
Township of Macomb

Macomb County, Michigan

Financial Report
with Supplemental Information
June 30, 2020

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Macomb (the "Township") as of and for the year ended June 30, 2020 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, 2020 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 and required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Plante & Moran, PLLC

November 24, 2020

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, 2020 to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets:						
Cash and investments	\$ 49,320,025	\$ 49,660,350	\$ 38,828,667	\$ 38,780,177	\$ 88,148,692	\$ 88,440,527
Receivables	1,045,410	1,276,191	10,284,337	9,161,191	11,329,747	10,437,382
Other assets	8,412,551	13,429,623	1,382,907	1,655,960	9,795,458	15,085,583
Capital assets	64,837,425	56,407,679	173,601,930	170,267,307	238,439,355	226,674,986
Total assets	123,615,411	120,773,843	224,097,841	219,864,635	347,713,252	340,638,478
Deferred Outflows of Resources	3,374,954	3,612,865	705,585	747,724	4,080,539	4,360,589
Liabilities						
Current liabilities	2,625,419	2,712,879	3,836,733	3,500,212	6,462,152	6,213,091
Noncurrent liabilities	30,417,267	33,761,713	34,231,661	36,747,986	64,648,928	70,509,699
Total liabilities	33,042,686	36,474,592	38,068,394	40,248,198	71,111,080	76,722,790
Deferred Inflows of Resources	2,080,919	1,131,762	763,546	336,133	2,844,465	1,467,895
Net Position						
Net investment in capital assets	43,248,274	37,386,507	140,175,202	134,591,795	183,423,476	171,978,302
Restricted	11,811,604	10,824,340	52,404	437,320	11,864,008	11,261,660
Unrestricted	36,806,882	38,569,507	45,743,880	44,998,913	82,550,762	83,568,420
Total net position	<u>\$ 91,866,760</u>	<u>\$ 86,780,354</u>	<u>\$ 185,971,486</u>	<u>\$ 180,028,028</u>	<u>\$ 277,838,246</u>	<u>\$ 266,808,382</u>

The Township's combined net position increased approximately \$11.0 million from a year ago, increasing from \$266.8 million to \$277.8 million. A review of the governmental activities, separate from the business-type activities, shows an increase of approximately \$5.1 million in net position, or 5.9 percent, during fiscal year 2020. The increase in total net position is primarily attributable to an increase in capital assets. The business-type activities net position increased from the previous year by approximately \$5.9 million, or 3.3 percent, during fiscal year 2020. This was primarily due to a decrease in long-term liabilities.

Unrestricted net position for the governmental activities was \$36.8 million at June 30, 2020. 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 \$5.6 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, 2020 and the prior year:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenue						
Program revenue:						
Charges for services	\$ 5,010,013	\$ 6,027,818	\$ 32,708,657	\$ 30,565,984	\$ 37,718,670	\$ 36,593,802
Operating grants and contributions	118,338	137,619	7,061	9,515	125,399	147,134
Capital grants and contributions	-	-	4,324,865	3,884,966	4,324,865	3,884,966
General revenue:						
Property taxes	18,117,619	17,194,492	-	-	18,117,619	17,194,492
State-shared revenue	7,146,023	7,247,442	-	-	7,146,023	7,247,442
Investment earnings	1,007,695	925,596	688,321	616,185	1,696,016	1,541,781
Cable fees and other	1,844,995	1,891,460	-	17,073	1,844,995	1,908,533
Total revenue	33,244,683	33,424,427	37,728,904	35,093,723	70,973,587	68,518,150
Expenses						
General government	7,402,643	8,157,920	-	-	7,402,643	8,157,920
Public safety	12,970,468	12,780,294	-	-	12,970,468	12,780,294
Public works	3,140,070	3,247,240	-	-	3,140,070	3,247,240
Community and economic development	296,918	309,692	-	-	296,918	309,692
Recreation and culture	3,268,438	3,080,253	-	-	3,268,438	3,080,253
Debt service	1,079,740	1,046,865	-	-	1,079,740	1,046,865
Water and sewer	-	-	31,785,446	31,191,872	31,785,446	31,191,872
Total expenses	28,158,277	28,622,264	31,785,446	31,191,872	59,943,723	59,814,136
Change in Net Position	5,086,406	4,802,163	5,943,458	3,901,851	11,029,864	8,704,014
Net Position - Beginning of year	86,780,354	81,978,191	180,028,028	176,126,177	266,808,382	258,104,368
Net Position - End of year	\$ 91,866,760	\$ 86,780,354	\$ 185,971,486	\$ 180,028,028	\$ 277,838,246	\$ 266,808,382

Governmental Activities

The Township's total governmental revenue decreased by approximately \$0.2 million from the last fiscal year. An approximately 5.5 percent increase in the taxable value of properties in the Township resulted in an increase of property tax revenue of \$0.9 million. The increase has been seen in overall property values in southeast Michigan.

Total governmental expenses decreased by about \$464,000, or 1.6 percent, from the last fiscal year. The decrease was primarily the result of some projects that were slowed due to the COVID-19 pandemic and the State of Michigan closing down construction for a few months in 2020.

Business-type Activities

The Township's business-type activities are recorded in the Water and Sewer Fund. Revenue of the Township's business-type activities increased by \$2.6 million primarily as a result of an increase in contributions of water and sewer lines from developers during the year ended June 30, 2020.

Expenses increased by about \$0.6 million for the year ended June 30, 2020. The fairly stable amount of expenditures is primarily due to an increase in 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 and show accountability for certain activities. The Township's major funds for 2020 include the General Fund, Parks and Recreation Operating Fund, Fire Operating Fund, Law Enforcement Sheriff Fund, Building Authority Debt Service Fund, Building Authority Capital Projects Fund, and Municipal Street Fund.

General Fund Budgetary Highlights

Actual General Fund revenue exceeded budgeted revenue by 5.2 percent. Actual expenditures were 41.6 percent below budget, primarily due to planned general government expenditures that did not take place during the fiscal year. The Township completed the year with actual operating revenue over operating expenditures of \$4.7 million.

Capital Assets and Debt Administration

At the end of fiscal year 2020, the Township had approximately \$238.4 million invested in a wide range of capital assets, including land, buildings, fire equipment, computer equipment, and water and sewer lines. In addition, the Township is reporting infrastructure assets, which include roads and bridges in which it has invested since 1980. The value of the infrastructure assets, net of depreciation, contained in this report is \$18.2 million and \$16.0 million for fiscal years 2020 and 2019, 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 \$31.4 million and \$32.4 million for fiscal years 2020 and 2019, 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 2020 tax rate decreased when compared with the 2019 tax rate. Strong expenditure controls and past growth in the Township's tax base have helped to accomplish keeping the tax rates low. Property taxes make up roughly 15.6 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 47.3 percent of the General Fund budget, is expected to be reduced as a direct result of the economic impact of the COVID-19 pandemic. Although the Township does expect reductions, the amount cannot be estimated at this time.

On the expenditure side, the Township continues to operate with relatively low personnel costs and an efficient labor force. While our pension system is 76.46 percent funded, we do not anticipate further increases in pension fund contributions over the next year due to a conservative investment approach. We also expect continued annual increases in medical costs of nearly 4.5 to 18.5 percent per year. Despite these increased costs, our operating expense increases are anticipated to average between 1 and 4 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, 2020

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 3)	\$ 49,320,025	\$ 38,828,667	\$ 88,148,692
Receivables - Net:			
Property taxes	24,280	-	24,280
Special assessments	-	336,740	336,740
Customers	6,059	9,947,837	9,953,896
Other receivables	9,035	-	9,035
Due from other governmental units	1,005,796	-	1,005,796
Internal balances (Note 5)	240	(240)	-
Inventory	-	110,540	110,540
Prepaid expenses and other assets	27,470	-	27,470
Restricted assets (Note 7)	5,934,436	593,103	6,527,539
Land held for resale (Note 3)	299,640	-	299,640
Net OPEB asset (Note 9)	2,151,005	679,264	2,830,269
Capital assets: (Note 4)			
Assets not subject to depreciation	13,489,295	12,418,399	25,907,694
Assets subject to depreciation	51,348,130	161,183,531	212,531,661
Total assets	123,615,411	224,097,841	347,713,252
Deferred Outflows of Resources			
Deferred charges on bond refunding	520,212	98,873	619,085
Deferred pension costs (Note 10)	933,485	-	933,485
Deferred OPEB costs (Note 9)	1,921,257	606,712	2,527,969
Total deferred outflows of resources	3,374,954	705,585	4,080,539
Liabilities			
Accounts payable	950,030	3,406,156	4,356,186
Accrued liabilities and other	1,675,389	430,577	2,105,966
Noncurrent liabilities:			
Due within one year:			
Payable from restricted assets	1,175,515	-	1,175,515
Current portion of compensated absences (Note 6)	1,128,176	255,238	1,383,414
Current portion of long-term debt (Note 6)	4,503,885	2,121,302	6,625,187
Due in more than one year:			
Compensated absences - Net of current portion (Note 6)	143,946	54,295	198,241
Net pension liability (Note 10)	1,101,346	-	1,101,346
Long-term debt - Net of current portion (Note 6)	22,364,399	31,800,826	54,165,225
Total liabilities	33,042,686	38,068,394	71,111,080
Deferred Inflows of Resources			
Deferred benefit on bond refunding	-	144,172	144,172
Deferred pension cost reductions (Note 10)	119,562	-	119,562
Deferred OPEB cost reductions (Note 9)	1,961,357	619,374	2,580,731
Total deferred inflows of resources	2,080,919	763,546	2,844,465
Net Position			
Net investment in capital assets	43,248,274	140,175,202	183,423,476
Restricted:			
Fire	10,230,938	-	10,230,938
Debt service	659,718	-	659,718
County drains	-	52,404	52,404
Law enforcement	920,948	-	920,948
Unrestricted	36,806,882	45,743,880	82,550,762
Total net position	<u>\$ 91,866,760</u>	<u>\$ 185,971,486</u>	<u>\$ 277,838,246</u>

Township of Macomb

Statement of Activities

Year Ended June 30, 2020

	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Functions/Programs							
Primary government:							
Governmental activities:							
General government	\$ 7,402,643	\$ 269,258	\$ 118,338	\$ -	\$ (7,015,047)	\$ -	\$ (7,015,047)
Public safety	12,970,468	2,252,596	-	-	(10,717,872)	-	(10,717,872)
Public works	3,140,070	951,946	-	-	(2,188,124)	-	(2,188,124)
Community and economic development	296,918	-	-	-	(296,918)	-	(296,918)
Recreation and culture	3,268,438	1,536,213	-	-	(1,732,225)	-	(1,732,225)
Interest on long-term debt	1,079,740	-	-	-	(1,079,740)	-	(1,079,740)
Total governmental activities	28,158,277	5,010,013	118,338	-	(23,029,926)	-	(23,029,926)
Business-type activities - Water and sewer	31,785,446	32,708,657	7,061	4,324,865	-	5,255,137	5,255,137
Total primary government	<u>\$ 59,943,723</u>	<u>\$ 37,718,670</u>	<u>\$ 125,399</u>	<u>\$ 4,324,865</u>	(23,029,926)	5,255,137	(17,774,789)
General revenue:							
Property taxes					18,117,619	-	18,117,619
Unrestricted state-shared revenue					7,146,023	-	7,146,023
Unrestricted investment income					1,007,695	688,321	1,696,016
Cable franchise fees - Unrestricted					1,777,436	-	1,777,436
Proceeds from sale of capital assets					4,364	-	4,364
Other miscellaneous income					63,195	-	63,195
Total general revenue					28,116,332	688,321	28,804,653
Change in Net Position					5,086,406	5,943,458	11,029,864
Net Position - Beginning of year					86,780,354	180,028,028	266,808,382
Net Position - End of year					<u>\$ 91,866,760</u>	<u>\$ 185,971,486</u>	<u>\$ 277,838,246</u>

Township of Macomb

	General Fund	Parks and Recreation Operating Fund	Fire Operating Fund	Law Enforcement Sheriff Fund
Assets				
Cash and investments (Note 3)	\$ 26,446,979	\$ 3,744,851	\$ 8,086,910	\$ 2,763,470
Receivables	1,042,185	-	2,985	-
Due from other funds (Note 5)	240	191	54	-
Other assets	27,470	-	-	-
Restricted assets (Note 7)	-	-	-	-
Land held for resale (Note 3)	299,640	-	-	-
Total assets	\$ 27,816,514	\$ 3,745,042	\$ 8,089,949	\$ 2,763,470
Liabilities				
Accounts payable	\$ 821,896	\$ 74,424	\$ 51,455	\$ 1,285
Due to other funds (Note 5)	191	54	-	-
Accrued liabilities and other	338,968	88,224	189,409	-
Payable from restricted assets	-	-	-	-
Total liabilities	1,161,055	162,702	240,864	1,285
Deferred Inflows of Resources -				
Unavailable revenue	1,005,796	-	-	-
Total liabilities and deferred inflows of resources	2,166,851	162,702	240,864	1,285
Fund Balances				
Nonspendable - Land held for resale	299,640	-	-	-
Restricted:				
Fire	-	-	7,849,085	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Law enforcement	-	-	-	920,948
Assigned:				
Subsequent year's budget	8,047,328	-	-	-
Capital outlay	-	-	-	-
Road projects	-	-	-	-
Debt service	-	-	-	-
Parks and recreation	-	3,582,340	-	-
Law enforcement	-	-	-	1,841,237
Unassigned	17,302,695	-	-	-
Total fund balances	25,649,663	3,582,340	7,849,085	2,762,185
Total liabilities, deferred inflows of resources, and fund balances	\$ 27,816,514	\$ 3,745,042	\$ 8,089,949	\$ 2,763,470

Governmental Funds
Balance Sheet

June 30, 2020

Municipal Street Fund	Building Authority Debt Service Fund	Building Authority Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,932,876	\$ 43,978	\$ -	\$ 6,300,961	\$ 49,320,025
-	-	-	-	1,045,170
-	-	-	-	485
-	-	-	-	27,470
-	-	5,934,436	-	5,934,436
-	-	-	-	299,640
\$ 1,932,876	\$ 43,978	\$ 5,934,436	\$ 6,300,961	\$ 56,627,226
\$ 895	\$ -	\$ -	\$ 75	\$ 950,030
-	-	-	-	245
782,432	-	-	-	1,399,033
-	-	1,175,515	-	1,175,515
783,327	-	1,175,515	75	3,524,823
-	-	-	-	1,005,796
783,327	-	1,175,515	75	4,530,619
-	-	-	-	299,640
-	-	-	2,381,853	10,230,938
-	-	-	659,718	659,718
-	-	4,758,921	-	4,758,921
-	-	-	-	920,948
-	-	-	-	8,047,328
-	-	-	3,259,315	3,259,315
1,149,549	-	-	-	1,149,549
-	43,978	-	-	43,978
-	-	-	-	3,582,340
-	-	-	-	1,841,237
-	-	-	-	17,302,695
1,149,549	43,978	4,758,921	6,300,886	52,096,607
\$ 1,932,876	\$ 43,978	\$ 5,934,436	\$ 6,300,961	\$ 56,627,226

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2020

Fund Balances Reported in Governmental Funds	\$ 52,096,607
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	64,837,425
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	1,005,796
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(26,348,072)
Accrued interest is not due and payable in the current period and is not reported in the funds	(276,356)
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	(1,272,122)
Pension benefits	(287,423)
OPEB benefits	2,110,905
Net Position of Governmental Activities	<u>\$ 91,866,760</u>

Township of Macomb

	General Fund	Parks and Recreation Operating Fund	Fire Operating Fund	Law Enforcement Sheriff Fund
Revenue				
Property taxes and fees	\$ 2,398,960	\$ 2,902,390	\$ 7,113,034	\$ 5,703,235
Special assessments	920,617	-	-	-
Intergovernmental:				
Federal grants and other	118,338	-	-	-
State-shared revenue and grants	7,356,889	-	-	24,628
Charges for services	235,604	1,536,213	-	-
Fines and forfeitures	321,784	-	-	-
Licenses and permits	3,463,372	-	-	-
Interest	701,458	20,812	120,647	13,674
Other revenue	306,252	27,579	6,833	93
Total revenue	15,823,274	4,486,994	7,240,514	5,741,630
Expenditures				
Current services:				
General government	7,681,559	-	-	-
Public safety	1,491,897	-	5,526,832	5,508,342
Public works	1,339,503	-	-	-
Community and economic development	296,918	-	-	-
Recreation and culture	334,335	2,236,489	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest on long-term debt	-	-	-	-
Total expenditures	11,144,212	2,236,489	5,526,832	5,508,342
Excess of Revenue Over (Under) Expenditures	4,679,062	2,250,505	1,713,682	233,288
Other Financing Sources (Uses)				
Transfers in (Note 5)	-	-	-	-
Transfers out (Note 5)	(6,904,390)	(1,766,383)	(1,194,625)	-
Proceeds from sale of capital assets	9,246	-	-	-
Total other financing (uses) sources	(6,895,144)	(1,766,383)	(1,194,625)	-
Net Change in Fund Balances	(2,216,082)	484,122	519,057	233,288
Fund Balances - Beginning of year	27,865,745	3,098,218	7,330,028	2,528,897
Fund Balances - End of year	\$ 25,649,663	\$ 3,582,340	\$ 7,849,085	\$ 2,762,185

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2020

Municipal Street Fund	Building Authority Debt Service Fund	Building Authority Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 18,117,619
-	-	-	-	920,617
-	-	-	-	118,338
-	-	-	-	7,381,517
31,332	-	-	-	1,803,149
-	-	-	-	321,784
-	-	-	-	3,463,372
10,493	2,489	83,643	54,479	1,007,695
-	-	-	965	341,722
41,825	2,489	83,643	55,444	33,475,813
-	-	-	37,675	7,719,234
-	-	420	104,141	12,631,632
322,450	-	-	-	1,661,953
-	-	-	-	296,918
-	-	-	-	2,570,824
3,577,220	-	6,762,299	-	10,339,519
-	3,960,000	-	-	3,960,000
-	1,271,881	-	-	1,271,881
3,899,670	5,231,881	6,762,719	141,816	40,451,961
(3,857,845)	(5,229,392)	(6,679,076)	(86,372)	(6,976,148)
4,300,000	5,230,395	-	335,003	9,865,398
-	-	-	-	(9,865,398)
-	-	-	-	9,246
4,300,000	5,230,395	-	335,003	9,246
442,155	1,003	(6,679,076)	248,631	(6,966,902)
707,394	42,975	11,437,997	6,052,255	59,063,509
\$ 1,149,549	\$ 43,978	\$ 4,758,921	\$ 6,300,886	\$ 52,096,607

Governmental Funds

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

Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ (6,966,902)
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	11,264,773
Depreciation expense	(2,830,144)
Net book value of assets disposed of	(4,883)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(235,494)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	3,960,000
Interest expense is recognized in the government-wide statements as it accrues. Amortization of bond premiums and deferred charges on bond refundings do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	192,141
Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(293,085)
Change in Net Position of Governmental Activities	<u>\$ 5,086,406</u>

Township of Macomb

Proprietary Fund Statement of Net Position

June 30, 2020

Enterprise Fund -
Water and Sewer

Assets

Current assets:

Cash and cash equivalents (Note 3)	\$ 38,828,667
Receivables - Net:	
Special assessments receivable - Due within one year	336,740
Customers	9,947,837
Inventory	110,540
	<hr/>
Total current assets	49,223,784

Noncurrent assets:

Restricted assets (Note 7)	593,103
Net OPEB asset (Note 9)	679,264
Capital assets:	
Assets not subject to depreciation (Note 4)	12,418,399
Assets subject to depreciation (Note 4)	161,183,531
	<hr/>
Total noncurrent assets	174,874,297
	<hr/>
Total assets	224,098,081

Deferred Outflows of Resources

Deferred charges on bond refunding	98,873
Deferred OPEB costs (Note 9)	606,712
	<hr/>
Total deferred outflows of resources	705,585

Liabilities

Current liabilities:

Accounts payable	3,406,156
Due to other funds (Note 5)	240
Accrued liabilities and other	430,577
Current portion of compensated absences (Note 6)	255,238
Current portion of long-term debt (Note 6)	2,121,302
	<hr/>
Total current liabilities	6,213,513

Noncurrent liabilities:

Compensated absences - Net of current portion (Note 6)	54,295
Long-term debt - Net of current portion (Note 6)	31,800,826
	<hr/>
Total noncurrent liabilities	31,855,121
	<hr/>
Total liabilities	38,068,634

Deferred Inflows of Resources

Deferred benefit on bond refunding (Note 6)	144,172
Deferred OPEB cost reductions (Note 9)	619,374
	<hr/>

Net Position

Net investment in capital assets	140,175,202
Restricted for county drains (Note 7)	52,404
Unrestricted	45,743,880
	<hr/>
Total net position	<u><u>\$ 185,971,486</u></u>

Township of Macomb

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

Year Ended June 30, 2020

	Enterprise Fund - Water and Sewer
Operating Revenue	
Sale of water	\$ 17,391,235
Sewage disposal charges	13,840,487
Charges for services	<u>1,476,935</u>
Total operating revenue	32,708,657
Operating Expenses	
Cost of water	12,870,948
Cost of sewage disposal	9,294,138
Operation and maintenance	1,704,504
General and administrative	2,458,217
Contributions to Retiree Health Care Fund	196,717
Depreciation (Note 4)	<u>4,049,283</u>
Total operating expenses	<u>30,573,807</u>
Operating Income	2,134,850
Nonoperating Revenue (Expense)	
Investment income	688,321
Interest expense	(1,211,639)
Operating grants	<u>7,061</u>
Total nonoperating expense	<u>(516,257)</u>
Income - Before contributions	1,618,593
Capital Contributions	
Developers and other governmental units	3,333,462
Tap fees and frontage charges	<u>991,403</u>
Total capital contributions	<u>4,324,865</u>
Change in Net Position	5,943,458
Net Position - Beginning of year	<u>180,028,028</u>
Net Position - End of year	<u><u>\$ 185,971,486</u></u>

Year Ended June 30, 2020

	<u>Enterprise Fund - Water and Sewer</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 31,060,828
Payments to suppliers	(23,646,353)
Payments to employees	<u>(2,429,890)</u>
Net cash and cash equivalents provided by operating activities	4,984,585
Cash Flows Provided by Noncapital Financing Activities - Operating grants and subsidies	7,061
Cash Flows from Capital and Related Financing Activities	
Collection of special assessments	44,813
Collection of customer tap fees	991,403
Purchase of capital assets	(3,446,655)
Principal and interest paid on capital debt	<u>(3,221,038)</u>
Net cash and cash equivalents used in capital and related financing activities	(5,631,477)
Cash Flows Provided by Investing Activities - Interest received on investments	<u>688,321</u>
Net Increase in Cash and Cash Equivalents	48,490
Cash and Cash Equivalents - Beginning of year	<u>38,780,177</u>
Cash and Cash Equivalents - End of year	<u>\$ 38,828,667</u>
Classification of Cash and Cash Equivalents	<u>\$ 38,828,667</u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 2,134,850
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	4,049,283
Changes in assets and liabilities:	
Receivables	(1,647,829)
Due from other funds	240
Inventory	(11,198)
Net OPEB asset	(242,252)
Accounts payable	371,189
Deferrals related to OPEB	316,393
Accrued and other liabilities	<u>13,909</u>
Net cash and cash equivalents provided by operating activities	<u>\$ 4,984,585</u>

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2020, developers constructed water and sewer lines with a value of approximately \$3.3 million and donated them to the Township's Water and Sewer Fund. Also during the year, approximately \$0.6 million of capital assets were recorded in connection with Oakland and Macomb County's MID and OMID drain and interceptor projects. These assets were paid for using cash on hand at the counties of Oakland and Macomb, Michigan. In addition, Oakland and Macomb County's MID and OMID issued refunding bonds on behalf of the Township for approximately \$2.3 million. The bond refundings did not have any impact on the cash reported by the Township.

Township of Macomb

Fiduciary Funds Statement of Fiduciary Net Position

June 30, 2020

	Trust Funds - Pensions and Other Retirement Benefits	Agency Funds
Assets		
Cash and cash equivalents (Note 3)	\$ 953,887	\$ 2,714,244
Investments: (Note 3)		
Municipal bonds	1,138,498	-
Agency securities	2,686,563	-
Stocks	409,109	-
Corporate bonds	8,361,138	-
Mutual funds - Equity	17,956,611	-
Mutual funds - Fixed income	2,419,148	-
Total assets	33,924,954	<u><u>\$ 2,714,244</u></u>
Liabilities		
Due to other governmental units	-	\$ 58,180
Refundable deposits and bonds	-	2,656,064
Total liabilities	-	<u><u>\$ 2,714,244</u></u>
Net Position Restricted for Pension and Other Employee Benefits	<u><u>\$ 33,924,954</u></u>	

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2020

	Trust Funds - Pensions and Other Retirement Benefits
Additions	
Investment income (loss):	
Interest and dividends	\$ 1,144,059
Net increase in fair value of investments	939,916
Investment-related expenses	(124,901)
Net investment income	1,959,074
Contributions:	
Employer	1,197,168
Employee	37,104
Total contributions	1,234,272
Miscellaneous revenue	1,952
Total additions	3,195,298
Deductions	
Benefit payments	671,237
Administrative expenses	25,235
Total deductions	696,472
Net Increase in Net Position Held in Trust	2,498,826
Net Position Restricted for Pension and Other Employee Benefits - Beginning of year	31,426,128
Net Position Restricted for Pension and Other Employee Benefits - End of year	\$ 33,924,954

Note 1 - Significant Accounting Policies

Reporting Entity

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

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

Blended Component Units

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

The Macomb Township Retiree Health Care Benefit Plan (the "OPEB Plan") is governed by a five-member board that includes the Macomb Township supervisor, treasurer, clerk, finance director, and human resources director. The OPEB Plan is reported as if it were part of the primary government because of the fiduciary responsibilities that the Township retains relative to its operations.

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

Jointly Governed Organization

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

Accounting and Reporting Principles

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

Report Presentation

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

Note 1 - Significant Accounting Policies (Continued)

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

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

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

Fund Accounting

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

Governmental Funds

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

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

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds

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

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

Fiduciary Funds

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

- The 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 health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Note 1 - Significant Accounting Policies (Continued)

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

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

Specific Balances and Transactions

Cash, Cash Equivalents, and Investments

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

Inventories and Prepaid Items

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

Restricted Assets

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

Capital Assets

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

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

Note 1 - Significant Accounting Policies (Continued)

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

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

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the 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 four items that qualify for reporting in this category, which include unavailable revenue reported only in the governmental funds balance sheet, deferred benefit on bond refunding, and deferred pension and OPEB inflows reported in the government-wide 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. A deferred benefit on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred inflows of resources related to the pension and OPEB plans result from the variance between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension and OPEB liabilities.

Note 1 - Significant Accounting Policies (Continued)

Net Position

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

Net Position Flow Assumption

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

Fund Balance Flow Assumption

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

Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The board of trustees may authorize an assignment of fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally 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.

Note 1 - Significant Accounting Policies (Continued)

The Township's 2019 property tax revenue is levied and collectible on December 31, 2019 and is recognized as revenue in the year ended June 30, 2020 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2019 taxable valuation of the Township totaled approximately \$3.7 billion, on which ad valorem taxes levied consisted of 0.6461 mills for operating purposes, 2.0000 mills for fire operating services, 0.1009 mills for fire pension, 1.5500 mills for police protection, and 0.7871 mills for parks and recreation. This resulted in \$2.4 million for operating, \$7.1 million for fire operations, \$0.4 million for fire pension, \$5.7 million for police protection, and \$2.9 million for parks and recreation. These amounts are recognized in the respective General Fund and special revenue fund financial statements as tax revenue. The Fire Pension Fund's tax revenue is recorded as an employer contribution to the Fire Retirement System.

Pension

The Township offers a defined benefit pension plan to its fire employees. The Township records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For 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 health care 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.

Note 1 - Significant Accounting Policies (Continued)

Use of Estimates

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

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board 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 were originally effective for the Township's financial statements for the year ended June 30, 2020 but were extended to June 30, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

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

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

In August 2018, the Governmental Accounting Standards Board issued Statement No. 90, *Majority Equity Interests*. This statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the Township's financial statements for the year ended June 30, 2020 but were extended to June 30, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

Note 1 - Significant Accounting Policies (Continued)

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

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments, deferred inflows of resources, and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets and, when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements, in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange of exchange-like transaction. The provisions of this statement are effective for the Township's financial statements for the year ending June 30, 2023.

In May 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. 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, 2023.

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

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

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

Cumulative expenditures over revenue - June 30, 2019		\$ (8,771,212)
Current year permit revenue		2,064,326
Related expenses:		
Direct costs	\$ 1,447,132	
Estimated indirect costs	322,504	<u>1,769,636</u>
Net surplus for the year ended June 30, 2020		<u>294,690</u>
Cumulative expenditures over revenue - June 30, 2020		<u><u>\$ (8,476,522)</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 \$63,315,005 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.

June 30, 2020

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk

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

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

Investment	Fair Value	Weighted- average Maturity (Years)
Primary Government		
U.S. government agency securities	\$ 10,754,858	2.86
Municipal bonds	12,116,973	2.02
Certificates of deposit - Negotiable	4,271,682	0.20
Total	<u>\$ 27,143,513</u>	

Investment	Carrying Value	Weighted- average Maturity (Years)
Fiduciary Funds		
U.S. government agency securities	\$ 2,686,563	23.66
Municipal bonds	1,138,498	25.55
Corporate bonds	8,361,138	8.61
Mutual funds - Fixed income	2,419,148	4.38
Total	<u>\$ 14,605,347</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
Primary Government			
U.S. government agency securities	\$ 10,754,858	AA+	S&P
Municipal bonds	1,167,516	AA+	S&P
Municipal bonds	5,062,127	AAA to A+	S&P
Municipal bonds	5,887,330	Aa1 to Aa3	Moody's
Certificates of deposit - Negotiable	4,271,682	Not rated	Not rated
Total	<u>\$ 27,143,513</u>		

June 30, 2020

Note 3 - Deposits and Investments (Continued)

Investment	Carrying Value	Rating	Rating Organization
Fiduciary Funds			
U.S. government agency securities	\$ 2,548,441	AA+	S&P
Corporate bonds	8,301,286	AAA to BBB-	S&P
Corporate bonds	59,852	AAA	Moody's
Mutual funds - Fixed income	2,419,148	Not rated	Not rated
Total	<u>\$ 13,328,727</u>		

Fair Value Measurements

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

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

The Township has the following recurring fair value measurements as of June 30, 2020:

	<u>Assets Measured at Fair Value on a Recurring Basis at June 30, 2020</u>			
	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, 2020
Debt:				
Municipal bonds	\$ -	\$ 13,255,471	\$ -	\$ 13,255,471
U.S. government agency securities	-	13,441,421	-	13,441,421
Corporate bonds	-	8,361,138	-	8,361,138
Mutual funds - Fixed income	2,419,148	-	-	2,419,148
Certificate of deposit - Negotiable	4,271,682	-	-	4,271,682
Total debt	6,690,830	35,058,030	-	41,748,860
Equity:				
Mutual funds - Equity	17,956,611	-	-	17,956,611
Common stock	409,109	-	-	409,109
Total equity	18,365,720	-	-	18,365,720
Total assets	<u>\$ 25,056,550</u>	<u>\$ 35,058,030</u>	<u>\$ -</u>	<u>\$ 60,114,580</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, 2020 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, 2020

Note 4 - Capital Assets

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

Governmental Activities

	Balance July 1, 2019	Additions	Disposals and Reclassifications	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 5,005,172	\$ -	\$ -	\$ 5,005,172
Construction in progress	1,332,696	7,151,427	-	8,484,123
Subtotal	6,337,868	7,151,427	-	13,489,295
Capital assets being depreciated:				
Infrastructure	21,912,812	3,070,273	-	24,983,085
Buildings and improvements	50,832,869	282,223	-	51,115,092
Vehicles	4,361,007	42,261	-	4,403,268
Office furnishings	4,536,574	526,106	(171,463)	4,891,217
Other tools and equipment	1,940,931	192,483	(127,616)	2,005,798
Subtotal	83,584,193	4,113,346	(299,079)	87,398,460
Accumulated depreciation:				
Infrastructure	5,881,355	937,918	-	6,819,273
Buildings and improvements	18,414,286	1,279,857	-	19,694,143
Vehicles	3,962,718	118,006	-	4,080,724
Office furnishings	3,932,170	237,675	(167,472)	4,002,373
Other tools and equipment	1,323,853	256,688	(126,724)	1,453,817
Subtotal	33,514,382	2,830,144	(294,196)	36,050,330
Net capital assets being depreciated	50,069,811	1,283,202	(4,883)	51,348,130
Net governmental activities capital assets	<u>\$ 56,407,679</u>	<u>\$ 8,434,629</u>	<u>\$ (4,883)</u>	<u>\$ 64,837,425</u>

June 30, 2020

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2019	Additions	Disposals and Reclassifications	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 91,700	\$ -	\$ -	\$ 91,700
Construction in progress	13,289,095	2,606,894	(3,569,290)	12,326,699
Subtotal	13,380,795	2,606,894	(3,569,290)	12,418,399
Capital assets being depreciated:				
Water and sewer mains	220,243,098	4,508,155	3,569,290	228,320,543
Buildings and improvements	2,558,702	-	-	2,558,702
Water meters	5,311,926	109,789	-	5,421,715
Vehicles	779,265	63,900	-	843,165
Furniture and equipment	807,615	95,168	(10,813)	891,970
Subtotal	229,700,606	4,777,012	3,558,477	238,036,095
Accumulated depreciation:				
Water and sewer mains	68,021,162	3,796,355	-	71,817,517
Buildings and improvements	1,419,527	63,968	-	1,483,495
Water meters	1,957,786	107,336	-	2,065,122
Vehicles	645,244	64,562	-	709,806
Furniture and equipment	770,375	17,062	(10,813)	776,624
Subtotal	72,814,094	4,049,283	(10,813)	76,852,564
Net capital assets being depreciated	156,886,512	727,729	3,569,290	161,183,531
Net business-type activities capital assets	\$ 170,267,307	\$ 3,334,623	\$ -	\$ 173,601,930

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

Governmental activities:	
General government	\$ 579,666
Public safety	343,444
Public works	971,170
Recreation and culture	935,864
Total governmental activities	\$ 2,830,144
Business-type activities - Water and sewer	\$ 4,049,283

Note 5 - Interfund Receivables, Payables, and Transfers

As of June 30, 2020, the composition of interfund balances is as follows:

Receivable	Payable	Amount
General Fund	Water and Sewer Fund	\$ 240
Parks and Recreation Operating Fund	General Fund	191
Fire Operating Fund	Parks and Recreation Operating Fund	54
	Total	\$ 485

June 30, 2020

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

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	\$ 2,594,390
	Municipal Street Fund	4,300,000
	Nonmajor governmental funds	10,000
	Total General Fund	6,904,390
Fire Operating Fund	Building Authority Debt Service Fund	869,625
	Nonmajor governmental funds	325,000
	Total Fire Operating Fund	1,194,625
Parks and Recreation Operating Fund	Building Authority Debt Service Fund	1,766,380
Building Authority Debt Fund	Nonmajor governmental funds	3
	Total	<u>\$ 9,865,398</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, 2020

Note 6 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable - Other debt:							
2011 Building Authority							
Refunding Bonds:							
Amount of issue - \$8,470,000	2.00% -	\$475,000 -					
Maturing through 2027	4.875%	\$940,000	\$ 5,155,000	\$ -	\$ (890,000)	\$ 4,265,000	\$ 940,000
2012 Building Authority							
Refunding Bonds:							
Amount of issue - \$13,390,000	2.00% -	\$875,000 -					
Maturing through 2025	4.00%	\$1,495,000	7,590,000	-	(1,295,000)	6,295,000	1,495,000
Unamortized bond premium			534,739	-	(89,123)	445,616	89,123
2015 Building Authority							
Refunding Bonds:							
Amount of issue - \$6,805,000	3.00% -	\$950,000 -					
Maturing through 2022	5.00%	\$960,000	2,885,000	-	(975,000)	1,910,000	960,000
Unamortized bond premium			245,259	-	(81,753)	163,506	81,753
2018 Building Authority							
Refunding Bonds:							
Amount of issue - \$14,010,000	4.00% -	\$460,000 -					
Maturing through 2035	5.00%	\$970,000	13,455,000	-	(800,000)	12,655,000	875,000
Unamortized bond premium			1,197,171	-	(63,009)	1,134,162	63,009
Total bonds payable			31,062,169	-	(4,193,885)	26,868,284	4,503,885
Compensated absences			1,141,329	1,113,111	(982,318)	1,272,122	1,128,176
Total governmental activities long-term debt			<u>\$ 32,203,498</u>	<u>\$ 1,113,111</u>	<u>\$ (5,176,203)</u>	<u>\$ 28,140,406</u>	<u>\$ 5,632,061</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, 2020

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			\$ 301,253	\$ -	\$ (301,253)	\$ -	\$ -
2010A OMID Drainage District:							
Amount of issue - \$1,750,840		\$86,120 -					
Maturing through 2031	2.50%	\$110,437	1,160,431	-	(84,094)	1,076,337	86,120
2010 North Gratiot Interceptor Drainage District:							
Amount of issue - \$103,529	1.00% -	\$3,753 -					
Maturing through 2035	6.35%	\$5,950	74,939	-	(3,662)	71,277	3,753
2015 North Gratiot Interceptor Drainage District:							
Amount of issue - \$846,752	3.50% -	\$48,592 -					
Maturing through 2033	5.00%	\$56,068	728,884	-	(48,343)	680,541	48,592
2015A MID Drainage District:							
Amount of issue - \$499,851		\$21,762 -					
Maturing through 2036	2.50%	\$31,283	440,005	-	(21,082)	418,923	21,762
2013 OMID Drainage District:							
Amount of issue - \$4,619,982		\$209,935 -					
Maturing through 2034	2.00%	\$276,958	3,836,273	-	(205,679)	3,630,594	209,935
2011 Clintondale Pump Station Improvements Drainage District:							
Amount of issue - \$4,039,605			3,010,036	-	(3,010,036)	-	-
Unamortized bond premium			160,419	-	(160,419)	-	-
2014 OMID Drainage District:							
Amount of issue - \$675,494	2.00% -	\$29,410 -					
Maturing through 2035	3.125%	\$44,348	567,658	-	(28,476)	539,182	29,410
2017A MID Drainage District and Refunding Bonds:							
Amount of issue - \$19,249,777		\$653,574 -					
Maturing through 2042	5.00%	\$1,287,443	18,040,214	-	(622,432)	17,417,782	653,574
Unamortized bond premium			3,090,546	-	(168,233)	2,922,313	168,233
2019 OMID Drainage District Refunding Bonds:							
Amount of issue - \$304,628		\$23,978 -					
Maturing through 2030	1.85%	\$33,773	-	304,628	(18,575)	286,053	23,978

June 30, 2020

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
2020 Clintondale Pump Station Improvements Drainage District: Amount of issue - \$2,024,393 Maturing through 2031	5.00%	\$137,714 - \$245,918	\$ -	\$ 2,024,393	\$ -	\$ 2,024,393	\$ 137,714
Unamortized bond premium			-	475,539	(10,806)	464,733	43,231
Total direct borrowings principal outstanding			31,410,658	2,804,560	(4,683,090)	29,532,128	1,426,302
Other debt:							
2010 Capital Improvement and Refunding Bond: Amount of issue - \$9,805,000 Maturing through 2031	2.00% - 5.00%	\$280,000 - \$695,000	5,055,000	-	(665,000)	4,390,000	695,000
Total general obligation bonds			36,465,658	2,804,560	(5,348,090)	33,922,128	2,121,302
Compensated absences			282,328	257,021	(229,816)	309,533	255,238
Total business-type activities long-term debt			<u>\$ 36,747,986</u>	<u>\$ 3,061,581</u>	<u>\$ (5,577,906)</u>	<u>\$ 34,231,661</u>	<u>\$ 2,376,540</u>

Note 6 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities				
	Other Debt				
	Principal	Interest	Total		
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	1,840,000	541,369	2,381,369		
2026-2030	3,760,000	1,915,875	5,675,875		
2031-2035	3,585,000	1,071,250	4,656,250		
2036-2040	2,580,000	209,200	2,789,200		
Thereafter	-	-	-		
Total	\$ 25,125,000	\$ 7,120,201	\$ 32,245,201		

Years Ending June 30	Business-type Activities				
	Direct Borrowings and Direct Placements		Other Debt		
	Principal	Interest	Principal	Interest	Total
2021	\$ 1,214,838	\$ 1,097,971	\$ 695,000	\$ 178,347	\$ 3,186,156
2022	1,264,879	1,047,882	695,000	152,719	3,160,480
2023	1,312,244	995,493	280,000	134,088	2,721,825
2024	1,367,615	941,003	290,000	122,688	2,721,306
2025	1,424,084	884,014	300,000	110,513	2,718,611
2026-2030	8,088,296	3,645,770	1,730,000	323,069	13,787,135
2031-2035	8,100,212	1,699,388	400,000	10,000	10,209,600
2036-2040	2,303,150	605,765	-	-	2,908,915
Thereafter	1,069,764	80,887	-	-	1,150,651
Total	\$ 26,145,082	\$ 10,998,173	\$ 4,390,000	\$ 1,031,424	\$ 42,564,679

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

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

June 30, 2020

Note 6 - Long-term Debt (Continued)

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

Macomb Interceptor Drainage District

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

Oakland-Macomb Interceptor Drainage District

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

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 Refundings

During 2020, MID issued the Clintondale Pump Station 2020 Refunding bonds totaling \$15,435,000 with an average interest rate of 5.00 percent. The bonds were issued to refund the outstanding Clintondale Pump Station 2011 bonds. The Township is allocated its share of the bond issuance and the Clintondale Pump Station 2011 bonds are considered to be defeased, and the liability for the bonds has been removed from long-term debt.

During 2020, OMID issued the 2019 OMID Drainage District Refunding bonds totaling \$4,510,000 with an average interest rate of 1.85 percent. The bonds were issued to refund the outstanding 2010B OMID Drainage District bonds. The Township is allocated its share of the bond issuance and the 2010B OMID Drainage District bonds are considered to be defeased, and the liability for the bonds has been removed from long-term debt.

Subsequent Event

On August 19, 2020, OMID issued the 2020 Drainage District bonds totaling \$57,215,000 with interest ranging from 2.0 percent to 5.0 percent, maturing in 2041. The Township was allocated its share of the bonds totaling \$6,996,937.

Note 7 - Restricted Assets

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

June 30, 2020

Note 7 - Restricted Assets (Continued)

The following is the detail of restricted assets at June 30, 2020:

Description	Governmental Activities	Business-type Activities
Building Authority Capital Projects Fund - Restricted assets and unspent bond proceeds	\$ 5,934,436	\$ -
Water and Sewer Fund - Unspent bond proceeds and deposits held at county:		
Due from Oakland County, Michigan*	-	52,404
Due from Macomb County, Michigan**	-	540,699
Total	\$ 5,934,436	\$ 593,103

*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, 2020.

Note 8 - Risk Management

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

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

Note 9 - OPEB Plan

Plan Description

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

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

Benefits Provided

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

Note 9 - OPEB Plan (Continued)

Plan Membership

At June 30, 2020, plan membership consisted of the following:

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

Contributions

The board establishes contribution rates based on an actuarially determined rate per a funding valuation. For the year ended June 30, 2020, the Township's average contribution rate was 17.85 percent of covered employee payroll or \$826,279. Plan members are not required to contribute to the Plan.

Net OPEB Asset

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

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

Changes in Net OPEB Asset	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Asset
Balance at July 1, 2019	\$ 26,433,281	\$ 28,181,330	\$ (1,748,049)
Changes for the year:			
Service cost	956,788	-	956,788
Interest	1,356,132	-	1,356,132
Differences between expected and actual experience	(1,338,710)	-	(1,338,710)
Changes in assumptions	604,439	-	604,439
Contributions - Employer	-	826,279	(826,279)
Net investment income	-	1,854,992	(1,854,992)
Benefit payments, including refunds	(493,657)	(493,657)	-
Miscellaneous other charges	-	(20,402)	20,402
	<u>1,084,992</u>	<u>2,167,212</u>	<u>(1,082,220)</u>
Net changes			
	1,084,992	2,167,212	(1,082,220)
Balance at June 30, 2020	<u><u>\$ 27,518,273</u></u>	<u><u>\$ 30,348,542</u></u>	<u><u>\$ (2,830,269)</u></u>

The plan's fiduciary net position represents 110.28 percent of the total OPEB liability.

June 30, 2020

Note 9 - OPEB Plan (Continued)

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

For the year ended June 30, 2020, the Township recognized OPEB expense of \$1,011,747.

At June 30, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 419,201	\$ (1,696,052)
Changes in assumptions	2,108,768	(177,640)
Net difference between projected and actual earnings on OPEB plan investments	<u>-</u>	<u>(707,039)</u>
Total	<u>\$ 2,527,969</u>	<u>\$ (2,580,731)</u>

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

<u>Years Ending June 30</u>	<u>Amount</u>
2021	\$ 95,298
2022	95,298
2023	138,741
2024	(55,757)
2025	(81,586)
Thereafter	<u>(244,756)</u>
Total	<u>\$ (52,762)</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using assumed salary increases (including inflation) of 3.50 percent; an investment rate of return (net of investment expenses) of 5.0 percent; a pre-Medicare health care cost trend rate of 8.25 percent and post-Medicare health care cost trend rate of 6.50 percent for 2021, each decreasing 0.25 percent per year to ultimate rates of 4.50 percent; and the mortality rates were based on the Pub-2010 Total mortality tables.

Discount Rate

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

Investment Rate of Return

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

June 30, 2020

Note 9 - OPEB Plan (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2020 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

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

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

The following presents the net OPEB asset of the Township, calculated using the discount rate 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 Percentage Point Decrease (4.0%)	Current Discount Rate (5.0%)	1 Percentage Point Increase (6.0%)
Net OPEB liability (asset)	\$ 1,705,815	\$ (2,830,269)	\$ (6,941,543)

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

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

	1 Percentage Point Decrease	Current Health Care Cost Trend Rate	1 Percentage Point Increase
Net OPEB (asset) liability	\$ (6,853,874)	\$ (2,830,269)	\$ 2,266,921

OPEB Plan Fiduciary Net Position

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

Assumption Changes

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

Note 9 - OPEB Plan (Continued)

Concentrations

At June 30, 2020, 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 - \$4,483,966

Sterling Capital Equity Income Fund - \$2,084,906

American EuroPacific Growth Fund - \$1,881,244

MFS International Value Fund - \$1,786,588

Vanguard Developed Markets Index Fund Admiral - \$1,731,566

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on plan investments, net of investment expense was 6.87 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.

June 30, 2020

Note 10 - Pension Plan (Continued)

Employees Covered by Benefit Terms

As of June 30, 2020, the following members were covered by the benefit terms:

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

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Retirement System Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the township charter, union contracts, and plan provisions. For the year ended June 30, 2020, the average active member contribution rate was 5 percent of annual pay, and the Township's average contribution rate was 50.0 percent of annual payroll.

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
Balance at July 1, 2019	\$ 4,448,165	\$ 3,244,799	\$ 1,203,366
Changes for the year:			
Service cost	217,312	-	217,312
Interest	223,402	-	223,402
Differences between expected and actual experience	(685)	-	(685)
Changes in assumptions	(32,857)	-	(32,857)
Contributions - Employer	-	370,889	(370,889)
Contributions - Employee	-	37,104	(37,104)
Net investment income	-	113,443	(113,443)
Benefit payments, including refunds	(177,579)	(177,579)	-
Administrative expenses	-	(12,244)	12,244
	229,593	331,613	(102,020)
Net changes			
	229,593	331,613	(102,020)
Balance at June 30, 2020	\$ 4,677,758	\$ 3,576,412	\$ 1,101,346

The plan's fiduciary net position represents 76.46 percent of the total pension liability.

June 30, 2020

Note 10 - Pension Plan (Continued)

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

For the year ended June 30, 2020, the Township recognized pension expense of \$421,853.

At June 30, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 225,325	\$ (118,966)
Changes in assumptions	691,768	(596)
Net difference between projected and actual earnings on pension plan investments	<u>16,392</u>	<u>-</u>
Total	<u>\$ 933,485</u>	<u>\$ (119,562)</u>

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

<u>Years Ending June 30</u>	<u>Amount</u>
2021	\$ 133,060
2022	156,382
2023	147,046
2024	162,252
2025	140,667
Thereafter	<u>74,516</u>
Total	<u>\$ 813,923</u>

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using an inflation assumption of 3 percent, assumed salary increases (including inflation) of 3.0 to 6.8 percent, an investment rate of return (net of investment expenses) of 5.0 percent, and the RP-2014 mortality tables with the MP-2017 improvement scale.

Discount Rate

The discount rate used to measure the total pension liability was 4.71 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 not projected to be available to make all projected future benefit payments of current active and inactive employees through the year 2070. Therefore, the discount rate was determined by blending the long-term expected rate of return on pension plan investments (5.0 percent) with the current yield for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, which currently stands at 2.45 percent (as referenced by the "Fidelity Index 20 Year GO AA Index" at June 30, 2020).

Note 10 - Pension Plan (Continued)

Projected Cash Flows

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2020 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

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 4.71 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 (3.71 percent) or 1 percentage point higher (5.71 percent) than the current rate:

	1 Percentage Point Decrease (3.71%)	Current Discount Rate (4.71%)	1 Percentage Point Increase (5.71%)
Net pension liability of the Township	\$ 1,828,212	\$ 1,101,346	\$ 509,187

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.50 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 discount rate.

Note 10 - Pension Plan (Continued)

Pension Plan Reserves

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

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

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

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

The balances of the reserve accounts at June 30, 2020 are as follows:

	Required Reserve	Amount Funded
Retiree reserve	\$ 2,280,252	\$ 2,280,252
Employee reserve	330,344	330,344

Note 11 - Pension and Other Employee Benefit Trust Funds

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

	Fire Pension Fund	Retiree Health Care Fund	Total
Statement of Net Position			
Cash and cash equivalents	\$ 295,937	\$ 657,950	\$ 953,887
Investments	3,280,475	29,690,592	32,971,067
Net position	<u>\$ 3,576,412</u>	<u>\$ 30,348,542</u>	<u>\$ 33,924,954</u>
Statement of Changes in Net Position			
Investment income	\$ 113,434	\$ 1,845,640	\$ 1,959,074
Contributions	370,889	826,279	1,197,168
Other additions	37,104	1,952	39,056
Benefit payments	177,579	493,658	671,237
Other deductions	12,235	13,000	25,235
Net change in net position	<u>\$ 331,613</u>	<u>\$ 2,167,213</u>	<u>\$ 2,498,826</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, 2020, the Township made contributions of \$696,634, and the plan members contributed \$348,316 to the plan.

June 30, 2020

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, 2020, the Township abated \$238,984 of taxes under these programs. There are no significant abatements made by other governments that reduce the Township's tax revenue.

Note 14 - COVID-19 Pandemic

In March 2020, the U.S. and global economies reacted negatively in response to worldwide concerns due to the economic impacts of the COVID-19 pandemic. These trends, including a potential economic downturn, and any potential resulting direct and indirect negative impact to the Township cannot be determined but may have a material prospective impact to the Township's operations and cash flows. The impact on the Township's future operating costs, revenue, and recovery from emergency funding or state funding cannot be estimated. The Township does expect that there will be reductions in state-shared revenue from the State of Michigan, but the amount cannot be estimated. The Township holds investments that are subject to the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. No impairments were recorded as of the statement of net position/governmental funds balance sheet date, as no triggering events or changes in circumstances had occurred as of year end; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future.

Required Supplemental Information

Township of Macomb

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

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes and fees	\$ 2,342,500	\$ 2,342,500	\$ 2,398,960	\$ 56,460
Special assessments	903,000	903,000	920,617	17,617
Intergovernmental:				
Federal grants and other	130,000	130,000	118,338	(11,662)
State-shared revenue and grants	7,120,000	7,120,000	7,356,889	236,889
Charges for services	213,173	213,173	235,604	22,431
Fines and forfeitures	291,000	291,000	321,784	30,784
Licenses and permits	3,362,500	3,362,500	3,463,372	100,872
Interest	400,000	400,000	701,458	301,458
Other revenue	277,500	277,500	306,252	28,752
Total revenue	15,039,673	15,039,673	15,823,274	783,601
Expenditures				
Current services:				
General government	15,145,666	15,145,666	7,681,559	7,464,107
Public safety	1,584,140	1,584,140	1,491,897	92,243
Public works	1,627,370	1,627,370	1,339,503	287,867
Community and economic development	355,650	355,650	296,918	58,732
Recreation and culture	363,840	363,840	334,335	29,505
Total expenditures	19,076,666	19,076,666	11,144,212	7,932,454
Excess of Revenue (Under) Over Expenditures	(4,036,993)	(4,036,993)	4,679,062	8,716,055
Other Financing (Uses) Sources				
Transfers out	(6,740,137)	(6,740,137)	(6,904,390)	(164,253)
Proceeds from sale of capital assets	10,000	10,000	9,246	(754)
Net other financing uses	(6,730,137)	(6,730,137)	(6,895,144)	(165,007)
Net Change in Fund Balance	(10,767,130)	(10,767,130)	(2,216,082)	8,551,048
Fund Balance - Beginning of year	27,795,745	27,795,745	27,795,745	-
Fund Balance - End of year	<u>\$ 17,028,615</u>	<u>\$ 17,028,615</u>	<u>\$ 25,579,663</u>	<u>\$ 8,551,048</u>

Township of Macomb

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

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes and fees	\$ 2,850,000	\$ 2,850,000	\$ 2,902,390	\$ 52,390
Charges for services	2,004,850	2,004,850	1,536,213	(468,637)
Interest	19,000	19,000	20,812	1,812
Other revenue	20,100	20,100	27,579	7,479
Total revenue	4,893,950	4,893,950	4,486,994	(406,956)
Expenditures - Recreation and culture	2,929,345	2,929,345	2,236,489	692,856
Excess of Revenue Over Expenditures	1,964,605	1,964,605	2,250,505	285,900
Other Financing Uses - Transfers out	(1,766,725)	(1,766,725)	(1,766,383)	342
Net Change in Fund Balance	197,880	197,880	484,122	286,242
Fund Balance - Beginning of year	3,098,218	3,098,218	3,098,218	-
Fund Balance - End of year	<u>\$ 3,296,098</u>	<u>\$ 3,296,098</u>	<u>\$ 3,582,340</u>	<u>\$ 286,242</u>

Township of Macomb

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

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes and fees	\$ 7,072,500	\$ 7,072,500	\$ 7,113,034	\$ 40,534
Interest	60,000	60,000	120,647	60,647
Other revenue	500	500	6,833	6,333
Total revenue	7,133,000	7,133,000	7,240,514	107,514
Expenditures - Public safety	5,917,141	5,917,141	5,526,832	390,309
Excess of Revenue Over Expenditures	1,215,859	1,215,859	1,713,682	497,823
Other Financing (Uses) Sources				
Transfers out	(1,325,476)	(1,325,476)	(1,194,625)	130,851
Proceeds from sale of capital assets	30,000	30,000	-	(30,000)
Total other financing uses	(1,295,476)	(1,295,476)	(1,194,625)	100,851
Net Change in Fund Balance	(79,617)	(79,617)	519,057	598,674
Fund Balance - Beginning of year	7,330,028	7,330,028	7,330,028	-
Fund Balance - End of year	<u>\$ 7,250,411</u>	<u>\$ 7,250,411</u>	<u>\$ 7,849,085</u>	<u>\$ 598,674</u>

Township of Macomb

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

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes and fees	\$ 5,635,550	\$ 5,635,550	\$ 5,703,235	\$ 67,685
State-shared revenue and grants	22,000	22,000	24,628	2,628
Interest	6,000	6,000	13,674	7,674
Other revenue	50	50	93	43
Total revenue	5,663,600	5,663,600	5,741,630	78,030
Expenditures - Public safety	5,511,005	5,511,005	5,508,342	2,663
Net Change in Fund Balance	152,595	152,595	233,288	80,693
Fund Balance - Beginning of year	2,528,897	2,528,897	2,528,897	-
Fund Balance - End of year	\$ 2,681,492	\$ 2,681,492	\$ 2,762,185	\$ 80,693

Township of Macomb

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

	Last Four Fiscal Years (dollar amounts in thousands) (schedule is built prospectively upon implementation of GASB 74)			
	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 957	\$ 924	\$ 802	\$ 761
Interest	1,356	1,295	1,045	1,017
Differences between expected and actual experience	(1,339)	(759)	779	(874)
Changes in assumptions	604	(266)	2,918	-
Benefit payments, including refunds	(494)	(424)	(378)	(357)
Net Change in Total OPEB Liability	1,084	770	5,166	547
Total OPEB Liability - Beginning of year	26,433	25,663	20,497	19,950
Total OPEB Liability - End of year	\$ 27,517	\$ 26,433	\$ 25,663	\$ 20,497
Plan Fiduciary Net Position				
Contributions - Employer	\$ 826	\$ 1,378	\$ 1,157	\$ 1,514
Net investment income	1,855	1,747	1,403	1,822
Benefit payments, including refunds	(494)	(424)	(378)	(357)
Other	(21)	(15)	(8)	-
Net Change in Plan Fiduciary Net Position	2,166	2,686	2,174	2,979
Plan Fiduciary Net Position - Beginning of year	28,181	25,495	23,321	20,342
Plan Fiduciary Net Position - End of year	\$ 30,347	\$ 28,181	\$ 25,495	\$ 23,321
Net OPEB (Asset) Liability - Ending	\$ (2,830)	\$ (1,748)	\$ 168	\$ (2,824)
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	110.28 %	106.61 %	99.35 %	113.78 %
Covered-employee Payroll	\$ 4,294	\$ 4,629	\$ 4,583	\$ 4,700
Net OPEB (Asset) Liability as a Percentage of Covered-employee Payroll	(65.91)%	(37.76)%	3.67 %	(60.09)%

Township of Macomb

Required Supplemental Information OPEB Plan Schedule of Investment Returns

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

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

See notes to required supplemental information.

Township of Macomb

Required Supplemental Information
Fire Retirement System Schedule of Investment Returns

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

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	\$ 27,865,745	\$ 25,649,663
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, 2020 budget	<u>(70,000)</u>	<u>(70,000)</u>
Fund balance per General Fund budget statement	<u>\$ 27,795,745</u>	<u>\$ 25,579,663</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 - Transfers out	\$ 6,740,137	\$ 6,904,390	\$ (164,253)

Pension Information

Changes in Assumptions

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

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

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

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

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

OPEB Information

Changes in Assumptions

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

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

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

Other Supplemental Information

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2020

	Debt Service	Capital Project Funds		Total Nonmajor Governmental Funds
	Fund	Public	Fire	
	Parks and Recreation Revolving	Improvement	Improvement	
Assets - Cash and investments	\$ 659,718	\$ 3,259,390	\$ 2,381,853	\$ 6,300,961
Liabilities - Accounts payable and accrued liabilities	\$ -	\$ 75	\$ -	\$ 75
Fund Balances				
Restricted:				
Fire	-	-	2,381,853	2,381,853
Debt service	659,718	-	-	659,718
Assigned - Capital outlay	-	3,259,315	-	3,259,315
Total fund balances	659,718	3,259,315	2,381,853	6,300,886
Total liabilities and fund balances	\$ 659,718	\$ 3,259,390	\$ 2,381,853	\$ 6,300,961

Township of Macomb

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

Year Ended June 30, 2020

	Debt Service	Capital Projects Funds		Total Nonmajor Governmental Funds
	Fund Parks and Recreation Revolving	Public Improvement	Fire Improvement	
Revenue				
Interest	\$ 4,848	\$ 27,713	\$ 21,918	\$ 54,479
Other revenue	-	-	965	965
Total revenue	4,848	27,713	22,883	55,444
Expenditures				
Current services:				
General government	-	37,675	-	37,675
Public safety	-	-	104,141	104,141
Total expenditures	-	37,675	104,141	141,816
Excess of Revenue Over (Under) Expenditures	4,848	(9,962)	(81,258)	(86,372)
Other Financing Sources - Transfers in	3	10,000	325,000	335,003
Net Change in Fund Balances	4,851	38	243,742	248,631
Fund Balances - Beginning of year	654,867	3,259,277	2,138,111	6,052,255
Fund Balances - End of year	\$ 659,718	\$ 3,259,315	\$ 2,381,853	\$ 6,300,886

Township of Macomb

Other Supplemental Information
Combining Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2020

	Fire Pension Fund	Retiree Health Care Fund	Total Pensions and Other Retirement Benefits Trust Funds
Assets			
Cash and cash equivalents	\$ 295,937	\$ 657,950	\$ 953,887
Investments:			
Municipal bonds	-	1,138,498	1,138,498
Agency securities	-	2,686,563	2,686,563
Stocks	409,109	-	409,109
Corporate bonds	-	8,361,138	8,361,138
Mutual funds - Equity	1,920,797	16,035,814	17,956,611
Mutual funds - Fixed income	950,569	1,468,579	2,419,148
	3,576,412	30,348,542	33,924,954
Total assets			
Liabilities - Refundable deposits, bonds, etc.	-	-	-
Net Position Restricted for Pension and Other Employee Benefits	\$ 3,576,412	\$ 30,348,542	\$ 33,924,954

Township of Macomb

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

Year Ended June 30, 2020

	Fire Pension Fund	Retiree Health Care Fund	Total
Additions			
Investment income (loss):			
Interest and dividends	\$ 77,030	\$ 1,067,029	\$ 1,144,059
Net increase in fair value of investments	55,088	884,828	939,916
Investment-related expenses	(18,684)	(106,217)	(124,901)
Net investment income	113,434	1,845,640	1,959,074
Contributions:			
Employer	370,889	826,279	1,197,168
Employee	37,104	-	37,104
Total contributions	407,993	826,279	1,234,272
Miscellaneous revenue	-	1,952	1,952
Total additions	521,427	2,673,871	3,195,298
Deductions			
Benefit payments	177,579	493,658	671,237
Administrative expenses	12,235	13,000	25,235
Total deductions	189,814	506,658	696,472
Net Increase in Net Position Held in Trust	331,613	2,167,213	2,498,826
Net Position Restricted for Pension and Other Employee Benefits - Beginning of year	3,244,799	28,181,329	31,426,128
Net Position Restricted for Pension and Other Employee Benefits - End of year	\$ 3,576,412	\$ 30,348,542	\$ 33,924,954

Township of Macomb

Other Supplemental Information Statement of Assets and Liabilities Agency Funds

June 30, 2020

	<u>Bond Escrow</u>	<u>Tax Collections</u>	<u>Total Agency Funds</u>
Assets - cash and cash equivalents	\$ 2,656,064	\$ 58,180	\$ 2,714,244
Liabilities			
Due to other governmental units	\$ -	\$ 58,180	\$ 58,180
Refundable bonds and deposits	<u>2,656,064</u>	<u>-</u>	<u>2,656,064</u>
Total liabilities	<u>\$ 2,656,064</u>	<u>\$ 58,180</u>	<u>\$ 2,714,244</u>