
Charter Township of Fenton

**Financial Report
with Supplemental Information
December 31, 2022**

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Fenton

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Fenton (the "Township") as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township as of December 31, 2022 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Township and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Trustees
Charter Township of Fenton

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

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

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

May 31, 2023

Our discussion and analysis of the Charter Township of Fenton's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2022. Please read it in conjunction with the Charter Township of Fenton's financial statements.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell the reader how the taxpayers' resources were spent during the year and how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Government-wide Overall Financial Analysis

The following table shows, in a condensed format, the current year's net position and changes in net position, compared to the prior year:

The Township's Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets:						
Cash and investments	\$ 7,818,300	\$ 9,042,040	\$ 5,475,631	\$ 4,088,981	\$ 13,293,931	\$ 13,131,021
Receivables	4,755,048	3,289,257	1,041,282	617,529	9,703,116	3,906,786
Other assets:						
Prepaid expenses	1,270,544	105,447	28,475	18,827	1,299,019	124,274
Land held for resale	50,322	38,758	-	-	50,322	38,758
Capital assets	5,140,323	5,278,393	32,115,240	32,864,198	37,255,563	38,142,591
Total assets	19,034,537	17,753,895	38,660,628	37,589,535	57,695,165	55,343,430
Deferred Outflows of Resources	49,636	6,591	96,651	122,249	146,287	128,840
Liabilities						
Current liabilities:						
Accounts payable	431,582	390,701	172,342	58,530	603,924	449,231
Accrued interest payable	6,718	6,718	65,887	83,346	72,605	90,064
Due to other governmental units	-	1,430	-	-	-	1,430
Deposits payable	94,119	202,201	-	-	94,119	202,201
Accrued liabilities and other	16,454	15,230	-	-	16,454	15,230
Unearned revenue	-	821,020	1,609,164	446,601	1,609,164	1,267,621
Noncurrent liabilities:						
Due within one year:						
Compensated absences	42,442	19,866	-	-	42,442	19,866
Current portion of long-term debt	486,000	358,000	2,435,906	2,352,906	2,921,906	2,710,906
Due in more than one year:						
Net OPEB liability	13,908	43,123	-	-	13,908	43,123
Bonds and contracts payable - Net of current portion	2,858,000	2,678,000	6,837,522	9,273,427	9,695,522	11,951,427
Total liabilities	3,949,223	4,536,289	11,120,821	12,214,810	15,070,044	16,751,099
Deferred Inflows of Resources	3,203,295	2,385,415	-	-	3,203,295	2,385,415

Charter Township of Fenton

Management's Discussion and Analysis (Continued)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Net Position						
Net investment in capital assets	\$ 3,553,323	\$ 3,477,393	\$ 22,938,463	\$ 21,360,114	\$ 26,491,786	\$ 24,837,507
Restricted:						
Fire operations	926,708	670,138	-	-	926,708	670,138
Waste collection	140,260	206,887	-	-	140,260	206,887
Mosquito control	77,507	216,085	-	-	77,507	216,085
Debt service	2,370,626	2,636,271	-	-	2,370,626	2,636,271
Public access programming	800,416	796,293	-	-	800,416	796,293
Dog park donations	19,268	15,446	-	-	19,268	15,446
Roads	533,509	269,279	-	-	533,509	269,279
Street lighting	17,895	23	-	-	17,895	23
Lake improvements	76,790	121,902	-	-	76,790	121,902
Unrestricted	3,415,353	2,429,065	4,697,995	4,136,860	8,113,348	6,565,925
Total net position	<u>\$ 11,931,655</u>	<u>\$ 10,838,782</u>	<u>\$ 27,636,458</u>	<u>\$ 25,496,974</u>	<u>\$ 39,568,113</u>	<u>\$ 36,335,756</u>

The Township's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenue						
Program revenue:						
Charges for services	\$ 565,060	\$ 613,461	\$ 6,712,518	\$ 6,568,921	\$ 7,277,578	\$ 7,182,382
Operating grants	43,588	44,558	-	-	43,588	44,558
Capital grants	123,032	62,676	822,106	559,875	945,138	622,551
General revenue:						
Taxes - Property taxes	939,050	950,783	-	-	939,050	950,783
Intergovernmental	1,934,420	1,814,803	-	-	1,934,420	1,814,803
Investment earnings	100,585	22,829	34,053	-	134,638	22,829
Other revenue:						
Cable franchise fees	405,524	393,635	-	-	405,524	393,635
Special assessment revenue	2,390,373	2,268,195	-	-	2,390,373	2,268,195
Other miscellaneous income	18,142	405,063	-	-	18,142	405,063
Total revenue	6,519,774	6,576,003	7,568,677	7,128,796	14,088,451	13,704,799
Expenses						
General government	1,252,385	1,433,203	-	-	1,252,385	1,433,203
Legislative	93,597	70,380	-	-	93,597	70,380
Public safety	1,438,118	1,353,079	-	-	1,438,118	1,353,079
Public works	2,390,346	2,175,779	-	-	2,390,346	2,175,779
Community and economic development	49,320	38,231	-	-	49,320	38,231
Recreation and culture	139,508	127,222	-	-	139,508	127,222
Debt service	63,627	79,744	-	-	63,627	79,744
Sewer expenses	-	-	5,429,193	5,303,773	5,429,193	5,303,773
Total expenses	5,426,901	5,277,638	5,429,193	5,303,773	10,856,094	10,581,411
Change in Net Position	<u>\$ 1,092,873</u>	<u>\$ 1,298,365</u>	<u>\$ 2,139,484</u>	<u>\$ 1,825,023</u>	<u>\$ 3,232,357</u>	<u>\$ 3,123,388</u>

The governmental net position increased by 10.1 percent from a year ago from \$10,838,782 to \$11,931,655. Last year's net position increased by 36.7 percent. Assets were approximately \$1,281,000 higher than 2021 due primarily to an increase in receivables. Liabilities were approximately \$587,000 lower than last year, as approximately \$821,000 in unearned ARPA revenue was reallocated to the Water and Sewer funds.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, increased by \$986,288 for the governmental activities. This represents an increase of approximately 40.6 percent. The current level of unrestricted net position for our governmental activities stands at \$3,415,353. Increased intergovernmental revenue and debt proceeds for the ordering of a new fire truck were the primary reasons for the increase to unrestricted net position.

Charter Township of Fenton

Management's Discussion and Analysis (Continued)

The Township's business-type activities consist of the Sewer Fund and the Water Fund. The net position of business-type activities increased by 8.4 percent. Last year's net position increased by 7.7 percent. Unrestricted net position of the business-type activities increased by \$561,135, or 13.6 percent. The increase in the business-type net position was related to continued economic development and new connections to the sewer system, as well as federal grant funding for the municipal water system.

General Fund Budgetary Highlights

As the Township completed the year, its General Fund reported a fund balance of \$5,320,201. This represents an increase of \$853,496 from the prior year. The Township's General Fund revenue, excluding other financing sources, totaled \$4.1 million. Property taxes were \$939,050, or 23 percent, of the total revenue. State revenue sharing made up \$2,096,656, or 51 percent of total revenue.

Capital Assets and Debt Administration

At the end of 2022, the Township had invested \$3.6 million and \$22.9 million in capital assets, net of related debt, in governmental activities and business-type activities, respectively. These amounts comply with methods established by the Governmental Accounting Standards Board. Capital asset activity is disclosed in Note 4.

At year end, the Township had \$3.4 million in governmental long-term debt. In the Sewer Fund, the Township has \$9.3 million in bonds outstanding. Long-term debt activity is disclosed in Note 5.

Economic Factors and Next Year's Budgets and Rates

The budget for 2022 was amended, as required by state law. Both the original and amended budgets have been shown in this document for 2022. The Township has again produced a timely budget for 2023.

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 money it receives. If you have questions about this report or need additional information, we welcome you to contact the Fenton Township office.

Charter Township of Fenton

Statement of Net Position

December 31, 2022

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 3)	\$ 7,818,300	\$ 5,475,631	\$ 13,293,931
Receivables	4,755,048	1,041,282	5,796,330
Prepaid expenses	1,270,544	28,475	1,299,019
Land held for resale	50,322	-	50,322
Capital assets: (Note 4)			
Assets not subject to depreciation	93,280	508,791	602,071
Assets subject to depreciation	5,047,043	31,606,449	36,653,492
Total assets	19,034,537	38,660,628	57,695,165
Deferred Outflows of Resources			
Bond refunding loss being amortized	-	96,651	96,651
Deferred OPEB costs (Note 8)	49,636	-	49,636
Total deferred outflows of resources	49,636	96,651	146,287
Liabilities			
Accounts payable	431,582	172,342	603,924
Accrued interest payable	6,718	65,887	72,605
Deposits payable	94,119	-	94,119
Accrued liabilities and other	16,454	-	16,454
Unearned revenue	-	1,609,164	1,609,164
Noncurrent liabilities:			
Due within one year:			
Compensated absences (Note 5)	42,442	-	42,442
Current portion of long-term debt (Note 5)	486,000	2,435,906	2,921,906
Due in more than one year:			
Net OPEB liability (Note 8)	13,908	-	13,908
Long-term debt (Note 5)	2,858,000	6,837,522	9,695,522
Total liabilities	3,949,223	11,120,821	15,070,044
Deferred Inflows of Resources			
Property taxes levied for the following year	674,222	-	674,222
Special assessments levied for the following year	2,529,073	-	2,529,073
Total deferred inflows of resources	3,203,295	-	3,203,295
Net Position			
Net investment in capital assets	3,553,323	22,938,463	26,491,786
Restricted:			
Fire operations	926,708	-	926,708
Waste collection	140,260	-	140,260
Mosquito control	77,507	-	77,507
Debt service	2,370,626	-	2,370,626
Public access programming	800,416	-	800,416
Dog park donations	19,268	-	19,268
Roads	533,509	-	533,509
Street lighting	17,895	-	17,895
Lake improvements	76,790	-	76,790
Unrestricted	3,415,353	4,697,995	8,113,348
Total net position	\$ 11,931,655	\$ 27,636,458	\$ 39,568,113

Charter Township of Fenton

	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 1,252,385	\$ 237,702	\$ -	\$ -
Legislative	93,597	-	-	-
Public safety	1,438,118	327,358	1,200	-
Public works	2,390,346	-	24,898	123,032
Community and economic development	49,320	-	-	-
Recreation and culture	139,508	-	17,490	-
Interest on long-term debt	63,627	-	-	-
Total governmental activities	5,426,901	565,060	43,588	123,032
Business-type activities:				
Sewer Fund	5,429,193	6,712,518	-	503,326
Water Fund	-	-	-	318,780
Total business-type activities	5,429,193	6,712,518	-	822,106
Total primary government	<u><u>\$ 10,856,094</u></u>	<u><u>\$ 7,277,578</u></u>	<u><u>\$ 43,588</u></u>	<u><u>\$ 945,138</u></u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Special assessment revenue				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities

Year Ended December 31, 2022

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,014,683)	\$ -	\$ (1,014,683)
(93,597)	-	(93,597)
(1,109,560)	-	(1,109,560)
(2,242,416)	-	(2,242,416)
(49,320)	-	(49,320)
(122,018)	-	(122,018)
(63,627)	-	(63,627)
(4,695,221)	-	(4,695,221)
-	1,786,651	1,786,651
-	318,780	318,780
-	2,105,431	2,105,431
(4,695,221)	2,105,431	(2,589,790)
939,050	-	939,050
1,934,420	-	1,934,420
100,585	34,053	134,638
405,524	-	405,524
2,390,373	-	2,390,373
18,142	-	18,142
5,788,094	34,053	5,822,147
1,092,873	2,139,484	3,232,357
10,838,782	25,496,974	36,335,756
\$ 11,931,655	\$ 27,636,458	\$ 39,568,113

Charter Township of Fenton

Governmental Funds Balance Sheet

December 31, 2022

	General Fund	Waste Collection Fund	Fire Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments (Note 3)	\$ 5,262,899	\$ 609,679	\$ 499,366	\$ 1,446,356	\$ 7,818,300
Receivables:					
Property taxes receivable	489,562	-	-	-	489,562
Special assessments receivable	440,726	976,204	385,288	1,998,534	3,800,752
Cable revenue receivables	102,374	-	-	-	102,374
Other receivables	6,299	2,152	-	75	8,526
Due from other governmental units	318,770	-	35,064	-	353,834
Due from other funds	3,194	-	-	-	3,194
Prepaid expenses	62,506	-	1,206,538	1,500	1,270,544
Land held for resale	50,322	-	-	-	50,322
Total assets	\$ 6,736,652	\$ 1,588,035	\$ 2,126,256	\$ 3,446,465	\$ 13,897,408
Liabilities					
Accounts payable	\$ 267,679	\$ 103,145	\$ 3,083	\$ 57,675	\$ 431,582
Due to other funds	-	-	-	3,194	3,194
Deposits payable	94,119	-	-	-	94,119
Accrued liabilities and other	16,454	-	-	-	16,454
Total liabilities	378,252	103,145	3,083	60,869	545,349
Deferred Inflows of Resources					
Unavailable revenue	363,977	-	-	1,390,109	1,754,086
Property taxes levied for the following year	674,222	-	-	-	674,222
Special assessments levied for the following year	-	1,344,630	530,465	653,978	2,529,073
Total deferred inflows of resources	1,038,199	1,344,630	530,465	2,044,087	4,957,381
Fund Balances					
Nonspendable:					
Land held for resale	50,322	-	-	-	50,322
Prepays	62,506	-	1,206,538	1,500	1,270,544
Restricted:					
Roads	-	-	-	169,532	169,532
Fire	-	-	386,170	-	386,170
Debt service	-	-	-	980,517	980,517
Public access programming	800,416	-	-	-	800,416
Waste collection	-	140,260	-	-	140,260
Mosquito control	-	-	-	77,507	77,507
Dog park donations	-	-	-	19,268	19,268
Street lighting	-	-	-	17,895	17,895
Lake improvements	-	-	-	75,290	75,290
Assigned - Hogan Road Bridge	150,000	-	-	-	150,000
Unassigned	4,256,957	-	-	-	4,256,957
Total fund balances	5,320,201	140,260	1,592,708	1,341,509	8,394,678
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,736,652	\$ 1,588,035	\$ 2,126,256	\$ 3,446,465	\$ 13,897,408

Charter Township of Fenton

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

December 31, 2022

Fund Balances Reported in Governmental Funds	\$ 8,394,678
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	5,140,323
Special assessment receivables and other receivables that are not collected soon after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	1,754,086
Bonds payable are not due and payable in the current period and are not reported in the funds	(3,344,000)
Accrued interest is not due and payable in the current period and is not reported in the funds	(6,718)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(42,442)
Other postemployment benefits	(13,908)
Deferred outflows related to OPEB are not recorded in the funds	49,636
Net Position of Governmental Activities	<u>\$ 11,931,655</u>

Charter Township of Fenton

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2022

	General Fund	Waste Collection Fund	Fire Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 939,050	\$ -	\$ -	\$ -	\$ 939,050
Special assessments	123,032	1,152,959	528,385	698,435	2,502,811
Intergovernmental:					
Federal grants	4,258	-	-	-	4,258
State-shared revenue and grants	2,096,656	-	-	-	2,096,656
Local contributions	-	-	-	17,490	17,490
Charges for services	224,385	-	114,004	-	338,389
Fines and forfeitures	10,817	-	-	-	10,817
Licenses and permits	210,823	-	-	-	210,823
Investment income	66,148	5,614	6,605	32,971	111,338
Other revenue:					
Cable franchise fees	405,524	-	-	-	405,524
Other miscellaneous income	18,022	-	-	-	18,022
Total revenue	4,098,715	1,158,573	648,994	748,896	6,655,178
Expenditures					
Current:					
General government	1,347,520	-	-	-	1,347,520
Legislative	93,597	-	-	-	93,597
Public safety	904,882	-	392,424	-	1,297,306
Public works	633,483	1,225,200	-	578,183	2,436,866
Community and economic development	49,320	-	-	-	49,320
Recreation and culture	125,707	-	-	13,801	139,508
Debt service:					
Principal	80,000	-	-	278,000	358,000
Interest and other debt service	10,710	-	-	52,917	63,627
Total expenditures	3,245,219	1,225,200	392,424	922,901	5,785,744
Other Financing Sources - Proceeds from the issuance of debt	-	-	666,000	-	666,000
Net Change in Fund Balances	853,496	(66,627)	922,570	(174,005)	1,535,434
Fund Balances - Beginning of year	4,466,705	206,887	670,138	1,515,514	6,859,244
Fund Balances - End of year	\$ 5,320,201	\$ 140,260	\$ 1,592,708	\$ 1,341,509	\$ 8,394,678

Charter Township of Fenton

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

Year Ended December 31, 2022

Net Change in Fund Balances Reported in Governmental Funds	\$ 1,535,434
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	363,357
Depreciation expense	(501,427)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(135,404)
Issuing debt provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(666,000)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	358,000
Compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(22,576)
Increases in the obligation for other postemployment benefits and related deferred outflows and inflows are recorded when earned in the statement of activities	161,489
Change in Net Position of Governmental Activities	<u>\$ 1,092,873</u>

Charter Township of Fenton

Proprietary Funds Statement of Net Position

December 31, 2022

	Enterprise Fund - Sewer Fund	Nonmajor Enterprise - Water Fund	Total Enterprise Funds
Assets			
Current assets:			
Cash and investments (Note 3)	\$ 4,378,352	\$ 1,097,279	\$ 5,475,631
Receivables:			
User fees	412,380	-	412,380
Delinquent usage receivable	628,902	-	628,902
Prepaid expenses	28,475	-	28,475
Total current assets	5,448,109	1,097,279	6,545,388
Noncurrent assets - Capital assets: (Note 4)			
Assets not subject to depreciation	190,011	318,780	508,791
Assets subject to depreciation	31,606,449	-	31,606,449
Total noncurrent assets	31,796,460	318,780	32,115,240
Total assets	37,244,569	1,416,059	38,660,628
Deferred Outflows of Resources - Bond refunding loss being amortized	96,651	-	96,651
Liabilities			
Current liabilities:			
Accounts payable	172,342	-	172,342
Accrued interest payable	65,887	-	65,887
Unearned revenue	514,312	1,094,852	1,609,164
Current portion of long-term debt (Note 5)	2,435,906	-	2,435,906
Total current liabilities	3,188,447	1,094,852	4,283,299
Noncurrent liabilities - Long-term debt (Note 5)	6,837,522	-	6,837,522
Total liabilities	10,025,969	1,094,852	11,120,821
Net Position			
Net investment in capital assets	22,619,683	318,780	22,938,463
Unrestricted	4,695,568	2,427	4,697,995
Total net position	<u>\$ 27,315,251</u>	<u>\$ 321,207</u>	<u>\$ 27,636,458</u>

Charter Township of Fenton

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

Year Ended December 31, 2022

	Enterprise Fund - Sewer Fund	Nonmajor Enterprise - Water Fund	Total Enterprise Funds
Operating Revenue - Charges for services	\$ 6,712,518	\$ -	\$ 6,712,518
Operating Expenses			
Sewer treatment fees	2,780,604	-	2,780,604
Other contractual services	726,685	-	726,685
Insurance	36,169	-	36,169
Billing fees and postage	9,774	-	9,774
Administrative expense	180,000	-	180,000
Utilities	127,930	-	127,930
Miscellaneous	7,264	-	7,264
Depreciation	1,286,239	-	1,286,239
Total operating expenses	5,154,665	-	5,154,665
Operating Income	1,557,853	-	1,557,853
Nonoperating Revenue (Expense)			
Investment income	31,626	2,427	34,053
Bond interest expense	(274,528)	-	(274,528)
Total nonoperating (expense) revenue	(242,902)	2,427	(240,475)
Income - Before capital contributions	1,314,951	2,427	1,317,378
Capital Contributions			
Capital grants	175,526	318,780	494,306
Tap-in fees	327,800	-	327,800
Total capital contributions	503,326	318,780	822,106
Change in Net Position	1,818,277	321,207	2,139,484
Net Position - Beginning of year	25,496,974	-	25,496,974
Net Position - End of year	\$ 27,315,251	\$ 321,207	\$ 27,636,458

Charter Township of Fenton

Proprietary Funds Statement of Cash Flows

Year Ended December 31, 2022

	Enterprise Fund - Sewer Fund	Nonmajor Enterprise - Water Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 6,295,802	\$ -	\$ 6,295,802
Payments to suppliers	(3,584,262)	-	(3,584,262)
Internal activity - Payments to other funds	(180,000)	-	(180,000)
Net cash provided by operating activities	2,531,540	-	2,531,540
Cash Flows from Capital and Related Financing Activities			
Receipt of capital grants	235,000	1,413,632	1,648,632
Tap-in fees	329,000	-	329,000
Purchase of capital assets	(218,501)	(318,780)	(537,281)
Principal and interest paid on capital debt	(2,619,294)	-	(2,619,294)
Net cash (used in) provided by capital and related financing activities	(2,273,795)	1,094,852	(1,178,943)
Cash Flows Provided by Investing Activities - Interest received on investments	31,626	2,427	34,053
Net Increase in Cash and Cash Equivalents	289,371	1,097,279	1,386,650
Cash and Cash Equivalents - Beginning of year	4,088,981	-	4,088,981
Cash and Cash Equivalents - End of year	<u><u>\$ 4,378,352</u></u>	<u><u>\$ 1,097,279</u></u>	<u><u>\$ 5,475,631</u></u>
Classification of Cash and Cash Equivalents - Cash and cash equivalents	<u><u>\$ 4,378,352</u></u>	<u><u>\$ 1,097,279</u></u>	<u><u>\$ 5,475,631</u></u>
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating income	\$ 1,557,853	\$ -	\$ 1,557,853
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	1,286,239	-	1,286,239
Changes in assets and liabilities:			
Receivables	(416,716)	-	(416,716)
Prepaid and other assets	(9,648)	-	(9,648)
Accounts payable	113,812	-	113,812
Net cash provided by operating activities	<u><u>\$ 2,531,540</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,531,540</u></u>

Charter Township of Fenton

Fiduciary Funds Statement of Fiduciary Net Position

December 31, 2022

	Retiree Health Care Fund	Custodial Fund - Current Tax Collection
Assets		
Cash and investments	\$ -	\$ 4,025,284
Investments - Mutual funds	510,797	-
Receivables - Property taxes	-	15,866,474
Total assets	510,797	19,891,758
Liabilities - Due to other governmental units	-	4,025,284
Deferred Inflows of Resources - Property taxes levied for the following year	-	15,866,474
Total liabilities and deferred inflows of resources	-	19,891,758
Net Position - Restricted - Postemployment benefits other than pension	<u>\$ 510,797</u>	<u>\$ -</u>

Charter Township of Fenton

Fiduciary Funds Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2022

	Retiree Health Care Fund	Custodial Fund - Current Tax Collection
Additions		
Investment loss - Net decrease in fair value of investments	\$ (78,354)	\$ -
Property tax collections	-	28,061,390
Total additions	(78,354)	28,061,390
Deductions		
Benefit payments	19,744	-
Tax payments to other governments	-	28,061,390
Total deductions	19,744	28,061,390
Net Decrease in Restricted Net Position	(98,098)	-
Net Position Restricted for Other Employee Benefits - Beginning of year	608,895	-
Net Position Restricted for Other Employee Benefits - End of year	<u><u>\$ 510,797</u></u>	<u><u>\$ -</u></u>

December 31, 2022

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

The Charter Township of Fenton (the "Township") is a municipality in the state of Michigan. The Township follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB).

Reporting Entity

The Charter Township of Fenton is governed by an elected seven-member board. In accordance with governmental accounting principles, the reporting entity of the Township consists solely of the primary government and its component unit.

Fiduciary Component Unit

Although legally separate from the Township, the Retiree Health Care Fund is reported as a fiduciary component unit because it is governed by the Township's board and imposes a financial burden on the Township.

Report Presentation

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

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

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

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.

December 31, 2022

Note 1 - Significant Accounting Policies (Continued)

Fund Accounting

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

Governmental Funds

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Waste Collection Fund is used to account for the customer charges that are to be used to pay contracted services for rubbish collection and disposal.
- The Fire Fund is used to account for the revenue and expenditures related to fire protection and emergency medical services.

Additionally, the Township reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

Proprietary Funds

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

- The Sewer Fund is a separate fund maintained for the operations of the sanitary sewer collection system that transports sewage to the treatment plant operated by Genesee County, Michigan.

Fiduciary Funds

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

- The Retiree Health Care Fund accumulates resources for postemployment benefit payments for township retired employees.
- The custodial fund accounts for assets held by the Township as an agent for individuals, private organizations, and other governments. The custodial fund is reported as a fiduciary fund and is not included in the government-wide statement of net position and statement of activities.

Basis of Accounting

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

December 31, 2022**Note 1 - Significant Accounting Policies (Continued)**

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

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

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

Specific Balances and Transactions**Cash and Cash Equivalents**

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

Investments are reported at fair value or estimated fair value.

Receivables and Payables

In general, outstanding balances between funds are reported as due to/from other funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal 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.

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, building, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

December 31, 2022

Note 1 - Significant Accounting Policies (Continued)

Infrastructure, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Roads	10-20
Sewer system infrastructure	50
Buildings and improvements	15-40
Machinery and equipment	3-15
Furniture and fixtures	5
Land improvements	15

Unearned Revenue

Unearned revenue consists primarily of grant proceeds, which are not considered earned until they have been spent on eligible expenditures, as well as sewer usage fees that have been pre-billed.

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as other financing sources, as well as bond premiums and discounts. The General Fund and debt service funds are generally used to liquidate governmental long-term debt, and the Sewer Fund is generally used to liquidate business-type debt.

Deferred Outflows/Inflows of Resources

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

The Township reports a deferred outflow in the Sewer Fund and government-wide statements related to bond refunding loss that is being amortized. The Township also reports deferred outflows in the government-wide statements related to deferred OPEB costs, as detailed in Note 8.

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

December 31, 2022**Note 1 - Significant Accounting Policies (Continued)**

The Township reports deferred inflows in the governmental funds and in the government-wide statements related to property taxes and special assessments that have been levied by the Township prior to year end but are used to fund 2022 operations. In addition, there are deferred inflows in the governmental funds related to additional state-shared revenue owed to the Township and special assessments that have been completed during or prior to 2022, but the revenue is unavailable at year end and is expected to be received in future periods.

Net Position

Net position of the Township is classified in three components. Net investment in capital assets, net of related debt, consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position is further classified as expendable and nonexpendable. Expendable restricted net position has been limited for use by donors and is held in trust for debt service and self-insured professional liability. Nonexpendable restricted net position has been restricted by donors to be maintained in perpetuity. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

- Nonspendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- Committed: Amounts that have been formally set aside by the Township for use for specific purposes. Commitments are made and can be rescinded only via resolutions of the township board.

December 31, 2022

Note 1 - Significant Accounting Policies (Continued)

- Assigned: Intent to spend resources on specific purposes expressed by the governing body. Assignments must be authorized by resolution and approved by the governing body.
- Unassigned: Amounts that do not fall into any other category above. This is the residual classification for 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.

Property Tax Revenue

Property taxes are levied on each December 1 and become an enforceable lien at that time; the tax is based 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 penalties and interest are assessed.

The Township's 2021 property tax revenue was levied and collectible on December 1, 2021 and is recognized as revenue in the year ended December 31, 2022 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2021 taxable valuation of the Township totaled \$952 million, on which taxes levied consisted of 0.6576 mills for operating purposes. This resulted in \$628,988 for operations. These amounts are recognized in the respective General Fund financial statements as tax revenue.

Other Postemployment Benefit Costs

The Township offers retiree health care benefits to retirees. The Township records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose 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 OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The General Fund is used to liquidate any OPEB liabilities.

Compensated Absences (Paid Time Off)

It is the Township's policy to permit employees to earn a certain number of paid time off hours on a monthly basis, based on years of service. An amount is accrued for the estimated amount that the Township will pay upon employment termination. This liability is reported 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. Generally, the fund that reports each employee's compensation is used to liquidate the obligations.

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Sewer Fund is charges to customers for sewer services. Operating expenses for enterprise funds include the cost of providing services, maintaining the system, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

December 31, 2022**Note 1 - Significant Accounting Policies (Continued)****Use of Estimates**

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

Upcoming Accounting Pronouncements

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2023.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2024.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including May 31, 2023, which is the date the financial statements were available to be issued.

Subsequent to December 31, 2022, the Township received a Michigan Economic Development Corporation Grant in the amount of \$10 million. The Township intends to utilize this money for a road project.

December 31, 2022

Note 2 - Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations in Budgeted Funds

The Township did not have any expenditure budget variances.

Construction Code Fees

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at January 1, 2022		\$	(372,975)
Current year permit revenue			206,661
Related expenses:			
Direct costs	\$	71,455	
Estimated indirect costs		68,412	139,867
			<u>66,794</u>
Current year surplus			<u>66,794</u>
Cumulative shortfall at December 31, 2022		\$	<u><u>(306,181)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Retiree Health Care Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

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

The Township's cash and investments are subject to custodial credit risk, which is 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 did not have any bank deposits that were uninsured and uncollateralized. 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.

December 31, 2022

Note 3 - Deposits and Investments (Continued)

Fair Value Measurements

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

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

The Township has the following recurring fair value measurements as of December 31, 2022. The equity securities are classified as Level 1 and are valued using prices quoted in active markets for those securities:

- Equity securities in mutual funds of \$510,797 are valued using quoted marketed prices (Level 1 inputs).

Note 4 - Capital Assets

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

Governmental Activities

	Balance January 1, 2022	Additions	Disposals and Adjustments	Balance December 31, 2022
Capital assets not being depreciated - Land	\$ 93,280	\$ -	\$ -	\$ 93,280
Capital assets being depreciated:				
Buildings and improvements	2,290,844	6,500	-	2,297,344
Machinery and equipment	3,412,003	29,260	(87,108)	3,354,155
Furniture and fixtures	32,285	-	-	32,285
Land improvements	401,281	-	-	401,281
Road improvements	4,533,548	327,597	-	4,861,145
Subtotal	10,669,961	363,357	(87,108)	10,946,210
Accumulated depreciation:				
Buildings and improvements	1,279,940	58,538	-	1,338,478
Machinery and equipment	2,100,510	149,774	(87,108)	2,163,176
Furniture and fixtures	19,900	805	-	20,705
Land improvements	363,650	11,233	-	374,883
Road improvements	1,720,848	281,077	-	2,001,925
Subtotal	5,484,848	501,427	(87,108)	5,899,167
Net capital assets being depreciated	5,185,113	(138,070)	-	5,047,043
Net governmental activities capital assets	\$ 5,278,393	\$ (138,070)	\$ -	\$ 5,140,323

December 31, 2022

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance January 1, 2022	Additions	Disposals and Adjustments	Balance December 31, 2022
Capital assets not being depreciated:				
Land	\$ 5,485	\$ -	\$ -	\$ 5,485
Construction in progress	20,694	482,612	-	503,306
Subtotal	26,179	482,612	-	508,791
Capital assets being depreciated:				
Buildings	520,171	-	-	520,171
Sewer system infrastructure	61,984,712	54,669	-	62,039,381
Subtotal	62,504,883	54,669	-	62,559,552
Accumulated depreciation:				
Buildings	129,629	13,404	-	143,033
Sewer system infrastructure	29,537,235	1,272,835	-	30,810,070
Subtotal	29,666,864	1,286,239	-	30,953,103
Net capital assets being depreciated	32,838,019	(1,231,570)	-	31,606,449
Net business-type activities capital assets	<u>\$ 32,864,198</u>	<u>\$ (748,958)</u>	<u>\$ -</u>	<u>\$ 32,115,240</u>

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

Governmental activities:	
General government	\$ 62,434
Public works	281,077
Public safety	157,916
Total governmental activities	<u>\$ 501,427</u>
Business-type activities - Sewer	<u>\$ 1,286,239</u>

Construction Commitments

The Township has active construction projects at year end. The projects include the water line extension and the sewer extension. At year end, the Township's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Sewer extension	\$ 154,832	\$ 182,318
Water line extension	318,780	7,114,275
Total	<u>\$ 473,612</u>	<u>\$ 7,296,593</u>

December 31, 2022

Note 5 - Long-term Debt

Significant details regarding the Township's long-term liabilities for the year ended December 31, 2022 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -					
Direct borrowings and direct					
placements:					
General Obligation Limited Tax					
Bonds	\$ 345,000	\$ -	\$ (80,000)	\$ 265,000	\$ 85,000
Installment obligations:					
Lake Valley SAD	550,000	-	(55,000)	495,000	55,000
Liberty Shores SAD	164,000	-	(27,000)	137,000	27,000
Four Lakes Improvement					
SAD	521,000	-	(62,000)	459,000	62,000
Silver Ridge and Margaret					
SAD	1,456,000	-	(134,000)	1,322,000	134,000
Fire Truck IPA	-	666,000	-	666,000	123,000
Total direct borrowings					
and direct placements					
principal outstanding	3,036,000	666,000	(358,000)	3,344,000	486,000
Accumulated sick and vacation					
time	19,866	57,360	(34,784)	42,442	42,442
Total governmental					
activities long-term					
debt	<u>\$ 3,055,866</u>	<u>\$ 723,360</u>	<u>\$ (392,784)</u>	<u>\$ 3,386,442</u>	<u>\$ 528,442</u>

December 31, 2022

Note 5 - Long-term Debt (Continued)

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Direct borrowings and direct placements:					
Refunded General Obligation Capital Improvement Bonds 2018	\$ 1,369,000	\$ -	\$ (153,000)	\$ 1,216,000	\$ 157,000
General Obligation Capital Improvement Bonds 2017	1,070,000	-	(170,000)	900,000	170,000
General Obligation Capital Improvement Bonds 2018	955,000	-	(123,000)	832,000	127,000
Total direct borrowings and direct placements principal outstanding	3,394,000	-	(446,000)	2,948,000	454,000
Other debt:					
2016 Refunded General Obligation Capital Improvement Bonds Series 2007	4,015,000	-	(605,000)	3,410,000	630,000
Bond refunding premium	333,239	-	(55,540)	277,699	55,540
2013 Refunded Sewage Disposal System No. 3 2004 B and Improvement Projects Series 2004A	2,970,000	-	(940,000)	2,030,000	990,000
Bond refunding premium	189,056	-	(63,020)	126,036	63,020
2014 Refunded Sewage Disposal System No. 3 Series 2003A	700,000	-	(235,000)	465,000	235,000
Bond refunding premium	25,038	-	(8,345)	16,693	8,346
Total other debt principal outstanding	8,232,333	-	(1,906,905)	6,325,428	1,981,906
Total business-type activities long-term debt	<u>\$ 11,626,333</u>	<u>\$ -</u>	<u>\$ (2,352,905)</u>	<u>\$ 9,273,428</u>	<u>\$ 2,435,906</u>

December 31, 2022

Note 5 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

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

Years Ending December 31	Governmental Activities			Business-type Activities				
	Direct Borrowings and Direct Placements			Direct Borrowings and Direct Placements		Other Debt		
	Principal	Interest	Total	Principal	Interest	Principal	Interest	Total
2023	\$ 486,000	\$ 75,412	\$ 561,412	\$ 454,000	\$ 77,902	\$ 1,855,000	\$ 221,350	\$ 2,608,252
2024	496,000	61,338	557,338	469,000	65,508	1,925,000	141,200	2,600,708
2025	506,000	46,871	552,871	484,000	52,719	680,000	85,000	1,301,719
2026	380,000	33,895	413,895	499,000	39,505	710,000	57,800	1,306,305
2027	386,000	23,960	409,960	515,000	157,701	735,000	29,400	1,437,101
2028-2032	814,000	55,388	869,388	527,000	18,281	-	-	545,281
2033-2035	276,000	6,582	282,582	-	-	-	-	-
Total	\$ 3,344,000	\$ 303,446	\$ 3,647,446	\$ 2,948,000	\$ 411,616	\$ 5,905,000	\$ 534,750	\$ 9,799,366

Revenue Pledged in Debt Payment

The Township has pledged substantially all revenue of the General Fund to repay the above obligations related to the 2016 Refunded General Obligation Capital Improvement Bonds Series 2007, 2013 Refunded Sewage Disposal System No. 3 Series 2004, and 2014 Refunded Sewage Disposal System No. 3 Series 2003 bonds. In addition, the Township has pledged to raise property taxes, to the extent permitted by law, if necessary, to fund the repayment of the bonds.

Bond Refunding

In previous years, the Township defeased advance refundings. As of December 31, 2022, there is still \$7,595,000 of bonds outstanding that is considered defeased.

Note 6 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for employee injuries and medical benefit claims and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss, torts, errors and omissions, and sewer discharge claims; the Township is uninsured for unemployment claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's State Pool program (the "Authority") operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

The Township estimates the liability for unemployment and sewer discharge claims that have been incurred through the end of the fiscal year, including claims that have been reported and those that have not yet been reported. There is no unpaid claim balance at the beginning or end of the year for unemployment claims.

Note 7 - Defined Contribution Pension Plan

The Township sponsors a defined contribution pension plan (the "Charter Township of Fenton Group Pension Plan") covering all eligible employees who wish to participate. The plan is administered by John Hancock Life Insurance Company. By township ordinance, the Township contributes 5 percent or 10 percent depending on hire date and employees contribute 5 percent of wages to the plan. The employee may voluntarily contribute in excess of that amount. Benefits are fully vested after 20 months of service with the benefit payable at age 55, or retirement, if later. Employees between the ages of 18 and 65 with at least 90 days of service who wish to participate may elect coverage. Total payroll and covered payroll for the year were \$915,893 and \$711,574, respectively. The Township's 2022 contributions were \$60,672. Employees contributed \$46,880 during 2022.

Note 8 - Other Postemployment Benefit Plan

Plan Description

The Township provides OPEB for all employees who meet eligibility requirements. The benefits are provided through the Charter Township of Fenton Retiree Medical Plan (the "Plan"), a single-employer defined benefit plan administered by the Township.

The financial statements of the OPEB plan are included in these financial statements as the Retiree Health Care Fund (a fiduciary fund).

Management of the Plan is vested in the township board, which consists of seven elected members.

Benefits Provided

The Plan provides health care benefits for eligible retirees. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the Plan. The benefits are defined under collective bargaining agreements. As of December 31, 2017, the Plan was closed to new entrants.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	December 31, 2021
Inactive plan members or beneficiaries currently receiving benefits	2
Active plan members	2
Total plan members	4

Contributions

Retiree health care costs are paid by the Township on a pay-as-you-go basis. The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment. The Township made no contributions during 2022.

Net OPEB Liability

The Township has chosen to use December 31 as its measurement date for the net OPEB liability. The December 31, 2022 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the December 31, 2022 measurement date. The December 31, 2022 measurement date total OPEB liability was determined by an actuarial valuation performed as of December 31, 2021, which used update procedures to roll forward the estimated liability to December 31, 2022.

December 31, 2022

Note 8 - Other Postemployment Benefit Plan (Continued)

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at December 31, 2021	\$ 652,018	\$ 608,895	\$ 43,123
Changes for the year:			
Service cost	1,969	-	1,969
Interest	35,684	-	35,684
Differences between expected and actual experience	(2,706)	-	(2,706)
Changes in assumptions	(142,517)	-	(142,517)
Net investment income	-	(75,692)	75,692
Benefit payments, including refunds	(19,743)	(19,743)	-
Administrative expenses	-	(2,663)	2,663
Net changes	(127,313)	(98,098)	(29,215)
Balance at December 31, 2022	<u>\$ 524,705</u>	<u>\$ 510,797</u>	<u>\$ 13,908</u>

The plan's fiduciary net position represents 97.3 percent of the total OPEB liability.

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

For the year ended December 31, 2022, the Township recognized OPEB expense of \$(161,490).

At December 31, 2022, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ 49,636	\$ -

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

Years Ending December 31	Amount
2023	\$ 1,129
2024	10,839
2025	15,907
2026	21,761
Total	<u>\$ 49,636</u>

Actuarial Assumptions

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using assumed salary increases (including inflation) of 3.5 percent; an investment rate of return (net of investment expenses and including inflation) of 7.45 percent; a health care cost trend rate of 7.25 percent for 2022, decreasing by 0.25 percent per year to an ultimate rate of 4.5 percent for 2033 and later years; and the Public General 2010 Employee and Healthy Retiree mortality tables with the MP-2021 improvement scale. These assumptions were applied to all periods included in the measurement.

December 31, 2022

Note 8 - Other Postemployment Benefit Plan (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 7.45 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that township contributions will be made at rates equal to the difference between actuarially determined contribution rates.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Investment Rate of Return

The long-term expected rate of return on OPEB 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 OPEB 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 adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2022 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Global equity	9.00 %
Global fixed income	4.70
Real assets	6.40
Diversifying strategies	3.00

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

The following presents the net OPEB liability of the Township, calculated using the discount rate of 7.45 percent, as well as what the Township's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.45%)	Current Discount Rate (7.45%)	1 Percentage Point Increase (8.45%)
Net OPEB liability (asset) of the Charter Township of Fenton Retiree Medical Plan	\$ 81,662	\$ 13,908	\$ (41,993)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the Township, calculated using the health care cost trend rate of 7.25 percent, as well as what the Township's net OPEB (asset) liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.25%)	Current Health Care Cost Trend Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net OPEB (asset) liability of the Charter Township of Fenton Retiree Medical Plan	\$ (48,723)	\$ 13,908	\$ 89,257

December 31, 2022

Note 8 - Other Postemployment Benefit Plan (Continued)

Assumption Changes

The discount rate of 7.45 percent used in the December 31, 2022 actuarial valuation has been updated from 5.54 percent, which was used in the December 31, 2021 actuarial valuation.

Investment Policy

The Township's policy in regard to the allocation of invested assets is established and may be amended by the township board by a majority vote of its members. It is the policy of the Township to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Township's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Township's adopted asset allocation policy for the Charter Township of Fenton Retiree Medical Plan as of December 31, 2022:

Asset Class	Target Allocation
Global equity	64.00 %
Global fixed income	26.00
Real assets	5.00
Diversifying strategies	5.00
Total	100.00 %

Rate of Return

For the year ended December 31, 2022, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was (12.87) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 9 - Tax Abatements

The Township uses the industrial facilities tax exemption (Public Act 198 of 1974) to enter into agreements with local businesses to construct new industrial facilities or rehabilitate historical facilities. Under the program, the Township grants reductions of 50 percent of the property tax bill for new property (or it can freeze taxable values for rehabilitation properties) for up to 12 years.

For the fiscal year ended December 31, 2022, the Township abated \$989 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

Required Supplemental Information

Charter Township of Fenton

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended December 31, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 960,500	\$ 979,500	\$ 939,050	\$ (40,450)
Special assessments	30,000	69,000	123,032	54,032
Intergovernmental	1,642,300	2,071,100	2,100,914	29,814
Charges for services	215,000	225,500	224,385	(1,115)
Fines and forfeitures	11,500	16,500	10,817	(5,683)
Licenses and permits	254,600	254,600	210,823	(43,777)
Investment income	1,500	55,000	66,148	11,148
Other revenue	391,000	396,000	423,546	27,546
Total revenue	3,506,400	4,067,200	4,098,715	31,515
Expenditures				
Current services:				
General government	1,511,700	1,649,600	1,347,520	302,080
Legislative	110,700	124,200	93,597	30,603
Public safety	953,400	979,400	904,882	74,518
Public works	413,400	937,200	633,483	303,717
Community and economic development	54,600	66,200	49,320	16,880
Recreation and culture	124,500	151,000	125,707	25,293
Debt service	90,500	90,900	90,710	190
Total expenditures	3,258,800	3,998,500	3,245,219	753,281
Net Change in Fund Balance	247,600	68,700	853,496	784,796
Fund Balance - Beginning of year	4,466,705	4,466,705	4,466,705	-
Fund Balance - End of year	<u><u>\$ 4,714,305</u></u>	<u><u>\$ 4,535,405</u></u>	<u><u>\$ 5,320,201</u></u>	<u><u>\$ 784,796</u></u>

Charter Township of Fenton

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Waste Collection Fund

Year Ended December 31, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Special assessments	\$ 1,140,000	\$ 1,151,000	\$ 1,152,959	\$ 1,959
Investment income	1,000	1,000	5,614	4,614
Total revenue	1,141,000	1,152,000	1,158,573	6,573
Expenditures - Current services - Public works	1,155,300	1,227,300	1,225,200	2,100
Net Change in Fund Balance	(14,300)	(75,300)	(66,627)	8,673
Fund Balance - Beginning of year	206,887	206,887	206,887	-
Fund Balance - End of year	<u><u>\$ 192,587</u></u>	<u><u>\$ 131,587</u></u>	<u><u>\$ 140,260</u></u>	<u><u>\$ 8,673</u></u>

Charter Township of Fenton

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

Year Ended December 31, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Special assessments	\$ 528,000	\$ 528,000	\$ 528,385	\$ 385
Charges for services	127,100	127,100	114,004	(13,096)
Investment income	-	-	6,605	6,605
Total revenue	655,100	655,100	648,994	(6,106)
Expenditures - Current services - Public safety - Fire and EMS	1,009,000	1,121,600	392,424	729,176
Other Financing Sources - Proceeds from sale of capital assets	-	-	666,000	666,000
Net Change in Fund Balance	(353,900)	(466,500)	922,570	1,389,070
Fund Balance - Beginning of year	670,138	670,138	670,138	-
Fund Balance - End of year	<u>\$ 316,238</u>	<u>\$ 203,638</u>	<u>\$ 1,592,708</u>	<u>\$ 1,389,070</u>

Charter Township of Fenton

Required Supplemental Information Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios

	Last Six Fiscal Years					
	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 1,969	\$ 2,417	\$ 2,419	\$ 4,726	\$ 7,129	\$ 6,785
Interest	35,684	31,297	30,779	39,984	36,662	61,268
Changes in benefit terms	-	-	-	-	-	(542,826)
Differences between expected and actual experience	(2,706)	90,071	978	(183,647)	(422)	-
Changes in assumptions	(142,517)	89,593	(3,668)	29,684	(177,814)	-
Benefit payments, including refunds	(19,743)	(21,127)	(19,947)	(17,358)	(11,508)	(10,220)
Net Change in Total OPEB Liability	(127,313)	192,251	10,561	(126,611)	(145,953)	(484,993)
Total OPEB Liability - Beginning of year	652,018	459,767	449,206	575,817	721,770	1,206,763
Total OPEB Liability - End of year	<u><u>\$ 524,705</u></u>	<u><u>\$ 652,018</u></u>	<u><u>\$ 459,767</u></u>	<u><u>\$ 449,206</u></u>	<u><u>\$ 575,817</u></u>	<u><u>\$ 721,770</u></u>
Plan Fiduciary Net Position						
Contributions - Employer	\$ -	\$ -	\$ -	\$ 67,358	\$ 86,508	\$ 35,220
Net investment (loss) income	(75,692)	67,615	61,393	78,198	(24,845)	43,558
Administrative expenses	(2,663)	(3,045)	(2,483)	(2,118)	(1,738)	(1,457)
Benefit payments, including refunds	(19,743)	(21,127)	(19,947)	(17,358)	(11,508)	(10,220)
Net Change in Plan Fiduciary Net Position	(98,098)	43,443	38,963	126,080	48,417	67,101
Plan Fiduciary Net Position - Beginning of year	608,895	565,452	526,489	400,409	351,992	284,891
Plan Fiduciary Net Position - End of year	<u><u>\$ 510,797</u></u>	<u><u>\$ 608,895</u></u>	<u><u>\$ 565,452</u></u>	<u><u>\$ 526,489</u></u>	<u><u>\$ 400,409</u></u>	<u><u>\$ 351,992</u></u>
Net OPEB Liability (Asset) - Ending	<u><u>\$ 13,908</u></u>	<u><u>\$ 43,123</u></u>	<u><u>\$ (105,685)</u></u>	<u><u>\$ (77,283)</u></u>	<u><u>\$ 175,408</u></u>	<u><u>\$ 369,778</u></u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	97.3 %	93.4 %	123.0 %	117.2 %	69.5 %	48.8 %
Covered-employee Payroll	\$ 101,482	\$ 138,516	\$ 149,971	\$ 154,363	\$ 191,325	\$ 182,016

GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Charter Township of Fenton

Required Supplemental Information Schedule of OPEB Contributions

Last Ten Fiscal Years Years Ended December 31										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ 47,838	\$ 129,743	\$ 103,724	\$ 72,141	\$ 111,391	\$ 111,391	\$ 111,391
Contributions in relation to the actuarially determined contribution	-	-	-	67,358	86,508	35,220	34,926	33,328	32,870	28,761
Contribution Excess (Deficiency)	\$ -	\$ -	\$ -	\$ 19,520	\$ (43,235)	\$ (68,504)	\$ (37,215)	\$ (78,063)	\$ (78,521)	\$ (82,630)
Covered-employee Payroll	\$ 101,482	\$ 138,516	\$ 149,971	\$ 154,363	\$ 191,325	\$ 182,016	\$ 174,870	\$ 173,852	\$ 173,400	\$ 171,303
Contributions as a Percentage of Covered-employee Payroll	- %	- %	- %	43.6 %	45.2 %	19.3 %	20.0 %	19.2 %	19.0 %	16.8 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, one year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal (level percentage of compensation)
Asset valuation method	Equal to market value of assets
Inflation	2.00 percent
Salary increase	3.50 percent
Investment rate of return	5.54 percent (net of investment expenses)
Mortality	Public General 2010 Employee and Healthy Retiree with the 2021 improvement scale

Charter Township of Fenton

Required Supplemental Information Schedule of OPEB Investment Returns

**Last Six Fiscal Years
Years Ended December 31**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return - Net of investment expense	(12.87)%	11.42 %	11.19 %	19.00 %	(7.55)%	14.89 %

This schedule is being built prospectively and will ultimately show 10 years of data.

December 31, 2022

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds, except that operating transfers and debt proceeds have been included in the revenue and expenditures categories, rather than as other financing sources (uses). All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level (i.e., the level at which expenditures may not legally exceed appropriations).

The Township follows these procedures in establishing the budgetary data reflected in these financial statements:

1. A public hearing is held in conjunction with a regular board meeting.
2. The township board adopts the budget on a departmental level at a regular board meeting.

OPEB Information

Benefit Changes

There were no changes of benefit terms in 2022, 2021, 2020, 2019, or 2018.

In 2017, benefit terms changed related to closing the plan and amending plan eligibility, resulting in a decrease of the total OPEB liability.

Changes in Assumptions

In 2022, assumptions changed related to the discount rate resulting in a decrease in the total OPEB liability.

In 2021, assumptions changed related to the discount rate, mortality tables and health care cost trend rate, resulting in an increase of the total OPEB liability.

In 2020, assumptions changed related to the discount rate, resulting in a decrease of the total OPEB liability.

In 2019, assumptions changed related to the discount rate and mortality tables, resulting in an increase of the total OPEB liability.

In 2018, assumptions changed related to the discount rate, health care cost trend rate, salary scale, and investment rate of return, resulting in a decrease of the total OPEB liability.

Other Supplemental Information

Charter Township of Fenton

	Special Revenue Funds				
	Mosquito	Dog Park	Private Roads SAD	Street Lighting SAD	Lake Improvements SAD
Assets					
Cash and investments	\$ 132,407	\$ 19,268	\$ 187,197	\$ 45,962	\$ 228,627
Receivables:					
Special assessments receivable	150,450	-	44,270	69,880	196,203
Other receivables	75	-	-	-	-
Prepaid expenses	-	-	-	-	1,500
Total assets	<u>\$ 282,932</u>	<u>\$ 19,268</u>	<u>\$ 231,467</u>	<u>\$ 115,842</u>	<u>\$ 426,330</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ 1,350	\$ -	\$ 56,325
Due to other funds	-	-	-	-	3,194
Total liabilities	-	-	1,350	-	59,519
Deferred Inflows of Resources					
Unavailable revenue	-	-	-	-	-
Special assessments levied for the following year	205,425	-	60,585	97,947	290,021
Total deferred inflows of resources	<u>205,425</u>	<u>-</u>	<u>60,585</u>	<u>97,947</u>	<u>290,021</u>
Total liabilities and deferred inflows of resources	205,425	-	61,935	97,947	349,540
Fund Balances					
Nonspendable - Prepaids	-	-	-	-	1,500
Restricted:					
Roads	-	-	169,532	-	-
Debt service	-	-	-	-	-
Mosquito control	77,507	-	-	-	-
Dog park donations	-	19,268	-	-	-
Street lighting	-	-	-	17,895	-
Lake improvements	-	-	-	-	75,290
Total fund balances	<u>77,507</u>	<u>19,268</u>	<u>169,532</u>	<u>17,895</u>	<u>76,790</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 282,932</u>	<u>\$ 19,268</u>	<u>\$ 231,467</u>	<u>\$ 115,842</u>	<u>\$ 426,330</u>

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

December 31, 2022

Debt Service Funds					
Lake Valley SAD	Liberty Shores SAD	Four Lakes SAD	Margaret Dr SAD	Silver Ridge SAD	Total
\$ 188,391	\$ 57,728	\$ 133,713	\$ 132,471	\$ 320,592	\$ 1,446,356
313,079	77,398	285,197	32,566	829,491	1,998,534
-	-	-	-	-	75
-	-	-	-	-	1,500
\$ 501,470	\$ 135,126	\$ 418,910	\$ 165,037	\$ 1,150,083	\$ 3,446,465
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,675
-	-	-	-	-	3,194
-	-	-	-	-	60,869
282,508	67,587	247,817	23,049	769,148	1,390,109
-	-	-	-	-	653,978
282,508	67,587	247,817	23,049	769,148	2,044,087
282,508	67,587	247,817	23,049	769,148	2,104,956
-	-	-	-	-	1,500
-	-	-	-	-	169,532
218,962	67,539	171,093	141,988	380,935	980,517
-	-	-	-	-	77,507
-	-	-	-	-	19,268
-	-	-	-	-	17,895
-	-	-	-	-	75,290
218,962	67,539	171,093	141,988	380,935	1,341,509
\$ 501,470	\$ 135,126	\$ 418,910	\$ 165,037	\$ 1,150,083	\$ 3,446,465

Charter Township of Fenton

	Special Revenue Funds				
	Mosquito	Dog Park	Private Roads SAD	Street Lighting SAD	Lake Improvements SAD
Revenue					
Special assessments	\$ 75	\$ -	\$ 42,510	\$ 106,671	\$ 268,787
Intergovernmental - Local contributions	-	17,490	-	-	-
Investment income	1,091	133	-	-	-
Total revenue	1,166	17,623	42,510	106,671	268,787
Expenditures					
Current services:					
Public works	139,744	-	35,741	88,799	313,899
Recreation and culture	-	13,801	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and other debt service	-	-	-	-	-
Total expenditures	139,744	13,801	35,741	88,799	313,899
Net Change in Fund Balances	(138,578)	3,822	6,769	17,872	(45,112)
Fund Balances - Beginning of year	216,085	15,446	162,763	23	121,902
Fund Balances - End of year	<u>\$ 77,507</u>	<u>\$ 19,268</u>	<u>\$ 169,532</u>	<u>\$ 17,895</u>	<u>\$ 76,790</u>

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

Year Ended December 31, 2022

Debt Service Funds					
Lake Valley SAD	Liberty Shores SAD	Four Lakes SAD	Margaret Dr SAD	Silver Ridge SAD	Total
\$ 60,317	\$ 32,921	\$ 64,146	\$ 16,655	\$ 106,353	\$ 698,435
-	-	-	-	-	17,490
6,777	4,931	7,596	1,669	10,774	32,971
67,094	37,852	71,742	18,324	117,127	748,896
-	-	-	-	-	578,183
-	-	-	-	-	13,801
55,000	27,000	62,000	17,165	116,835	278,000
12,058	4,647	14,309	2,807	19,096	52,917
67,058	31,647	76,309	19,972	135,931	922,901
36	6,205	(4,567)	(1,648)	(18,804)	(174,005)
218,926	61,334	175,660	143,636	399,739	1,515,514
\$ 218,962	\$ 67,539	\$ 171,093	\$ 141,988	\$ 380,935	\$ 1,341,509