

**Township of Macomb
Macomb County, Michigan**

**Financial Report
with Supplemental Information
June 30, 2016**

Township of Macomb

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8-9
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	10-11
Reconciliation of the Balance Sheet to the Statement of Net Position	12
Statement of Revenue, Expenditures, and Changes in Fund Balances	13-14
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Proprietary Fund:	
Statement of Net Position	16
Statement of Revenue, Expenses, and Changes in Net Position	17
Statement of Cash Flows	18
Fiduciary Funds:	
Statement of Fiduciary Net Position	19
Statement of Changes in Fiduciary Net Position	20
Notes to Financial Statements	21-50
Required Supplemental Information	51
Budgetary Comparison Schedule - General Fund	52
Budgetary Comparison Schedule - Major Special Revenue Funds	53-55
Retiree Health Care Fund Schedule of Funding Progress	56
Schedule of Investment Returns	57
Schedule of Changes in the Township Net Pension Liability and Related Ratios	58
Schedule of Township Contributions	59
Note to Required Supplemental Information	60

Township of Macomb

Contents (Continued)

Other Supplemental Information	61
Nonmajor Governmental Funds:	
Combining Balance Sheet	62
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	63
Fiduciary Funds:	
Statement of Assets and Liabilities	64
Combining Statement of Changes in Net Position	65

Independent Auditor's Report

To the Board of Trustees
Township of Macomb
Macomb County, Michigan

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, 2016 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. 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 opinion.

Opinion

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, 2016 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.

To the Board of Trustees
Township of Macomb
Macomb County, Michigan

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, retiree health care fund schedule of funding progress, schedule of investment returns, schedule of changes in the Township net pension liability and related ratios, schedule of Township contributions, and the budgetary comparison schedules for the General Fund and each major special revenue fund, 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 an opinion 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.

Plante & Moran, PLLC

December 14, 2016

Township of Macomb

Management's Discussion and Analysis

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, as well as what remains for future spending. Additionally, fund financial statements report the Township's operations in more detail than the government-wide financial statements.

In a condensed format, the table below shows the comparison of net position (in millions of dollars) as of June 30, 2016 to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current assets	\$ 57.3	\$ 57.4	\$ 45.8	\$ 41.9	\$ 103.1	\$ 99.3
Noncurrent assets:						
Restricted assets	-	-	2.3	4.1	2.3	4.1
Capital assets	<u>49.7</u>	<u>50.0</u>	<u>159.3</u>	<u>159.0</u>	<u>209.0</u>	<u>209.0</u>
Total assets	107.0	107.4	207.4	205.0	314.4	312.4
Deferred Outflows of Resources						
Bond refunding loss being amortized	0.9	0.9	0.1	0.1	1.0	1.0
Deferred pension outflow	0.5	0.4	-	-	0.5	0.4
Liabilities						
Current and other liabilities	5.7	6.9	5.8	5.0	11.5	11.9
Long-term liabilities	<u>25.7</u>	<u>28.4</u>	<u>31.4</u>	<u>33.0</u>	<u>57.1</u>	<u>61.4</u>
Total liabilities	31.4	35.3	37.2	38.0	68.6	73.3
Deferred Inflow of Resources -						
Deferred pension inflow	<u>0.2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.2</u>	<u>-</u>
Net Position						
Net investment in capital assets	21.4	19.0	127.0	126.3	148.4	145.3
Restricted	11.9	13.0	1.1	1.8	13.0	14.8
Unrestricted	<u>43.5</u>	<u>41.4</u>	<u>42.2</u>	<u>39.0</u>	<u>85.7</u>	<u>80.4</u>
Total net position	<u>\$ 76.8</u>	<u>\$ 73.4</u>	<u>\$ 170.3</u>	<u>\$ 167.1</u>	<u>\$ 247.1</u>	<u>\$ 240.5</u>

Township of Macomb

Management's Discussion and Analysis (Continued)

The Township's combined net position increased approximately \$6.6 million from a year ago, increasing from \$240.5 million to \$247.1 million. A review of the governmental activities, separate from the business-type activities, shows an increase of approximately \$3.4 million in net position, or 4.6 percent, during fiscal year 2016. The increase in total net position is primarily attributable to a reduction in long-term liabilities. The business-type activities net position increased from the previous year by approximately \$3.2 million, or 1.9 percent, during fiscal year 2016. This was primarily due to a reduction in long-term liabilities and an increase in current assets.

Unrestricted net position for the governmental activities was \$43.5 million at June 30, 2016. 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 restricted net position decreased \$0.7 million from the previous year. This is attributable to project funds being utilized during the fiscal year for the rehabilitation of the Oakland Macomb Interceptor Drainage Districts.

The following table shows the changes in net position (in millions of dollars) during the year ended June 30, 2016 and the prior year:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue						
Program revenue:						
Charges for services	\$ 5.1	\$ 5.0	\$ 26.9	\$ 21.8	\$ 32.0	\$ 26.8
Operating grants and contributions	-	-	0.2	0.2	0.2	0.2
Capital grants and contributions	-	-	4.0	3.0	4.0	3.0
General revenue:						
Property taxes	11.0	10.6	-	-	11.0	10.6
State-shared revenue	6.4	6.3	-	-	6.4	6.3
Interest	0.2	0.2	0.1	0.1	0.3	0.3
Cable fees and other	1.4	1.4	-	-	1.4	1.4
Total revenue	24.1	23.5	31.2	25.1	55.3	48.6
Program Expenses						
General government	6.2	6.9	-	-	6.2	6.9
Public safety	8.3	8.4	-	-	8.3	8.4
Public works	1.5	1.4	-	-	1.5	1.4
Recreation and culture	3.7	3.4	-	-	3.7	3.4
Interest on long-term debt	1.0	1.1	-	-	1.0	1.1
Water and sewer	-	-	28.0	24.5	28.0	24.5
Total program expenses	20.7	21.2	28.0	24.5	48.7	45.7
Change in Net Position	3.4	2.3	3.2	0.6	6.6	2.9
Net Position - Beginning of year	73.4	71.1	167.1	166.5	240.5	237.6
Net Position - End of year	<u>\$ 76.8</u>	<u>\$ 73.4</u>	<u>\$ 170.3</u>	<u>\$ 167.1</u>	<u>\$ 247.1</u>	<u>\$ 240.5</u>

Township of Macomb

Management's Discussion and Analysis (Continued)

Governmental Activities

The Township's total governmental revenue increased by approximately \$0.6 million from the last fiscal year. Even though tax rates decreased from the previous year, property tax revenue increased by \$0.4 million, caused by an approximately 4.5 percent increase in taxable value in the Township. The increase has been seen in overall property values in southeast Michigan.

Total expenses decreased by about \$0.5 million, or 2.4 percent, from the last fiscal year. The decrease was primarily the result of one-time expenses that were paid out in the previous year but not in the current fiscal year for the Conklin Drain cleanout and the 24 Mile Road water main.

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 increased 24.3 percent to \$31.2 million. Revenue of the Township's business-type activities increased by \$6.1 million primarily as a result of an increase in sale of water and sewer services to customers during the year ended June 30, 2016.

Expenses increased 14.3 percent to \$28.0 million for the year ended June 30, 2016. The increase in expenses is primarily attributable to the continued growth of the water and sewer system and increases in the cost of water and sewer purchases in the last year. The Township provides water, which was purchased from the City of Detroit water system through December 2015 and the Great Lakes Water Authority beginning in January 2016, to nearly all its residents. The Township also provides sewage treatment to nearly all of its residents through the Macomb County sewage treatment plant.

The Township's Funds

Our analysis of the Township's major funds begins on pages 10 and 11, 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 as well as show accountability for certain activities. The Township's major funds for 2016 include the General Fund, Parks and Recreation Operating Fund, Fire Operating Fund, Law Enforcement Sheriff Fund, Building Authority Debt Service Fund, and Municipal Street Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township reallocated the budget to take into account unanticipated events during the year. Actual revenue exceeded budgeted revenue by 2.9 percent. Actual expenditures were 28.2 percent below budget, primarily due to planned property acquisitions that did not take place during the fiscal year. The Township completed the year with actual revenue over expenditures of \$0.6 million.

Township of Macomb

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

At the end of fiscal year 2016, the Township had approximately \$209.0 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 \$8.9 million and \$8.1 million for fiscal years 2016 and 2015, respectively (see Note 4 of the notes to financial statements for additional information). Additionally, the value of buildings and improvements, net of depreciation, for the governmental activities is \$35.9 million and \$36.9 million for fiscal years 2016 and 2015, 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 of the notes to financial statements for additional information).

Economic Factors and Next Year's Budgets and Rates

The Township of Macomb's 2016 tax rate decreased slightly when compared with the 2015 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 nearly 16.1 percent of the General Fund budget. Annual new growth and development in the Township has increased 15.7 percent compared to the previous year and is expected to remain stable for the next few years. In addition, state revenue sharing, which represents nearly 48.9 percent of the General Fund budget, is likely to remain stable.

On the expenditure side, the Township continues to operate with relatively low personnel costs and an efficient labor force. While our pension system is 90.3 percent funded, we do not anticipate further increases in pension fund contributions over the next year due to a conservative investment approach. We also expect continued annual increases in medical costs of nearly 1 to 5 percent per year. Despite these increased costs, our expense increases are anticipated to average between 1 and 3 percent per year. We will adjust expenses to mirror the revenue base, ensuring the continuation of our usual trend of excess of revenue over expenses established over 10 years ago.

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.

Township of Macomb

Statement of Net Position June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 3)	\$ 51,669,988	\$ 35,572,772	\$ 87,242,760
Receivables - Net:			
Property taxes	33,560	-	33,560
Customers	6,272	8,729,168	8,735,440
Other receivables	11,740	-	11,740
Due from other governmental units	1,087,114	239,524	1,326,638
Special assessments	-	83,099	83,099
Inventory	-	98,944	98,944
Restricted assets (Note 7)	-	2,253,589	2,253,589
Land held for resale	468,849	-	468,849
Net OPEB asset (Note 9)	4,004,714	1,054,143	5,058,857
Capital assets:			
Assets not subject to depreciation (Note 4)	3,184,951	12,511,240	15,696,191
Assets subject to depreciation (Note 4)	46,530,738	146,771,855	193,302,593
Total assets	106,997,926	207,314,334	314,312,260
Deferred Outflows of Resources			
Bond refunding loss being amortized	851,366	134,816	986,182
Deferred pension outflow	492,275	-	492,275
Total deferred outflows of resources	1,343,641	134,816	1,478,457
Liabilities			
Accounts payable	437,981	2,997,928	3,435,909
Due to other governmental units	-	188,426	188,426
Accrued liabilities and other	1,722,037	283,570	2,005,607
Noncurrent liabilities:			
Due within one year (Note 6)	3,528,053	2,323,910	5,851,963
Due in more than one year:			
Compensated absences (Note 6)	134,144	63,719	197,863
Net pension liability (Note 13)	264,830	-	264,830
Long-term debt (Note 6)	25,326,750	31,327,052	56,653,802
Total liabilities	31,413,795	37,184,605	68,598,400
Deferred Inflows of Resources - Deferred pension inflows	173,005	-	173,005
Net Position			
Net investment in capital assets	21,398,246	127,010,272	148,408,518
Restricted for:			
Fire	7,325,941	-	7,325,941
Debt service	643,907	-	643,907
County drains	-	1,087,018	1,087,018
Parks and recreation	3,895,828	-	3,895,828
Unrestricted	43,490,845	42,167,255	85,658,100
Total net position	\$ 76,754,767	\$ 170,264,545	\$ 247,019,312

Township of Macomb

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 6,015,656	\$ 138,942	\$ 18,128	\$ -
Public safety	8,339,468	2,006,123	-	-
Public works	1,719,144	827,123	-	-
Recreation and culture	3,664,417	2,088,781	-	-
Interest on long-term debt	1,033,347	-	-	-
Total governmental activities	20,772,032	5,060,969	18,128	-
Business-type activities - Water and sewer	27,998,194	26,830,996	227,625	3,956,958
Total primary government	\$ 48,770,226	\$ 31,891,965	\$ 245,753	\$ 3,956,958
General revenue:				
Property taxes				
State-shared revenue				
Interest				
Cable fees and other - Unrestricted				
Gain on sale of fixed assets				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

**Statement of Activities
Year Ended June 30, 2016**

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (5,858,586)	\$ -	\$ (5,858,586)
(6,333,345)	-	(6,333,345)
(892,021)	-	(892,021)
(1,575,636)	-	(1,575,636)
(1,033,347)	-	(1,033,347)
(15,692,935)	-	(15,692,935)
-	3,017,385	3,017,385
(15,692,935)	3,017,385	(12,675,550)
11,013,879	-	11,013,879
6,373,191	-	6,373,191
213,611	131,373	344,984
1,387,666	-	1,387,666
87,530	6,000	93,530
19,075,877	137,373	19,213,250
3,382,942	3,154,758	6,537,700
73,371,825	167,109,787	240,481,612
\$ 76,754,767	\$ 170,264,545	\$ 247,019,312

Township of Macomb

	General Fund	Parks and Recreation Operating Fund	Fire Operating Fund	Law Enforcement Sheriff Fund
Assets				
Cash and investments (Note 3)	\$ 30,849,274	\$ 4,065,690	\$ 5,842,546	\$ 1,992,445
Receivables - Net	1,135,701	-	2,985	-
Land held for resale	468,849	-	-	-
Total assets	\$ 32,453,824	\$ 4,065,690	\$ 5,845,531	\$ 1,992,445
Liabilities				
Accounts payable	\$ 224,513	\$ 76,657	\$ 71,164	\$ 452
Accrued liabilities and other	213,380	93,205	70,673	-
Total liabilities	437,893	169,862	141,837	452
Deferred Inflows of Resources - Unavailable revenue				
	1,087,114	-	-	-
Fund Balances				
Nonspendable - Land held for resale	468,849	-	-	-
Restricted:				
Fire	-	-	5,703,694	-
Debt service	-	-	-	-
Parks and recreation	-	3,895,828	-	-
Assigned:				
Subsequent year's budget	4,669,930	-	-	-
Capital outlay	-	-	-	-
Road projects	-	-	-	-
Debt service	-	-	-	-
Law enforcement	-	-	-	1,991,993
Unassigned	25,790,038	-	-	-
Total fund balances	30,928,817	3,895,828	5,703,694	1,991,993
Total liabilities, deferred inflows of resources, and fund balances	\$ 32,453,824	\$ 4,065,690	\$ 5,845,531	\$ 1,992,445

**Governmental Funds
Balance Sheet
June 30, 2016**

Building Authority Debt Service Fund	Municipal Street Fund	Other Nonmajor Governmental Funds	Total
\$ 41,156	\$ 3,559,791	\$ 5,319,086	\$ 51,669,988
-	-	-	1,138,686
-	-	-	468,849
\$ 41,156	\$ 3,559,791	\$ 5,319,086	\$ 53,277,523
\$ -	\$ 65,195	\$ -	\$ 437,981
-	1,079,554	-	1,456,812
-	1,144,749	-	1,894,793
-	-	-	1,087,114
-	-	-	468,849
-	-	1,622,247	7,325,941
-	-	643,907	643,907
-	-	-	3,895,828
-	-	-	4,669,930
-	-	3,052,932	3,052,932
-	2,415,042	-	2,415,042
41,156	-	-	41,156
-	-	-	1,991,993
-	-	-	25,790,038
41,156	2,415,042	5,319,086	50,295,616
\$ 41,156	\$ 3,559,791	\$ 5,319,086	\$ 53,277,523

Township of Macomb

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2016

Fund Balance Reported in Governmental Funds	\$ 50,295,616
Amounts reported for governmental activities in the statement of net position are different because:	
Governmental funds report capital outlays as expenditures; in the statement of net position, these costs are capitalized and allocated over their estimated useful lives as depreciation	49,715,689
A net other postemployment benefit asset is recorded on the statement of net position	4,004,714
Debt refunding deferred charges are not financial resources and are not reported in the funds	851,366
Certain receivables are expected to be collected after 60 days and are not available to pay for current year expenditures; therefore, they are deferred on the balance sheet	1,087,114
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(28,988,947)
Accrued interest is not due and payable in the current period and is not reported in the funds	(265,225)
Net pension liability, net of associated deferred inflows and outflows, is not due and payable in the current period and is not reported in the governmental funds	<u>54,440</u>
Net Position of Governmental Activities	<u>\$ 76,754,767</u>

Township of Macomb

	General Fund	Parks and Recreation Operating Fund	Fire Operating Fund	Law Enforcement Sheriff Fund
Revenue				
Property taxes and fees	\$ 2,081,947	\$ 2,521,114	\$ 3,144,684	\$ 3,266,134
Licenses and permits	2,781,663	-	-	-
Federal grants and other	18,128	-	-	-
State-shared revenue and grants	6,302,807	-	-	20,137
Charges for services	245,789	2,088,781	-	-
Fines and forfeitures	195,438	-	-	-
Interest	139,707	20,398	32,533	6,448
Other revenue:				
Special assessments	829,313	-	-	-
Other	286,717	-	3,000	-
	<u>12,881,509</u>	<u>4,630,293</u>	<u>3,180,217</u>	<u>3,292,719</u>
Expenditures				
Current:				
General government	6,293,288	-	-	-
Public safety	1,639,418	-	2,912,697	3,291,539
Public works	1,031,204	-	-	-
Recreation and culture	275,103	2,588,941	-	-
Capital outlay	-	-	278,223	-
Debt service:				
Principal	-	-	-	-
Interest on long-term debt	-	-	-	-
	<u>9,239,013</u>	<u>2,588,941</u>	<u>3,190,920</u>	<u>3,291,539</u>
Excess of Revenue Over (Under)				
Expenditures	3,642,496	2,041,352	(10,703)	1,180
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	46,598	21,700	30,533	-
Transfers in (Note 5)	-	-	-	570,000
Transfers out (Note 5)	<u>(3,093,400)</u>	<u>(2,763,300)</u>	<u>(781,175)</u>	<u>-</u>
Total other financing (uses) sources	<u>(3,046,802)</u>	<u>(2,741,600)</u>	<u>(750,642)</u>	<u>570,000</u>
Net Change in Fund Balances	595,694	(700,248)	(761,345)	571,180
Fund Balances - Beginning of year	<u>30,333,123</u>	<u>4,596,076</u>	<u>6,465,039</u>	<u>1,420,813</u>
Fund Balances - End of year	<u>\$ 30,928,817</u>	<u>\$ 3,895,828</u>	<u>\$ 5,703,694</u>	<u>\$ 1,991,993</u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2016

Building Authority Debt Service Fund	Municipal Street Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 11,013,879
-	-	-	2,781,663
-	-	-	18,128
-	-	-	6,322,944
-	-	-	2,334,570
-	-	-	195,438
326	3,776	10,423	213,611
-	-	-	829,313
-	20,124	-	309,841
<u>326</u>	<u>23,900</u>	<u>10,423</u>	<u>24,019,387</u>
-	-	-	6,293,288
-	-	-	7,843,654
-	175,289	-	1,206,493
-	-	-	2,864,044
-	1,304,344	-	1,582,567
2,565,000	-	-	2,565,000
<u>1,153,031</u>	<u>-</u>	<u>-</u>	<u>1,153,031</u>
<u>3,718,031</u>	<u>1,479,633</u>	<u>-</u>	<u>23,508,077</u>
(3,717,705)	(1,455,733)	10,423	511,310
-	-	-	98,831
3,717,875	2,000,000	350,000	6,637,875
<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,637,875)</u>
<u>3,717,875</u>	<u>2,000,000</u>	<u>350,000</u>	<u>98,831</u>
170	544,267	360,423	610,141
40,986	1,870,775	4,958,663	49,685,475
<u>\$ 41,156</u>	<u>\$ 2,415,042</u>	<u>\$ 5,319,086</u>	<u>\$ 50,295,616</u>

Township of Macomb

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ 610,141
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	2,136,717
Depreciation expense	(2,446,995)
Net book value of assets disposed of	(11,301)
Revenue is reported in the statement of activities at the time it is earned, without regard to timeliness of collection	48,057
The increase in the other postemployment benefit asset creates a decrease in benefit payment expenses that is recorded on the statement of activities but not in the governmental funds	354,755
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	2,565,000
Change in accrued interest payable and deferred amounts on refundings	119,684
Pension expense is recognized in the statement of activities, but not in the governmental funds	24,426
Accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(17,542)
Change in Net Position of Governmental Activities	<u>\$ 3,382,942</u>

Township of Macomb

Proprietary Fund Statement of Net Position June 30, 2016

	Enterprise Fund - Water and Sewer
Assets	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 35,572,772
Receivables - Net:	
Special assessments receivable - Due within one year	83,099
Receivables from sales to customers on account	8,729,168
Due from other governmental units	239,524
Inventory	98,944
Total current assets	<u>44,723,507</u>
Noncurrent assets:	
Restricted assets (Note 7)	2,253,589
Net OPEB asset (Note 9)	1,054,143
Capital assets:	
Assets not subject to depreciation (Note 4)	12,511,240
Assets subject to depreciation (Note 4)	146,771,855
Total noncurrent assets	<u>162,590,827</u>
Total assets	<u>207,314,334</u>
Deferred Outflows of Resources -	
Bond refunding loss being amortized	134,816
Liabilities	
Current liabilities:	
Accounts payable	2,997,928
Due to other governmental units	188,426
Accrued liabilities and other	283,570
Current portion of compensated absences (Note 6)	211,568
Current portion of long-term debt (Note 6)	2,112,342
Total current liabilities	<u>5,793,834</u>
Noncurrent liabilities:	
Compensated absences - Net of current portion (Note 6)	63,719
Long-term debt - Net of current portion (Note 6)	31,327,052
Total noncurrent liabilities	<u>31,390,771</u>
Total liabilities	<u>37,184,605</u>
Net Position	
Net investment in capital assets	127,010,272
Restricted for county drains (Note 7)	1,087,018
Unrestricted	42,167,255
Total net position	<u><u>\$ 170,264,545</u></u>

Township of Macomb

Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2016

	<u>Enterprise Fund - Water and Sewer</u>
Operating Revenue	
Sale of water	\$ 13,399,015
Sewage disposal charges	12,663,564
Charges for services	<u>768,417</u>
Total operating revenue	26,830,996
Operating Expenses	
Cost of water	10,105,353
Cost of sewage disposal	9,278,923
Operation and maintenance	979,869
General and administrative	2,437,641
Contributions to Retiree Health Fund	267,744
Depreciation (Note 4)	<u>3,676,039</u>
Total operating expenses	<u>26,745,569</u>
Operating Income	85,427
Nonoperating Revenue (Expenses)	
Investment income	131,373
Interest expense	(1,252,625)
Gain on sale of assets	6,000
Operating grants	<u>227,625</u>
Total nonoperating expenses	<u>(887,627)</u>
Loss - Before contributions	(802,200)
Capital Contributions	
Capital grants	549,773
Developers and other governmental units	1,965,740
Tap fees and frontage charges	<u>1,441,445</u>
Total capital contributions	<u>3,956,958</u>
Change in Net Position	3,154,758
Net Position - Beginning of year	<u>167,109,787</u>
Net Position - End of year	<u><u>\$ 170,264,545</u></u>

Township of Macomb

Proprietary Fund Statement of Cash Flows Year Ended June 30, 2016

	Enterprise Fund - Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 24,567,289
Payments to suppliers	(20,916,478)
Payments to employees	(1,528,880)
	2,121,931
Cash Flows from Capital and Related Financing Activities	
Receipt of capital grants	549,773
Collection of special assessments	25,055
Collection of customer tap fees	1,441,446
Proceeds from sales of capital assets	6,000
Purchase of capital assets	(253,566)
Principal and interest paid on long-term debt	(3,580,286)
	(1,811,578)
Cash Flows from Investing Activities - Interest received on investments	131,373
Net Increase in Cash and Cash Equivalents	441,726
Cash and Cash Equivalents - Beginning of year	35,356,023
Cash and Cash Equivalents - End of year	\$ 35,797,749
Balance Sheet Classification of Cash and Cash Equivalents	
Cash and cash equivalents	\$ 35,572,772
Restricted cash (Note 7)	224,977
	\$ 35,797,749
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 85,427
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation and amortization	3,676,039
Changes in assets and liabilities:	
Receivables	(2,365,932)
Due from others	102,225
Inventory	575
Prepaid and other	(96,388)
Accounts payable	829,755
Due to others	(69,743)
Accrued and other liabilities	(52,706)
Due to other government units	2,971
Compensated absences	9,708
	2,121,931
Net cash provided by operating activities	\$ 2,121,931

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2016, developers constructed water and sewer lines with a value of approximately \$2.0 million and donated them to the Township's Water and Sewer Enterprise Fund. Also during the year, approximately \$1.7 million of capital assets were recorded in connection with the Oakland and Macomb County MIDD and OMIDD drain and interceptor projects. These assets were paid for using cash on hand at Oakland and Macomb counties. Approximately \$469,000 in related debt was recorded on the balance sheet during the year relating to the Oakland and Macomb County MIDD and OMIDD drain and interceptor projects, which related to infrastructure additions. See the long-term debt footnote for more details.

The Notes to Financial Statements are an
Integral Part of this Statement.

Township of Macomb

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2016

	Trust Funds - Pensions and Other Retirement Benefits	Agency Funds
Assets		
Cash and cash equivalents	\$ 604,910	\$ 1,828,269
Investments (Note 3):		
Municipal bonds	776,544	-
Agency securities	2,360,850	-
Corporate bonds	5,258,168	-
Money market funds	1,270	-
Mutual funds	13,801,730	-
Total assets	22,803,472	<u>\$ 1,828,269</u>
Liabilities - Cash bonds and deposits	<u>-</u>	<u>\$ 1,828,269</u>
Net Position Restricted for Pension and Other Employee Benefits	<u>\$ 22,803,472</u>	

Township of Macomb

Fiduciary Funds Statement of Changes in Fiduciary Net Position Year Ended June 30, 2016

	Trust Funds - Pensions and Other Retirement Benefits
Additions	
Investment income (loss):	
Interest and dividends	\$ 637,374
Net decrease in fair value of investments	(399,730)
Investment-related expenses	<u>(98,632)</u>
Net investment income	139,012
Contributions:	
Employer	1,777,236
Employee	<u>32,417</u>
Total contributions	<u>1,809,653</u>
Total additions	1,948,665
Deductions	
Benefit payments	472,535
Administrative expenses	<u>5,612</u>
Total deductions	<u>478,147</u>
Net Increase	1,470,518
Net Position Restricted for Pension and Other Employee Benefits - Beginning of year	<u>21,332,954</u>
Net Position Restricted for Pension and Other Employee Benefits - End of year	<u><u>\$ 22,803,472</u></u>

Township of Macomb

Notes to Financial Statements June 30, 2016

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

The Township of Macomb 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 fire retirement system is governed by a five-member pension board that includes the Macomb Township treasurer, two individuals chosen by the Township's board of trustees, and two elected fire department members. The system is reported as if it were part of the primary government because of the fiduciary responsibilities that the Township retains relative to the operations of the retirement system.

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.

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.

Note I - Summary of 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 these statements. Exceptions to this general rule 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 us to show the particular expenditures for which specific revenue was used. The various funds are aggregated into three broad fund types:

Note I - Summary of Significant Accounting Policies (Continued)

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, and capital project 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 general 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.
- The Building Authority Debt Service Fund accounts for all debt payments made related to construction activities for new township facilities.
- The Municipal Street Fund accounts for activities related to construction and maintenance of roads throughout the Township.

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees). The Township reports the following “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 include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include:

- The Pension Trust Fund 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 Bond Escrow Agency Fund accounts for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. The Bond Escrow Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Note I - Summary of Significant Accounting Policies (Continued)

Interfund activity: During the course of operations, the government 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.

Further, 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 government has spent its resources.

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 healthcare-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."

Township of Macomb

Notes to Financial Statements June 30, 2016

Note I - Summary of Significant Accounting Policies (Continued)

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

Specific Balances and Transactions

Cash, 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.

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.

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

<u>Capital Asset Class</u>	<u>Lives (Years)</u>
Roads and bridges	25
Water and sewer lines	50-70
Water meters	50
Buildings and building improvements	40
Vehicles	5
Office furnishings	7
Other tools and equipment	5-7

Note I - Summary of Significant Accounting Policies (Continued)

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 bonds 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 an "other financing source," 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 two 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 outflow 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 plan 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 two items that qualify for reporting in this category, which include unavailable revenue reported only in the governmental funds balance sheet and deferred pension inflows reported in the government-wide statement 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. The deferred inflows of resources related to the pension plan result from the variance between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability.

Note I - Summary of Significant Accounting Policies (Continued)

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 government's highest level of decision-making authority. The township board of trustees is the highest level of decision-making authority for the government 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.

Note I - Summary of Significant Accounting Policies (Continued)

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 only exist 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.

The Township's 2015 tax is levied and collectible on December 1, 2015 and is recognized as revenue in the year ended June 30, 2016, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2015 taxable valuation of the Township totaled \$3.0 billion, on which ad valorem taxes levied consisted of 0.6717 mills for operating purposes, 1.0588 mills for fire operating services, 0.0747 mills for fire pension, 1.0601 mills for police protection, and 0.8183 mills for parks and recreation. This resulted in \$2.1 million for operating, \$3.1 million for fire operations, \$.2 million for fire pension, \$3.3 million for police protection, and \$2.5 million for parks and recreation. These amounts are recognized in the respective General Fund and Special Revenue Fund financial statements as tax revenue. The Fire Pension Fund's tax revenue is recorded as an employer contribution to the Fire Retirement System.

Pension - The Township offers a defined benefit pension plan to its fire employees. The Township records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

Note I - Summary of Significant Accounting Policies (Continued)

Other Postemployment Benefit Costs - The Township offers retiree healthcare benefits to retirees. The Township receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the Township reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

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.

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.

Township of Macomb

Notes to Financial Statements June 30, 2016

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Act - The Township tracks the results of building department operation in the General Fund in accordance with Michigan Public Act 245 of 1999. The Township is required to maintain an accounting system that separately accumulates revenue and expenditures related to the building department function. As required under the provision of the act, the Township adopted this accounting treatment effective January 1, 2000. A summary of the activity since January 1, 2000 is as follows:

Cumulative expenditures over revenue - June 30, 2015		\$ (9,391,853)
Current year permit revenue		1,278,627
Related expenses:		
Direct costs	\$ 1,256,023	
Estimated indirect costs	<u>786,603</u>	<u>2,042,626</u>
Net shortfall for the year ended June 30, 2016		<u>(763,999)</u>
Cumulative expenditures over revenue - June 30, 2016		<u>\$ (10,155,852)</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, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which 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 Pension Trust 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 13 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.

Township of Macomb

Notes to Financial Statements June 30, 2016

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 does not have a deposit policy for custodial credit risk. At year end, the Township had \$51,583,788 of bank deposits (certificates of deposit, 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.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

Investment Type	Fair Value of Primary Government Deposits and Investments	Fair Value of Pension Trust and Retiree Healthcare Funds	How Held
U.S. government agency securities	\$ 5,793,233	\$ 2,360,850	Counterparty
Corporate bonds	-	5,258,168	Counterparty
Municipal bonds	17,812,177	776,544	Counterparty
Certificates of deposit - Negotiable	6,232,024	-	Counterparty
Total investments	\$ 29,837,434	\$ 8,395,562	

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 does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

Township of Macomb

Notes to Financial Statements June 30, 2016

Note 3 - Deposits and Investments (Continued)

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	\$ 5,793,233	1.15
Municipal bonds	17,812,177	1.02
Certificates of deposit - Negotiable	<u>6,232,024</u>	0.53
Total	<u>\$ 29,837,434</u>	
Fiduciary Funds		
U.S. government agency securities	\$ 2,360,850	24.94
Municipal bonds	776,544	17.71
Corporate bonds	<u>5,258,168</u>	6.46
Total	<u>\$ 8,395,562</u>	

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. 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	\$ 5,793,233	AA+	Standard & Poor's
Municipal bonds	15,104,345	AAA to SP-I	Moody's
Certificates of deposit - Negotiable	<u>6,232,024</u>	Not rated	Not rated
Total	<u>\$ 27,129,602</u>		
Fiduciary Funds			
U.S. government agency securities	\$ 1,958,110	AA+	Standard & Poor's
Municipal bonds	231,651	AAA to SP-I	Moody's
Corporate bonds	<u>5,258,168</u>	AAA to BBB	Standard & Poor's
Total	<u>\$ 7,447,929</u>		

Township of Macomb

Notes to Financial Statements June 30, 2016

Note 3 - Deposits and Investments (Continued)

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

In instances whereby 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.

The Township has the following recurring fair value measurements as of June 30, 2016:

Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Municipal bonds	\$ 18,588,721	\$ -	\$ 18,588,721	\$ -
U.S. government agency securities	8,154,083	-	8,154,083	-
Corporate bonds	5,258,168	-	5,258,168	-
Stock mutual fund	13,801,730	13,801,730	-	-
Certificate of deposit - Negotiable	6,232,024	6,232,024	-	-
Land held for resale	468,849	-	468,849	-
Total investments by fair value level	<u>\$ 52,503,575</u>	<u>\$ 20,033,754</u>	<u>\$ 32,469,821</u>	<u>\$ -</u>

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, 2016 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.

Township of Macomb

Notes to Financial Statements June 30, 2016

Note 4 - Capital Assets

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

Governmental Activities	Balance July 1, 2015	Additions	Disposals and Reclassifications	Balance June 30, 2016
Capital assets not being depreciated -				
Land	\$ 3,184,951	\$ -	\$ -	\$ 3,184,951
Capital assets being depreciated:				
Infrastructure	11,433,412	1,304,344	-	12,737,756
Buildings and improvements	50,506,068	264,703	-	50,770,771
Vehicles	4,211,421	-	(176,533)	4,034,888
Office furnishings	4,223,184	102,000	(94,246)	4,230,938
Other tools and equipment	1,519,173	465,670	(29,317)	1,955,526
Subtotal	71,893,258	2,136,717	(300,096)	73,729,879
Accumulated depreciation:				
Infrastructure	3,371,063	483,423	-	3,854,486
Buildings and improvements	13,644,805	1,254,097	-	14,898,902
Vehicles	3,422,077	333,177	(187,080)	3,568,174
Office furnishings	3,431,057	262,910	(72,398)	3,621,569
Other tools and equipment	1,171,939	113,388	(29,317)	1,256,010
Subtotal	25,040,941	2,446,995	(288,795)	27,199,141
Net capital assets being depreciated	46,852,317	(310,278)	(11,301)	46,530,738
Net capital assets	\$ 50,037,268	\$ (310,278)	\$ (11,301)	\$ 49,715,689
Business-type Activities	Balance July 1, 2015	Additions	Disposals and Reclassifications	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 91,700	\$ -	\$ -	\$ 91,700
Construction in progress	10,542,420	1,877,120	-	12,419,540
Subtotal	10,634,120	1,877,120	-	12,511,240
Capital assets being depreciated:				
Water and sewer mains	196,866,368	1,992,268	-	198,858,636
Buildings and improvements	2,558,702	-	-	2,558,702
Water meters	4,998,856	24,597	-	5,023,453
Vehicles	703,191	51,778	(16,873)	738,096
Furniture and equipment	971,008	2,780	-	973,788
Subtotal	206,098,125	2,071,423	(16,873)	208,152,675
Accumulated depreciation:				
Water and sewer mains	53,654,674	3,419,787	-	57,074,461
Buildings and improvements	1,163,657	63,968	-	1,227,625
Water meters	1,564,707	99,521	-	1,664,228
Vehicles	592,430	27,268	(16,873)	602,825
Furniture and equipment	746,186	65,495	-	811,681
Subtotal	57,721,654	3,676,039	(16,873)	61,380,820
Net capital assets being depreciated	148,376,471	(1,604,616)	-	146,771,855
Net capital assets	\$ 159,010,591	\$ 272,504	\$ -	\$ 159,283,095

Township of Macomb

Notes to Financial Statements June 30, 2016

Note 4 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 440,066
Public safety	585,231
Public works	512,651
Recreation and culture	909,047
	<u>2,446,995</u>
Total governmental activities	<u>\$ 2,446,995</u>
Business-type activities - Water and sewer	<u>\$ 3,676,039</u>

Construction Commitments - The Township has approved certain road paving construction projects prior to June 30, 2016. At year end, the Township's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Road paving projects	<u>\$ 1,055,657</u>	<u>\$ 1,426,719</u>

Note 5 - Interfund Transfers

As of June 30, 2016, there were no interfund balances.

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

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Law Enforcement Sheriff Fund	\$ 570,000
	Municipal Street Fund	2,000,000
	Public Improvement	25,000
	Building Authority Debt Service Fund	498,400
	Total General Fund	<u>3,093,400</u>
Fire Operating Fund	Building Authority Debt Service Fund	456,175
	Other nonmajor governmental funds	325,000
	Total Fire Operating Fund	<u>781,175</u>
Parks and Recreation Operating Fund	Building Authority Debt Service Fund	2,763,300
	Total	<u>\$ 6,637,875</u>

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

Township of Macomb

Notes to Financial Statements June 30, 2016

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.

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds:							
2009 Building Authority Bonds:							
Amount of issue - \$5,000,000	3.00% -	\$250,000 -					
Maturing through 2023	5.00%	\$550,000	\$ 3,500,000	\$ -	\$ 350,000	\$ 3,150,000	\$ 350,000
2011 Building Authority Refunding Bonds:							
Amount of issue - \$8,470,000	2.00% -	\$260,000-					
Maturing through 2027	4.875%	\$940,000	7,360,000	-	275,000	7,085,000	420,000
2012 Building Authority Refunding Bonds:							
Amount of issue - \$13,390,000	2.00% -	\$235,000-					
Maturing through 2025	4.000%	\$1,640,000	11,860,000	-	985,000	10,875,000	1,030,000
Unamortized bond premium			891,231	-	89,123	802,108	89,123
2015 Building Authority Refunding Bonds:							
Amount of issue - \$6,805,000	3.00% -	\$950,000 -					
Maturing through 2022	4.00%	\$1,015,000	6,805,000	-	955,000	5,850,000	955,000
Unamortized bond premium			572,271	-	81,753	490,518	81,753
Total bonds payable			30,988,502	-	2,735,876	28,252,626	2,925,876
Other long-term obligations:							
Compensated absences			653,962	17,542	-	671,504	537,360
Capital leases			64,817	-	-	64,817	64,817
Total governmental activities			\$ 31,707,281	\$ 17,542	\$ 2,735,876	\$ 28,988,947	\$ 3,528,053

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

Township of Macomb

Notes to Financial Statements June 30, 2016

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
General obligation bonds:							
2010 Capital Improvement and Refunding Bond:							
Amount of issue - \$9,805,000	2.00% -	\$280 -					
Maturing through 2031	5.00%	\$695,000	\$ 7,545,000	\$ -	\$ 595,000	\$ 6,950,000	\$ 615,000
2014 GO Refund Bond:							
Amount of issue - \$2,085,000		\$380,000 -					
Maturing through 2019	1.37%	\$450,000	1,705,000	-	450,000	1,255,000	435,000
County drain contract obligations:							
2008 North Gratiot Interceptor Drainage District:							
Amount of issue - \$1,113,386	3.50% -	\$37,379 -					
Maturing through 2033	5.00%	\$59,806	914,531	-	914,531	-	-
2010B OMID Drainage District:							
Amount of issue - \$452,552	1.15% -	\$16,886 -					
Maturing through 2030	5.90%	\$35,124	375,890	-	17,561	358,329	18,237
2010A OMID Drainage District:							
Amount of issue - \$1,750,840		\$73,962 -					
Maturing through 2031	2.50%	\$110,429	1,475,867	-	75,988	1,399,879	78,015
2010 North Gratiot Interceptor Drainage District:							
Amount of issue - \$103,529	1.00% -	\$3,265 -					
Maturing through 2035	6.35%	\$5,950	88,701	-	3,326	85,375	3,387
Amount of issue - \$846,752	3.50% -	\$34,887 -					
Maturing through 2033	5.00%	\$56,068	-	846,752	-	846,752	34,887
2010A MID Drainage District:							
Amount of issue - \$15,808,421	1.25% -	\$510,856 -					
Maturing through 2035	5.375%	\$930,782	13,801,353	-	519,121	13,282,232	529,868
2015A MID Drainage District:							
Amount of issue - \$499,851		\$19,722 -					
Maturing through 2036	2.50%	\$31,283	-	499,851	-	499,851	19,722
2013 OMID Drainage District:							
Amount of issue - \$4,619,982		\$190,076 -					
Maturing through 2034	2.00%	\$276,958	4,619,982	-	190,076	4,429,906	193,977
2011 Clintondale Pump Station Improvements Drainage District:							
Amount of issue - \$4,039,605		\$118,040 -					
Maturing through 2031	5.00%	\$327,890	3,613,348	-	131,156	3,482,192	144,271
Unamortized bond premium			213,895	-	13,369	200,526	13,369
2014 OMID Drainage District:							
Amount of issue - \$675,494	2.00% -	\$26,142 -					
Maturing through 2035	3.125%	\$44,348	675,494	-	26,142	649,352	26,609
Total bonds payable			35,029,061	1,346,603	2,936,270	33,439,394	2,112,342
Other long-term obligations -							
Compensated absences			265,579	9,708	-	275,287	211,568
Total business-type activities			<u>\$ 35,294,640</u>	<u>\$ 1,356,311</u>	<u>\$ 2,936,270</u>	<u>\$ 33,714,681</u>	<u>\$ 2,323,910</u>

Township of Macomb

Notes to Financial Statements June 30, 2016

Note 6 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above governmental bond and note obligations, excluding amortization of bond premiums and deferred amounts on refunding, are as follows:

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 2,755,000	\$ 1,060,900	\$ 3,815,900	\$ 2,098,973	\$ 1,067,330	\$ 3,166,303
2018	3,255,000	956,750	4,211,750	2,140,734	1,021,828	3,162,562
2019	3,320,000	836,700	4,156,700	2,167,603	966,825	3,134,428
2020	3,610,000	705,900	4,315,900	1,828,787	909,711	2,738,498
2021	3,895,000	563,725	4,458,725	1,896,858	849,898	2,746,756
2022-2026	9,650,000	932,869	10,582,869	8,475,581	3,370,023	11,845,604
2027-2031	475,000	23,156	498,156	9,564,020	1,797,709	11,361,729
2032-2036	-	-	-	5,066,312	356,085	5,422,397
Total	<u>\$ 26,960,000</u>	<u>\$ 5,080,000</u>	<u>\$ 32,040,000</u>	<u>\$ 33,238,868</u>	<u>\$ 10,339,409</u>	<u>\$ 43,578,277</u>

The Macomb Interceptor Drainage District (MID) is a construction and rehabilitation project that began in 2010 and is projected to continue through 2017. 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 projected to continue through 2017.

The total amount of bonds issued, the Township's share, and expected tax credit payments, where applicable, are as follows:

Macomb Interceptor Drainage District (MID)

	Total Issued	Township Portion	Tax Credit
MID Series 2010A	\$ 95,955,000	\$ 15,808,421	\$ 2,823,550
North Gratiot Interceptor 2010	16,965,000	103,529	-
North Gratiot Interceptor 2015	16,990,000	846,752	-
Clintondale Pump Station 2011	30,800,000	4,039,599	-
MID Series 2015A	3,675,000	499,851	-

Township of Macomb

Notes to Financial Statements June 30, 2016

Note 6 - Long-term Debt (Continued)

Oakland-Macomb Interceptor Drainage District (OMID)

	Total Issued	Township Portion
2010A (SRF)	\$ 26,076,000	\$ 6,381,283
2010B	6,700,000	452,550
2014A	7,235,000	675,494

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 - In 2015, the Township defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2016, \$6,235,000 of bonds outstanding are considered defeased.

In 2014, the Township defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2016, \$1,255,000 of bonds outstanding are considered defeased.

In 2012, the Township defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2016, \$11,275,000 of bonds outstanding are considered defeased.

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.

Township of Macomb

Notes to Financial Statements June 30, 2016

Note 7 - Restricted Assets (Continued)

The following is the detail of restricted assets at June 30, 2016:

Water and Sewer Fund - Unspent bond proceeds and deposits held at County:

Due from Oakland County*	\$ 1,145,602
Due from Macomb County**	635,884
Water and Sewer Fund - Unspent bond proceeds	224,977

* This amount is held by Oakland County 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 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, 2016.

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 - Other Postemployment Benefits (OPEB)

Plan Description - The Township provides retiree healthcare benefits to all full-time employees upon retirement in accordance with labor contracts. Currently, the plan has 27 retirees that are eligible for postemployment health benefits. The Township includes pre-Medicare retirees and their dependents in its insured healthcare plan with no contribution recognized by the participant.

This is a single-employer defined benefit plan administered by the Township. The benefits are provided under collective bargaining. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions.

Township of Macomb

Notes to Financial Statements June 30, 2016

Note 9 - Other Postemployment Benefits (OPEB) (Continued)

Funding Policy - In the current year, the Township paid postemployment healthcare costs of \$318,479 and made pre-funding contributions of \$1,228,748 to the Retiree Health Care Fund. Retiree healthcare costs are recognized by the Township on a “pay-as-you-go” basis; however, at the end of the current year, the Township maintains approximately \$20.3 million in a prefunded retiree healthcare fund, which is reported in the financial statements as a pension and other employee benefit trust fund type.

Funding Progress - For the year ended June 30, 2016, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of July 1, 2014. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (ARC) (recommended)	\$ 1,220,313
Adjustments to ARC:	
Interest on prior year OPEB asset	(230,387)
ARC adjustment	<u>106,158</u>
Annual OPEB cost	1,096,084
Amounts contributed:	
Payments of current premiums	(318,479)
Employer contributions to the fund	<u>(1,228,748)</u>
Increase in net OPEB asset	(451,143)
OPEB asset - Beginning of year	<u>(4,607,714)</u>
OPEB asset - End of year	<u>\$ (5,058,857)</u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB asset for the current and previous years are as follows:

<u>Fiscal Years Ended</u>	<u>Annual OPEB Costs</u>	<u>Percentage Contributed</u>	<u>Net OPEB Asset</u>
6/30/16	\$ 1,096,084	141 %	\$ 5,058,857
6/30/15	1,079,228	164	4,607,714
6/30/14	1,062,465	162	3,914,648

Township of Macomb

Notes to Financial Statements June 30, 2016

Note 9 - Other Postemployment Benefits (OPEB) (Continued)

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
7/1/14	\$ 17,107,119	\$ 19,993,872	\$ 2,886,753	85.6 %	\$ 4,822,901	59.9 %
4/1/11	10,673,324	16,974,869	6,301,545	62.9	4,671,044	134.9
7/1/08	6,455,955	8,850,729	2,394,774	72.9	4,193,152	57.1

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses), which 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, and an annual healthcare inflation rate of 10 percent for three years, graded down to 4 percent in 0.5 percent increments over 12 years. Average annual salary increases were assumed at 3 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of payroll over 30 years.

Township of Macomb

Notes to Financial Statements June 30, 2016

Note 10 - Pension Plan Description

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.

Employees Covered by Benefit Terms - At June 30, 2016, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	4
Active plan members	<u>7</u>
Total employees covered by the plan	<u><u>11</u></u>

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 three-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 non-duty disability benefits after five 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 non-duty death benefits equal the member's actuarially reduced pension benefit.

Township of Macomb

Notes to Financial Statements June 30, 2016

Note 10 - Pension Plan Description (Continued)

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, 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, 2016, the average active member contribution rate was 5 percent of annual pay and the Township's average contribution rate was 14.8 of annual payroll.

Note 11 - Pension Plan Investments - Policy and Rate of Return

Investment Policy - The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Retirement System Board by a majority vote of its members. It is the policy of the Retirement System Board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the board's adopted asset allocation policy as of June 30, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	40-65%
Fixed-income securities	35-60%
Cash or cash equivalents	0-15%

Rate of Return - For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -3.09 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 12 - 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 legally required reserve for retired benefit payments has not been calculated.

Township of Macomb

Notes to Financial Statements June 30, 2016

Note 12 - Pension Plan Reserves (Continued)

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

The balances of the reserve accounts at June 30, 2016 are as follows:

	<u>Required Reserve</u>	<u>Amount Funded</u>
Retiree reserve	Undetermined	\$ -
Employee reserve	\$ 255,537	255,537
Employer reserve	N/A	2,206,364

Note 13 - Net Pension Liability

The components of the net pension liability of the Township at June 30, 2016 were as follows:

Total pension liability	\$ 2,726,731
Plan fiduciary net position	<u>2,461,901</u>
Township's net pension liability	<u>\$ 264,830</u>
Plan fiduciary net position as a percentage of the total pension liability	90.3 %

The Township has chosen to use June 30, 2016 as its measurement date for the net pension liability. The June 30, 2016 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of June 30, 2016. The June 30, 2016 total pension liability was determined by an actuarial valuation performed as of June 30, 2016.

Township of Macomb

Notes to Financial Statements June 30, 2016

Note 13 - Net Pension Liability (Continued)

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at June 30, 2015	\$ 2,784,593	\$ 2,437,849	\$ 346,744
Changes for the year:			
Service cost	132,825	-	132,825
Interest	138,699	-	138,699
Changes in benefits:			
Differences between expected and actual experience	(175,330)	-	(175,330)
Contributions - Employer	-	230,009	(230,009)
Contributions - Employee	-	32,417	(32,417)
Net investment income	-	(78,706)	78,706
Benefit payments, including refunds	(154,056)	(154,056)	-
Administrative expenses	-	(5,612)	5,612
Net changes	(57,862)	24,052	(81,914)
Balance at June 30, 2016	<u>\$ 2,726,731</u>	<u>\$ 2,461,901</u>	<u>\$ 264,830</u>

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

For the year ended June 30, 2016, the Township recognized pension expense of \$205,583. At June 30, 2016, 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	\$ -	\$ 173,005
Changes in assumptions	204,613	-
Net difference between projected and actual earnings on pension plan investments	287,662	-
Total	<u>\$ 492,275</u>	<u>\$ 173,005</u>

Note 13 - Net Pension Liability (Continued)

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

<u>Years Ending June 30</u>	<u>Amount</u>
2017	\$ 85,325
2018	85,325
2019	85,325
2020	43,615
2021	2,982
Thereafter	16,698

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 %
Salary increases	3.0-6.8 % Average, including inflation
Investment rate of return	5.0 % Net of pension plan investment expense, including inflation

Mortality rates were based on the RP 2014 Healthy Annuitant Mortality Table.

Discount Rate - The discount rate used to measure the total pension liability was 5.0 percent. The projection of cash flows used to determine the discount rate assumed that member 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.

Projected Cash Flows

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.

Township of Macomb

Notes to Financial Statements June 30, 2016

Note 13 - Net Pension Liability (Continued)

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, 2016 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.

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	9.5 %
Fixed-income securities	4.9
Cash or cash equivalents	3.3

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Township, calculated using the discount rate of 5.0 percent, as well as what the Township's net pension liability 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:

	<u>1% Decrease (4.0%)</u>	<u>Current Discount Rate (5.0%)</u>	<u>1% Increase (6.0%)</u>
Net pension liability of the Township	\$ 608,488	\$ 264,830	\$ (20,933)

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, deferred outflows of resources and deferred inflows or resources related to pension, and pension expense, information about the plan's fiduciary net position and addition to/deduction 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.

Township of Macomb

Notes to Financial Statements June 30, 2016

Note 14 - Pension and Other Employee Benefit Trust Funds

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

	Fire Retirement System	Retiree Health Care Fund	Total
<u>Statement of Net Position</u>			
Cash and cash equivalents	\$ 77,553	\$ 527,357	\$ 604,910
Investments	<u>2,384,348</u>	<u>19,814,214</u>	<u>22,198,562</u>
Net position	<u>\$ 2,461,901</u>	<u>\$ 20,341,571</u>	<u>\$ 22,803,472</u>
<u>Statement of Changes in Net Position</u>			
Investment (loss) income	\$ (78,706)	\$ 217,718	\$ 139,012
Contributions	262,426	1,547,227	1,809,653
Benefit payments	154,056	318,479	472,535
Other deductions	<u>5,612</u>	<u>-</u>	<u>5,612</u>
Net change in net position	<u>\$ 24,052</u>	<u>\$ 1,446,466</u>	<u>\$ 1,470,518</u>

Note 15 - 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 the Township. 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, 2016, the Township made contributions of \$499,440 and the plan members contributed \$249,720 to the plan.

Note 16 - Change in Accounting

During the year, the Township adopted GASB Statement No. 72, *Fair Value Measurement and Application*. As a result, the notes to the financial statements now include enhanced disclosures about fair value measurement, the level of fair value hierarchy, and valuation techniques.

Note 17 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans, whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statements more extensive note disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the Township will, after adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. The Township is currently evaluating the impact these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for fiscal years beginning after June 15, 2016 whereas GASB Statement No. 75 is effective one year later.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement will require governments to disclose in their financial statements information related to tax abatement agreements. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

Required Supplemental Information

Township of Macomb

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes and fees	\$ 2,010,200	\$ 2,010,200	\$ 2,081,947	\$ 71,747
Licenses and permits	2,458,000	2,458,000	2,781,663	323,663
Federal grants and other	180,270	180,270	18,128	(162,142)
State-shared revenue and grants	6,325,000	6,331,500	6,302,807	(28,693)
Charges for services	245,698	245,698	245,789	91
Fines and forfeitures	118,500	118,500	195,438	76,938
Interest	78,000	78,000	139,707	61,707
Other revenue:				
Special assessments	827,975	827,975	829,313	1,338
Donations	1,000	1,000	-	(1,000)
Other	269,000	262,500	286,717	24,217
Total revenue	<u>12,513,643</u>	<u>12,513,643</u>	<u>12,881,509</u>	<u>367,866</u>
Expenditures - Current				
General government	9,837,967	9,837,967	6,293,288	3,544,679
Public safety	1,548,050	1,548,050	1,639,418	(91,368)
Public works	1,126,500	1,126,500	1,031,204	95,296
Recreation and culture	371,475	371,475	275,103	96,372
Total expenditures	<u>12,883,992</u>	<u>12,883,992</u>	<u>9,239,013</u>	<u>3,644,979</u>
Excess of Revenue (Under) Over Expenditures	(370,349)	(370,349)	3,642,496	4,012,845
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	46,598	46,598
Transfers out	(2,999,180)	(3,199,180)	(3,093,400)	105,780
Total other financing uses	<u>(2,999,180)</u>	<u>(3,199,180)</u>	<u>(3,046,802)</u>	<u>152,378</u>
Net Change in Fund Balance	(3,369,529)	(3,569,529)	595,694	4,165,223
Fund Balance - Beginning of year	<u>30,263,123</u>	<u>30,263,123</u>	<u>30,263,123</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 26,893,594</u>	<u>\$ 26,693,594</u>	<u>\$ 30,858,817</u>	<u>\$ 4,165,223</u>

Township of Macomb

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Parks and Recreation Operating Fund Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes and fees	\$ 2,500,000	\$ 2,500,000	\$ 2,521,114	\$ 21,114
Charges for services	2,116,600	2,116,600	2,088,781	(27,819)
Interest	26,000	26,000	20,398	(5,602)
Total revenue	4,642,600	4,642,600	4,630,293	(12,307)
Expenditures - Current - Recreation and culture	2,779,080	2,779,080	2,588,941	190,139
Excess of Revenue Over Expenditures	1,863,520	1,863,520	2,041,352	177,832
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	21,700	21,700
Transfers out	(2,763,605)	(2,763,605)	(2,763,300)	305
Net Change in Fund Balance	(900,085)	(900,085)	(700,248)	199,837
Fund Balance - Beginning of year	4,596,076	4,596,076	4,596,076	-
Fund Balance - End of year	<u>\$ 3,695,991</u>	<u>\$ 3,695,991</u>	<u>\$ 3,895,828</u>	<u>\$ 199,837</u>

Township of Macomb

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Operating Fund Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes and fees	\$ 3,050,000	\$ 3,050,000	\$ 3,144,684	\$ 94,684
Charges for services	100	100	-	(100)
Interest	25,000	25,000	32,533	7,533
Other	-	-	3,000	3,000
Total revenue	<u>3,075,100</u>	<u>3,075,100</u>	<u>3,180,217</u>	<u>105,117</u>
Expenditures - Current				
Public safety	3,831,123	3,831,123	2,912,697	918,426
Capital outlay	-	-	278,223	(278,223)
Total expenditures	<u>3,831,123</u>	<u>3,831,123</u>	<u>3,190,920</u>	<u>640,203</u>
Excess of Expenditures Over Revenue	(756,023)	(756,023)	(10,703)	745,320
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	30,533	30,533
Transfers out	(923,175)	(923,175)	(781,175)	142,000
Total other financing uses	<u>(923,175)</u>	<u>(923,175)</u>	<u>(750,642)</u>	<u>172,533</u>
Net Change in Fund Balance	(1,679,198)	(1,679,198)	(761,345)	917,853
Fund Balance - Beginning of year	<u>6,465,039</u>	<u>6,465,039</u>	<u>6,465,039</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 4,785,841</u>	<u>\$ 4,785,841</u>	<u>\$ 5,703,694</u>	<u>\$ 917,853</u>

Township of Macomb

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Law Enforcement Sheriff Fund Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes and fees	\$ 3,200,000	\$ 3,200,000	\$ 3,266,134	\$ 66,134
State-shared revenue and grants	20,000	20,000	20,137	137
Interest	4,000	4,000	6,448	2,448
Total revenue	3,224,000	3,224,000	3,292,719	68,719
Expenditures - Current public safety	3,409,275	3,609,275	3,291,539	317,736
Excess of Revenue (Under) Over Expenditures	(185,275)	(385,275)	1,180	386,455
Other Financing Sources - Transfers in	370,000	570,000	570,000	-
Net Change in Fund Balance	184,725	184,725	571,180	386,455
Fund Balance - Beginning of year	1,420,813	1,420,813	1,420,813	-
Fund Balance - End of year	<u>\$ 1,605,538</u>	<u>\$ 1,605,538</u>	<u>\$ 1,991,993</u>	<u>\$ 386,455</u>

Township of Macomb

Required Supplemental Information Retiree Health Care Fund Schedule of Funding Progress Year Ended June 30, 2016

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
7/1/08	\$ 6,455,955	\$ 8,850,729	\$ 2,394,774	72.9	\$ 4,193,152	57.1
4/1/11	10,673,324	16,974,869	6,301,545	62.9	4,671,044	134.9
7/1/14	17,107,119	19,993,872	2,886,753	85.6	4,822,901	59.9

The schedule of employer contributions is as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage Contributed
6/30/11	\$ 1,324,308	72.0
6/30/12	1,268,615	134.0
6/30/13	1,256,932	136.0
6/30/14	1,062,465	162.0
6/30/15	1,079,229	164.0
6/30/16	1,096,084	141.0

Township of Macomb

Required Supplemental Information Schedule of Investment Returns Last Six Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual money-weighted rate of return - Net of investment expense	(3.1)%	(3.4)%	11.3 %	3.8 %	(3.4)%	11.5 %

Township of Macomb

Required Supplemental Information Schedule of Changes in the Township Net Pension Liability and Related Ratios Year Ended June 30

	2016	2015	2014
Total Pension Liability			
Service cost	\$ 132,825	\$ 132,825	\$ 100,679
Interest	138,699	121,973	117,093
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(175,330)	(23,304)	17,813
Changes in assumptions	-	257,079	-
Benefit payments, including refunds	<u>(154,056)</u>	<u>(154,055)</u>	<u>(154,056)</u>
Net Change in Total Pension Liability	(57,862)	334,518	81,529
Total Pension Liability - Beginning of year	<u>2,784,593</u>	<u>2,450,075</u>	<u>2,368,546</u>
Total Pension Liability - End of year	<u>\$ 2,726,731</u>	<u>\$ 2,784,593</u>	<u>\$ 2,450,075</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 230,009	\$ 219,782	\$ 211,645
Contributions - Member	32,417	30,906	28,613
Net investment income	(78,706)	(84,618)	227,723
Administrative expenses	(5,612)	(8,870)	(2,128)
Benefit payments, including refunds	<u>(154,056)</u>	<u>(154,055)</u>	<u>(154,056)</u>
Net Change in Plan Fiduciary Net Position	24,052	3,145	311,797
Plan Fiduciary Net Position - Beginning of year	<u>2,437,849</u>	<u>2,434,704</u>	<u>2,122,907</u>
Plan Fiduciary Net Position - End of year	<u>\$ 2,461,901</u>	<u>\$ 2,437,849</u>	<u>\$ 2,434,704</u>
Township's Net Pension Liability - Ending	<u>\$ 264,830</u>	<u>\$ 346,744</u>	<u>\$ 15,371</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.29 %	87.55 %	99.37 %
Covered Employee Payroll	\$ 506,370	\$ 626,003	\$ 607,770
Township's Net Pension Liability as a Percentage of Covered Employee Payroll	52.3 %	55.4 %	2.5 %

Township of Macomb

Note to Required Supplemental Information Year Ended June 30, 2016

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. 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, 2016 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.

	Fund Balance - Beginning of Year	Fund Balance - End of Year
	<u> </u>	<u> </u>
General Fund:		
Fund balance per the governmental funds statement of revenue, expenditures, and changes in fund balances	\$ 30,333,123	\$ 30,928,817
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, 2016 budget	<u>(70,000)</u>	<u>(70,000)</u>
Fund balance per General Fund budget statement	<u>\$ 30,263,123</u>	<u>\$ 30,858,817</u>

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Township incurred expenditures that were in excess of the amended budget as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund - Public safety	\$ 1,548,050	\$ 1,639,418	\$ (91,368)
Fire Operating Fund - Capital outlay	-	278,223	(278,223)

The unfavorable variances were caused by unanticipated expenditures that became necessary during the current year.

Other Supplemental Information

Township of Macomb

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2016

	Nonmajor Capital Projects Funds				
	Parks and Recreation Revolving - Debt Service Fund	Public Improvement	Fire Improvement	Building Authority Capital Projects Fund	Total Nonmajor Governmental Funds
Assets - Cash and investments	\$ 643,907	\$ 3,052,932	\$ 1,622,247	\$ -	\$ 5,319,086
Fund Balances					
Restricted:					
Fire	\$ -	\$ -	\$ 1,622,247	\$ -	\$ 1,622,247
Debt service	643,907	-	-	-	643,907
Assigned - Capital outlay	-	3,052,932	-	-	3,052,932
	\$ 643,907	\$ 3,052,932	\$ 1,622,247	\$ -	\$ 5,319,086
Total fund balances					

Township of Macomb

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2016

	Parks and Recreation Revolving - Debt Service Fund	Nonmajor Capital Projects Funds			Total Nonmajor Governmental Funds
		Public Improvement	Fire Improvement	Building Authority Capital Projects Fund	
Excess of Revenue Over Expenditures	\$ 1,288	\$ 6,067	\$ 3,068	\$ -	\$ 10,423
Other Financing Sources - Transfers in	-	25,000	325,000	-	350,000
Net Change in Fund Balances	1,288	31,067	328,068	-	360,423
Fund Balances - Beginning of year	642,619	3,021,865	1,294,179	-	4,958,663
Fund Balances - End of year	\$ 643,907	\$ 3,052,932	\$ 1,622,247	\$ -	\$ 5,319,086

Township of Macomb

Other Supplemental Information Statement of Assets and Liabilities Fiduciary Funds June 30, 2016

	Pension Trust Funds			Agency Funds
	Fire Retirement System	Retiree Health Care Fund	Total Pension Trust Funds	Bond Escrow Agency Fund
Assets				
Cash and cash equivalents	\$ 77,553	\$ 527,357	\$ 604,910	\$ 1,828,269
Investments:				
Municipal bonds	-	776,544	776,544	-
Agency securities	-	2,360,850	2,360,850	-
Corporate bonds	-	5,258,168	5,258,168	-
Money market funds	1,270	-	1,270	-
Mutual funds	<u>2,383,078</u>	<u>11,418,652</u>	<u>13,801,730</u>	<u>-</u>
Total assets	2,461,901	20,341,571	22,803,472	<u><u>\$ 1,828,269</u></u>
Liabilities - Refundable deposits, bonds, etc.	<u>-</u>	<u>-</u>	<u>-</u>	<u><u>\$ 1,828,269</u></u>
Net Position Restricted for Pension and Other Employee Benefits	<u><u>\$ 2,461,901</u></u>	<u><u>\$ 20,341,571</u></u>	<u><u>\$ 22,803,472</u></u>	

Township of Macomb

Other Supplemental Information Combining Statement of Changes in Net Position Fiduciary Funds Year Ended June 30, 2016

	Pension and Other Retirement Benefit Funds		Total
	Fire Retirement System	Retiree Health Care Fund	
Additions			
Investment income (loss):			
Interest and dividends	\$ 95,742	\$ 541,632	\$ 637,374
Net decrease in fair value of investments	(169,448)	(230,282)	(399,730)
Investment-related expenses	(5,000)	(93,632)	(98,632)
Net (loss) income	(78,706)	217,718	139,012
Contributions:			
Employer	230,009	1,547,227	1,777,236
Employee	32,417	-	32,417
Total contributions	262,426	1,547,227	1,809,653
Total additions - Net	183,720	1,764,945	1,948,665
Deductions			
Benefit payments	154,056	318,479	472,535
Administrative expenses	5,612	-	5,612
Total deductions	159,668	318,479	478,147
Net Increase	24,052	1,446,466	1,470,518
Net Position Restricted for Pension and Other Employee Benefits - Beginning of year	2,437,849	18,895,105	21,332,954
Net Position Restricted for Pension and Other Employee Benefits - End of year	\$ 2,461,901	\$20,341,571	\$ 22,803,472