Charter Township of Flushing
Genesee County, Michigan

Report to the Board of Trustees

March 31, 2017

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August 7, 2017

To the Board of Trustees
Charter Township of Flushing

We have audited the financial statements of the Charter Township of Flushing (the "Township") as of and for the year ended March 31, 2017 and have issued our report thereon dated August 7, 2017. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

Section I - Required Communications with Those Charged with Governance

Section II - Legislative and Related Informational Items

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

We would like to take this opportunity to thank the Township's staff, especially Karla Carpenter, for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable. The township board should feel very good about the capabilities of the staff that are entrusted with the accounting records at the Township. The books and records were very clean when it was time for the audit and we found the staff to be very competent and diligent. We truly appreciate their efforts.

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

Very truly yours,

Plante & Moran, PLLC

Pamela J. Hill

Pamela Hill, CPA
Partner

Chrystal Simpson

Chrystal Simpson, CPA
Manager

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Section I - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 1, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

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

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 7, 2017.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements.

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

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

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

The most sensitive estimates affecting the financial statements were transactions related to the net pension liability and other postemployment benefit obligation. Management's estimate of the net pension liability and other postemployment benefit obligation is based on valuations provided by the third party. We evaluated the key factors and assumptions used to develop the valuations of the net pension liability and other postemployment benefit obligation in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Section I - Required Communications with Those Charged with Governance (Continued)

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

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

Corrected and Uncorrected Misstatements

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

Significant Findings or Issues

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 7, 2017.

Management Consultations with Other Independent Accountants

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

Section II - Legislative and Related Informational Items

New Other Postemployment Benefits Standards (Retiree Healthcare Obligations)

In June 2015, the GASB issued a new standard addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB, which refers to retiree health care). GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. The Township will, after adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. GASB Statement No. 75 is effective for fiscal year ending March 31, 2019.

Revenue Sharing

The fiscal year 2017 governor's budget recommendation includes $1.3 billion for revenue sharing broken down as follows:

Description	Fiscal Year 2016 Budget	Fiscal Year 2016 Forecasted Actual	Final 2017 Budget
Constitutionally required payments	$ 783.8 M	$ 745.9 M	$ 757.9 M
CVTRS	243.0 M	243.0 M	243.0 M
CVTRS - One-time payments	5.8 M	5.8 M	5.8 M
County revenue sharing	171.8 M	171.8 M	174.2 M
County incentive program	42.9 M	42.9 M	43.0 M
Fiscally distressed community grants	5.0 M	5.0 M	5.0 M
Total	$ 1,252.3 M	$ 1,214.4 M	$ 1,228.9 M

As noted above, actual sales tax revenue, which serves as the base for the constitutionally required payments, came in lower than expected. As a result, constitutional revenue sharing is $38 million lower than budgeted. The new budget for 2017 anticipates a slight increase of 1.6 percent. The fiscal year 2017 budget also includes the City, Village, and Township Revenue Sharing (CVTRS) appropriation which was established in fiscal year 2015 and that number remains flat at $243 million. Each community's overall increase will vary as each has a different mix of constitutional and CVTRS.

In order to receive the CVTRS payments in fiscal year 2017, qualified local units will once again need to comply with the same best practices as they did last year:

- A citizen's guide to local finances with disclosure of unfunded liabilities
- Performance dashboard
- Debt service report
- Two-year budget projection

The "one-time" additional CVTRS payments that existed in the 2015 and 2016 budgets were not in the governor's 2017 budget. However, the payments were reinstated in the final 2017 budget.

Local Community Stabilization Authority Revenue

Eligible communities began receiving reimbursements for certain lost personal property taxes. The state agency making those reimbursements is the Local Community Stabilization Authority (LCSA). These reimbursements should not be reported on the financial statements with property taxes; instead, they should be included with other intergovernmental revenue from the State (state-shared revenue, grants, and other). The State has created a new account number for the revenue, 573, and titled it "Local Community Stabilization Share Appropriation." As always, communities should follow the State's guidance related to the Uniform Chart of Accounts.

The State Department of Treasury will compute the reimbursements and is scheduled to make the payments by October 20 of each year, although this year's payment likely will not be issued until November 20. The State will compare the total current year taxable value of commercial and industrial personal property to the value as of 2013 (the year before PPT reform).

Public Act 530 of 2016 - Additional Legacy Cost Reporting

On December 31, 2016, the governor signed Public Act 530 of 2016, which amends Public Act 314 of 1965, also known as the Public Employee Retirement System Investment Act (PERSIA).

Under the existing act, communities were required to publish a summary annual report setting forth key information related to pension and retiree healthcare plans. The amendment requires that this summary annual report also be submitted to the Michigan Department of Treasury within 30 days of publication.

In addition, for any system (either pension or retiree health care) that is not funded at a level of at least 60 percent, the community must now post a report to its website indicating steps that are being undertaken to address the liability. In addition, this report must be submitted to the Department of Treasury within a reasonable timeframe. The legislation calls for the Department of Treasury to accumulate all of the reports and publish a summary of funding levels throughout the state.