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# Township of Macomb

Macomb County, Michigan

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**Financial Report**  
**with Supplemental Information**  
**June 30, 2019**

<b>Independent Auditor's Report</b>	1-2
<b>Management's Discussion and Analysis</b>	3-5
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	6
Statement of Activities	7
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	8-9
Reconciliation of the Balance Sheet to the Statement of Net Position	10
Statement of Revenue, Expenditures, and Changes in Fund Balances	11-12
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	13
Proprietary Fund:	
Statement of Net Position	14
Statement of Revenue, Expenses, and Changes in Net Position	15
Statement of Cash Flows	16
Fiduciary Funds:	
Statement of Fiduciary Net Position	17
Statement of Changes in Fiduciary Net Position	18
Notes to Financial Statements	19-45
<b>Required Supplemental Information</b>	46
Budgetary Comparison Schedule - General Fund	47
Budgetary Comparison Schedules - Major Special Revenue Funds	48-50
OPEB Plan Schedule of Investment Returns	51
OPEB Plan Schedule of Changes in the Township's Net OPEB Liability and Related Ratios	52
Schedule of OPEB Contributions	53
Fire Retirement System Schedule of Investment Returns	54
Fire Retirement System Schedule of Changes in the Township's Net Pension Liability and Related Ratios	55
Schedule of Pension Contributions	56
Notes to Required Supplemental Information	57
<b>Other Supplemental Information</b>	58
Nonmajor Governmental Funds:	
Combining Balance Sheet	59
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	60
Fiduciary Funds:	
Combining Statement of Fiduciary Net Position	61
Combining Statement of Changes in Fiduciary Net Position	62

## 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, 2019 and the related notes to the financial statements, which collectively comprise the Township of Macomb's basic financial statements, as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Macomb as of June 30, 2019 and the respective changes in its financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

**Other Matters**

*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 opinions on the financial statements that collectively comprise the Township of Macomb's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

*Plante & Moran, PLLC*

November 22, 2019

**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.

**The Township's Net Position**

In a condensed format, the table below shows the comparison of net position as of June 30, 2019 to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current and other assets:						
Cash and investments	\$ 49,660,350	\$ 52,590,351	\$ 38,780,177	\$ 37,252,199	\$ 88,440,527	\$ 89,842,550
Receivables	1,276,191	1,249,716	9,161,191	9,605,076	10,437,382	10,854,792
Other assets	13,403,523	299,640	1,655,960	1,461,995	15,059,483	1,761,635
Capital assets	56,407,679	51,794,989	170,267,307	169,880,688	226,674,986	221,675,677
Total assets	120,747,743	105,934,696	219,864,635	218,199,958	340,612,378	324,134,654
<b>Deferred Outflows of Resources</b>	3,612,865	4,330,763	747,724	867,621	4,360,589	5,198,384
<b>Liabilities</b>						
Current liabilities	3,041,628	3,779,034	3,500,212	3,724,879	6,541,840	7,503,913
Noncurrent liabilities	33,406,864	24,235,451	36,747,986	39,174,818	70,154,850	63,410,269
Total liabilities	36,448,492	28,014,485	40,248,198	42,899,697	76,696,690	70,914,182
<b>Deferred Inflows of Resources</b>	1,131,762	272,783	336,133	41,705	1,467,895	314,488
<b>Net Position</b>						
Net investment in capital assets	37,386,507	29,832,758	134,591,795	131,875,748	171,978,302	161,708,506
Restricted	10,824,340	11,809,490	437,320	519,661	11,261,660	12,329,151
Unrestricted	38,569,507	40,335,943	44,998,913	43,730,768	83,568,420	84,066,711
Total net position	<u>\$ 86,780,354</u>	<u>\$ 81,978,191</u>	<u>\$ 180,028,028</u>	<u>\$ 176,126,177</u>	<u>\$ 266,808,382</u>	<u>\$ 258,104,368</u>

The Township's combined net position increased approximately \$8.7 million from a year ago, increasing from \$258.1 million to \$266.8 million. A review of the governmental activities, separate from the business-type activities, shows an increase of approximately \$4.8 million in net position, or 5.9 percent, during fiscal year 2019. The increase in total net position is primarily attributable to an increase in capital assets. The business-type activities net position increased from the previous year by approximately \$3.9 million, or 2.2 percent, during fiscal year 2019. This was primarily due to an decrease in long-term liabilities.

Unrestricted net position for the governmental activities was \$38.6 million at June 30, 2019. This amount represents the part of net position that is available to finance day-to-day operations and future growth of the Township. The business-type activities net investment in capital assets increased \$2.7 million from the previous year. This is attributable to continued spending on installation of water and sewer mains throughout the Township.

# Township of Macomb

## Management's Discussion and Analysis (Continued)

### The Township's Changes in Net Position

The following table shows the changes in net position during the year ended June 30, 2019 and the prior year:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 6,184,395	\$ 6,061,316	\$ 30,565,984	\$ 30,617,881	\$ 36,750,379	\$ 36,679,197
Operating grants and contributions	137,619	26,917	9,515	38,607	147,134	65,524
Capital grants and contributions	-	-	3,884,966	4,426,723	3,884,966	4,426,723
General revenue:						
Property taxes	17,194,492	16,398,435	-	-	17,194,492	16,398,435
State-shared revenue	7,247,442	6,881,191	-	-	7,247,442	6,881,191
Investment earnings	925,596	317,937	616,185	204,698	1,541,781	522,635
Cable fees and other	1,734,883	1,638,522	17,073	-	1,751,956	1,638,522
Total revenue	33,424,427	31,324,318	35,093,723	35,287,909	68,518,150	66,612,227
<b>Expenses</b>						
General government	8,157,920	7,854,383	-	-	8,157,920	7,854,383
Public safety	12,780,294	11,061,603	-	-	12,780,294	11,061,603
Public works	3,247,270	3,377,384	-	-	3,247,270	3,377,384
Recreation and culture	3,389,915	3,691,574	-	-	3,389,915	3,691,574
Debt service	1,046,865	855,046	-	-	1,046,865	855,046
Water and sewer	-	-	31,191,872	31,087,668	31,191,872	31,087,668
Total expenses	28,622,264	26,839,990	31,191,872	31,087,668	59,814,136	57,927,658
<b>Change in Net Position</b>	4,802,163	4,484,328	3,901,851	4,200,241	8,704,014	8,684,569
<b>Net Position - Beginning of year</b>	81,978,191	77,493,863	176,126,177	171,925,936	258,104,368	249,419,799
<b>Net Position - End of year</b>	<b>\$ 86,780,354</b>	<b>\$ 81,978,191</b>	<b>\$ 180,028,028</b>	<b>\$ 176,126,177</b>	<b>\$ 266,808,382</b>	<b>\$ 258,104,368</b>

### Governmental Activities

The Township's total governmental revenue increased by approximately \$2.1 million from the last fiscal year. An increase in tax rates and a roughly 5.5 percent increase in the taxable value of properties in the Township resulted in an increase of property tax revenue of \$0.8 million. The increase has been seen in overall property values in southeast Michigan.

Total governmental expenses increased by about \$1.8 million, or 6.6 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 remained relatively flat at \$35.1 million. Revenue of the Township's business-type activities decreased by \$0.2 million primarily as a result of the lack of special assessment revenue during the current year.

Expenses increased by about \$0.1 million for the year ended June 30, 2019. 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, Michigan sewage treatment plant.

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

Our analysis of the Township's major funds begins on pages 8 and 9, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The township board creates funds to help manage money for specific purposes, as well as show accountability for certain activities. The Township's major funds for 2019 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 24.2 percent below budget, primarily due to planned general government expenditures that did not take place during the fiscal year. The Township completed the year with actual operating revenue over operating expenditures of \$3.1 million.

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

At the end of fiscal year 2019, the Township had approximately \$226.7 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 \$16.0 million and \$13.2 million for fiscal years 2019 and 2018, 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 \$32.4 million and \$33.7 million for fiscal years 2019 and 2018, 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 2019 tax rate increased when compared with the 2018 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 15.4 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 46.2 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 73.0 percent funded, we do anticipate an increase in pension fund contributions over the next year due to an increase in the millage rate from the previous year. We also expect continued annual increases in medical costs of nearly 4.5 to 8.5 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, 2019

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments (Note 3)	\$ 49,660,350	\$ 38,780,177	\$ 88,440,527
Receivables - Net:			
Property taxes	23,584	-	23,584
Special assessments	-	381,553	381,553
Customers	10,293	8,637,061	8,647,354
Other receivables	1,024	-	1,024
Due from other governmental units	1,241,290	142,577	1,383,867
Inventory	-	99,342	99,342
Restricted assets (Note 7)	11,792,846	1,119,606	12,912,452
Land held for resale (Note 3)	299,640	-	299,640
Net OPEB asset (Note 9)	1,311,037	437,012	1,748,049
Capital assets:			
Assets not subject to depreciation (Note 4)	6,337,868	13,380,795	19,718,663
Assets subject to depreciation (Note 4)	50,069,811	156,886,512	206,956,323
Total assets	120,747,743	219,864,635	340,612,378
<b>Deferred Outflows of Resources</b>			
Bond refunding loss being amortized	603,000	107,860	710,860
Deferred pension costs (Note 10)	1,090,270	-	1,090,270
Deferred OPEB costs (Note 9)	1,919,595	639,864	2,559,459
Total deferred outflows of resources	3,612,865	747,724	4,360,589
<b>Liabilities</b>			
Accounts payable	1,082,098	3,034,967	4,117,065
Accrued liabilities and other	1,959,530	465,245	2,424,775
Noncurrent liabilities:			
Due within one year (Note 6)	5,176,203	2,294,742	7,470,945
Due in more than one year:			
Compensated absences - Net of current portion (Note 6)	159,011	52,512	211,523
Net pension liability (Note 10)	1,203,366	-	1,203,366
Long-term debt - Net of current portion (Note 6)	26,868,284	34,400,732	61,269,016
Total liabilities	36,448,492	40,248,198	76,696,690
<b>Deferred Inflows of Resources</b>			
Deferred pension cost reductions (Note 10)	123,362	-	123,362
Deferred OPEB cost reductions (Note 9)	1,008,400	336,133	1,344,533
Total deferred inflows of resources	1,131,762	336,133	1,467,895
<b>Net Position</b>			
Net investment in capital assets	37,386,507	134,591,795	171,978,302
Restricted for:			
Fire	9,468,139	-	9,468,139
Debt service	654,867	-	654,867
County drains	-	437,320	437,320
Law enforcement	701,334	-	701,334
Unrestricted	38,569,507	44,998,913	83,568,420
Total net position	<u>\$ 86,780,354</u>	<u>\$ 180,028,028</u>	<u>\$ 266,808,382</u>

# Township of Macomb

## Statement of Activities

Year Ended June 30, 2019

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Program Revenue			Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 8,157,920	\$ 134,270	\$ 137,619	\$ -	\$ (7,886,031)	\$ -	\$ (7,886,031)
Public safety	12,780,294	2,945,645	-	-	(9,834,649)	-	(9,834,649)
Public works	3,247,270	901,471	-	-	(2,345,799)	-	(2,345,799)
Recreation and culture	3,389,915	2,203,009	-	-	(1,186,906)	-	(1,186,906)
Interest on long-term debt	1,046,865	-	-	-	(1,046,865)	-	(1,046,865)
Total governmental activities	28,622,264	6,184,395	137,619	-	(22,300,250)	-	(22,300,250)
Business-type activities - Water and sewer	31,191,872	30,565,984	9,515	3,884,966	-	3,268,593	3,268,593
Total primary government	<u>\$ 59,814,136</u>	<u>\$ 36,750,379</u>	<u>\$ 147,134</u>	<u>\$ 3,884,966</u>	(22,300,250)	3,268,593	(19,031,657)
General revenue:							
Property taxes and fees					17,194,492	-	17,194,492
Unrestricted state-shared revenue					7,247,442	-	7,247,442
Unrestricted investment income					925,596	616,185	1,541,781
Cable franchise fees - Unrestricted					1,690,564	-	1,690,564
Proceeds from sale of capital assets					(17,074)	17,073	(1)
Other miscellaneous income					61,393	-	61,393
Total general revenue					27,102,413	633,258	27,735,671
<b>Change in Net Position</b>					4,802,163	3,901,851	8,704,014
<b>Net Position - Beginning of year</b>					81,978,191	176,126,177	258,104,368
<b>Net Position - End of year</b>					<u>\$ 86,780,354</u>	<u>\$ 180,028,028</u>	<u>\$ 266,808,382</u>

# 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)	\$ 28,173,891	\$ 3,358,973	\$ 7,545,263	\$ 2,529,933
Receivables	1,273,206	-	2,985	-
Due from other funds (Note 5)	3,140	-	-	-
Restricted assets (Note 7)	-	-	-	-
Land held for resale (Note 3)	299,640	-	-	-
<b>Total assets</b>	<b>\$ 29,749,877</b>	<b>\$ 3,358,973</b>	<b>\$ 7,548,248</b>	<b>\$ 2,529,933</b>
<b>Liabilities</b>				
Accounts payable	\$ 356,357	\$ 150,661	\$ 109,297	\$ 1,036
Due to other funds (Note 5)	-	3,140	-	-
Accrued liabilities and other	286,485	106,954	108,923	-
<b>Total liabilities</b>	<b>642,842</b>	<b>260,755</b>	<b>218,220</b>	<b>1,036</b>
<b>Deferred Inflows of Resources -</b>				
Unavailable revenue	1,241,290	-	-	-
<b>Total liabilities and deferred inflows of resources</b>	<b>1,884,132</b>	<b>260,755</b>	<b>218,220</b>	<b>1,036</b>
<b>Fund Balances</b>				
Nonspendable - Land held for resale	299,640	-	-	-
Restricted:				
Fire	-	-	7,330,028	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Law enforcement	-	-	-	701,334
Assigned:				
Subsequent year's budget	10,777,130	-	-	-
Capital outlay	-	-	-	-
Road projects	-	-	-	-
Debt service	-	-	-	-
Parks and recreation	-	3,098,218	-	-
Law enforcement	-	-	-	1,827,563
Unassigned	16,788,975	-	-	-
<b>Total fund balances</b>	<b>27,865,745</b>	<b>3,098,218</b>	<b>7,330,028</b>	<b>2,528,897</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 29,749,877</b>	<b>\$ 3,358,973</b>	<b>\$ 7,548,248</b>	<b>\$ 2,529,933</b>

Governmental Funds  
Balance Sheet

June 30, 2019

Building Authority Debt Service Fund	Municipal Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 42,975	\$ 1,940,128	\$ 6,069,187	\$ 49,660,350
-	-	-	1,276,191
-	-	-	3,140
-	-	11,792,846	11,792,846
-	-	-	299,640
<b>\$ 42,975</b>	<b>\$ 1,940,128</b>	<b>\$ 17,862,033</b>	<b>\$ 63,032,167</b>
\$ -	\$ 189,114	\$ 275,633	\$ 1,082,098
-	-	-	3,140
-	1,043,620	96,148	1,642,130
-	1,232,734	371,781	2,727,368
-	-	-	1,241,290
-	1,232,734	371,781	3,968,658
-	-	-	299,640
-	-	2,138,111	9,468,139
-	-	654,867	654,867
-	-	11,437,997	11,437,997
-	-	-	701,334
-	-	-	10,777,130
-	-	3,259,277	3,259,277
-	707,394	-	707,394
42,975	-	-	42,975
-	-	-	3,098,218
-	-	-	1,827,563
-	-	-	16,788,975
42,975	707,394	17,490,252	59,063,509
<b>\$ 42,975</b>	<b>\$ 1,940,128</b>	<b>\$ 17,862,033</b>	<b>\$ 63,032,167</b>

**Governmental Funds**

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

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**June 30, 2019**

<b>Fund Balances Reported in Governmental Funds</b>	<b>\$ 59,063,509</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	56,407,679
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	1,241,290
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(30,459,169)
Accrued interest is not due and payable in the current period and is not reported in the funds	(317,400)
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	(1,141,329)
Pension benefits	(236,458)
OPEB benefits	2,222,232
<b>Net Position of Governmental Activities</b>	<b><u>\$ 86,780,354</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	\$ 2,274,196	\$ 2,772,782	\$ 6,743,607	\$ 5,403,907
Special assessments	901,471	-	-	-
Intergovernmental:				
Federal grants and other	137,619	-	-	-
State-shared revenue and grants	7,184,290	-	-	22,852
Charges for services	226,844	2,203,009	-	-
Fines and forfeitures	431,596	-	-	-
Licenses and permits	3,785,289	-	-	-
Interest	609,844	25,966	101,819	12,916
Other revenue	296,222	-	2,115	35
<b>Total revenue</b>	<b>15,847,371</b>	<b>5,001,757</b>	<b>6,847,541</b>	<b>5,439,710</b>
<b>Expenditures</b>				
Current services:				
General government	9,603,709	-	-	-
Public safety	1,729,277	-	4,758,295	5,309,975
Public works	1,110,675	-	-	-
Recreation and culture	274,902	2,223,894	-	-
Capital outlay	8,306	-	-	-
Debt service:				
Principal	-	-	-	-
Interest on long-term debt	-	-	-	-
<b>Total expenditures</b>	<b>12,726,869</b>	<b>2,223,894</b>	<b>4,758,295</b>	<b>5,309,975</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>3,120,502</b>	<b>2,777,863</b>	<b>2,089,246</b>	<b>129,735</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in (Note 5)	-	10,574	-	-
Transfers out (Note 5)	(5,531,987)	(1,916,760)	(951,658)	-
Face value of debt issued	-	-	-	-
Debt premium or discount	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-
Proceeds from sale of capital assets	-	-	13,109	-
<b>Total other financing (uses) sources</b>	<b>(5,531,987)</b>	<b>(1,906,186)</b>	<b>(938,549)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(2,411,485)</b>	<b>871,677</b>	<b>1,150,697</b>	<b>129,735</b>
<b>Fund Balances - Beginning of year</b>	<b>30,277,230</b>	<b>2,226,541</b>	<b>6,179,331</b>	<b>2,399,162</b>
<b>Fund Balances - End of year</b>	<b>\$ 27,865,745</b>	<b>\$ 3,098,218</b>	<b>\$ 7,330,028</b>	<b>\$ 2,528,897</b>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2019

Building Authority Debt Service Fund	Municipal Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 17,194,492
-	-	-	901,471
-	-	-	137,619
-	-	-	7,207,142
-	-	-	2,429,853
-	-	-	431,596
-	-	-	3,785,289
1,977	9,183	163,891	925,596
-	28,414	-	326,786
1,977	37,597	163,891	33,339,844
-	-	76,392	9,680,101
-	-	585,600	12,383,147
-	459,217	-	1,569,892
-	-	-	2,498,796
-	4,506,663	1,316,840	5,831,809
3,475,000	-	-	3,475,000
1,081,048	-	8,689	1,089,737
4,556,048	4,965,880	1,987,521	36,528,482
(4,554,071)	(4,928,283)	(1,823,630)	(3,188,638)
4,565,405	3,500,000	335,000	8,410,979
(10,574)	-	-	(8,410,979)
-	-	14,010,000	14,010,000
-	-	1,260,180	1,260,180
-	-	(2,400,000)	(2,400,000)
-	-	-	13,109
4,554,831	3,500,000	13,205,180	12,883,289
760	(1,428,283)	11,381,550	9,694,651
42,215	2,135,677	6,108,702	49,368,858
<b>\$ 42,975</b>	<b>\$ 707,394</b>	<b>\$ 17,490,252</b>	<b>\$ 59,063,509</b>

**Governmental Funds**

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

**Year Ended June 30, 2019**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 9,694,651</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	7,303,779
Depreciation expense	(2,598,481)
Net book value of assets disposed of	(92,608)
Revenue is recorded in the statement of activities at the time it is earned, without regard to timeliness of collection	40,300
OPEB expense is recognized in the statement of activities, but not in the governmental funds	104,651
Issuing debt provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position	(15,270,180)
Payments to escrow agents to settle bonded debt obligations are recorded as expenditures on the fund statements, but are recorded as a reduction of debt for governmental activities reporting	2,400,000
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	3,536,357
Change in accrued interest payable and deferred amounts on refundings	42,872
Pension expense is recognized in the statement of activities, but not in the governmental funds	(188,619)
Accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(170,559)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 4,802,163</u></b>

**Proprietary Fund  
Statement of Net Position**

**June 30, 2019**

Enterprise Fund  
- Water and  
Sewer

**Assets**

Current assets:

Cash and cash equivalents (Note 3)	\$ 38,780,177
Receivables - Net:	
Special assessments receivable - Due within one year	381,553
Customers	8,637,061
Due from other governmental units	142,577
Inventory	99,342
Total current assets	48,040,710

Noncurrent assets:

Restricted assets (Note 7)	1,119,606
Net OPEB asset (Note 9)	437,012
Capital assets:	
Assets not subject to depreciation (Note 4)	13,380,795
Assets subject to depreciation (Note 4)	156,886,512
Total noncurrent assets	171,823,925

Total assets 219,864,635

**Deferred Outflows of Resources**

Bond refunding loss being amortized	107,860
Deferred OPEB costs (Note 9)	639,864
Total deferred outflows of resources	747,724

**Liabilities**

Current liabilities:

Accounts payable	3,034,967
Accrued liabilities and other	465,245
Current portion of compensated absences (Note 6)	229,816
Current portion of long-term debt (Note 6)	2,064,926
Total current liabilities	5,794,954

Noncurrent liabilities:

Compensated absences - Net of current portion (Note 6)	52,512
Long-term debt - Net of current portion (Note 6)	34,400,732
Total noncurrent liabilities	34,453,244

Total liabilities 40,248,198

**Deferred Inflows of Resources - Deferred OPEB cost reductions (Note 9)**

336,133

**Net Position**

Net investment in capital assets	134,591,795
Restricted for county drains (Note 7)	437,320
Unrestricted	44,998,913
Total net position	\$ 180,028,028

## Township of Macomb

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

Year Ended June 30, 2019

	Enterprise Fund - Water and Sewer
<b>Operating Revenue</b>	
Sale of water	\$ 14,994,400
Sewage disposal charges	14,598,876
Charges for services	972,708
Total operating revenue	<u>30,565,984</u>
<b>Operating Expenses</b>	
Cost of water	11,065,303
Cost of sewage disposal	10,777,571
Operation and maintenance	1,394,987
General and administrative	2,466,939
Contributions to Retiree Health Care Fund	238,603
Depreciation (Note 4)	3,974,157
Total operating expenses	<u>29,917,560</u>
<b>Operating Income</b>	648,424
<b>Nonoperating Revenue (Expense)</b>	
Investment income	616,185
Interest expense	(1,274,312)
Gain on sale of assets	17,073
Operating grants	9,515
Total nonoperating expense	<u>(631,539)</u>
<b>Income - Before contributions</b>	16,885
<b>Capital Contributions</b>	
Capital grants	177,198
Developers and other governmental units	2,125,257
Tap fees and frontage charges	1,582,511
Total capital contributions	<u>3,884,966</u>
<b>Change in Net Position</b>	3,901,851
<b>Net Position - Beginning of year (as restated)</b>	<u>176,126,177</u>
<b>Net Position - End of year</b>	<u><u>\$ 180,028,028</u></u>

## Township of Macomb

## Proprietary Fund Statement of Cash Flows

Year Ended June 30, 2019

	Enterprise Fund - Water and Sewer
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 30,947,171
Payments to suppliers	(24,679,564)
Payments to employees	(1,675,648)
	<u>4,591,959</u>
Net cash and cash equivalents provided by operating activities	4,591,959
<b>Cash Flows from Capital and Related Financing Activities</b>	
Receipt of capital grants	177,198
Collection of special assessments	72,213
Proceeds from sale of capital assets	17,073
Collection of customer tap fees	1,582,511
Purchase of capital assets	(1,971,435)
Principal and interest paid on long-term debt	(3,557,726)
	<u>(3,680,166)</u>
Net cash and cash equivalents used in capital and related financing activities	(3,680,166)
<b>Cash Flows Provided by Investing Activities - Interest received on investments</b>	<u>616,185</u>
<b>Net Increase in Cash and Cash Equivalents</b>	1,527,978
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>37,252,199</u>
<b>Cash and Cash Equivalents - End of year</b>	<u><b>\$ 38,780,177</b></u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>	
Operating income	\$ 648,424
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation and amortization	3,974,157
Changes in assets and liabilities:	
Receivables	367,919
Due from other funds	13,268
Inventory	(5,205)
Prepaid and other	(437,012)
Net OPEB asset	254,068
Accounts payable	(201,590)
Accrued and other liabilities	(23,077)
Compensated absences	1,007
	<u>1,007</u>
Net cash and cash equivalents provided by operating activities	<u><b>\$ 4,591,959</b></u>

**Noncash Investing, Capital, and Financing Activities** - During the year ended June 30, 2019, developers constructed water and sewer lines with a value of approximately \$2.1 million and donated them to the Township's Water and Sewer Fund. Also during the year, approximately \$0.3 million of capital assets were recorded in connection with the Oakland and Macomb County MID and OMID drain and interceptor projects. These assets were paid for using cash on hand at the counties of Oakland and Macomb, Michigan.

# Township of Macomb

## Fiduciary Funds Statement of Fiduciary Net Position

June 30, 2019

	Trust Funds - Pensions and Other Retirement Benefits	Bond Escrow Agency Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 831,469	\$ 3,134,092
Investments:		
Municipal bonds	2,077,842	-
Agency securities	2,991,201	-
Corporate bonds	7,030,899	-
Money market funds	186,574	-
Mutual funds	18,308,143	-
Total assets	31,426,128	<u>\$ 3,134,092</u>
<b>Liabilities - Cash bonds and deposits</b>	<u>-</u>	<u>\$ 3,134,092</u>
<b>Net Position Restricted for Pension and Other Employee Benefits</b>	<u>\$ 31,426,128</u>	

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

**Year Ended June 30, 2019**

	Trust Funds - Pensions and Other Retirement Benefits
<b>Additions</b>	
Investment income (loss):	
Interest and dividends	\$ 808,356
Net increase in fair value of investments	1,200,397
Investment-related expenses	(100,385)
Net investment income	1,908,368
Contributions:	
Employer	1,639,001
Employee	34,132
Total contributions	1,673,133
Miscellaneous revenue	19,157
Total additions	3,600,658
<b>Deductions</b>	
Benefit payments	601,885
Administrative expenses	24,961
Total deductions	626,846
<b>Net Increase</b>	2,973,812
<b>Net Position Restricted for Pension and Other Employee Benefits - Beginning of year</b>	28,452,316
<b>Net Position Restricted for Pension and Other Employee Benefits - End of year</b>	<b>\$ 31,426,128</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) 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 "other financing sources," as well as bond premiums and discounts. The debt service funds are generally used to liquidate governmental long-term debt.

**Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Township has 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 2018 property tax revenue is levied and collectible on December 31, 2018 and is recognized as revenue in the year ended June 30, 2019 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2018 taxable valuation of the Township totaled approximately \$3.5 billion, on which ad valorem taxes levied consisted of 0.6516 mills for operating purposes, 2.0000 mills for fire operating services, 0.0747 mills for fire pension, 1.5500 mills for police protection, and 0.7938 mills for parks and recreation. This resulted in \$2.3 million for operating, \$6.7 million for fire operations, \$0.3 million for fire pension, \$5.4 million for police protection, and \$2.8 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 June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the Township's financial statements for the June 30, 2021 fiscal year.

**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, 2018		\$ (9,345,734)
Current year permit revenue		2,375,422
Related expenses:		
Direct costs	\$ 1,420,411	
Estimated indirect costs	380,489	<u>1,800,900</u>
Net surplus for the year ended June 30, 2019		<u>574,522</u>
Cumulative expenditures over revenue - June 30, 2019		<u><u>\$ (8,771,212)</u></u>

**Note 3 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

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

The Township has designated 12 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 \$70,292,498 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	\$ 8,395,552	1.02
Municipal bonds	14,034,061	2.93
Certificates of deposit - Negotiable	2,906,419	0.12
Total	<u>\$ 25,336,032</u>	

June 30, 2019

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

Investment	Carrying Value	Weighted- average Maturity (Years)
<b>Fiduciary Funds</b>		
U.S. government agency securities	\$ 2,991,201	24.42
Municipal bonds	2,077,842	34.93
Corporate bonds	7,030,899	6.08
Total	<u>\$ 12,099,942</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	\$ 8,395,552	AA+	S&P
Municipal bonds	8,833,230	AAA to A+	S&P
Municipal bonds	4,596,672	Aa1 to Aa3	Moody's
Certificates of deposit - Negotiable	2,906,419	Not rated	Not rated
Total	<u>\$ 24,731,873</u>		

Investment	Carrying Value	Rating	Rating Organization
<b>Fiduciary Funds</b>			
U.S. government agency securities	\$ 2,757,402	AA+	S&P
U.S. government agency securities	60,317	AAA	Moody's
Municipal bonds	30,139	AAA to A+	S&P
Corporate bonds	6,971,031	AAA to BB-	S&P
Corporate bonds	59,868	AAA	Moody's
Total	<u>\$ 9,878,757</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 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, 2019:

	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, 2019
Pool or fund, other fixed income:				
Municipal bonds	\$ -	\$ 16,111,903	\$ -	\$ 16,111,903
U.S. government agency securities	-	11,386,753	-	11,386,753
Corporate bonds	-	7,030,899	-	7,030,899
Stock mutual fund	18,308,143	-	-	18,308,143
Certificate of deposit - Negotiable	2,906,419	-	-	2,906,419
Land held for resale	-	299,640	-	299,640
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total pool or fund, other fixed income	<u>\$ 21,214,562</u>	<u>\$ 34,829,195</u>	<u>\$ -</u>	<u>\$ 56,043,757</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, 2019 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, 2019

**Note 4 - Capital Assets**

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

**Governmental Activities**

	Balance July 1, 2018	Additions	Disposals and Reclassifications	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 3,354,160	\$ 1,651,012	\$ -	\$ 5,005,172
Construction in progress	194,319	1,138,377	-	1,332,696
Subtotal	3,548,479	2,789,389	-	6,337,868
Capital assets being depreciated:				
Infrastructure	18,247,335	3,665,477	-	21,912,812
Buildings and improvements	51,006,579	-	(173,710)	50,832,869
Vehicles	4,075,131	352,353	(66,477)	4,361,007
Office furnishings	4,289,252	312,797	(65,475)	4,536,574
Other tools and equipment	2,199,240	183,763	(442,072)	1,940,931
Subtotal	79,817,537	4,514,390	(747,734)	83,584,193
Accumulated depreciation:				
Infrastructure	5,076,872	804,483	-	5,881,355
Buildings and improvements	17,300,492	1,287,504	(173,710)	18,414,286
Vehicles	3,899,373	126,049	(62,704)	3,962,718
Office furnishings	3,815,918	190,625	(74,373)	3,932,170
Other tools and equipment	1,478,372	189,820	(344,339)	1,323,853
Subtotal	31,571,027	2,598,481	(655,126)	33,514,382
Net capital assets being depreciated	48,246,510	1,915,909	(92,608)	50,069,811
Net governmental activities capital assets	<u>\$ 51,794,989</u>	<u>\$ 4,705,298</u>	<u>\$ (92,608)</u>	<u>\$ 56,407,679</u>

June 30, 2019

Note 4 - Capital Assets (Continued)

*Business-type Activities*

	Balance July 1, 2018	Additions	Disposals and Reclassifications	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 91,700	\$ -	\$ -	\$ 91,700
Construction in progress	13,469,298	2,060,428	(2,240,631)	13,289,095
Subtotal	13,560,998	2,060,428	(2,240,631)	13,380,795
Capital assets being depreciated:				
Water and sewer mains	215,847,693	2,154,774	2,240,631	220,243,098
Buildings and improvements	2,558,702	-	-	2,558,702
Water meters	5,215,411	96,515	-	5,311,926
Vehicles	792,308	30,707	(43,750)	779,265
Furniture and equipment	844,355	18,352	(55,092)	807,615
Subtotal	225,258,469	2,300,348	2,141,789	229,700,606
Accumulated depreciation:				
Water and sewer mains	64,313,769	3,707,393	-	68,021,162
Buildings and improvements	1,355,560	63,967	-	1,419,527
Water meters	1,852,513	105,273	-	1,957,786
Vehicles	629,017	59,977	(43,750)	645,244
Furniture and equipment	787,920	37,547	(55,092)	770,375
Subtotal	68,938,779	3,974,157	(98,842)	72,814,094
Net capital assets being depreciated	156,319,690	(1,673,809)	2,240,631	156,886,512
Net business-type activities capital assets	<u>\$ 169,880,688</u>	<u>\$ 386,619</u>	<u>\$ -</u>	<u>\$ 170,267,307</u>

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

Governmental activities:	
General government	\$ 497,533
Public safety	338,433
Public works	836,191
Recreation and culture	926,324
Total governmental activities	<u>\$ 2,598,481</u>

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

As of June 30, 2019, interfund balances reported in the fund financial statements are composed of a \$3,140 payable from the Parks and Recreation Operating Fund to the General 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:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Building Authority Debt Service Fund	\$ 2,021,987
	Municipal Street Fund	3,500,000
	Nonmajor governmental funds	10,000
	Total General Fund	5,531,987
Fire Operating Fund	Building Authority Debt Service Fund	626,658
	Nonmajor governmental funds	325,000
	Total Fire Operating Fund	951,658
Parks and Recreation Operating Fund	Building Authority Debt Service Fund	1,916,760
Building Authority Debt Fund	Parks and Recreation Operating Fund	10,574
	Total	<u>\$ 8,410,979</u>

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

**Note 6 - Long-term Debt**

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

June 30, 2019

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

Long-term debt activity can be summarized as follows:

**Governmental Activities**

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable - Other debt							
2009 Building Authority Bonds:							
Amount of issue - \$5,000,000 - Maturing through 2023	3.00% - 5.00%	\$250,000 - \$550,000	\$ 2,400,000	\$ -	\$ (2,400,000)	\$ -	\$ -
2011 Building Authority Refunding Bonds:							
Amount of issue - \$8,470,000 Maturing through 2027	2.00% - 4.875%	\$260,000 - \$940,000	5,955,000	-	(800,000)	5,155,000	890,000
2012 Building Authority Refunding Bonds:							
Amount of issue - \$13,390,000 Maturing through 2025	2.00% - 4.00%	\$235,000 - \$1,640,000	8,715,000	-	(1,125,000)	7,590,000	1,295,000
Unamortized bond premium			623,862	-	(89,123)	534,739	89,123
2015 Building Authority Refunding Bonds:							
Amount of issue - \$6,805,000 Maturing through 2022	3.00% - 5.00%	\$950,000 - \$1,015,000	3,880,000	-	(995,000)	2,885,000	975,000
Unamortized bond premium			327,012	-	(81,753)	245,259	81,753
2018 Building Authority Refunding Bonds:							
Amount of issue - \$14,010,000 Maturing through 2035	4.00% - 5.00%	\$460,000 - \$970,000	-	14,010,000	(555,000)	13,455,000	800,000
Unamortized bond premium			-	1,260,180	(63,009)	1,197,171	63,009
Total bonds payable			21,900,874	15,270,180	(6,108,885)	31,062,169	4,193,885
Compensated absences			970,770	995,975	(825,416)	1,141,329	982,318
Capital leases			61,357	-	(61,357)	-	-
Total governmental activities long-term debt			<u>\$ 22,933,001</u>	<u>\$ 16,266,155</u>	<u>\$ (6,995,658)</u>	<u>\$ 32,203,498</u>	<u>\$ 5,176,203</u>

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

June 30, 2019

Note 6 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
General obligation bonds:							
Direct borrowings - County drain contract obligations:							
2010B OMID Drainage District:							
Amount of issue - \$452,552	1.15% -	\$16,886-					
Maturing through 2030	5.90%	\$35,124	\$ 321,179	\$ -	\$ (19,926)	\$ 301,253	\$ 20,939
2010A OMID Drainage District:							
Amount of issue - \$1,750,840		\$73,962 -					
Maturing through 2031	2.50%	\$110,429	1,242,161	-	(81,730)	1,160,431	84,094
2010 North Gratiot Interceptor Drainage District:							
Amount of issue - \$103,529	1.00% -	\$3,265-					
Maturing through 2035	6.35%	\$5,950	78,509	-	(3,570)	74,939	3,662
Amount of issue - \$846,752	3.50% -	\$34,887-					
Maturing through 2033	5.00%	\$56,068	776,729	-	(47,845)	728,884	48,343
2015A MID Drainage District:							
Amount of issue - \$499,851		\$19,722-					
Maturing through 2036	2.50%	\$31,283	460,407	-	(20,402)	440,005	21,082
2013 OMID Drainage District:							
Amount of issue - \$4,619,982		\$190,076-					
Maturing through 2034	2.00%	\$276,958	4,038,051	-	(201,778)	3,836,273	205,679
2011 Clintondale Pump Station Improvements Drainage District:							
Amount of issue - \$4,039,605		\$118,040-					
Maturing through 2031	5.00%	\$327,890	3,180,539	-	(170,503)	3,010,036	183,618
Unamortized bond premium			173,788	-	(13,369)	160,419	13,369
2014 OMID Drainage District:							
Amount of issue - \$675,494	2.00% -	\$26,142 -					
Maturing through 2035	3.125%	\$44,348	595,667	-	(28,009)	567,658	28,476
2017A MID Drainage District and Refunding Bonds:							
Amount of issue - \$19,249,777		\$417,014 -					
Maturing through 2042	5.00%	\$1,287,443	18,632,330	-	(592,116)	18,040,214	622,431
Unamortized bond premium			3,258,777	-	(168,231)	3,090,546	168,233
Total principal outstanding			32,758,137	-	(1,347,479)	31,410,658	1,399,926
Other debt:							
2010 Capital Improvement and Refunding Bond:							
Amount of issue - \$9,805,000	2.00% -	\$280,000 -					
Maturing through 2031	5.00%	\$695,000	5,695,000	-	(640,000)	5,055,000	665,000
2014 GO Refund Bond:							
Amount of issue - \$2,085,000		\$380,000-					
Maturing through 2019	1.37%	\$450,000	400,000	-	(400,000)	-	-
Total other debt principal outstanding			6,095,000	-	(1,040,000)	5,055,000	665,000
Compensated absences			281,321	222,845	(221,838)	282,328	229,816
Total business-type activities long-term debt			\$ 39,134,458	\$ 222,845	\$ (2,609,317)	\$ 36,747,986	\$ 2,294,742

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

**Debt Service Requirements to Maturity**

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

Years Ending June 30	Governmental Activities				
	Other Debt				Total
	Principal	Interest			
2020	\$ 3,960,000	\$ 1,269,600	\$ 5,229,600		
2021	4,270,000	1,105,425	5,375,425		
2022	4,405,000	925,875	5,330,875		
2023	2,855,000	738,463	3,593,463		
2024	1,830,000	612,744	2,442,744		
2025-2029	4,985,000	2,144,044	7,129,044		
2030-2034	3,410,000	1,241,750	4,651,750		
2035-2039	3,370,000	351,900	3,721,900		
2040-2042	-	-	-		
<b>Total</b>	<b>\$ 29,085,000</b>	<b>\$ 8,389,801</b>	<b>\$ 37,474,801</b>		

  

Years Ending June 30	Business-type Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2020	\$ 1,218,324	\$ 1,176,865	\$ 665,000	\$ 202,581	\$ 3,262,770
2021	1,271,832	1,126,102	695,000	178,347	3,271,281
2022	1,325,490	1,072,890	695,000	152,719	3,246,099
2023	1,375,816	1,017,179	280,000	134,088	2,807,083
2024	1,434,465	959,188	290,000	122,688	2,806,341
2025-2029	8,141,511	3,834,038	1,650,000	404,081	14,029,630
2030-2034	8,374,032	2,056,872	780,000	39,500	11,250,404
2035-2039	3,451,481	729,475	-	-	4,180,956
2040-2042	1,566,742	159,224	-	-	1,725,966
<b>Total</b>	<b>\$ 28,159,693</b>	<b>\$ 12,131,833</b>	<b>\$ 5,055,000</b>	<b>\$ 1,234,004</b>	<b>\$ 46,580,530</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.

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

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

**Macomb Interceptor Drainage District (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	126,425,006	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	714,579

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

**Current Bond Refunding**

During the year, the Township issued \$14,010,000 in general obligation bonds with an average interest rate of 5.0 percent. A total of \$2,445,384 of the proceeds of these bonds was used to current refund \$2,400,000 of outstanding bonds with an average interest rate of 4.14 percent. The net proceeds of \$2,410,578 (after payment of \$34,806 in underwriting fees, insurance, and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased, and the liability for the bonds has been removed from long-term debt. The current refunding reduced total debt service payments over the next five years by approximately \$75,650, which represents an economic gain of approximately \$68,755.

**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, 2019:

Description	Governmental Activities	Business-type Activities
Building Authority Capital Projects Fund - Restricted assets and unspent bond proceeds	\$ 11,792,846	\$ -
Water and Sewer Fund - Unspent bond proceeds and deposits held at county:		
Due from Oakland County, Michigan*	-	437,320
Due from Macomb County, Michigan**	-	682,286
Total	\$ 11,792,846	\$ 1,119,606

**Note 7 - Restricted Assets (Continued)**

\*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, 2019.

**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, 2019, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	31
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	63
Total	95

***Contributions***

The board establishes contribution rates based on an actuarially determined rate per a funding valuation. For the year ended June 30, 2019, the Township's average contribution rate was 29.79 percent of covered employee payroll. Plan members are not required to contribute to the Plan.

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

**Net OPEB Asset**

The Township has chosen to use the June 30 measurement date as its measurement date for the net OPEB asset. The June 30, 2019 fiscal year end reported net OPEB asset was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2019 measurement date. The June 30, 2019 total OPEB liability was determined by an actuarial valuation performed as of June 30, 2019.

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

Changes in Net OPEB Liability (Asset)	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability (Asset)
<b>Balance at July 1, 2018</b>	\$ 25,663,087	\$ 25,494,920	\$ 168,167
Changes for the year:			
Service cost	924,433	-	924,433
Interest	1,295,658	-	1,295,658
Differences between expected and actual experience	(759,131)	-	(759,131)
Changes in assumptions	(266,460)	-	(266,460)
Contributions - Employer	-	1,378,718	(1,378,718)
Net investment income	-	1,747,647	(1,747,647)
Benefit payments, including refunds	(424,306)	(424,306)	-
Miscellaneous other charges	-	(15,649)	15,649
<b>Net changes</b>	<b>770,194</b>	<b>2,686,410</b>	<b>(1,916,216)</b>
<b>Balance at June 30, 2019</b>	<b>\$ 26,433,281</b>	<b>\$ 28,181,330</b>	<b>\$ (1,748,049)</b>

The plan's fiduciary net position represents 106.61 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, 2019, the Township recognized OPEB expense of \$1,202,034.

At June 30, 2019, 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	\$ 538,974	\$ (632,610)
Changes in assumptions	2,020,485	(222,050)
Net difference between projected and actual earnings on OPEB plan investments	-	(489,873)
<b>Total</b>	<b>\$ 2,559,459</b>	<b>\$ (1,344,533)</b>

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending June 30	Amount
2020	\$ 264,508
2021	264,508
2022	264,508
2023	307,950
2024	113,452
Total	<u>\$ 1,214,926</u>

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using assumed salary increases (including inflation) of 3.50 percent; an investment rate of return (net of investment expenses) of 5 percent; a pre-Medicare healthcare cost trend rate of 8.50 percent and post-Medicare healthcare cost trend rate of 7.00 percent for 2019, each decreasing 0.25 percent per year to ultimate rates of 4.50 percent; and the RP-2014 mortality table with the MP-2017 improvement scale.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 5.00 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, 2019 for fixed-income type investments and equity-type investments are 3.70 percent and 7.70 percent, respectively.

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

The following presents the net OPEB asset of the Township, calculated using the discount rate of 5.0 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 (4.0 percent) or 1 percentage point higher (6.0 percent) than the current rate:

	1 Percent Decrease (4.0%)	Current Discount Rate (5.0%)	1 Percent Increase (6.0%)
Net OPEB liability (asset)	\$ 3,232,269	\$ (1,748,049)	\$ (5,684,497)

June 30, 2019

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

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

The following presents the net OPEB asset, calculated using the pre-Medicare healthcare cost trend rate of 8.50 percent and post-Medicare healthcare cost trend rate of 7.00 percent each decreasing to 4.50 percent, as well as what the net OPEB (asset) liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (7.50 percent and 6.0 percent, decreasing to 3.50 percent) or 1 percentage point higher (9.50 percent and 8.00 percent, decreasing to 5.50 percent) than the current rate:

	1 Percent Decrease (7.50%-3.50% / 6.0%-3.50%)	Current Healthcare Cost Trend Rate (8.50%-4.50% / 7.0%-4.50%)	1 Percent Increase (9.50%-5.50% / 8.00%-5.50%)
Net OPEB (asset) liability	\$ (6,108,115)	\$ (1,748,049)	\$ 3,857,638

***Assumption Changes***

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

***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, 2019:

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

***Concentrations***

At June 30, 2019, the Plan held approximately 39 percent of its investment portfolio in the following investments, which each represented over 5 percent of the Plan's investment portfolio:

- Vanguard 500 Index Fund - \$4,068,974
- Sterling Capital Equity Income Fund - \$1,814,904
- MFS International Value Fund - \$1,645,442
- American Europacific Growth Fund - F3 - \$1,640,044
- Vanguard Developed Markets Index Fund Admiral - \$1,584,397

***Rate of Return***

For the year ended June 30, 2019, the annual money-weighted rate of return on plan investments, net of investment expense, was 6.98 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Note 10 - Pension Plan**

***Plan Description***

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

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

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

***Benefits Provided***

The retirement plan provides retirement, disability, and death benefits. Retirement benefits for plan members are calculated as 2.5 percent of the member's final three-year average final compensation times the member's first 25 years of service plus 1 percent of the member's final 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, 2019, 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, 2019, the average active member contribution rate was 5 percent of annual pay, and the Township's average contribution rate was 35.1 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, 2018</b>	\$ 4,132,039	\$ 2,957,396	\$ 1,174,643
Changes for the year:			
Service cost	200,259	-	200,259
Interest	207,169	-	207,169
Differences between expected and actual experience	173	-	173
Changes in assumptions	86,104	-	86,104
Contributions - Employer	-	260,283	(260,283)
Contributions - Employee	-	34,132	(34,132)
Net investment income	-	187,628	(187,628)
Benefit payments, including refunds	(177,579)	(177,579)	-
Administrative expenses	-	(17,061)	17,061
Net changes	316,126	287,403	28,723
<b>Balance at June 30, 2019</b>	<u>\$ 4,448,165</u>	<u>\$ 3,244,799</u>	<u>\$ 1,203,366</u>

The plan's fiduciary net position represents 72.9 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, 2019, the Township recognized pension expense of \$448,902.

At June 30, 2019, 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	\$ 265,560	\$ (115,548)
Changes in assumptions	824,710	-
Net difference between projected and actual earnings on pension plan investments	-	(7,814)
Total	<u>\$ 1,090,270</u>	<u>\$ (123,362)</u>

**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
2020	\$ 167,199
2021	126,566
2022	149,888
2023	140,552
2024	155,758
Thereafter	226,945
Total	<u>\$ 966,908</u>

**Actuarial Assumptions**

The total pension liability in the June 30, 2019 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 4.66 percent, and 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 4.66 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, 2019 for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	55.00 %	7.70 %
International equity	15.00	7.10
Fixed-income securities	30.00	3.70
Cash or cash equivalents	-	2.90

**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 4.66 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 (3.66 percent) or 1 percentage point higher (5.66 percent) than the current rate:

	1 Percent Decrease (3.66%)	Current Discount Rate (4.66%)	1 Percent Increase (5.66%)
Net pension liability of the Township	\$ 1,897,784	\$ 1,203,366	\$ 638,570

***Rate of Return***

For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.52 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 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, 2019 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 2,377,396	\$ 2,377,396
Employee reserve	288,487	294,415
Employer reserve	-	572,988

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

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

	Fire Pension Fund	Retiree Health Care Fund	Total
<b>Statement of Net Position</b>			
Cash and cash equivalents	\$ 88,176	\$ 743,293	\$ 831,469
Investments	3,156,623	27,438,036	30,594,659
Net position	<u>\$ 3,244,799</u>	<u>\$ 28,181,329</u>	<u>\$ 31,426,128</u>
<b>Statement of Changes in Net Position</b>			
Investment income	\$ 187,628	\$ 1,720,740	\$ 1,908,368
Contributions	294,415	1,378,718	1,673,133
Other additions	-	19,157	19,157
Benefit payments	177,579	424,306	601,885
Other deductions	17,061	7,900	24,961
Net change in net position	<u>\$ 287,403</u>	<u>\$ 2,686,409</u>	<u>\$ 2,973,812</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, 2019, the Township made contributions of \$671,073, and the plan members contributed \$335,537 to the plan.

**Note 13 - Tax Abatements**

The Township currently has several businesses that are receiving the industrial facilities tax (IFT) exemption (PA 198 of 1974), which encourages local businesses to construct new industrial facilities or rehabilitate historical facilities. This exemption applies to both real and personal property taxes. IFT abatements use a reduced (specific tax) millage rate of 50 percent of the normal millage rate that is applied to a taxable value that is calculated in the same manner as all of the properties that are contained on the regular (ad valorem) assessment roll. For the fiscal year ended June 30, 2019, the Township abated \$251,882 of taxes under these programs. There are no significant abatements made by other governments that reduce the Township's tax revenue.

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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, 2019**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes and fees	\$ 2,199,000	\$ 2,199,000	\$ 2,274,196	\$ 75,196
Special assessments	949,980	949,980	901,471	(48,509)
Intergovernmental:				
Federal grants and other	136,000	136,000	137,619	1,619
State-shared revenue and grants	6,610,000	6,610,000	7,184,290	574,290
Charges for services	306,146	306,146	226,844	(79,302)
Fines and forfeitures	190,750	190,750	431,596	240,846
Licenses and permits	3,447,000	3,447,000	3,785,289	338,289
Interest	200,000	200,000	609,844	409,844
Other revenue	275,100	275,100	296,222	21,122
<b>Total revenue</b>	<b>14,313,976</b>	<b>14,313,976</b>	<b>15,847,371</b>	<b>1,533,395</b>
<b>Expenditures</b>				
Current services:				
General government	13,042,724	13,249,632	9,603,709	3,645,923
Public safety	1,926,855	1,926,855	1,729,277	197,578
Public works	1,255,000	1,255,000	1,110,675	144,325
Recreation and culture	362,550	362,550	274,902	87,648
Capital outlay	-	-	8,306	(8,306)
<b>Total expenditures</b>	<b>16,587,129</b>	<b>16,794,037</b>	<b>12,726,869</b>	<b>4,067,168</b>
<b>Excess of Revenue (Under) Over Expenditures</b>	<b>(2,273,153)</b>	<b>(2,480,061)</b>	<b>3,120,502</b>	<b>5,600,563</b>
<b>Other Financing (Uses) Sources</b>				
Transfers out	(4,409,375)	(5,325,082)	(5,531,987)	(206,905)
Proceeds from sale of capital assets	15,000	15,000	-	(15,000)
<b>Net other financing uses</b>	<b>(4,394,375)</b>	<b>(5,310,082)</b>	<b>(5,531,987)</b>	<b>(221,905)</b>
<b>Net Change in Fund Balance</b>	<b>(6,667,528)</b>	<b>(7,790,143)</b>	<b>(2,411,485)</b>	<b>5,378,658</b>
<b>Fund Balance - Beginning of year</b>	<b>30,207,230</b>	<b>30,207,230</b>	<b>30,207,230</b>	<b>-</b>
<b>Fund Balance - End of year</b>	<b>\$ 23,539,702</b>	<b>\$ 22,417,087</b>	<b>\$ 27,795,745</b>	<b>\$ 5,378,658</b>

## Township of Macomb

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

**Year Ended June 30, 2019**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes and fees	\$ 2,686,000	\$ 2,686,000	\$ 2,772,782	\$ 86,782
Charges for services	1,921,350	1,921,350	2,203,009	281,659
Interest	15,000	15,000	25,966	10,966
Total revenue	4,622,350	4,622,350	5,001,757	379,407
<b>Expenditures</b>				
Recreation and culture	3,063,192	3,063,192	2,223,894	839,298
Debt service	62,000	62,000	-	62,000
Total expenditures	3,125,192	3,125,192	2,223,894	901,298
<b>Excess of Revenue Over Expenditures</b>	1,497,158	1,497,158	2,777,863	1,280,705
<b>Other Financing Uses</b>				
Transfers in	-	-	10,574	10,574
Transfers out	(2,797,500)	(2,797,500)	(1,916,760)	880,740
Total other financing uses	(2,797,500)	(2,797,500)	(1,906,186)	891,314
<b>Net Change in Fund Balance</b>	(1,300,342)	(1,300,342)	871,677	2,172,019
<b>Fund Balance - Beginning of year</b>	2,226,541	2,226,541	2,226,541	-
<b>Fund Balance - End of year</b>	<u>\$ 926,199</u>	<u>\$ 926,199</u>	<u>\$ 3,098,218</u>	<u>\$ 2,172,019</u>

**Township of Macomb**

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

**Year Ended June 30, 2019**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes and fees	\$ 6,687,312	\$ 6,687,312	\$ 6,743,607	\$ 56,295
Interest	26,000	26,000	101,819	75,819
Other revenue	500	500	2,115	1,615
Total revenue	6,713,812	6,713,812	6,847,541	133,729
<b>Expenditures - Public safety</b>	5,828,542	5,828,542	4,758,295	1,070,247
<b>Excess of Revenue Over Expenditures</b>	885,270	885,270	2,089,246	1,203,976
<b>Other Financing (Uses) Sources</b>				
Transfers out	(885,770)	(1,085,850)	(951,658)	134,192
Proceeds from sale of capital assets	500	500	13,109	12,609
Total other financing uses	(885,270)	(1,085,350)	(938,549)	146,801
<b>Net Change in Fund Balance</b>	-	(200,080)	1,150,697	1,350,777
<b>Fund Balance - Beginning of year</b>	6,179,331	6,179,331	6,179,331	-
<b>Fund Balance - End of year</b>	<u>\$ 6,179,331</u>	<u>\$ 5,979,251</u>	<u>\$ 7,330,028</u>	<u>\$ 1,350,777</u>

**Township of Macomb**

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

**Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b>Revenue</b>				
Property taxes and fees	\$ 5,287,000	\$ 5,287,000	\$ 5,403,907	\$ 116,907
State-shared revenue and grants	20,000	20,000	22,852	2,852
Interest	6,000	6,000	12,916	6,916
Other revenue	-	-	35	35
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	5,313,000	5,313,000	5,439,710	126,710
<b>Expenditures - Public safety</b>	5,109,050	5,314,309	5,309,975	4,334
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Change in Fund Balance</b>	203,950	(1,309)	129,735	131,044
<b>Fund Balance - Beginning of year</b>	2,399,162	2,399,162	2,399,162	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Balance - End of year</b>	<b>\$ 2,603,112</b>	<b>\$ 2,397,853</b>	<b>\$ 2,528,897</b>	<b>\$ 131,044</b>

## Township of Macomb

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### Required Supplemental Information OPEB Plan Schedule of Investment Returns

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	<b>Last Three Fiscal Years</b>		
	<b>Years Ended June 30</b>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return - Net of investment expense	6.98 %	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

**Last Three Fiscal Years (dollar amounts in thousands)  
(schedule is built prospectively upon implementation of GASB 74)**

	2019	2018	2017
<b>Total OPEB Liability</b>			
Service cost	\$ 924	\$ 802	\$ 761
Interest	1,295	1,045	1,017
Differences between expected and actual experience	(759)	779	(874)
Changes in assumptions	(266)	2,918	-
Benefit payments, including refunds	(424)	(378)	(357)
<b>Net Change in Total OPEB Liability</b>	770	5,166	547
<b>Total OPEB Liability - Beginning of year</b>	25,663	20,497	19,950
<b>Total OPEB Liability - End of year</b>	<b>\$ 26,433</b>	<b>\$ 25,663</b>	<b>\$ 20,497</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 1,378	\$ 1,157	\$ 1,514
Net investment income	1,747	1,403	1,822
Benefit payments, including refunds	(424)	(378)	(357)
Other	(15)	(8)	-
<b>Net Change in Plan Fiduciary Net Position</b>	2,686	2,174	2,979
<b>Plan Fiduciary Net Position - Beginning of year</b>	25,495	23,321	20,342
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 28,181</b>	<b>\$ 25,495</b>	<b>\$ 23,321</b>
<b>Net OPEB (Asset) Liability - Ending</b>	<b>\$ (1,748)</b>	<b>\$ 168</b>	<b>\$ (2,824)</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB (Asset) Liability</b>	106.61 %	99.35 %	113.78 %
<b>Covered Employee Payroll</b>	\$ 4,629	\$ 4,583	\$ 4,700
<b>Net OPEB (Asset) Liability as a Percentage of Covered Employee Payroll</b>	(37.76)%	3.67 %	(60.09)%



**Township of Macomb**

Required Supplemental Information  
Fire Retirement System Schedule of Investment Returns

**Last Nine Fiscal Years  
Years Ended June 30**

	2019	2018	2017	2016	2015	2014	2013	2012	2011
Annual money-weighted rate of return - Net of investment expense	6.5 %	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

	Years Ended June 30					
	(schedule is built prospectively upon implementation of GASB 67)					
	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>						
Service cost	\$ 200,259	\$ 162,028	\$ 106,931	\$ 132,825	\$ 132,825	\$ 100,679
Interest	207,169	166,044	134,944	138,699	121,973	117,093
Differences between expected and actual experience	173	345,834	(18,056)	(175,330)	(23,304)	17,813
Changes in assumptions	86,104	320,444	554,112	-	257,079	-
Benefit payments, including refunds	(177,579)	(204,358)	(162,615)	(154,056)	(154,055)	(154,056)
<b>Net Change in Total Pension Liability</b>	316,126	789,992	615,316	(57,862)	334,518	81,529
<b>Total Pension Liability - Beginning of year</b>	4,132,039	3,342,047	2,726,731	2,784,593	2,450,075	2,368,546
<b>Total Pension Liability - End of year</b>	<b>\$ 4,448,165</b>	<b>\$ 4,132,039</b>	<b>\$ 3,342,047</b>	<b>\$ 2,726,731</b>	<b>\$ 2,784,593</b>	<b>\$ 2,450,075</b>
<b>Plan Fiduciary Net Position</b>						
Contributions - Employer	\$ 260,283	\$ 246,982	\$ 236,827	\$ 230,009	\$ 219,782	\$ 211,645
Contributions - Member	34,132	33,650	30,044	32,417	30,906	28,613
Net investment income (loss)	187,628	94,867	242,093	(78,706)	(84,618)	227,723
Administrative expenses	(177,579)	(13,120)	(8,875)	(5,612)	(8,870)	(2,128)
Benefit payments, including refunds	(17,061)	(204,358)	(162,615)	(154,056)	(154,055)	(154,056)
<b>Net Change in Plan Fiduciary Net Position</b>	287,403	158,021	337,474	24,052	3,145	311,797
<b>Plan Fiduciary Net Position - Beginning of year</b>	2,957,396	2,799,375	2,461,901	2,437,849	2,434,704	2,122,907
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 3,244,799</b>	<b>\$ 2,957,396</b>	<b>\$ 2,799,375</b>	<b>\$ 2,461,901</b>	<b>\$ 2,437,849</b>	<b>\$ 2,434,704</b>
<b>Township's Net Pension Liability - Ending</b>	<b>\$ 1,203,366</b>	<b>\$ 1,174,643</b>	<b>\$ 542,672</b>	<b>\$ 264,830</b>	<b>\$ 346,744</b>	<b>\$ 15,371</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	72.95 %	71.57 %	83.76 %	90.29 %	87.55 %	99.37 %
<b>Covered Payroll</b>	\$ 741,847	\$ 741,847	\$ 690,413	\$ 506,370	\$ 626,003	\$ 607,770
<b>Township's Net Pension Liability as a Percentage of Covered Payroll</b>	162.21 %	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, 2019 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	\$ 30,277,230	\$ 27,865,745
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, 2019 budget	<u>(70,000)</u>	<u>(70,000)</u>
Fund balance per General Fund budget statement	<u>\$ 30,207,230</u>	<u>\$ 27,795,745</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	\$ -	\$ 8,306	\$ (8,306)

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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, 2019**

	Debt Service	Capital Project Funds			Total Nonmajor Governmental Funds
	Fund	Parks and Recreation Revolving	Public Improvement	Fire Improvement	
<b>Assets</b>					
Cash and investments	\$ 654,867	\$ 3,276,209	\$ 2,138,111	\$ -	\$ 6,069,187
Restricted assets	-	-	-	11,792,846	11,792,846
<b>Total assets</b>	<b>\$ 654,867</b>	<b>\$ 3,276,209</b>	<b>\$ 2,138,111</b>	<b>\$ 11,792,846</b>	<b>\$ 17,862,033</b>
<b>Liabilities</b> - Accounts payable and accrued liabilities	\$ -	\$ 16,932	\$ -	\$ 354,849	\$ 371,781
<b>Fund Balances</b>					
Restricted:					
Fire	-	-	2,138,111	-	2,138,111
Debt service	654,867	-	-	-	654,867
Capital projects	-	-	-	11,437,997	11,437,997
Assigned - Capital outlay	-	3,259,277	-	-	3,259,277
<b>Total fund balances</b>	<b>654,867</b>	<b>3,259,277</b>	<b>2,138,111</b>	<b>11,437,997</b>	<b>17,490,252</b>
<b>Total liabilities and fund balances</b>	<b>\$ 654,867</b>	<b>\$ 3,276,209</b>	<b>\$ 2,138,111</b>	<b>\$ 11,792,846</b>	<b>\$ 17,862,033</b>

**Township of Macomb**

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

**Year Ended June 30, 2019**

	Debt Service	Capital Projects Funds			Total Nonmajor Governmental Funds
	Fund			Building Authority Capital Projects	
	Parks and Recreation Revolving	Public Improvement	Fire Improvement		
<b>Revenue</b>	\$ 6,222	\$ 36,070	\$ 17,353	\$ 104,246	\$ 163,891
<b>Expenditures</b>					
Current services:					
General government	-	76,392	-	-	76,392
Public safety	-	-	374,700	210,900	585,600
Capital outlay	-	-	-	1,316,840	1,316,840
Debt service - Interest on long-term debt	-	-	-	8,689	8,689
Total expenditures	-	76,392	374,700	1,536,429	1,987,521
<b>Excess of Revenue Over (Under) Expenditures</b>	6,222	(40,322)	(357,347)	(1,432,183)	(1,823,630)
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	10,000	325,000	-	335,000
Face value of debt issued	-	-	-	14,010,000	14,010,000
Debt premium or discount	-	-	-	1,260,180	1,260,180
Payment to bond refunding escrow agent	-	-	-	(2,400,000)	(2,400,000)
Total other financing sources	-	10,000	325,000	12,870,180	13,205,180
<b>Net Change in Fund Balances</b>	6,222	(30,322)	(32,347)	11,437,997	11,381,550
<b>Fund Balances - Beginning of year</b>	648,645	3,289,599	2,170,458	-	6,108,702
<b>Fund Balances - End of year</b>	<b>\$ 654,867</b>	<b>\$ 3,259,277</b>	<b>\$ 2,138,111</b>	<b>\$ 11,437,997</b>	<b>\$ 17,490,252</b>

## Township of Macomb

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

June 30, 2019

	Fire Pension Fund	Retiree Health Care Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 88,176	\$ 743,293	\$ 831,469
Investments:			
Municipal bonds	-	2,077,842	2,077,842
Agency securities	-	2,991,201	2,991,201
Corporate bonds	-	7,030,899	7,030,899
Money market funds	186,574	-	186,574
Mutual funds	2,970,049	15,338,094	18,308,143
Total assets	3,244,799	28,181,329	31,426,128
<b>Liabilities</b> - Refundable deposits, bonds, etc.	-	-	-
<b>Net Position Restricted for Pension and Other Employee Benefits</b>	<b>\$ 3,244,799</b>	<b>\$ 28,181,329</b>	<b>\$ 31,426,128</b>

## Township of Macomb

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

**Year Ended June 30, 2019**

	Fire Pension Fund	Retiree Health Care Fund	Total
<b>Additions</b>			
Investment income (loss):			
Interest and dividends	\$ 107,224	\$ 701,132	\$ 808,356
Net increase in fair value of investments	85,159	1,115,238	1,200,397
Investment-related expenses	(4,755)	(95,630)	(100,385)
Net income	187,628	1,720,740	1,908,368
Contributions:			
Employer	260,283	1,378,718	1,639,001
Employee	34,132	-	34,132
Total contributions	294,415	1,378,718	1,673,133
Miscellaneous revenue	-	19,157	19,157
Total additions - Net	482,043	3,118,615	3,600,658
<b>Deductions</b>			
Benefit payments	177,579	424,306	601,885
Administrative expenses	17,061	7,900	24,961
Total deductions	194,640	432,206	626,846
<b>Net Increase</b>	287,403	2,686,409	2,973,812
<b>Net Position Restricted for Pension and Other Employee Benefits - Beginning of year</b>	2,957,396	25,494,920	28,452,316
<b>Net Position Restricted for Pension and Other Employee Benefits - End of year</b>	<b>\$ 3,244,799</b>	<b>\$ 28,181,329</b>	<b>\$ 31,426,128</b>