,766 was exposed to custodial credit risk because it was uninsured and uncollateralized.

All interest earned on pooled deposits has been assigned to the General Fund.

Investments, retiree health plan - The investments of the Township’s other postemployment benefit (OPEB) trust fund are maintained separately from the Township’s pooled cash and investments and are subject to separate investment policies and state statutes. Accordingly, the required disclosures for the OPEB trust fund investments are presented separately.

The Michigan Public Employees Retirement Systems’ Investment Act, Public Act 314 of 1965, as amended, authorizes the other postemployment benefit trust to invest in stocks, governmental and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitation. The Township Board has the responsibility and authority to oversee the investment portfolio. The Township has contracted the Constellation Trust Company to assist in managing the OPEB trust fund’s assets. Specific fund holdings at March 31, 2019, consisted of the following:

<u>Investment type</u>	<u>Fair value</u>
Mutual Funds:	
CLS Flexible Income	\$ 90,333
CLS Global Aggressive Equity	58,386
Schwab 1000 Index	47,810
JP Morgan US Small Company	20,631
Principal Inv Ptr Large Cap Value Instl	10,819
American Beacon Large Cap Value	10,476
CLS Global Diversified Equity	9,188
American Fundamental Investors	8,083
American Investment Company of America	5,370
Constellation Trust Cash	<u>871</u>
Total	<u>\$ 261,967</u>

The Township’s investments are subject to several types of risk, which are discussed below:

Custodial credit risk. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Township will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. State statutes and the Township’s OPEB investment policy require that investment securities be held in trust by a third-party institution, in the name of the benefit trust. The Trust fund holdings are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical form.

Credit risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in mutual funds and qualified investment pools, including those within the Trust, are not considered to have credit risk.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributable to the magnitude of the Township’s investment in a single holding. The Township’s OPEB investment policy places no limitations on the amount that can be invested in any one issuer.

Interest rate risk. Interest rate risk is the risk that the value of an investment will decrease as a result of an increase in market interest rates. Generally, longer investment maturities generate more sensitivity to changes in an investment’s fair value due to changes in market interest rates. The Township’s OPEB investment policy has no specific limitations with respect to maturities of investments. The Trust holdings have no maturities.

Fair value measurement - The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Township has the following recurring fair value measurements as of March 31, 2019:

- Cooper Charter Township Section 115 Trust, with a balance of \$261,967 at March 31, 2019, which is valued using observable fair values of similar assets (Level 1).

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES

Receivables as of March 31, 2019, for the Township's individual major funds and the nonmajor fund were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Interest</u>	<u>Inter-governmental</u>	<u>Totals</u>
General	\$ 35,275	\$ 11,844	\$ -	\$ 21,800	\$ 141,448	\$ 210,367
Recycling	-	-	8,789	-	-	8,789
Water and Sewer	-	-	502,389	-	-	502,389
Collingwood Debt Service	-	-	161,821	3,000	-	164,821
Nonmajor	-	-	2,750	-	-	2,750
Totals	\$ 35,275	\$ 11,844	\$ 675,749	\$ 24,800	\$ 141,448	\$ 889,116
Noncurrent portion	\$ -	\$ -	\$ 587,410	\$ -	\$ -	\$ 587,410

All receivables are considered fully collectible.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2019, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 156,526	\$ -	\$ -	\$ 156,526
Capital assets being depreciated:				
Buildings and improvements	801,813	-	-	801,813
Equipment	663,353	1,773	-	665,126
Vehicles	831,188	-	-	831,188
Infrastructure	337,244	-	-	337,244
Subtotal	2,633,598	1,773	-	2,635,371
Less accumulated depreciation for:				
Buildings and improvements	(541,406)	(22,927)	-	(564,333)
Equipment	(525,952)	(38,702)	-	(564,654)
Vehicles	(317,474)	(55,822)	-	(373,296)
Infrastructure	(74,801)	(6,749)	-	(81,550)
Subtotal	(1,459,633)	(124,200)	-	(1,583,833)
Total capital assets being depreciated, net	1,173,965	(122,427)	-	1,051,538
Governmental activities capital assets, net	\$ 1,330,491	\$ (122,427)	\$ -	\$ 1,208,064

NOTE 5 - CAPITAL ASSETS (continued)

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 50,432
Public safety	66,261
Public works	<u>7,507</u>
Total governmental activities	<u>\$ 124,200</u>

NOTE 6 - PAYABLES

Payables as of March 31, 2019, for the Township’s individual major funds and the nonmajor fund were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Totals</u>
General	\$ 15,629	\$ 17,519	\$ 33,148
Recycling	12,854	-	12,854
Water and Sewer	24,009	-	24,009
Other governmental	<u>5,634</u>	<u>-</u>	<u>5,634</u>
Totals	<u>\$ 58,126</u>	<u>\$ 17,519</u>	<u>\$ 75,645</u>

NOTE 7 - LONG-TERM DEBT

Long-term debt at March 31, 2019, is comprised of a single issue, the 2012 \$1,195,000 Refunding bonds (limited tax obligation), payable in annual installments of \$135,000, plus interest at 1.96%, through May 2021. The Township has pledged its full faith and credit for repayment of these bonds.

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

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
Bonds payable	<u>\$ 540,000</u>	<u>\$ -</u>	<u>\$ (135,000)</u>	<u>\$ 405,000</u>	<u>\$ 135,000</u>

At March 31, 2019, debt service requirements on long-term debt were as follows:

<u>Year ended March 31,</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 135,000	\$ 6,615
2021	135,000	3,969
2022	<u>135,000</u>	<u>1,323</u>
Totals	<u>\$ 405,000</u>	<u>\$ 11,907</u>

NOTE 8 - INTERFUND TRANSFERS

The following interfund transfer occurred during the year ended March 31, 2019:

<u>Fund</u>	<u>Transfer out</u>	<u>Fund</u>	<u>Transfer in</u>
General	\$ <u>30,000</u>	Recycling	\$ <u>30,000</u>

The transfer out of the General Fund represents operational support for the Recycling Fund.

NOTE 9 - PROPERTY TAXES

The 2018 taxable valuation of the Township approximated \$283,873,000, on which ad valorem taxes levied consisted of 0.8526 mills for operating purposes, raising approximately \$242,000. This amount is recognized in the respective fund financial statements as property tax revenue.

NOTE 10 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has joined together with other local governmental units in the State to form the Michigan Municipal League Insurance Pool (MML), a public-entity risk pool currently operating as a common risk management and insurance program for local governmental units within the State. The Township pays an annual premium to MML for all of its insurance coverages. MML is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess for each insured event.

NOTE 11 - DEFINED CONTRIBUTION PENSION PLAN

The Township contributes to the Cooper Charter Township Group Pension Plan, a defined contribution pension plan, which is administered by a third-party administrator. The plan covers all elected officials or full-time employees, who are eligible to participate six months after they are elected or hired.

Benefit terms, including contribution requirements, for the Plan are established, and may be amended, by the Township Board. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate as described above. The Township contributes annually 15% of the participant’s base salary or \$100, whichever is more. For the year ended March 31, 2019, the Township made contributions of \$41,974. At March 31, 2019, the Township reported no amount as accrued liability as part of the contributions to the plan.

The Township’s contributions for each employee (and investment earnings allocated to the employee’s account) are fully vested after twenty months of service. Forfeitures may be used to reduce or reallocate employer contributions. There were no forfeitures during the current fiscal year.

The Township is not a trustee of the defined contribution pension plan, nor is the Township responsible for investment management of the pension plan assets. Accordingly, plan assets, and changes therein, are not reported in these financial statements.

NOTE 12 - JOINT VENTURE

The Township is a member of the Southwest Michigan Building Authority (the Authority), which is a joint venture of the Charter Townships of Oshtemo, and Cooper. The administrative board of the Authority consists of members appointed by each participating unit and a member at-large. The Authority was established to administer and enforce the Michigan State Construction Code within its constituent municipalities. The inter-local agreement governing the Authority does not convey an explicit and measurable equity interest to its members. The Township is unaware of any indication that the joint venture is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit or burden on the Township in the near future. Complete audited financial statements for the Authority can be obtained by contacting the Authority at 7275 W. Main, Kalamazoo, MI 49009.

NOTE 13 - POSTEMPLOYMENT HEALTHCARE PLAN

Plan description:

The Cooper Charter Township OPEB Plan is a single-employer plan established and administered by Cooper Charter Township and can be amended at its discretion.

Funding policy:

The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Township’s group health insurance plan, which covers only retired members. Six individuals are eligible for postemployment health benefits under the current plan. The retiree health plan does not issue a publicly-available financial report. The Township pays the full cost of coverage of these benefits for retirees and their dependents on a pay-as-you-go basis for health care coverage through private insurers. Retirees are not obligated to make contributions to the plan at this time.

As of March 31, 2019, Plan membership consisted of the following:

Inactive participants receiving benefits	2
Covered spouses of retirees	2
Active participants	<u>6</u>
Total participants	<u><u>10</u></u>

Contributions:

The Cooper Charter Township OPEB Plan was established and is being funded under the authority of the Township. The plan's funding policy is that the employer will contribute any required amounts as determined by an annual actuarial valuation as a reference but not as a definitive requirement. Active participants do not make contributions to pre-fund the Plan. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves.

Actuarial Assumptions:

The total OPEB liability was determined by an actuarial valuation as of March 31, 2018, rolled forward to the measurement date. The following actuarial assumptions were used in the measurement:

Inflation	Included in investment rate of return
Salary increase	3.5% (for purpose of allocating liability)
Investment rate of return	7.09% (including inflation)
20-year Aa Municipal bond rate	3.29%
Mortality	Public General 2010 Employee and Health Retiree, headcount weighted with MP-2018 improvement scale

NOTE 13 - POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan’s target asset allocation as of March 31, 2019, 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	65.2%	8.00%
Global fixed income	29.7	5.50
Real Assets	2.8	6.20
Diversifying strategies	2.3	2.75

The sum of each target allocation times its long-term expected rate is 7.09%.

Discount rate:

The discount rate used to measure the total OPEB liability was 3.94%. The projection of cash flows used to determine the discount rate assumed no future Township contributions. Based on this assumption, the assets are not projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (2038, the “depletion date”), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. The discount rate used for March 31, 2018 was 3.77%.

Changes in the net OPEB liability:

	<u>Increase (decrease)</u>		
	<u>Total OPEB liability (a)</u>	<u>Plan fiduciary net position (b)</u>	<u>Net OPEB liability (asset) (a) - (b)</u>
Balances at March 31, 2018	\$ 530,246	\$ 255,224	\$ 275,022
Changes for the year:			
Service cost	23,423	-	23,423
Interest	20,609	-	20,609
Experience (Gains)/Losses	(3,249)	-	(3,249)
Change in assumptions	31,482	-	31,482
Contributions - employer	-	14,017	(14,017)
Net investment income	-	8,016	(8,016)
Benefit payments			
Benefit payments; including			
refunds of Employee Contributions	(14,017)	(14,017)	-
Administrative expenses	-	(1,273)	1,273
Other changes	-	-	-
Net changes	58,248	6,743	51,505
Balances at March 31, 2019.	\$ 588,494	\$ 261,967	\$ 326,527

NOTE 13 - POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

Sensitivity of the net OPEB liability to changes in the discount rate:

The following schedule presents the net OPEB liability of the Township, calculated using the discount rates 1% higher and lower than the current rate:

	<u>1% decrease</u>	<u>Current rate</u>	<u>1% increase</u>
Net OPEB liability (asset)	\$ 418,097	\$ 326,527	\$ 251,573

Sensitivity of the net OPEB liability to changes in the trend rate:

The following schedule presents the net OPEB liability of the Township, calculated using healthcare cost trend rates 1% higher and lower than the current rate:

	<u>1% decrease</u>	<u>Current rate</u>	<u>1% increase</u>
Net OPEB liability (asset)	\$ 235,644	\$ 326,527	\$ 440,411

OPEB expense, deferred outflows of resources, and deferred inflows of resources related to OPEB Plan:

Components of Township’s OPEB Expense for the Fiscal Year Ending March 31, 2019

Below are the components of the Total OPEB Expense:

	<i>Fiscal Year</i>	
	<u>Ending 3/31/2019</u>	
Service Cost	\$	23,423
Interest on Total OPEB Liability	\$	20,609
Experience (Gains)/Losses		(549)
Change in assumptions		5,318
Contributions to OPEB trust		-
Contributions - employer		-
Projected earnings on OPEB plan investments		(12,908)
Investments earnings (gains)/losses		978
Administrative expenses		<u>1,273</u>
	<u>\$</u>	<u>38,144</u>

OPEB Plan Fiduciary Net Position:

The OPEB Plan Fiduciary Net Position as of March 31, 2019 is \$261,967.

Deferred Inflows and Outflows of Resources Related to OPEB Plan:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
	<u>of Resources</u>	<u>of Resources</u>
Experience (gains)/losses	\$ -	\$ 2,700
Change in assumptions	26,164	-
Investment earnings (gains)/losses	<u>3,914</u>	<u>-</u>
Total	<u>\$ 30,078</u>	<u>\$ 2,700</u>

NOTE 13 - POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

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

<u>Year Ended</u> <u>March 31,</u>	<u>Amount</u> <u>Recognized</u>
2020	\$ 5,747
2021	5,747
2022	5,747
2023	5,749
2024	4,388
Thereafter	<u>-</u>
	<u>\$ 27,378</u>

Reconciliation of Net OPEB Liability (Asset):

	<u>Net OPEB</u> <u>Liability (Asset)</u>
Net OPEB Liability March 31, 2018	\$ 275,022
Total OPEB expense	38,144
Contributions	(14,017)
Change in deferred outflows of resources	30,078
Change in deferred inflows of resources	<u>(2,700)</u>
Net OPEB Liability (Asset) March 31, 2019	<u>\$ 326,527</u>

Net OPEB liability by participant status:

	<u>Total OPEB Liability</u>
Active participants	\$ 394,047
Inactive participants receiving benefits	<u>194,447</u>
Total	<u>\$ 588,494</u>

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE

Effective April 1, 2018, the Township adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. As a result, the government-wide financial statements now include a liability for other postemployment benefits, known as the net OPEB liability. Some of the changes in the net OPEB liability are recognized immediately, as part of OPEB expense, and other changes will be deferred and recognized over future years. See Note 13 for more details.

The cumulative effect of this new accounting standard was an increase of \$43,613 in opening net position of governmental activities, at April 1, 2018, to record the net OPEB liability. The adoption of GASB Statement No. 75 did not affect the beginning of year equity of any governmental fund.

NOTE 15 - PENDING ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for periods beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for periods beginning after December 15, 2019. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Cooper

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended March 31, 2019

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Taxes	\$ 327,526	\$ 327,526	\$ 338,759	\$ 11,233
State grants	864,000	864,000	927,209	63,209
Licenses and permits	145,500	145,500	161,025	15,525
Charges for services	34,500	34,500	46,960	12,460
Interest and rentals	40,800	40,800	98,539	57,739
Other	10,000	10,000	2,072	(7,928)
Total revenues	<u>1,422,326</u>	<u>1,422,326</u>	<u>1,574,564</u>	<u>152,238</u>
EXPENDITURES				
General government:				
Legislative	11,800	12,900	11,148	1,752
Supervisor	69,000	69,000	65,072	3,928
Election	29,500	22,500	23,775	(1,275)
Assessor	78,600	90,500	83,791	6,709
Clerk	108,226	101,708	85,997	15,711
Treasurer	74,900	74,900	71,758	3,142
Board of review	2,800	3,800	2,292	1,508
Cemetery	70,250	70,250	57,377	12,873
Professional services	40,000	44,000	38,898	5,102
Buildings and grounds	76,250	76,250	51,513	24,737
General operations	225,000	225,000	219,666	5,334
Total general government	<u>786,326</u>	<u>790,808</u>	<u>711,287</u>	<u>79,521</u>
Public safety:				
Fire protection	244,600	262,118	247,198	14,920
Building inspections	1,000	1,000	860	140
Ordinance enforcement	45,000	49,000	42,202	6,798
Total public safety	<u>290,600</u>	<u>312,118</u>	<u>290,260</u>	<u>21,858</u>
Public works - highways and streets:				
Highways and streets	170,000	170,000	149,813	20,187
Street lights	1,000	1,000	765	235
Drains	1,000	1,000	523	477
Total public works	<u>172,000</u>	<u>172,000</u>	<u>151,101</u>	<u>20,899</u>
Community and economic development - planning and zoning				
	<u>87,700</u>	<u>87,700</u>	<u>62,495</u>	<u>25,205</u>

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<i>Variance with final budget positive (negative)</i>
EXPENDITURES (Continued)				
Capital outlay	\$ 35,000	\$ 41,000	\$ 27,317	\$ 13,683
Total expenditures	<u>1,371,626</u>	<u>1,403,626</u>	<u>1,242,460</u>	<u>161,166</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	50,700	18,700	332,104	313,404
OTHER FINANCING USES				
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(30,000)</u>	<u>20,000</u>
NET CHANGES IN FUND BALANCES	700	(31,300)	302,104	333,404
FUND BALANCES - BEGINNING	<u>3,119,294</u>	<u>3,119,294</u>	<u>3,119,294</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 3,119,994</u>	<u>\$ 3,087,994</u>	<u>\$ 3,421,398</u>	<u>\$ 333,404</u>

Charter Township of Cooper

BUDGETARY COMPARISON SCHEDULE - Water and Sewer Fund

Year ended March 31, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Charges for services	\$ 35,000	\$ 35,000	\$ 31,737	\$ (3,263)
Interest	500	500	990	490
Other - special assessments	<u>6,000</u>	<u>6,000</u>	<u>1,079</u>	<u>(4,921)</u>
Total revenues	<u>41,500</u>	<u>41,500</u>	<u>33,806</u>	<u>(7,694)</u>
EXPENDITURES				
Public works	<u>23,500</u>	<u>23,500</u>	<u>56,369</u>	<u>(32,869)</u>
NET CHANGES IN FUND BALANCES				
	18,000	18,000	(22,563)	(40,563)
FUND BALANCES - BEGINNING				
	<u>1,327,719</u>	<u>1,327,719</u>	<u>1,327,719</u>	<u>-</u>
FUND BALANCES - ENDING				
	<u>\$ 1,345,719</u>	<u>\$ 1,345,719</u>	<u>\$ 1,305,156</u>	<u>\$ (40,563)</u>

Charter Township of Cooper

BUDGETARY COMPARISON SCHEDULE - Recycling Fund

Year ended March 31, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Other - special assessments	150,000	150,000	\$ 155,634	5,634
EXPENDITURES				
Public works	178,300	178,300	178,110	190
DEFICIENCY OF REVENUES OVER EXPENDITURES	(28,300)	(28,300)	(22,476)	5,824
OTHER FINANCING SOURCES				
Transfers in	50,000	50,000	30,000	(20,000)
NET CHANGES IN FUND BALANCES	21,700	21,700	7,524	(14,176)
FUND BALANCES - BEGINNING	44,250	44,250	44,250	-
FUND BALANCES - ENDING	<u>\$ 65,950</u>	<u>\$ 65,950</u>	<u>\$ 51,774</u>	<u>(14,176)</u>

SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET OPEB LIABILITY AND RELATED RATIOS

Year Ended March 31, 2019

	<u>2019</u>
Total OPEB liability:	
Service cost	\$ 23,423
Interest	20,609
Changes in benefits	-
Difference between expected and actual experience	(3,249)
Changes in assumptions	31,482
Benefit payments, including refunds	<u>(14,017)</u>
Net change in total OPEB liability	58,248
Total OPEB liability, beginning of year	<u>530,246</u>
Total OPEB liability, end of year	<u>\$ 588,494</u>
Plan fiduciary net position:	
Contributions:	
Employer	\$ 14,017
Employee	-
Net investment income	8,016
Benefit payments, including refunds	(14,017)
Administrative expenses	<u>(1,273)</u>
Net change in plan fiduciary net position	6,743
Plan fiduciary net position, beginning of year	<u>255,224</u>
Plan fiduciary net position, end of year	<u>\$ 261,967</u>
Township's net OPEB liability (asset), end of year	<u>\$ 326,527</u>
Plan fiduciary net position as a percent of total OPEB liability	44.51%
Covered payroll	\$ 273,889
Township's net OPEB liability as a percentage of covered payroll	119.22%

Note: This schedule is being built prospectively after the implementation of GASB 75 in 2019. Ultimately, ten years of data will be presented.

Medical eligible supplemental and Part D premium cost: \$272.54 per covered person

Rationale - average of Medicare supplement and Part D premiums purchased by current retirees for retiree and spouse coverage

Post-65 Dental and Vision: \$23.83 per covered person

Rationale - average of dental/vision premiums purchased by current retirees for retiree and spouse

Medical trend rates:

Pre-65: 8.5% in 2019 graded down 0.25% per year to an ultimate rate of 4.5%

Post-65: 7.0% in 2019 graded down 0.25% per year to an ultimate rate of 4.5%

Rationale - Based on market expectations for increases in the cost of medical care and consistent with Uniform Assumptions under Public Act 202

Dental and vision trend rates - 3.0% per annum

Rationale - consistent with experience and national trends

Turnover rates - none

Rationale - small group

Retirement assumption - Age 65, if eligible; otherwise at first eligibility but no later than age 70

Rationale - based on employer experience

Marital assumption - actual marital status used

Rationale - consistent with experience

Utilization - 100% of future retirees are expected to elect medical, Rx, dental and vision coverage at retirement;
actual coverage used for non-active

Rationale - consistent with experience

Implicit subsidy - not applicable

Rationale - premiums are age graded

40% excise tax on "high cost" group health coverage - premiums when aggregated are not projected to exceed the 2022 threshold;
the thresholds were indexed by CPI plus 1% in 2023 and CPI only beginning in 2024; the CPI is assumed to be 3% in 2023 and beyond

Data Collection

Date and form of data - all personnel and asset data was prepared by the Plan sponsor or a representative and was generally relied upon as being correct and complete without audit by Watkins Ross

Changes since prior valuation

Mortality tables updated

Trend rates updated

Salary scale updated to 3.5%

Discount rate updated from 3.77% to 3.94%