
Township of Macomb

Macomb County, Michigan

Financial Report
with Supplemental Information
June 30, 2021

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Independent Auditor's Report

To the Board of Trustees
Township of Macomb

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Macomb (the "Township") as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Township of Macomb'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, each major fund, and the aggregate remaining fund information of the Township of Macomb as of June 30, 2021 and the respective changes in its financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2021, the Township adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, which provides guidance on the identification and reporting of fiduciary activities. Our opinion is not modified with respect to this matter.

To the Board of Trustees
Township of Macomb

Other Matters

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Macomb's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplemental information, as identified in the table of contents, is 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 November 29, 2021 on our consideration of the Township of Macomb's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Township of Macomb's internal control over financial reporting and compliance.



November 29, 2021

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Township of Macomb (the "Township") on a government-wide basis. They are designed to present a longer-term view of the Township's finances. Fund financial statements follow the above-mentioned statements and illustrate how the services provided by the Township were financed in the short term and what remains for future spending. Additionally, fund financial statements report the Township's operations in more detail than the government-wide financial statements.

The Township's Net Position

In a condensed format, the table below shows the comparison of net position as of June 30, 2021 to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets:						
Cash and investments	\$ 54,952,343	\$ 49,320,025	\$ 42,505,514	\$ 38,828,667	\$ 97,457,857	\$ 88,148,692
Receivables	1,546,992	1,045,410	9,565,046	10,284,337	11,112,038	11,329,747
Other assets	8,455,742	7,311,205	8,614,885	1,382,907	17,070,627	8,694,112
Capital assets	71,266,825	64,837,425	176,096,882	173,601,930	247,363,707	238,439,355
Total assets	136,221,902	122,514,065	236,782,327	224,097,841	373,004,229	346,611,906
Deferred Outflows of Resources	2,662,036	3,374,954	546,696	705,585	3,208,732	4,080,539
Liabilities						
Current liabilities	7,598,125	2,625,419	4,300,404	3,836,733	11,898,529	6,462,152
Noncurrent liabilities	24,387,863	29,315,921	40,383,286	34,231,661	64,771,149	63,547,582
Total liabilities	31,985,988	31,941,340	44,683,690	38,068,394	76,669,678	70,009,734
Deferred Inflows of Resources	6,410,941	2,080,919	1,634,973	763,546	8,045,914	2,844,465
Net Position						
Net investment in capital assets	49,709,474	43,248,274	142,571,909	140,175,202	192,281,383	183,423,476
Restricted	15,080,495	11,811,604	13,715	52,404	15,094,210	11,864,008
Unrestricted	35,697,040	36,806,882	48,424,736	45,743,880	84,121,776	82,550,762
Total net position	\$ 100,487,009	\$ 91,866,760	\$ 191,010,360	\$ 185,971,486	\$ 291,497,369	\$ 277,838,246

The Township's combined net position increased by approximately \$13.7 million from a year ago, increasing from \$277.8 million to \$291.5 million. A review of the governmental activities, separate from the business-type activities, shows an increase of approximately \$8.6 million in net position, or 9.4 percent, during fiscal year 2021. The increase in total net position is primarily attributable to an increase in capital assets. The business-type activities net position increased from the previous year by approximately \$5.0 million, or 2.7 percent, during fiscal year 2021. This was primarily due to an increase in cash and investments.

Unrestricted net position for the governmental activities was \$35.7 million at June 30, 2021. This amount represents the part of net position that is available to finance day-to-day operations and future growth of the Township. The business-type activities net investment in capital assets increased \$2.4 million from the previous year. This is attributable to continued spending on installation of water and sewer mains throughout the Township.

Township of Macomb

Management's Discussion and Analysis (Continued)

The Township's Changes in Net Position

The following table shows the changes in net position during the year ended June 30, 2021 and the prior year:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue						
Program revenue:						
Charges for services	\$ 4,677,016	\$ 5,010,013	\$ 32,972,166	\$ 32,708,657	\$ 37,649,182	\$ 37,718,670
Operating grants and contributions	1,710,757	118,338	47,912	7,061	1,758,669	125,399
Capital grants and contributions	-	-	3,127,945	4,324,865	3,127,945	4,324,865
General revenue:						
Property taxes	19,442,728	18,117,619	-	-	19,442,728	18,117,619
State-shared revenue	8,095,129	7,146,023	-	-	8,095,129	7,146,023
Investment earnings	203,772	1,007,695	135,578	688,321	339,350	1,696,016
Cable fees and other	1,991,140	1,844,995	1,532	-	1,992,672	1,844,995
Total revenue	36,120,542	33,244,683	36,285,133	37,728,904	72,405,675	70,973,587
Expenses						
General government	6,769,828	7,284,305	-	-	6,769,828	7,284,305
Public safety	12,587,933	12,970,468	-	-	12,587,933	12,970,468
Public works	3,446,514	3,140,070	-	-	3,446,514	3,140,070
Community and economic development	650,359	415,256	-	-	650,359	415,256
Recreation and culture	3,083,307	3,268,438	-	-	3,083,307	3,268,438
Debt service	962,352	1,079,740	-	-	962,352	1,079,740
Water and sewer	-	-	31,246,259	31,785,446	31,246,259	31,785,446
Total expenses	27,500,293	28,158,277	31,246,259	31,785,446	58,746,552	59,943,723
Change in Net Position	8,620,249	5,086,406	5,038,874	5,943,458	13,659,123	11,029,864
Net Position - Beginning of year	91,866,760	86,780,354	185,971,486	180,028,028	277,838,246	266,808,382
Net Position - End of year	\$ 100,487,009	\$ 91,866,760	\$ 191,010,360	\$ 185,971,486	\$ 291,497,369	\$ 277,838,246

Governmental Activities

The Township's total governmental revenue increased by approximately \$2.9 million from the last fiscal year. An increase of approximately 5.4 percent in the taxable value of properties in the Township resulted in an increase of property tax revenue of \$1.3 million. The increase has been seen in overall property values in southeast Michigan.

Total governmental expenses decreased by about \$658,000, or 2.3 percent, from the last fiscal year. The decrease was primarily the result of some projects that were slowed due to the COVID-19 pandemic.

Business-type Activities

The Township's business-type activities are recorded in the Water and Sewer Fund. Revenue of the Township's business-type activities decreased by \$1.4 million primarily as a result of decreased contributions of water and sewer lines from developers during the year ended June 30, 2021.

Expenses decreased by about \$0.5 million for the year ended June 30, 2021. There were no significant changes to the Water and Sewer Fund's cost structure. The Township provides water, which is purchased from the Great Lakes Water Authority, to nearly all its residents. The Township also provides sewage treatment to nearly all of its residents through the Macomb County, Michigan sewage treatment plant.

The Township's Funds

Our analysis of the Township's major funds begins on pages 8 and 9, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The township board creates funds to help manage money for specific purposes and show accountability for certain activities. The Township's major funds for 2021 include the General Fund, Parks and Recreation Operating Fund, Fire Operating Fund, Law Enforcement Sheriff Fund, Building Authority Debt Service Fund, Building Authority Capital Projects Fund, and Municipal Street Capital Projects Fund.

General Fund Budgetary Highlights

Actual General Fund revenue exceeded budgeted revenue by 7.6 percent. Actual expenditures were 13.3 percent below budget, primarily due to planned general government expenditures that did not take place during the fiscal year. The Township completed the year with actual operating revenue over operating expenditures of \$4.1 million.

Capital Assets and Debt Administration

At the end of fiscal year 2021, the Township had approximately \$247.4 million invested in a wide range of capital assets, including land, buildings, fire equipment, computer equipment, and water and sewer lines. In addition, the Township is reporting infrastructure assets, which include roads and bridges in which it has invested since 1980. The value of the infrastructure assets, net of depreciation, contained in this report is \$20.0 million and \$18.2 million for fiscal years 2021 and 2020, respectively (see Note 4 to financial statements for additional information).

Additionally, the value of buildings and improvements, net of depreciation, for the governmental activities is \$30.1 million and \$31.4 million for fiscal years 2021 and 2020, respectively. Debt reported in these financial statements is related to the construction of the above-mentioned buildings and improvements assets and is reported as a liability on the statement of net position (see Note 6 to financial statements for additional information).

Economic Factors and Next Year's Budgets and Rates

The Township of Macomb's 2021 tax rate decreased when compared with the 2020 tax rate. Strong expenditure controls and past growth in the Township's tax base have helped to accomplish keeping the tax rates low. Property taxes make up roughly 14.1 percent of the General Fund budget. Annual new growth and development in the Township has increased compared to the previous year but is expected to remain stable for the next few years. In addition, state revenue sharing, which represents nearly 51.7 percent of the General Fund budget, is expected to increase due to the 2020 population census.

On the expenditure side, the Township continues to operate with relatively low personnel costs and an efficient labor force. We expect annual medical costs to decrease approximately 16 percent from the previous year due to the enactment of PA 152 by the Township board of trustees. Despite these decreased costs, the increases in our operating expenditures are anticipated to average between 1 and 4 percent per year. The Township will adjust expenses to mirror the revenue base, with a goal of maintaining revenue in excess of or equal to expenditures unless the need arises to fund large capital projects.

Contacting the Township's Management

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

June 30, 2021

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 3)	\$ 54,952,343	\$ 42,505,514	\$ 97,457,857
Receivables - Net:			
Property taxes	26,789	-	26,789
Special assessments	-	253,893	253,893
Customers	2,985	9,311,153	9,314,138
Due from other governmental units	1,517,218	-	1,517,218
Inventory	-	105,684	105,684
Other assets	28,893	-	28,893
Restricted assets (Note 7)	1,043,348	6,576,466	7,619,814
Land held for resale	299,640	-	299,640
Net pension asset (Note 10)	613,392	-	613,392
Net OPEB asset (Note 9)	6,470,469	1,932,735	8,403,204
Capital assets: (Note 4)			
Assets not subject to depreciation	19,251,577	8,326,572	27,578,149
Assets subject to depreciation - Net	52,015,248	167,770,310	219,785,558
Total assets	136,221,902	236,782,327	373,004,229
Deferred Outflows of Resources			
Deferred charges on bond refunding	461,248	111,527	572,775
Deferred pension costs (Note 10)	743,916	-	743,916
Deferred OPEB costs (Note 9)	1,456,872	435,169	1,892,041
Total deferred outflows of resources	2,662,036	546,696	3,208,732
Liabilities			
Accounts payable	854,314	3,834,565	4,688,879
Due to other governmental units	-	97,746	97,746
Refundable deposits and bonds	1,601,176	-	1,601,176
Accrued liabilities and other	1,537,186	368,093	1,905,279
Unearned revenue	3,605,449	-	3,605,449
Noncurrent liabilities:			
Due within one year:			
Payable from restricted assets	603,274	-	603,274
Current portion of compensated absences (Note 6)	1,181,867	258,384	1,440,251
Current portion of long-term debt (Note 6)	4,708,764	2,459,195	7,167,959
Due in more than one year:			
Compensated absences - Net of current portion (Note 6)	144,049	56,411	200,460
Long-term debt - Net of current portion (Note 6)	17,749,909	37,609,296	55,359,205
Total liabilities	31,985,988	44,683,690	76,669,678
Deferred Inflows of Resources			
Deferred benefit on bond refunding	-	130,760	130,760
Deferred pension cost reductions (Note 10)	1,375,090	-	1,375,090
Deferred OPEB cost reductions (Note 9)	5,035,851	1,504,213	6,540,064
Total deferred inflows of resources	6,410,941	1,634,973	8,045,914
Net Position			
Net investment in capital assets	49,709,474	142,571,909	192,281,383
Restricted:			
Fire	11,761,221	-	11,761,221
Debt service	659,991	-	659,991
County drains	-	13,715	13,715
Law enforcement	1,934,508	-	1,934,508
Parks and recreation	724,775	-	724,775
Unrestricted	35,697,040	48,424,736	84,121,776
Total net position	<u>\$ 100,487,009</u>	<u>\$ 191,010,360</u>	<u>\$ 291,497,369</u>

Township of Macomb

Statement of Activities

Year Ended June 30, 2021

	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Functions/Programs							
Primary government:							
Governmental activities:							
General government	\$ 6,769,828	\$ 265,127	\$ 424,328	\$ -	\$ (6,080,373)	\$ -	\$ (6,080,373)
Public safety	12,587,933	2,352,712	1,129,583	-	(9,105,638)	-	(9,105,638)
Public works	3,446,514	978,825	-	-	(2,467,689)	-	(2,467,689)
Community and economic development	650,359	-	121,604	-	(528,755)	-	(528,755)
Recreation and culture	3,083,307	1,080,352	35,242	-	(1,967,713)	-	(1,967,713)
Interest on long-term debt	962,352	-	-	-	(962,352)	-	(962,352)
Total governmental activities	27,500,293	4,677,016	1,710,757	-	(21,112,520)	-	(21,112,520)
Business-type activities - Water and sewer	31,246,259	32,972,166	47,912	3,127,945	-	4,901,764	4,901,764
Total primary government	<u>\$ 58,746,552</u>	<u>\$ 37,649,182</u>	<u>\$ 1,758,669</u>	<u>\$ 3,127,945</u>	(21,112,520)	4,901,764	(16,210,756)
General revenue:							
Property taxes					19,442,728	-	19,442,728
Unrestricted state-shared revenue					8,095,129	-	8,095,129
Unrestricted investment income					203,772	135,578	339,350
Cable franchise fees - Unrestricted					1,777,592	-	1,777,592
Gain on sale of capital assets					100,383	1,532	101,915
Other miscellaneous income					113,165	-	113,165
Total general revenue					29,732,769	137,110	29,869,879
Change in Net Position					8,620,249	5,038,874	13,659,123
Net Position - Beginning of year					91,866,760	185,971,486	277,838,246
Net Position - End of year					<u>\$ 100,487,009</u>	<u>\$ 191,010,360</u>	<u>\$ 291,497,369</u>

Township of Macomb

	General Fund	Parks and Recreation Operating Fund	Fire Operating Fund	Law Enforcement Sheriff Fund
Assets				
Cash and investments (Note 3)	\$ 26,764,142	\$ 4,229,311	\$ 9,668,915	\$ 3,779,599
Receivables	1,544,007	-	2,985	-
Due from other funds (Note 5)	-	1,869	-	-
Other assets	28,893	-	-	-
Restricted assets (Note 7)	-	-	-	-
Land held for resale (Note 3)	299,640	-	-	-
Total assets	<u>\$ 28,636,682</u>	<u>\$ 4,231,180</u>	<u>\$ 9,671,900</u>	<u>\$ 3,779,599</u>
Liabilities				
Accounts payable	\$ 478,936	\$ 112,438	\$ 79,148	\$ 807
Due to other funds (Note 5)	1,869	-	-	-
Refundable deposits and bonds	1,601,176	-	-	-
Accrued liabilities and other	354,731	55,589	131,995	-
Unearned revenue	3,605,449	-	-	-
Payable from restricted assets	-	-	-	-
Total liabilities	6,042,161	168,027	211,143	807
Deferred Inflows of Resources - Unavailable revenue	1,504,056	-	-	-
Total liabilities and deferred inflows of resources	7,546,217	168,027	211,143	807
Fund Balances				
Nonspendable - Land held for resale	299,640	-	-	-
Restricted:				
Fire	-	-	9,460,757	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Law enforcement	-	-	-	1,934,508
Parks and recreation	-	724,775	-	-
Assigned:				
Capital outlay	-	-	-	-
Road projects	6,556,289	-	-	-
Debt service	-	-	-	-
Parks and recreation	-	3,338,378	-	-
Law enforcement	-	-	-	1,844,284
Unassigned	14,234,536	-	-	-
Total fund balances	21,090,465	4,063,153	9,460,757	3,778,792
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 28,636,682</u>	<u>\$ 4,231,180</u>	<u>\$ 9,671,900</u>	<u>\$ 3,779,599</u>

Governmental Funds
Balance Sheet

June 30, 2021

Municipal Street Capital Projects Fund	Building Authority Debt Service Fund	Building Authority Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 4,223,706	\$ 42,874	\$ -	\$ 6,243,796	\$ 54,952,343
-	-	-	-	1,546,992
-	-	-	-	1,869
-	-	-	-	28,893
-	-	1,043,348	-	1,043,348
-	-	-	-	299,640
\$ 4,223,706	\$ 42,874	\$ 1,043,348	\$ 6,243,796	\$ 57,873,085
\$ 152,985	\$ -	\$ -	\$ 30,000	\$ 854,314
-	-	-	-	1,869
-	-	-	-	1,601,176
783,221	-	-	-	1,325,536
-	-	-	-	3,605,449
-	-	603,274	-	603,274
936,206	-	603,274	30,000	7,991,618
-	-	-	-	1,504,056
936,206	-	603,274	30,000	9,495,674
-	-	-	-	299,640
-	-	-	2,300,464	11,761,221
-	-	-	659,991	659,991
-	-	440,074	-	440,074
-	-	-	-	1,934,508
-	-	-	-	724,775
-	-	-	3,253,341	3,253,341
3,287,500	-	-	-	9,843,789
-	42,874	-	-	42,874
-	-	-	-	3,338,378
-	-	-	-	1,844,284
-	-	-	-	14,234,536
3,287,500	42,874	440,074	6,213,796	48,377,411
\$ 4,223,706	\$ 42,874	\$ 1,043,348	\$ 6,243,796	\$ 57,873,085

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2021

Fund Balances Reported in Governmental Funds	\$ 48,377,411
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	71,266,825
Receivables that are not collected soon after year end are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds.	1,504,056
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(21,997,425)
Accrued interest is not due and payable in the current period and is not reported in the funds	(211,650)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities. Some employee fringes are a benefit that do not represent a current financial resources; therefore, they are not reported as fund assets:	
Employee compensated absences	(1,325,916)
Pension benefits	(17,782)
Retiree health care benefits	2,891,490
Net Position of Governmental Activities	<u>\$ 100,487,009</u>

Township of Macomb

	General Fund	Parks and Recreation Operating Fund	Fire Operating Fund	Law Enforcement Sheriff Fund
Revenue				
Taxes - Property taxes and fees	\$ 2,500,557	\$ 3,030,393	\$ 7,896,894	\$ 6,014,884
Special assessments	935,924	-	-	-
Intergovernmental:				
Federal grants and other	349,485	35,242	599,764	529,819
State-shared revenue and grants	7,689,952	-	-	24,664
Charges for services	261,364	1,080,352	-	-
Fines and forfeitures	242,101	-	-	-
Licenses and permits	3,615,261	-	-	-
Interest	155,332	4,744	27,764	3,047
Other revenue	442,921	10,786	7,998	79
Total revenue	16,192,897	4,161,517	8,532,420	6,572,493
Expenditures				
Current services:				
General government	8,381,813	-	-	-
Public safety	1,419,297	-	5,705,980	5,555,886
Public works	1,336,985	-	-	-
Social services	120,379	-	-	-
Community and economic development	529,980	-	-	-
Recreation and culture	320,832	1,932,064	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	12,109,286	1,932,064	5,705,980	5,555,886
Excess of Revenue Over (Under) Expenditures	4,083,611	2,229,453	2,826,440	1,016,607
Other Financing Sources (Uses)				
Transfers in (Note 5)	-	-	-	-
Transfers out (Note 5)	(8,733,960)	(1,748,640)	(1,228,055)	-
Issuance of refunding bonds	-	-	-	-
Debt premium	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-
Sale of capital assets	91,151	-	13,287	-
Total other financing (uses) sources	(8,642,809)	(1,748,640)	(1,214,768)	-
Net Change in Fund Balances	(4,559,198)	480,813	1,611,672	1,016,607
Fund Balances - Beginning of year	25,649,663	3,582,340	7,849,085	2,762,185
Fund Balances - End of year	<u>\$ 21,090,465</u>	<u>\$ 4,063,153</u>	<u>\$ 9,460,757</u>	<u>\$ 3,778,792</u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2021

Municipal Street Capital Projects Fund	Building Authority Debt Service Fund	Building Authority Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 19,442,728
-	-	-	-	935,924
-	-	-	-	1,514,310
-	-	-	-	7,714,616
42,957	-	-	-	1,384,673
-	-	-	-	242,101
-	-	-	-	3,615,261
4,978	31	1,973	5,903	203,772
5,547	915	-	268	468,514
53,482	946	1,973	6,171	35,521,899
-	-	-	17,543	8,399,356
-	-	420	410,718	13,092,301
501,455	-	-	-	1,838,440
-	-	-	-	120,379
-	-	-	-	529,980
-	-	-	-	2,252,896
3,414,076	-	4,320,400	-	7,734,476
-	4,270,000	-	-	4,270,000
-	1,189,639	-	-	1,189,639
3,915,531	5,459,639	4,320,820	428,261	39,427,467
(3,862,049)	(5,458,693)	(4,318,847)	(422,090)	(3,905,568)
6,000,000	5,375,655	-	335,000	11,710,655
-	-	-	-	(11,710,655)
-	3,180,000	-	-	3,180,000
-	239,274	-	-	239,274
-	(3,337,340)	-	-	(3,337,340)
-	-	-	-	104,438
6,000,000	5,457,589	-	335,000	186,372
2,137,951	(1,104)	(4,318,847)	(87,090)	(3,719,196)
1,149,549	43,978	4,758,921	6,300,886	52,096,607
\$ 3,287,500	\$ 42,874	\$ 440,074	\$ 6,213,796	\$ 48,377,411

Governmental Funds

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

Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$ (3,719,196)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	9,317,827
Depreciation expense	(2,884,373)
Net book value of assets disposed of	(4,054)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	498,260
Issuing debt provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(3,419,274)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	7,769,921
Interest expense is recognized in the government-wide statements as it accrues. Amortization of bond premiums and deferred charges on bond refundings do not require the use of current financial resources, and, therefore, are not reported as expenditures in the governmental funds	64,706
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	996,432
Change in Net Position of Governmental Activities	<u>\$ 8,620,249</u>

Township of Macomb

Proprietary Fund Statement of Net Position

June 30, 2021

Enterprise Fund
- Water and
Sewer

Assets

Current assets:

Cash and cash equivalents (Note 3)	\$ 42,505,514
Receivables - Net:	
Special assessments receivable - Due within one year	253,893
Customers	9,311,153
Inventory	105,684
Total current assets	52,176,244

Noncurrent assets:

Restricted assets (Note 7)	6,576,466
Net OPEB asset (Note 9)	1,932,735
Capital assets:	
Assets not subject to depreciation (Note 4)	8,326,572
Assets subject to depreciation - Net (Note 4)	167,770,310
Total noncurrent assets	184,606,083
Total assets	236,782,327

Deferred Outflows of Resources

Deferred charges on bond refunding	111,527
Deferred OPEB costs (Note 9)	435,169
Total deferred outflows of resources	546,696

Liabilities

Current liabilities:

Accounts payable	3,834,565
Due to other governmental units	97,746
Accrued liabilities and other	368,093
Current portion of compensated absences (Note 6)	258,384
Current portion of long-term debt (Note 6)	2,459,195
Total current liabilities	7,017,983

Noncurrent liabilities:

Compensated absences - Net of current portion (Note 6)	56,411
Long-term debt - Net of current portion (Note 6)	37,609,296
Total noncurrent liabilities	37,665,707
Total liabilities	44,683,690

Deferred Inflows of Resources

Deferred benefit on bond refunding (Note 6)	130,760
Deferred OPEB cost reductions (Note 9)	1,504,213
Total deferred inflows of resources	1,634,973

Net Position

Net investment in capital assets	142,571,909
Restricted for county drains (Note 7)	13,715
Unrestricted	48,424,736
Total net position	\$ 191,010,360

Township of Macomb

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

Year Ended June 30, 2021

	Enterprise Fund - Water and Sewer
Operating Revenue	
Sale of water	\$ 18,049,290
Sewage disposal charges	13,902,383
Charges for services	1,020,493
Total operating revenue	<u>32,972,166</u>
Operating Expenses	
Cost of water	13,390,452
Cost of sewage disposal	8,964,758
Operation and maintenance	1,093,053
General and administrative	2,477,793
Depreciation (Note 4)	4,183,159
Total operating expenses	<u>30,109,215</u>
Operating Income	2,862,951
Nonoperating Revenue (Expense)	
Investment income	135,578
Interest expense	(1,137,044)
Gain on sale of assets	1,532
Grants	47,912
Total nonoperating expense	<u>(952,022)</u>
Income - Before contributions	1,910,929
Capital Contributions	
Developers and other governmental units	1,849,713
Tap fees and frontage charges	1,278,232
Total capital contributions	<u>3,127,945</u>
Change in Net Position	5,038,874
Net Position - Beginning of year	<u>185,971,486</u>
Net Position - End of year	<u><u>\$ 191,010,360</u></u>

Year Ended June 30, 2021

	Enterprise Fund - Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 33,608,850
Payments for interfund services	(240)
Payments to suppliers	(23,206,936)
Payments to employees	(2,430,099)
	7,971,575
Net cash and cash equivalents provided by operating activities	7,971,575
Cash Flows Provided by Noncapital Financing Activities - Operating grants and subsidies	47,912
Cash Flows from Capital and Related Financing Activities	
Issuance of bonds	3,843,381
Collection of special assessments	82,847
Collection of customer tap fees	1,278,232
Proceeds from sale of capital assets	1,532
Purchase of capital assets	(2,526,659)
Principal and interest paid on capital debt	(7,157,551)
	(4,478,218)
Net cash and cash equivalents used in capital and related financing activities	(4,478,218)
Cash Flows Provided by Investing Activities - Interest received on investments	135,578
Net Increase in Cash and Cash Equivalents	3,676,847
Cash and Cash Equivalents - Beginning of year	38,828,667
Cash and Cash Equivalents - End of year	\$ 42,505,514
Classification of Cash and Cash Equivalents	\$ 42,505,514
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 2,862,951
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	4,183,159
Changes in assets and liabilities:	
Receivables	636,684
Due from other funds	(240)
Inventory	4,856
Net OPEB asset	(1,277,004)
Accounts payable	555,522
Deferrals related to OPEB	1,056,382
Accrued and other liabilities	(50,735)
	7,971,575
Net cash and cash equivalents provided by operating activities	\$ 7,971,575

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2021, developers constructed water and sewer lines with a value of approximately \$1.3 million and donated them to the Township's Water and Sewer Fund. Also during the year, approximately \$3.0 million of capital assets were recorded in connection with Oakland and Macomb County's MID and OMID drain and interceptor projects. These assets were paid for using cash on hand at the counties of Oakland and Macomb, Michigan. In addition, Oakland and Macomb County's MID and OMID issued bonds on behalf of the Township for approximately \$8.3 million. The issuance of the bonds did not have any impact on the cash reported by the Township.

Township of Macomb

Fiduciary Funds Statement of Fiduciary Net Position

June 30, 2021

	Pension and Other Employee Benefit Trust Funds	Custodial Fund - Tax Collection Fund	Total Fiduciary Funds
Assets			
Cash and cash equivalents	\$ 1,155,059	\$ 73,957	\$ 1,229,016
Investments:			
Municipal bonds	3,756,020	-	3,756,020
Agency securities	1,652,766	-	1,652,766
Stocks	633,288	-	633,288
Corporate bonds	6,675,719	-	6,675,719
Mutual funds - Equity	24,029,846	-	24,029,846
Mutual funds - Fixed income	3,956,395	-	3,956,395
Total assets	41,859,093	73,957	41,933,050
Liabilities - Due to other governments	-	73,957	73,957
Net Position - Restricted			
Pension	4,849,184	-	4,849,184
Postemployment benefits other than pension	37,009,909	-	37,009,909
Total net position	<u>\$ 41,859,093</u>	<u>\$ -</u>	<u>\$ 41,859,093</u>

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2021

	Pension and Other Employee Benefit Trust Funds	Custodial Fund - Property Tax Collection Fund	Total Fiduciary Funds
Additions			
Investment income (expense):			
Interest and dividends	\$ 1,292,400	\$ -	\$ 1,292,400
Net increase in fair value of investments	6,346,398	-	6,346,398
Investment costs	(157,874)	-	(157,874)
Net investment income	7,480,924	-	7,480,924
Contributions:			
Employer	1,130,097	-	1,130,097
Employee	35,730	-	35,730
Total contributions	1,165,827	-	1,165,827
Property tax collections	-	110,386,758	110,386,758
Miscellaneous revenue	3,146	-	3,146
Total additions	8,649,897	110,386,758	119,036,655
Deductions			
Benefit payments	694,611	-	694,611
Administrative expenses	21,147	-	21,147
Tax distributions to other governments	-	110,386,758	110,386,758
Total deductions	715,758	110,386,758	111,102,516
Net Increase in Net Position Held in Trust	7,934,139	-	7,934,139
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	33,924,954	-	33,924,954
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 41,859,093	\$ -	\$ 41,859,093

Note 1 - Significant Accounting Policies

Reporting Entity

The following is a summary of the significant accounting policies used by the Township of Macomb (the "Township"):

The Township is governed by an elected seven-member board. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the Township's operations.

Blended Component Units

The Macomb Township Building Authority is governed by a three-member board that is appointed by the Township's board of trustees. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its primary purpose is to provide certain facilities necessary for the operation of the Township's government and to finance and construct the Township's public buildings.

Fiduciary Component Units

The Fire Retirement System is governed by a five-member pension board that includes Macomb Township's treasurer, two individuals chosen by the Township's board of trustees, and two elected fire department members. Although it is legally separate from the Township, it is reported as a fiduciary component unit because the Township appoints a voting majority to the pension board and the plan imposes a financial burden on the Township.

The Macomb Township Retiree Health Care Benefit Plan (the "Plan") is governed by a five-member board that includes the Macomb Township supervisor, treasurer, clerk, finance director, and human resources director. Although it is legally separate from the Township, it is reported as a fiduciary component unit because the Township appoints a voting majority to the OPEB board and the Plan imposes a financial burden on the Township.

Jointly Governed Organization

The Township, in conjunction with Clinton Township, has created the Clinton Macomb District Library (the "Library"). The Library's board is composed of three members appointed by Clinton Township's board of trustees and three members appointed by Macomb Township's board of trustees. The Library is funded through property taxes, specifically through a separate property tax millage that is not recorded as revenue by Macomb Township. The Library currently does not receive a subsidy from the Township. The financial statements for the Library can be obtained from the Library's administrative office at 43245 Garfield Rd., Clinton Township, Michigan. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments of the above joint venture in the near future.

Accounting and Reporting Principles

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

Note 1 - Significant Accounting Policies (Continued)

Report Presentation

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

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

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

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

Fund Accounting

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

Governmental Funds

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services, other than those specifically assigned to another fund.
- The Parks and Recreation Operating Fund accounts for the resources from dedicated property tax revenue and user charges for all activities of the parks and recreation department.
- The Fire Operating Fund accounts for the resources from property tax revenue that are restricted for all of the activities of the Township's fire department, except for equipment purchased in the Fire Improvement Fund.
- The Law Enforcement Sheriff Fund accounts for the resources from property tax revenue that are restricted for all of the activities of the Township's law enforcement activities.

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)

- The Building Authority Debt Service Fund accounts for all debt payments made related to construction activities for new township facilities.
- The Building Authority Capital Projects Fund accounts for activities related to construction of new township facilities.
- The Municipal Street Capital Projects Fund accounts for activities related to construction and maintenance of roads throughout the Township.

Proprietary Funds

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

- The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system provided to township residents.

Fiduciary Funds

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

- The Fire Pension System and Retiree Health Care Fund account for the activities of employee benefit plans and accumulate resources for pension and other postemployment benefit payments to qualified employees.
- The custodial fund collects taxes on behalf of all the taxing authorities (state, county, school district, township, and the various smaller authorities) and remits the taxes to each authority.

Interfund Activity

During the course of operations, the Township has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Basis of Accounting

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

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)

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

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

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

Specific Balances and Transactions

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from the relevant funds is generally allocated to each fund using a weighted average.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Amounts on deposit at the county being held for the construction or debt service of the Township's water and sewer lines have been classified as restricted assets. In addition, unspent bond proceeds that are required to be set aside for construction have also been classified as restricted assets.

Unearned Revenue

Unearned revenue relates to advance funded grants.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest expense capitalized during the current year.

Note 1 - Significant Accounting Policies (Continued)

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

	Depreciable Life - Years
Roads and bridges	25
Water and sewer lines	50-70
Water meters	50
Buildings and building improvements	15-40
Vehicles	5
Office furnishings	7
Other tools and equipment	5-7

Long-term Obligations

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has three items that qualify for reporting in this category, which include the deferred charge on refunding reported in the government-wide and proprietary fund statements of net position and the deferred pension and OPEB outflows reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to the pension and OPEB plans result from the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings and changes in assumptions.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Township has four items that qualify for reporting in this category, which include unavailable revenue reported only in the governmental funds balance sheet, deferred benefit on bond refunding, and deferred pension and OPEB inflows reported in the government-wide and proprietary fund statements of net position. The governmental funds report unavailable revenue from two sources: special assessments and state-shared revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. A deferred benefit on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred inflows of resources related to the pension and OPEB plans result from the variance between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension and OPEB liabilities.

Note 1 - Significant Accounting Policies (Continued)

Net Position

Net position of the Township is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

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

Fund Balance Flow Assumption

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

Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Township's highest level of decision-making authority. The board of trustees is the highest level of decision-making authority for the Township that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The board of trustees may authorize an assignment of fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

Properties are assessed as of December 31. The related property taxes become a lien on December 1 of the following year. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)

The Township's 2020 property tax revenue is levied and collectible on December 31, 2020 and is recognized as revenue in the year ended June 30, 2021 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2020 taxable valuation of the Township totaled approximately \$3.9 billion, on which ad valorem taxes levied consisted of 0.6389 mills for operating purposes, 2.0000 mills for fire operating services, 0.1009 mills for fire pension, 1.5500 mills for police protection, and 0.7784 mills for parks and recreation. This resulted in \$2.5 million for operating, \$7.5 million for fire operations, \$0.4 million for fire pension, \$6 million for police protection, and \$3 million for parks and recreation. These amounts are recognized in the respective General Fund and special revenue fund financial statements as tax revenue.

Pension

The Township offers a defined benefit pension plan to its fire employees. The Township records a net pension liability or asset for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Macomb Township Act 345 Fire Retirement System and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs

The Township offers retiree health care benefits to retirees. The Township records a net OPEB liability or asset for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability or asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences (Vacation and Sick Leave)

It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. All other accrued compensated absences are reported in the government-wide financial statements; generally, the funds that report each employee's compensation (the General Fund, Parks and Recreation Operating Fund, Fire Operating Fund, and Water and Sewer Fund, primarily) are used to liquidate the obligation.

Proprietary Funds Operating Classification

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

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)**Use of Estimates**

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

Upcoming Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the Township's financial statements for the year ended June 30, 2021 but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement were originally effective for the Township's financial statements for the year ended June 30, 2021 but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intraentity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The Township does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In June 2020, the Governmental Accounting Standards Board issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies when a 457 should be considered a pension plan or an other employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement related to 457 plans are effective for the Township's financial statements for the year ending June 30, 2022.

June 30, 2021

Note 1 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncement

During the current year, the Township adopted GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, certain activities, including various construction-related bonds, that were previously reported as fiduciary activities no longer meet the definition of such; therefore, these activities are now reported within governmental or proprietary funds. The fund balance/net position was not impacted, as the items that changed classification had no fund balance/net position.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

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

Cumulative expenditures over revenue - June 30, 2020		\$	(8,476,522)
Current year permit revenue			2,263,394
Related expenses:			
Direct costs	\$	1,401,202	
Estimated indirect costs		356,595	1,757,797
			<u>505,597</u>
Net surplus for the year ended June 30, 2021			<u>505,597</u>
Cumulative expenditures over revenue - June 30, 2021		\$	<u><u>(7,970,925)</u></u>

Note 3 - Deposits and Investments

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

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

The Township has designated 11 banks for the deposit of its funds. The investment policy adopted by the board is in accordance with Public Act 196 of 1997. The Township's deposits and investment policies are in accordance with statutory requirements.

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township's investment policy indicates that credit risks will be minimized by diversifying the portfolio, which includes investing in Certificate of Deposit Account Registry Service (CDARS) accounts in order to maximize its FDIC coverage and minimize potential losses on individual securities. At year end, the Township had bank deposits of \$62,248,850 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Township believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy restricts investment maturities to specified time periods based on the type of investment

At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted- average Maturity (Years)
Primary Government		
U.S. government agency securities	\$ 10,014,077	2.44
Municipal bonds	10,965,697	2.13
Certificates of deposit - Negotiable	<u>2,476,541</u>	0.17
Total	<u>\$ 23,456,315</u>	

Investment	Carrying Value	Weighted- average Maturity (Years)
Fiduciary Funds		
U.S. government agency securities	\$ 1,652,766	18.05
Municipal bonds	3,756,020	9.95
Corporate bonds	6,675,719	8.98
Mutual funds - Fixed income	<u>3,956,395</u>	4.50
Total	<u>\$ 16,040,900</u>	

June 30, 2021

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy further limits its investment choices to certain ratings classes issued by the rating organizations. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Primary Government			
U.S. government agency securities	\$ 10,014,077	AA+	S&P
Municipal bonds	1,148,631	AA+	S&P
Municipal bonds	5,089,924	Aa1 to aa3	Moody's
Municipal bonds	4,727,142	AAA to A+	Moody's
Certificates of deposit - Negotiable	2,476,541	Not rated	Not rated
Total	<u>\$ 23,456,315</u>		

Investment	Carrying Value	Rating	Rating Organization
Fiduciary Funds			
U.S. government agency securities	\$ 1,652,766	AA+	S&P
Municipal bonds	3,756,020	AA to AA+	S&P
Corporate bonds	6,616,197	AAA to BBB-	S&P
Corporate bonds	59,522	AAA	Moody's
Mutual funds - Fixed income	3,956,395	Not rated	Not rated
Total	<u>\$ 16,040,900</u>		

Fair Value Measurements

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

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

June 30, 2021

Note 3 - Deposits and Investments (Continued)

The Township has the following recurring fair value measurements as of June 30, 2021:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2021
Debt:				
Municipal bonds	\$ -	\$ 14,721,717	\$ -	\$ 14,721,717
U.S. government agency securities	-	11,666,843	-	11,666,843
Corporate bonds	-	6,675,719	-	6,675,719
Mutual funds - Fixed income	3,956,395	-	-	3,956,395
Certificate of deposit - Negotiable	2,476,541	-	-	2,476,541
Total debt	6,432,936	33,064,279	-	39,497,215
Equity:				
Mutual funds - Equity	24,029,846	-	-	24,029,846
Common stock	633,288	-	-	633,288
Total equity	24,663,134	-	-	24,663,134
Total assets	\$ 31,096,070	\$ 33,064,279	\$ -	\$ 64,160,349

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of certain assets at June 30, 2021 was determined primarily based on Level 2 inputs. The Township estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

June 30, 2021

Note 4 - Capital Assets

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

Governmental Activities

	Balance July 1, 2020	Additions	Disposals and Reclassifications	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 5,005,172	\$ 1,305,644	\$ (2,725)	\$ 6,308,091
Construction in progress	8,484,123	4,459,363	-	12,943,486
Subtotal	13,489,295	5,765,007	(2,725)	19,251,577
Capital assets being depreciated:				
Infrastructure	24,983,085	2,901,161	-	27,884,246
Buildings and improvements	51,115,092	-	(288,455)	50,826,637
Vehicles	4,403,268	345,237	(32,248)	4,716,257
Office furnishings	4,891,217	200,779	(78,562)	5,013,434
Other tools and equipment	2,005,798	105,643	(69,731)	2,041,710
Subtotal	87,398,460	3,552,820	(468,996)	90,482,284
Accumulated depreciation:				
Infrastructure	6,819,273	1,057,347	-	7,876,620
Buildings and improvements	19,694,143	1,283,034	(278,966)	20,698,211
Vehicles	4,080,724	134,195	(32,248)	4,182,671
Office furnishings	4,002,373	246,879	(86,530)	4,162,722
Other tools and equipment	1,453,817	162,918	(69,923)	1,546,812
Subtotal	36,050,330	2,884,373	(467,667)	38,467,036
Net capital assets being depreciated	51,348,130	668,447	(1,329)	52,015,248
Net governmental activities capital assets	\$ 64,837,425	\$ 6,433,454	\$ (4,054)	\$ 71,266,825

June 30, 2021

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2020	Additions	Disposals and Reclassifications	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 91,700	\$ -	\$ -	\$ 91,700
Construction in progress	12,326,699	5,227,624	(9,319,451)	8,234,872
Subtotal	12,418,399	5,227,624	(9,319,451)	8,326,572
Capital assets being depreciated:				
Water and sewer mains	228,320,543	10,592,948	-	238,913,491
Buildings and improvements	2,558,702	-	-	2,558,702
Water meters	5,421,715	62,432	-	5,484,147
Vehicles	843,165	-	(21,529)	821,636
Furniture and equipment	891,971	114,558	(2,635)	1,003,894
Subtotal	238,036,096	10,769,938	(24,164)	248,781,870
Accumulated depreciation:				
Water and sewer mains	71,817,517	3,929,717	-	75,747,234
Buildings and improvements	1,483,495	63,968	-	1,547,463
Water meters	2,065,122	109,059	-	2,174,181
Vehicles	709,806	48,484	(21,529)	736,761
Furniture and equipment	776,625	31,931	(2,635)	805,921
Subtotal	76,852,565	4,183,159	(24,164)	81,011,560
Net capital assets being depreciated	161,183,531	6,586,779	-	167,770,310
Net business-type activities capital assets	<u>\$ 173,601,930</u>	<u>\$ 11,814,403</u>	<u>\$ (9,319,451)</u>	<u>\$ 176,096,882</u>

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

Governmental activities:	
General government	\$ 498,696
Public safety	347,892
Public works	1,095,159
Recreation and culture	942,626
Total governmental activities	<u>\$ 2,884,373</u>
Business-type activities - Water and sewer	\$ 4,183,159

Note 5 - Interfund Receivables, Payables, and Transfers

As of June 30, 2021, the composition of interfund balances is as follows:

Receivable	Payable	Amount
Parks and Recreation Operating Fund	General Fund	\$ 1,869

This balance results from the time lag between the dates that payments between funds are made.

June 30, 2021

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Building Authority Debt Service Fund	\$ 2,723,960
	Municipal Street Capital Projects Fund	6,000,000
	Nonmajor governmental funds	10,000
	Total General Fund	8,733,960
Fire Operating Fund	Building Authority Debt Service Fund	903,055
	Nonmajor governmental funds	325,000
	Total Fire Operating Fund	1,228,055
Parks and Recreation Operating Fund	Building Authority Debt Service Fund	1,748,640
	Total	<u>\$ 11,710,655</u>

Interfund transfers provided funding for operating assistance, capital projects, capital acquisitions, and debt service.

Note 6 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the Township) are received.

June 30, 2021

Note 6 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable - Other debt:							
2011 Building Authority							
Refunding Bonds:							
Amount of issue - \$8,470,000							
Matured during 2021			\$ 4,265,000	\$ -	\$ (4,265,000)	\$ -	\$ -
2012 Building Authority							
Refunding Bonds:							
Amount of issue - \$13,390,000							
2.00% -		\$875,000 -	6,295,000	-	(1,495,000)	4,800,000	1,640,000
4.00%		\$1,640,000	445,616	-	(89,123)	356,493	89,123
Unamortized bond premium							
2015 Building Authority							
Refunding Bonds:							
Amount of issue - \$6,805,000							
3.00% -		\$950,000	1,910,000	-	(960,000)	950,000	950,000
5.00%			163,506	-	(81,753)	81,753	81,753
Unamortized bond premium							
2018 Building Authority							
Refunding Bonds:							
Amount of issue - \$14,010,000							
4.00% -		\$890,000 -	12,655,000	-	(875,000)	11,780,000	890,000
5.00%		\$970,000	1,134,162	-	(63,009)	1,071,153	63,009
Unamortized bond premium							
2021 Building Authority							
Refunding Bonds:							
Amount of issue - \$3,180,000							
3.00% -		\$425,000 -	-	3,180,000	-	3,180,000	955,000
4.00%		\$955,000	-	239,274	-	239,274	39,879
Unamortized bond premium							
Total bonds payable			26,868,284	3,419,274	(7,828,885)	22,458,673	4,708,764
Compensated absences			1,272,122	1,181,970	(1,128,176)	1,325,916	1,181,867
Total governmental activities long-term debt			<u>\$ 28,140,406</u>	<u>\$ 4,601,244</u>	<u>\$ (8,957,061)</u>	<u>\$ 23,784,589</u>	<u>\$ 5,890,631</u>

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund, Parks and Recreation Operating Fund, and Fire Operating Fund.

June 30, 2021

Note 6 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
General obligation bonds:							
Direct borrowings - County drain contract obligations:							
2010A OMID Drainage District:							
Amount of issue - \$1,750,840		\$88,147 -					
Maturing through 2031	2.50%	\$110,437	\$ 1,076,337	\$ -	\$ (86,120)	\$ 990,217	\$ 88,147
2010 North Gratiot Interceptor Drainage District:							
Amount of issue - \$103,529	1.00% -	\$3,875 -					
Maturing through 2035	6.35%	\$5,950	71,277	-	(3,753)	67,524	3,875
2015 North Gratiot Interceptor Drainage District:							
Amount of issue - \$846,752	3.50% -	\$48,592 -					
Maturing through 2033	5.00%	\$56,068	680,541	-	(48,592)	631,949	48,592
2015A MID Drainage District:							
Amount of issue - \$499,851		\$21,762 -					
Maturing through 2036	2.50%	\$31,283	418,923	-	(21,762)	397,161	21,762
2013 OMID Drainage District:							
Amount of issue - \$4,619,982		\$214,190 -					
Maturing through 2034	2.00%	\$276,958	3,630,594	-	(209,935)	3,420,659	214,190
2014 OMID Drainage District:							
Amount of issue - \$714,579	2.00% -	\$29,877 -					
Maturing through 2035	3.125%	\$44,348	539,182	-	(29,410)	509,772	29,877
2017A MID Drainage District and Refunding Bonds:							
Amount of issue - \$19,249,777		\$686,232 -					
Maturing through 2042	5.00%	\$1,287,443	17,417,782	-	(653,574)	16,764,208	686,232
Unamortized bond premium			2,922,313	-	(168,235)	2,754,078	168,233
2019 OMID Drainage District Refunding Bonds:							
Amount of issue - \$304,628		\$23,978 -					
Maturing through 2030	1.85%	\$33,773	286,053	-	(23,978)	262,075	24,654
2020 Clintondale Pump Station Improvements Drainage District:							
Amount of issue - \$2,024,393		\$147,551 -					
Maturing through 2031	5.00%	\$245,918	2,024,393	-	(137,714)	1,886,679	147,551
Unamortized bond premium			464,733	-	(43,233)	421,500	43,231

June 30, 2021

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
2020A OMID Drainage District:							
Amount of issue:							
\$6,996,937	2.00% -	\$119,235 -					
Maturing through 2040	5.00%	\$491,002	\$ -	\$ 6,996,937	\$ (119,235)	\$ 6,877,702	\$ 170,597
Unamortized bond premium			-	938,313	(40,491)	897,822	46,916
2020 MID Drainage District:							
Amount of issue -							
\$349,852		\$7,119 -					
Maturing through 2040	2.00%	\$173,111	-	349,852	-	349,852	-
Total direct borrowings principal outstanding			29,532,128	8,285,102	(1,586,032)	36,231,198	1,693,857
Other debt:							
2010 Capital Improvement and Refunding Bond:							
Amount of issue -							
\$9,805,000							
Matured in 2021			4,390,000	-	(4,390,000)	-	-
2021 Refunding Bonds:							
Amount of issue -							
\$3,390,000	3.00% -	\$260,000 -					
Maturing through 2031	4.00%	\$720,000	-	3,390,000	-	3,390,000	720,000
Unamortized bond premium			-	453,381	(6,088)	447,293	45,338
Total general obligation bonds			33,922,128	12,128,483	(5,982,120)	40,068,491	2,459,195
Compensated absences			309,533	260,500	(255,238)	314,795	258,384
Total business-type activities long-term debt			<u>\$ 34,231,661</u>	<u>\$12,388,983</u>	<u>\$ (6,237,358)</u>	<u>\$ 40,383,286</u>	<u>\$ 2,717,579</u>

Note 6 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities				
	Other Debt				
	Principal	Interest	Total		
2022	\$ 4,435,000	\$ 874,488	\$ 5,309,488		
2023	2,835,000	691,525	3,526,525		
2024	1,805,000	573,150	2,378,150		
2025	1,805,000	510,025	2,315,025		
2026	940,000	446,400	1,386,400		
2027-2031	3,375,000	1,715,000	5,090,000		
2032-2036	3,760,000	892,000	4,652,000		
2037-2041	1,755,000	106,000	1,861,000		
Thereafter	-	-	-		
Total	\$ 20,710,000	\$ 5,808,588	\$ 26,518,588		

Years Ending June 30	Business-type Activities				
	Direct Borrowings and Direct Placements		Other Debt		
	Principal	Interest	Principal	Interest	Total
2022	\$ 1,435,477	\$ 1,192,559	\$ 720,000	\$ 122,750	\$ 3,470,786
2023	1,660,412	1,138,930	260,000	92,050	3,151,392
2024	1,728,444	1,079,601	265,000	84,175	3,157,220
2025	1,628,093	1,017,731	275,000	76,075	2,996,899
2026	1,792,701	956,449	285,000	67,675	3,101,825
2027-2031	10,175,207	3,683,048	1,585,000	163,100	15,606,355
2032-2036	8,905,092	1,717,013	-	-	10,622,105
2037-2041	4,284,393	596,616	-	-	4,881,009
Thereafter	547,979	27,399	-	-	575,378
Total	\$ 32,157,798	\$ 11,409,346	\$ 3,390,000	\$ 605,825	\$ 47,562,969

The Macomb Interceptor Drainage District (MID) is a construction and rehabilitation project that began in 2010 and is ongoing. The MID issued county bonds that were used to acquire the MID interceptor system and to assume amounts owed related to the Garfield Interceptor. Additional county bonds were issued to improve and repair the North Gratiot Interceptor and Clintondale Pump Station. These bonds were issued as Federally Taxable Recovery Zone Economic Development Bonds and are eligible to recover tax credit payments from the United States Treasury equal to 45 percent (for the North Gratiot bond) and 35 percent (for the MID bond) of the interest payable on the bonds.

The Oakland-Macomb Interceptor Drainage District (OMID) is also a construction and rehabilitation project that began in 2010 and is ongoing.

Note 6 - Long-term Debt (Continued)

The total amount of bonds issued and the Township's share of the bonds are as follows:

Macomb Interceptor Drainage District

	Total Issued	Township Portion
North Gratiot Interceptor 2010	\$ 16,965,000	\$ 103,529
North Gratiot Interceptor 2015	16,990,000	846,752
MID Series 2015A	3,675,000	499,851
MID Series 2017A	126,425,006	19,249,777
Clintondale Pump Station 2020	15,435,000	2,024,393
MID Series 2020 (SRF)	2,505,992	349,852

Oakland-Macomb Interceptor Drainage District

	Total Issued	Township Portion
2010A (SRF)	\$ 26,076,000	\$ 6,381,283
2014A	7,235,000	714,579
2019	4,510,000	304,628
2020	57,215,000	6,996,937

The OMID 2010A project is funded through the Michigan State Revolving Loan Fund Program (SRF), with total loans of \$26 million after \$16 million of debt forgiveness, which was recorded in 2010. The amount disclosed represents principal and interest.

Current Bond Refunding

During the year, the Township issued \$6,570,000 in limited tax general obligation bonds with an average interest rate of 3.59 percent. The proceeds of these bonds were used to refund \$3,695,000 of the 2010 Capital Improvement Refunding Bonds with an average interest rate of 4.80 percent and \$3,325,000 of the 2011 Building Authority Refunding Bonds with an average interest rate of 4.65 percent. The net proceeds of \$7,122,887 (after payment of \$138,903 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent until the call date of the refunded bonds has occurred, which is not to exceed 90 days from the refunding. As a result, the bonds are considered to be defeased, and the liability for the bonds has been removed from long-term debt. The refunding resulted in an economic gain of \$951,015.

Note 7 - Restricted Assets

Specific assets of the Water and Sewer Fund and the Building Authority Capital Projects Fund have been restricted for operations and maintenance and replacement, as well as unspent bond proceeds. Additionally, specific assets of the Water and Sewer Fund are restricted as the result of external governments issuing bonds for which state law requires the proceeds of the issue to be used exclusively for the purpose for which the bonds were issued or the repayment of the bonds.

June 30, 2021

Note 7 - Restricted Assets (Continued)

The following is the detail of restricted assets at June 30, 2021:

Description	Governmental Activities	Business-type Activities
Building Authority Capital Projects Fund - Restricted assets and unspent bond proceeds	\$ 1,043,348	\$ -
Water and Sewer Fund - Unspent bond proceeds and deposits held at county:		
Due from Oakland County, Michigan*	-	6,563,654
Due from Macomb County, Michigan**	-	12,812
Total	<u>\$ 1,043,348</u>	<u>\$ 6,576,466</u>

*This amount is held by Oakland County, Michigan in a construction fund maintained on behalf of the Township for improvements to the Oakland-Macomb Interceptor Drainage District.

**This amount is held by Macomb County, Michigan in construction and debt retirement funds maintained on behalf of the Township by the Macomb County Department of Public Works for drain construction projects of the Township.

Net position has been restricted for these amounts, net of related debt, at June 30, 2021.

Note 8 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for specific property, such as vehicles, computers, and employee medical claims. The Township also participates in the Michigan Municipal League risk pool for claims relating to all other property losses, torts, errors and omissions, and employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

Note 9 - OPEB Plan

Plan Description

The Township administers the Macomb Township Retiree Health Care Benefit Plan (the "Plan"), a single-employer defined benefit OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for all full-time employees upon retirement in accordance with labor contracts.

Management of the Plan is vested with the board of the Macomb Township Retiree Health Care Benefit Plan, which consists of five members: the township supervisor, township treasurer, township clerk, township finance director, and township human resource director.

Benefits Provided

The Plan provides health care, vision, and dental benefit for retirees and their dependents. The Plan provides life insurance for retirees. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan.

June 30, 2021

Note 9 - OPEB Plan (Continued)

Plan Membership

At June 30, 2021, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	34
Active plan members (54 active participants are only eligible to receive life insurance coverage in retirement)	112
	<u>112</u>
Total	<u><u>146</u></u>

Contributions

The board establishes contribution rates based on an actuarially determined rate per a funding valuation. For the year ended June 30, 2021, the Township's average contribution rate was 9.52 percent of covered employee payroll, or \$738,695. Plan members are not required to contribute to the Plan.

Net OPEB Asset

The Township has chosen to use the June 30 measurement date as its measurement date for the net OPEB asset. The June 30, 2020 fiscal year end reported net OPEB asset was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2021 measurement date. The June 30, 2021 total OPEB liability was determined by an actuarial valuation performed as of June 30, 2020.

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

Changes in Net OPEB Asset	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Asset
Balance at July 1, 2020	\$ 27,518,273	\$ 30,348,542	\$ (2,830,269)
Changes for the year:			
Service cost	828,557	-	828,557
Interest	1,402,976	-	1,402,976
Changes in assumptions	(612,721)	-	(612,721)
Contributions - Employer	-	738,695	(738,695)
Net investment income	-	6,466,452	(6,466,452)
Benefit payments, including refunds	(530,381)	(530,381)	-
Miscellaneous other charges	-	(13,400)	13,400
	<u>1,088,431</u>	<u>6,661,366</u>	<u>(5,572,935)</u>
Net changes			
Balance at June 30, 2021	<u><u>\$ 28,606,704</u></u>	<u><u>\$ 37,009,908</u></u>	<u><u>\$ (8,403,204)</u></u>

The Plan's fiduciary net position represents 129.37 percent of the total OPEB liability.

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

For the year ended June 30, 2021, the Township recognized an OPEB recovery of \$(238,979).

June 30, 2021

Note 9 - OPEB Plan (Continued)

At June 30, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 299,430	\$ (1,420,784)
Changes in assumptions	1,592,611	(677,871)
Net difference between projected and actual earnings on OPEB plan investments	-	(4,441,409)
Total	<u>\$ 1,892,041</u>	<u>\$ (6,540,064)</u>

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

Years Ending June 30	Amount
2022	\$ (961,612)
2023	(918,170)
2024	(1,112,668)
2025	(1,138,496)
2026	(149,666)
Thereafter	<u>(367,411)</u>
Total	<u>\$ (4,648,023)</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using assumed salary increases (including inflation) of 3.0 percent; an investment rate of return (net of investment expenses) of 5.0 percent; a pre-Medicare health care cost trend rate of 7.50 percent and post-Medicare health care cost trend rate of 5.75 percent for 2021, each decreasing 0.25 percent per year to ultimate rates of 4.50 percent; and mortality rates based on the Pub-2010 Total mortality tables.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.0 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Investment Rate of Return

The investment rate of return used in this valuation of the Plan was 5.0 percent (net of administrative expenses). This is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the Plan at the valuation date.

June 30, 2021

Note 9 - OPEB Plan (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2021 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	15.00 %	4.53 %
Domestic fixed income	45.00	0.52
U.S. broad equity	30.00	4.37
High yield	10.00	2.27

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

The following presents the net OPEB asset of the Township, calculated using the discount rate 5.0 percent, as well as what the Township's net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower (4.0 percent) or 1 percentage point higher (6.0 percent) than the current rate:

	1 Percentage Point Decrease (4.0%)	Current Discount Rate (5.0%)	1 Percentage Point Increase (6.0%)
Net OPEB asset	\$ (3,788,776)	\$ (8,403,204)	\$ (12,129,023)

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

The following presents the net OPEB asset, calculated using the current health care cost trend rate, as well as what the net OPEB asset would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Health Care Cost Trend Rate	1 Percentage Point Increase
Net OPEB asset	\$ (12,769,918)	\$ (8,403,204)	\$ (3,111,849)

OPEB Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is not available in the separately issued financial report. For the purpose of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the Plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the Plan. The Plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Assumption Changes

The pre-Medicare health care cost trend rate was reduced to 7.50 percent, and the post-Medicare health care cost trend rate was reduced to 5.75 percent.

June 30, 2021

Note 9 - OPEB Plan (Continued)

Concentrations

At June 30, 2021, the Plan held approximately 61 percent of its investment portfolio in the following investments, which each represented over 5 percent of the Plan's investment portfolio:

Vanguard 500 Index Fund - \$5,828,607

Sterling Capital Equity Income Fund - \$2,673,296

American EuroPacific Growth Fund - \$2,367,410

MFS International Value Fund - \$2,162,584

Vanguard Developed Markets Index Fund Admiral - \$2,351,594

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on plan investments, net of investment expense was 21.32 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 10 - Pension Plan

Plan Description

The retirement system board administers the Macomb Township Act 345 Fire Retirement System, a single-employer defined benefit pension plan that provides pensions for all full-time firefighters of the Township. Benefit terms have been established by contractual agreements between the Township and the various employee union representation; amendments are subject to the same process.

The financial statements of the plan are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Management of the plan is vested in the retirement system board, which consists of five members: two elected by plan members, two appointed by the township board of trustees, and the township treasurer, who serves as an ex officio member.

Benefits Provided

The retirement plan provides retirement, disability, and death benefits. Retirement benefits for plan members are calculated as 2.5 percent of the member's final three-year average final compensation times the member's first 25 years of service plus 1 percent of the member's final 3-year average final compensation times the years of service in excess of 25 years. Plan members with 10 years of continuous service are eligible to retire at age 60, and plan members with 25 years of continuous service are eligible to retire at age 50. All plan members are eligible for nonduty disability benefits after 5 years of service and for duty-related disability benefits upon hire. Upon reaching the age of 55, disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Prior to reaching age 55, disability retirement benefits are paid at a reduced rate of their three-year average final compensation. Duty death benefits equal the same amount paid by workers' compensation and nonduty death benefits equal the member's actuarially reduced pension benefit.

Benefit terms are generally established and amended by authority of the board of trustees, generally after negotiations of these terms with the affected unions. Employee benefit terms may be subject to binding arbitration in certain circumstances.

June 30, 2021

Note 10 - Pension Plan (Continued)

Employees Covered by Benefit Terms

As of June 30, 2021, the following members were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	5
Active plan members	8
	13
Total employees covered by the plan	13

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, the retirement system board retains an independent actuary to determine the annual contribution. 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. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the township charter, union contracts, and plan provisions. For the year ended June 30, 2021, the average active member contribution rate was 5 percent of annual pay, and the Township's average contribution rate was 40.75 percent of annual payroll.

Net Pension Liability (Asset)

Changes in the net pension liability (asset) during the measurement year were as follows:

Changes in Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)
Balance at July 1, 2020	\$ 4,677,758	\$ 3,576,412	\$ 1,101,346
Changes for the year:			
Service cost	226,603	-	226,603
Interest	227,128	-	227,128
Differences between expected and actual experience	(133,670)	-	(133,670)
Changes in assumptions	(597,798)	-	(597,798)
Contributions - Employer	-	391,402	(391,402)
Contributions - Employee	-	35,730	(35,730)
Net investment income	-	1,025,018	(1,025,018)
Benefit payments, including refunds	(164,229)	(164,229)	-
Administrative expenses	-	(15,149)	15,149
Net changes	(441,966)	1,272,772	(1,714,738)
Balance at June 30, 2021	\$ 4,235,792	\$ 4,849,184	\$ (613,392)

The plan's fiduciary net position represents 114.48 percent of the total pension liability.

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

For the year ended June 30, 2021, the Township recognized pension expense of \$121,762.

June 30, 2021

Note 10 - Pension Plan (Continued)

At June 30, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 185,091	\$ (182,672)
Changes in assumptions	558,825	(547,396)
Net difference between projected and actual earnings on pension plan investments	-	(645,022)
Total	\$ 743,916	\$ (1,375,090)

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

Years Ending June 30	Amount
2022	\$ (103,052)
2023	(112,388)
2024	(97,183)
2025	(118,767)
2026	(15,973)
Thereafter	(183,811)
Total	\$ (631,174)

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.20 to 6.81 percent, an investment rate of return (net of investment expenses) of 6.0 percent, and mortality rates based on the PubS-2010 mortality tables with generational improvements using scale MP-2018.

Discount Rate

The discount rate used to measure the total pension liability was 6 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that township contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

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

June 30, 2021

Note 10 - Pension Plan (Continued)

Projected Cash Flows

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2021 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	55.00 %	6.65 %
International equity	15.00	7.14
Fixed-income securities	30.00	3.23

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the net pension asset of the Township, calculated using the discount rate of 6.0 percent, as well as what the Township's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (5 percent) or 1 percentage point higher (7 percent) than the current rate:

	1 Percentage Point Decrease (5%)	Current Discount Rate (6%)	1 Percentage Point Increase (7%)
Net pension asset of the Township	\$ (777)	\$ (613,392)	\$ (1,120,413)

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 29.88 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is not available in a separately issued financial report. For the purpose of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Assumption Changes

The investment rate of return increased from 5.0 to 6.0 percent, resulting in a change in the discount rate from 4.71 to 6.0 percent. Also, the mortality rates were updated to the PubS-2010 tables, with generational improvements using scale MP-2018.

June 30, 2021

Note 10 - Pension Plan (Continued)

Pension Plan Reserves

In accordance with Act 345, the following reserves are required to be set aside within the pension plan:

The retiree reserve is to be computed annually by the actuary as the present value of estimated benefit payments for all current retirees. The amounts reserved may be used solely to pay monthly retiree benefit payments.

The employee reserve is credited as employee contributions are received throughout the year. For any employee who terminates before vesting in the pension plan, the employee's balance is returned to him or her; for those who stay until retirement, the balance is transferred into the retiree reserve.

The employer reserve account is used to account for the residual net position balance in the pension plan after funding the above two reserves.

The balances of the reserve accounts at June 30, 2021 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 2,280,252	\$ 4,476,146
Employee reserve	373,038	373,038

Note 11 - Pension and Other Employee Benefit Trust Funds

The following are condensed financial statements for the Fire Pension Fund and Retiree Health Care Fund:

	Fire Pension Fund	Retiree Health Care Fund	Total
Statement of Net Position			
Cash and cash equivalents	\$ 260,622	\$ 894,437	\$ 1,155,059
Investments	4,588,562	36,115,472	40,704,034
Net position	\$ 4,849,184	\$ 37,009,909	\$ 41,859,093
Statement of Changes in Net Position			
Investment income	\$ 1,025,016	\$ 6,455,908	\$ 7,480,924
Contributions	427,132	738,695	1,165,827
Other additions	-	3,146	3,146
Benefit payments	164,229	530,382	694,611
Other deductions	15,147	6,000	21,147
Net change in net position	\$ 1,272,772	\$ 6,661,367	\$ 7,934,139

Note 12 - Defined Contribution Pension Plan

All full-time employees, excluding members of the Macomb Township Act 345 Fire Retirement System, belong to a 401(a) retirement plan that is administered by Empower. Annually, the Township contributes 10 percent of base pay for each member into the plan; members are required to contribute 5 percent of base pay.

During the year ended June 30, 2021, the Township made contributions of \$705,642, and the plan members contributed \$352,821 to the plan.

June 30, 2021

Note 13 - Tax Abatements

The Township currently has several businesses that are receiving the industrial facilities tax (IFT) exemption (PA 198 of 1974), which encourages local businesses to construct new industrial facilities or rehabilitate historical facilities. This exemption applies to both real and personal property taxes. IFT abatements use a reduced (specific tax) millage rate of 50 percent of the normal millage rate that is applied to a taxable value that is calculated in the same manner as all of the properties that are contained on the regular (ad valorem) assessment roll. For the fiscal year ended June 30, 2021, the Township abated \$275,376 of taxes under these programs. There are no significant abatements made by other governments that reduce the Township's tax revenue.

Required Supplemental Information

Township of Macomb

**Required Supplemental Information
Budgetary Comparison Schedule - General Fund**

Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes	\$ 2,413,500	\$ 2,413,500	\$ 2,500,557	\$ 87,057
Special assessments	917,250	917,250	935,924	18,674
Intergovernmental:				
Federal grants and other	130,000	130,000	349,485	219,485
State-shared revenue and grants	6,792,745	6,792,745	7,689,952	897,207
Charges for services	216,407	216,407	261,364	44,957
Fines and forfeitures	291,000	291,000	242,101	(48,899)
Licenses and permits	3,461,000	3,461,000	3,615,261	154,261
Interest	500,000	500,000	155,332	(344,668)
Other revenue	321,275	321,275	442,921	121,646
Total revenue	15,043,177	15,043,177	16,192,897	1,149,720
Expenditures				
Current services:				
General government	10,015,529	9,587,274	8,381,813	1,205,461
Public safety	1,638,885	1,638,885	1,419,297	219,588
Public works	1,627,375	1,627,375	1,336,985	290,390
Social services	108,445	130,000	120,379	9,621
Community and economic development	620,280	620,280	529,980	90,300
Recreation and culture	355,205	355,205	320,832	34,373
Total expenditures	14,365,719	13,959,019	12,109,286	1,849,733
Excess of Revenue Over Expenditures	677,458	1,084,158	4,083,611	2,999,453
Other Financing (Uses) Sources				
Transfers out	(8,734,785)	(9,141,485)	(8,733,960)	407,525
Sale of capital assets	10,000	10,000	91,151	81,151
Total other financing uses	(8,724,785)	(9,131,485)	(8,642,809)	488,676
Net Change in Fund Balance	(8,047,327)	(8,047,327)	(4,559,198)	3,488,129
Fund Balance - Beginning of year	25,579,663	25,579,663	25,579,663	-
Fund Balance - End of year	\$ 17,532,336	\$ 17,532,336	\$ 21,020,465	\$ 3,488,129

Township of Macomb

Required Supplemental Information
Budgetary Comparison Schedules - Major Special Revenue Funds
Parks and Recreation Operating Fund

Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes	\$ 2,950,000	\$ 2,950,000	\$ 3,030,393	\$ 80,393
Intergovernmental	-	-	35,242	35,242
Charges for services	1,994,750	1,994,750	1,080,352	(914,398)
Interest	22,000	22,000	4,744	(17,256)
Other revenue	15,100	15,100	10,786	(4,314)
Total revenue	4,981,850	4,981,850	4,161,517	(820,333)
Expenditures - Recreation and culture	2,866,454	2,866,454	1,932,064	934,390
Excess of Revenue Over Expenditures	2,115,396	2,115,396	2,229,453	114,057
Other Financing Uses - Transfers out	(2,701,075)	(2,701,075)	(1,748,640)	952,435
Net Change in Fund Balance	(585,679)	(585,679)	480,813	1,066,492
Fund Balance - Beginning of year	3,582,340	3,582,340	3,582,340	-
Fund Balance - End of year	<u>\$ 2,996,661</u>	<u>\$ 2,996,661</u>	<u>\$ 4,063,153</u>	<u>\$ 1,066,492</u>

Township of Macomb

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

Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes	\$ 7,100,000	\$ 7,100,000	\$ 7,505,492	\$ 405,492
Intergovernmental	-	-	599,764	599,764
Interest	100,000	100,000	27,764	(72,236)
Other revenue	500	500	7,998	7,498
Total revenue	<u>7,200,500</u>	<u>7,200,500</u>	<u>8,141,018</u>	<u>940,518</u>
Expenditures - Public safety	<u>5,767,507</u>	<u>5,767,507</u>	<u>5,314,578</u>	<u>452,929</u>
Excess of Revenue Over Expenditures	1,432,993	1,432,993	2,826,440	1,393,447
Other Financing (Uses) Sources				
Transfers out	(1,320,245)	(1,320,245)	(1,228,055)	92,190
Sale of capital assets	30,000	30,000	13,287	(16,713)
Total other financing uses	<u>(1,290,245)</u>	<u>(1,290,245)</u>	<u>(1,214,768)</u>	<u>75,477</u>
Net Change in Fund Balance	142,748	142,748	1,611,672	1,468,924
Fund Balance - Beginning of year	<u>7,849,085</u>	<u>7,849,085</u>	<u>7,849,085</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 7,991,833</u></u>	<u><u>\$ 7,991,833</u></u>	<u><u>\$ 9,460,757</u></u>	<u><u>\$ 1,468,924</u></u>

Township of Macomb

Required Supplemental Information
Budgetary Comparison Schedules - Major Special Revenue Funds
(Continued)
Law Enforcement Sheriff Fund

Year Ended June 30, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes	\$ 5,900,000	\$ 5,900,000	\$ 6,014,884	\$ 114,884
State-shared revenue and grants	22,000	22,000	554,483	532,483
Interest	7,500	7,500	3,047	(4,453)
Other revenue	50	50	79	29
Total revenue	5,929,550	5,929,550	6,572,493	642,943
Expenditures - Public safety	5,660,700	5,660,700	5,555,886	104,814
Net Change in Fund Balance	268,850	268,850	1,016,607	747,757
Fund Balance - Beginning of year	2,762,185	2,762,185	2,762,185	-
Fund Balance - End of year	<u>\$ 3,031,035</u>	<u>\$ 3,031,035</u>	<u>\$ 3,778,792</u>	<u>\$ 747,757</u>

Township of Macomb

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

Last Five Fiscal Years
(dollar amounts in thousands)

	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 829	\$ 957	\$ 924	\$ 802	\$ 761
Interest	1,403	1,356	1,295	1,045	1,017
Differences between expected and actual experience	-	(1,339)	(759)	779	(874)
Changes in assumptions	(613)	604	(266)	2,918	-
Benefit payments, including refunds	(530)	(494)	(424)	(378)	(357)
Net Change in Total OPEB Liability	1,089	1,084	770	5,166	547
Total OPEB Liability - Beginning of year	27,517	26,433	25,663	20,497	19,950
Total OPEB Liability - End of year	<u>\$ 28,606</u>	<u>\$ 27,517</u>	<u>\$ 26,433</u>	<u>\$ 25,663</u>	<u>\$ 20,497</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 739	\$ 826	\$ 1,378	\$ 1,157	\$ 1,514
Net investment income	6,466	1,855	1,747	1,403	1,822
Benefit payments, including refunds	(530)	(494)	(424)	(378)	(357)
Other	(13)	(21)	(15)	(8)	-
Net Change in Plan Fiduciary Net Position	6,662	2,166	2,686	2,174	2,979
Plan Fiduciary Net Position - Beginning of year	30,347	28,181	25,495	23,321	20,342
Plan Fiduciary Net Position - End of year	<u>\$ 37,009</u>	<u>\$ 30,347</u>	<u>\$ 28,181</u>	<u>\$ 25,495</u>	<u>\$ 23,321</u>
Net OPEB (Asset) Liability - Ending	<u>\$ (8,403)</u>	<u>\$ (2,830)</u>	<u>\$ (1,748)</u>	<u>\$ 168</u>	<u>\$ (2,824)</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	129.37 %	110.28 %	106.61 %	99.35 %	113.78 %
Covered-employee Payroll	\$ 7,763	\$ 4,294	\$ 4,629	\$ 4,583	\$ 4,700
Net OPEB (Asset) Liability as a Percentage of Covered- employee Payroll	(108.24)%	(65.91)%	(37.76)%	3.67 %	(60.09)%

Township of Macomb

Required Supplemental Information OPEB Plan Schedule of Investment Returns

	Last Five Fiscal Years				
	Years Ended June 30				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return - Net of investment expense	21.32 %	6.87 %	6.98 %	5.90 %	9.00 %

Township of Macomb

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

	Last Eight Fiscal Years							
	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 226,603	\$ 217,312	\$ 200,259	\$ 162,028	\$ 106,931	\$ 132,825	\$ 132,825	\$ 100,679
Interest	227,128	223,402	207,169	166,044	134,944	138,699	121,973	117,093
Differences between expected and actual experience	(133,670)	(685)	173	345,834	(18,056)	(175,330)	(23,304)	17,813
Changes in assumptions	(597,798)	(32,857)	86,104	320,444	554,112	-	257,079	-
Benefit payments, including refunds	(164,229)	(177,579)	(177,579)	(204,358)	(162,615)	(154,056)	(154,055)	(154,056)
Net Change in Total Pension Liability	(441,966)	229,593	316,126	789,992	615,316	(57,862)	334,518	81,529
Total Pension Liability - Beginning of year	4,677,758	4,448,165	4,132,039	3,342,047	2,726,731	2,784,593	2,450,075	2,368,546
Total Pension Liability - End of year	\$ 4,235,792	\$ 4,677,758	\$ 4,448,165	\$ 4,132,039	\$ 3,342,047	\$ 2,726,731	\$ 2,784,593	\$ 2,450,075
Plan Fiduciary Net Position								
Contributions - Employer	\$ 391,402	\$ 370,889	\$ 260,283	\$ 246,982	\$ 236,827	\$ 230,009	\$ 219,782	\$ 211,645
Contributions - Member	35,730	37,104	34,132	33,650	30,044	32,417	30,906	28,613
Net investment income (loss)	1,025,018	113,443	187,628	94,867	242,093	(78,706)	(84,618)	227,723
Administrative expenses	(15,149)	(12,244)	(17,061)	(13,120)	(8,875)	(5,612)	(8,870)	(2,128)
Benefit payments, including refunds	(164,229)	(177,579)	(177,579)	(204,358)	(162,615)	(154,056)	(154,055)	(154,056)
Net Change in Plan Fiduciary Net Position	1,272,772	331,613	287,403	158,021	337,474	24,052	3,145	311,797
Plan Fiduciary Net Position - Beginning of year	3,576,412	3,244,799	2,957,396	2,799,375	2,461,901	2,437,849	2,434,704	2,122,907
Plan Fiduciary Net Position - End of year	\$ 4,849,184	\$ 3,576,412	\$ 3,244,799	\$ 2,957,396	\$ 2,799,375	\$ 2,461,901	\$ 2,437,849	\$ 2,434,704
Township's Net Pension Liability (Asset) - Ending	\$ (613,392)	\$ 1,101,346	\$ 1,203,366	\$ 1,174,643	\$ 542,672	\$ 264,830	\$ 346,744	\$ 15,371
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	114.48 %	76.46 %	72.95 %	71.57 %	83.76 %	90.29 %	87.55 %	99.37 %
Covered Payroll	\$ 741,847	\$ 741,847	\$ 741,847	\$ 741,847	\$ 690,413	\$ 506,370	\$ 626,003	\$ 607,770
Township's Net Pension Liability as a Percentage of Covered Payroll	(82.68)%	148.46 %	162.21 %	158.34 %	78.60 %	52.30 %	55.39 %	2.53 %

Township of Macomb

Required Supplemental Information Schedule of Pension Investment Returns

	Last Eight Fiscal Years Years Ended June 30							
	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return - Net of investment expense	29.9 %	3.5 %	6.5 %	3.2 %	10.1 %	(3.1)%	(3.4)%	11.3 %

June 30, 2021

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all special revenue funds, except for the Fire Operating Fund's Act 345 property tax revenue and related expense, which are netted during the budget process. The Township adopted GASB Statement No. 54 during 2011. The Township did not amend the General Fund budget to take into account the additional activity accounted for in the General Fund as a result of implementation of GASB Statement No. 54. The table below reconciles the actual fiscal year activity in the General Fund budget to the General Fund activity reported in the governmental funds statement of revenue, expenditures, and changes in fund balances. In the General Fund, capital outlay and employee benefits and insurance were budgeted for as separate budget line items; actual expenditures were expensed by function classification. All annual appropriations lapse at fiscal year end.

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

Encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2021 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The supervisor presents the preliminary budget to the board of trustees in May, and the final budget is legally adopted at the last board meeting in June to commence on the first of July.

A reconciliation of the General Fund budgetary comparison schedule to the fund-based statement of revenue, expenditures, and changes in fund balances is as follows:

	<u>Fund Balance - Beginning of Year</u>	<u>Fund Balance - End of Year</u>
Fund balance per the governmental funds statement of revenue, expenditures, and changes in fund balances	\$ 25,649,663	\$ 21,090,465
The fund balance of the previous Budget Stabilization Fund was not included in the beginning and ending fund balance of the General Fund for the year ended June 30, 2021 budget	<u>(70,000)</u>	<u>(70,000)</u>
Fund balance per General Fund budget statement	<u>\$ 25,579,663</u>	<u>\$ 21,020,465</u>

A reconciliation of the Fire Operating Fund budgetary comparison schedule to the fund-based statement of revenue, expenditures, and changes in fund balances is as follows:

	<u>Revenue</u>	<u>Expenses</u>
Total per the operating statement	\$ 8,532,420	\$ 5,705,980
Act 345 property taxes	(391,402)	-
Pension contribution	<u>-</u>	<u>(391,402)</u>
Total per Fire Operating Fund budget statement	<u>\$ 8,141,018</u>	<u>\$ 5,314,578</u>

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Township did not incur expenditures that were in excess of the budgeted amounts.

Pension Information

Changes in Assumptions

2021: The investment rate of return increased from 5.0 to 6.0 percent, resulting in a change in the discount rate from 4.71 to 6.00 percent. Also, the mortality rates were updated to the PubS-2010 tables, with generational improvements using scale MP-2018.

June 30, 2021

2020: Discount rate used to measure the total pension liability was updated to be 4.71 percent.

2019: Discount rate used to measure the total pension liability was updated to be 4.66 percent.

2018: Discount rate used to measure the total pension liability was updated to be 4.8 percent.

2017: Discount rate used to measure the total pension liability was updated to be 5.0 percent.

2015: Mortality rates were updated to be based on the RP-2014 Healthy Annuitant Mortality Table.

OPEB Information

Changes in Assumptions

2021: The pre-Medicare health care cost trend rate was reduced to 7.50 percent, and the post-Medicare health care cost trend rate was reduced to 5.75 percent.

2020: Mortality rates were updated to be based on the Pub-2010 Total Mortality Tables. Also, the pre-Medicare health care cost trend rate was reduced to 8.25 percent, and the post-Medicare health care cost trend rate was reduced to 6.50 percent.

2019: Changes in assumptions result from changes in the assumed salary interest rate, medical inflation rates, and the discount rate.

2018: Changes in assumptions resulted from changes in the interest rate and mortality tables.

Other Supplemental Information

Township of Macomb

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2021

	Debt Service	Capital Projects Funds		Total Nonmajor Governmental Funds
	Fund			
	Parks and Recreation Revolving	Public Improvement	Fire Improvement	
Assets - Cash and investments	\$ 659,991	\$ 3,253,341	\$ 2,330,464	\$ 6,243,796
Liabilities - Accounts payable	\$ -	\$ -	\$ 30,000	\$ 30,000
Fund Balances				
Restricted:				
Fire	-	-	2,300,464	2,300,464
Debt service	659,991	-	-	659,991
Assigned - Capital outlay	-	3,253,341	-	3,253,341
Total fund balances	659,991	3,253,341	2,300,464	6,213,796
Total liabilities and fund balances	\$ 659,991	\$ 3,253,341	\$ 2,330,464	\$ 6,243,796

Township of Macomb

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

Year Ended June 30, 2021

	Debt Service	Capital Projects Funds		Total Nonmajor Governmental Funds
	Fund Parks and Recreation Revolving	Public Improvement	Fire Improvement	
Revenue				
Interest	\$ 273	\$ 1,569	\$ 4,061	\$ 5,903
Other revenue	-	-	268	268
Total revenue	273	1,569	4,329	6,171
Expenditures				
Current services:				
General government	-	17,543	-	17,543
Public safety	-	-	410,718	410,718
Total expenditures	-	17,543	410,718	428,261
Excess of Revenue Over (Under) Expenditures	273	(15,974)	(406,389)	(422,090)
Other Financing Sources - Transfers in	-	10,000	325,000	335,000
Net Change in Fund Balances	273	(5,974)	(81,389)	(87,090)
Fund Balances - Beginning of year	659,718	3,259,315	2,381,853	6,300,886
Fund Balances - End of year	<u>\$ 659,991</u>	<u>\$ 3,253,341</u>	<u>\$ 2,300,464</u>	<u>\$ 6,213,796</u>

Other Supplemental Information
Combining Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2021

	Fire Pension Fund	Retiree Health Care Fund	Total Pension and Other Employee Benefit Trust Funds
Assets			
Cash and cash equivalents	\$ 260,622	\$ 894,437	\$ 1,155,059
Investments (expense):			
Municipal bonds	-	3,756,020	3,756,020
Agency securities	-	1,652,766	1,652,766
Stocks	633,288	-	633,288
Corporate bonds	-	6,675,719	6,675,719
Mutual funds - Equity	2,700,256	21,329,590	24,029,846
Mutual funds - Fixed income	1,255,018	2,701,377	3,956,395
	4,849,184	37,009,909	41,859,093
Total assets			
Liabilities			
	-	-	-
Net Position			
Restricted:			
Pension	4,849,184	-	4,849,184
Postemployment benefits other than pension	-	37,009,909	37,009,909
	4,849,184	37,009,909	41,859,093
Total net position	\$ 4,849,184	\$ 37,009,909	\$ 41,859,093

Township of Macomb

Other Supplemental Information
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year Ended June 30, 2021

	Fire Pension Fund	Retiree Health Care Fund	Total Pension and Other Employee Benefit Trust Funds
Additions			
Investment income(expense):			
Interest and dividends	\$ 149,371	\$ 1,143,029	\$ 1,292,400
Net increase in fair value of investments	907,478	5,438,920	6,346,398
Investment costs	(31,833)	(126,041)	(157,874)
Net investment income	1,025,016	6,455,908	7,480,924
Contributions:			
Employer	391,402	738,695	1,130,097
Employee	35,730	-	35,730
Total contributions	427,132	738,695	1,165,827
Miscellaneous revenue	-	3,146	3,146
Total additions	1,452,148	7,197,749	8,649,897
Deductions			
Benefit payments	164,229	530,382	694,611
Administrative expenses	15,147	6,000	21,147
Total deductions	179,376	536,382	715,758
Net Increase in Net Position Held in Trust	1,272,772	6,661,367	7,934,139
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	3,576,412	30,348,542	33,924,954
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 4,849,184	\$ 37,009,909	\$ 41,859,093