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Township of Macomb  
Macomb County, Michigan

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**Financial Report**  
**with Supplemental Information**  
**June 30, 2018**

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## 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, 2018 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 an opinion 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, 2018 and the respective changes in its financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Emphasis of Matter***

As described in Note 14, during the year ended June 30, 2018, the Township adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which established accounting and financial reporting standards for defined benefit OPEB plans provided to the employees of governmental employers. Our opinion is not modified with respect to this matter.

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

**Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules for the General Fund and each major special revenue fund, the retiree healthcare fund schedules, and the pension system schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.



November 20, 2018

**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.

**Township's Net Position**

In a condensed format, the table below shows the comparison of net position as of June 30, 2018 to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current and other assets:						
Cash and investments	\$ 52,590,351	\$ 51,731,004	\$ 37,252,199	\$ 35,792,059	\$ 89,842,550	\$ 87,523,063
Receivables	1,249,716	1,183,241	9,605,076	8,591,175	10,854,792	9,774,416
Other assets	299,640	2,615,007	1,461,995	5,398,265	1,761,635	8,013,272
Capital assets	51,794,989	50,165,200	169,880,688	165,856,345	221,675,677	216,021,545
Total assets	105,934,696	105,694,452	218,199,958	215,637,844	324,134,654	321,332,296
<b>Deferred Outflows of Resources</b>	4,330,763	1,554,151	867,621	125,829	5,198,384	1,679,980
<b>Liabilities</b>						
Current liabilities	3,779,034	2,679,329	3,724,879	2,308,454	7,503,913	4,987,783
Noncurrent liabilities	24,235,451	26,909,521	39,174,818	41,529,283	63,410,269	68,438,804
Total liabilities	28,014,485	29,588,850	42,899,697	43,837,737	70,914,182	73,426,587
<b>Deferred Inflows of Resources</b>	272,783	165,890	41,705	-	314,488	165,890
<b>Net Position</b>						
Net investment in capital assets	29,832,758	24,656,791	131,875,748	128,722,072	161,708,506	153,378,863
Restricted	11,809,490	10,855,110	519,661	500,215	12,329,151	11,355,325
Unrestricted	40,335,943	41,981,962	43,730,768	42,703,649	84,066,711	84,685,611
Total net position	<u>\$ 81,978,191</u>	<u>\$ 77,493,863</u>	<u>\$ 176,126,177</u>	<u>\$ 171,925,936</u>	<u>\$ 258,104,368</u>	<u>\$ 249,419,799</u>

The Township's combined net position increased approximately \$8.7 million from a year ago, increasing from \$249.4 million to \$258.1 million. A review of the governmental activities, separate from the business-type activities, shows an increase of approximately \$4.5 million in net position, or 5.8 percent, during fiscal year 2018. 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 \$4.2 million, or 2.4 percent, during fiscal year 2018. This was primarily due to an increase in investment of capital assets.

Unrestricted net position for the governmental activities was \$40.3 million at June 30, 2018. This amount represents the part of net position that is available to finance day-to-day operations and future growth of the Township. The business-type activities net investment in capital assets increased \$3.2 million from the previous year. This is attributable to continued spending related to the Oakland Macomb Interceptor Drainage Districts.

# Township of Macomb

## Management's Discussion and Analysis (Continued)

### Township's Changes in Net Position

The following table shows the changes in net position during the year ended June 30, 2018 and the prior year:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 6,061,316	\$ 5,590,355	\$ 30,617,881	\$ 28,503,047	\$ 36,679,197	\$ 34,093,402
Operating grants and contributions	26,917	288,181	38,607	222,552	65,524	510,733
Capital grants and contributions	-	-	4,426,723	4,326,105	4,426,723	4,326,105
General revenue:						
Property taxes	16,398,435	11,324,009	-	-	16,398,435	11,324,009
State-shared revenue	6,881,191	6,776,711	-	-	6,881,191	6,776,711
Investment earnings	317,937	176,544	204,698	113,708	522,635	290,252
Cable fees and other	1,638,522	1,499,050	-	13,792	1,638,522	1,512,842
<b>Total revenue</b>	<b>31,324,318</b>	<b>25,654,850</b>	<b>35,287,909</b>	<b>33,179,204</b>	<b>66,612,227</b>	<b>58,834,054</b>
<b>Expenses</b>						
General government	7,854,383	6,630,951	-	-	7,854,383	6,630,951
Public safety	11,061,603	9,410,420	-	-	11,061,603	9,410,420
Public works	3,377,384	2,112,084	-	-	3,377,384	2,112,084
Recreation and culture	3,691,574	3,351,833	-	-	3,691,574	3,351,833
Debt service	855,046	886,288	-	-	855,046	886,288
Water and sewer	-	-	31,087,668	30,935,943	31,087,668	30,935,943
<b>Total program expenses</b>	<b>26,839,990</b>	<b>22,391,576</b>	<b>31,087,668</b>	<b>30,935,943</b>	<b>57,927,658</b>	<b>53,327,519</b>
<b>Change in Net Position</b>	<b>4,484,328</b>	<b>3,263,274</b>	<b>4,200,241</b>	<b>2,243,261</b>	<b>8,684,569</b>	<b>5,506,535</b>
<b>Net Position - Beginning of year (as restated)</b>	<b>77,493,863</b>	<b>76,754,767</b>	<b>171,925,936</b>	<b>170,264,545</b>	<b>249,419,799</b>	<b>247,019,312</b>
<b>Net Position - End of year</b>	<b>\$ 81,978,191</b>	<b>\$ 80,018,041</b>	<b>\$ 176,126,177</b>	<b>\$ 172,507,806</b>	<b>\$ 258,104,368</b>	<b>\$ 252,525,847</b>

### Governmental Activities

The Township's total governmental revenue increased by approximately \$5.6 million from the last fiscal year. An increase in tax rates and a roughly 3.3 percent increase in the taxable value of properties in the Township resulted in an increase of property tax revenue of \$5.1 million. The increase has been seen in overall property values in southeast Michigan.

Total governmental expenses increased by about \$4.4 million, or 19.9 percent, from the last fiscal year. The increase was primarily the result of the growth in the number of full-time employees during the year and an overall increase in growth and development.

### 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 6.4 percent to \$35.3 million. Revenue of the Township's business-type activities increased by \$2.1 million primarily as a result of an increase in water and sewer rates for the year ended June 30, 2018.

Expenses increased by about \$0.2 million for the year ended June 30, 2018. The fairly stable amount of expenditures is primarily due to an increase in water purchases and sewer treatment fees during the year being offset by a reduction in sewer maintenance expenditures. The Township provides water, which is purchased from the Great Lakes Water Authority, to nearly all its residents. The Township also provides sewage treatment to nearly all of its residents through the Macomb County sewage treatment plant.

#### **The Township's Funds**

Our analysis of the Township's major funds begins on pages 9 and 10, 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 2018 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**

Actual General Fund revenue exceeded budgeted revenue by 10.7 percent. Actual expenditures were 29.5 percent below budget, primarily due to planned general government expenditures that did not take place during the fiscal year. The Township completed the year with actual revenue over expenditures of \$4.3 million.

#### **Capital Assets and Debt Administration**

At the end of fiscal year 2018, the Township had approximately \$221.7 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 \$13.2 million and \$10.7 million for fiscal years 2018 and 2017, 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 \$33.7 million and \$34.8 million for fiscal years 2018 and 2017, 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 2018 tax rate increased when compared with the 2017 tax rate. Although rates have increased, strong expenditure controls and past growth in the Township's tax base have helped to accomplish keeping the tax rates low. Property taxes make up roughly 16.0 percent of the General Fund budget. Annual new growth and development in the Township has increased compared to the previous year but is expected to remain stable for the next few years. In addition, state revenue sharing, which represents nearly 48.1 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 71.6 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 5 to 6 percent per year. Despite these increased costs, our operating expense increases are anticipated to average between 1 and 3 percent per year. The Township will adjust expenses to mirror the revenue base having a goal of maintaining revenue in excess of or equal to expenditures unless the need arises to fund large capital projects.

#### **Contacting the Township's Management**

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

# Township of Macomb

## Statement of Net Position

June 30, 2018

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments (Note 3)	\$ 52,590,351	\$ 37,252,199	\$ 89,842,550
Receivables - Net:			
Property taxes	36,134	-	36,134
Special assessments	-	453,766	453,766
Customers	5,370	9,004,980	9,010,350
Other receivables	7,222	-	7,222
Due from other governmental units	1,200,990	146,330	1,347,320
Inventory	-	94,137	94,137
Restricted assets (Note 7)	-	1,367,858	1,367,858
Land held for resale	299,640	-	299,640
Capital assets:			
Assets not subject to depreciation (Note 4)	3,548,479	13,560,998	17,109,477
Assets subject to depreciation (Note 4)	48,246,510	156,319,690	204,566,200
Total assets	105,934,696	218,199,958	324,134,654
<b>Deferred Outflows of Resources</b>			
Bond refunding loss being amortized	685,788	116,847	802,635
Deferred pension costs (Note 10)	1,267,522	-	1,267,522
Deferred OPEB costs (Note 9)	2,377,453	750,774	3,128,227
Total deferred outflows of resources	4,330,763	867,621	5,198,384
<b>Liabilities</b>			
Accounts payable	2,060,314	3,236,557	5,296,871
Accrued liabilities and other	1,718,720	488,322	2,207,042
Noncurrent liabilities:			
Due within one year (Note 6)	4,316,292	2,609,319	6,925,611
Due in more than one year:			
Compensated absences - Net of current portion (Note 6)	145,354	59,483	204,837
Net pension liability (Note 10)	1,174,643	-	1,174,643
Net OPEB liability (Note 9)	127,807	40,360	168,167
Long-term debt - Net of current portion (Note 6)	18,471,355	36,465,656	54,937,011
Total liabilities	28,014,485	42,899,697	70,914,182
<b>Deferred Inflows of Resources</b>			
Deferred pension cost reductions (Note 10)	140,718	-	140,718
Deferred OPEB cost reductions (Note 9)	132,065	41,705	173,770
Total deferred inflows of resources	272,783	41,705	314,488
<b>Net Position</b>			
Net investment in capital assets	29,832,758	131,875,748	161,708,506
Restricted for:			
Fire	8,349,789	-	8,349,789
Debt service	648,645	-	648,645
County drains	-	519,661	519,661
Parks and recreation	2,226,541	-	2,226,541
Law enforcement	584,515	-	584,515
Unrestricted	40,335,943	43,730,768	84,066,711
Total net position	<u>\$ 81,978,191</u>	<u>\$ 176,126,177</u>	<u>\$ 258,104,368</u>

# Township of Macomb

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Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 7,854,383	\$ 106,392	\$ 26,917	\$ -
Public safety	11,061,603	2,904,898	-	-
Public works	3,377,384	890,213	-	-
Recreation and culture	3,691,574	2,159,813	-	-
Interest on long-term debt	855,046	-	-	-
Total governmental activities	26,839,990	6,061,316	26,917	-
Business-type activities - Water and sewer	31,087,668	30,617,881	38,607	4,426,723
Total primary government	<b>\$ 57,927,658</b>	<b>\$ 36,679,197</b>	<b>\$ 65,524</b>	<b>\$ 4,426,723</b>

General revenue:  
 Property taxes and fees  
 Unrestricted state-shared revenue  
 Unrestricted investment income  
 Cable franchise fees - Unrestricted

Total general revenue

### Change in Net Position

**Net Position** - Beginning of year (as restated) (Note 14)

**Net Position** - End of year

## Statement of Activities

**Year Ended June 30, 2018**

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (7,721,074)	\$ -	\$ (7,721,074)
(8,156,705)	-	(8,156,705)
(2,487,171)	-	(2,487,171)
(1,531,761)	-	(1,531,761)
(855,046)	-	(855,046)
(20,751,757)	-	(20,751,757)
-	3,995,543	3,995,543
(20,751,757)	3,995,543	(16,756,214)
16,398,435	-	16,398,435
6,881,191	-	6,881,191
317,937	204,698	522,635
1,638,522	-	1,638,522
25,236,085	204,698	25,440,783
4,484,328	4,200,241	8,684,569
77,493,863	171,925,936	249,419,799
<b>\$ 81,978,191</b>	<b>\$ 176,126,177</b>	<b>\$ 258,104,368</b>

## Township of Macomb

	General Fund	Parks and Recreation Operating Fund	Fire Operating Fund	Law Enforcement Sheriff Fund
<b>Assets</b>				
Cash and investments (Note 3)	\$ 31,322,386	\$ 2,446,298	\$ 6,499,394	\$ 2,399,792
Receivables	1,246,731	-	2,985	-
Due from other funds (Note 5)	-	5,077	-	-
Land held for resale	299,640	-	-	-
Total assets	<b>\$ 32,868,757</b>	<b>\$ 2,451,375</b>	<b>\$ 6,502,379</b>	<b>\$ 2,399,792</b>
<b>Liabilities</b>				
Accounts payable	\$ 1,122,915	\$ 111,795	\$ 225,676	\$ 630
Due to other funds (Note 5)	5,077	-	-	-
Accrued liabilities and other	262,545	113,039	97,372	-
Total liabilities	1,390,537	224,834	323,048	630
<b>Deferred Inflows of Resources -</b>				
Unavailable revenue	1,200,990	-	-	-
Total liabilities and deferred inflows of resources	2,591,527	224,834	323,048	630
<b>Fund Balances</b>				
Nonspendable - Land held for resale	299,640	-	-	-
Restricted:				
Fire	-	-	6,179,331	-
Debt service	-	-	-	-
Law enforcement	-	-	-	584,515
Assigned:				
Subsequent year's budget	6,667,528	-	-	-
Capital outlay	-	-	-	-
Road projects	-	-	-	-
Debt service	-	-	-	-
Parks and recreation	-	2,226,541	-	-
Law enforcement	-	-	-	1,814,647
Unassigned	23,310,062	-	-	-
Total fund balances	<b>30,277,230</b>	<b>2,226,541</b>	<b>6,179,331</b>	<b>2,399,162</b>
Total liabilities, deferred inflows of resources, and fund balances	<b>\$ 32,868,757</b>	<b>\$ 2,451,375</b>	<b>\$ 6,502,379</b>	<b>\$ 2,399,792</b>

Governmental Funds  
Balance Sheet

June 30, 2018

Building Authority Debt Service Fund	Municipal Street Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 42,215	\$ 3,771,564	\$ 6,108,702	\$ 52,590,351
-	-	-	1,249,716
-	-	-	5,077
-	-	-	299,640
<b>\$ 42,215</b>	<b>\$ 3,771,564</b>	<b>\$ 6,108,702</b>	<b>\$ 54,144,784</b>
\$ -	\$ 599,298	\$ -	\$ 2,060,314
-	-	-	5,077
-	1,036,589	-	1,509,545
-	1,635,887	-	3,574,936
-	-	-	1,200,990
-	1,635,887	-	4,775,926
-	-	-	299,640
-	-	2,170,458	8,349,789
-	-	648,645	648,645
-	-	-	584,515
-	-	-	6,667,528
-	-	3,289,599	3,289,599
-	2,135,677	-	2,135,677
42,215	-	-	42,215
-	-	-	2,226,541
-	-	-	1,814,647
-	-	-	23,310,062
42,215	2,135,677	6,108,702	49,368,858
<b>\$ 42,215</b>	<b>\$ 3,771,564</b>	<b>\$ 6,108,702</b>	<b>\$ 54,144,784</b>

**Governmental Funds**

**Reconciliation of the Balance Sheet to the Statement of Net Position**

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**June 30, 2018**

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$ 49,368,858</b>
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	51,794,989
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	1,200,990
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(21,276,443)
Accrued interest is not due and payable in the current period and is not reported in the funds	(209,175)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(970,770)
Pension benefits	(47,839)
OPEB benefits	2,117,581
<b>Net Position of Governmental Activities</b>	<b><u>\$ 81,978,191</u></b>

## Township of Macomb

	General Fund	Parks and Recreation Operating Fund	Fire Operating Fund	Law Enforcement Sheriff Fund
<b>Revenue</b>				
Property taxes and fees	\$ 2,214,078	\$ 2,672,030	\$ 6,393,003	\$ 5,119,324
Special assessments	890,213	-	-	-
Intergovernmental:				
Federal grants and other	26,917	-	-	-
State-shared revenue and grants	6,796,873	-	-	22,829
Charges for services	226,968	2,159,813	-	-
Fines and forfeitures	317,241	-	-	-
Licenses and permits	3,796,099	-	-	-
Interest	213,601	16,773	37,313	7,245
Other revenue	281,642	-	150	-
<b>Total revenue</b>	<b>14,763,632</b>	<b>4,848,616</b>	<b>6,430,466</b>	<b>5,149,398</b>
<b>Expenditures</b>				
Current services:				
General government	7,348,599	-	-	-
Public safety	1,591,796	-	4,198,284	4,557,638
Public works	1,049,108	-	-	-
Recreation and culture	273,301	3,156,877	-	-
Capital outlay	194,319	-	1,289	-
Debt service:				
Principal	-	120,302	-	-
Interest on long-term debt	-	14,488	-	-
<b>Total expenditures</b>	<b>10,457,123</b>	<b>3,291,667</b>	<b>4,199,573</b>	<b>4,557,638</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>4,306,509</b>	<b>1,556,949</b>	<b>2,230,893</b>	<b>591,760</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in (Note 5)	-	-	-	-
Transfers out (Note 5)	(4,371,900)	(2,885,750)	(806,400)	-
Proceeds from sale of capital assets	18,500	-	15,250	-
<b>Total other financing (uses) sources</b>	<b>(4,353,400)</b>	<b>(2,885,750)</b>	<b>(791,150)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(46,891)</b>	<b>(1,328,801)</b>	<b>1,439,743</b>	<b>591,760</b>
<b>Fund Balances - Beginning of year</b>	<b>30,324,121</b>	<b>3,555,342</b>	<b>4,739,588</b>	<b>1,807,402</b>
<b>Fund Balances - End of year</b>	<b>\$ 30,277,230</b>	<b>\$ 2,226,541</b>	<b>\$ 6,179,331</b>	<b>\$ 2,399,162</b>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2018

Building Authority Debt Service Fund	Municipal Street Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 16,398,435
-	-	-	890,213
-	-	-	26,917
-	-	-	6,819,702
-	-	-	2,386,781
-	-	-	317,241
-	-	-	3,796,099
708	15,165	27,132	317,937
-	27,712	-	309,504
708	42,877	27,132	31,262,829
-	-	124,550	7,473,149
-	-	78,015	10,425,733
-	1,628,611	-	2,677,719
-	-	-	3,430,178
-	3,180,338	-	3,375,946
3,255,000	-	-	3,375,302
958,657	-	-	973,145
4,213,657	4,808,949	202,565	31,731,172
(4,212,949)	(4,766,072)	(175,433)	(468,343)
4,214,050	3,500,000	350,000	8,064,050
-	-	-	(8,064,050)
-	-	-	33,750
4,214,050	3,500,000	350,000	33,750
1,101	(1,266,072)	174,567	(434,593)
41,114	3,401,749	5,934,135	49,803,451
<b>\$ 42,215</b>	<b>\$ 2,135,677</b>	<b>\$ 6,108,702</b>	<b>\$ 49,368,858</b>

## Township of Macomb

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

Year Ended June 30, 2018

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (434,593)</b>
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	4,653,157
Depreciation expense	(2,736,221)
Net book value of assets disposed of	(287,147)
Revenue in the statement of activities at the time it is earned, without regard to timeliness of collection	61,489
OPEB expense is recognized in the statement of activities, but not in the governmental funds	(28,577)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	3,375,302
Change in accrued interest payable and deferred amounts on refundings	118,099
Pension expense is recognized in the statement of activities, but not in the governmental funds	(124,851)
Accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(112,330)
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ 4,484,328</u></u></b>

**Proprietary Fund  
Statement of Net Position**

**June 30, 2018**

Enterprise Fund  
- Water and  
Sewer

**Assets**

Current assets:

Cash and cash equivalents (Note 3)	\$ 37,252,199
Receivables - Net:	
Special assessments receivable - Due within one year	453,766
Customers	9,004,980
Due from other governmental units	146,330
Inventory	94,137
Total current assets	46,951,412

Noncurrent assets:

Restricted assets (Note 7)	1,367,858
Capital assets:	
Assets not subject to depreciation (Note 4)	13,560,998
Assets subject to depreciation (Note 4)	156,319,690

Total noncurrent assets	171,248,546
Total assets	218,199,958

**Deferred Outflows of Resources**

Bond refunding loss being amortized	116,847
Deferred OPEB costs (Note 9)	750,774
Total deferred outflows of resources	867,621

**Liabilities**

Current liabilities:

Accounts payable	3,236,557
Accrued liabilities and other	488,322
Current portion of compensated absences (Note 6)	221,838
Current portion of long-term debt (Note 6)	2,387,481
Total current liabilities	6,334,198

Noncurrent liabilities:

Compensated absences - Net of current portion (Note 6)	59,483
Net OPEB liability (Note 9)	40,360
Long-term debt - Net of current portion (Note 6)	36,465,656
Total noncurrent liabilities	36,565,499

Total liabilities	42,899,697
<b>Deferred Inflows of Resources - Deferred OPEB cost reductions</b>	41,705

**Net Position**

Net investment in capital assets	131,875,748
Restricted for county drains (Note 7)	519,661
Unrestricted	43,730,768
Total net position	\$ 176,126,177

## Township of Macomb

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

Year Ended June 30, 2018

	Enterprise Fund - Water and Sewer
<b>Operating Revenue</b>	
Sale of water	\$ 15,054,178
Sewage disposal charges	14,115,289
Charges for services	1,448,414
Total operating revenue	<u>30,617,881</u>
<b>Operating Expenses</b>	
Cost of water	11,178,860
Cost of sewage disposal	10,104,617
Operation and maintenance	1,856,005
General and administrative	2,472,276
Contributions to Retiree Health Fund	183,985
Depreciation (Note 4)	3,838,954
Total operating expenses	<u>29,634,697</u>
<b>Operating Income</b>	983,184
<b>Nonoperating Revenue (Expense)</b>	
Investment income	204,698
Interest expense	(1,452,971)
Operating grants	38,607
Total nonoperating expense	<u>(1,209,666)</u>
<b>Loss - Before contributions</b>	(226,482)
<b>Capital Contributions</b>	
Capital grants	785,929
Developers and other governmental units	2,307,157
Tap fees and frontage charges	1,333,637
Total capital contributions	<u>4,426,723</u>
<b>Change in Net Position</b>	4,200,241
<b>Net Position - Beginning of year (as restated) (Note 14)</b>	<u>171,925,936</u>
<b>Net Position - End of year</b>	<u><u>\$ 176,126,177</u></u>

## Township of Macomb

## Proprietary Fund Statement of Cash Flows

Year Ended June 30, 2018

	Enterprise Fund - Water and Sewer
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 30,020,799
Payments for interfund services	2,842
Payments to suppliers	(23,076,760)
Payments to employees	(530,269)
	<u>6,416,612</u>
Net cash and cash equivalents provided by operating activities	6,416,612
<b>Cash Flows from Capital and Related Financing Activities</b>	
Receipt of capital grants	785,929
Issuance of special assessments	(509,223)
Collection of special assessments	128,169
Collection of customer tap fees	1,333,637
Purchase of capital assets	(1,950,604)
Principal and interest paid on long-term debt	(4,949,078)
	<u>(5,161,170)</u>
Net cash and cash equivalents used in capital and related financing activities	(5,161,170)
<b>Cash Flows Provided by Investing Activities</b> - Interest received on investments	<u>204,698</u>
<b>Net Increase in Cash and Cash Equivalents</b>	1,460,140
<b>Cash and Cash Equivalents</b> - Beginning of year	<u>35,792,059</u>
<b>Cash and Cash Equivalents</b> - End of year	<u><u>\$ 37,252,199</u></u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>	
Operating income	\$ 983,184
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation and amortization	3,838,954
Changes in assets and liabilities:	
Receivables	(599,516)
Due from other funds	2,842
Inventory	8,978
Due from others	2,432
Prepaid and other	3,513
Net OPEB liability	82,065
Accounts payable	1,196,199
Accrued and other liabilities	220,227
Compensated absences	677,734
	<u>677,734</u>
Net cash and cash equivalents provided by operating activities	<u><u>\$ 6,416,612</u></u>

**Noncash Investing, Capital, and Financing Activities** - During the year ended June 30, 2018, developers constructed water and sewer lines with a value of approximately \$2.3 million and donated them to the Township's Water and Sewer Enterprise Fund. Also during the year, approximately \$3.6 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.

# Township of Macomb

## Fiduciary Funds Statement of Fiduciary Net Position

June 30, 2018

	Trust Funds - Pensions and Other Retirement Benefits	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 671,528	\$ 1,924,345
Investments: (Note 3)		
Municipal bonds	2,171,720	-
Agency securities	2,733,590	-
Corporate bonds	6,435,420	-
Money market funds	177,845	-
Mutual funds	16,262,213	-
Total assets	28,452,316	<u>\$ 1,924,345</u>
<b>Liabilities - Cash bonds and deposits</b>	<u>-</u>	<u>\$ 1,924,345</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<u>\$ 28,452,316</u>	

**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**

**Year Ended June 30, 2018**

	Trust Funds - Pensions and Other Retirement Benefits
<b>Additions</b>	
Investment income (loss):	
Interest and dividends	\$ 679,879
Net increase in fair value of investments	874,890
Investment-related expenses	(107,564)
Net investment income	1,447,205
Contributions:	
Employer	1,404,198
Employee	33,650
Total contributions	1,437,848
Miscellaneous revenue	42,587
Total additions	2,927,640
<b>Deductions</b>	
Benefit payments	582,307
Administrative expenses	13,132
Total deductions	595,439
<b>Net Increase</b>	2,332,201
<b>Net Position Restricted for Pension and Other Employee Benefits - Beginning of year</b>	26,120,115
<b>Net Position Restricted for Pension and Other Employee Benefits - End of year</b>	<b>\$ 28,452,316</b>

**Note 1 - Significant Accounting Policies**

***Reporting Entity***

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

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

**Blended Component Units**

The Fire Retirement System is governed by a five-member pension board that includes Macomb Township's treasurer, two individuals chosen by the Township's board of trustees, and two elected fire department members. 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 Retiree Health Care Benefit Plan (the "OPEB Plan") is governed by a five-member board that includes the Macomb Township supervisor, treasurer, clerk, finance director, and human resources director. The OPEB Plan is reported as if it were part of the primary government because of the fiduciary responsibilities that the Township retains relative to its operations.

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 (GASB).

***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.

**Note 1 - Significant Accounting Policies (Continued)**

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

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

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

***Fund Accounting***

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

**Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, and capital 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 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**

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

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

**Note 1 - Significant Accounting Policies (Continued)**

**Fiduciary Funds**

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

- The 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.

**Interfund Activity**

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

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

**Basis of Accounting**

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

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."

**Note 1 - Significant Accounting Policies (Continued)**

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

***Specific Balances and Transactions***

**Cash, Cash Equivalents, and Investments**

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

**Inventories and Prepaid Items**

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

**Restricted Assets**

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

**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:

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

**Note 1 - 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 three items that qualify for reporting in this category, which include the deferred charge on refunding reported in the government-wide and proprietary fund statements of net position and the deferred pension and OPEB outflows reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to the pension and OPEB plans result from the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings and changes in assumptions.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Township has three items that qualify for reporting in this category, which include unavailable revenue reported only in the governmental funds balance sheet and deferred pension and OPEB 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 and OPEB plans result from the variance between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension and OPEB liabilities.

**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.

**Note 1 - Significant Accounting Policies (Continued)**

**Fund Balance Flow Assumption**

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

**Fund Balance Policies**

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

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The board of trustees may authorize an assignment of fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally 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 2017 property tax revenue is levied and collectible on December 1, 2017 and is recognized as revenue in the year ended June 30, 2018 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2017 taxable valuation of the Township totaled approximately \$3.3 billion, on which ad valorem taxes levied consisted of 0.6580 mills for operating purposes, 2.0000 mills for fire operating services, 0.0747 mills for fire pension, 1.5500 mills for police protection, and 0.8016 mills for parks and recreation. This resulted in \$2.2 million for operating, \$6.4 million for fire operations, \$0.2 million for fire pension, \$5.1 million for police protection, and \$2.7 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.

**Note 1 - Significant Accounting Policies (Continued)**

**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 the purpose 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.

**Other Postemployment Benefit Costs**

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

**Compensated Absences (Vacation and Sick Leave)**

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

**Proprietary Funds Operating Classification**

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

**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.

**Note 1 - Significant Accounting Policies (Continued)**

***Upcoming Accounting Pronouncements***

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending June 30, 2020.

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

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement establishes criteria to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending June 30, 2019.

**Note 2 - Stewardship, Compliance, and Accountability**

***Construction Code Fees***

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

Cumulative expenditures over revenue - June 30, 2017		\$ (10,069,792)
Current year permit revenue		2,394,022
Related expenses:		
Direct costs	\$ 1,316,103	
Estimated indirect costs	353,861	1,669,964
		<u>724,058</u>
Net surplus for the year ended June 30, 2018		<u>724,058</u>
Cumulative expenditures over revenue - June 30, 2018		<u><u>\$ (9,345,734)</u></u>

**Note 3 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, 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.

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

***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township's investment policy indicates that credit risks will be minimized by diversifying the portfolio, which includes investing in Certificate of Deposit Account Registry Service (CDARS) accounts in order to maximize its FDIC coverage and minimize potential losses on individual securities. At year end, the Township had \$57,936,807 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

***Interest Rate Risk***

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

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

Investment	Fair Value	Weighted- average Maturity (Years)
<b>Primary Government</b>		
U.S. government agency securities	\$ 10,261,176	1.52
Municipal bonds	14,261,423	1.92
Certificates of deposit - Negotiable	6,297,823	0.26
Total	<u>\$ 30,820,422</u>	

June 30, 2018

**Note 3 - Deposits and Investments (Continued)**

Investment	Carrying Value	Weighted- average Maturity (Years)
<b>Fiduciary Funds</b>		
U.S. government agency securities	\$ 2,733,590	24.66
Municipal bonds	2,171,720	14.52
Corporate bonds	<u>6,435,420</u>	6.12
Total	<u>\$ 11,340,730</u>	

**Credit Risk**

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

Investment	Fair Value	Rating	Rating Organization
<b>Primary Government</b>			
U.S. government agency securities	\$ 10,261,176	AA+	Standard & Poor's
Municipal bonds	13,660,569	AAA to SP-1	Moody's
Certificates of deposit - Negotiable	<u>6,297,823</u>	Not rated	Not rated
Total	<u>\$ 30,219,568</u>		

Investment	Carrying Value	Rating	Rating Organization
<b>Fiduciary Funds</b>			
U.S. government agency securities	\$ 2,525,316	AA+	Standard & Poor's
Municipal bonds	28,175	AAA to SP-1	Moody's
Corporate bonds	<u>6,435,420</u>	AAA to BBB	Standard & Poor's
Total	<u>\$ 8,988,911</u>		

**Note 3 - Deposits and Investments (Continued)**

***Fair Value Measurements***

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; 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, 2018:

	Assets Measured at Carrying Value on a Recurring Basis			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Pool or fund, other fixed income:				
Municipal bonds	\$ -	\$ 16,433,143	\$ -	\$ 16,433,143
U.S. government agency securities	-	12,994,766	-	12,994,766
Corporate bonds	-	6,435,420	-	6,435,420
Stock mutual fund	16,262,213	-	-	16,262,213
Certificate of deposit - Negotiable	6,297,823	-	-	6,297,823
Land held for resale	-	299,640	-	299,640
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total pool or fund, other fixed income	<u>\$ 22,560,036</u>	<u>\$ 36,162,969</u>	<u>\$ -</u>	<u>\$ 58,723,005</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, 2018 was determined primarily based on Level 2 inputs. The Township estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

June 30, 2018

**Note 4 - Capital Assets**

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

**Governmental Activities**

	Balance July 1, 2017	Additions	Disposals and Reclassifications	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 3,184,951	\$ 169,209	\$ -	\$ 3,354,160
Construction in progress	-	194,319	-	194,319
Subtotal	3,184,951	363,528	-	3,548,479
Capital assets being depreciated:				
Infrastructure	15,067,089	3,180,246	-	18,247,335
Buildings and improvements	50,770,771	682,808	(447,000)	51,006,579
Vehicles	4,073,191	33,689	(31,749)	4,075,131
Office furnishings	4,142,056	186,106	(38,910)	4,289,252
Other tools and equipment	2,027,946	206,780	(35,486)	2,199,240
Subtotal	76,081,053	4,289,629	(553,145)	79,817,537
Accumulated depreciation:				
Infrastructure	4,410,583	666,289	-	5,076,872
Buildings and improvements	16,004,383	1,458,147	(162,038)	17,300,492
Vehicles	3,786,242	144,880	(31,749)	3,899,373
Office furnishings	3,637,499	217,329	(38,910)	3,815,918
Other tools and equipment	1,262,097	249,576	(33,301)	1,478,372
Subtotal	29,100,804	2,736,221	(265,998)	31,571,027
Net capital assets being depreciated	46,980,249	1,553,408	(287,147)	48,246,510
Net capital assets	<u>\$ 50,165,200</u>	<u>\$ 1,916,936</u>	<u>\$ (287,147)</u>	<u>\$ 51,794,989</u>

June 30, 2018

**Note 4 - Capital Assets (Continued)**

***Business-type Activities***

	Balance July 1, 2017	Additions	Disposals and Reclassifications	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 91,700	\$ -	\$ -	\$ 91,700
Construction in progress	10,565,002	5,315,003	(2,410,707)	13,469,298
Subtotal	10,656,702	5,315,003	(2,410,707)	13,560,998
Capital assets being depreciated:				
Water and sewer mains	211,037,464	2,399,522	2,410,707	215,847,693
Buildings and improvements	2,558,702	-	-	2,558,702
Water meters	5,137,528	77,883	-	5,215,411
Vehicles	729,309	62,999	-	792,308
Furniture and equipment	836,465	7,890	-	844,355
Subtotal	220,299,468	2,548,294	2,410,707	225,258,469
Accumulated depreciation:				
Water and sewer mains	60,674,793	3,638,976	-	64,313,769
Buildings and improvements	1,291,592	63,968	-	1,355,560
Water meters	1,765,135	87,378	-	1,852,513
Vehicles	643,663	53,065	(67,711)	629,017
Furniture and equipment	724,642	63,278	-	787,920
Subtotal	65,099,825	3,906,665	(67,711)	68,938,779
Net capital assets being depreciated	155,199,643	(1,358,371)	2,478,418	156,319,690
Net business-type activity capital assets	<u>\$ 165,856,345</u>	<u>\$ 3,956,632</u>	<u>\$ 67,711</u>	<u>\$ 169,880,688</u>

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

Governmental activities:	
General government	\$ 496,659
Public safety	525,063
Public works	699,665
Recreation and culture	1,014,834
Total governmental activities	<u>\$ 2,736,221</u>

***Construction Commitments***

The Township has approved certain road paving construction projects prior to June 30, 2018. At year end, the Township's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Road paving projects	\$ 2,359,478	\$ 1,011,279

June 30, 2018

**Note 5 - Interfund Receivables, Payables, and Transfers**

As of June 30, 2018, interfund balances reported in the fund financial statements are composed of a \$5,077 payable from the General Fund to the Parks and Recreation Operating Fund. This balance results from the time lag between the dates that payments between funds are made.

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

Fund Transferred From	Fund Transferred To	Amount
General Fund	Building Authority Debt Service Fund	\$ 846,900
	Municipal Street Fund	3,500,000
	Other nonmajor governmental funds	25,000
	Total General Fund	4,371,900
Fire Operating Fund	Building Authority Debt Service Fund	481,400
	Other nonmajor governmental funds	325,000
	Total Fire Operating Fund	806,400
Parks and Recreation Operating Fund	Building Authority Debt Service Fund	2,885,750
	Total	<u>\$ 8,064,050</u>

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

**Note 6 - Long-term Debt**

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

Long-term debt activity can be summarized as follows:

**Governmental Activities**

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
General obligation bonds:							
2009 Building Authority Bonds:							
Amount of issue - \$5,000,000	3.00% -	\$250,000 -					
Maturing through 2023	5.00%	\$550,000	\$ 2,800,000	\$ -	\$ (400,000)	\$ 2,400,000	\$ 400,000
2011 Building Authority Refunding Bonds:							
Amount of issue - \$8,470,000	2.00% -	\$260,000 -					
Maturing through 2027	4.875%	\$940,000	6,665,000	-	(710,000)	5,955,000	800,000
2012 Building Authority Refunding Bonds:							
Amount of issue - \$13,390,000	2.00% -	\$235,000 -					
Maturing through 2025	4.00%	\$1,640,000	9,845,000	-	(1,130,000)	8,715,000	1,125,000
Unamortized bond premium			712,985	-	(89,123)	623,862	89,123
2015 Building Authority Refunding Bonds:							
Amount of issue - \$6,805,000	3.00% -	\$950,000 -					
Maturing through 2022	5.00%	\$1,015,000	4,895,000	-	(1,015,000)	3,880,000	995,000
Unamortized bond premium			408,765	-	(81,753)	327,012	81,753
Total bonds payable			25,326,750	-	(3,425,876)	21,900,874	3,490,876

June 30, 2018

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Compensated absences			\$ 858,440	\$ 820,580	\$ (708,250)	\$ 970,770	\$ 825,416
Capital leases			181,659	-	(120,302)	61,357	-
Total governmental activities long-term debt			\$ 26,366,849	\$ 820,580	\$ (4,254,428)	\$ 22,933,001	\$ 4,316,292

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.

Subsequent to year end, the Township made a \$14,010,000 bond issuance. A total of \$2,295,000 of this issuance refunded the existing 2009 Building Authority Bond and \$11,715,000 represented a new money portion.

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
General obligation bonds:							
2010 Capital Improvement and Refunding Bond:							
Amount of issue - \$9,805,000	2.00% -	\$280,000 -					
Maturing through 2031	5.00%	\$695,000	\$ 6,335,000	\$ -	\$ (640,000)	\$ 5,695,000	\$ 640,000
2014 GO Refund Bond:							
Amount of issue - \$2,085,000		\$380,000 -					
Maturing through 2019	1.37%	\$450,000	820,000	-	(420,000)	400,000	400,000
County drain contract obligations:							
2010B OMID Drainage District:							
Amount of issue - \$452,552	1.15% -	\$16,886 -					
Maturing through 2030	5.90%	\$35,124	340,091	-	(18,912)	321,179	19,926
2010A OMID Drainage District:							
Amount of issue - \$1,750,840		\$73,962 -					
Maturing through 2031	2.50%	\$110,429	1,321,865	-	(79,704)	1,242,161	81,730
2010 North Gratiot Interceptor Drainage District:							
Amount of issue - \$103,529	1.00% -						
Maturing through 2035	6.35%	\$3,265 - \$5,950	81,988	-	(3,479)	78,509	3,570
Amount of issue - \$846,752	3.50% -	\$34,887 -					
Maturing through 2033	5.00%	\$56,068	811,865	-	(35,136)	776,729	47,845
2015A MID Drainage District:							
Amount of issue - \$499,851		\$19,722 -					
Maturing through 2036	2.50%	\$31,283	480,129	-	(19,722)	460,407	20,402
2013 OMID Drainage District:							
Amount of issue - \$4,619,982		\$190,076 -					
Maturing through 2034	2.00%	\$276,958	4,235,929	-	(197,878)	4,038,051	201,778
2011 Clintondale Pump Station Improvements Drainage District:							
Amount of issue - \$4,039,605		\$118,040 -					
Maturing through 2031	5.00%	\$327,890	3,337,920	-	(157,381)	3,180,539	170,503
Unamortized bond premium			187,157	-	(13,369)	173,788	13,369
2014 OMID Drainage District:							
Amount of issue - \$675,494	2.00% -						
Maturing through 2035	3.125%		622,743	-	(27,076)	595,667	28,009
2017A MID Drainage District and Refunding Bonds:							
Amount of issue - \$19,249,777			19,249,777	-	(617,447)	18,632,330	592,116
Maturing through 2042			3,427,010	-	(168,233)	3,258,777	168,233
Unamortized bond premium							
Total principal outstanding			41,251,474	-	(2,398,337)	38,853,137	2,387,481
Compensated absences			277,809	218,526	(215,014)	281,321	221,838
Total business-type activities long-term debt			\$ 41,529,283	\$ 218,526	\$ (2,613,351)	\$ 39,134,458	\$ 2,609,319

**Note 6 - Long-term Debt (Continued)**

**Debt Service Requirements to Maturity**

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
2019	\$ 3,320,000	\$ 836,700	\$ 4,156,700	\$ 2,205,879	\$ 1,451,757	\$ 3,657,636
2020	3,610,000	705,900	4,315,900	1,883,325	1,379,447	3,262,772
2021	3,895,000	563,725	4,458,725	1,966,832	1,304,449	3,271,281
2022	4,015,000	407,300	4,422,300	2,020,490	1,225,608	3,246,098
2023	2,435,000	243,138	2,678,138	1,655,816	1,151,267	2,807,083
2024-2028	3,675,000	305,588	3,980,588	9,390,658	4,640,757	14,031,415
2029-2033	-	-	-	9,701,465	2,504,389	12,205,854
2034-2038	-	-	-	4,555,830	898,681	5,454,511
2039-2042	-	-	-	2,040,271	261,237	2,301,508
<b>Total</b>	<b>\$ 20,950,000</b>	<b>\$ 3,062,351</b>	<b>\$ 24,012,351</b>	<b>\$ 35,420,566</b>	<b>\$ 14,817,592</b>	<b>\$ 50,238,158</b>

The Macomb Interceptor Drainage District (MID) is a construction and rehabilitation project that began in 2010 and is projected to continue through 2019. 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 2019.

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

**Macomb Interceptor Drainage District (MID)**

	Total Issued	Township Portion
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
MID Series 2017A	126,425,000	19,249,777

**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.

**Note 6 - Long-term Debt (Continued)**

In 2017, 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, 2018, \$77,135,000 of bonds outstanding are considered defeased.

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, 2018, \$5,235,000 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, 2018, \$830,000 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, 2018, \$10,200,000 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.

The following is the detail of restricted assets at June 30, 2018:

Due from Oakland County*	\$	537,674
Due from Macomb County**		830,184

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

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

Net position has been restricted for these amounts, net of related debt at June 30, 2018.

**Note 8 - Risk Management**

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

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

**Note 9 - OPEB Plan**

***Plan Description***

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

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

***Benefits Provided***

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

***Plan Membership***

At June 30, 2018, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	31
Active plan members	<u>64</u>
Total	<u><u>95</u></u>

***Contributions***

The board establishes contribution rates based on an actuarially determined rate per a funding valuation. For the year ended June 30, 2018, the Township's average contribution rate was 17.00 percent of covered employee payroll. Plan members are not required to contribute to the Plan.

***Net OPEB Liability***

The Township has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability. The June 30, 2018 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2018 measurement date. The June 30, 2018 total OPEB liability was determined by an actuarial valuation performed as of June 30, 2017, which used updated procedures to roll forward the estimated liability to June 30, 2018.

**Note 9 - OPEB Plan (Continued)**

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB (Asset) Liability
<b>Balance at July 1, 2017</b>	\$ 20,496,848	\$ 23,320,740	\$ (2,823,892)
Changes for the year:			
Service cost	802,291	-	802,291
Interest	1,044,900	-	1,044,900
Differences between expected and actual experience	778,517	-	778,517
Changes in assumptions	2,918,479	-	2,918,479
Contributions - Employer	-	1,157,215	(1,157,215)
Net investment income	-	1,402,541	(1,402,541)
Benefit payments, including refunds	(377,948)	(377,948)	-
Miscellaneous other charges	-	(7,628)	7,628
<b>Net changes</b>	<b>5,166,239</b>	<b>2,174,180</b>	<b>2,992,059</b>
<b>Balance at June 30, 2018</b>	<b>\$ 25,663,087</b>	<b>\$ 25,494,920</b>	<b>\$ 168,167</b>

The plan's fiduciary net position represents 99.35 percent of the total OPEB liability.

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

For the year ended June 30, 2018, the Township recognized OPEB expense of \$1,194,818.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 658,745	\$ -
Changes in assumptions	2,469,482	-
Net difference between projected and actual earnings on OPEB plan investments	-	(173,770)
<b>Total</b>	<b>\$ 3,128,227</b>	<b>\$ (173,770)</b>

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

Years Ending June 30	Amount
2019	\$ 525,326
2020	525,326
2021	525,326
2022	525,326
2023	568,769
Thereafter	284,384
<b>Total</b>	<b>\$ 2,954,457</b>

**Note 9 - OPEB Plan (Continued)**

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using assumed salary increases (including inflation) of 3.00 percent; an investment rate of return (net of investment expenses) of 5 percent; a healthcare cost trend rate of 6.00 percent for 2018, decreasing 0.1 percent per year to an ultimate rate of 5.00 percent for 2028 and later years; and using the RP-2014 mortality table with the MP-2017 improvement scale.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 4.94 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates.

**Investment Rate of Return**

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2018 for fixed-income type investments and equity-type investments are 4.80 percent and 9.30 percent, respectively.

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

The following presents the net OPEB liability of the Township, calculated using the discount rate of 4.94 percent, as well as what the Township's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (3.94 percent) or 1 percentage point higher (5.94 percent) than the current rate:

	1 Percent Decrease (3.94%)	Current Discount Rate (4.94%)	1 Percent Increase (5.94%)
Net OPEB liability (asset)	\$ 5,302,995	\$ 168,167	\$ (3,845,890)

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

The following presents the net OPEB liability, calculated using the healthcare cost trend rate of 6.0 percent decreasing to 5.0 percent, as well as what the net OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (5.0 percent, decreasing to 4.0 percent) or 1 percentage point higher (7.0 percent, decreasing to 6.0 percent) than the current rate:

	1 Percent Decrease (5.0% Decreasing to 4.0%)	Current Healthcare Cost Trend Rate (6.0% Decreasing to 5.0%)	1 Percent Increase (7.0% Decreasing to 6.0%)
Net OPEB (asset) liability	\$ (4,206,428)	\$ 168,167	\$ 5,889,025

**Note 9 - OPEB Plan (Continued)**

**Assumption Changes**

Changes in assumptions result from changes in the interest rate and mortality tables used by the actuary.

**Investment Policy**

The Plan’s policy in regard to the allocation of invested assets is established and may be amended by the board of the Retiree Health Care Benefit Plan by a majority vote of its members. It is the policy of the board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The 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, 2018:

Asset Class	Target Allocation (%)
Fixed-income type investments	50.00 %
Equity-type investments	50.00

**Concentrations**

At June 30, 2018, the Plan held approximately 44 percent of its investment portfolio in the following investments, which each represented over 5 percent of the Plan’s investment portfolio:

- Harbor International Fund - \$1,265,422
- American Europacific Growth Fund - F3 - \$1,360,602
- MFS International Value Fund - \$1,330,793
- Vanguard 500 Index Fund - \$3,339,303
- PIMCO Income Fund - \$1,269,795

**Rate of Return**

For the year ended June 30, 2018, the annual money-weighted rate of return on plan investments, net of investment expense, was 5.90 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Note 10 - Pension Plan**

**Plan Description**

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

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

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

**Note 10 - Pension Plan (Continued)**

***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 nonduty 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 nonduty death benefits equal the member's actuarially reduced pension benefit.

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

***Employees Covered by Benefit Terms***

As of June 30, 2018, the following members were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	5
Active plan members	8

***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, 2018, the average active member contribution rate was 5 percent of annual pay and the Township's average contribution rate was 33.3 percent of annual payroll.

**Note 10 - Pension Plan (Continued)**

**Net Pension Liability**

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
<b>Balance at July 1, 2017</b>	\$ 3,342,047	\$ 2,799,375	\$ 542,672
Changes for the year:			
Service cost	162,028	-	162,028
Interest	166,044	-	166,044
Differences between expected and actual experience	345,834	-	345,834
Changes in assumptions	320,444	-	320,444
Contributions - Employer	-	246,982	(246,982)
Contributions - Employee	-	33,650	(33,650)
Net investment income	-	94,867	(94,867)
Benefit payments, including refunds	(204,358)	(204,358)	-
Administrative expenses	-	(13,120)	13,120
Net changes	789,992	158,021	631,971
<b>Balance at June 30, 2018</b>	<b>\$ 4,132,039</b>	<b>\$ 2,957,396</b>	<b>\$ 1,174,643</b>

The plan's fiduciary net position represents 71.6 percent of the total pension liability.

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

For the year ended June 30, 2018, the Township recognized pension expense of \$371,835.

At June 30, 2018, 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	\$ 305,621	\$ 140,718
Changes in assumptions	871,548	-
Net difference between projected and actual earnings on pension plan investments	90,353	-
Total	<b>\$ 1,267,522</b>	<b>\$ 140,718</b>

**Note 10 - Pension Plan (Continued)**

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

Years Ending June 30	Amount
2019	\$ 205,840
2020	164,130
2021	123,497
2022	146,820
2023	137,483
Thereafter	349,034
Total	<u>\$ 1,126,804</u>

**Actuarial Assumptions**

The total pension liability in the June 30, 2018 actuarial valuation was determined using an inflation assumption of 3 percent; assumed salary increases (including inflation) of 3.0 to 6.8 percent, an investment rate of return (net of investment expenses) of 5.0 percent, and using the RP-2014 mortality tables with the MP-2017 improvement scale. These assumptions were applied to all periods included in the measurement.

**Discount Rate**

The discount rate used to measure the total pension liability was 4.8 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that township contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

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

**Projected Cash Flows**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2018 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equity	50.00 %	9.30 %
Fixed-income securities	45.00	4.80
Alternatives	5.00	6.40
Cash or cash equivalents	-	3.40

**Note 10 - Pension Plan (Continued)**

***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 4.8 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 (3.8 percent) or 1 percentage point higher (5.8 percent) than the current rate:

	1 Percent Decrease (3.8%)	Current Discount Rate (4.8%)	1 Percent Increase (5.8%)
Net pension liability of the Township	\$ 1,811,599	\$ 1,174,643	\$ 656,631

***Rate of Return***

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.16 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

***Pension Plan Fiduciary Net Position***

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

***Assumption Changes***

Changes in assumptions result from changes in the interest rate used by the actuary and the demographics of the plan participants.

***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.

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

The balances of the reserve accounts at June 30, 2018 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 2,377,396	\$ 2,377,396
Employee reserve	236,647	282,280
Employer reserve	-	343,353

**Note 11 - Pension and Other Employee Benefit Trust Funds**

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

	Fire Retirement System	Retiree Health Care Fund	Total
<b>Statement of Net Position</b>			
Cash and cash equivalents	\$ 87,727	\$ 583,801	\$ 671,528
Investments	2,869,669	24,911,119	27,780,788
Net position	<u>\$ 2,957,396</u>	<u>\$ 25,494,920</u>	<u>\$ 28,452,316</u>
<b>Statement of Changes in Net Position</b>			
Investment income	\$ 94,879	\$ 1,352,326	\$ 1,447,205
Contributions	280,632	1,157,216	1,437,848
Other additions	-	42,587	42,587
Benefit payments	204,358	377,949	582,307
Other deductions	13,132	-	13,132
Net change in net position	<u>\$ 158,021</u>	<u>\$ 2,174,180</u>	<u>\$ 2,332,201</u>

**Note 12 - Defined Contribution Pension Plan**

All full-time employees, excluding members of the Macomb Township Act 345 Fire Retirement System, belong to a 401(a) retirement plan that is administered by 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, 2018, the Township made contributions of \$598,056 and the plan members contributed \$299,028 to the plan.

**Note 13 - Tax Abatements**

The Township currently has several businesses that are receiving the industrial facilities tax exemption (PA 198 of 1974), which encourages local businesses to construct new industrial facilities or rehabilitate historical facilities. This exemption applies to both real and personal property taxes. IFT abatements use a reduced (specific tax) millage rate of 50 percent of the normal millage rate that is applied to a taxable value that is calculated in the same manner as all of the properties that are contained on the regular (ad valorem) assessment roll. For the fiscal year ended June 30, 2018, the Township abated \$198,745 of taxes under these programs. There are no significant abatements made by other governments that reduce the Township's tax revenue.

**Note 14 - Change in Accounting Principle**

During the current year, the Township adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the government-wide statements and the proprietary funds now include a liability for the unfunded portion of the Township's retiree healthcare costs. Some of the change in this net OPEB liability will be recognized immediately as a part of the OPEB expense measurement, and part will be deferred and recognized over future years. Refer to the other postemployment benefit plan footnote for further details. This change does not impact the General Fund or any other governmental fund.

**Note 14 - Change in Accounting Principle (Continued)**

As a result of implementing this statement, the beginning net position of the governmental activities and business-type activities has been restated as follows:

	Net Position		
	As Previously Reported	As Restated	Effect of Change
Governmental activities	\$ 80,018,041	\$ 77,493,863	\$ (2,524,178)
Business-type activities	172,507,806	171,925,936	(581,870)

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## Required Supplemental Information

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**Township of Macomb**

Required Supplemental Information  
Budgetary Comparison Schedule - General Fund

**Year Ended June 30, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes and fees	\$ 2,136,000	\$ 2,136,000	\$ 2,214,078	\$ 78,078
Special assessments	840,475	840,475	890,213	49,738
Intergovernmental:				
Federal grants and other	135,600	135,600	26,917	(108,683)
State-shared revenue and grants	6,410,000	6,410,000	6,796,873	386,873
Charges for services	269,698	270,198	226,968	(43,230)
Fines and forfeitures	176,000	176,000	317,241	141,241
Licenses and permits	3,025,500	3,025,000	3,796,099	771,099
Interest	75,000	75,000	213,601	138,601
Other revenue	264,450	264,450	281,642	17,192
Total revenue	13,332,723	13,332,723	14,763,632	1,430,909
<b>Expenditures</b>				
Current services:				
General government	10,463,975	11,320,238	7,348,599	3,971,639
Public safety	1,756,032	1,986,895	1,591,796	395,099
Public works	1,115,000	1,227,100	1,049,108	177,992
Recreation and culture	279,100	295,675	273,301	22,374
Capital outlay	-	-	194,319	(194,319)
Total expenditures	13,614,107	14,829,908	10,457,123	4,372,785
<b>Excess of Revenue (Under) Over Expenditures</b>	(281,384)	(1,497,185)	4,306,509	5,803,694
<b>Other Financing (Uses) Sources</b>				
Transfers out	(4,371,700)	(4,371,900)	(4,371,900)	-
Proceeds from sale of capital assets	25,000	25,000	18,500	(6,500)
Net other financing uses	(4,346,700)	(4,346,900)	(4,353,400)	(6,500)
<b>Net Change in Fund Balance</b>	(4,628,084)	(5,844,085)	(46,891)	5,797,194
<b>Fund Balance - Beginning of year</b>	30,254,121	30,254,121	30,254,121	-
<b>Fund Balance - End of year</b>	<b>\$ 25,626,037</b>	<b>\$ 24,410,036</b>	<b>\$ 30,207,230</b>	<b>\$ 5,797,194</b>

**Township of Macomb**

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

**Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b>Revenue</b>				
Property taxes and fees	\$ 2,640,000	\$ 2,640,000	\$ 2,672,030	\$ 32,030
Charges for services	2,108,600	2,108,600	2,159,813	51,213
Interest	15,000	15,000	16,773	1,773
Total revenue	4,763,600	4,763,600	4,848,616	85,016
<b>Expenditures</b>				
Recreation and culture	2,657,951	3,078,331	3,156,877	(78,546)
Debt service	-	67,400	134,790	(67,390)
Total expenditures	2,657,951	3,145,731	3,291,667	(145,936)
<b>Excess of Revenue Over Expenditures</b>	2,105,649	1,617,869	1,556,949	(60,920)
<b>Other Financing Uses - Transfers out</b>	(2,885,215)	(2,885,215)	(2,885,750)	(535)
<b>Net Change in Fund Balance</b>	(779,566)	(1,267,346)	(1,328,801)	(61,455)
<b>Fund Balance - Beginning of year</b>	3,555,342	3,555,342	3,555,342	-
<b>Fund Balance - End of year</b>	<u>\$ 2,775,776</u>	<u>\$ 2,287,996</u>	<u>\$ 2,226,541</u>	<u>\$ (61,455)</u>

**Township of Macomb**

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

**Year Ended June 30, 2018**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes and fees	\$ 6,325,000	\$ 6,325,000	\$ 6,393,003	\$ 68,003
Interest	15,000	15,000	37,313	22,313
Other revenue	2,000	2,000	150	(1,850)
Total revenue	<u>6,342,000</u>	<u>6,342,000</u>	<u>6,430,466</u>	<u>88,466</u>
<b>Expenditures</b>				
Public safety	4,621,823	4,621,823	4,198,284	423,539
Capital outlay	-	-	1,289	(1,289)
Total expenditures	<u>4,621,823</u>	<u>4,621,823</u>	<u>4,199,573</u>	<u>422,250</u>
<b>Excess of Revenue Over Expenditures</b>	1,720,177	1,720,177	2,230,893	510,716
<b>Other Financing (Uses) Sources</b>				
Transfers out	(999,940)	(999,940)	(806,400)	193,540
Proceeds from sale of capital assets	500	500	15,250	14,750
Total other financing uses	<u>(999,440)</u>	<u>(999,440)</u>	<u>(791,150)</u>	<u>208,290</u>
<b>Net Change in Fund Balance</b>	720,737	720,737	1,439,743	719,006
<b>Fund Balance - Beginning of year</b>	<u>4,739,588</u>	<u>4,739,588</u>	<u>4,739,588</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 5,460,325</u></u>	<u><u>\$ 5,460,325</u></u>	<u><u>\$ 6,179,331</u></u>	<u><u>\$ 719,006</u></u>

## Township of Macomb

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

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b>Revenue</b>				
Property taxes and fees	\$ 5,100,000	\$ 5,100,000	\$ 5,119,324	\$ 19,324
State-shared revenue and grants	20,000	20,000	22,829	2,829
Interest	4,000	4,000	7,245	3,245
	<u>5,124,000</u>	<u>5,124,000</u>	<u>5,149,398</u>	<u>25,398</u>
<b>Expenditures - Public safety</b>	<u>5,017,725</u>	<u>5,017,725</u>	<u>4,557,638</u>	<u>460,087</u>
<b>Net Change in Fund Balance</b>	106,275	106,275	591,760	485,485
<b>Fund Balance - Beginning of year</b>	<u>1,807,402</u>	<u>1,807,402</u>	<u>1,807,402</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><b>\$ 1,913,677</b></u>	<u><b>\$ 1,913,677</b></u>	<u><b>\$ 2,399,162</b></u>	<u><b>\$ 485,485</b></u>

**Township of Macomb**

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Required Supplemental Information  
OPEB Plan Schedule of Investment Returns

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	<b>Last Two Fiscal Years</b>	
	<b>Years Ended June 30</b>	
	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return - Net of investment expense	5.90 %	9.00 %

## Township of Macomb

### Required Supplemental Information OPEB Plan Schedule of Changes in the Township's Net OPEB Liability and Related Ratios

	<b>Last Two Fiscal Years (in thousands)</b>	
	2018	2017
<b>Total OPEB Liability</b>		
Service cost	\$ 802	\$ 761
Interest	1,045	1,017
Differences between expected and actual experience	779	(874)
Changes in assumptions	2,918	-
Benefit payments, including refunds	(378)	(357)
<b>Net Change in Total OPEB Liability</b>	5,166	547
<b>Total OPEB Liability - Beginning of year</b>	20,497	19,950
<b>Total OPEB Liability - End of year</b>	<b>\$ 25,663</b>	<b>\$ 20,497</b>
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 1,157	\$ 1,514
Net investment income	1,403	1,822
Benefit payments, including refunds	(378)	(357)
Other	(8)	-
<b>Net Change in Plan Fiduciary Net Position</b>	2,174	2,979
<b>Plan Fiduciary Net Position - Beginning of year</b>	23,321	20,342
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 25,495</b>	<b>\$ 23,321</b>
<b>Net OPEB Liability - Ending</b>	<b>\$ 168</b>	<b>\$ (2,824)</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	99.35 %	113.78 %
<b>Covered Payroll</b>	\$ 4,583	\$ 4,700
<b>Net OPEB Liability as a Percentage of Covered Payroll</b>	3.67 %	(60.09)%

## Township of Macomb

### Required Supplemental Information Schedule of OPEB Contributions

**Last Ten Fiscal Years  
Years Ended June 30  
(in thousands)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 779	\$ 1,150	\$ 1,220	\$ 1,185	\$ 1,150	\$ 1,332	\$ 1,332	\$ 1,332	\$ 637	\$ 637
Contributions in relation to the actuarially determined contribution	779	1,156	1,229	1,485	1,448	1,427	1,419	659	540	2,920
<b>Contribution Excess (Deficiency)</b>	<b>\$ -</b>	<b>\$ 6</b>	<b>\$ 9</b>	<b>\$ 300</b>	<b>\$ 298</b>	<b>\$ 95</b>	<b>\$ 87</b>	<b>\$ (673)</b>	<b>\$ (97)</b>	<b>\$ 2,283</b>
<b>Covered Employee Payroll</b>	<b>\$ 4,583</b>	<b>\$ 4,700</b>	<b>\$ 4,823</b>	<b>\$ 4,823</b>	<b>\$ 4,823</b>	<b>\$ 4,671</b>	<b>\$ 4,671</b>	<b>\$ 4,671</b>	<b>\$ 4,193</b>	<b>\$ 4,193</b>
<b>Contributions as a Percentage of Covered Employee Payroll</b>	<b>17.00 %</b>	<b>24.60 %</b>	<b>25.48 %</b>	<b>30.79 %</b>	<b>30.02 %</b>	<b>30.55 %</b>	<b>30.38 %</b>	<b>14.11 %</b>	<b>12.88 %</b>	<b>69.64 %</b>

#### Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated biannually as of June 30. Covered employee payroll is as of June 30 of the current fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	Market
Inflation	No explicit price inflation assumption used
Healthcare cost trend rates	6.0 percent for the year of valuation, graded down to 5.0 percent in 0.1 percent increments over 10 years
Salary increases	3.0 percent
Investment rate of return	5.0 percent - Net of plan investment expense
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	RP-2014 mortality table with MP-2017 improvement scale
Other information	None

**Township of Macomb**

Required Supplemental Information  
Fire Retirement System Schedule of Investment Returns

	<b>Last Eight Fiscal Years Years Ended June 30</b>							
	<u>2018</u>	<u>2017</u>	<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	3.2 %	10.1 %	(3.1)%	(3.4)%	11.3 %	3.8 %	(3.4)%	11.5 %

**Township of Macomb**

Required Supplemental Information  
Fire Retirement System Schedule of Changes in the Township's Net Pension  
Liability and Related Ratios

	<b>Years Ended June 30</b>				
	<b>(schedule is built prospectively upon implementation of GASB 67)</b>				
	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service cost	\$ 162,028	\$ 106,931	\$ 132,825	\$ 132,825	\$ 100,679
Interest	166,044	134,944	138,699	121,973	117,093
Differences between expected and actual experience	345,834	(18,056)	(175,330)	(23,304)	17,813
Changes in assumptions	320,444	554,112	-	257,079	-
Benefit payments, including refunds	<u>(204,358)</u>	<u>(162,615)</u>	<u>(154,056)</u>	<u>(154,055)</u>	<u>(154,056)</u>
<b>Net Change in Total Pension Liability</b>	789,992	615,316	(57,862)	334,518	81,529
<b>Total Pension Liability - Beginning of year</b>	<u>3,342,047</u>	<u>2,726,731</u>	<u>2,784,593</u>	<u>2,450,075</u>	<u>2,368,546</u>
<b>Total Pension Liability - End of year</b>	<b><u>\$ 4,132,039</u></b>	<b><u>\$ 3,342,047</u></b>	<b><u>\$ 2,726,731</u></b>	<b><u>\$ 2,784,593</u></b>	<b><u>\$ 2,450,075</u></b>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 246,982	\$ 236,827	\$ 230,009	\$ 219,782	\$ 211,645
Contributions - Member	33,650	30,044	32,417	30,906	28,613
Net investment income (loss)	94,867	242,093	(78,706)	(84,618)	227,723
Administrative expenses	(13,120)	(8,875)	(5,612)	(8,870)	(2,128)
Benefit payments, including refunds	<u>(204,358)</u>	<u>(162,615)</u>	<u>(154,056)</u>	<u>(154,055)</u>	<u>(154,056)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	158,021	337,474	24,052	3,145	311,797
<b>Plan Fiduciary Net Position - Beginning of year</b>	<u>2,799,375</u>	<u>2,461,901</u>	<u>2,437,849</u>	<u>2,434,704</u>	<u>2,122,907</u>
<b>Plan Fiduciary Net Position - End of year</b>	<b><u>\$ 2,957,396</u></b>	<b><u>\$ 2,799,375</u></b>	<b><u>\$ 2,461,901</u></b>	<b><u>\$ 2,437,849</u></b>	<b><u>\$ 2,434,704</u></b>
<b>Township's Net Pension Liability - Ending</b>	<b><u>\$ 1,174,643</u></b>	<b><u>\$ 542,672</u></b>	<b><u>\$ 264,830</u></b>	<b><u>\$ 346,744</u></b>	<b><u>\$ 15,371</u></b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	71.57 %	83.76 %	90.29 %	87.55 %	99.37 %
<b>Covered Employee Payroll</b>	\$ 741,847	\$ 690,413	\$ 506,370	\$ 626,003	\$ 607,770
<b>Township's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	158.34 %	78.60 %	52.30 %	55.39 %	2.53 %



**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, 2018 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.

	<u>Fund Balance - Beginning of Year</u>	<u>Fund Balance - End of Year</u>
Fund balance per the governmental funds statement of revenue, expenditures, and changes in fund balances	\$ 30,324,121	\$ 30,277,230
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, 2018 budget	<u>(70,000)</u>	<u>(70,000)</u>
Fund balance per General Fund budget statement	<u>\$ 30,254,121</u>	<u>\$ 30,207,230</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 - Capital outlay	\$ -	\$ 194,319	\$ (194,319)
Parks and Recreation Operating Fund - Recreation and culture	3,078,331	3,156,877	(78,546)
Parks and Recreation Operating Fund - Debt service	67,400	134,790	(67,390)
Fire Operating Fund - Capital outlay	-	1,289	(1,289)

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## Other Supplemental Information

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**Township of Macomb**

Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds

**June 30, 2018**

	Debt Service	Capital Project Funds			Total Nonmajor Governmental Funds
	Fund	Parks and Recreation Revolving	Public Improvement	Fire Improvement	
<b>Assets - Cash and investments</b>	<b>\$ 648,645</b>	<b>\$ 3,289,599</b>	<b>\$ 2,170,458</b>	<b>\$ -</b>	<b>\$ 6,108,702</b>
<b>Liabilities - Accounts payable</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Fund Balances</b>					
Restricted:					
Fire	-	-	2,170,458	-	2,170,458
Debt service	648,645	-	-	-	648,645
Assigned - Capital outlay	-	3,289,599	-	-	3,289,599
Total fund balances	648,645	3,289,599	2,170,458	-	6,108,702
Total liabilities and fund balances	<b>\$ 648,645</b>	<b>\$ 3,289,599</b>	<b>\$ 2,170,458</b>	<b>\$ -</b>	<b>\$ 6,108,702</b>

**Township of Macomb**

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

**Year Ended June 30, 2018**

	Debt Service	Capital Projects Funds			Total Nonmajor Governmental Funds
	Fund			Building Authority Capital Projects Fund	
	Parks and Recreation Revolving	Public Improvement	Fire Improvement		
<b>Revenue</b>	\$ 3,003	\$ 15,194	\$ 8,935	\$ -	\$ 27,132
<b>Expenditures</b>					
Current services:					
General government	-	124,550	-	-	124,550
Public safety	-	-	78,015	-	78,015
Total expenditures	-	124,550	78,015	-	202,565
<b>Excess of Revenue Over (Under) Expenditures</b>	3,003	(109,356)	(69,080)	-	(175,433)
<b>Other Financing Sources - Transfers in</b>	-	25,000	325,000	-	350,000
<b>Net Change in Fund Balances</b>	3,003	(84,356)	255,920	-	174,567
<b>Fund Balances - Beginning of year</b>	645,642	3,373,955	1,914,538	-	5,934,135
<b>Fund Balances - End of year</b>	<b>\$ 648,645</b>	<b>\$ 3,289,599</b>	<b>\$ 2,170,458</b>	<b>\$ -</b>	<b>\$ 6,108,702</b>

## Township of Macomb

### Other Supplemental Information Combining Statement of Fiduciary Net Position Fiduciary Funds

June 30, 2018

	Fire Retirement System	Retiree Health Care Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 87,727	\$ 583,801	\$ 671,528
Investments:			
Municipal bonds	-	2,171,720	2,171,720
Agency securities	-	2,733,590	2,733,590
Corporate bonds	-	6,435,420	6,435,420
Money market funds	177,845	-	177,845
Mutual funds	2,691,824	13,570,389	16,262,213
Total assets	2,957,396	25,494,920	28,452,316
<b>Liabilities</b> - Refundable deposits, bonds, etc.	-	-	-
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<b>\$ 2,957,396</b>	<b>\$ 25,494,920</b>	<b>\$ 28,452,316</b>

## Township of Macomb

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

**Year Ended June 30, 2018**

	Fire Retirement System	Retiree Health Care Fund	Total
<b>Additions</b>			
Investment income (loss):			
Interest and dividends	\$ 904	\$ 678,975	\$ 679,879
Net increase in fair value of investments	96,475	778,415	874,890
Investment-related expenses	(2,500)	(105,064)	(107,564)
Net income	94,879	1,352,326	1,447,205
Contributions:			
Employer	246,982	1,157,216	1,404,198
Employee	33,650	-	33,650
Total contributions	280,632	1,157,216	1,437,848
Miscellaneous revenue	-	42,587	42,587
Total additions - Net	375,511	2,552,129	2,927,640
<b>Deductions</b>			
Benefit payments	204,358	377,949	582,307
Administrative expenses	13,132	-	13,132
Total deductions	217,490	377,949	595,439
<b>Net Increase</b>	158,021	2,174,180	2,332,201
<b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	2,799,375	23,320,740	26,120,115
<b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>	<b>\$ 2,957,396</b>	<b>\$ 25,494,920</b>	<b>\$ 28,452,316</b>

**Township of Macomb**

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Other Supplemental Information  
Statement of Assets and Liabilities  
Agency Fund

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**June 30, 2018**

Bond Escrow  
Agency Fund

**Assets** - Cash and cash equivalents

**\$ 1,924,345**

**Liabilities** - Refundable deposits, bonds, etc.

**\$ 1,924,345**