
Charter Township of Washington

Macomb County, Michigan

Financial Report
with Supplemental Information
March 31, 2020

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Washington
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 Charter Township of Washington (the "Township") as of and for the year ended March 31, 2020 and the related notes to the financial statements, which collectively comprise the Charter Township of Washington'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 Charter Township of Washington as of March 31, 2020 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the basic financial statements, during the year ended March 31, 2020, the Township adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which established accounting and financial reporting standards for the identification and reporting of fiduciary activities. Our opinion is not modified with respect to this matter.

To the Board of Trustees
Charter Township of Washington
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 the 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 Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Charter Township of Washington'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.



September 3, 2020

Overview of the Financial Statements

The Charter Township of Washington's (the "Township") 2020 annual report is presented in conformity with the requirements of GASB Statement No. 34. This annual report consists of four parts: management's discussion and analysis, the basic financial statements, required supplemental information, and other supplemental information, which presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

Government-wide Financial Statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities, regardless of when cash is received or paid (full accrual).

The two government-wide financial statements report the Township's net position and how it has changed. Net position, the difference between the Township's assets and liabilities, is one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

Governmental Activities - Most of the Township's basic services are included here, such as police, fire, public works, and general administration. Property taxes, state-shared revenue, charges for services, and three special operating millages provide most of the funding.

Business-type Activities - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system and building inspection services are treated as business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of financial support and spending for particular purposes. Some funds are required by state law and bond covenants. The township board establishes other funds to control and manage money for particular purposes.

The Township has three types of funds:

- **Governmental Funds** - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets that can readily be converted to cash, flow in and out and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.
- **Proprietary Funds** - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information.
- **Fiduciary Funds** - The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of net position. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Charter Township of Washington

Management's Discussion and Analysis (Continued)

Government-wide Overall Financial Analysis

The Township has a combined total net position of approximately \$109.5 million. This is an increase from 2019 of approximately \$8.5 million. Business-type activities comprise approximately \$69.4 million and governmental activities make up approximately \$40.1 million of the total net position. In a condensed format, the table below shows a comparison of the net position as of the current date to the prior year:

The Township's Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019*	2020	2019*	2020	2019*
Assets						
Current and other assets	\$ 41,210,130	\$ 27,017,073	\$ 38,827,496	\$ 34,760,289	\$ 80,037,626	\$ 61,777,362
Capital assets	10,903,682	11,725,294	67,604,745	56,885,282	78,508,427	68,610,576
Total assets	52,113,812	38,742,367	106,432,241	91,645,571	158,546,053	130,387,938
Liabilities						
Current liabilities	420,170	347,931	2,634,592	4,405,883	3,054,762	4,753,814
Noncurrent liabilities	11,590,551	780,143	34,364,631	23,841,422	45,955,182	24,621,565
Total liabilities	12,010,721	1,128,074	36,999,223	28,247,305	49,009,944	29,375,379
Net Position						
Net investment in capital assets	9,949,363	11,487,090	39,281,118	35,552,377	49,230,481	47,039,467
Restricted	14,117,138	10,247,057	1,392,701	1,448,368	15,509,839	11,695,425
Unrestricted	16,036,590	15,880,146	28,759,199	26,397,521	44,795,789	42,277,667
Total net position	<u>\$ 40,103,091</u>	<u>\$ 37,614,293</u>	<u>\$ 69,433,018</u>	<u>\$ 63,398,266</u>	<u>\$109,536,109</u>	<u>\$ 101,012,559</u>

*The Township implemented GASB Statement No. 84 in fiscal year 2020. Fiscal year 2019 amounts shown have not been modified to reflect the retroactive application of the change; however, the ending net position for that year was adjusted in the 2020 column to properly state fiscal year 2020 beginning net position.

The Township's solid financial position has allowed us to borrow at competitive rates in order to invest in infrastructure. In 2019, we issued a \$20 million Capital Improvement Bond at 2.49 percent. The bond finances infrastructure projects such as a new fire station, water and sewer extensions, road paving costs, and township hall improvements. Prior to the issuance, Standard & Poor's upgraded our bond rating to AA+ from AA, citing our strong management, strong financial performance, and strong budgetary flexibility. This financing follows a \$16,225,000 Capital Improvement Bond issuance in 2015 at 3.17 percent. The 2015 bond financed the wastewater treatment facility, the water storage facility, and miscellaneous water and sewer main extensions. The Township continues to have a strong balance sheet with substantial borrowing capacity available, although there are no plans at this time for additional bond issuances.

In addition to these bonds, our debt position reflects our share of investments by the county sewer district. Even though these debts are not directly incurred by the Township, we are required to reflect them in our financial statements.

Charter Township of Washington

Management's Discussion and Analysis (Continued)

The Township experienced increases in both assets of the governmental activities and business-type activities due to favorable operations resulting in a net improved condition. Both the governmental funds and the business-type activities had positive operating results, which improved our position. The Township maintains healthy levels of cash and other assets to protect against downturns and to deal with the long-term demands associated with infrastructure. As water and sewer infrastructure ages, it must be replaced, typically at much higher than historical costs reflected in depreciation. System expansions, such as the new water storage facility, are made possible by maintaining a healthy balance sheet. Maintaining a healthy balance sheet allows us to participate with the county in major road improvements as our community grows. The growth of our community gives rise to emergency service infrastructure needs, such as new land, buildings, and equipment for our fire department. We maintain a healthier balance sheet than most communities despite our lower than average millage rates. We do this to be able to respond to these infrastructure needs.

The following table shows the changes in net position for 2020 and 2019:

The Township's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019*	2020	2019*	2020	2019*
Revenue						
Program revenue:						
Charges for services	\$ 1,163,894	\$ 1,257,924	\$ 12,437,665	\$ 9,694,247	\$ 13,601,559	\$ 10,952,171
Operating grants	13,667	14,749	-	-	13,667	14,749
Capital grants	117,859	106,036	2,707,860	1,173,360	2,825,719	1,279,396
General revenue:						
Taxes	9,700,001	7,916,746	-	-	9,700,001	7,916,746
State-shared revenue and grants	2,173,997	2,068,218	-	-	2,173,997	2,068,218
Investment earnings	968,399	533,679	876,541	663,534	1,844,940	1,197,213
Other revenue	1,367,449	368,630	15,149	18,885	1,382,598	387,515
Total revenue	15,505,266	12,265,982	16,037,215	11,550,026	31,542,481	23,816,008
Expenses						
General government	2,807,952	2,479,283	-	-	2,807,952	2,479,283
Public safety	7,807,411	7,467,141	-	-	7,807,411	7,467,141
Public works	1,393,251	445,320	-	-	1,393,251	445,320
Recreation and culture	1,007,854	-	-	-	1,007,854	-
Water and Sewer Fund	-	-	10,227,253	8,080,719	10,227,253	8,080,719
Building Inspection Fund	-	-	796,228	710,282	796,228	710,282
Total expenses	13,016,468	10,391,744	11,023,481	8,791,001	24,039,949	19,182,745
Change in Net Position	\$ 2,488,798	\$ 1,874,238	\$ 5,013,734	\$ 2,759,025	\$ 7,502,532	\$ 4,633,263

*The Township implemented GASB Statement No. 84 in fiscal year 2020. Fiscal year 2019 amounts shown have not been modified to reflect the retroactive application of the change; however, the ending net position for that year was adjusted in the 2020 column to properly state fiscal year 2020 beginning net position.

Charter Township of Washington

Management's Discussion and Analysis (Continued)

Governmental Activities

Revenue for governmental activities totaled approximately \$15.5 million in 2020 compared to approximately \$12.3 million in 2019. A total of approximately \$9.7 million was in the form of property tax collections, an increase of \$1.8 million over 2019. This increase is mainly a reflection of the implementation of GASB 84 for 2020, which requires us to reflect tax collection and outlays for certain ventures. It also reflects an increase in taxable value of \$80 million with no change to the overall millage rates. The police, fire, and advanced life support special assessment millages generated \$7.5 million of the total \$9.7 million of property tax revenue reported above. Property tax collections are expected to rise in the next year. Activity beyond that is uncertain and tied to the overall economy and the housing market. It is unclear at this time what the COVID-19 pandemic's long-term impact on property values will be. State-shared revenue provided approximately \$2.2 million, an increase of approximately \$0.2 million over the prior year. The upcoming census should reflect a significant increase in population, which will favorably increase state-shared revenue by 2021. However, overall numbers are influenced by other factors, such as economic conditions and legislative action. Investment earnings increased due to investment of bond proceeds. Other revenue remained fairly consistent.

Total governmental program expenses rose by approximately \$2,625,000. Activity in 2019 included investments, in the paving of Powell Road, and acquisition of a fire engine and ambulance. Activity in 2020 included an investment in a fire tanker truck, an investment in the West Road sidewalk, the township share of the new sewer line north of 30 Mile, and initial costs for the new fire station construction. It also included \$1 million recreation expenditures that reflect the newly required implementation of GASB 84. In addition, we had contractual increases in collective bargaining agreements and in the contract with Macomb County for police services, a full year of the police liaison, and three additional fire fighters/paramedics.

Business-type Activities

The Township has two business-type activities: water and sewer operations and building inspection services. Revenue for business-type activities increased by approximately \$4.5 million to approximately \$16.0 million. Sewer rates to customers increased, while water rates remained flat. Building permit fees increased by \$0.4 million, and tap fees and pipeline contributed by developers increased by approximately \$1.5 million over prior year due to development activity. Investment earnings increased by \$0.2 million due to greater returns available in the market and increased investment balances due to operational performance and bond proceeds.

Program expenses increased by approximately \$2.2 million. Water and sewer expenditures increased due to cost increases from the Great Lakes Water Authority and Macomb County, Michigan; inflationary provisions in collective bargaining agreements; and the addition of field personnel.

The water and sewer operation consists of the following: water is provided to township residents via the Great Lakes Water Authority. Sewage treatment is provided by contracts with the Great Lakes Water Authority and Macomb County, Michigan. The Township participates in the Oakland-Macomb Interceptor Drain Drainage District, the Macomb Interceptor Drain Drainage District, and the North Gratiot Interceptor Drain Drainage District to ensure sewer capacity for the community.

During fiscal year 2018, the Township renegotiated water rates from the Great Lakes Water Authority as a result of its investment in a water storage facility. This facility allows us to control peaking factors, a major source of high rates. This decreased annual water contract charges by roughly \$1 million. However, going forward from that base, we expect both water and sewer costs to continue to increase in the future. We anticipate continuing to pass on sewer rate increases from Macomb County, Michigan to our customers. However, we intend to allow the water storage facility to mitigate rate increases to our customers, as appropriate, into the coming year.

Current Economic Events

The Township, like many communities in southeastern Michigan, has endured a number of serious challenges in the last decade, yet we have thrived. The primary uncertainty in the last decade has been the housing market, which caused our taxable property value to decline up until the 2014 fiscal year. Residential development has been strong in recent years, and several commercial and office developments are in various stages of development. Our taxable value has increased from \$1.45 billion to \$1.59 billion for the coming year. However, the market continues to be sensitive to uncertainty over interest rates.

Charter Township of Washington

Management's Discussion and Analysis (Continued)

Interest revenue is on an upswing due to market conditions, bond proceeds, and more diligent investment management. Tap fees and other fees related to development have rebounded from the downturn a decade ago due to the ongoing development that has come to the Township, although such contributions fluctuate annually as projects shift from development to homebuilding phases.

In early March, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, and the State of Michigan declared a state of emergency. First identified in late 2019 and now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, the State of Michigan has implemented measures to combat the outbreak that have impacted business operations. As of the date of issuance of the financial statements, the Township's future operating costs, revenue, and any recovery from emergency funding, federal, state, or local, cannot be estimated. The Township's budget for 2020 is reflective of anticipated revenue and costs. The economic downturn may have a significant impact on the revenue of the Township, along with the future changes in the health care insurance as the federal health care reform program continues to evolve.

Despite the challenges of the last decade, aggressive intervention by our board of trustees over the last 12 years has kept the Township financially sound. We have substantially reduced medical costs, eliminated our unfunded postemployment medical obligation, closed the defined benefit postemployment medical plan, financed projects at substantially lower rates than we were able to previously, identified and obtained grants to reduce the net costs of projects, and adjusted staff levels to economic conditions. We have multiyear agreements with our bargaining units that reflect the key concessions made to the Township during lean years (elimination of defined benefit plans, elimination of unfunded legacy costs, reduced retirement percentages, and creation of tiers of employees to reduce future operating costs). These contracts provide adequate incentive for talent attraction while providing financial stability. We have endured past economic challenges and are poised for prosperity as the economy continues to strengthen. We have done this while maintaining a very low local millage rate by comparison to other towns in the county. We intend to keep our commitment to current and future residents to provide cost-effective quality services to the community.

Financial Analysis of Township Funds and Budgets

The General Fund ended 2020 with a fund balance of approximately \$17.1 million, an increase from approximately \$7.6 million in 2019 due to the infusion of \$7.5 million in bond proceeds and premium, sale of land of \$1.5 million, and profitable operations, slightly offset by a transfer to the Capital Improvement Fund for projects. Of that balance, approximately \$671,000 is committed property tax revenue to be used for fiscal year 2021 expenditures. Most of the remainder is assigned for capital and other expenditures.

The General Fund budget is amended throughout the year, as deemed necessary. This is primarily done to prevent over-expenditures. With that in mind, the General Fund expenditures were approximately 30 percent over budget due to the property taxes paid to the Romeo, Washington, Bruce Parks and Recreation Commission and the Washington and Bruce Townships Senior Transportation Thru Advanced Reservation Commission (S.T.A.R.) being reported as General Fund expenditures in accordance with the newly implemented GASB Statement No. 84.

Police, fire, and advanced life support operations are funded separately through special assessment millages. These funds are expended exclusively for operations of police and fire services and advanced life support. All of these funds have a positive fund balance. Each will face challenges due to increased demand for services by a growing population. That said, our collective bargaining negotiations have helped mitigate those pressures.

Capital Assets and Debt Administration

The Township continues to pursue capital projects intended to address the growing needs of a rapidly expanding population.

In order to ensure unpaved county roads have adequate strength, we partner each year with the Macomb County Department of Roads to apply limestone to three miles of gravel road. During the fiscal year, the Township and Macomb County, Michigan continued this practice.

Our Fire Fund invested in a new tanker. Additionally, the Fire and Advanced Life Support funds began funding fire station expenditures toward the end of the fiscal year.

Charter Township of Washington

Management's Discussion and Analysis (Continued)

The Township continues to make multiple improvements to water and sewer infrastructure. We completed the construction of a water main on Mound Road from 29 Mile to 30 Mile and along 30 Mile Road. We received a discharge permit for a sewer treatment facility to serve the northern end of the Township. Construction is anticipated to be completed during calendar year 2020. A sewer line from that facility to Van Dyke between 30 Mile and 31 Mile was initiated as a special assessment district and completed subsequent to the fiscal year. These expenditures will have a significant impact on the Township's sovereignty and economic development.

We completed the West Road sidewalk during the fiscal year. The Township also intends to make significant annual investments to continue to fulfill a pathways master plan. Additional investments will be made in real estate for an additional fire station, the ambulance fleet, and other fire apparatus over the next few years.

As stated previously, the Township's solid financial position has allowed us to borrow at competitive rates in order to invest in infrastructure. In 2019, we issued a \$20 million Capital Improvement Bond at 2.49 percent. Prior to the issuance, Standard & Poor's upgraded our bond rating to AA+ from AA, citing our strong management, financial performance, and budgetary flexibility. This follows a \$16,225,000 Capital Improvement Bond issuance in 2015 at 3.17 percent. The latest bond finances infrastructure projects such as a new fire station, water and sewer extensions, road paving costs, and township hall improvements. The 2015 bond financed the wastewater treatment facility, the water storage facility, and miscellaneous water and sewer main extensions.

Debt relating to special assessment projects and compensated absences totaling \$11,590,551 is recorded as a liability in the governmental activities in the statement of net position. Debt relating to the water and sewer system and compensated absences totaling \$34,364,631 is recorded as a liability in the business-type activities in the statement of net position.

Overall

The Township continues to flourish both in terms of population growth and the improvement of amenities we offer. Our financial condition continues to be strong. We look forward with continued cautious optimism to the future.

Requests for Further Information

This report is intended to aid our residents and other interested parties in understanding the Township's financial condition. Should you have further questions, please contact the Finance Department at the Washington Township Municipal Building.

Charter Township of Washington

Statement of Net Position

March 31, 2020

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 2)	\$ 19,429,326	\$ 35,425,972	\$ 54,855,298
Receivables:			
Customer receivables	-	1,878,819	1,878,819
Accrued interest receivable	382,269	244,402	626,671
Other receivables	93,687	46,282	139,969
Due from other governments	988,191	60,346	1,048,537
Special assessments receivable	121,521	-	121,521
Internal balances	6,134,728	(6,134,728)	-
Prepaid expenses and other assets	495,376	41,857	537,233
Restricted assets (Note 6)	10,071,679	7,264,546	17,336,225
Investment in joint ventures (Note 10)	2,585,036	-	2,585,036
Land held for resale	908,317	-	908,317
Capital assets: (Note 3)			
Assets not subject to depreciation	3,558,287	20,752,504	24,310,791
Assets subject to depreciation - Net	7,345,395	46,852,241	54,197,636
Total assets	52,113,812	106,432,241	158,546,053
Liabilities			
Accounts payable	139,953	1,960,444	2,100,397
Due to other governmental units	64,353	-	64,353
Due to other funds	42,843	-	42,843
Accrued liabilities and other	173,021	674,148	847,169
Noncurrent liabilities: (Note 5)			
Due within one year	205,759	1,192,252	1,398,011
Due in more than one year	11,384,792	33,172,379	44,557,171
Total liabilities	12,010,721	36,999,223	49,009,944
Net Position			
Net investment in capital assets	9,949,363	39,281,118	49,230,481
Restricted:			
Water and sewer line maintenance and construction	-	1,392,701	1,392,701
Fire service	8,576,270	-	8,576,270
Law enforcement	3,861,625	-	3,861,625
Advanced life support	1,436,468	-	1,436,468
Street lighting	54,977	-	54,977
Fire employee benefits	93,899	-	93,899
ALS employee benefits	93,899	-	93,899
Unrestricted	16,036,590	28,759,199	44,795,789
Total net position	<u>\$ 40,103,091</u>	<u>\$ 69,433,018</u>	<u>\$ 109,536,109</u>

Charter Township of Washington

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,807,952	\$ 485,596	\$ -	\$ -
Public safety	7,807,411	665,355	-	-
Public works	1,393,251	12,943	13,667	117,859
Recreation and culture	1,007,854	-	-	-
Total governmental activities	13,016,468	1,163,894	13,667	117,859
Business-type activities:				
Water and Sewer Fund	10,227,253	11,113,174	-	2,707,860
Building Inspection Fund	796,228	1,324,491	-	-
Total business-type activities	11,023,481	12,437,665	-	2,707,860
Total primary government	\$ 24,039,949	\$ 13,601,559	\$ 13,667	\$ 2,825,719

General revenue:
 Property taxes
 State-shared revenue
 Interest income
 Gain on sale of capital assets
 Other miscellaneous income

Total general revenue

Change in Net Position

Net Position - Beginning of year - As restated (Note 12)

Net Position - End of year

Statement of Activities

Year Ended March 31, 2020

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (2,322,356)	\$ -	\$ (2,322,356)
(7,142,056)	-	(7,142,056)
(1,248,782)	-	(1,248,782)
(1,007,854)	-	(1,007,854)
(11,721,048)	-	(11,721,048)
-	3,593,781	3,593,781
-	528,263	528,263
-	4,122,044	4,122,044
(11,721,048)	4,122,044	(7,599,004)
9,700,001	-	9,700,001
2,173,997	-	2,173,997
968,399	876,541	1,844,940
1,102,824	-	1,102,824
264,625	15,149	279,774
14,209,846	891,690	15,101,536
2,488,798	5,013,734	7,502,532
37,614,293	64,419,284	102,033,577
\$ 40,103,091	\$ 69,433,018	\$ 109,536,109

Charter Township of Washington

Governmental Funds Balance Sheet

March 31, 2020

	General Fund	Fire Fund	Advanced Life Support Fund	Police Fund	Capital Improvement Fund	Nonmajor Funds	Total Governmental Funds
Assets							
Cash and investments (Note 2)	\$ 3,142,934	\$ 7,162,173	\$ 4,311,288	\$ 4,115,108	\$ 339,400	\$ 358,423	\$ 19,429,326
Receivables	1,059,055	230,573	158,701	135,756	-	1,583	1,585,668
Due from other funds	6,134,728	-	-	-	-	-	6,134,728
Prepaid expenses	339,622	37,205	37,206	-	5,000	76,343	495,376
Restricted assets - Unspent bond proceeds (Note 6)	6,984,045	1,543,817	1,543,817	-	-	-	10,071,679
Land held for resale	14,096	-	-	-	894,221	-	908,317
Total assets	\$ 17,674,480	\$ 8,973,768	\$ 6,051,012	\$ 4,250,864	\$ 1,238,621	\$ 436,349	\$ 38,625,094
Liabilities							
Accounts payable	\$ 87,742	\$ 17,945	\$ 26,748	\$ 2,017	\$ -	\$ 5,501	\$ 139,953
Due to other governmental units	64,353	-	-	-	-	-	64,353
Due to other funds (Note 4)	42,843	-	-	-	-	-	42,843
Accrued liabilities and other	42,918	64,928	65,175	-	-	-	173,021
Total liabilities	237,856	82,873	91,923	2,017	-	5,501	420,170
Deferred Inflows of Resources - Unavailable revenue	349,268	-	-	-	-	-	349,268
Fund Balances							
Nonspendable:							
Land held for resale	14,096	-	-	-	-	-	14,096
Prepays	339,622	37,205	37,206	-	5,000	76,343	495,376
Restricted:							
Police	-	-	-	3,811,101	-	50,524	3,861,625
Fire	-	8,539,065	-	-	-	-	8,539,065
Advanced life support	-	-	1,399,262	-	-	-	1,399,262
Fire employee benefits	-	-	-	-	-	93,899	93,899
ALS employee benefits	-	-	-	-	-	93,899	93,899
Street lighting	-	-	-	-	-	54,977	54,977
Capital projects	6,984,045	-	-	-	-	-	6,984,045
Committed - Tax collections for subsequent year	670,982	-	-	-	-	-	670,982
Assigned:							
Capital projects (Note 11)	6,000,000	-	-	-	1,233,621	-	7,233,621
Cable activities	473,838	-	-	-	-	-	473,838
General employee benefits	-	-	-	-	-	61,206	61,206
Fire	-	314,625	-	-	-	-	314,625
Advanced life support	-	-	4,522,621	-	-	-	4,522,621
Police	-	-	-	437,746	-	-	437,746
Sidewalks	183,967	-	-	-	-	-	183,967
Unassigned	2,420,806	-	-	-	-	-	2,420,806
Total fund balances	17,087,356	8,890,895	5,959,089	4,248,847	1,238,621	430,848	37,855,656
Total liabilities, deferred inflows of resources, and fund balances	\$ 17,674,480	\$ 8,973,768	\$ 6,051,012	\$ 4,250,864	\$ 1,238,621	\$ 436,349	\$ 38,625,094

Charter Township of Washington

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position

March 31, 2020

Fund Balances Reported in Governmental Funds	\$ 37,855,656
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	10,903,682
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	349,268
Investments in joint ventures are not financial resources and are not reported in the funds	2,585,036
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(11,025,998)
Employee compensated absences 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 or assets	(564,553)
Net Position of Governmental Activities	<u>\$ 40,103,091</u>

Charter Township of Washington

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended March 31, 2020

	General Fund	Fire Fund	Advanced Life Support Fund	Police Fund	Capital Improvement Fund	Nonmajor Funds	Total Governmental Funds
Revenue							
Property taxes	\$ 2,244,104	\$ 2,943,872	\$ 2,211,128	\$ 2,246,998	\$ -	\$ 53,899	\$ 9,700,001
State-shared revenue and grants	2,192,429	-	-	12,905	-	15,693	2,221,027
Charges for services	238,709	-	601,587	63,768	-	-	904,064
Fines and forfeitures	840	-	-	-	-	-	840
Investment income	364,042	317,503	150,977	142,830	-	4	975,356
Other revenue:							
Other miscellaneous income	133,354	49,233	16,956	-	-	-	199,543
Cable franchise fees	427,470	-	-	-	-	-	427,470
Special assessments	35,649	-	-	-	-	75,253	110,902
Total revenue	5,636,597	3,310,608	2,980,648	2,466,501	-	144,849	14,539,203
Expenditures							
Current services:							
General government	2,756,859	-	-	-	4,767	50,578	2,812,204
Public safety	241,102	2,450,550	2,450,465	2,314,690	-	14,400	7,471,207
Public works	679,386	-	-	-	-	534,679	1,214,065
Recreation and culture	1,007,854	-	-	-	-	-	1,007,854
Capital outlay	19,936	181,352	182,268	-	59,856	-	443,412
Total expenditures	4,705,137	2,631,902	2,632,733	2,314,690	64,623	599,657	12,948,742
Excess of Revenue Over (Under) Expenditures	931,460	678,706	347,915	151,811	(64,623)	(454,808)	1,590,461
Other Financing Sources (Uses)							
Transfers in (Note 4)	102,199	-	-	-	-	556,159	658,358
Transfers out (Note 4)	(556,159)	-	-	-	(102,199)	-	(658,358)
New debt issued	6,700,000	1,500,000	1,500,000	-	-	-	9,700,000
Debt premium	758,842	169,890	169,890	-	-	-	1,098,622
Sale of capital assets	1,502,560	18,000	-	-	-	-	1,520,560
Total other financing sources (uses)	8,507,442	1,687,890	1,669,890	-	(102,199)	556,159	12,319,182
Net Change in Fund Balances	9,438,902	2,366,596	2,017,805	151,811	(166,822)	101,351	13,909,643
Fund Balances - Beginning of year (Note 12)	7,648,454	6,524,299	3,941,284	4,097,036	1,405,443	329,497	23,946,013
Fund Balances - End of year	\$ 17,087,356	\$ 8,890,895	\$ 5,959,089	\$ 4,248,847	\$ 1,238,621	\$ 430,848	\$ 37,855,656

Charter Township of Washington

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

Year Ended March 31, 2020

Net Change in Fund Balances Reported in Governmental Funds	\$ 13,909,643
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	545,278
Depreciation expense	(949,154)
Net book value of assets disposed of	(417,736)
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	24,387
Issuing debt provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(10,798,622)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	10,828
Equity interests in the Romeo, Washington, Bruce Parks and Recreation Commission and the Washington and Bruce Townships Senior Transportation Thru Advanced Reservation Commission are not reported in the governmental funds	186,788
The change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(22,614)
Change in Net Position of Governmental Activities	<u>\$ 2,488,798</u>

Charter Township of Washington

Proprietary Funds Statement of Net Position

March 31, 2020

	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Enterprise Fund Building Inspection Fund	Total
Assets			
Current assets:			
Cash and investments (Note 2)	\$ 32,689,025	\$ 2,736,947	\$ 35,425,972
Receivables:			
Customer receivables	1,878,819	-	1,878,819
Accrued interest receivable	213,068	31,334	244,402
Other receivables	46,282	-	46,282
Due from other governments	60,346	-	60,346
Prepaid expenses	22,997	18,860	41,857
Total current assets	34,910,537	2,787,141	37,697,678
Noncurrent assets:			
Restricted assets (Note 6)	7,264,546	-	7,264,546
Capital assets: (Note 3)			
Assets not subject to depreciation	20,752,504	-	20,752,504
Assets subject to depreciation - Net	46,839,000	13,241	46,852,241
Total noncurrent assets	74,856,050	13,241	74,869,291
Total assets	109,766,587	2,800,382	112,566,969
Liabilities			
Current liabilities:			
Accounts payable	1,955,237	5,207	1,960,444
Due to other funds	6,134,728	-	6,134,728
Accrued liabilities and other	663,072	11,076	674,148
Compensated absences (Note 5)	45,900	8,100	54,000
Current portion of long-term debt (Note 5)	1,138,252	-	1,138,252
Total current liabilities	9,937,189	24,383	9,961,572
Noncurrent liabilities - Long-term obligations (Note 5)	33,131,739	40,640	33,172,379
Total liabilities	43,068,928	65,023	43,133,951
Net Position			
Net investment in capital assets	39,267,877	13,241	39,281,118
Restricted - Water and sewer line maintenance and construction	1,392,701	-	1,392,701
Unrestricted	26,037,081	2,722,118	28,759,199
Total net position	<u>\$ 66,697,659</u>	<u>\$ 2,735,359</u>	<u>\$ 69,433,018</u>

Charter Township of Washington

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

Year Ended March 31, 2020

	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Enterprise Fund Building Inspection Fund	Total
Operating Revenue			
Water usage	\$ 4,392,262	\$ -	\$ 4,392,262
Sewage usage	3,918,922	-	3,918,922
Charges for services	-	1,324,119	1,324,119
Other operating revenue	2,801,990	372	2,802,362
Total operating revenue	11,113,174	1,324,491	12,437,665
Operating Expenses			
Sewer and water purchases	4,382,353	-	4,382,353
Administration	85,513	-	85,513
Billing and clerical	232,395	-	232,395
Other services	722,021	180,827	902,848
Building and grounds	89,311	-	89,311
Inspections	2,096,197	334,287	2,430,484
Insurance	68,126	16,739	84,865
Fringe benefits	358,964	213,281	572,245
Other operating expenses	-	44,824	44,824
Depreciation (Note 3)	1,451,898	6,270	1,458,168
Total operating expenses	9,486,778	796,228	10,283,006
Operating Income	1,626,396	528,263	2,154,659
Nonoperating Revenue (Expense)			
Interest income	789,599	86,942	876,541
Interest expense	(740,475)	-	(740,475)
Other nonoperating revenue	15,149	-	15,149
Total nonoperating revenue	64,273	86,942	151,215
Income - Before contributions	1,690,669	615,205	2,305,874
Capital Contributions			
Tap fees	1,463,458	-	1,463,458
Lines donated by developers	1,243,890	-	1,243,890
Other capital contributions	512	-	512
Total capital contributions	2,707,860	-	2,707,860
Change in Net Position	4,398,529	615,205	5,013,734
Net Position - Beginning of year - As restated (Note 12)	62,299,130	2,120,154	64,419,284
Net Position - End of year	\$ 66,697,659	\$ 2,735,359	\$ 69,433,018

Charter Township of Washington

Proprietary Funds Statement of Cash Flows

Year Ended March 31, 2020

	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Enterprise Fund Building Inspection Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 12,042,866	\$ 1,324,491	\$ 13,367,357
Payments to suppliers	(8,923,021)	(238,550)	(9,161,571)
Payments to employees and fringes	(898,549)	(559,976)	(1,458,525)
Net cash provided by operating activities	2,221,296	525,965	2,747,261
Cash Flows from Noncapital Financing Activities			
Grant revenue	2,016	-	2,016
Transfers from other funds	6,134,728	-	6,134,728
Net cash provided by noncapital financing activities	6,136,744	-	6,136,744
Cash Flows from Capital and Related Financing Activities			
Issuance of bonds	11,466,578	-	11,466,578
Tap fees and other capital items	1,474,351	-	1,474,351
Purchase of capital assets	(10,819,056)	-	(10,819,056)
Principal and interest paid on capital debt	(1,697,281)	-	(1,697,281)
Net cash provided by capital and related financing activities	424,592	-	424,592
Cash Flows from Investing Activities			
Interest received on investments	600,512	59,134	659,646
Purchases of investment securities	(15,412,580)	(17,308)	(15,429,888)
Net cash (used in) provided by investing activities	(14,812,068)	41,826	(14,770,242)
Net (Decrease) Increase in Cash	(6,029,436)	567,791	(5,461,645)
Cash - Beginning of year	25,415,840	1,701,938	27,117,778
Cash - End of year	\$ 19,386,404	\$ 2,269,729	\$ 21,656,133
Classification of Cash			
Cash and investments	\$ 32,689,025	\$ 2,736,947	\$ 35,425,972
Restricted cash	7,147,212	-	7,147,212
Less amounts classified as investments	(20,449,833)	(467,218)	(20,917,051)
Total cash	\$ 19,386,404	\$ 2,269,729	\$ 21,656,133

Charter Township of Washington

Proprietary Funds Statement of Cash Flows (Continued)

Year Ended March 31, 2020

	Enterprise Funds		
	Water and Sewer Fund	Nonmajor Enterprise Fund Building Inspection Fund	Total
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating income	\$ 1,626,396	\$ 528,263	\$ 2,154,659
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	1,451,898	6,270	1,458,168
Changes in assets and liabilities:			
Receivables	(104,459)	-	(104,459)
Prepaid and other assets	(22,105)	(15,299)	(37,404)
Accrued and other liabilities	267,380	4,331	271,711
Accounts payable	(997,814)	2,400	(995,414)
Net cash provided by operating activities	\$ 2,221,296	\$ 525,965	\$ 2,747,261

Noncash Investing, Capital, and Financing Activities - During the year ended March 31, 2020, the Water and Sewer Fund received approximately \$1,244,000 of lines donated by developers.

Charter Township of Washington

**Fiduciary Funds
Statement of Fiduciary Net Position**

March 31, 2020

	Custodial Funds			Total Fiduciary Funds
	Retiree Health Care Benefits Plan Fund	Tax Collection Fund	Library Custodial Fund	
Assets				
Cash and cash equivalents	\$ -	\$ 70,592	\$ 150	\$ 70,742
Investments - MERS Capital Preservation Portfolio	319,993	-	-	319,993
Due from primary government (Note 4)	-	42,843	-	42,843
Total assets	319,993	113,435	150	433,578
Liabilities				
Accounts payable	-	67,728	-	67,728
Due to other governmental units	-	45,707	-	45,707
Refundable deposits, bonds, etc.	-	-	150	150
Total liabilities	-	113,435	150	113,585
Net Position				
Restricted:				
Postemployment benefits other than pension	319,993	-	-	319,993
Total net position	\$ 319,993	\$ -	\$ -	\$ 319,993

Charter Township of Washington

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended March 31, 2020

	Custodial Funds			Total Fiduciary Funds
	Retiree Health Care Benefits Plan Fund	Tax Collection Fund	Library Custodial Fund	
Additions				
Investment income	\$ 4,475	\$ -	\$ -	\$ 4,475
Property tax collections	-	45,039,978	-	45,039,978
Total additions	4,475	45,039,978	-	45,044,453
Deductions				
Benefit payments	18,276	-	-	18,276
Administrative expenses	615	-	-	615
Tax distributions to other governments	-	45,039,978	-	45,039,978
Total deductions	18,891	45,039,978	-	45,058,869
Net Decrease in Fiduciary Net Position	(14,416)	-	-	(14,416)
Net Position - Beginning of year - As restated (Note 12)	334,409	-	-	334,409
Net Position - End of year	\$ 319,993	\$ -	\$ -	\$ 319,993

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

The Charter Township of Washington (the "Township") follows accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Township.

Reporting Entity

The Township is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Blended component units are, in substance, part of the Township's operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the Township. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township (see discussion below for description).

Blended Component Units

The Township Building Authority (the "Building Authority") is governed by a board appointed by the Township's board of trustees. Although it is legally separate from the Township, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings. The Township Building Authority was inactive during the year and has no assets or liabilities.

Discretely Presented Component Units

Economic Development Corporation

The Economic Development Corporation (the "Corporation") was created to provide a means and method for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township so as to provide needed services and facilities of such enterprises to the residents. The Corporation's governing body is selected by the township board of trustees. The Corporation was inactive during the year and has no assets or liabilities.

Retiree Health Care Benefits Plan Fund

The Retiree Health Care Benefits Plan Fund is governed by the township board. Although it is legally separate from the Township, it is reported as a fiduciary component unit because the Township appoints a voting majority to the board and the plan imposes a financial burden on the Township.

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 these statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

Fund Accounting

The Township accounts for its various activities in several different funds in order to demonstrate accountability for how it has spent certain resources; separate funds allow the Township to show the particular expenditures for which specific revenue was 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. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The Township reports the following funds as major governmental funds:

- The General Fund, which is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund
- The Fire Fund, which accounts for the proceeds of a property tax levy that are earmarked for fire service
- The Police Fund, which accounts for the proceeds of a property tax levy that are earmarked for police service
- The Advanced Life Support Fund, which accounts for the proceeds of a property tax levy that are earmarked for advanced life support service
- The Capital Improvement Fund, which accounts for unrestricted transfers from the General Fund committed for capital improvement projects

Proprietary Funds

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

- The Water and Sewer Fund provides water to customers and disposes of sanitary sewage in exchange for user charges.

The Township does not have any internal service funds.

Note 1 - Significant Accounting Policies (Continued)

Fiduciary Funds

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

- The Retiree Health Care Benefits Plan Fund accounts for the activities of the Retiree Health Care Benefits trust and accumulates resources for retiree health care payments to retirees.
- The Tax Collection Fund, which collects taxes on behalf of all the taxing authorities (state, county, school district, township, and the various smaller authorities)
- The Library Custodial Fund reports resources for the library for which the Township has no administrative involvement.

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 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 government has spent its resources.

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

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

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

Note 1 - Significant Accounting Policies (Continued)

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.

Prepaid Items

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

The Water and Sewer Fund has restricted assets relating to collections to be used to pay for construction of the Macomb Interceptor and receivables and collections to be used for the Hayes Road sewer line construction. The General Fund, Fire Fund, Advanced Life Support Fund, and Water and Sewer Fund have restricted assets related to unspent bond proceeds.

Land Held for Resale

The land held for resale in the General Fund and the Capital Improvement Fund consists of real property purchased by the Township. The Township plans to sell the land. The land is recorded at the lower of cost or fair market value.

Capital Assets

Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, 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 \$5,000 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 estimated acquisition value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Water and sewer treatment facilities	50
Buildings and building improvements	10-30
Vehicles	5-25
Office furnishings	5-10
Office tools and equipment	5-20

Note 1 - Significant Accounting Policies (Continued)

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as other financing sources, as well as bond premiums and discounts. The General Fund, Fire Fund, Advanced Life Support Fund, Capital Improvement Fund, and Water and Sewer Fund are used to liquidate the existing 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 will not be recognized as an outflow of resources (expense/expenditure) until then. The Township does not have any items that qualify for reporting in this category.

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 will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue qualifies for reporting in this category. The deferred inflows of resources related to unavailable revenue are reported only in the governmental funds balance sheet. 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.

Net Position Flow Assumption

The Township will sometimes 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 Assumptions

The Township will sometimes 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 Township itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Note 1 - Significant Accounting Policies (Continued)

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 government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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 township board of trustees has, by resolution, authorized the finance committee to assign fund balance. The board of trustees may also assign 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. The taxes are due on February 28, after which point they are added to the county tax roll.

The Township's 2019 tax is levied and collectible on December 1, 2019 and is recognized as revenue in the year ended March 31, 2020 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2019 real and personal taxable valuation of the Township (including Romeo Village) totaled \$1.4 billion, on which taxes levied consisted of 0.6198 mills for operating purposes, 1.7395 mills for advanced life support services (applied against real property only and excluding Romeo Village), 1.6306 mills for police services (excluding Romeo Village), and 2.3090 mills for fire services (applied against real property only and excluding Romeo Village). This resulted in approximately \$900,000 for operating purposes, \$2,200,000 for advanced life support services, \$2,200,000 for police services, and \$3,000,000 for fire services. These amounts are recognized in the respective General Fund and special revenue funds financial statements as tax revenue.

The Township also collects taxes for the Romeo, Washington, Bruce Parks and Recreation Commission and the Washington and Bruce Townships Senior Transportation Thru Advanced Reservation Commission (S.T.A.R.) of approximately \$1,300,000. These taxes are recognized in the General Fund along with the expenses of approximately \$1,000,000 associated with the commissions.

The Township annually sells its delinquent real property taxes to Macomb County, Michigan (the "County"), which then becomes responsible for collecting the taxes and taking any uncollected tax parcels through the tax reversion process. The County purchases these taxes at 100 percent face value, and, in return, the County is allowed to retain all interest and penalties it collects. The estimated present value of the future delinquent collections to the Township is less than the face value that has been received because of the time value of money; however, the net present value to the County is greater than this amount because of the statutory provision that allows the County to retain all penalties and interest. During the current year, the Township received \$342,259 from this sale. At the end of the tax reversion process (approximately three years), the County charges the Township back for any uncollected taxes. Historically, this amount has not been significant.

Note 1 - Significant Accounting Policies (Continued)

Other Postemployment Benefit Costs

The Township offers retiree health care benefits to qualified retirees. For the year ended March 31, 2020, the net OPEB liability, along with related deferred outflows, deferred inflows, and impact to OPEB expense, was deemed to be insignificant. Benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences (Paid Time Off)

It is the Township's policy to permit employees to accumulate earned but unused paid-time-off benefits. All paid-time-off 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. Compensated absences attributable to the governmental activities will be liquidated by the General Fund, Fire Fund, Police Fund, and Advanced Life Support Fund. Compensated absences attributable to the business-type activities will be liquidated by the Water and Sewer Fund and the Building Inspection Fund.

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 along with collecting deposits related to construction inspections, project development, and water and sewer special assessments. The principal operating revenue of the Building Inspection Fund is charges to customers for inspection services. Operating expenses for enterprise funds include the cost of sales and services, construction inspections, project development expenses, special assessment expenses, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

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

Upcoming Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-of-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 March 31, 2021 but were extended to March 31, 2023 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

Note 1 - Significant Accounting Policies (Continued)

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 effective for the Township's financial statements for the year ending March 31, 2021 but were extended to March 31, 2023 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 ending March 31, 2020 but were extended to March 31, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of conduit debt, provides a single method of reporting conduit debt obligations by issuers, and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. As a result, issuers should not recognize a liability for items meeting the definition of conduit debt; however, a liability should be recorded for additional or voluntary commitments to support debt service if certain recognition criteria are met. The standard also addresses the treatment of arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by a third-party obligor. The requirements of the standard will be applied retrospectively. The provisions of this statement were originally effective for the Township's financial statements for the year ending March 31, 2022 but were extended to March 31, 2023 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

The GASB issued Statement No. 92, *Omnibus*, to address eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intra-entity 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. 93, *Replacement of Interbank Offered Rates*. With the London Interbank Offered Rate (LIBOR) expecting to cease existence in its current form at the end of 2021, this statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) in hedging derivative instruments and leases. The standard is effective for the Township's financial statements for the March 31, 2022 fiscal year (except paragraphs 13 and 14, which are effective one year later).

Note 1 - Significant Accounting Policies (Continued)

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which improves accounting and financial reporting for arrangements where a governmental entity contracts with an operator to provide public services by conveying control of the right to operate or use nonfinancial assets, such as infrastructure or other capital assets, for a period of time in an exchange or exchange-like transaction. It establishes the definitions of public-private and public-public partnerships (PPPs) and availability payment arrangements (APAs) and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. It requires governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. 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 fiscal year ending March 31, 2024.

Note 2 - 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 Retiree Health Care Fund is 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 six banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority, as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$33,861,615 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Township believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.

March 31, 2020

Note 2 - Deposits and Investments (Continued)

At year end, the Township had the following investments and maturities:

Investment	Fair Value	Weighted-average Maturity (Years)
U.S. agency securities	\$ 2,664,570	2.83
Commercial paper	11,046,672	1.81
Municipal bonds	4,717,934	1.67
Fiduciary funds - MERS Capital Preservation Portfolio	319,993	N/A

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Comerica J Fund	\$ 789,814	Not rated	N/A
U.S. agency securities	2,246,962	AA+	S&P
U.S. agency securities	417,608	AAA	S&P
Municipal bonds	2,410,528	AA	S&P
Municipal bonds	335,954	AA+	S&P
Municipal bonds	159,468	A+	S&P
Municipal bonds	119,372	AAA	S&P
Municipal bonds	90,642	AA-	S&P
Municipal bonds	1,194,341	Aa1	Moody's
Municipal bonds	211,168	Aa2	Moody's
Municipal bonds	196,461	Aa3	Moody's
Commercial paper	9,040,407	A2	S&P
Commercial paper	2,006,265	A1	S&P
Fiduciary funds - MERS Capital Preservation Portfolio	319,993	Not rated	N/A

The Comerica J Fund is recorded at amortized cost. There is no limit on restriction on participant withdrawals from the pool.

Fair Value Measurements

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

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

The Township has the following recurring fair value measurements as of March 31, 2020:

- U.S. agency securities of \$2,664,570 are valued using a matrix pricing model (Level 2 inputs).
- Municipal bonds of \$4,717,934 are valued using a matrix pricing model (Level 2 inputs).

Note 2 - Deposits and Investments (Continued)

- Commercial paper debt securities of \$11,046,672 are valued using a matrix pricing model (Level 2 inputs).

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is presented in the table below.

Investments in Entities That Calculate Net Asset Value per Share

The Township holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At March 31, 2020, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Carrying Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Michigan CLASS	\$ 6,564,550	\$ -	None	None

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

The MERS Capital Preservation Portfolio is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes, included real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. The Municipal Employees' Retirement System (MERS) manages the asset allocation and monitors the underlying investment managers of the MERS Capital Preservation Portfolio.

March 31, 2020

Note 3 - Capital Assets

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

Governmental Activities

	Balance April 1, 2019	Reclassifications	Additions	Disposals	Balance March 31, 2020
Capital assets not being depreciated:					
Land	\$ 3,529,537	\$ -	\$ 2,500	\$ (250,000)	\$ 3,282,037
Construction in progress	-	-	276,250	-	276,250
Subtotal	3,529,537	-	278,750	(250,000)	3,558,287
Capital assets being depreciated:					
Roads and sidewalks	4,138,640	-	133,990	-	4,272,630
Building and building improvements	7,272,792	-	20,154	-	7,292,946
Vehicles	4,056,849	-	18,942	(594,208)	3,481,583
Office furnishings	528,108	-	16,096	(43,265)	500,939
Other tools and equipment	2,159,667	-	77,346	(232)	2,236,781
Subtotal	18,156,056	-	266,528	(637,705)	17,784,879
Accumulated depreciation:					
Roads and sidewalks	1,853,061	-	325,320	-	2,178,381
Building and building improvements	3,715,217	-	262,501	-	3,977,718
Vehicles	2,481,509	-	179,129	(427,830)	2,232,808
Office furnishings	502,125	-	8,762	(42,139)	468,748
Other tools and equipment	1,408,387	-	173,442	-	1,581,829
Subtotal	9,960,299	-	949,154	(469,969)	10,439,484
Net capital assets being depreciated	8,195,757	-	(682,626)	(167,736)	7,345,395
Net governmental activities capital assets	\$ 11,725,294	\$ -	\$ (403,876)	\$ (417,736)	\$ 10,903,682

March 31, 2020

Note 3 - Capital Assets (Continued)

Business-type Activities

	Balance April 1, 2019	Reclassifications	Additions	Disposals	Balance March 31, 2020
Capital assets not being depreciated:					
Land	\$ 12,612	\$ -	\$ -	\$ -	\$ 12,612
Construction in progress	10,148,212	-	10,591,680	-	20,739,892
Subtotal	10,160,824	-	10,591,680	-	20,752,504
Capital assets being depreciated:					
Water and sewer lines	66,358,351	-	1,272,223	-	67,630,574
Buildings and improvements	425,829	-	-	-	425,829
Vehicles	652,624	-	225,915	-	878,539
Office furnishings	83,895	-	7,445	-	91,340
Other tools and equipment	2,022,071	-	80,368	-	2,102,439
Subtotal	69,542,770	-	1,585,951	-	71,128,721
Accumulated depreciation:					
Water and sewer lines	21,417,865	-	1,281,843	-	22,699,708
Buildings and improvements	346,206	-	8,182	-	354,388
Vehicles	346,612	-	54,280	-	400,892
Office furnishings	77,693	-	3,859	-	81,552
Other tools and equipment	629,936	-	110,004	-	739,940
Subtotal	22,818,312	-	1,458,168	-	24,276,480
Net capital assets being depreciated	46,724,458	-	127,783	-	46,852,241
Net business-type activities capital assets	<u>\$ 56,885,282</u>	<u>\$ -</u>	<u>\$ 10,719,463</u>	<u>\$ -</u>	<u>\$ 67,604,745</u>

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

Governmental activities:	
General government	\$ 305,312
Public safety	318,521
Public works	325,321
Total governmental activities	<u>\$ 949,154</u>
Business-type activities:	
Water and Sewer Fund	\$ 1,451,898
Building Inspection Fund	6,270
Total business-type activities	<u>\$ 1,458,168</u>

March 31, 2020

Note 3 - Capital Assets (Continued)

Construction Commitments

The Township has active construction projects at year end. At year end, the Township's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
SAD East	\$ 710,939	\$ 60,852
SAD West	3,012,352	1,651,756
Wastewater Treatment Plant	11,284,296	366,162
26 Mile Pump Station	240,161	1,154,360
Plant Neptune Meter Reading System	104,298	-
Total	<u>\$ 15,352,046</u>	<u>\$ 3,233,130</u>

Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 6,134,728
Tax Collection Fund	General Fund	<u>42,823</u>
	Total	<u>\$ 6,177,551</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and 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	Hidden Hills Paving Construction Fund	\$ 545,713
	Employee Benefits Fund	<u>10,446</u>
	Total General Fund	556,159
Capital Improvement Fund	General Fund	<u>102,199</u>
	Total	<u>\$ 658,358</u>

During the year, the Capital Improvement Fund transferred \$102,199 to the General Fund. This represents the unused portion of advanced deposit for the 30 Mile Road project. During the year, the General Fund transferred \$545,713 to the Capital Improvement Fund. This represents the use of unrestricted resources to cover repairs and improvements to the Township's infrastructure. During the year, the General Fund, Fire Fund, and Advanced Life Support Fund transferred \$10,446, \$26,950, and \$29,949, respectively, to the Employee Benefits Fund, which represents the payment for accrued vacation and sick expenses.

March 31, 2020

Note 5 - Long-term Debt

Long-term debt activity for the year ended March 31, 2020 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowings and direct placements:							
General obligation bonds							
- County contractual obligations:							
Macomb County Bridge Program:							
Amount of issue: \$324,828							
Maturing through 2041	0.0%	\$10,828	\$ 238,204	\$ -	\$ (10,828)	\$ 227,376	\$ 10,828
Other debt:							
Capital Improvement Series 2019:							
Amount of issue: \$9,700,000	1.18%-	\$361,325 -					
Maturing through 2042	2.73%	\$632,925	-	9,700,000	-	9,700,000	-
Unamortized bond premium			-	1,098,622	-	1,098,622	54,931
Total other debt principal outstanding			-	10,798,622	-	10,798,622	54,931
Total bonds and contracts payable			238,204	10,798,622	(10,828)	11,025,998	65,759
Compensated absences			541,939	517,355	(494,741)	564,553	140,000
Total governmental activities long-term debt			<u>\$ 780,143</u>	<u>\$ 11,315,977</u>	<u>\$ (505,569)</u>	<u>\$ 11,590,551</u>	<u>\$ 205,759</u>

March 31, 2020

Note 5 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowings and direct placements:							
General obligation bonds							
- County contractual obligations:							
OMID Series 2010A:							
Amount of issue: \$328,035							
Maturing through 2036	2.50%	\$12,781 - \$20,569	\$ 216,124	\$ -	\$ (15,662)	\$ 200,462	\$ 16,040
OMID Series 2010B:							
Amount of issue: \$84,286							
Maturing through 2032	1.15% - 5.9%	\$2,390 - \$6,542	56,108	-	(3,459)	52,649	4,089
NGIDD Series 2015:							
Amount of issue: \$157,679							
Maturing through 2034	3.50% - 5.50%	\$6,496 - \$10,719	135,729	-	(9,002)	126,727	9,049
NGIDD Series 2010:							
Amount of issue: \$19,283							
Maturing through 2036	3.25% - 4.75%	\$369 - \$1,108	13,948	-	(682)	13,266	699
OMID Series 2011A:							
Amount of issue: \$394,317							
Maturing through 2033	2.50%	\$15,445 - \$24,635	313,154	-	(17,453)	295,701	17,916
OMID Series 2013A:							
Amount of issue: \$860,454							
Maturing through 2035	2.00%	\$35,401 - \$51,582	716,246	-	(38,310)	677,936	39,100
CPS Series 2011:							
Amount of issue: \$752,382							
Maturing through 2031	5.00%	\$17,100 - \$91,070	560,631	-	(34,208)	526,423	36,642
OMID Series 2014A:							
Amount of issue: \$125,808							
Maturing through 2034	2.00% - 3.125%	\$4,869 - \$8,260	105,725	-	(5,305)	100,420	5,477
Capital Improvement Series 2015A:							
Amount of issue: \$1,345,000							
Maturing through 2036	2.50%	\$55,000 - \$85,000	955,212	-	(49,985)	905,227	60,000
MIDD Series 2015A:							
Amount of issue: \$96,388							
Maturing through 2036	2.50%	\$3,806 - \$6,032	64,259	-	(4,065)	60,194	4,196

March 31, 2020

Note 5 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
MIDD Series 2017A (Refunding Portion): Amount of issue: \$3,099,229 Maturing through 2035	3.45 - 5.50%	\$114,985 - \$249,602	\$ 2,853,133	\$ -	\$ (120,829)	\$ 2,732,304	\$ 126,905
MIDD Series 2017A (New Money Portion): Amount of issue: \$1,687,749 Maturing through 2042	3.45 - 5.50%	\$31,301 - \$111,590	1,618,690	-	(39,724)	1,578,966	41,688
Unamortized bond premium			813,208	-	(43,059)	770,149	43,059
Total direct borrowings and direct placements principal outstanding			8,422,167	-	(381,743)	8,040,424	404,860
Other debt:							
Capital Improvement Series 2015B: Amount of issue: \$16,225,000 Maturing through 2036	3.00% - 4.00%	\$425,000 - \$1,175,000	14,850,000	-	(550,000)	14,300,000	650,000
Unamortized bond premium			413,533	-	(25,063)	388,470	25,063
Capital Improvement Series 2019: Amount of issue: \$10,300,000 Maturing through 2042	1.18%-2.73%	\$383,675 - \$672,075	-	10,300,000	-	10,300,000	-
Unamortized bond premium			-	1,166,578	-	1,166,578	58,329
Total other debt principal outstanding			15,263,533	11,466,578	(575,063)	26,155,048	733,392
Total bonds and contracts payable			23,685,700	11,466,578	(956,806)	34,195,472	1,138,252
Compensated absences			155,722	138,721	(125,284)	169,159	54,000
Total business-type activities long-term debt			\$ 23,841,422	\$ 11,605,299	\$ (1,082,090)	\$ 34,364,631	\$ 1,192,252

General Obligation Bonds and Contracts

The Township issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the Township.

Note 5 - Long-term Debt (Continued)

County Contractual Obligations

The above contractual obligations to the county are the result of the county issuance of bonds on the Township’s behalf. The Township has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the obligations. In addition, it has pledged to raise property taxes, to the extent permitted by law, if necessary to fund the obligation to repay the county.

The Oakland-Macomb Interceptor Drain Drainage District (OMID) and Macomb Interceptor Drain Drainage District (MIDD) have issued county contractual obligations relating to the OMID and MIDD, respectively. These obligations represent the Township's obligation to service a portion of the bond issues. The Township has pledged its full faith and credit related to the repayment of these county contractual obligations and has recorded the liabilities in the Water and Sewer Fund since it is anticipated that the debt service requirements of these obligations will be provided from the revenue of this fund. During the current year, net revenue of the system was \$2,825,779 compared to the annual debt requirements of \$1,186,308.

Subsequent to year end, the Oakland-Macomb Interceptor Drain Drainage District bonds were refinanced by the county at an interest rate of 1.7 percent, which will result in decreased future interest expense incurred by the Township on these county contractual obligations.

Debt Service Requirements to Maturity

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

Years Ending March 31	Governmental Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2021	\$ 10,828	\$ -	\$ -	\$ 486,972	\$ 497,800
2022	10,828	-	361,325	378,640	750,793
2023	10,828	-	371,025	360,573	742,426
2024	10,828	-	383,150	342,022	736,000
2025	10,828	-	395,275	322,865	728,968
2026-2030	54,140	-	2,158,250	1,306,226	3,518,616
2031-2035	54,140	-	2,500,175	788,255	3,342,570
2036-2040	54,140	-	2,897,875	360,840	3,312,855
2041-2042	10,816	-	632,925	18,988	662,729
Total	\$ 227,376	\$ -	\$ 9,700,000	\$ 4,365,381	\$ 14,292,757

Note 5 - Long-term Debt (Continued)

Years Ending March 31	Business-type Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2021	\$ 361,801	\$ 271,309	\$ 650,000	\$ 992,751	\$ 2,275,861
2022	374,591	259,727	1,083,675	850,717	2,568,710
2023	386,847	247,563	1,193,975	801,533	2,629,918
2024	405,900	234,854	1,231,850	749,334	2,621,938
2025	420,369	221,542	1,319,725	694,492	2,656,128
2026-2030	2,372,500	888,067	7,166,750	2,696,539	13,123,856
2031-2035	2,439,923	478,680	8,204,825	1,309,582	12,433,010
2036-2040	468,675	111,994	3,077,125	383,160	4,040,954
2041-2042	217,846	11,026	672,075	20,162	921,109
Total	<u>\$ 7,448,452</u>	<u>\$ 2,724,762</u>	<u>\$ 24,600,000</u>	<u>\$ 8,498,270</u>	<u>\$ 43,271,484</u>

Commitments

The Township is also part of the Macomb Interceptor Drain Drainage District. The Series 2015A issuance from fiscal year 2016 is also a State Revolving Fund loan. The Township has been tentatively advised that its assessment to pay the debt related to the bond is \$96,388. The scheduled payments related to the Series 2015A bond are included in the debt service requirement table above. However, as of March 31, 2020, the Township's portion of drawdowns was only \$76,764, which was recorded as debt at year end net of principal payments expended through year end.

The 2015A capital improvement issuance is a State Revolving Fund loan. Total debt authorized is \$1,345,000; however, as of March 31, 2020, \$1,175,212 has been drawn. All scheduled payments related to the 2015A debt are included in the debt service requirement table above.

The difference between the debt schedule above and the debt recorded in the business-type activities is \$2,147,020. The unamortized bond premium in the amount of \$2,325,197 is excluded from the above schedule. Debt relating to the State Revolving Fund loans in the amount of \$178,177 is included in the above schedule; however, it is excluded from the debt recorded in the business-type activities, as those funds have not yet been drawn down as of March 31, 2020.

Note 6 - Restricted Assets

At March 31, 2020, restricted assets are composed of the following:

Description	Governmental Activities	Business-type Activities
Sewer benefit fees	\$ -	\$ 761,976
Hayes Road construction	-	264,215
Court judgment receivable - \$435,285 payable over 45 years with no stated interest - Recorded at present value using imputed interest rate of 8 percent - Final payment due in April 2031	-	117,334
Unspent bond proceeds - Cash	5,978,172	5,871,845
Unspent bond proceeds - Investments	4,093,507	-
Restricted cash held at the County	-	249,176
Total	<u>\$ 10,071,679</u>	<u>\$ 7,264,546</u>

Note 6 - Restricted Assets (Continued)

The sewer benefit fees of \$761,976 and the restricted cash held at the County of \$249,176 are restricted for construction of the Oakland-Macomb Interceptor, Macomb Interceptor, and the North Gratiot Interceptor. The Hayes Road construction cash and equivalents of \$264,215 and court judgment receivable of \$117,334 are restricted for repairs and maintenance on the Hayes Road sewer line. The unspent bond proceeds of \$15,943,524 are restricted for capital improvements.

Note 7 - 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 medical claims and is covered by Nickel & Saph, Inc. for claims relating to property loss, torts, and errors and omissions. The Township participates in the Michigan Municipal League shared risk program for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 - Defined Contribution Retirement Plans

The Township provides pension benefits to all of its full-time employees through two defined contribution plans: (1) Township of Washington Group Pension Plan administered by Mass Mutual and (2) MERS Defined Contribution Plan administered by Municipal Employees' Retirement System of Michigan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the township board resolution, the Township contributes 5 to 15 percent of compensation, as defined by W-2 wages for employees, depending on their union and hire date. Employees may voluntarily contribute up to 10 percent. In accordance with these requirements, the Township contributed \$509,182. Employee contributions in the current year totaled \$103,851.

Note 9 - Other Postemployment Benefit Plan

Plan Description

The Township administers the Retiree Health Care Benefits Plan (the "Plan"), a single-employer defined benefit OPEB plan. Management of the Plan is vested with the township board.

Benefits Provided

The Plan provides retiree health care benefits for qualified retirees and their spouses. The benefits are provided under employee union agreements. The Plan is closed to new members.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	March 31, 2020
Inactive plan members or beneficiaries currently receiving benefits	5
Total employees covered by the Plan	5

Contributions

The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment.

March 31, 2020

Note 9 - Other Postemployment Benefit Plan (Continued)

Net OPEB Asset

The Township concluded the net OPEB asset and related deferrals were not material to the Township's financial statements as of March 31, 2020 and are not expected to be material through the remaining life of the Plan. The Township has concluded to adopt GASB 74, as the disclosures are material, but has not adopted GASB 75, as the asset is not material to the financial statements.

The components of the net OPEB asset are as follows:

Total OPEB liability	\$ 286,320
Plan fiduciary net position	<u>319,993</u>
Net OPEB liability	<u>\$ (33,673)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	111.76 %

Actuarial Assumptions

The total OPEB liability was determined by utilizing the alternative measurement method as of March 31, 2020 using the following assumptions, applied to all periods included in the measurement unless otherwise specified:

- **Expected Point in Time at Which Benefit Payments Will Begin to be Made** - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 65 or at the first subsequent year in which the member would qualify for benefits.
- **Marital Status** - Marital status of members at the calculation date was assumed to continue throughout retirement.
- **Mortality** - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2002 United States life tables for males and females were used.
- **Turnover** - Non-group-specific age-based turnover data from GASB Statement No. 74 was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.
- **Health Care Cost Trend Rate** - The expected rate of increase in health care insurance premiums was based on 1 percent, as the plan provisions provide that the Township will only provide increases to the benefits for cost of living.
- **Health Insurance Premiums** - Health insurance premiums for 2015 for retirees were used as the basis for calculation of the present value of total benefits to be paid.
- **Inflation Rate** - The expected long-term inflation assumption of 0 percent was based on the fact that all individuals in the Plan are retired and the Plan is closed to new entrants.
- **Payroll Growth Rate** - No salary increase was assumed, given all participants are retirees and the Plan is closed to new entrants.

Discount Rate

The discount rate used to measure the total OPEB liability was 2 percent, as the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

March 31, 2020

Note 9 - Other Postemployment Benefit Plan (Continued)

Investment Rate of Return

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 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. The best estimate of arithmetic real rate of return for the short-term investment pools targeted allocation of 100 percent is 2.00 percent.

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

The following presents what the Township's net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (1%)	Current Discount Rate (2%)	1 Percentage Point Increase (3%)
Net OPEB asset of the Township	\$ 33,266	\$ 33,673	\$ 33,967

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the township board by a majority vote of its members. It is the policy of the township board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The board's target allocation as of March 31, 2020 is a targeted allocation of 100 percent short-term investment pools.

Rate of Return

For the year ended March 31, 2020, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was negative 11.19 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 10 - Joint Ventures

The Township is a member of the Romeo, Washington, Bruce Parks and Recreation Commission and the Washington and Bruce Townships Senior Transportation Thru Advanced Reservation Commission (S.T.A.R.). The Township appoints one member to each joint venture's governing board, which then approves the annual budget. The Romeo, Washington, Bruce Parks and Recreation Commission is funded primarily from property taxes and program fees. S.T.A.R. is funded primarily from property taxes and operating grants. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The Township's equity interest of \$1,794,220 and \$790,816 in the Romeo, Washington, Bruce Parks and Recreation Commission and the Washington and Bruce Townships Senior Transportation Thru Advanced Reservation Commission, respectively, is recorded within the governmental activities column of the statement of net position. Complete financial statements for the joint ventures can be obtained from the administrative offices at 361 Morton, Romeo, MI 48061.

Note 11 - Fund Balance Constraints

The details of the General Fund assigned fund balance are as follows:

Fund balance - Assigned for capital projects:	
Road improvements	\$ 2,000,000
Sidewalks and pathways	2,000,000
Land	<u>2,000,000</u>
Total fund balance - Assigned for capital projects	<u><u>\$ 6,000,000</u></u>

Note 12 - Adoption of New Accounting Pronouncement

During the current year, the Township adopted Governmental Accounting Standards Board (GASB) Statement No 84, *Fiduciary Activities*, which established criteria for identifying and reporting fiduciary activities. As a result of implementing this standard, the following activities not previously reported in the financial statements now meet the definition of a fiduciary activity and are now reported as follows: Retiree Health Care Benefits Plan Fund. The following activities were previously reported as fiduciary activities but no longer meet the definition of such; therefore, these activities are now reported within governmental funds - escrow and performance deposits issued by the Township, as well as taxes collected on behalf of the Township.

The impact of this new standard on net position/fund balance was as follows:

	Retiree Health Care Benefits Plan Fund	Water and Sewer Fund	Business-type Activities
Net position - March 31, 2019 - As previously reported	\$ -	\$ 61,278,112	\$ 63,398,266
Adjustment for GASB Statement No. 84 - To change fund type	<u>334,409</u>	<u>1,021,018</u>	<u>1,021,018</u>
Net position - March 31, 2019 - As restated	<u><u>\$ 334,409</u></u>	<u><u>\$ 62,299,130</u></u>	<u><u>\$ 64,419,284</u></u>

This was also the first year GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was applicable to the Township's financial statements. This was a result of the Retiree Health Care Benefits Plan Fund now being reported as a fiduciary fund under GASB Statement 84. As a result, some of the disclosures within the OPEB plan footnotes have changed, along with the related schedules in the required supplemental information.

March 31, 2020

Note 13 - Subsequent Events

The United States and the State of Michigan declared a state of emergency in early March 2020 due to the global COVID-19 pandemic. COVID-19 will have a financial impact on subsequent periods of the Township. The impact on the Township's future operating costs, revenue, and any recovery from emergency funding, federal, state, or local, cannot be estimated.

Subsequent to year end, the Township's investment portfolio has experienced a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

Required Supplemental Information

Charter Township of Washington

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended March 31, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 897,887	\$ 903,322	\$ 2,244,104	\$ 1,340,782
State-shared revenue and grants	1,963,000	2,223,120	2,192,429	(30,691)
Charges for services	235,687	233,173	238,709	5,536
Fines and forfeitures	-	840	840	-
Investment income	169,437	329,352	364,042	34,690
Other revenue:				
Other miscellaneous income	111,000	121,913	133,354	11,441
Cable franchise fees	420,000	416,823	427,470	10,647
Special assessments	32,432	34,467	35,649	1,182
Total revenue	3,829,443	4,263,010	5,636,597	1,373,587
Expenditures				
Current services:				
General government:				
Township board	58,314	61,954	54,647	7,307
Supervisor	167,965	122,160	119,316	2,844
Accounting	267,929	261,318	257,253	4,065
Treasurer	237,427	198,065	198,534	(469)
Assessing	324,804	300,151	297,411	2,740
Board of review	4,200	4,025	1,903	2,122
Clerk	126,252	124,993	113,311	11,682
Buildings and grounds	566,660	371,023	303,588	67,435
Elections	175,433	181,389	171,449	9,940
Insurance and other functions	1,321,433	1,405,611	1,239,447	166,164
Public safety	249,653	258,109	241,102	17,007
Public works	329,420	267,816	679,386	(411,570)
Recreation and culture	-	-	1,007,854	(1,007,854)
Capital outlay	71,400	55,000	19,936	35,064
Total expenditures	3,900,890	3,611,614	4,705,137	(1,093,523)
Excess of Revenue (Under) Over Expenditures	(71,447)	651,396	931,460	280,064
Other Financing Sources (Uses)				
Transfers in	3,322,847	122,975	102,199	(20,776)
Transfers out	(4,250,400)	(748,761)	(556,159)	192,602
New debt issued	-	6,700,000	6,700,000	-
Debt premium	-	758,842	758,842	-
Sale of capital assets	1,000,000	1,502,560	1,502,560	-
Total other financing sources	72,447	8,335,616	8,507,442	171,826
Net Change in Fund Balance	1,000	8,987,012	9,438,902	451,890
Fund Balance - Beginning of year (Note 12)	7,648,454	7,648,454	7,648,454	-
Fund Balance - End of year	\$ 7,649,454	\$ 16,635,466	\$ 17,087,356	\$ 451,890

See note to required supplemental information.

Charter Township of Washington

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Fire Fund

Year Ended March 31, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,953,746	\$ 2,954,322	\$ 2,943,872	\$ (10,450)
Investment income	95,266	310,090	317,503	7,413
Other revenue	7,800	30,733	49,233	18,500
Total revenue	3,056,812	3,295,145	3,310,608	15,463
Expenditures				
Current services - Public safety	2,766,208	2,599,709	2,450,550	149,159
Capital outlay	1,234,500	229,807	181,352	48,455
Total expenditures	4,000,708	2,829,516	2,631,902	197,614
Excess of Revenue (Under) Over Expenditures	(943,896)	465,629	678,706	213,077
Other Financing Sources				
New debt issued	-	1,500,000	1,500,000	-
Debt premium	-	169,890	169,890	-
Sale of capital assets	-	18,000	18,000	-
Total other financing sources	-	1,687,890	1,687,890	-
Net Change in Fund Balance	(943,896)	2,153,519	2,366,596	213,077
Fund Balance - Beginning of year	6,524,299	6,524,299	6,524,299	-
Fund Balance - End of year	\$ 5,580,403	\$ 8,677,818	\$ 8,890,895	\$ 213,077

Charter Township of Washington

Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Funds (Continued)
Advanced Life Support Fund

Year Ended March 31, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,212,223	\$ 2,221,576	\$ 2,211,128	\$ (10,448)
Charges for services	500,000	585,000	601,587	16,587
Investment income	37,542	140,339	150,977	10,638
Other revenue	7,800	16,901	16,956	55
Total revenue	<u>2,757,565</u>	<u>2,963,816</u>	<u>2,980,648</u>	<u>16,832</u>
Expenditures				
Current services - Public safety	2,761,927	2,586,581	2,450,465	136,116
Capital outlay	1,226,500	229,470	182,268	47,202
Total expenditures	<u>3,988,427</u>	<u>2,816,051</u>	<u>2,632,733</u>	<u>183,318</u>
Excess of Revenue (Under) Over Expenditures	(1,230,862)	147,765	347,915	200,150
Other Financing Sources				
New debt issued	-	1,500,000	1,500,000	-
Debt premium	-	169,890	169,890	-
Total other financing sources	<u>-</u>	<u>1,669,890</u>	<u>1,669,890</u>	<u>-</u>
Net Change in Fund Balance	(1,230,862)	1,817,655	2,017,805	200,150
Fund Balance - Beginning of year	<u>3,941,284</u>	<u>3,941,284</u>	<u>3,941,284</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 2,710,422</u></u>	<u><u>\$ 5,758,939</u></u>	<u><u>\$ 5,959,089</u></u>	<u><u>\$ 200,150</u></u>

Charter Township of Washington

Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Funds (Continued)
Police Fund

Year Ended March 31, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,239,600	\$ 2,246,407	\$ 2,246,998	\$ 591
State-shared revenue and grants	-	12,905	12,905	-
Charges for services	40,000	43,651	63,768	20,117
Investment income	80,226	138,348	142,830	4,482
Total revenue	2,359,826	2,441,311	2,466,501	25,190
Expenditures - Current services - Public safety	2,305,420	2,195,311	2,314,690	(119,379)
Net Change in Fund Balance	54,406	246,000	151,811	(94,189)
Fund Balance - Beginning of year	4,097,036	4,097,036	4,097,036	-
Fund Balance - End of year	<u>\$ 4,151,442</u>	<u>\$ 4,343,036</u>	<u>\$ 4,248,847</u>	<u>\$ (94,189)</u>

Charter Township of Washington

Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Funds (Continued)
Capital Improvement Fund

Year Ended March 31, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current services - General government	104,500	5,000	4,767	233
Capital outlay	4,121,400	60,500	59,856	644
Total expenditures	4,225,900	65,500	64,623	877
Excess of Expenditures Over Revenue	(4,225,900)	(65,500)	(64,623)	877
Other Financing Sources (Uses)				
Transfers in	4,225,900	167,699	-	(167,699)
Transfers out	-	(102,199)	(102,199)	-
Total other financing sources (uses)	4,225,900	65,500	(102,199)	(167,699)
Net Change in Fund Balance	-	-	(166,822)	(166,822)
Fund Balance - Beginning of year	1,405,443	1,405,443	1,405,443	-
Fund Balance - End of year	<u>\$ 1,405,443</u>	<u>\$ 1,405,443</u>	<u>\$ 1,238,621</u>	<u>\$ (166,822)</u>

Charter Township of Washington

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

	Last Fiscal Year
	<u>2020</u>
Total OPEB Liability	
Service cost	\$ (2,144)
Interest	701
	<u>(1,443)</u>
Net Change in Total OPEB Liability	(1,443)
Total OPEB Liability - Beginning of year	<u>287,763</u>
Total OPEB Liability - End of year	<u><u>\$ 286,320</u></u>
Plan Fiduciary Net Position	
Net investment income	\$ 4,475
Administrative expenses	(615)
Benefit payments, including refunds	<u>(18,276)</u>
	(14,416)
Net Change in Plan Fiduciary Net Position	(14,416)
Plan Fiduciary Net Position - Beginning of year	<u>334,409</u>
Plan Fiduciary Net Position - End of year	<u><u>\$ 319,993</u></u>
Net OPEB Asset - Ending	<u><u>\$ (33,673)</u></u>
Plan Fiduciary Net Position as a Percentage of Net OPEB Liability	111.76 %

Contributions to the OPEB plan are not based on a measure of pay; therefore, no covered payroll is presented.

This schedule is intended to show information for 10 years. The first year of implementation of GASB 74 was for the year ended March 31, 2020, and additional years' information will be reported as it becomes available.

Charter Township of Washington

Required Supplemental Information
Schedule of OPEB Investment Returns

**Last Fiscal Year
Year Ended March 31**

2020

Annual money-weighted rate of return - Net of investment expense

(11.19)%

Charter Township of Washington

Note to Required Supplemental Information

March 31, 2020

Budgetary Information

The annual budget is prepared by management and adopted by the township board; subsequent amendments are approved by the township board. Unexpected appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2020 has not been calculated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, with the exception of operating transfers, which have been included in the revenue and expenditures categories, rather than as other financing sources (uses). The budget statements (budgetary comparison schedules - General Fund and major special revenue funds) are presented on the same basis of accounting used in preparing the adopted budgets.

The budgets have been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget and major special revenue funds budgets, as adopted by the township board, is included in the required supplemental information. A comparison of the actual results of operations to the nonmajor special revenue funds budget, as adopted by the township board, is available at the clerk's office for inspection.

Excess of expenditures over appropriations in budgeted funds - During the year, the Charter Township of Washington incurred expenditures that were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund - Treasurer	\$ 198,065	\$ 198,534	\$ (469)
General Fund - Public works	267,816	679,386	(411,570)
General Fund - Recreation and culture	-	1,007,854	(1,007,854)
Police Fund - Current services - Public safety	2,195,311	2,314,690	(119,379)

The budget overruns for treasurer, public works, and police all relate to unanticipated expenditures in which the budget was not subsequently adjusted. The overage for recreation and culture related to the implementation of GASB 84 and the addition of the parks and recreation and S.T.A.R. millage revenue and expenditures being recorded in the General Fund for the first time.

Other Supplemental Information

Charter Township of Washington

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

March 31, 2020

	Special Revenue Funds			Capital Project Fund	Total
	Liquor Enforcement Fund	Street Light Assessment Fund	Employee Benefits Fund	Hidden Hills Paving Construction Fund	
Assets					
Cash and investments	\$ 50,524	\$ 58,895	\$ 249,004	\$ -	\$ 358,423
Receivables - Due from other governmental units	-	1,583	-	-	1,583
Prepaid expenses	-	-	-	76,343	76,343
Total assets	\$ 50,524	\$ 60,478	\$ 249,004	\$ 76,343	\$ 436,349
Liabilities - Accounts payable	\$ -	\$ 5,501	\$ -	\$ -	\$ 5,501
Fund Balances					
Nonspendable - Prepays	-	-	-	76,343	76,343
Restricted:					
Police	50,524	-	-	-	50,524
Fire employee benefits	-	-	93,899	-	93,899
ALS employee benefits	-	-	93,899	-	93,899
Street lighting	-	54,977	-	-	54,977
Assigned - General employee benefits	-	-	61,206	-	61,206
Total fund balances	50,524	54,977	249,004	76,343	430,848
Total liabilities and fund balances	\$ 50,524	\$ 60,478	\$ 249,004	\$ 76,343	\$ 436,349

Charter Township of Washington

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

Year Ended March 31, 2020

	Special Revenue Funds			Capital Project Fund	Total
	Liquor Enforcement Fund	Street Light Assessment Fund	Employee Benefits Fund	Hidden Hills Paving Construction Fund	
Revenue					
Property taxes	\$ -	\$ -	\$ 53,899	\$ -	\$ 53,899
State-shared revenue and grants	15,693	-	-	-	15,693
Investment income	-	4	-	-	4
Other revenue - Special assessments	-	75,253	-	-	75,253
Total revenue	15,693	75,257	53,899	-	144,849
Expenditures					
Current services:					
General government	-	-	50,578	-	50,578
Public safety	14,400	-	-	-	14,400
Public works	-	65,309	-	469,370	534,679
Total expenditures	14,400	65,309	50,578	469,370	599,657
Excess of Revenue Over (Under) Expenditures	1,293	9,948	3,321	(469,370)	(454,808)
Other Financing Sources - Transfers in	-	-	10,446	545,713	556,159
Net Change in Fund Balances	1,293	9,948	13,767	76,343	101,351
Fund Balances - Beginning of year	49,231	45,029	235,237	-	329,497
Fund Balances - End of year	\$ 50,524	\$ 54,977	\$ 249,004	\$ 76,343	\$ 430,848