

**Charter Township of Lansing  
Ingham County, Michigan**

**FINANCIAL STATEMENTS**

**December 31, 2018**

Charter Township of Lansing

Ingham County, Michigan

December 31, 2018

BOARD OF TRUSTEES

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Leo Rodgers	Treasurer
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Charter Township of Lansing  
Ingham County, Michigan

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## INDEPENDENT AUDITOR'S REPORT

Members of the Township Board  
Charter Township of Lansing  
Ingham County, Michigan

### **Report on the Financial Statements**

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

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

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

### ***Auditor's Responsibility***

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

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

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

## **Opinions**

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

## **Emphasis of a Matter - Change in Accounting Principles**

As discussed in Note S to the financial statements, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, during the year. 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, budgetary comparison information, retirement system schedules, and other post-employment benefits schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2019 on our consideration of the Charter Township of Lansing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter Township of Lansing's internal control over financial reporting and compliance.

*Maney Costerian PC*

June 13, 2019

Charter Township of Lansing

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

The following is a discussion and analysis of the Charter Township of Lansing's (the Township's) financial performance and position, providing an overview of the activities for the year ended December 31, 2018. This analysis should be read in conjunction with the *Independent Auditor's Report* and with the Township's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net position as of December 31, 2018, was (\$25,054,755) (excluding component units).
- Governmental activities net position was (\$28,318,241).
- Business-type activity net position was \$3,263,486.
- Component unit net position was \$15,612,624.

Fund Level:

- At the close of the fiscal year, the Township's governmental funds reported a combined ending fund balance of \$2,501,779 with \$1,806,114 being nonspendable, restricted, committed, or assigned for specific purposes (for example debt service).
- The General Fund realized \$16,143 more in revenues and other financing sources than anticipated for the fiscal year. The General Fund operations expended \$176,558 less than appropriated.
- Overall, the General Fund's fund balance decreased \$347,408.

Capital and Long-term Debt Activities:

- The net book value of capital assets used in governmental activities increased by \$328,125 and business-type activities increased by \$1,093,397. Component units decreased by \$214,837 during the fiscal year.
- The total long-term debt (including compensated absences) for the primary government was \$29,536,650, a net decrease of \$498,233 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Township's annual financial report. The annual financial report of the Township consists of the following components: 1) *Independent Auditor's Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), 4) *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and 5) *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds and other funds and component unit funds.

Government-wide Financial Statements (Reporting the Township as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Position and the Statement of Activities, which report information about the Township as a whole, and about its activities. Their purpose is to assist in answering the question, is the Township, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all nonfiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned*, and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Position (page 1) presents all of the Township's assets and liabilities, recording the difference between the two as "net position". Over time, increases or decreases in net position measure whether the Township's financial position is improving or deteriorating.



Charter Township of Lansing

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

The Statement of Activities (page 2) presents information showing how the Township's net position changed during 2018. All changes in net position are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee vacation leave.

Both statements report the following activities:

- *Governmental Activities* - Most of the Township's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the Township's general government departments, public safety, public works, health and welfare (ambulance), economic development, township improvements, street improvements, recreation activities, and other township-wide elected official operations are reported under these activities.
- *Business-type Activities* - These activities operate like private businesses. The Township charges fees to recover the cost of the services provided. The West Side Water District is the Township's only business-type activity.
- *Discretely Presented Component Units* - Discretely presented component units are legally separate organizations for which the Township Board of Trustees appoints a majority of the organization's policy board and there is a degree of financial accountability to the Township. Two organizations are included as discretely presented component units: the Downtown Development Authority and the Economic Development Corporation.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

In addition, it should be noted that the government-wide financial statements include the net value of the Township's general capital assets such as buildings, land, vehicles, computer equipment, etc. These values are not included in the fund financial statements.

Fund Financial Statements (Reporting the Township's Major Funds)

The fund financial statements, which begin on page 3, provide information on the Township's significant (major) funds, and aggregated nonmajor funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Township uses to keep track of specific sources of funding and spending for a particular purpose. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

The major funds for the Charter Township of Lansing include the General Fund, 2010 and 2012 Downtown Development Debt Service Fund, Public Safety Assessment Fund, and the West Side Water District Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type.

The Township's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

- *Governmental Funds* - Most of the Township's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the Township's programs. Governmental funds include the General Fund, as well as Special Revenue Funds, Capital Projects Funds, and Debt Service Funds.

Charter Township of Lansing

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

- *Proprietary Funds* - Services for which the Township charges customers (whether outside the Township structure or a Township department) a fee is generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. An example is the West Side Water District Fund.
- *Fiduciary Funds* - The Township may act as a trustee or fiduciary in certain instances. It is also responsible for other assets that, because of trust arrangements, can only be used for the trust beneficiaries. The Township's fiduciary activities are reported in the separate Statement of Net Position on page 10. These funds, which include trust and agency funds, are reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the Township to fund its operations.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 14 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes budgetary comparison schedules for the General Fund and the major Special Revenue Funds.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for nonmajor governmental funds. These funds are added together and presented in aggregate single columns in the appropriate basic financial statements.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

As previously stated, the Charter Township of Lansing combined net position was (\$25,054,755) at the end of this fiscal year's operations. The net position of the governmental activities was (\$28,318,241) the net position of business-type activities was \$3,263,486.

**Net Position as of December 31, 2018 and December 31, 2017**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 5,519,913	\$ 5,753,193	\$ 952,842	\$ 647,115	\$ 6,472,755	\$ 6,400,308
Capital Assets	2,162,565	1,496,059	5,446,745	3,474,425	7,609,310	4,970,484
<b>Total Assets</b>	<b>\$ 7,682,478</b>	<b>\$ 7,249,252</b>	<b>\$ 6,399,587</b>	<b>\$ 4,121,540</b>	<b>\$ 14,082,065</b>	<b>\$ 11,370,792</b>
Deferred Outflows of Resources	\$ 544,432	\$ 1,130,095	\$ 59,487	\$ 112,148	\$ 603,919	\$ 1,242,243
Current Liabilities	\$ 2,289,731	\$ 2,198,592	\$ 526,631	\$ 471,470	\$ 2,816,362	\$ 2,670,062
Noncurrent Liabilities	31,713,345	33,185,438	2,641,029	1,341,359	34,354,374	34,526,797
<b>Total Liabilities</b>	<b>\$ 34,003,076</b>	<b>\$ 35,384,030</b>	<b>\$ 3,167,660</b>	<b>\$ 1,812,829</b>	<b>\$ 37,170,736</b>	<b>\$ 37,196,859</b>

Charter Township of Lansing  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018

**Net Position as of December 31, 2018 and December 31, 2017 - continued**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Deferred Inflows of Resources	\$ 2,542,075	\$ 2,328,164	\$ 27,928	\$ -	\$ 2,570,003	\$ 2,328,164
Net Position						
Net investment in capital assets	\$ 1,180,312	\$ 964,619	\$ 3,373,224	\$ 2,592,779	\$ 4,553,536	\$ 3,557,398
Restricted	892,481	928,268	23,900	-	916,381	928,268
Unrestricted	(30,391,034)	(31,225,734)	(133,638)	(171,920)	(30,524,672)	(31,397,654)
Total Net Position	<u>\$ (28,318,241)</u>	<u>\$ (29,332,847)</u>	<u>\$ 3,263,486</u>	<u>\$ 2,420,859</u>	<u>\$ (25,054,755)</u>	<u>\$ (26,911,988)</u>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Township's primary government net position changed during the fiscal year.

**Changes in Net Position for the Fiscal Years Ended December 31, 2018 and December 31, 2017**

	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Charges for services	\$ 1,937,091	\$ 1,365,896	\$ 1,901,888	\$ 865,278	\$ 3,838,979	\$ 2,231,174
Grants and Contributions	3,288,125	3,730,767	12,171	-	3,300,296	3,730,767
General Revenues						
Property Taxes	2,051,459	1,977,706	-	-	2,051,459	1,977,706
State Shared Revenue	750,251	676,337	-	-	750,251	676,337
Investment Earnings	12,495	27,139	637	3,529	13,132	30,668
Franchise fees	112,526	145,100	-	-	112,526	145,100
Miscellaneous	78,736	72,291	-	3,300	78,736	75,591
Total Revenues	<u>8,230,683</u>	<u>7,995,236</u>	<u>1,914,696</u>	<u>872,107</u>	<u>10,145,379</u>	<u>8,867,343</u>
Expenses						
General Government	1,661,411	1,389,298	-	-	1,661,411	1,389,298
Public Safety	2,492,503	2,537,480	-	-	2,492,503	2,537,480
Public Works	253,025	370,793	-	-	253,025	370,793
Health and Welfare	1,463,716	1,449,705	-	-	1,463,716	1,449,705
Community and Economic Development	22,047	63,734	-	-	22,047	63,734
Recreation and Culture	17,814	22,209	-	-	17,814	22,209
Interest on Long-Term Debt	2,073,073	1,898,715			2,073,073	1,898,715
Water	-	-	1,142,756	922,905	1,142,756	922,905
Total Expenses	<u>7,983,589</u>	<u>7,731,934</u>	<u>1,142,756</u>	<u>922,905</u>	<u>9,126,345</u>	<u>8,654,839</u>
Change in Net Position	247,094	263,302	771,940	(50,798)	1,019,034	212,504
Net Position - Beginning	<u>(28,565,335)</u>	<u>(29,596,149)</u>	<u>2,491,546</u>	<u>2,471,657</u>	<u>(26,073,789)</u>	<u>(27,124,492)</u>
Net Position - Ending	<u>\$ (28,318,241)</u>	<u>\$ (29,332,847)</u>	<u>\$ 3,263,486</u>	<u>\$ 2,420,859</u>	<u>\$ (25,054,755)</u>	<u>\$ (26,911,988)</u>

Charter Township of Lansing

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

Governmental Activities:

The result of 2018 governmental activity was an increase of \$247,094 in net position to (\$28,318,241). Of the total governmental activities' net position, \$1,180,312 is net investment in capital, \$892,491 reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the Township government. Because the restrictions on net position and the amount invested in capital exceed the difference between total assets and total liabilities, the amount of "unrestricted" net position is (\$30,391,034).

Revenues:

The two largest revenue categories for governmental activities were grants and contributions at 40% and property taxes at 25%. The Township levied a property tax millage for the year ended December 31, 2018, for general government operations at 8.5065 mills and additional amounts for sidewalks and at-large drains.

The Township has put a Public Safety Special Assessment in place for a period of 5 years to pay for replacement of outdated equipment in order for the Police and Fire Departments.

Expenses:

The two largest expense areas were public safety at 31% and interest expense at 26% of the governmental activities total.

Business-type Activities:

Net position of the business-type activities increased by \$771,940 during fiscal year 2018. Of the business-type activities' net position, \$3,373,224 is net investment in capital, \$23,900 is reported as restricted and (\$133,638) is listed as unrestricted, having no legal commitment.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S MAJOR AND NONMAJOR GOVERNMENTAL FUNDS

As the Township completed 2018, its governmental funds reported *combined* fund balances of \$2,501,779. This is a net decrease from the prior year of \$283,509. The net changes are summarized in the following chart:

	General Fund	2010 & 2012 DDA Debt Service	Public Safety Assessment	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance 12/31/17	\$ 1,538,001	\$ 523,286	\$ 8,709	\$ 715,292	\$ 2,785,288
Fund Balance 12/31/18	\$ 1,190,593	\$ 524,157	\$ 213,174	\$ 573,855	\$ 2,501,779
Net Change	\$ (347,408)	\$ 871	\$ 204,465	\$ (141,437)	\$ (283,509)

General Fund:

The General Fund is the chief operating fund of the Township. Unless otherwise required by statute, contractual agreement or Board policy, all Township revenues and expenditures are recorded in the General Fund. As of December 31, 2018, the General Fund reported a fund balance of \$1,190,593. This amount is a decrease of \$347,408 from the fund balance of \$1,538,001 reported as of December 31, 2017. The 2018 original budget had called for a \$256,527 reduction to fund balance. \$695,665 of the fund balance is reported as unassigned.

Charter Township of Lansing

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

General Fund Budgetary Highlights:

The Township's budget is an extremely flexible document. Although adopted by November 1 (prior to the start of the year), the budget is routinely amended during the course of the year to reflect changing operational demands. There were some wide variations in individual revenue accounts reflecting the tightening national and local economy.

Total General Fund revenues and other financing sources for the year were \$16,143 greater than budgeted and actual expenditures for the year were \$176,558 less than budgeted. The actual decrease in fund balance of \$347,408 was \$192,701 less of a decrease than the Township had budgeted for.

Capital Asset and Debt Administration:

Capital Assets. At the end of the fiscal year, the Township had approximately \$7,609,310 invested in a broad range of governmental and business-type capital assets, including buildings, land, equipment, and vehicles. The most significant capital asset activity during the year was the purchase of a fire truck and new equipment, as well as improvements to the water system. Refer to Note E for further details regarding the Township's capital assets.

Long-term Debt. The Township's long-term debt totaled \$29,536,650. This amount includes obligations related to the water system bonds totaling \$2,073,521. \$1,529,992 of the Township's long-term debt (including compensated absences) was paid off during 2018. Refer to Note F for further details regarding long-term debt.

Current Economic Factors:

Taxable values continue to increase in Lansing Township. Discussions are still in the works for a second and third hotel in the DDA following the addition of the Homewood Suites. Over the last year, the Township has been working with a developer and finalizing a plan to develop the former site of the Waverly Golf Course. Robinwood Landing, Alzheimer's Care Facility opened in the fall of 2018. The former GM properties continue to be "under contract" and the Township looks forward to redevelopment of the properties. Other properties that have re-developed in the Township include the former Irwin Union Bank which is approved for Starbucks, and the vacant Hartman Fabco property was redeveloped by TransDev Services in 2018 to provide small bus services for CATA.

Contacting the Township's 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 money it receives. If there are questions about this report, or a need for additional information, contact the Charter Township of Lansing Treasurer's Office at (517) 485-7115.

## **BASIC FINANCIAL STATEMENTS**

Charter Township of Lansing  
STATEMENT OF NET POSITION

December 31, 2018

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 2,702,450	\$ 391,290	\$ 3,093,740	\$ 479,712
Cash and cash equivalents - restricted	-	56,455	56,455	-
Investments	113,098	-	113,098	-
Receivables	2,149,093	315,995	2,465,088	1,080,675
Due from other governmental units	453,892	-	453,892	132,210
Internal balances	35,360	(35,360)	-0-	-
Inventories	-	23,192	23,192	-
Prepays	66,020	8,152	74,172	-
<b>Total current assets</b>	<b>5,519,913</b>	<b>759,724</b>	<b>6,279,637</b>	<b>1,692,597</b>
Noncurrent assets				
Equity interest in joint ventures	-	-	-0-	23,307,972
Investments	-	193,118	193,118	-
Capital assets not being depreciated	26,245	467,268	493,513	-
Capital assets, net of accumulated depreciation	2,136,320	4,979,477	7,115,797	4,518,004
<b>Total noncurrent assets</b>	<b>2,162,565</b>	<b>5,639,863</b>	<b>7,802,428</b>	<b>27,825,976</b>
<b>TOTAL ASSETS</b>	<b>7,682,478</b>	<b>6,399,587</b>	<b>14,082,065</b>	<b>29,518,573</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources related to pensions	544,432	59,487	603,919	-0-
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	72,434	23,330	95,764	-
Accrued payroll	63,790	7,600	71,390	-
Accrued liabilities	14,750	-	14,750	-
Due to other governmental units	48,792	347,385	396,177	189,621
Accrued interest payable	634,827	15,222	650,049	-
Current portion of compensated absences	142,101	14,094	156,195	-
Current portion of long-term debt	1,313,037	119,000	1,432,037	100,000
<b>Total current liabilities</b>	<b>2,289,731</b>	<b>526,631</b>	<b>2,816,362</b>	<b>289,621</b>
Noncurrent liabilities				
Payable from restricted cash - customer deposits	-	32,555	32,555	-
Net other post-employment benefits liability	4,664,073	509,608	5,173,681	-
Net pension liability	1,081,549	118,171	1,199,720	-
Noncurrent portion of compensated absences	263,901	26,174	290,075	-
Noncurrent portion of long-term debt	25,703,822	1,954,521	27,658,343	12,508,171
<b>Total noncurrent liabilities</b>	<b>31,713,345</b>	<b>2,641,029</b>	<b>34,354,374</b>	<b>12,508,171</b>
<b>TOTAL LIABILITIES</b>	<b>34,003,076</b>	<b>3,167,660</b>	<b>37,170,736</b>	<b>12,797,792</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes levied for subsequent year	2,286,470	-	2,286,470	1,108,157
Deferred inflows of resources related to pensions	255,583	27,926	283,509	-
Deferred inflows of resources related to OPEB	22	2	24	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,542,075</b>	<b>27,928</b>	<b>2,570,003</b>	<b>1,108,157</b>
<b>NET POSITION</b>				
Net investment in capital assets	1,180,312	3,373,224	4,553,536	(8,090,167)
Restricted for public works	33,160	7,500	40,660	-
Restricted for public safety	326,480	-	326,480	-
Restricted for economic development	65,611	-	65,611	-
Restricted for debt service	-	16,400	16,400	-
Restricted for future capital acquisitions	187,788	-	187,788	31,743
Restricted for building code public safety	279,442	-	279,442	-
Unrestricted	(30,391,034)	(133,638)	(30,524,672)	23,671,048
<b>TOTAL NET POSITION</b>	<b>\$ (28,318,241)</b>	<b>\$ 3,263,486</b>	<b>\$ (25,054,755)</b>	<b>\$ 15,612,624</b>

See accompanying notes to financial statements.

Charter Township of Lansing  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 1,661,411	\$ 287,314	\$ 11,256	\$ -	\$ (1,362,841)	\$ -	\$ (1,362,841)	\$ -
Public safety	2,492,503	163,964	2,467	-	(2,326,072)	-	(2,326,072)	-
Public works	253,025	677,007	-	18,754	442,736	-	442,736	-
Health and welfare	1,463,716	625,955	-	-	(837,761)	-	(837,761)	-
Community and economic development	22,047	177,091	-	300,000	455,044	-	455,044	-
Recreation and culture	17,814	5,760	-	-	(12,054)	-	(12,054)	-
Interest expense	2,073,073	-	-	2,955,648	882,575	-	882,575	-
Total governmental activities	7,983,589	1,937,091	13,723	3,274,402	(2,758,373)	-0-	(2,758,373)	-0-
Business-type activities								
West Side Water District	1,142,756	1,901,888	-	12,171	-	771,303	771,303	-
Total primary government	<u>\$ 9,126,345</u>	<u>\$ 3,838,979</u>	<u>\$ 13,723</u>	<u>\$ 3,286,573</u>	(2,758,373)	771,303	(1,987,070)	-0-
Component units								
Downtown Development Authority	\$ 2,795,695	\$ -	\$ -	\$ -	-	-	-0-	(2,795,695)
Economic Development Authority	-	-	-	-	-	-	-0-	-
Total component units	<u>\$ 2,795,695</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	-0-	-0-	-0-	(2,795,695)
General revenues								
Property taxes					2,051,459	-	2,051,459	1,481,844
State shared revenues					750,251	-	750,251	-
Investment earnings					12,495	637	13,132	1,966
Franchise fees					112,526	-	112,526	617,584
Miscellaneous					78,736	-	78,736	-
Total general revenues					3,005,467	637	3,006,104	2,101,394
Change in net position					247,094	771,940	1,019,034	(694,301)
Restated net position, beginning of year					(28,565,335)	2,491,546	(26,073,789)	16,306,925
Net position, end of year					<u>\$ (28,318,241)</u>	<u>\$ 3,263,486</u>	<u>\$ (25,054,755)</u>	<u>\$ 15,612,624</u>

See accompanying notes to financial statements.



Charter Township of Lansing

Governmental Funds

BALANCE SHEET

December 31, 2018

	General	2010 & 2012 Downtown Development Debt Service	Public Safety Assessment	Nonmajor Governmental Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,170,453	\$ 524,157	\$ 303,510	\$ 704,330	\$ 2,702,450
Investments	110,689	-	-	2,409	113,098
Receivables					
Accounts	134,319	-	-	-	134,319
Taxes	1,470,143	-	-	241,032	1,711,175
Special assessments	-	-	271,889	29,778	301,667
Interest	1,932	-	-	-	1,932
Due from other funds	35,360	-	-	37,382	72,742
Due from other governmental units					
State	256,757	-	-	-	256,757
Local	197,135	-	-	-	197,135
Prepays	66,020	-	-	-	66,020
<b>TOTAL ASSETS</b>	<b>\$ 3,442,808</b>	<b>\$ 524,157</b>	<b>\$ 575,399</b>	<b>\$ 1,014,931</b>	<b>\$ 5,557,295</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 54,921	\$ -	\$ -	\$ 17,513	\$ 72,434
Accrued payroll	63,790	-	-	-	63,790
Accrued liabilities	9,671	-	-	5,079	14,750
Due to other funds	7,882	-	-	29,500	37,382
Due to other governmental units	-	-	-	48,792	48,792
<b>TOTAL LIABILITIES</b>	<b>136,264</b>	<b>-0-</b>	<b>-0-</b>	<b>100,884</b>	<b>237,148</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	144,424	-	-	-	144,424
Special assessments	-	-	362,225	25,249	387,474
Property taxes levied for subsequent year	1,971,527	-	-	314,943	2,286,470
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,115,951</b>	<b>-0-</b>	<b>362,225</b>	<b>340,192</b>	<b>2,818,368</b>
<b>FUND BALANCES</b>					
Nonspendable	66,020	-	-	-	66,020
Restricted	279,442	524,157	213,174	435,924	1,452,697
Committed	100,000	-	-	-	100,000
Assigned	49,466	-	-	137,931	187,397
Unassigned	695,665	-	-	-	695,665
<b>TOTAL FUND BALANCES</b>	<b>1,190,593</b>	<b>524,157</b>	<b>213,174</b>	<b>573,855</b>	<b>2,501,779</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 3,442,808</b>	<b>\$ 524,157</b>	<b>\$ 575,399</b>	<b>\$ 1,014,931</b>	<b>\$ 5,557,295</b>

See accompanying notes to financial statements.

Charter Township of Lansing

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

December 31, 2018

**Total fund balances - governmental funds** \$ 2,501,779

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 therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 5,371,200	
Accumulated depreciation is	<u>(3,208,635)</u>	
Capital assets, net		2,162,565

Long-term receivables are not available to pay for current period expenditures and are therefore reported as deferred inflows of resources in the funds. 531,898

Governmental funds report actual pension/OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net pension/OPEB liability as of the measurement date. Pension/OPEB contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	544,432	
Deferred inflows of resources related to pensions	(255,583)	
Deferred inflows of resources related to OPEB	<u>(22)</u>	
		288,827

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Direct obligations	(27,016,859)	
Accrued interest payable	(634,827)	
Compensated absences	(406,002)	
Net other post-employment benefits liability	(4,664,073)	
Net pension liability	<u>(1,081,549)</u>	
		<u>(33,803,310)</u>

**Net position of governmental activities** \$(28,318,241)

Charter Township of Lansing

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2018

	General	2010 & 2012 Downtown Development Debt Service	Public Safety Assessment	Nonmajor Governmental Funds	Total
<b>REVENUES</b>					
Taxes	\$ 2,125,283	\$ -	\$ -	\$ 216,371	\$ 2,341,654
Licenses and permits	282,476	-	-	-	282,476
Intergovernmental	1,050,251	2,955,648	-	-	4,005,899
Charges for services	753,039	-	-	42,676	795,715
Fines and forfeits	11,918	-	-	-	11,918
Interest and rents	48,146	-	-	2,973	51,119
Other	116,542	-	464,916	149,846	731,304
<b>TOTAL REVENUES</b>	<b>4,387,655</b>	<b>2,955,648</b>	<b>464,916</b>	<b>411,866</b>	<b>8,220,085</b>
<b>EXPENDITURES</b>					
Current					
General government	1,454,775	-	-	-	1,454,775
Public safety	1,945,546	-	-	94,194	2,039,740
Public works	-	-	-	208,452	208,452
Health and welfare	1,266,410	-	-	-	1,266,410
Community and economic development	18,912	-	-	662	19,574
Recreation and culture	6,545	-	-	-	6,545
Capital outlay	32,875	-	504,500	89,306	626,681
Debt service	-	2,954,777	174,951	179,389	3,309,117
<b>TOTAL EXPENDITURES</b>	<b>4,725,063</b>	<b>2,954,777</b>	<b>679,451</b>	<b>572,003</b>	<b>8,931,294</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(337,408)</b>	<b>871</b>	<b>(214,535)</b>	<b>(160,137)</b>	<b>(711,209)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of assets	-	-	-	8,700	8,700
Proceeds from installment purchase	-	-	419,000	-	419,000
Transfers in	-	-	-	39,500	39,500
Transfers out	(10,000)	-	-	(29,500)	(39,500)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(10,000)</b>	<b>-0-</b>	<b>419,000</b>	<b>18,700</b>	<b>427,700</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(347,408)</b>	<b>871</b>	<b>204,465</b>	<b>(141,437)</b>	<b>(283,509)</b>
Fund balances, beginning of year	1,538,001	523,286	8,709	715,292	2,785,288
Fund balances, end of year	\$ 1,190,593	\$ 524,157	\$ 213,174	\$ 573,855	\$ 2,501,779

See accompanying notes to financial statements.

Charter Township of Lansing

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

**Net change in fund balances - total governmental funds** \$ (283,509)

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 589,085	
Depreciation expense	<u>(260,960)</u>	
Excess of capital outlay over depreciation expense		328,125

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,898

Items resulting from the repayment of long-term debt and borrowing of long-term debt is reported as expenditures, other financing uses, and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings and other liabilities increase long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the current period, these amounts consist of:

Installment loan	(419,000)	
Principal retirement	<u>1,230,629</u>	
		811,629

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in deferred inflows of resources related to pension	(134,235)	
(Decrease) in deferred outflows of resources related to pension	(226,812)	
Decrease in accrued interest payable	5,415	
(Increase) in deferred inflows of resources related to OPEB	(22)	
(Increase) in net other post-employment benefits liability	(494,843)	
Decrease in compensated absences	14,623	
Decrease in net pension liability	<u>224,825</u>	
		<u>(611,049)</u>

**Change in net position of governmental activities** \$ 247,094

Charter Township of Lansing  
Proprietary Fund  
STATEMENT OF NET POSITION  
December 31, 2018

	<u>West Side Water District</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 391,290
Cash and cash equivalents - restricted	56,455
Accounts receivable	311,427
Delinquent utilities receivable	4,568
Inventories	23,192
Prepays	<u>8,152</u>
Total current assets	795,084
Noncurrent assets	
Investments	193,118
Capital assets not being depreciated	467,268
Capital assets, net of accumulated depreciation	<u>4,979,477</u>
Total noncurrent assets	<u>5,639,863</u>
<b>TOTAL ASSETS</b>	<b>6,434,947</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	59,487
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	23,330
Accrued payroll	7,600
Due to other funds	35,360
Due to other governmental units	347,385
Accrued interest payable	15,222
Current portion of compensated absences	14,094
Current portion of long-term debt	<u>119,000</u>
Total current liabilities	561,991
Noncurrent liabilities	
Payable from restricted cash - customer deposits	32,555
Net other post-employment benefits liability	509,608
Net pension liability	118,171
Noncurrent portion of compensated absences	26,174
Noncurrent portion of long-term debt	<u>1,954,521</u>
Total noncurrent liabilities	<u>2,641,029</u>
<b>TOTAL LIABILITIES</b>	<b>3,203,020</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	27,926
Deferred inflows related to OPEB	<u>2</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>27,928</u></b>
<b>NET POSITION</b>	
Net investment in capital assets	3,373,224
Restricted for bond reserve	16,400
Restricted for repair, replacement, and improvement	7,500
Unrestricted	<u>(133,638)</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 3,263,486</u></b>

See accompanying notes to financial statements.

Charter Township of Lansing

Proprietary Fund

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31, 2018

	<u>West Side Water District</u>
OPERATING REVENUES	
Charges for services	\$ 935,072
Collection fees and other charges	24,638
Contract services	873,877
Rents	<u>68,301</u>
TOTAL OPERATING REVENUES	1,901,888
OPERATING EXPENSES	
Salaries and wages	311,913
Fringe benefits	221,371
Water purchases	107,187
Fuel and utilities	17,109
Operating supplies	43,747
Contractual services	39,653
Insurance	9,880
Repairs and maintenance	56,260
Rent	16,802
Transportation	13,100
Other	12,834
Depreciation	<u>238,876</u>
TOTAL OPERATING EXPENSES	<u>1,088,732</u>
OPERATING INCOME	813,156
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	637
Capital grant	12,171
(Loss) on sale of capital assets	(15,184)
Interest expense	<u>(38,840)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(41,216)</u>
CHANGE IN NET POSITION	771,940
Restated net position, beginning of year	<u>2,491,546</u>
Net position, end of year	<u><u>\$ 3,263,486</u></u>

See accompanying notes to financial statements.

Charter Township of Lansing  
Proprietary Fund  
STATEMENT OF CASH FLOWS  
Year Ended December 31, 2018

	<u>West Side Water District</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from customers	\$ 1,896,688
Cash received from other funds	8,981
Cash paid to suppliers	(338,283)
Cash paid to employees	(306,911)
Cash paid for employee benefits	<u>(91,360)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,169,115
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital purchases	(1,351,957)
Interest paid	(33,967)
Proceeds from capital grant	12,171
Proceeds from sale of assets	4,500
Proceeds from debt issuance	467,000
Principal payments	<u>(143,000)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,045,253)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Sale of investments	4,294
Interest received	<u>637</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>4,931</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	128,793
Cash and cash equivalents, beginning of year	<u>318,952</u>
Cash and cash equivalents, end of year	<u>\$ 447,745</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 813,156
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	238,876
(Increase) decrease in:	
Receivables	(4,400)
Inventories	7,633
Prepays	(989)
Deferred outflows of resources	27,228
Increase (decrease) in:	
Accounts payable	(21,508)
Accrued liabilities	983
Due to other funds	8,981
Due to other governmental units	(6,847)
Compensated absences	4,019
Customer deposits payable	(800)
Net pension liability	(28,711)
Deferred inflows of resources related to pensions	14,282
Deferred inflows of resources related to OPEB	2
Net other post-employment benefits liability	<u>117,210</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,169,115</u>

See accompanying notes to financial statements.

Charter Township of Lansing  
 Fiduciary Funds  
 STATEMENT OF NET POSITION  
 December 31, 2018

	<u>Employee Sick Leave and Retirement</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 86,065	<u>\$ 1,415,611</u>
<b>LIABILITIES</b>		
Due to other governmental units	<u>-</u>	<u>\$ 1,415,611</u>
<b>NET POSITION</b>		
Restricted for employee benefits	<u>\$ 86,065</u>	



Charter Township of Lansing  
 Fiduciary Funds  
 STATEMENT OF CHANGES IN NET POSITION  
 Year Ended December 31, 2018

	<u>Employee Sick Leave and Retirement</u>
ADDITIONS	
Interest	\$ 478
DEDUCTIONS	
	<u>-</u>
CHANGE IN NET POSITION	478
Net position, beginning of year	<u>85,587</u>
Net position, end of year	<u><u>\$ 86,065</u></u>

Charter Township of Lansing

Component Units

COMBINING STATEMENT OF NET POSITION

December 31, 2018

	Downtown Development Authority	Economic Development Corporation	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 447,877	\$ 31,835	\$ 479,712
Receivables			
Accounts	147,553	-	147,553
Taxes	933,122	-	933,122
Due from other governmental units	132,210	-	132,210
 Total current assets	 1,660,762	 31,835	 1,692,597
Noncurrent assets			
Equity interest in joint ventures	23,307,972	-	23,307,972
Capital assets, net of accumulated depreciation	4,518,004	-	4,518,004
 Total noncurrent assets	 27,825,976	 -0-	 27,825,976
 TOTAL ASSETS	 29,486,738	 31,835	 29,518,573
<b>LIABILITIES</b>			
Current liabilities			
Due to other governmental units	189,621	-	189,621
Current portion of long-term debt	100,000	-	100,000
 Total current liabilities	 289,621	 -0-	 289,621
Noncurrent liabilities			
Noncurrent portion of long-term debt	12,508,171	-	12,508,171
 TOTAL LIABILITIES	 12,797,792	 -0-	 12,797,792
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes levied for subsequent year	1,108,157	-	1,108,157
<b>NET POSITION</b>			
Net investment in capital assets	(8,090,167)	-	(8,090,167)
Restricted for future capital acquisitions	31,743	-	31,743
Unrestricted	23,639,213	31,835	23,671,048
 TOTAL NET POSITION	 \$ 15,580,789	 \$ 31,835	 \$ 15,612,624

See accompanying notes to financial statements.

Charter Township of Lansing

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Downtown Development Authority	Economic Development Corporation	Total
Governmental activities						
Downtown Development Authority	\$ 2,795,695	\$ -	\$ -	\$ (2,795,695)	\$ -	\$ (2,795,695)
Economic Development Corporation	-	-	-	-	-	-0-
	<u>\$ 2,795,695</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	(2,795,695)	-0-	(2,795,695)
General revenues						
Property taxes				1,481,844	-	1,481,844
Investment earnings				1,796	170	1,966
Franchise fees				617,584	-	617,584
Total general revenues				<u>2,101,224</u>	<u>170</u>	<u>2,101,394</u>
Change in net position				(694,471)	170	(694,301)
Restated net position, beginning of year				<u>16,275,260</u>	<u>31,665</u>	<u>16,306,925</u>
Net position, end of year				<u>\$ 15,580,789</u>	<u>\$ 31,835</u>	<u>\$ 15,612,624</u>

See accompanying notes to financial statements.

Charter Township of Lansing

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Charter Township of Lansing, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Ingham County. The Township operates under an elected Township Supervisor and an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and four (4) Trustees and provides services to its residents in many areas including water and sewer, general government, law enforcement, fire protection and prevention, maintenance of highway, streets and bridges, and community enrichment.

The financial statements of the Township have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to township governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the Charter Township of Lansing (primary government) and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Charter Township of Lansing contain all the funds controlled by the Township Board.

2. Discretely Presented Component Units

The component units are reported in a separate column to emphasize that, while legally separate, the Charter Township of Lansing remains financially accountable for these entities or the nature and significance of the relationship between the entities and the Township is such that exclusion of the entities would render the financial statements misleading or incomplete. The financial statements contain the following discretely presented component units:

- a. Downtown Development Authority - The governing body of the Downtown Development Authority (Authority, DDA) is appointed by the Township Board. The Authority's purpose is the collection of tax increment revenues, the issuance and repayment of debt, the construction of public facilities, and the promotion and facilitation of economic growth in the development district. The Authority's budget and debt issuance is subject to the approval of the Township Board. The DDA fund financial statements are presented as part of Other Supplementary Information and are not audited separately.
- b. Economic Development Corporation - The Economic Development Corporation (EDC) was established pursuant to the provisions of Public Act 338 of 1974, as amended. The governing body of the EDC is appointed by the Township Board. The EDC may not issue debt without approval from the Township Board. The EDC fund financial statements are presented as part of Other Supplementary Information and are not audited separately.

Charter Township of Lansing

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Joint Ventures

The Township's DDA is involved in two (2) joint ventures related to community and economic development in the Eastwood Towne Center area. Towneast, LLC and Towneast Parking, LLC are partnerships between the DDA and private parties to facilitate economic development activity. As of December 31, 2018, the DDA's ownership interest in Towneast, LLC was 92%, and the DDA's ownership interest in Towneast Parking, LLC was 91%. The DDA's ownership interest in Towneast, LLC was valued at \$12,701,588 as of December 31, 2018, and the DDA's ownership interest in Towneast Parking, LLC was valued at \$10,606,384 as of December 31, 2018.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated nonmajor funds. 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 the major individual enterprise fund are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Public Safety Assessment Fund is used to account for the public safety special assessment activity for the Township.
- c. The 2010 & 2012 Downtown Development Debt Service Fund is used to account for debt service payments of the 2010 & 2012 Downtown Development Series bond issuances.

The Township reports the following major enterprise fund:

- a. The West Side Water Fund is used to account for the operations of the Township water system. Revenues are derived primarily from user fees based on water usage. The enterprise fund also bills, collects, and remits sewer fees for the City of Lansing and Delta Township.

Charter Township of Lansing  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

Additionally, the Township reports a trust fund to account for the accumulation of resources for employee sick leave and retirement payments to qualified employees.

The Township also reports agency funds to account for assets held by the Township as an agent for other governments, private organizations, or individuals. Agency funds are, by nature, custodial; therefore, operation results are not measured. The Township's agency funds are the Current Tax Fund and the Trust and Agency Fund.

5. Measurement Focus

The government-wide, proprietary, and non-agency fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for agency funds since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and unavailable revenue. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period. Significant revenues susceptible to accrual include certain intergovernmental revenues and charges for services. Most licenses and permits, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Charter Township of Lansing  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Basis of Accounting - continued

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. The Township employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to September 1, the Supervisor submits a proposed operating budget for the fiscal year commencing the following January 1 to the Township Board. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to November 1, the budget is adopted through passage of an ordinance. After the budget is adopted all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- d. Formal budgetary integration is employed as a management control device during the year.
- e. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at December 31 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year.

8. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, and investment trust fund accounts. The cash equivalents are recorded at cost, which approximates fair value.

Investments consist of certificates of deposit and U.S. Government Securities with original maturities of greater than 90 days from the date of purchase. Investments are recorded at fair value.

9. Cash and Cash Equivalents - Restricted

Restricted cash is for utility customer deposits being held by the Township. The Township also has restricted cash as required by a bonding agreement with the United States Department of Agriculture.

Charter Township of Lansing

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

10. Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services, amounts owed to the Township from special assessments, and taxes levied that have not been collected.

11. Due from Other Governmental Units

Due from other governmental units consists of amounts due from the State of Michigan or other governments for various payments and grants.

12. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities, business-type activities, and component unit columns. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition cost on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	5 - 25 years
Buildings and improvements	10 - 40 years
Machinery, equipment, and furniture	5 - 20 years
Vehicles	5 - 15 years
Water and sewer systems	10 - 75 years
Infrastructure	20 - 40 years

13. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the government-wide financial statements.

14. Compensated Absences

Township employees are granted sick and vacation leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation time, and upon meeting retirement requirements, may be paid out a portion of unused sick time. All employees with accumulated unused sick and vacation time pay at December 31, 2018, were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

15. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.



Charter Township of Lansing

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

16. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position and balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Township has several items that qualify for reporting in these categories. These items correspond the Township's net pension and OPEB liability and are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply. The Township also reports unavailable revenue in the governmental funds, which is related to special assessment revenue, property taxes, and other receivables that are not available for collection within 60 days of year-end. Deferred inflows of resources as of December 31, 2018, were as follows:

	Primary Government			Total
	Pension and OPEB related	Unavailable	Levied for Subsequent Year	
Property Taxes	\$ -	\$ -	\$ 2,286,470	\$ 2,286,470
Special Assessments	-	387,474	-	387,474
Receivables not collected within 60 days	-	144,424	-	144,424
Deferred inflows related to pensions	283,509	-	-	283,509
Deferred inflows related to OPEB	24	-	-	24
	<u>\$ 283,533</u>	<u>\$ 531,898</u>	<u>\$ 2,286,470</u>	<u>\$ 3,101,901</u>

  

	Component Units			Total
	Pension and OPEB related	Unavailable	Levied for Subsequent Year	
Property Taxes	\$ -0-	\$ -0-	\$ 1,108,157	\$ 1,108,157

17. Property Tax

Charter Township of Lansing bills and collects its own property taxes and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied on December 1. The tax levies are due February 14. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Ingham County Treasurer on March 1 of the year following the levy. The Ingham County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection.

Charter Township of Lansing  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

17. Property Tax - continued

The Township's property tax is levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Although the Township's 2018 tax is levied and collectible by December 31, 2018, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of Township operations.

The Township is permitted to levy up to \$8.75 per \$1,000 of taxable valuation for general governmental services, \$0.50 per \$1,000 of taxable valuation for sidewalks and \$2.03071 per \$1,000 of taxable valuation for at-large drains. For the year ended December 31, 2018, the Township levied 8.5065 mills for general governmental services, and 0.5 mills for sidewalks on the total taxable value of the Township as of December 1, 2017. The total taxable value for the 2017 levy for property within the Township was \$285,712,443.

18. Interfund Transactions

During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

19. Restricted Net Position

Restrictions of net position shown in the government-wide financial statements indicate restrictions that have been imposed by outside sources which preclude a portion of net position from use for unrestricted purposes.

20. Inventories and Prepaids

Inventories are valued on a first-in, first-out cost basis. Prepaid expenditures in the governmental funds, such as insurance premiums and rents, which are expected to be written off within the coming years, are included as assets. Reportable inventories and prepaid expenditures are equally offset by nonspendable fund balance which indicates they do not constitute "available spendable resources" even though they are a component of equity.

21. Net Pension Liability

The net pension liability is deemed to be a noncurrent liability and is recognized on the Township's government-wide and proprietary funds financial statements.

22. Net OPEB Liability

The net OPEB liability is deemed to be a noncurrent liability and is recognized on the Township's government-wide and proprietary funds financial statements.

23. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

Charter Township of Lansing  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE B: DEPOSITS AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Deposits

There is a custodial credit risk as it related to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2018, the carrying amount of the Township's deposits was \$5,380,044 and the bank balance was \$5,521,270.

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of December 31, 2018, the Township accounts were insured by federal depository insurance for \$1,042,865 and the amount of \$4,478,405 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of the uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). Rating information as of December 31, 2018, is presented below.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of observable and minimize the use of unobservable inputs.

Charter Township of Lansing  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

**NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED**

Fair Value Measurements - continued

There are three (3) levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

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

	Fair Value Measurements			Total	Weighted Average Maturity	S&P Rating
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)			
<b>PRIMARY GOVERNMENT</b>						
Uncategorized pooled investment funds						
Mutual fund	\$ 49,709	\$ -	\$ -	\$ 49,709	N/A	N/A
Michigan CLASS	-	7,721	-	7,721	33 days	AAAm
	<u>\$ 49,709</u>	<u>\$ 7,721</u>	<u>\$ -0-</u>	<u>\$ 57,430</u>		

The Township participates in the Michigan Cooperative Liquid Asset Securities System (Michigan CLASS). Portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Because the value of the Michigan CLASS investments is not obtained from a quoted price in an active market, these investments are classified as Level 2. Fair value is determined based on the fair value of the pool's underlying investments. Michigan CLASS's annual financial statements may be obtained at [www.michiganclass.org](http://www.michiganclass.org).

Interest Rate Risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics.

Charter Township of Lansing  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

**NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED**

Concentration of Credit Risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio by security type to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements, based upon criteria disclosed in Note A.

The following summarizes the categorization of these amounts as of December 31, 2018:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 3,093,740	\$ 479,712	\$ 1,501,676	\$ 5,075,128
Cash and cash equivalents - restricted	56,455	-	-	56,455
Investments	306,216	-	-	306,216
	<u>\$ 3,456,411</u>	<u>\$ 479,712</u>	<u>\$ 1,501,676</u>	<u>\$ 5,437,799</u>

The cash and cash equivalents captions in the basic financial statements include \$325 in petty cash.

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The following schedule details interfund receivables and payables related to the primary government at December 31, 2018:

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

Due to General Fund from:	
West Side Water Fund	<u>\$ 35,360</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 7,882
Nonmajor governmental funds	<u>29,500</u>
	<u>\$ 37,382</u>

Charter Township of Lansing

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE D: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds and component unit funds have been eliminated.

Transfers to nonmajor governmental funds from:	
General Fund	<u>\$ 10,000</u>
Transfers to nonmajor governmental funds from:	
Nonmajor governmental funds	<u>\$ 29,500</u>

The transfers were to finance debt service payments and operational costs.

**NOTE E: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2018, is as follows:

	Balance Jan. 1, 2018	Additions	Deletions	Balance Dec. 31, 2018
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 26,245	\$ -	\$ -	\$ 26,245
Capital asset being depreciated				
Land improvements	932,221	53,900	-	986,121
Building and improvements	1,182,327	8,550	-	1,190,877
Machinery and equipment	845,807	93,438	(56,907)	882,338
Vehicles	2,206,231	433,197	(521,109)	2,118,319
Office equipment and furniture	167,300	-	-	167,300
Subtotal	5,333,886	589,085	(578,016)	5,344,955
Less accumulated depreciation for:				
Land improvements	(569,307)	(27,032)	-	(596,339)
Building and improvements	(997,990)	(24,682)	-	(1,022,672)
Machinery and equipment	(605,988)	(46,465)	46,959	(605,494)
Vehicles	(1,226,340)	(140,660)	521,109	(845,891)
Office equipment and furniture	(126,066)	(12,173)	-	(138,239)
Subtotal	(3,525,691)	(251,012)	568,068	(3,208,635)
Net capital assets being depreciated	1,808,195	338,073	(9,948)	2,136,320
Capital assets, net	<u>\$ 1,834,440</u>	<u>\$ 338,073</u>	<u>\$ (9,948)</u>	<u>\$ 2,162,565</u>

Charter Township of Lansing  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE E: CAPITAL ASSETS - CONTINUED**

Depreciation expense was charged to the following governmental activities:

General government	\$	25,196
Public safety		169,764
Public works		18,239
Health and welfare		37,318
Recreation and culture		10,443
		10,443
	\$	260,960

The current period depreciation expense of \$251,012 has been adjusted by \$9,948 for the loss on disposal of capital assets during the period, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

	Balance Jan. 1, 2018	Additions	Deletions	Balance Dec. 31, 2018
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 27,701	\$ -	\$ -	\$ 27,701
Construction in progress	-	439,567	-	439,567
Subtotal	27,701	439,567	-0-	467,268
Capital assets being depreciated				
Water system	7,667,946	896,072	(376,906)	8,187,112
Buildings and improvements	107,225	-	(12,731)	94,494
Office equipment and furniture	71,125	-	(20,915)	50,210
Equipment	460,093	16,318	(9,154)	467,257
Subtotal	8,306,389	912,390	(419,706)	8,799,073
Less accumulated depreciation for:				
Water system	(3,661,708)	(205,587)	357,223	(3,510,072)
Buildings and improvements	(79,370)	(4,849)	12,730	(71,489)
Office equipment and furniture	(62,200)	(4,925)	20,915	(46,210)
Equipment	(177,464)	(23,515)	9,154	(191,825)
Subtotal	(3,980,742)	(238,876)	400,022	(3,819,596)
Net capital assets being depreciated	4,325,647	673,514	(19,684)	4,979,477
Capital assets, net	\$ 4,353,348	\$ 1,113,081	\$ (19,684)	\$ 5,446,745

Charter Township of Lansing

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE E: CAPITAL ASSETS - CONTINUED**

	Balance Jan. 1, 2018	Additions	Deletions	Balance Dec. 31, 2018
<b>Component Unit (DDA)</b>				
Capital assets being depreciated				
Equipment and furniture	\$ 23,162	\$ -	\$ -	\$ 23,162
Infrastructure	5,680,424	-	-	5,680,424
Vehicles	25,923	-	(15,923)	10,000
Land improvements	510,124	-	-	510,124
Subtotal	6,239,633	-0-	(15,923)	6,223,710
Less accumulated depreciation for:				
Equipment and furniture	(8,298)	(2,160)	-	(10,458)
Infrastructure	(1,329,948)	(190,355)	-	(1,520,303)
Vehicles	(17,605)	(3,990)	14,596	(6,999)
Land improvements	(150,941)	(17,005)	-	(167,946)
Subtotal	(1,506,792)	(213,510)	14,596	(1,705,706)
Capital assets, net	<u>\$ 4,732,841</u>	<u>\$ (213,510)</u>	<u>\$ (1,327)</u>	<u>\$ 4,518,004</u>

The current period depreciation expense of \$213,510 has been adjusted by \$1,327 for the loss on disposal of capital assets during the period, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

**NOTE F: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended December 31, 2018:

	Balance Jan. 1, 2018	Additions	Deletions	Balance Dec. 31, 2018	Amount Due Within One Year
<b>Primary Government</b>					
Governmental activities					
1996 City of Lansing Sewer Bonds - Tollgate #2	\$ 52,052	\$ -	\$ (52,052)	\$ -0-	\$ -
2002 Special Assessment - Sewer System Bonds	105,000	-	(25,000)	80,000	25,000
MTT Tax Appeal	29,210	-	(14,604)	14,606	14,606
Downtown Development					
2010 Downtown Development Bonds					
Series A	9,000,000	-	-	9,000,000	-
Series B	7,315,000	-	-	7,315,000	-
Series C	3,210,000	-	(540,000)	2,670,000	555,000
2012 Downtown Development Refunding Bonds	7,400,000	-	(445,000)	6,955,000	460,000
Installment purchase agreements	717,226	419,000	(153,973)	982,253	258,431
Compensated absences	420,625	117,620	(132,243)	406,002	142,101
	28,249,113	536,620	(1,362,872)	27,422,861	1,455,138



Charter Township of Lansing  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

**NOTE F: LONG-TERM DEBT - CONTINUED**

	Balance Jan. 1, 2018	Additions	Deletions	Balance Dec. 31, 2018	Amount Due Within One Year
<b>Primary Government - continued</b>					
Business-type activities					
1998 Michigan Municipal Bonds	\$ 25,000	\$ -	\$ (25,000)	\$ -0-	\$ -
1999 Michigan Municipal Bonds	90,000	-	(45,000)	45,000	45,000
2008 Michigan Municipal Bonds	250,755	-	(20,000)	230,755	20,000
2009 Michigan Municipal Bonds	394,766	-	(25,000)	369,766	25,000
2017 USDA Bonds	989,000	467,000	(28,000)	1,428,000	29,000
Compensated absences	36,249	28,139	(24,120)	40,268	14,094
	<u>1,785,770</u>	<u>495,139</u>	<u>(167,120)</u>	<u>2,113,789</u>	<u>133,094</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 30,034,883</u>	<u>\$ 1,031,759</u>	<u>\$ (1,529,992)</u>	<u>\$ 29,536,650</u>	<u>\$ 1,588,232</u>
<b>Component Unit (DDA)</b>					
2013 Eastwood Phase II Project Bonds	\$ 7,195,000	\$ -	\$ (95,000)	\$ 7,100,000	\$ 100,000
Towneast, LLC Loans	4,326,156	1,182,015	-	5,508,171	-
	<u>\$ 11,521,156</u>	<u>\$ 1,182,015</u>	<u>\$ (95,000)</u>	<u>\$ 12,608,171</u>	<u>\$ 100,000</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

**Primary Government**

Direct Township Obligations

Governmental Activities Obligations

\$465,000 Special Assessment Sewer System Improvement Bonds Series 2002, dated October 1, 2002, due in annual installments ranging from \$5,000 to \$25,000 through October 1, 2022, with interest ranging from 4.60 percent to 5.00 percent, payable semi-annually.	\$ 80,000
\$146,043 MTT Tax Appeal dated January 27, 2011, due in an annual installment of \$14,606 on February 1, 2019, with no interest.	14,606
\$9,000,000 2010 Downtown Development Bonds Series A dated November 12, 2010, due in an annual installments ranging from \$165,000 to \$1,250,000 through July 1, 2040, with interest of 6.75 percent, payable semi-annually.	9,000,000
\$7,315,000 2010 Downtown Development Bonds Series B dated November 12, 2010, due in an annual installments ranging from \$335,000 to \$895,000 through July 1, 2032, with interest ranging from 5.75 percent to 6.50 percent, payable semi-annually.	7,315,000
\$4,590,000 2010 Downtown Development Bonds Series C dated November 12, 2010, due in an annual installments ranging from \$315,000 to \$625,000 through July 1, 2023, with interest ranging from 3.25 percent to 4.10 percent, payable semi-annually.	2,670,000

Charter Township of Lansing  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

**NOTE F: LONG-TERM DEBT - CONTINUED**

**Primary Government - continued**

Direct Township Obligations - continued

Governmental Activities Obligations - continued

\$8,870,000 2012 Downtown Development Refunding Bonds dated December 4, 2012, due in annual installments ranging from \$460,000 to \$610,000 through May 1, 2031, with interest ranging from 2.00 percent to 3.00 percent, payable semi-annually.	\$ 6,955,000
\$1,205,856 Capital leases, due in annual installments ranging from \$77,974 to \$163,918 through February 16, 2023, with interest ranging from 2.84 percent to 3.644 percent, payable annually.	<u>982,253</u>
Total Governmental Activities Obligations	27,016,859

Business-type Activities Obligations

\$704,392 Michigan Municipal Bond Authority Series 1999, dated June 24, 1999, due in an annual installment of \$45,000 on October 1, 2019, with an interest rate of 2.50 percent, payable semi-annually.	45,000
\$410,755 Michigan Municipal Bond Authority Series 2008, dated June 23, 2008, due in annual installments ranging from \$20,000 to \$25,755 through October 1, 2028, with an interest rate of 2.50 percent, payable semi-annually.	230,755
\$585,766 Michigan Municipal Bond Authority Series 2009, dated June 29, 2009, due in annual installments ranging from \$25,000 to \$35,000 through October 1, 2029, with an interest rate of 2.50 percent, payable semi-annually.	369,766
\$1,456,000 USDA Bonds, dated August 11, 2017, due in semi-annual installments ranging from \$29,000 to \$47,000 through January 2047, with an interest rate of 1.875%, payable semi-annually.	<u>1,428,000</u>
Total Business-Type Activities Obligations	<u>2,073,521</u>
<b>TOTAL DIRECT TOWNSHIP OBLIGATIONS</b>	<b><u><u>\$ 29,090,380</u></u></b>

Compensated Absences - Governmental Activities

Individual employees have vested rights upon termination of employment to receive payments for unused sick and vacation time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to approximately \$406,002 at December 31, 2018. The amounts of \$142,101 and \$263,901 have been reported as current and noncurrent liabilities, respectively.

Charter Township of Lansing  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

**NOTE F: LONG-TERM DEBT - CONTINUED**

**Primary Government - continued**

Compensated Absences - Business-Type Activities

Individual employees have vested rights upon termination of employment to receive payments for unused sick and vacation time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to approximately \$40,268 at December 31, 2018. The amounts of \$14,094 and \$26,174 have been reported as current and noncurrent liabilities, respectively.

**Component Unit (DDA)**

\$7,500,000 Eastwood Phase II Project Bonds Series 2013, dated February 26, 2013, due in annual installments ranging from \$100,000 to \$895,000 through February 1, 2042, with an interest rate ranging from 5.95 to 8.00 percent, payable semi-annually.	\$ 7,100,000
\$5,508,171 Towneast, LLC Loans, repayment arrangements to be determined.	<u>5,508,171</u>
Total DDA Obligations	<u><u>\$ 12,608,171</u></u>

The annual requirements to pay the debt principal and interest outstanding are as follows:

**Primary Government**

Governmental Activities

Year Ending Dec. 31,	2002 Special Assessment Sewer Improvement Bonds		MTT Tax Appeal	
	Principal	Interest	Principal	Interest
2019	\$ 25,000	\$ 3,837	\$ 14,606	\$ -
2020	25,000	2,688	-	-
2021	25,000	1,500	-	-
2022	5,000	250	-	-
	<u>\$ 80,000</u>	<u>\$ 8,275</u>	<u>\$ 14,606</u>	<u>\$ -0-</u>

Charter Township of Lansing  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

**NOTE F: LONG-TERM DEBT - CONTINUED**

**Primary Government - continued**

Governmental Activities - continued

Year Ending Dec. 31,	2010 Downtown Development Bonds		2012 Downtown Development Refunding Bonds		Installment Purchase Agreements	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 555,000	\$ 1,173,053	\$ 460,000	\$ 168,925	\$ 258,431	\$ 31,674
2020	575,000	1,153,628	465,000	159,675	266,728	23,380
2021	600,000	1,132,065	480,000	149,925	184,530	14,815
2022	625,000	1,108,065	490,000	139,619	190,651	8,694
2023	650,000	1,083,065	505,000	128,731	81,913	2,368
2024-2028	3,645,000	4,835,113	2,740,000	451,556	-	-
2029-2033	4,470,000	3,564,238	1,815,000	81,450	-	-
2034-2038	5,410,000	1,951,088	-	-	-	-
2039-2040	2,455,000	250,088	-	-	-	-
	<u>\$ 18,985,000</u>	<u>\$ 16,250,403</u>	<u>\$ 6,955,000</u>	<u>\$ 1,279,881</u>	<u>\$ 982,253</u>	<u>\$ 80,931</u>

Business-type Activities

Year Ending Dec. 31,	1999 Michigan Municipal Bonds		2008 Michigan Municipal Bonds		2009 Michigan Municipal Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 45,000	\$ 1,125	\$ 20,000	\$ 5,769	\$ 25,000	\$ 9,244
2020	-	-	20,000	5,269	30,000	8,619
2021	-	-	20,000	4,769	35,000	7,869
2022	-	-	20,000	4,269	35,000	6,994
2023	-	-	20,000	3,769	35,000	6,119
2024-2028	-	-	130,755	9,469	175,000	17,471
2029	-	-	-	-	34,766	869
	<u>\$ 45,000</u>	<u>\$ 1,125</u>	<u>\$ 230,755</u>	<u>\$ 33,314</u>	<u>\$ 369,766</u>	<u>\$ 57,185</u>

Charter Township of Lansing  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

**NOTE F: LONG-TERM DEBT - CONTINUED**

**Primary Government - continued**

Business-type Activities

Year Ending Dec. 31,	2017 USDA Bonds*	
	Principal	Interest
2019	\$ 29,000	\$ 20,476
2020	29,000	19,932
2021	30,000	19,388
2022	30,000	18,826
2023	31,000	18,262
2024-2028	163,000	85,426
2029-2033	180,000	69,806
2034-2038	197,000	52,614
2039-2043	216,000	33,808
2044-2047	523,000	13,144
	\$ 1,428,000	\$ 351,682

\*The total borrowing for the 2017 USDA bonds has yet to be determined, so this schedule is subject to change.

**Component Unit (DDA)**

Year Ending Dec. 31,	2013 Eastwood Phase II Project Bonds	
	Principal	Interest
2019	\$ 100,000	\$ 498,400
2020	110,000	490,000
2021	115,000	481,000
2022	125,000	471,400
2023	135,000	461,000
2024-2028	880,000	2,113,200
2029-2033	1,305,000	1,681,800
2034-2038	1,935,000	1,054,734
2039-2042	2,395,000	323,892
	\$ 7,100,000	\$ 7,575,426

The repayment schedule for the Towneast, LLC loans has not yet been determined.

Charter Township of Lansing  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE G: RETIREMENT PLANS**

**Defined Benefit Plan**

Plan Description

The Township participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple employer defined benefit pension plan that covers police employees, Teamsters Local 580 employees, full-time firefighters and non-union employees of the Township. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Summary of Significant Accounting Policies

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For these purposes, 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.

Benefits Provided

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. Public Act 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The MERS plan covers all eligible police employees at the Township.

Retirement benefits are calculated at 2.25 percent of the employee's five-year final average compensation times the employee's years of service with a maximum of 80 percent of final average compensation. Normal retirement age is 60 with an unreduced benefit at age 55 with 25 years of service or a reduced benefit at age 50 with 25 years of service or age 55 with 15 years of services. Deferred retirement benefits vest after 6 years of credited service for the fire division and 10 years of credited service for all other divisions but are not paid until the date retirement would have occurred had the member remained an employee. Employees are eligible for non-duty disability benefits after 6 years of service and for duty related disability benefits upon hire. Disability benefits are determined in the same manner as retirement benefits but are payable immediately and if duty-related without an actuarial reduction for retirement before age 60 is not applied. An employee who leaves service may withdraw his or her contributions, plus any accrued interest.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Township Board, generally after negotiations of the terms with the affected unions.

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

Inactive employees or beneficiaries receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>45</u>
Total employees covered by MERS	<u><u>63</u></u>

Charter Township of Lansing  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

**NOTE G: RETIREMENT PLANS - CONTINUED**

**Defined Benefit Plan - continued**

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended December 31, 2018, the Township's contribution rate for active employees was 9.50% based on annual payroll for open divisions. The active employee contribution rates ranged from 1.78% to 5.87% of annual payroll.

Net Pension Liability

The Township's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date. Changes in the net pension liability during the measurement year were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2016	\$ 8,890,928	\$ 7,408,770	\$ 1,482,158
Changes for the Year			
Service cost	265,734	-	265,734
Interest on total pension liability	705,604	-	705,604
Changes in benefits	(15,195)	-	(15,195)
Difference between expected and actual experience	35,889	-	35,889
Employer contributions	-	248,140	(248,140)
Employee contributions	-	62,195	(62,195)
Net investment income	-	979,637	(979,637)
Benefit payments, including employee refunds	(407,473)	(407,473)	-
Administrative expense	-	(15,502)	15,502
Net changes	584,559	866,997	(282,438)
Balances as of December 31, 2017	<u>\$ 9,475,487</u>	<u>\$ 8,275,767</u>	<u>\$ 1,199,720</u>

Charter Township of Lansing  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

**NOTE G: RETIREMENT PLANS - CONTINUED**

**Defined Benefit Plan - continued**

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

For the year ended December 31, 2018, the employer recognized pension expense of \$397,893. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 66,167	\$ 118,009
Changes in assumptions	274,356	-
Net difference between projected and actual earnings on pension plan investments	-	165,500
Contributions subsequent to the measurement date*	263,396	-
Total	\$ 603,919	\$ 283,509

\* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending December 31, 2019.

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

Year Ending December 31,	Pension Expense
2019	\$ 76,638
2020	55,627
2021	(77,244)
2022	(30,877)
2023	47,412
Thereafter	(14,542)

Actuarial Assumptions

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

Inflation: 2.50%

Salary increases: 3.75% in the long-term plus a percentage based on age related scale to reflect merit, longevity, and promotional pay increases.



Charter Township of Lansing  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

**NOTE G: RETIREMENT PLANS - CONTINUED**

**Defined Benefit Plan - continued**

Actuarial Assumptions - continued

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

Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be consistent with a price inflation of 2.50%.

The mortality table used to project the mortality experience of non-disabled plan members is a 50% Male - 50% Female blend of the following tables: 1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%, 2. the RP-2014 Employee Mortality Tables, and 3. the RP-2014 Juvenile Mortality Tables. The mortality table used to project the mortality experience of disabled plan members is a 50% Male - 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in valuation were based on the results of the 2009-2013 Five-year Experience Study.

Discount Rate

The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers.

Projected Cash Flows

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	55.50%	8.65%
Global Fixed Income	18.50%	3.76%
Real Assets	13.50%	9.72%
Diversifying Strategies	12.50%	7.50%

Charter Township of Lansing  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE G: RETIREMENT PLANS - CONTINUED**

**Defined Benefit Plan - continued**

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

The following presents the net pension liability of the employer, calculated using the discount rate of 8.00%, as well as what the employer's net position liability would be using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability	\$ 2,382,262	\$ 1,199,720	\$ 204,317

**Defined Contribution Pension Plan**

The Township also has a defined contribution pension plan covering full-time employees who opted not to participate in the MERS plan. This benefit is an insurance-type plan administered under the provisions of Section 401(a) of the Internal Revenue Code. The plan is administered by Massachusetts Mutual Life Insurance Company.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on the investments of those contributions. The plan requires the employer to contribute fifteen percent of the participating employee's gross wages up to \$32,500, with complete vesting within four years.

During the year, the Township's required and actual contributions amounted to \$3,479.

**NOTE H: OTHER POST-EMPLOYMENT BENEFITS**

Plan Description

The Township provides certain retiree health care benefits as other post-employment benefits (OPEB) to all eligible retired employees and elected officials in accordance with union agreements and/or personnel policies. For part-time elected officials the Township will pay 50% of medical insurance premiums for single or two-party coverage, whichever they qualify for, after 20 years of service and age 55. For full-time elected officials the Township will pay for 50% of medical benefits after 16 years of service and age 55 and 100% of medical benefits after 20 years of service and age 55. The Township records the cost of providing these benefits as expenses when paid.

The plan does not issue a separate stand-alone financial statement.

Charter Township of Lansing  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

**NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

Summary of Plan Participants

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

Retirees and survivors	18	
Covered Spouse/ Dependents	11	
Active plan members	43	
	72	

Investment Policy

The Township may invest and reinvest the assets of the Plan subject to the terms, conditions, limitations, and restrictions imposed by Michigan law and, to the extent applicable to a government plan, the Internal Revenue Code of 1986, as amended, and the Employee Retirement Security Act of 1974, as amended. It is the policy of the Plan to invest funds in a manner which will ensure the preservation of principal while providing the highest investment return with maximum security. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100.00%	3.00%

The Township's Board of Directors is the governing body that can make changes in the fund choices or allocations.

Summary of Significant Accounting Policies

For purposes of measuring the net other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the Township's fiduciary net position have been determined on the same basis as they are reported for the Township. 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.

Charter Township of Lansing  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

**NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

Change in Net OPEB Liability

The Township's net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The change in the net OPEB liability of the Township at December 31, 2017, is as follows:

Calculating the Net OPEB Liability			
	Increase (Decrease)		
Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)	
Balances at December 31, 2016	\$ 4,988,041	\$ 83,065	\$ 4,904,976
Changes for the year			
Service cost	227,195	-	227,195
Interest on total OPEB liability	153,182	-	153,182
Contributions/benefit paid from general operating funds	-	109,150	(109,150)
Net investment income	-	2,522	(2,522)
Benefit payments	(109,150)	(109,150)	-0-
Net changes	271,227	2,522	268,705
Balances as of December 31, 2017	\$ 5,259,268	\$ 85,587	\$ 5,173,681

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

For the year ended December 31, 2018, the employer recognized OPEB expense of \$377,879. At December 31, 2018, the Township reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	\$ -0-	\$ 24

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

Year Ending December 31,	OPEB Expense
2019	\$ (6)
2020	(6)
2021	(6)
2022	(6)

Charter Township of Lansing  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

**NOTE H: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

Actuarial Assumptions

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

Inflation	Included in investment rate of return
Salary Increases	2.00%
Investment rate of return	3.00%
20-year Aa Municipal bond rate	3.00%
Medical Trend	
Pre-Medicare	8.50% graded down to 4.50% by 0.25% per year
Post-Medicare	4.50%
Mortality: Public Safety: PUB Safety 2010 Employee and Healthy Retiree;	
Non-Public Safety: Public General 2010 Employee and Healthy Retiree	

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

The following presents the net OPEB liability of the Township, as well as what the Township's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00 percent) or 1-percentage-point higher (4.0 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability (Discount)	<u>\$ 6,607,105</u>	<u>\$ 5,173,681</u>	<u>\$ 4,750,677</u>

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

The following presents the net OPEB liability of the Township, as well as what the Township's net OPEB liability would be if it were calculated using healthcare cost trends rates that are 1-percentage-point lower (2.00 percent) or 1-percentage-point higher (4.00 percent) than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability (Trend)	<u>\$ 4,615,517</u>	<u>\$ 5,173,681</u>	<u>\$ 6,825,005</u>

**NOTE I: RISK MANAGEMENT**

The Township participates in the Michigan Township Participating Plan for auto, property, wrongful acts, EDP, crime, inland marine, electronic equipment, public official bond, employee dishonesty, and liability losses. Settled claims have not exceeded the amount of insurance coverage in any of the past three (3) fiscal years.

The Township also participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy period exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required.

Charter Township of Lansing

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE J: WHOLESALE WATER SERVICE AGREEMENT**

The Township entered into an agreement with the Board of Water and Light on June 28, 1995, to purchase conditioned potable water and to provide raw water to the Board. For the year ended December 31, 2018, the Township incurred water charges of \$107,187.

**NOTE K: BUILDING AND ZONING FINANCIAL INFORMATION**

The Township elected to report the financial activities of the building and zoning department in the General Fund. The following is the required information as it relates to this department for the year ended December 31, 2018:

REVENUES	
Building permits	\$ 115,873
EXPENDITURES	
Salaries and fringes	91,077
Supplies and other	<u>69,356</u>
TOTAL EXPENDITURES	<u>160,433</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(44,560)
PRIOR CUMULATIVE EXCESS OF REVENUES OVER EXPENDITURES	<u>324,002</u>
CUMULATIVE EXCESS OF REVENUES OVER EXPENDITURES	<u><u>\$ 279,442</u></u>

**NOTE L: CONTINGENT LIABILITIES**

There are various legal actions pending against the Charter Township of Lansing. The likelihood of an unfavorable outcome with respect to the pending litigation is neither probable nor remote. Due to the inconclusive nature of the actions, it is not possible for legal counsel to determine a reasonable estimate of the Township's liability, if any. For these reasons, no additional liability has been recorded in the financial statements related to these actions.

Under the terms of various Federal and State grants, periodic compliance audits are required, and certain costs may be questioned, allowed, or disallowed, which could result in funds being returned and/or received from grantor agencies.

**NOTE M: DDA CONTRACTUAL AND BOND COMMITMENTS**

The DDA has entered into an agreement to provide financial assistance to the Township with projects which are related to the DDA's overall mission. This agreement includes a commitment to the Township to assist with payment of debt issues for the parking structure and other improvements at the Eastwood Towne Center development.

The DDA has pledged tax increment revenue payments to the Township for the repayment of certain bonded debt issued by the Township. The approximate amount of the pledge is equal to the remaining principal and interest requirements of the secured debt as of December 31, 2018, which was \$43,470,284. The commitment will expire when the final debt payment is made on July 1, 2040.

Charter Township of Lansing

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE N: DETAILS OF FUND BALANCE CLASSIFICATIONS**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) fund balance classifications under this standard:

*Nonspendable* - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

*Restricted* - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

*Committed* - amounts constrained on use imposed by formal action of the government's highest level of decision-making authority (i.e., Board, Council, etc.).

*Assigned* - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

*Unassigned* - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

The formal action required to be taken to establish a fund balance commitment is the adoption of a Township Resolution.

For assigned fund balance, the Charter Township of Lansing has not approved a policy indicating who is authorized to assign amounts to a specific purpose. In the absence of such a policy, authorization is deemed to rest with the Township Board of Trustees.

The Charter Township of Lansing has not formally adopted a policy that determines when both restricted and unrestricted fund balances are available which should be used first. In the absence of such a policy, resources with the highest level of restriction will be used first.

	General	2010 & 2012 Downtown Development Debt Service	Public Safety Assessment	Nonmajor Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>					
Nonspendable					
Prepays	\$ 66,020	\$ -	\$ -	\$ -	\$ 66,020
Restricted					
Public works	-	-	-	33,160	33,160
Community and economic development	-	-	-	65,611	65,611
Public safety	279,442	-	213,174	113,306	605,922
Debt service	-	524,157	-	36,059	560,216
Capital projects	-	-	-	187,788	187,788
Committed					
Budget stabilization	100,000	-	-	-	100,000
Assigned					
Future capital purchases	-	-	-	137,931	137,931
Subsequent year's expenditures	49,466	-	-	-	49,466
Unassigned	695,665	-	-	-	695,665
	<u>\$ 1,190,593</u>	<u>\$ 524,157</u>	<u>\$ 213,174</u>	<u>\$ 573,855</u>	<u>\$ 2,501,779</u>

Charter Township of Lansing

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE O: RESTATEMENT OF BEGINNING NET POSITION**

Beginning net position has been restated to reflect the implementation of GASB Statement No. 75.

	Governmental Activities	Business-type Activities	DDA Component Unit
Beginning net position	\$(28,672,741)	\$ 2,461,912	\$ 16,270,166
Net OPEB obligation (GASB 45)	4,276,636	422,032	348,442
Net OPEB liability (GASB 75)	<u>(4,169,230)</u>	<u>(392,398)</u>	<u>(343,348)</u>
Restated beginning net position	<u><u>\$(28,565,335)</u></u>	<u><u>\$ 2,491,546</u></u>	<u><u>\$ 16,275,260</u></u>

**NOTE P: BUDGET STABILIZATION ARRANGEMENT**

The Township has established a budget stabilization arrangement pursuant to the provisions of Public Act 30 of 1978. Additions to the stabilization amount require a resolution adopted by a 2/3 vote of the Township Board of Trustees. The stabilization amounts may only be appropriated by a resolution adopted by a 2/3 vote of the Township Board of Trustees for specific purposes as outlined in Public Act 30 of 1978.

**NOTE Q: UPCOMING ACCOUNTING PRONOUNCEMENTS**

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities for all state and local governments, focusing on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries for whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019 fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement increases 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 or resources or outflows of resources based on the payment provisions of the contract. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020 fiscal year.

In June 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019 fiscal year.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statement No. 14 and No. 61*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019 fiscal year.



Charter Township of Lansing

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE R: RELATED PARTY TRANSACTIONS**

As stated in Note A, the DDA has majority interest in a joint venture called Towneast, LLC. During 2018, Towneast, LLC made a series of loans totaling approximately \$1.18 million to the DDA, bringing the total amount of loans to \$5,508,171. These loans are still outstanding as of December 31, 2018. Future repayment terms have yet to be determined.

**NOTE S: CHANGE IN ACCOUNTING PRINCIPLES**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented during the year. This Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligations as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB benefits. This Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

**REQUIRED SUPPLEMENTARY INFORMATION**

Charter Township of Lansing

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,099,007	\$ 2,122,998	\$ 2,125,283	\$ 2,285
Licenses and permits	334,275	275,355	282,476	7,121
Intergovernmental	715,231	721,829	1,050,251	328,422
Charges for services	774,730	789,030	753,039	(35,991)
Fines and forfeits	3,000	11,000	11,918	918
Interest and rents	55,000	55,000	48,146	(6,854)
Other	103,800	96,300	116,542	20,242
<b>TOTAL REVENUES</b>	<b>4,085,043</b>	<b>4,071,512</b>	<b>4,387,655</b>	<b>316,143</b>
<b>EXPENDITURES</b>				
Current				
General government				
Legislative	59,671	66,877	59,903	6,974
Executive	172,284	175,369	174,114	1,255
Clerk	228,525	230,012	230,706	(694)
Treasurer	139,497	137,082	136,181	901
Assessor	45,826	46,986	43,918	3,068
Elections	21,735	25,685	24,369	1,316
Hall and grounds	115,347	121,448	120,889	559
Attorney	150,000	491,500	458,608	32,892
Other	219,936	216,606	206,087	10,519
Total general government	1,152,821	1,511,565	1,454,775	56,790
Public safety				
Police department	1,557,192	1,480,207	1,447,051	33,156
Fire department	372,728	363,846	357,192	6,654
Building inspection	175,767	177,267	141,303	35,964
Total public safety	2,105,687	2,021,320	1,945,546	75,774
Health and welfare	1,321,492	1,290,003	1,266,410	23,593
Community and economic development	58,231	22,881	18,912	3,969
Recreation and culture	23,839	13,452	6,545	6,907

Charter Township of Lansing

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Capital outlay	\$ 29,500	\$ 42,400	\$ 32,875	\$ 9,525
TOTAL EXPENDITURES	4,691,570	4,901,621	4,725,063	176,558
EXCESS OF REVENUES (UNDER) EXPENDITURES	(606,527)	(830,109)	(337,408)	492,701
OTHER FINANCING SOURCES (USES)				
Transfers in	350,000	300,000	-	(300,000)
Transfers out	-	(10,000)	(10,000)	-0-
TOTAL OTHER FINANCING SOURCES (USES)	350,000	290,000	(10,000)	(300,000)
NET CHANGE IN FUND BALANCE	(256,527)	(540,109)	(347,408)	192,701
Fund balance, beginning of year	1,538,001	1,538,001	1,538,001	-0-
Fund balance, end of year	\$ 1,281,474	\$ 997,892	\$ 1,190,593	\$ 192,701

Charter Township of Lansing

Retirement System

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

Last Four Measurement Years (ultimately ten years will be displayed)

	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 213,111	\$ 240,277	\$ 250,324	\$ 265,734
Interest	548,174	608,750	672,778	705,604
Changes of benefit terms	-	(34,337)	(9,345)	(15,195)
Difference between expected and actual experience	-	56,648	(157,345)	35,889
Changes of assumptions	-	438,969	-	-
Benefit payments, including employee refunds	(262,035)	(268,729)	(300,083)	(407,473)
Other	17,130	(1)	(1)	-
Net Change in Total Pension Liability	516,380	1,041,577	456,328	584,559
Total Pension Liability, beginning	6,876,643	7,393,023	8,434,600	8,890,928
Total Pension Liability, ending	<u>\$ 7,393,023</u>	<u>\$ 8,434,600</u>	<u>\$ 8,890,928</u>	<u>\$ 9,475,487</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 182,496	\$ 240,540	\$ 239,021	\$ 248,140
Contributions - employee	20,656	24,695	34,274	62,195
Net investment income	409,728	(103,488)	765,011	979,637
Benefit payments, including employee refunds	(262,035)	(268,729)	(300,083)	(407,473)
Administrative expense	(15,069)	(15,018)	(15,091)	(15,502)
Net Change in Plan Fiduciary Net Position	335,776	(122,000)	723,132	866,997
Plan Fiduciary Net Position, beginning	6,471,862	6,807,638	6,685,638	7,408,770
Plan Fiduciary Net Position, ending	<u>\$ 6,807,638</u>	<u>\$ 6,685,638</u>	<u>\$ 7,408,770</u>	<u>\$ 8,275,767</u>
Employer Net Pension Liability	<u>\$ 585,385</u>	<u>\$ 1,748,962</u>	<u>\$ 1,482,158</u>	<u>\$ 1,199,720</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	92%	79%	83%	87%
Covered Employee Payroll	\$ 2,276,833	\$ 2,565,558	\$ 2,501,656	\$ 2,569,834
Employer's Net Pension Liability as a percentage of covered employee payroll	25.71%	68.17%	59.25%	46.68%

Charter Township of Lansing

Retirement System

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Four Fiscal Years (ultimately ten years will be displayed)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contributions	\$ 240,540	\$ 239,021	\$ 248,140	\$ 263,396
Contributions in relation to the actuarially determined contribution	<u>240,540</u>	<u>239,021</u>	<u>248,140</u>	<u>263,396</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered Employee Payroll	\$ 2,542,394	\$ 2,562,786	\$ 2,612,004	\$ 2,692,388
Contributions as a percentage of covered employee payroll	9.46%	9.33%	9.50%	9.78%

Charter Township of Lansing

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

Last Measurement Date (ultimately ten fiscal years will be displayed)  
 (Amounts were determined as of 12/31 of each fiscal year)

	<u>2017</u>
Total OPEB liability	
Service cost	\$ 227,195
Interest	153,182
Benefit payments	<u>(109,150)</u>
Net change in total OPEB liability	271,227
Total OPEB liability, beginning	<u>4,988,041</u>
Total OPEB liability, ending	<u><u>\$ 5,259,268</u></u>
Plan fiduciary net position	
Contributions/benefit payments made from general operating funds	\$ 109,150
Net investment income	2,522
Benefit payments	<u>(109,150)</u>
Net change in plan fiduciary net position	2,522
Plan fiduciary net position, beginning	<u>83,065</u>
Plan fiduciary net position, ending	<u><u>\$ 85,587</u></u>
Township's net OPEB liability	<u><u>\$ 5,173,681</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.63%
Covered employee payroll	\$ 2,583,292
Township's net OPEB liability as a percentage of covered employee payroll	200.3%

Charter Township of Lansing

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Fiscal Year (ultimately ten years will be displayed)  
(Amounts were determined as of 12/31 of each fiscal year)

	<u>2018</u>
Actuarially determined employer contribution	\$ 427,316
Employer contribution (benefit payment)	<u>109,150</u>
Contribution deficiency/(excess)	<u>\$ 318,166</u>
Covered employee payroll	\$ 2,583,292
Contribution as a percentage of payroll	16.54%



Charter Township of Lansing

SCHEDULE OF INVESTMENT RETURNS

Last Fiscal Year (ultimately ten fiscal years will be displayed)  
(Amounts were determined as of 12/31 of each fiscal year)

	<u>2018</u>
Annual money-weighted rate of return, net of investment expenses	3.04%

Charter Township of Lansing

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended December 31, 2018

**NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

PRIMARY GOVERNMENT

In the budgetary comparison schedule the Township’s budgeted expenditures in the General Fund have been shown at the functional classification level. The approved budgets of the Township have been adopted at the department level for the General Fund and the fund level for the Special Revenue Funds. The General Fund budget shown as required supplementary information was prepared on the same modified accrual basis used to reflect actual results.

During the year ended December 31, 2018, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Current			
General government			
Clerk	\$ 230,012	\$ 230,706	\$ 694

**NOTE B: EMPLOYEE RETIREMENT SYSTEM**

Changes of benefits terms: The required employee contributions percentages for the various bargaining units changed from 2.05%-5.59% in the previous year to 1.78%-5.87% in the current year.

Changes in assumptions: There were no changes of assumptions during fiscal year 2018.

**NOTE C: OTHER POST-EMPLOYMENT BENEFITS PLAN**

Changes in benefit terms: There were no changes in benefit terms during fiscal year 2018.

Changes in assumptions: There were no changes of assumptions during fiscal year 2018.

## **OTHER SUPPLEMENTARY INFORMATION**

Charter Township of Lansing  
Nonmajor Governmental Funds  
COMBINING BALANCE SHEET  
December 31, 2018

	Special Revenue Funds			
	Street Lights	Brownfield Development	Rental Registration	Drug Law Enforcement
<b>ASSETS</b>				
Cash and cash equivalents	\$ 86,408	\$ 65,611	\$ 95,729	\$ 17,577
Investments	-	-	-	-
Receivables				
Taxes	156,604	-	-	-
Special assessments	-	-	10,078	-
Due from other funds	7,882	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 250,894</b>	<b>\$ 65,611</b>	<b>\$ 105,807</b>	<b>\$ 17,577</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 17,513	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Due to other governmental units	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>17,513</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Assessments levied for subsequent years	-	-	10,078	-
Property taxes levied for subsequent year	200,221	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>200,221</b>	<b>-0-</b>	<b>10,078</b>	<b>-0-</b>
<b>FUND BALANCES</b>				
Restricted	33,160	65,611	95,729	17,577
Assigned	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>33,160</b>	<b>65,611</b>	<b>95,729</b>	<b>17,577</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 250,894</b>	<b>\$ 65,611</b>	<b>\$ 105,807</b>	<b>\$ 17,577</b>

Debt Service Funds		Capital Project Funds					
Sanitary Sewer	Tollgate Drain	Capital Improvement	Sidewalks	Parks	Drains	Total	
\$ 31,426	\$ 22,161	\$ 113,289	\$ 157,534	\$ 24,642	\$ 89,953	\$ 704,330	
-	2,314	-	-	-	95	2,409	
-	-	-	84,428	-	-	241,032	
19,700	-	-	-	-	-	29,778	
-	29,500	-	-	-	-	37,382	
<u>\$ 51,126</u>	<u>\$ 53,975</u>	<u>\$ 113,289</u>	<u>\$ 241,962</u>	<u>\$ 24,642</u>	<u>\$ 90,048</u>	<u>\$ 1,014,931</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,513	
-	5,079	-	-	-	-	5,079	
-	-	-	-	-	29,500	29,500	
-	48,792	-	-	-	-	48,792	
-0-	53,871	-0-	-0-	-0-	29,500	100,884	
15,171	-	-	-	-	-	25,249	
-	-	-	114,722	-	-	314,943	
15,171	-0-	-0-	114,722	-0-	-0-	340,192	
35,955	104	-	127,240	-	60,548	435,924	
-	-	113,289	-	24,642	-	137,931	
<u>35,955</u>	<u>104</u>	<u>113,289</u>	<u>127,240</u>	<u>24,642</u>	<u>60,548</u>	<u>573,855</u>	
<u>\$ 51,126</u>	<u>\$ 53,975</u>	<u>\$ 113,289</u>	<u>\$ 241,962</u>	<u>\$ 24,642</u>	<u>\$ 90,048</u>	<u>\$ 1,014,931</u>	

Charter Township of Lansing

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2018

	Special Revenue Funds			
	Street Lights	Brownfield Development	Rental Registration	Drug Law Enforcement
<b>REVENUES</b>				
Taxes	\$ 77,145	\$ 27,753	\$ -	\$ -
Charges for services	-	-	42,676	-
Interest and rents	-	-	678	-
Other	118,875	-	541	1,010
<b>TOTAL REVENUES</b>	<b>196,020</b>	<b>27,753</b>	<b>43,895</b>	<b>1,010</b>
<b>EXPENDITURES</b>				
Current				
Public safety	-	-	94,194	-
Public works	206,080	-	-	-
Community and economic development	-	662	-	-
Capital outlay	-	-	26,551	-
Debt service	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>206,080</b>	<b>662</b>	<b>120,745</b>	<b>-0-</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(10,060)</b>	<b>27,091</b>	<b>(76,850)</b>	<b>1,010</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(10,060)</b>	<b>27,091</b>	<b>(76,850)</b>	<b>1,010</b>
Fund balances, beginning of year	43,220	38,520	172,579	16,567
Fund balances, end of year	<u>\$ 33,160</u>	<u>\$ 65,611</u>	<u>\$ 95,729</u>	<u>\$ 17,577</u>

Debt Service Funds		Capital Project Funds					
Sanitary Sewer	Tollgate Drain	Capital Improvement	Sidewalks	Parks	Drains	Total	
\$ -	\$ -	\$ -	\$ 111,473	\$ -	\$ -	\$ 216,371	
-	-	-	-	-	-	42,676	
931	47	667	-	-	650	2,973	
4,241	25,179	-	-	-	-	149,846	
5,172	25,226	667	111,473	-0-	650	411,866	
-	-	-	-	-	-	94,194	
-	-	-	-	2,372	-	208,452	
-	-	-	-	-	-	662	
-	-	50	54,116	757	7,832	89,306	
30,240	149,149	-	-	-	-	179,389	
30,240	149,149	50	54,116	3,129	7,832	572,003	
(25,068)	(123,923)	617	57,357	(3,129)	(7,182)	(160,137)	
-	-	8,700	-	-	-	8,700	
-	29,500	-	-	10,000	-	39,500	
-	-	-	-	-	(29,500)	(29,500)	
-0-	29,500	8,700	-0-	10,000	(29,500)	18,700	
(25,068)	(94,423)	9,317	57,357	6,871	(36,682)	(141,437)	
61,023	94,527	103,972	69,883	17,771	97,230	715,292	
\$ 35,955	\$ 104	\$ 113,289	\$ 127,240	\$ 24,642	\$ 60,548	\$ 573,855	

Charter Township of Lansing

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2018

	<u>Trust and Agency</u>	<u>Current Tax</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	<u>\$ 155,956</u>	<u>\$ 1,259,655</u>	<u>\$ 1,415,611</u>
<b>LIABILITIES</b>			
Due to other governmental units	<u>\$ 155,956</u>	<u>\$ 1,259,655</u>	<u>\$ 1,415,611</u>



Charter Township of Lansing

Component Unit Funds - Downtown Development Authority

BALANCE SHEET

December 31, 2018

	General	Heights Development	Capital Projects	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 436,782	\$ 4,731	\$ 6,364	\$ 447,877
Receivables				
Accounts	1,905	145,648	-	147,553
Taxes	933,122	-	-	933,122
Due from other governmental units	132,210	-	-	132,210
<b>TOTAL ASSETS</b>	<b><u>\$ 1,504,019</u></b>	<b><u>\$ 150,379</u></b>	<b><u>\$ 6,364</u></b>	<b><u>\$ 1,660,762</u></b>
<b>LIABILITIES</b>				
Due to other governmental units	\$ 64,621	\$ 125,000	\$ -	\$ 189,621
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes levied for subsequent year	1,108,157	-	-	1,108,157
<b>FUND BALANCES</b>				
Restricted	-	25,379	6,364	31,743
Unassigned	331,241	-	-	331,241
<b>TOTAL FUND BALANCES</b>	<b><u>331,241</u></b>	<b><u>25,379</u></b>	<b><u>6,364</u></b>	<b><u>362,984</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 1,504,019</u></b>	<b><u>\$ 150,379</u></b>	<b><u>\$ 6,364</u></b>	<b><u>\$ 1,660,762</u></b>

Charter Township of Lansing

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT  
OF NET POSITION - DOWNTOWN DEVELOPMENT AUTHORITY

December 31, 2018

**Total fund balances - governmental funds** \$ 362,984

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 6,223,710	
Accumulated depreciation is	<u>(1,705,706)</u>	

Capital assets, net		4,518,004
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities at year-end consist of:

Direct obligations		(12,608,171)
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Equity interest in joint ventures is not a current financial resource and therefore is not reported as an asset in the governmental funds.

		<u>23,307,972</u>
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<b>Net position of governmental activities</b>		<u><u>\$ 15,580,789</u></u>
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Charter Township of Lansing

Component Unit Funds - Downtown Development Authority

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2018

	General	Heights Development	Capital Projects	Total
<b>REVENUES</b>				
Taxes	\$ 1,481,844	\$ -	\$ -	\$ 1,481,844
Interest and rents	1,358	422	16	1,796
Other	464	617,120	-	617,584
<b>TOTAL REVENUES</b>	<b>1,483,666</b>	<b>617,542</b>	<b>16</b>	<b>2,101,224</b>
<b>EXPENDITURES</b>				
Current				
Community and economic development	183,174	302,351	-	485,525
Debt service	2,548,205	-	-	2,548,205
<b>TOTAL EXPENDITURES</b>	<b>2,731,379</b>	<b>302,351</b>	<b>-0-</b>	<b>3,033,730</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,247,713)</b>	<b>315,191</b>	<b>16</b>	<b>(932,506)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	1,182,015	-	-	1,182,015
Transfers in	298,000	-	-	298,000
Transfers out	-	(298,000)	-	(298,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,480,015</b>	<b>(298,000)</b>	<b>-0-</b>	<b>1,182,015</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>232,302</b>	<b>17,191</b>	<b>16</b>	<b>249,509</b>
Fund balances, beginning of year	98,939	8,188	6,348	113,475
Fund balances, end of year	<u>\$ 331,241</u>	<u>\$ 25,379</u>	<u>\$ 6,364</u>	<u>\$ 362,984</u>

Charter Township of Lansing

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES -  
DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended December 31, 2018

**Net change in fund balances - total governmental funds** \$ 249,509

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense (214,837)

Items resulting from the repayment of long-term debt and borrowing of long-term debt are reported as expenditures, other financing uses, and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings and other liabilities increase long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the current period, these amounts consist of:

Principal retirement	\$ 95,000	
Loan proceeds	<u>(1,182,015)</u>	
		(1,087,015)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Decrease) in deferred outflows of resources related to pensions	(17,063)	
Decrease in deferred inflows of resources related to pensions	2,685	
Decrease in net pension liability	28,902	
Decrease in net other post-employment benefits obligation	<u>343,348</u>	
		<u>357,872</u>

**Change in net position of governmental activities** \$ (694,471)

Charter Township of Lansing

Component Unit Fund - Economic Development Corporation

BALANCE SHEET

December 31, 2018

ASSETS

Cash and cash equivalents

\$ 31,835

FUND BALANCE

Unassigned

\$ 31,835

Note: Reconciliation of the governmental fund balance sheet to the statement of net position for this component unit is not required as the fund balance was equal to the net position as of December 31, 2018.

Charter Township of Lansing

Component Unit Fund - Economic Development Corporation

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

Year Ended December 31, 2018

REVENUES	
Interest and rents	\$ 170
EXPENDITURES	
Current	
Community and economic development	<u>-</u>
NET CHANGE IN FUND BALANCE	170
Fund balance, beginning of year	<u>31,665</u>
Fund balance, end of year	<u>\$ 31,835</u>

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance to the statement of activities for this component unit is not required as the net change in fund balance was equal to the change in net position for the year ended December 31, 2018.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Township Board  
Charter Township of Lansing  
Ingham County, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the related notes to the financial statements, of the Charter Township of Lansing (the Township), Michigan, as of and for the year ended December 31, 2018, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated June 13, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. In comment 2018-001 below we identified a certain deficiency in internal control that we consider to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. In comment 2018-002 below we identified a certain deficiency in internal control that we consider to be a significant deficiency.

## 2018-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITOR

Condition: Material journal entries for the proper recognition of beginning net position, net pension liability, the related deferred outflows of resources related to pensions, net other post-employment benefits liability, and the related deferred outflows of resources related to other post-employment benefits liability were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the Township's general ledger.

Criteria: Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, where applicable, including the recording of all appropriate journal entries so that the trial balances reflect amounts that are in conformity with U.S. generally accepted accounting principles.

Cause: Material misstatements were not identified by the Township's internal control over financial reporting.

Effect: Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the Township's internal controls.

Recommendation: We recommend that the Township take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: The Township has engaged an Actuary to determine OPEB liabilities. In the future we will have our CPA include that information in the Township's financial data which is provided to the auditor.

## 2018-002 OTHER POST-EMPLOYMENT BENEFITS TRUST

Condition: A formal trust arrangement has not been established for the funds the Township has set aside for other post-employment benefits (OPEB).

Criteria: The Township should establish a formal trust for funds that are intended to be used for OPEB benefits in order to formally establish the funds will only be used for that purpose and cannot be reallocated to other Township obligations.

Cause: Although the Township has been segregating funds by establishing a separate bank account for OPEB funds, they have not established a formal trust arrangement.

Effect: If the funds are not legally protected in an irrevocable trust arrangement, the funds could potentially be allocated to other Township obligations.

Recommendation: We recommend that the Township take steps to ensure that a formal trust is established for OPEB funds.

Corrective Action Response: The Township is in the process of establishing a trust for the OPEB funds which have been segregated for the purpose of funding the Township's OPEB obligations.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.



## **Charter Township of Lansing's Response to Findings**

The Township's response to the findings identified in our audit are described previously. The Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Maney Costeiran PC*

June 13, 2019