



**CHARTER TOWNSHIP OF MUSKEGON  
MUSKEGON COUNTY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2021**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Charter Township of Muskegon, Michigan

### *Opinions*

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 Muskegon (the “Township”) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Township’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor’s Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing

standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and the pension and OPEB schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who 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 supplementary 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining and individual nonmajor and fiduciary fund financial statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 combining and individual nonmajor and fiduciary fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Gabridge & Company*

Gabridge & Company, PLC  
Grand Rapids, Michigan  
June 3, 2022

## **Management's Discussion and Analysis**

**Charter Township of Muskegon**  
**Management's Discussion and Analysis**  
**December 31, 2021**

As management of the Charter Township of Muskegon, Michigan (The “Township” or “government”) we offer readers of the Township’s financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with the financial statements.

### **Financial Highlights**

- The assets and deferred outflows of resources of the Township exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$909,642 (net position). Of this amount, a deficit \$(14,848,443) is shown in governmental activities unrestricted net position and \$3,530,554 is shown in business-type activities unrestricted net position.
- Total revenues during the year were \$12,044,501 compared to total expenses of \$12,960,478, yielding an overall decrease in net position of \$915,977.
- At the close of the current fiscal year, the Township’s governmental funds reported combined fund balances of \$4,731,495. Approximately 53.4% (\$2,524,637) of this amount is available for spending at the government’s discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,975,991, or approximately 61.2% of total general fund expenditures (less expenditures associated with the general funds’ share of the 2021 pension bonds) and transfers out.

### **Overview of the Financial Statements**

The discussion and analysis provided here is intended to serve as an introduction to the Township’s basic financial statements. The Township’s basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Township’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the Township’s assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., long-term debt, defined benefit retirement and OPEB expenses, and compensated absences).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, public works, and recreation and culture. The business-type activities of the Township include sewer and sanitation services.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and public safety funds, which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The Township adopts an annual appropriated budget for the general fund and all special revenue funds. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided to demonstrate compliance with these budgets.

**Proprietary Funds.** The Township maintains two types of proprietary funds, which are enterprise funds and internal service funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprises funds to account for its sewer and sanitation system operations, which are both major funds. Internal service funds are accounting devices used to accumulate and allocate costs internally among the Township's various functions.

The Township has one internal service fund to account for its equipment management services. Because these services primarily benefit the Township's governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and sanitation operations.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Township maintains three fiduciary funds. These funds report resources held by the Township in a custodial capacity for individuals, private organizations, and other governments.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* demonstrating the Township's compliance with its operating budgets by providing budgetary comparison schedules along with funding information related to its defined benefit pension and OPEB plans.

The combining statements in connection with the Township's nonmajor and custodial funds are presented immediately following the required supplementary information.

## Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Township, assets and deferred outflows exceeded liabilities and deferred inflows by \$909,642 at the close of the most recent fiscal year.

### Charter Township of Muskegon's Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
<b>ASSETS</b>						
<i>Current Assets</i>						
Cash and Investments	\$ 6,634,586	\$ 4,653,377	\$ 3,094,883	\$ 2,718,836	\$ 9,729,469	\$ 7,372,213
Receivables	2,909,750	2,796,135	977,250	936,930	3,887,000	3,733,065
Due from Other Governments	566,134	811,526	26,514	24,123	592,648	835,649
Prepays	-	-	-	-	-	-
Internal Balances	(805,345)	(869,714)	805,345	869,714	-	-
<b>Total Current Assets</b>	<b>9,305,125</b>	<b>7,391,324</b>	<b>4,903,992</b>	<b>4,549,603</b>	<b>14,209,117</b>	<b>11,940,927</b>
<i>Noncurrent Assets</i>						
Special Assessments Receivable	436,482	424,102	47,450	14,222	483,932	438,324
Capital Assets Not Being Depreciated	577,138	577,138	53,638	53,638	630,776	630,776
Capital Assets Being Depreciated	2,623,609	2,867,692	18,893,472	19,548,012	21,517,081	22,415,704
<b>Total Noncurrent Assets</b>	<b>3,637,229</b>	<b>3,868,932</b>	<b>18,994,560</b>	<b>19,615,872</b>	<b>22,631,789</b>	<b>23,484,804</b>
<b>Total Assets</b>	<b>12,942,354</b>	<b>11,260,256</b>	<b>23,898,552</b>	<b>24,165,475</b>	<b>36,840,906</b>	<b>35,425,731</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension Related Deferred Outflows	8,619,235	1,378,985	648,759	103,794	9,267,994	1,482,779
OPEB Related Deferred Outflows	2,633,141	2,735,662	292,570	303,962	2,925,711	3,039,624
<b>Total Deferred Outflows of Resources</b>	<b>11,252,376</b>	<b>4,114,647</b>	<b>941,329</b>	<b>407,756</b>	<b>12,193,705</b>	<b>4,522,403</b>
<b>LIABILITIES</b>						
<i>Current Liabilities</i>						
Accounts Payable	267,586	134,878	234,661	196,264	502,247	331,142
Accrued and Other Liabilities	99,672	95,954	7,166	5,653	106,838	101,607
Due to Other Governments	49,452	45,667	-	-	49,452	45,667
Accrued Interest	41,041	-	81,270	85,028	122,311	85,028
Unearned Revenues	942,017	-	-	-	942,017	-
Current Portion of Compensated Absences	183,488	186,842	13,951	13,347	197,439	200,189
Current Portion of Long-term Debt	355,000	-	474,247	450,923	829,247	450,923
<b>Total Current Liabilities</b>	<b>1,938,256</b>	<b>463,341</b>	<b>811,295</b>	<b>751,215</b>	<b>2,749,551</b>	<b>1,214,556</b>
<i>Noncurrent Liabilities</i>						
Long-term Debt	8,205,000	-	10,351,297	10,897,322	18,556,297	10,897,322
Compensated Absences	126,860	129,179	9,646	9,227	136,506	138,406
Net Pension Liability	8,736,270	8,544,397	657,569	643,127	9,393,839	9,187,524
Net OPEB Liability	9,618,263	11,894,486	1,068,696	1,321,610	10,686,959	13,216,096
<b>Total Noncurrent Liabilities</b>	<b>26,686,393</b>	<b>20,568,062</b>	<b>12,087,208</b>	<b>12,871,286</b>	<b>38,773,601</b>	<b>33,439,348</b>
<b>Total Liabilities</b>	<b>28,624,649</b>	<b>21,031,403</b>	<b>12,898,503</b>	<b>13,622,501</b>	<b>41,523,152</b>	<b>34,653,904</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Taxes Levied for a Subsequent Period	3,538,727	3,444,536	-	-	3,538,727	3,444,536
Pension Related Deferred Inflows	528,564	24,075	39,784	-	568,348	24,075
OPEB Related Deferred Inflows	2,245,268	-	249,474	-	2,494,742	-
<b>Total Deferred Inflows of Resources</b>	<b>6,312,559</b>	<b>3,468,611</b>	<b>289,258</b>	<b>-</b>	<b>6,601,817</b>	<b>3,468,611</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	2,872,147	3,043,293	8,121,566	8,253,405	10,993,713	11,296,698
Restricted	1,233,818	1,126,203	-	-	1,233,818	1,126,203
Unrestricted	(14,848,443)	(13,294,607)	3,530,554	2,697,325	(11,317,889)	(10,597,282)
<b>Total Net Position</b>	<b>\$ (10,742,478)</b>	<b>\$ (9,125,111)</b>	<b>\$ 11,652,120</b>	<b>\$ 10,950,730</b>	<b>\$ 909,642</b>	<b>\$ 1,825,619</b>

The largest portion of the Township's net position (\$10,993,713) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

\$1,233,818 of the Township's net position represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of \$(11,317,889) is unrestricted.

Cash and investments within governmental activities increased by \$1,981,209 primarily as a result of an increase in governmental fund balance of \$692,518 and unspent ARPA revenue of \$942,017. Cash and investments within business-type activities increased by \$376,047 primarily as a result of cash flows provided by operations of \$1,334,223. Deferred outflows related to pensions increased by \$7,240,250 and \$544,965 for governmental activities and business-type activities respectively, which was mostly due to the issuance and subsequent payment to MERS of the 2021 Pension Obligation Bonds. Similarly, governmental activities increased long-term debt by \$8,560,000 as a result of the issuance of the 2021 Pension Obligation Bonds. The net OPEB liability had a significant decrease of \$2,529,137 due changes in the assumptions used to calculate the liability.

The Township's overall net position decreased \$915,977 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

#### Charter Township of Muskegon's Changes in Net Position

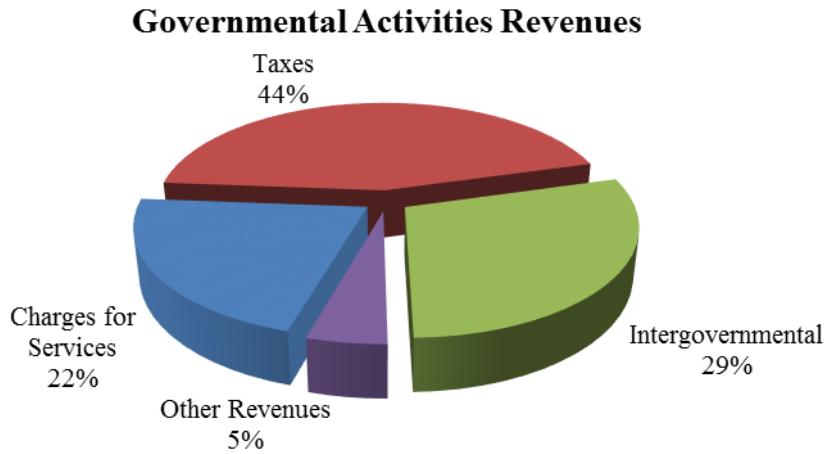
	Governmental Activities		Business-type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 1,782,155	\$ 1,688,751	\$ 3,609,248	\$ 3,463,208	\$ 5,391,403	\$ 5,151,959
Operating Grants and Contributions	376,088	578,038	189,092	100,078	565,180	678,116
<b>Total Program Revenues</b>	<b>2,158,243</b>	<b>2,266,789</b>	<b>3,798,340</b>	<b>3,563,286</b>	<b>5,956,583</b>	<b>5,830,075</b>
<b>General Revenues</b>						
Taxes	3,651,872	3,600,250	-	-	3,651,872	3,600,250
Intergovernmental	2,389,824	2,043,472	-	-	2,389,824	2,043,472
Interest Income	12,665	43,206	33,557	39,063	46,222	82,269
<b>Total General Revenues</b>	<b>6,054,361</b>	<b>5,686,928</b>	<b>33,557</b>	<b>39,063</b>	<b>6,087,918</b>	<b>5,725,991</b>
Transfers	30,189	-	(30,189)	-	-	-
<b>Total Revenues</b>	<b>8,242,793</b>	<b>7,953,717</b>	<b>3,801,708</b>	<b>3,602,349</b>	<b>12,044,501</b>	<b>11,556,066</b>
<b>Expenses</b>						
General Government	1,486,392	1,353,545	-	-	1,486,392	1,353,545
Public Safety	5,985,591	4,946,956	-	-	5,985,591	4,946,956
Public Works	2,005,206	1,379,723	-	-	2,005,206	1,379,723
Community and Economic Development	(74,509)	160,761	-	-	(74,509)	160,761
Recreation and Culture	76,300	148,450	-	-	76,300	148,450
Interest on Long-term Debt	381,180	-	-	-	381,180	-
Sanitation	-	-	538,249	799,884	538,249	799,884
Sewer	-	-	2,562,069	3,325,300	2,562,069	3,325,300
<b>Total Expenses</b>	<b>9,860,160</b>	<b>7,989,435</b>	<b>3,100,318</b>	<b>4,125,184</b>	<b>12,960,478</b>	<b>12,114,619</b>
<b>Change in Net Position</b>	<b>(1,617,367)</b>	<b>(35,718)</b>	<b>701,390</b>	<b>(522,835)</b>	<b>(915,977)</b>	<b>(558,553)</b>
<b>Net Position at the Beginning of Period</b>	<b>(9,125,111)</b>	<b>(9,089,393)</b>	<b>10,950,730</b>	<b>11,473,565</b>	<b>1,825,619</b>	<b>2,384,172</b>
<b>Net Position at the End of Period</b>	<b>\$(10,742,478)</b>	<b>\$ (9,125,111)</b>	<b>\$ 11,652,120</b>	<b>\$ 10,950,730</b>	<b>\$ 909,642</b>	<b>\$ 1,825,619</b>

#### Governmental Activities

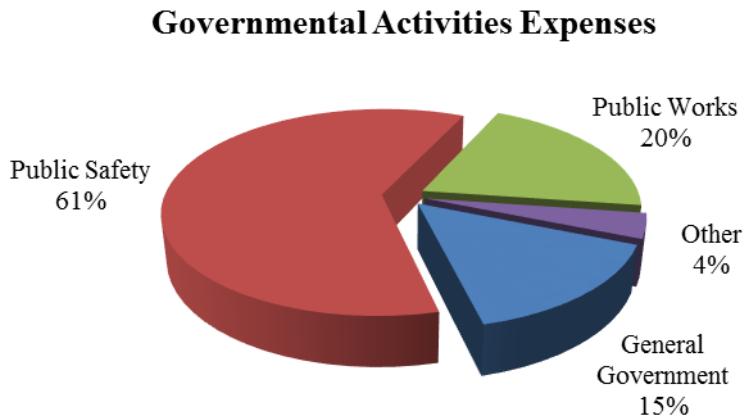
The decrease in the overall net position of the governmental activities of the Township was \$1,617,367 during the year compared to a decrease of \$35,718 in the prior year.

Operating grants and contributions decreased by \$201,950 largely in part due to a public safety and public health payroll reimbursement grants funded from COVID-related federal relief funds in the prior year. State revenue sharing increased due to sales tax outperforming the State's initial estimate. Public safety and public works increased by \$1,038,638 and \$625,470 due to the payments to MERS funded by the pension obligation bonds to lower the pension liability. Community and economic development expenses decreased by \$235,270 to a negative expense of \$74,509 because of changes in the net pension liability exceeding current expenses for the year.

The following charts are the breakdown of the Townships governmental activities revenues:



The following charts are the breakdown of the Townships governmental activities expenses:



**Business-type Activities.** For the Township's business-type activities, the results for the current fiscal year show an increase in overall net position of \$701,390 compared to a decrease of \$522,835 in the prior year. Operating grants and contributions creased by \$89,014 due to sewer connections. Sewer expenses decreased by \$763,236 during the year; while sanitation expenses decrease by \$261,635, for both funds the decrease was due to changes in the net pension and OPEB liabilities and related deferrals.

## **Financial Analysis of Governmental Funds**

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Township itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Township's Board.

At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$4,731,495, an increase of \$686,014 over the prior year. Approximately 53.4% (\$2,524,637) of this amount is available for spending at the government's discretion (unassigned fund balance). The remainder of the fund balance is either *restricted* or *committed* to indicate that it is: 1) restricted for particular purposes (\$1,233,818, or 26.1%) or 2) committed for particular purposes (\$973,040, or 20.5%).

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,975,991 while total fund balance increased by \$648,581 to \$3,367,917. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. The general fund's unassigned fund balance represents approximately 61.2% of total general fund expenditures and transfers out while total fund balance represents approximately 69.2% of that same amount.

General fund revenues increased by \$649,809, mostly from increased state revenue sharing and charges for services. Expenditures increased by roughly \$200,000 from prior year, after removing for the one-time pension payments to MERS from the pension obligation bonds.

The public safety fund, a major fund, had no fund balance at the end of the year. The fund receives a transfer in from the general fund every year as the millage is not sufficient to cover all of the public safety expenditures.

**Proprietary Funds.** The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The sanitation fund had an increase in net position of \$295,840 in the current year for an ending net position of \$581,152. This increase was due to decreases in the net pension and OPEB liabilities, as previously discussed.

The sewer fund had an increase in net position of \$405,550 in the current year for an ending net position of \$11,070,968. This increase was also related to the decrease in the net pension and OPEB liabilities, as previously discussed.

### **General Fund Budgetary Highlights**

**Original budget compared to final budget.** During the year there were amendments for increase in revenues the largest being a total increase of \$346,453 to state revenue sharing. Expenditures were adjusted throughout the year, but with no significant changes.

**Final budget compared to actual results.** The Township had the following expenditures in excess of the amounts appropriated during the year ended December 31, 2021:

<b>Department</b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Negative Variance</b>
Payroll Benefits	\$ 169,247	\$ 8,560,635	\$ (8,391,388)
Debt Service	388,153	654,885	(266,732)

Other financing sources also had a budget exception of \$8,628,150, due to the Bonds being issued to cover the net pension liability, which in turn caused the Payroll Benefits exception as no cash flowed through the township bank accounts.

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

#### ***Capital Assets***

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2021 amounts to \$22,147,857 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, vehicles, equipment, and sewer system infrastructure. The total decrease in capital assets for the current fiscal year was approximately 3.9% as a result of depreciation expense exceeding the capital asset additions during the year.

Following is a summary of the changes of the Township's capital assets:

	Capital Assets, Net of Accumulated Depreciation					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 577,138	\$ 577,138	\$ 53,638	\$ 53,638	\$ 630,776	\$ 630,776
Land Improvements	260,244	291,469	91,659	94,820	351,903	386,289
Buildings and Improvements	1,094,693	1,161,503	78,982	81,695	1,173,675	1,243,198
Furniture and Equipment	123,181	137,448	42,382	51,762	165,563	189,210
Vehicles	1,145,491	1,277,272	488,046	371,411	1,633,537	1,648,683
Utility Systems	-	-	18,085,821	18,834,637	18,085,821	18,834,637
Access Rights	-	-	106,582	113,687	106,582	113,687
Total	<u>\$ 3,200,747</u>	<u>\$ 3,444,830</u>	<u>\$ 18,947,110</u>	<u>\$ 19,601,650</u>	<u>\$ 22,147,857</u>	<u>\$ 23,046,480</u>

Further details on capital assets can be found in the notes to the financial statements.

### ***Long-term Obligations***

At the end of the current fiscal year, the Township had total obligations outstanding of \$39,800,287 consisting of general obligation bonds, compensated absences, and the net other postemployment benefits and pension liabilities.

A summary of the changes in the Township's long-term obligations follows:

	Outstanding Long-term Obligations					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds	\$ 8,560,000	\$ -	\$ 10,825,544	\$ 11,348,245	\$ 19,385,544	\$ 11,348,245
Compensated Absences	310,348	316,021	23,597	22,574	333,945	338,595
Net OPEB Liability	9,618,263	11,894,486	1,068,696	1,321,610	10,686,959	13,216,096
Net Pension Liability	8,736,270	8,544,397	657,569	643,127	9,393,839	9,187,524
Total	<u>\$ 27,224,881</u>	<u>\$ 20,754,904</u>	<u>\$ 12,575,406</u>	<u>\$ 13,335,556</u>	<u>\$ 39,800,287</u>	<u>\$ 34,090,460</u>

The Township's total long-term obligations increased by net \$5,709,828 during the year as seen in the table above. The two most significant changes being an issuance of 2021 Pension Obligation Bonds and changes in assumptions leading to a substantial decrease in the net OPEB Liability.

Further details on long-term obligations can be found in the notes to the financial statements.

### **Economic Condition and Outlook**

The Township's general fund has two major revenue sources - state revenue sharing and property tax revenue. These two sources comprised approximately 71% of our general fund revenues for 2021. Taxable value of property within the Township increased 3.5% for 2021 (2020 tax year) and 3.4% percent for 2022 (2021 tax year) with modest rate increases expected in subsequent years. Despite the COVID-19 shutdowns, the economy of Michigan remained strong in 2021, which resulted in state revenue sharing/sales tax collections that exceeded our original budgeted amount for 2021. We anticipate revenue sharing to remain relatively flat for 2022 and 2023, before beginning to rise slowly in 2024 and beyond as the state's economy finds its footing in the wake of the many changes over the past couple of years.

We anticipate the increase in home prices will continue at a modest rate in 2022 and continue to increase in coming years. For the 2022 fiscal year, we anticipate tax collections will increase slightly compared with 2021.

The 2022 general fund budgeted expenditures were approved at \$5,471,960, an increase of 12.6% from the actual general fund expenditures of 2021 (less pension bond related items). This is due mainly to a large increase in the transfer to the public safety fund as we hired 6 new full-time firefighters in late 2021 and early 2022. The general fund's total fund balance at 12/31/21 was \$3,367,917 with \$2,975,991 (54.4% of budgeted expenditures) classified as unassigned. Our total fund balance is expected to increase by approximately \$130,000 in 2022.

Finally, the fiscally conservative approach of the Township Board over the last ten years has allowed the Township to maintain its focus on providing a high level of service at minimal costs and to receive an updated “A+” credit rating with a stable outlook from Standard and Poor’s in 2021.

### **Contacting the Township**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township’s finances. If you have questions about this report or need additional information, contact the Township Supervisor at:

Muskegon Charter Township  
1990 E. Apple Avenue  
Muskegon, Michigan 49442  
(231) 777-2555

## **Basic Financial Statements**

**Charter Township of Muskegon**  
**Statement of Net Position**  
**December 31, 2021**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and Investments	\$ 6,634,586	\$ 3,094,883	\$ 9,729,469
Accounts Receivable	--	960,544	960,544
Property Taxes Receivable	2,811,256	--	2,811,256
Special Assessments Receivable	25,117	--	25,117
Other Receivables	73,377	16,706	90,083
Due from Other Governments	566,134	26,514	592,648
Internal Balances	(805,345)	805,345	--
<b>Total Current Assets</b>	<b>9,305,125</b>	<b>4,903,992</b>	<b>14,209,117</b>
<i>Noncurrent Assets</i>			
Special Assessments Receivable	436,482	47,450	483,932
Capital Assets not being Depreciated	577,138	53,638	630,776
Capital Assets being Depreciated	2,623,609	18,893,472	21,517,081
<b>Total Noncurrent Assets</b>	<b>3,637,229</b>	<b>18,994,560</b>	<b>22,631,789</b>
<b>Total Assets</b>	<b>12,942,354</b>	<b>23,898,552</b>	<b>36,840,906</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related Deferred Inflows	8,619,235	648,759	9,267,994
OPEB Related Deferred Inflows	2,633,141	292,570	2,925,711
<b>Total Deferred Outflows of Resources</b>	<b>11,252,376</b>	<b>941,329</b>	<b>12,193,705</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	267,586	234,661	502,247
Accrued Liabilities	75,196	7,166	82,362
Unearned Revenue	942,017	--	942,017
Accrued Interest	41,041	81,270	122,311
Current Portion of Compensated Absences	183,488	13,951	197,439
Current Portion of Long-term Debt	355,000	474,247	829,247
Deposit Payable	1,674	--	1,674
Bonds and Other Payables	22,802	--	22,802
Due to Other Governments	49,452	--	49,452
<b>Total Current Liabilities</b>	<b>1,938,256</b>	<b>811,295</b>	<b>2,749,551</b>
<i>Noncurrent Liabilities</i>			
Long-term Debt	8,205,000	10,351,297	18,556,297
Compensated Absences	126,860	9,646	136,506
Net Pension Liability	8,736,270	657,569	9,393,839
Net OPEB Liability	9,618,263	1,068,696	10,686,959
<b>Total Noncurrent Liabilities</b>	<b>26,686,393</b>	<b>12,087,208</b>	<b>38,773,601</b>
<b>Total Liabilities</b>	<b>28,624,649</b>	<b>12,898,503</b>	<b>41,523,152</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes Levied for Subsequent Period	3,538,727	--	3,538,727
Pension Related Deferred Inflows	528,564	39,784	568,348
OPEB Related Deferred Inflows	2,245,268	249,474	2,494,742
<b>Total Deferred Inflows of Resources</b>	<b>6,312,559</b>	<b>289,258</b>	<b>6,601,817</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,872,147	8,121,566	10,993,713
<i>Restricted for:</i>			
Public Safety	1,926	--	1,926
Street Lights	408,824	--	408,824
Hydrants	78,303	--	78,303
Water Purposes	426,259	--	426,259
Local Streets	318,506	--	318,506
<b>Unrestricted</b>	<b>(14,848,443)</b>	<b>3,530,554</b>	<b>(11,317,889)</b>
<b>Total Net Position</b>	<b>\$ (10,742,478)</b>	<b>\$ 11,652,120</b>	<b>\$ 909,642</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Charter Township of Muskegon**  
**Statement of Activities**  
**For the Year Ended December 31, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 1,486,392	\$ 528,658	\$ 28,912	\$ --	\$ (928,822)	\$ --	\$ (928,822)
Public Safety	5,985,591	921,091	154,229	--	(4,910,271)	--	(4,910,271)
Public Works	2,005,206	236,201	156,947	--	(1,612,058)	--	(1,612,058)
Community and Economic Development	(74,509)	79,830	36,000	--	190,339	--	190,339
Recreation and Culture	76,300	16,375	--	--	(59,925)	--	(59,925)
Interest on Long-term Debt	381,180	--	--	--	(381,180)	--	(381,180)
<b>Total Governmental Activities</b>	<b>9,860,160</b>	<b>1,782,155</b>	<b>376,088</b>	<b>--</b>	<b>(7,701,917)</b>	<b>--</b>	<b>(7,701,917)</b>
<b>Business-type Activities:</b>							
Sanitation	538,249	850,574	--	--	--	312,325	312,325
Sewer	2,562,069	2,758,674	189,092	--	--	385,697	385,697
<b>Total Business-type Activities</b>	<b>3,100,318</b>	<b>3,609,248</b>	<b>189,092</b>	<b>--</b>	<b>--</b>	<b>698,022</b>	<b>698,022</b>
<b>Total Township</b>	<b>\$ 12,960,478</b>	<b>\$ 5,391,403</b>	<b>\$ 565,180</b>	<b>\$ --</b>	<b>(7,701,917)</b>	<b>698,022</b>	<b>(7,003,895)</b>
<b>General Purpose Revenues and Transfers:</b>							
Property Taxes				3,651,872	--		3,651,872
Interest Income				12,665	33,557		46,222
Intergovernmental				2,389,824	--		2,389,824
<b>Transfers</b>				30,189	(30,189)		--
<b>Total General Revenues and Transfers</b>				<b>6,084,550</b>	<b>3,368</b>		<b>6,087,918</b>
<b>Change in Net Position</b>				<b>(1,617,367)</b>	<b>701,390</b>		<b>(915,977)</b>
<b>Net Position at Beginning of Period</b>				<b>(9,125,111)</b>	<b>10,950,730</b>		<b>1,825,619</b>
<b>Net Position at End of Period</b>				<b>\$ (10,742,478)</b>	<b>\$ 11,652,120</b>		<b>\$ 909,642</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Charter Township of Muskegon**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2021**

	<u>Special Revenue</u>		Other Governmental Funds	Total Governmental Funds
	General	Public Safety		
<b>ASSETS</b>				
Cash and Investments	\$ 4,276,266	\$ 315,623	\$ 2,037,921	\$ 6,629,810
Receivables				
Property Taxes Receivable	1,331,435	847,020	632,801	2,811,256
Special Assessments Receivable	--	--	461,599	461,599
Other Receivables	64,924	8,453	--	73,377
Due from Other Governments	518,859	3,641	43,634	566,134
<i>Total Assets</i>	<b>\$ 6,191,484</b>	<b>\$ 1,174,737</b>	<b>\$ 3,175,955</b>	<b>\$ 10,542,176</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 180,300	\$ 33,387	\$ 53,899	\$ 267,586
Accrued Liabilities	17,804	51,922	5,470	75,196
Unearned Revenue	942,017	--	--	942,017
Deposit Payable	1,674	--	--	1,674
Bonds and Other Payables	22,802	--	--	22,802
Due to Other Governments	--	--	49,452	49,452
Advance from Other Funds	--	--	476,745	476,745
<i>Total Liabilities</i>	<b>1,164,597</b>	<b>85,309</b>	<b>585,566</b>	<b>1,835,472</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes Levied for Subsequent Period	1,658,970	1,089,428	790,329	3,538,727
Unavailable Revenues	--	--	436,482	436,482
<i>Total Liabilities and Deferred Inflows of Resources</i>	<b>2,823,567</b>	<b>1,174,737</b>	<b>1,812,377</b>	<b>5,810,681</b>
<b>FUND BALANCE</b>				
Restricted				
Public Safety	1,926	--	--	1,926
Local Streets	--	--	318,506	318,506
Street Lights	--	--	408,824	408,824
Hydrants	--	--	78,303	78,303
Water Purposes	--	--	426,259	426,259
Committed				
Building and Grounds Improvements	340,000	--	--	340,000
Public Safety	--	--	583,040	583,040
Compensated Absences	50,000	--	--	50,000
Unassigned (Deficit)	2,975,991	--	(451,354)	2,524,637
<i>Total Fund Balance</i>	<b>3,367,917</b>	<b>--</b>	<b>1,363,578</b>	<b>4,731,495</b>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</i>	<b>\$ 6,191,484</b>	<b>\$ 1,174,737</b>	<b>\$ 3,175,955</b>	<b>\$ 10,542,176</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Charter Township of Muskegon**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2021**

Total Fund Balance - Governmental Funds	\$ 4,731,495
Net position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements.	85,157
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. This represents capital assets of \$8,484,514 less accumulated depreciation of \$5,692,748.	2,791,766
Other long-term assets, such as special assessments receivable, are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the governmental funds.	436,482
Long-term liabilities in governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental funds. This represents compensated absences of \$310,348, other postemployment benefits liability (and the OPEB related deferrals) of \$9,230,390, and the net pension liability (and the pension related deferrals) of \$645,599.	(10,186,337)
Long-term liabilities in governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental funds. This represents bonds payable of \$8,560,000 and accrued interest of \$41,041.	(8,601,041)
<b>Total Net Position - Governmental Activities</b>	<b>\$ (10,742,478)</b>

**Charter Township of Muskegon**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended December 31, 2021**

	<u>Special Revenue</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Public Safety</u>			
<b>Revenues</b>					
Property Taxes	\$ 1,839,050	\$ 1,038,773		\$ 774,049	\$ 3,651,872
Special Assessments	--	--		95,401	95,401
Licenses and Permits	743,274	--		--	734,274
Intergovernmental	2,425,824	154,129		489,456	3,069,409
Charges for Services	375,076	8,589		18,988	402,653
Fines and Forfeitures	2,158	2,978		11,556	16,692
Interest Income	8,085	384		4,186	12,655
Other Revenues	94,833	43,159		165	138,157
<b>Total Revenues</b>	<b>5,479,300</b>	<b>1,248,012</b>		<b>1,393,801</b>	<b>8,121,113</b>
<b>Expenditures</b>					
General Government	933,443	--		--	933,443
Public Safety	467,152	3,464,180		278,720	4,210,052
Public Works	12,177	--		1,210,244	1,222,421
Community and Economic Development	135,808	--		--	135,808
Recreation and Culture	125,912	--		--	125,912
Other Governmental Functions	9,057,513	--		--	9,057,513
Debt Service					
Principal	324,950	--		10,050	335,000
Interest	93,392	--		2,888	96,280
Issuance Cost	236,543	--		7,316	243,859
<b>Total Expenditures</b>	<b>11,386,890</b>	<b>3,464,180</b>		<b>1,509,218</b>	<b>16,360,288</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(5,907,590)</b>	<b>(2,216,168)</b>		<b>(115,417)</b>	<b>(8,239,175)</b>
<b>Other Financing Sources (Uses)</b>					
Pension Bonds Issued	8,628,150	--		266,850	8,895,000
Transfers In	30,189	2,216,168		--	2,246,357
Transfers Out	(2,102,168)	--		(114,000)	(2,216,168)
<b>Net Other Financing Sources (Uses)</b>	<b>6,556,171</b>	<b>2,216,168</b>		<b>152,850</b>	<b>8,925,189</b>
<b>Net Change in Fund Balance</b>	<b>648,581</b>	<b>--</b>		<b>37,433</b>	<b>686,014</b>
<i>Fund Balance at Beginning of Period</i>	<i>2,719,336</i>	<i>--</i>		<i>1,326,145</i>	<i>4,045,481</i>
<b>Fund Balance at End of Period</b>	<b>\$ 3,367,917</b>	<b>\$ --</b>		<b>\$ 1,363,578</b>	<b>\$ 4,731,495</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Charter Township of Muskegon**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended December 31, 2021**

Total Net Change in Fund Balances - Governmental Funds	\$ 686,014
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements.	976
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This represents the change in unavailable revenues from the prior year.	12,380
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This represents the change in compensated absences of \$(5,673), the change in other postemployment benefits of \$71,566, and the change in the net pension liability (and pension related deferrals) of \$(6,519,813).	6,453,920
Governmental funds report outlays for capital assets as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This represents current year capital outlay of \$139,216 less depreciation expense of \$308,832.	(169,616)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This represents the payment of bond principal of \$(335,000), net of the increase in accrued interest of \$41,041, and the issuance of \$8,895,000.	(8,601,041)
<b>Changes in Net Position - Governmental Activities</b>	<b>\$ <u>(1,617,367)</u></b>

**Charter Township of Muskegon**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2021**

	Business-type Activities - Enterprise Funds			Governmental Activities	
			Total Enterprise Funds	Internal Service Funds	
	Sanitation	Sewer			
<b>ASSETS</b>					
<i>Current Assets</i>					
Cash and Investments	\$ 360,083	\$ 2,734,800	\$ 3,094,883	\$ 4,776	
Accounts Receivable	233,666	726,878	960,544	--	
Other Receivables	16,706	--	16,706	--	
Due from Other Governments	--	26,514	26,514	--	
<b>Total Current Assets</b>	<b>610,455</b>	<b>3,488,192</b>	<b>4,098,647</b>		<b>4,776</b>
<i>Noncurrent Assets</i>					
Special Assessments Receivable	--	47,450	47,450	--	
Advances to Other Funds	--	805,345	805,345	--	
Capital Assets not being Depreciated	--	53,638	53,638	--	
Capital Assets being Depreciated	548,529	18,344,943	18,893,472	408,981	
<b>Total Noncurrent Assets</b>	<b>548,529</b>	<b>19,251,376</b>	<b>19,799,905</b>		<b>408,981</b>
<b>Total Assets</b>	<b>1,158,984</b>	<b>22,739,568</b>	<b>23,898,552</b>		<b>413,757</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension Related Deferred Outflows	370,720	278,039	648,759		
OPEB Related Deferred Outflows	146,285	146,285	292,570	--	
<b>Total Deferred Outflows of Resources</b>	<b>517,005</b>	<b>424,324</b>	<b>941,329</b>		<b>--</b>
<b>LIABILITIES</b>					
<i>Current Liabilities</i>					
Accounts Payable	30,147	204,514	234,661	--	
Accrued Liabilities	5,580	1,586	7,166	--	
Accrued Interest	--	81,270	81,270	--	
Current Portion of Compensated Absences	909	13,042	13,951	--	
Current Portion of Long-term Debt	--	474,247	474,247	--	
<b>Total Current Liabilities</b>	<b>36,636</b>	<b>774,659</b>	<b>811,295</b>		<b>--</b>
<i>Noncurrent Liabilities</i>					
Long-term Debt	--	10,351,297	10,351,297	--	
Compensated Absences	628	9,018	9,646	--	
Net Pension Liability	375,754	281,815	657,569	--	
Net OPEB Liability	534,348	534,348	1,068,696	--	
Advance from Other Funds	--	--	--	328,600	
<b>Total Noncurrent Liabilities</b>	<b>910,730</b>	<b>11,176,478</b>	<b>12,087,208</b>		<b>328,600</b>
<b>Total Liabilities</b>	<b>947,366</b>	<b>11,951,137</b>	<b>12,898,503</b>		<b>328,600</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension Related Deferred Inflows	22,734	17,050	39,784	--	
OPEB Related Deferred Inflows	124,737	124,737	249,474	--	
<b>Total Deferred Inflows of Resources</b>	<b>147,471</b>	<b>141,787</b>	<b>289,258</b>		<b>--</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	548,529	7,573,037	8,121,566	80,381	
<i>Unrestricted</i>	32,623	3,497,931	3,530,554	4,776	
<b>Total Net Position</b>	<b>\$ 581,152</b>	<b>\$ 11,070,968</b>	<b>\$ 11,652,120</b>		<b>\$ 85,157</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Charter Township of Muskegon**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2021**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>Sanitation</b>	<b>Sewer</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
<b>Operating Revenues</b>				
Charges for Services	\$ 845,199	\$ 2,752,820	\$ 3,598,019	\$ 82,975
Other Revenues	5,375	5,854	11,229	--
<b>Total Operating Revenues</b>	<b>850,574</b>	<b>2,758,674</b>	<b>3,609,248</b>	<b>82,975</b>
<b>Operating Expenses</b>				
Administration	58,500	157,000	215,500	--
Operations	346,704	1,195,035	1,541,739	--
Depreciation	133,045	775,438	908,483	74,467
<b>Total Operating Expenses</b>	<b>538,249</b>	<b>2,127,473</b>	<b>2,665,722</b>	<b>74,467</b>
<b>Operating Income (Loss)</b>	<b>312,325</b>	<b>631,201</b>	<b>943,526</b>	<b>8,508</b>
<b>Non-Operating Revenues (Expenses)</b>				
Interest Income	766	32,791	33,557	6
Connection Fee	--	189,092	189,092	--
Gain on Sale of Capital Assets	--	--	--	2,500
Interest Expense	--	(434,596)	(434,596)	(10,038)
<b>Net Non-Operating Revenues (Expenses)</b>	<b>766</b>	<b>(212,713)</b>	<b>(211,947)</b>	<b>(7,532)</b>
<b>Income Before Contributions and Transfers</b>	<b>313,091</b>	<b>418,488</b>	<b>731,579</b>	<b>976</b>
Transfers In	--	--	--	--
Transfers Out	(17,251)	(12,938)	(30,189)	--
<b>Change In Net Position</b>	<b>295,840</b>	<b>405,550</b>	<b>701,390</b>	<b>976</b>
<i>Net Position at Beginning of Period</i>	<i>285,312</i>	<i>10,665,418</i>	<i>10,950,730</i>	<i>84,181</i>
<b>Net Position at End of Period</b>	<b>\$ 581,152</b>	<b>\$ 11,070,968</b>	<b>\$ 11,652,120</b>	<b>\$ 85,157</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Charter Township of Muskegon**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2021**

	Business-type Activities - Enterprise Funds			Governmental Activities	
	Sanitation	Sewer	Total	Internal Service Fund	
<b>Cash Flows from Operating Activities</b>					
Cash Received from Customers	\$ 843,467	\$ 2,723,070	\$ 3,566,537	\$ -	-
Cash Received from Interfund Services Provided	-	-	-	-	82,975
Cash Payments for Wages and Benefits	(229,674)	(130,225)	(359,899)	-	-
Cash Payments to Suppliers for Goods and Services	(442,361)	(1,430,061)	(1,872,422)	-	-
<b>Total Cash Flows Provided by Operating Activities</b>	<b>171,432</b>	<b>1,162,784</b>	<b>1,334,216</b>		<b>82,975</b>
<b>Cash Flows from Non-capital Financing Activities</b>					
Change in Interfund Advances	-	64,368	64,368	(72,937)	-
Transfers Out	(17,251)	(12,938)	(30,189)	-	-
<b>Total Cash Flows Provided (Used) by Non-capital Financing Activities</b>	<b>(17,251)</b>	<b>51,430</b>	<b>34,179</b>		<b>(72,937)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Cash Received from Connection Fees	-	189,092	189,092	-	-
Purchase of Capital Assets	(253,942)	-	(253,942)	2,500	-
Interest Payments on Debt	-	(438,354)	(438,354)	(10,038)	-
Principal Payments on Debt and Amortization of Bond Premium	-	(522,701)	(522,701)	-	-
<b>Total Cash Flows Used by Capital and Related Financing Activities</b>	<b>(253,942)</b>	<b>(771,963)</b>	<b>(1,025,905)</b>		<b>(7,538)</b>
<b>Cash Flows from Investing Activities</b>					
Interest Earned	766	32,791	33,557	-	6
<b>Total Cash Flows Provided by Investing Activities</b>	<b>766</b>	<b>32,791</b>	<b>33,557</b>		<b>6</b>
Net Increase (Decrease) in Cash and Investments	(98,995)	475,042	376,047	2,506	-
Cash and Investments - Beginning of Year	459,078	2,259,758	2,718,836	2,270	-
<b>Cash and Investments - End of Year</b>	<b>\$ 360,083</b>	<b>\$ 2,734,800</b>	<b>\$ 3,094,883</b>		<b>\$ 4,776</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>					
Operating Income (Loss)	\$ 312,325	\$ 631,201	\$ 943,526	\$ 8,508	-
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>					
Depreciation Expense	133,045	775,438	908,483	74,467	-
<b>Changes in Assets and Liabilities</b>					
Receivables	(7,107)	(33,213)	(40,320)	-	-
Due from Other Governments	-	(2,391)	(2,391)	-	-
Special Assessments	-	(33,228)	(33,228)	-	-
Accounts Payable	8,607	29,790	38,397	-	-
Accrued Liabilities	1,128	385	1,513	-	-
Compensated Absences	(120)	1,143	1,023	-	-
Net Pension Liability and Pension Deferrals	(280,422)	(210,317)	(490,739)	-	-
Other Post-Employment Benefits Liability and OPEB Deferrals	3,976	3,976	7,952	-	-
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 171,432</b>	<b>\$ 1,162,784</b>	<b>\$ 1,334,216</b>		<b>\$ 82,975</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Charter Township of Muskegon**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2021**

	<b>OPEB Trust</b>	
	<b>Fund</b>	<b>Custodial Funds</b>
<b>ASSETS</b>		
Cash and Investments	\$ --	\$ 504,250
<i>Total Assets</i>	<hr/> --	<hr/> 504,250
<b>LIABILITIES</b>		
Undistributed Collections	--	39,034
Due to Other Governments	--	465,216
<i>Total Liabilities</i>	<hr/> --	<hr/> 504,250
<b>NET POSITION</b>		
Restricted for Individuals, Organizations, and Other Governments	\$ --	\$ --

**Charter Township of Muskegon**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended December 31, 2021**

	<b>OPEB Trust</b>	<b>Custodial Funds</b>
<b>Additions</b>		
Taxes Collected for Other Governments	\$ --	\$ 13,894,550
Treasurer Collections	--	304,763
Employer Contributions	249,534	--
<b>Total Additions</b>	<b>249,534</b>	<b>14,199,313</b>
<b>Deductions</b>		
Payments of Property Taxes to Other Governments	--	13,894,550
Treasurer Distributions	--	304,763
Retirement Benefits	249,534	--
<b>Total Deductions</b>	<b>249,534</b>	<b>14,199,313</b>
<b>Change in Net Position</b>	<b>--</b>	<b>--</b>
<i>Net Position at Beginning of Period</i>	<i>--</i>	<i>--</i>
<b>Net Position at End of Period</b>	<b>\$ --</b>	<b>\$ --</b>

## **Notes to the Financial Statements**

## **Charter Township of Muskegon**

### Notes to the Financial Statements

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#### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Charter Township of Muskegon (the “Township” or “government”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township.

##### ***Reporting entity***

The Township is incorporated as a charter township governed by an elected seven-member Board. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 61, "*The Financial Reporting Entity*," these financial statements only present the Township. Management has determined that there are no other units of government that should be included in these financial statements. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

##### ***Government-wide and Fund Financial Statements***

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 Township. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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.

##### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a

## Charter Township of Muskegon

### Notes to the Financial Statements

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liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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.

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term debt expenditures are recorded only when payment is due.

State grants, licenses, and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The **general fund** is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The **public safety fund** is used to account for a special tax millage levied by the Township for the operation of the police and fire departments.

The Township reports the following major enterprise funds:

The **sanitation fund** accounts for user charges and for operating expenses of the Township's sanitation department.

The **sewer fund** operates the Township's sewage pumping station, collection systems and pays for access to the County's sewage treatment plant.

Additionally, the Township reports the following fund types:

The **special revenue funds** are used to account for the proceeds of specific revenue sources (other than permanent trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The **capital projects fund** accounts for the accumulation and disbursement of resources for the construction of governmental fund capital projects.

## **Charter Township of Muskegon**

### Notes to the Financial Statements

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The ***internal service fund*** accounts for equipment management services provided to other funds of the government on a cost reimbursement basis.

The ***custodial funds*** are custodial in nature and used to account for assets held by the Township as an agent for another organization or individual.

### **Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Equity**

#### ***Cash and Cash Equivalents***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Township are reported at fair value (generally based on quoted market prices).

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools, and certain mutual funds.

#### ***Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

#### ***Capital Assets***

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns 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 two years.

As the Township constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their acquisition value at the date of donation.

## **Charter Township of Muskegon**

### Notes to the Financial Statements

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Land and construction in progress are not depreciated. The other property, plant, and equipment of the Township are depreciated or amortized using the straight-line method over the following estimated useful lives:

	<b>Years</b>
Furniture and Office Equipment	5 - 10
Land Improvements	20 - 30
Utility Systems	50
Buildings and Improvements	30 - 40
Vehicles	5 - 10
Access Rights	20

#### ***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township reports deferred outflows of resources for items related to its pension and OPEB plans. More detailed information can be found in Notes 7 and 8, respectively.

In addition to liabilities, the statement of financial position and/or the fund level balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Township has four types of deferred inflows of resources, one of which arises only under the modified accrual basis of accounting. Unavailable revenues for special assessments receivable qualify for reporting in this category. Accordingly, these items, unavailable revenues, are reported in the governmental funds balance sheet and are reflected as a reconciling item to the governmental activities. The governmental funds report unavailable revenues from revenues collected subsequent to 60 days after year end. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

The second type of deferred inflows of resources reported at the fund level and the government-wide level is for taxes levied for subsequent periods. These represent taxes that have been levied and collected and/or receivable as of December 31, but, are intended to finance the subsequent year.

The third and fourth type of deferred inflows of resources are for items related to its pension and OPEB plans. More detailed information can be found in Notes 7 and 8, respectively.

## **Charter Township of Muskegon**

### Notes to the Financial Statements

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#### ***Compensated Absences***

Township employees are granted vacation and sick leave in varying amounts based on length of service and employee group. Upon termination, employees are paid for unused vacation at their current rates. Sick leave is accumulated at the rate of one day per month of employment. Unused sick leave is accumulated up to 180 days for employees. One half of all unused accumulated sick leave is paid to employees upon retirement. All vacation and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements. The current portion of this liability is estimated based on historical trends. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### ***Unearned Revenues***

Unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

#### ***Long-term Obligations***

In the government-wide financial statements, and 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 straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as a component of interest expense when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as an "other financing source". Premiums received on debt issuances are reported as an "other financing source" while discounts on debt issuances are reported as an "other financing use". Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### ***Defined Benefit Pension Plan***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the Municipal Employees Retirement System ("MERS"). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## **Charter Township of Muskegon**

### Notes to the Financial Statements

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#### ***Retiree Health Care Costs***

The Township records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Township's Retiree Health Care Plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. As of December 31, 2021, the Township has recorded a net OPEB liability. Investments are reported at fair value.

#### ***Interfund Activity***

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities, and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the statement of net position, except for the residual amounts due between governmental and business-type activities.

#### ***Net Position Flow Assumption***

Sometimes the Township will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted 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***

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

## **Charter Township of Muskegon**

### Notes to the Financial Statements

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balance. Further, 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. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by creditors, grantors, bondholders, contributors, or laws or regulations of other governments.

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

Fund balance may be *assigned* to reflect the intended use of the funds. The assignment of funds shall be by the Township Board or by an official or body to which the Township Board delegates the authority and shall remain binding until removed or modified by the same Board or official or body to which imposed the constraints. The Treasurer shall be authorized to temporarily modify or remove a constraint reflected in assigned fund balance to meet an immediate cash flow need. Such constraint shall be automatically restored thirty days after being removed or modified by action of the Treasurer. Any amounts remaining in excess of nonspendable, restricted, or committed funds in funds other than the general fund will automatically be reported as assigned fund balance.

*Unassigned fund balance* is the residual classification for the Township's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Township Board. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, the unassigned classification is used only to report a deficit.

Minimum unassigned fund balance shall be two months of general fund expenditures or 17% of general fund revenue, whichever is greater. Although circumstances may require the unassigned fund balance to fall below the minimum level established by this policy, it shall be the Township Board's intent that such minimum balance shall be re-established at the earliest possible opportunity.

## **Charter Township of Muskegon**

### Notes to the Financial Statements

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#### ***Property Tax Revenue Recognition***

Property taxes are levied each December 1 (lien date) on the taxable valuation of property as of the preceding December 31. Property taxes are considered delinquent on March 1 of the following year, at which time interest and penalties are assessed. Although the Township's 2021 ad valorem taxes are levied on December 1, 2021, it is the Township's policy to recognize revenue from the 2020 tax levy in the current year, when the proceeds are budgeted and made available for the financing of operations.

#### ***Property Taxes***

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the County, school, and State of Michigan. Taxes are levied and liened on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. Taxes levied on December 1 are recorded as receivables and deferred inflows. Taxes are recognized as revenue (and become available for appropriation) in the calendar year following the levy.

The 2020 state taxable value for real/personal property of the Township totaled approximately \$376,365,831. The ad valorem taxes levied consisted of 4.3124, 2.7500, 0.5500, and 1.5000 mills for the Township's general operating, public safety, street lighting, and road, repair, and improvement purposes, respectively. These amounts are recognized in the general fund, public safety fund, street lighting fund, and local streets fund, respectively.

#### ***Proprietary Funds Operating and Nonoperating Revenues and Expenses***

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues 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 revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## **Charter Township of Muskegon**

### Notes to the Financial Statements

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#### ***Use of Estimates***

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

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

##### ***Budgetary Information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level for the general fund and the fund level for all other governmental funds.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

##### ***Budgetary Compliance***

The Township had the following significant expenditures in excess of the amounts appropriated during the year ended December 31, 2021:

<b><u>Department</u></b>	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Negative Variance</b>
Payroll Benefits	\$ 169,247	\$ 8,560,635	\$ (8,391,388)
Debt Service	388,153	654,885	(266,732)

Other financing sources also had a budget exception of \$8,628,150, due to the Bonds being issued to cover the net pension liability, which in turn caused the Payroll Benefits exception as no cash flowed through the township bank accounts.

##### ***Fund Deficit***

As of December 31, 2021, the Township's paving projects capital projects fund had an unassigned fund balance deficit of \$(451,354). The deficit will be eliminated through future special assessment collections. In addition, governmental activities had an unrestricted deficit net position of \$(14,848,443) and a total deficit net position of \$(11,317,889).

## **Charter Township of Muskegon**

### Notes to the Financial Statements

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#### **Note 3 - Deposits and Investments**

The Township maintains pooled and individual fund demand deposits, certificates of deposit, and short-term investment accounts. Following is a reconciliation of deposit and investment balances as of December 31, 2021:

<b>Statement of Net Position</b>	
Cash and Investments	\$ 9,729,469
<b>Statement of Fiduciary Net Position</b>	
Cash and Investments	504,250
<b>Total Cash and Investments</b>	<b><u>\$ 10,233,719</u></b>
<b>Deposits and Investments</b>	
Cash and Cash Equivalents	\$ 9,680,224
Investments	552,865
Cash on Hand	630
<b>Total Deposits and Investments</b>	<b><u>\$ 10,233,719</u></b>

#### ***Custodial Credit Risk - Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be returned. State law does not require, and the Township does not have a policy for deposit custodial credit risk. As of year-end, \$9,323,488 of the Township's bank balance of \$9,573,488 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Township believes it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### ***Custodial Credit Risk - Investments***

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township does not have a custodial credit risk policy for investments.

## **Charter Township of Muskegon**

### Notes to the Financial Statements

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#### ***Credit Risk***

State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Township's investment policy does not have specific limits in excess of state law on investment credit risk.

Credit risk ratings, where applicable, are summarized as follows:

<b>Agency</b>	<b>Rating</b>	<b>Amount</b>
N/A	Not Rated	\$ 490,000
Standard & Poor's	AAAm	62,865
		<hr/> <b>\$ 552,865</b>

#### ***Interest Rate Risk***

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Maturity dates for investments and certificates of deposit held at year-end are summarized as follows:

	<b>Certificates of Deposit</b>	<b>Cash Equivalents and Investments</b>
No Maturity	\$ -	\$ 62,865
Due in 1-5 Years	490,000	-
	<hr/> <b>\$ 490,000</b>	<hr/> <b>\$ 62,865</b>

#### ***Concentration of Credit Risk***

The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

## **Charter Township of Muskegon**

### Notes to the Financial Statements

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#### ***Fair Value Measurement***

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Township has the following recurring fair value measurements as of December 31, 2021:

- Investments held with Multi-Bank Securities (MBS) totaled \$490,000. Investments included in MBS are certificates of deposits. These are valued using Level 1 inputs.
- Investments held with MICLASS totaled \$62,865. MICLASS is authorized to invest in the same investment types as local units of government in Michigan. These holdings are valued using Level 2 inputs.

#### **Note 4 - Transfers, Interfund Balances, and Advances**

Interfund transfers consisted of the following during the year:

<b>Transfer In</b>	<b>Transfer Out</b>	<b>Amount</b>
Public Safety	General	\$ 2,102,168
Public Safety	Nonmajor Governmental Funds	114,000
General	Sewer	12,938
General	Sanitation	17,251

Interfund transfers are used to: 1) transfer revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) transfer receipts restricted to debt service from the funds collecting the receipts to the debt service funds as debt service payments become due, and 3) transfer unrestricted revenues collected in the general fund to other funds to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

#### ***Advances Between Funds***

As of December 31, 2021, the Township had a long-term advance between the sewer fund and equipment fund, an internal service fund, for \$328,600 as well as a long-term advance between the sewer fund and paving projects fund in the amount of \$476,745.

## Charter Township of Muskegon

### Notes to the Financial Statements

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The maturity schedule for the advances from the sewer fund are as follows:

<b>Year Ending December 31,</b>	<b>Advance to Equipment Fund</b>			<b>Advance to Paving Projects Fund</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 72,937	\$ 8,215	\$ 81,152	\$ 43,891	\$ 16,531	\$ 60,422
2023	72,937	6,392	79,329	43,891	16,595	60,486
2024	72,937	4,568	77,505	43,891	14,922	58,813
2025	72,937	2,745	75,682	42,557	13,248	55,805
2026	36,852	921	37,773	40,978	11,602	52,580
2027-2031	-	-	-	192,908	36,228	229,136
2032-2036	-	-	-	68,629	4,953	73,582
<b>Total</b>	<b>\$ 328,600</b>	<b>\$ 22,841</b>	<b>\$ 351,441</b>	<b>\$ 476,745</b>	<b>\$ 114,079</b>	<b>\$ 590,824</b>

### **Note 5 - Capital Assets**

Capital asset activity of the Township's governmental activities during the year was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>Capital Assets not being Depreciated</b>				
Land	\$ 577,138	\$ -	\$ -	\$ 577,138
<b>Capital Assets being Depreciated</b>				
Land Improvements	1,188,509	-	-	1,188,509
Buildings and Improvements	2,916,873	-	-	2,916,873
Furniture and Equipment	647,123	11,415	-	658,538
Vehicles	3,927,565	127,801	(99,516)	3,955,850
<i>Subtotal</i>	<i>8,680,070</i>	<i>139,216</i>	<i>(99,516)</i>	<i>8,719,770</i>
<b>Less Accumulated Depreciation</b>				
Land Improvements	897,040	31,225	-	928,265
Buildings and Improvements	1,755,370	66,810	-	1,822,180
Furniture and Equipment	509,675	25,682	-	535,357
Vehicles	2,650,293	259,582	(99,516)	2,810,359
<i>Subtotal</i>	<i>5,812,378</i>	<i>383,299</i>	<i>(99,516)</i>	<i>6,096,161</i>
<b>Capital Assets being Depreciated, Net</b>	<b>2,867,692</b>	<b>(244,083)</b>	<b>-</b>	<b>2,623,609</b>
<b>Capital Assets, Net</b>	<b>\$ 3,444,830</b>	<b>\$ (244,083)</b>	<b>\$ -</b>	<b>\$ 3,200,747</b>

## Charter Township of Muskegon

### Notes to the Financial Statements

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Depreciation expense was charged to governmental activities of the Township as follows:

#### **Governmental Activities**

General Government	\$ 19,953
Public Safety	242,001
Public Works	8,596
Recreation and Culture	38,282
Internal Service Fund - Public Works	<u>74,467</u>
Total	<u><u>\$ 383,299</u></u>

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>Capital Assets not being Depreciated</b>				
Land	\$ 53,638	\$ -	\$ -	\$ 53,638
<b>Capital Assets being Depreciated</b>				
Utility Systems	37,508,555	-	-	37,508,555
Land Improvements	94,820	-	-	94,820
Building and Improvements	85,625	-	-	85,625
Furniture and Equipment	86,818	-	-	86,818
Vehicles	1,685,555	253,943	-	1,939,498
Access Rights	213,162	-	-	213,162
<i>Subtotal</i>	<i>39,674,535</i>	<i>253,943</i>	<i>-</i>	<i>39,928,478</i>
<b>Less Accumulated Depreciation</b>				
Utility Systems	18,673,918	748,817	-	19,422,735
Land Improvements	-	3,161	-	3,161
Building and Improvements	3,930	2,713	-	6,643
Furniture and Equipment	35,056	9,380	-	44,436
Vehicles	1,314,144	137,307	-	1,451,451
Access Rights	99,475	7,105	-	106,580
<i>Subtotal</i>	<i>20,126,523</i>	<i>908,483</i>	<i>-</i>	<i>21,035,006</i>
<b>Capital Assets being Depreciated, Net</b>	<b>19,548,012</b>	<b>(654,540)</b>	<b>-</b>	<b>18,893,472</b>
<b>Capital Assets, Net</b>	<b>\$ 19,601,650</b>	<b>\$ (654,540)</b>	<b>\$ -</b>	<b>\$ 18,947,110</b>

Depreciation expense was charged to business-type activities of the Township as follows:

#### **Business-type Activities**

Sanitation Fund	\$ 133,045
Sewer Fund	<u>775,438</u>
Total	<u><u>\$ 908,483</u></u>

## Charter Township of Muskegon

### Notes to the Financial Statements

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#### **Note 6 - Long-term Obligations**

The following is a summary of the changes in the long-term obligations for the year ended December 31, 2021:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
2021 Pension Obligation Bonds, used for funding the Township's pension liability, maturing serially in 2042 with annual installments ranging from \$335,000 to \$505,000 and bearing interest at rates of 0.265% to 2.717%.	\$ -	\$ 8,895,000	\$ (335,000)	\$ 8,560,000	\$ 355,000
Compensated Absences	316,021	-	(5,673)	310,348	183,488
<b>Subtotal</b>	<b>316,021</b>	<b>8,895,000</b>	<b>(340,673)</b>	<b>8,870,348</b>	<b>538,488</b>
<b>Business-type Activities</b>					
2015 Muskegon County Wastewater Management Bonds, used for funding wastewater system improvements, maturing serially in 2036 with annual installments ranging from \$346,000 to \$948,494 and bearing interest at rates of 4.0% to 5.0%.	10,658,892	-	(450,923)	10,207,969	474,247
Premium	689,353	-	(71,778)	617,575	-
Compensated Absences	22,574	1,024	-	23,598	13,951
<b>Subtotal</b>	<b>11,370,819</b>	<b>1,024</b>	<b>(522,701)</b>	<b>10,849,142</b>	<b>488,198</b>
<b>Totals</b>	<b>\$ 11,686,840</b>	<b>\$ 8,896,024</b>	<b>\$ (863,374)</b>	<b>\$ 19,719,490</b>	<b>\$ 1,026,686</b>

For governmental activities, compensated absences are generally liquidated by the general fund. 97% of the 2021 pension bonds were allocated to the genera fund and 3% to the local streets fund. Each fund will repay its proportionate share of the pension bonds.

Annual debt service requirements to maturity for general obligation bonds outstanding as of December 31, 2021 follows:

<b>Year Ended December 31,</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2022	\$ 355,000	\$ 164,166	\$ 474,247	\$ 487,585
2023	355,000	163,083	497,570	463,873
2024	360,000	161,929	524,781	438,994
2025	360,000	160,295	551,992	412,755
2026	360,000	157,454	579,203	385,155
2027-2031	1,875,000	719,221	3,308,066	1,537,828
2032-2036	2,060,000	535,233	4,272,110	662,974
2037-2042	2,835,000	275,638	-	-
<b>Totals</b>	<b>\$ 8,560,000</b>	<b>\$ 2,337,019</b>	<b>\$ 10,207,969</b>	<b>\$ 4,389,164</b>

In 2005, the County of Muskegon began making improvements to the regional sewer treatment facilities. The project was funded with \$17,500,000 bonds issued through the State of Michigan Clean Water Revolving Fund Loan Program. The County operates the system and makes payments on the bonds with user charges to the local units. The Township has pledged its limited tax full

## **Charter Township of Muskegon**

### Notes to the Financial Statements

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faith and credit for the payment of its portion of the debt should user charges collected by the County be insufficient to make the debt payments. The Township's portion of the debt on December 31, 2021 was \$536,407. The Township is unaware of any circumstances that would cause user charges collected by the County to become insufficient to make debt payments.

The County of Muskegon issued \$4,940,000 Water Supply System Revenue Refunding Bonds in 2019 to refund the original Water Supply System Bond issued in 2008 to fund improvements to the Northside Water System which includes part of the Township. The Township has pledged its full faith and credit for a portion of the debt should user charges collected by the County be insufficient to make the debt payments. The Township's portion of the debt on December 31, 2021 was \$862,860. The Township is unaware of any circumstances that would cause user charges collected by the County to become insufficient to make debt payments.

The County of Muskegon issued a \$6,550,000 Water Supply System Refunding Bond in 2015 to refund bonds which had been issued to fund improvements to the Northside Water System which includes part of the Township. The Township has pledged its full faith and credit for a portion of the debt should user charges collected by the County be insufficient to make the debt payments. The Township's portion of the debt on December 31, 2021 was \$1,327,300. The Township is unaware of any circumstances that would cause user charges collected by the County to become insufficient to make debt payments.

In 2015, the County of Muskegon, on behalf of the Township and two other local units, issued \$16,185,000 in Wastewater Management – Number One Bonds of 2015 to refund the outstanding balance of the Wastewater Management – Number One Bonds of 2006. The County refunded the Wastewater Management – Number One Bonds of 2006 to reduce total debt service payments over 22 years by \$1,978,543 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,415,276. The Township's share of both the savings and debt is approximately 77.75%. The Township's portion of the debt on December 31, 2021 was \$10,207,969.

### **Note 7 - Pension Plans**

#### **Defined Contribution Pension Plan**

The Township also maintains a defined contribution plan offered by MERS for its full-time employees hired after the defined benefit plan was closed to new participants.

Benefit terms, including contribution requirements, for the MERS defined contribution plan are established and may be amended by the Township Board as determined by negotiated labor contracts. The Township is required to contribute 2 percent of a qualified employees' annual compensation each year and also match employee contributions for up to an additional 6 percent (maximum Township contribution of 8 percent). Employees are not required to contribute. For the year ended December 31, 2021, Township and employee contributions were \$154,157 and \$131,719, respectively, additionally \$15,408 of forfeitures applied to the township contribution.

## Charter Township of Muskegon

### Notes to the Financial Statements

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Employees are immediately vested in their own contributions and earnings on those contributions and become vested in Township contributions and earnings on Township contributions by 20 percent for each full year of service, leaving employees fully vested after five years of service. Nonvested Township contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. For the year ended December 31, 2021, \$15,408 of forfeitures recognized in pension expense.

### Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time Township employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

### Defined Benefit Pension Plan

#### *Plan Description*

The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

#### *Benefits Provided*

Division	Benefit Multiplier	Benefit Maximum	Final Average Compensation (Years)	Normal Retirement Age	Unreduced Benefit (Age/Years of Service)	Reduced Benefit (Age/Years of Service)	Vesting (Years)
General - Closed	2.50%	80%	5	60	50/25 or 55/15	N/A	10
Police - Closed	2.50%	80%	5	60	50/25 or 55/15	N/A	10
Fire - Closed	2.50%	80%	5	60	50/25 or 55/15	N/A	10
Clerical DPW - Closed	2.50%	80%	5	60	50/25 or 55/15	N/A	10

## Charter Township of Muskegon

### Notes to the Financial Statements

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#### ***Employees Covered by Benefit Terms***

At the December 31, 2020 measurement date, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	51
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	4
Active Plan Members	22
Total Employees Covered by MERS	77

#### ***Contributions***

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employees and the township contributed as shown below.

For the year ended December 31, 2021, the Township had the following contribution rates:

<b>Division</b>	<b>Employee Contributions</b>	<b>Employer Contributions*</b>
General - Closed	10.00%	\$ 20,253
Police - Closed	10.00%	17,829
Fire - Closed	10.00%	15,909
Clerical DPW - Closed	10.00%	12,455

\*For closed divisions, a monthly dollar contribution is shown.

#### ***Net Pension Liability***

The Township's net pension liability was measured as of December 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

#### ***Actuarial Assumptions***

The total pension liability in the December 31, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.50%
- Salary increases 3.0% plus merit and longevity: 3.0% in the long-term
- Investment rate of return: 7.35%, net of investment expense, including inflation

## Charter Township of Muskegon

### Notes to the Financial Statements

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Although no specific price inflation assumptions are needed for the valuation, the 3.0% long-term wage inflation assumption would be consistent with a price inflation of 3-4%.

Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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 target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Gross Rate of Return	Long-term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
	Target Allocation	Gross Rate of Return	Long-term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global equity	60.00%	7.45%	4.47%	2.50%	2.97%
Global fixed income	20.00%	4.90%	0.98%	2.50%	0.48%
Private Investments	20.00%	9.50%	1.90%	2.50%	1.40%
<b>Totals</b>	<b>100.00%</b>		<b>7.35%</b>		<b>4.85%</b>

#### ***Discount Rate***

The discount rate used to measure the total pension liability is 7.6%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## Charter Township of Muskegon

### Notes to the Financial Statements

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#### ***Changes in Net Pension Liability***

<b>Changes in Net Pension Liability</b>	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Net Position</b>	<b>Net Pension Liability</b>
<b>Balance at December 31, 2019</b>	\$ 26,025,912	\$ 16,838,388	\$ 9,187,524
Service Cost	226,072	-	226,072
Interest	1,931,284	-	1,931,284
Contributions - Employer	-	627,864	(627,864)
Contributions - Employee	-	145,457	(145,457)
Changes in Assumptions	754,687	-	754,687
Difference Between Expected and Actual Experience	125,106	-	125,106
Net Investment Income	-	2,090,973	(2,090,973)
Benefit Payments, Including Refunds	(1,454,631)	(1,454,631)	-
Administrative Expenses	-	(33,460)	33,460
<i>Net Changes</i>	<u>1,582,518</u>	<u>1,376,203</u>	<u>206,315</u>
<b>Balance at December 31, 2020</b>	<b>\$ 27,608,430</b>	<b>\$ 18,214,591</b>	<b>\$ 9,393,839</b>
<b>Reconciliation to Statement of Net Position</b>			
	Governmental Activities	\$ 8,736,270	
	Business-type Activities	<u>657,569</u>	
	<b>\$ 9,393,839</b>		

Net pension liability allocated to business-type activities is further allocated between the sanitation fund and the sewer fund in the amounts of \$375,754 and \$281,815, respectively.

#### ***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability of the Township, calculated using the discount rate of 7.60%, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate:

	<b>Current</b>		
	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b>(6.60%)</b>	<b>(7.60%)</b>	<b>(8.60%)</b>
Net Pension Liability of the Township	<u>\$ 12,788,067</u>	<u>\$ 9,393,839</u>	<u>\$ 6,573,856</u>

The current discount rate shown for GASB68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

## Charter Township of Muskegon

### Notes to the Financial Statements

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

For the year ended December 31, 2021 the Township recognized pension expense of \$1,817,548.

The Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Source</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 568,348
Differences Between Expected and Actual Experience	62,553	-
Changes in Assumptions	377,343	-
Employer Contributions to the Plan Subsequent to the Measurement Date *	8,828,098	-
Total	<u>\$ 9,267,994</u>	<u>\$ 568,348</u>
<b>Reconciliation to Statement of Net Position</b>		
Governmental Activities	\$ 8,619,235	\$ 528,564
Business-type Activities	648,759	39,784
	<u>\$ 9,267,994</u>	<u>\$ 568,348</u>

\* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending December 31, 2022.

Deferred outflows of resources allocated to business-type activities is further allocated between the sanitation fund and the sewer fund in the amounts of \$370,720 and \$278,039 and deferred inflows of \$22,734 and \$17,050, respectively.

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

<b>Years Ending</b>		
<b>December 31,</b>		<b>Amount</b>
2022	\$ 331,154	
2023	48,311	
2024	(340,233)	
2025	(167,684)	

## **Charter Township of Muskegon**

### Notes to the Financial Statements

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#### **Note 8 - Other Postemployment Benefits**

##### **Retiree Healthcare Plan**

###### ***Plan Description***

The Township administers a single employer defined benefit healthcare plan (the “Retiree Healthcare Plan” or “Plan”). The Retiree Healthcare Plan provides health insurance to eligible retirees and their spouses. Act No. 149 of the Public Acts of 1999 of the State of Michigan assigns the Township to establish and amend the benefit provisions of the Retiree Healthcare Plan to the respective employer entities, that authority rests with the Township. The Retiree Healthcare Plan does not issue a publicly available financial report and a legal trust has not been established for the Plan.

###### ***Funding Policy***

Plan members are not required to contribute to the Plan. The contribution requirements of plan members and the Township are established and may be amended by the Township Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Township.

###### ***Benefits Provided***

The plan provides medical benefits to retirees who are eligible for the benefits. Eligibility is determined based on tenure at the Township as well as position and classification and is maintained until the employee’s & spouse death (or, if hired after January 1, 2013, the age of 65).

Membership of the Plan consisted of the following at the date of the last actuarial valuation (December 31, 2021):

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	53
Active Plan Members	36
Total Employees Covered by the Plan	<u>89</u>

###### ***Contributions***

The Township Retiree Healthcare Plan was established and is being funded under the Township of the Township Board of Trustees and under agreements with the unions representing various classes of employees. The plan’s funding policy is that the employer will contribute any required amounts on a pay-as-you-go basis. This is, contributions will be made to the extent necessary to cover retiree medical costs as they occur. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves.

## **Charter Township of Muskegon**

### Notes to the Financial Statements

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#### ***Methods and Assumptions***

The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: Not applicable, the plan is not pre-funded

Salary Increases: 3.0% (for purpose of allocating liability)

Municipal Bond Rate: 2.25%

Mortality Rates: 2010 Public General and Public Safety Employees and Healthy Retirees, Headcount weighted, MP 2021 Improvement Scale

#### ***Discount Rate***

The discount rate used to measure the total OPEB liability was 2.25%. The projection of cash flows used to determine the discount rate assumed that Township contributions will be made at rates equal to the most recent recommended contribution expressed as a percentage of covered payroll. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. The discount rate used to measure the total OPEB liability in the prior year was 1.93%.

#### ***Net OPEB Liability***

The net OPEB liability reported on December 31, 2021, was determined using a measure of the total OPEB liability and the OPEB net position as of December 31, 2021. The December 31, 2021, total OPEB liability was determined by an actuarial valuation performed as of December 31, 2021.

## Charter Township of Muskegon

### Notes to the Financial Statements

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

<b>Changes in Net OPEB Liability</b>	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability</b>	<b>Plan Net Position</b>	<b>Net OPEB Liability</b>
<b>Balance at December 31, 2020</b>	\$ 13,216,095	\$ -	\$ 13,216,095
Service Cost	285,254	-	285,254
Interest	258,168	-	258,168
Experience (Gains)/Losses	175,706		175,706
Contributions - Employer	-	249,534	(249,534)
Changes in Assumptions	(2,998,730)	-	(2,998,730)
Ad Hoc Postemployment Benefit Changes	-	-	-
Benefit Payments, Including Refunds	(249,534)	(249,534)	-
<i>Net Changes</i>	<u>(2,529,136)</u>	<u>-</u>	<u>(2,529,136)</u>
<b>Balance at December 31, 2021</b>	<b>\$ 10,686,959</b>	<b>\$ -</b>	<b>\$ 10,686,959</b>
<b>Reconciliation to Statement of Net Position</b>			
	Governmental Activities	\$ 9,618,263	
	Business-type Activities	1,068,696	
	<u>\$ 10,686,959</u>		

Net OPEB liability allocated to business-type activities is further allocated between the sanitation fund and the sewer fund in the amounts of \$534,348 and \$534,348, respectively.

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

The following presents the net OPEB liability of the employer, calculated using the discount rate of 2.25%, as well as what the employer's net OPEB liability would be using a discount rate that is 1 percentage point lower or higher than the current rate:

	<b>1% Decrease</b>	<b>Current Rate</b>	<b>1% Increase</b>
Net OPEB Liability of the Township	\$ 12,407,907	\$ 10,686,959	\$ 9,310,621

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

The following presents the net OPEB liability of the employer, calculated using the healthcare cost trend rate of 7.5% to 4.50% depending on coverage type, as well as what the employer's net OPEB liability would be using a healthcare cost trend rate that is 1 percentage point lower or higher than the current rate:

	<b>1% Decrease</b>	<b>Current Rate</b>	<b>1% Increase</b>
Net OPEB Liability of the Township	\$ 9,209,109	\$ 10,686,959	\$ 12,564,337

## **Charter Township of Muskegon**

### Notes to the Financial Statements

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#### ***OPEB Expense and Deferred Outflows of Resources Related to OPEB Plan***

For the year ended December 31, 2021, the employer recognized OPEB expense of \$329,052. The Township reported deferred outflows of resources related to OPEB from the following sources:

<b>Source</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 165,313	\$ -
Changes in Assumptions	2,760,398	2,494,742
Total	\$ 2,925,711	\$ 2,494,742
<b>Reconciliation to Statement of Net Position</b>		
Governmental Activities	\$ 2,633,141	\$ 2,245,268
Business-type Activities	292,570	249,474
	\$ 2,925,711	\$ 2,494,742

Deferred outflows of resources and deferred inflows of resources allocated to business-type activities is further allocated equally between the sanitation fund and the sewer fund in the amounts of \$146,285 and \$124,737, respectively.

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

<b>Years Ending December 31,</b>	<b>Amount</b>
2022	\$ (214,370)
2023	(214,370)
2024	(214,370)
2025	(214,370)
2026	(190,646)
2027+	1,479,095

## **Charter Township of Muskegon**

### Notes to the Financial Statements

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#### **Note 9 - Other Information**

##### *Contingent Liabilities*

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

##### *Risk Management*

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters for which the Township carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Township manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Township pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally insuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **Note 10 - Tax Abatements**

The Township received reduced property tax revenues during the year as a result of industrial facilities tax exemptions (IFT's).

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property in the Township. The abatements amounted to \$9,845 in reduced Township tax revenues for the year ended December 31, 2021.

## **Charter Township of Muskegon**

### Notes to the Financial Statements

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#### **Note 11 - Commitment**

The Township committed to the purchase of a mini pumper fire truck for \$232,121 with an expected delivery in June 2022.

## **Required Supplementary Information**

**Charter Township of Muskegon**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2021**

	<b>Budgeted Amounts</b>			<b>Variance Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Property Taxes	\$ 1,834,155	\$ 1,834,155	\$ 1,839,050	\$ 4,895
Licenses and Permits	596,500	742,500	743,274	(8,226)
Intergovernmental	1,882,166	2,228,619	2,425,824	197,205
Charges for Services	389,957	370,745	375,076	4,331
Fines and Forfeitures	3,500	3,500	2,158	(1,342)
Interest Income	10,000	7,000	8,085	1,085
Other Revenues	53,240	62,067	94,833	32,766
<b>Total Revenues</b>	<b>4,769,518</b>	<b>5,248,586</b>	<b>5,479,300</b>	<b>230,714</b>
<b>Other Financing Sources</b>				
Pension Bonds Issued	--	--	8,628,150	8,628,150
Transfers In	--	--	30,189	30,189
<b>Total Revenues and Other Financing Sources</b>	<b>4,769,518</b>	<b>5,248,586</b>	<b>14,137,639</b>	<b>8,889,053</b>
<b>Expenditures</b>				
<b>General Government</b>				
Board of Trustees	41,165	41,165	40,085	1,080
Supervisor	93,082	93,082	91,909	1,173
Elections	1,000	9,561	8,719	842
Assessing	179,205	179,205	169,512	9,693
Professional Services	27,600	77,600	76,207	1,393
Clerk	251,478	251,478	251,004	474
Treasurer	222,326	222,326	220,136	2,190
Township Hall	150,854	150,854	75,871	74,983
<b>Total General Government</b>	<b>966,710</b>	<b>1,025,271</b>	<b>933,443</b>	<b>91,828</b>
<b>Public Safety</b>				
Inspection Department	225,603	266,871	258,119	8,752
Rental Inspections	190,880	215,388	209,033	6,355
<b>Total Public Safety</b>	<b>416,483</b>	<b>482,259</b>	<b>467,152</b>	<b>15,107</b>
<b>Public Works</b>				
Leaf Collection	8,496	11,864	12,177	(313)
<b>Community and Economic Development</b>				
Planning	74,177	74,177	54,056	20,121
Zoning	70,737	80,737	81,128	(391)
Board of Appeals	854	854	624	230
<b>Total Community and Economic Development</b>	<b>145,768</b>	<b>155,768</b>	<b>135,808</b>	<b>19,960</b>
<b>Recreation and Culture</b>				
Parks and Recreation	118,744	131,979	125,912	6,067
<b>Other Governmental Functions</b>				
Insurance	338,000	347,000	346,137	863
Payroll Benefits	690,754	169,247	8,560,635	(8,391,388)
Other	34,700	152,744	150,741	2,003
<b>Total Other Governmental Functions</b>	<b>1,063,454</b>	<b>668,991</b>	<b>9,057,513</b>	<b>(8,388,522)</b>
Debt Service	--	388,153	654,885	(266,732)
<b>Total Expenditures</b>	<b>2,719,655</b>	<b>2,864,285</b>	<b>11,386,890</b>	<b>(8,522,605)</b>
<b>Other Financing Uses</b>				
Transfers Out	2,083,801	2,140,190	2,102,168	38,022
<b>Total Expenditures and Other Financing Uses</b>	<b>4,803,456</b>	<b>5,004,475</b>	<b>13,489,058</b>	<b>(8,484,583)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>				
<b>and Other Uses</b>	<b>(33,938)</b>	<b>244,111</b>	<b>648,581</b>	<b>404,470</b>
<b>Net Change in Fund Balance</b>	<b>(33,938)</b>	<b>244,111</b>	<b>648,581</b>	<b>404,470</b>
<b>Fund Balance at Beginning of Period</b>	<b>2,719,336</b>	<b>2,719,336</b>	<b>2,719,336</b>	<b>--</b>
<b>Fund Balance at End of Period</b>	<b>\$ 2,685,398</b>	<b>\$ 2,963,447</b>	<b>\$ 3,367,917</b>	<b>\$ 404,470</b>

**Charter Township of Muskegon**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Public Safety**  
**For the Year Ended December 31, 2021**

	<b>Budgeted Amounts</b>			Variance	
	<b>Original</b>		<b>Final</b>		<b>Positive</b>
					(Negative)
<b>Revenues</b>					<b>Final to Actual</b>
Property Taxes	\$ 1,034,863	\$ 1,038,358	\$ 1,038,773	\$ 415	
Intergovernmental	136,600	153,440	154,129	689	
Charges for Services	7,500	7,500	8,589	1,089	
Fines and Forfeitures	3,000	3,000	2,978	(22)	
Interest Income	1,000	1,000	384	(616)	
Other Revenues	23,000	42,376	43,159	783	
<b>Total Revenues</b>	<b>1,205,963</b>	<b>1,245,674</b>	<b>1,248,012</b>	<b>2,338</b>	
<b>Other Financing Sources</b>					
Transfers In	2,197,801	2,254,190	2,216,168	(38,022)	
<b>Total Revenues and Other Financing Sources</b>	<b>3,403,764</b>	<b>3,499,864</b>	<b>3,464,180</b>	<b>(35,684)</b>	
<b>Expenditures</b>					
<b>Public Safety</b>					
Police Department	1,827,439	1,923,539	1,934,939	(11,400)	
Fire Department	1,576,325	1,576,325	1,529,241	47,084	
<b>Total Public Safety Expenditures</b>	<b>3,403,764</b>	<b>3,499,864</b>	<b>3,464,180</b>	<b>35,684</b>	
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	
<b>Net Change in Fund Balance</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	
<b>Fund Balance at Beginning of Period</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	
<b>Fund Balance at End of Period</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	

**Charter Township of Muskegon**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios - MERS Pension Plan**  
**Last Seven Plan Years\***

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability</b>							
Service Cost	\$ 226,072	\$ 227,281	\$ 272,670	\$ 336,141	\$ 383,721	\$ 378,951	\$ 372,585
Interest	1,931,284	1,852,184	1,805,674	1,739,957	1,666,365	1,558,449	1,480,346
Differences Between Expected and Actual Experience	125,106	598,949	(225,184)	(111,579)	(89,950)	(65,004)	-
Changes in Assumptions	754,687	975,249	-	-	-	1,018,947	-
Benefit Payments, Including Refunds	(1,454,631)	(1,332,802)	(1,165,395)	(1,057,276)	(975,557)	(933,370)	(885,473)
<b>Net Change in Pension Liability</b>	<b>1,582,518</b>	<b>2,320,861</b>	<b>687,765</b>	<b>907,243</b>	<b>984,579</b>	<b>1,957,973</b>	<b>967,458</b>
<b>Total Pension Liability - Beginning</b>	<b>26,025,912</b>	<b>23,705,051</b>	<b>23,017,286</b>	<b>22,110,043</b>	<b>21,125,464</b>	<b>19,167,491</b>	<b>18,200,033</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 27,608,430</b>	<b>\$ 26,025,912</b>	<b>\$ 23,705,051</b>	<b>\$ 23,017,286</b>	<b>\$ 22,110,043</b>	<b>\$ 21,125,464</b>	<b>\$ 19,167,491</b>
<b>Plan Fiduciary Net Position</b>							
Contributions - Employer	\$ 627,864	\$ 558,756	\$ 540,240	\$ 570,648	\$ 480,936	\$ 402,696	\$ 375,012
Contributions - Member	145,457	161,472	191,087	225,519	238,752	236,590	215,262
Net Investment Income (Loss)	2,090,973	2,070,142	(639,609)	1,961,776	1,543,703	(211,091)	856,532
Benefit Payments, Including Refunds	(1,454,631)	(1,332,802)	(1,165,395)	(1,057,276)	(975,557)	(933,370)	(885,473)
Administrative Expenses	(33,460)	(35,661)	(31,853)	(31,051)	(30,467)	(30,840)	(31,458)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>1,376,203</b>	<b>1,421,907</b>	<b>(1,105,530)</b>	<b>1,669,616</b>	<b>1,257,367</b>	<b>(536,015)</b>	<b>529,875</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>16,838,388</b>	<b>15,416,481</b>	<b>16,522,011</b>	<b>14,852,395</b>	<b>13,595,028</b>	<b>14,131,043</b>	<b>13,601,168</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 18,214,591</b>	<b>\$ 16,838,388</b>	<b>\$ 15,416,481</b>	<b>\$ 16,522,011</b>	<b>\$ 14,852,395</b>	<b>\$ 13,595,028</b>	<b>\$ 14,131,043</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 9,393,839</b>	<b>\$ 9,187,524</b>	<b>\$ 8,288,570</b>	<b>\$ 6,495,275</b>	<b>\$ 7,257,648</b>	<b>\$ 7,530,436</b>	<b>\$ 5,036,448</b>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	65.97%	64.70%	65.03%	71.78%	67.17%	64.35%	73.72%
Covered Payroll	\$ 1,400,927	\$ 1,414,699	\$ 1,690,541	\$ 2,077,001	\$ 2,368,116	\$ 2,365,902	\$ 2,326,293
Net Pension Liability as a Percentage of Covered Payroll	670.54%	649.43%	490.29%	312.72%	306.47%	318.29%	216.50%

\* Built prospectively upon implementation on GASB 68

\*\*The following were significant changes to economic and demographic assumptions:

2015 valuation - The investment rate of return assumption was reduced from 8.25% to 8.0%, the wage inflation assumption was reduced from 4.50% to 3.75%, inflation rates changed from 3.0-4.0% to

2019 valuation - The investment rate of return assumption was reduced from 8.00% to 7.60%, the wage inflation assumption was reduced from 3.75% to 3.00%.

2020 valuation - Mortality rates were changed to the recently issued Pub-2010 mortality general rates as published by the Society of Actuaries along with a change to sex-distinct assumptions

**Charter Township of Muskegon**  
**Required Supplementary Information**  
**Schedule of Contributions - MERS Pension Plan**  
**Last Ten Fiscal Years**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Actuarially Determined Contribution	\$ 797,352	\$ 627,864	\$ 558,756	\$ 540,240	\$ 570,648	\$ 480,936	\$ 402,696	\$ 375,012	\$ 383,471	\$ 340,167
Contributions in Relation to the Actuarially Determined Contribution	<u>8,828,098</u>	<u>627,864</u>	<u>558,756</u>	<u>540,240</u>	<u>570,648</u>	<u>480,936</u>	<u>402,696</u>	<u>375,012</u>	<u>383,471</u>	<u>340,167</u>
Contribution Deficiency (Excess)	<u>\$ (8,030,746)</u>	<u>\$ -</u>								
Covered Payroll	\$ 1,400,927	\$ 1,414,699	\$ 1,616,724	\$ 1,897,908	\$ 2,368,116	\$ 2,365,902	\$ 2,326,293	\$ 2,326,293	\$ 2,477,312	\$ 2,660,739
Contributions as a Percentage of Covered Payroll	630.16%	44.38%	34.56%	20.31%	18.80%	17.31%	16.12%	15.48%	12.81%	12.27%

*Notes*

**Valuation Date**

Actuarially determined contribution amounts are calculated as of December 31 each year, which is one year prior to the beginning of the fiscal year in which the contributions are required.

**Methods and Assumptions Used to Determine Contribution Rates**

Actuarial Cost Method	Entry-age Normal
Amortization Method	Level percentage of pay, closed
Remaining Amortization Period	21 years
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	3% Plus merit and longevity
Investment Rate of Return	7.35%
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	PUB-2010 and fully generational MP-2019

**Charter Township of Muskegon**  
**Required Supplementary Information**  
**Schedule of Changes in OPEB Liability and Related Ratios - Retiree Health Care Plan**  
**Last Five Years\***

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Total OPEB Liability</b>					
Service Cost	\$ 285,254	\$ 184,090	\$ 231,845	\$ 226,190	\$ 220,673
Interest	258,168	340,034	316,992	306,187	305,517
Differences Between Expected and Actual Experience	175,706	-	25,032	-	-
Changes in Assumptions **	(2,998,730)	3,137,606	150,881	-	-
Ad Hoc Postemployment Benefit Changes	-	(631,371)	-	-	-
Benefit Payments, Including Refunds	(249,534)	(305,442)	(301,697)	(243,377)	(221,710)
<b>Net Change in Pension Liability</b>	<b>(2,529,136)</b>	<b>2,724,917</b>	<b>423,053</b>	<b>289,000</b>	<b>304,480</b>
<b>Total OPEB Liability - Beginning</b>	<b>13,216,095</b>	<b>10,491,178</b>	<b>10,068,125</b>	<b>9,779,125</b>	<b>9,474,645</b>
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 10,686,959</b>	<b>\$ 13,216,095</b>	<b>\$ 10,491,178</b>	<b>\$ 10,068,125</b>	<b>\$ 9,779,125</b>
 <b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 249,534	\$ 305,442	\$ 301,697	\$ 243,377	\$ 221,710
Benefit Payments, Including Refunds	(249,534)	(305,442)	(301,697)	(243,377)	(221,710)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
 <b>Net OPEB Liability - Ending (a) - (b)</b>	<b>\$ 10,686,959</b>	<b>\$ 13,216,095</b>	<b>\$ 10,491,178</b>	<b>\$ 10,068,125</b>	<b>\$ 9,779,125</b>
 Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%
 Covered Employee Payroll	\$ 3,560,417	\$ 3,334,286	\$ 2,951,980	\$ 2,753,806	\$ 2,918,734
 Net OPEB Liability as a Percentage of Covered Employee Payroll	300.16%	396.37%	355.39%	365.61%	335.05%

\* Built prospectively upon implementation on GASB 75

\*\* See following page for summary of changes in assumptions

**Charter Township of Muskegon  
Required Supplementary Information  
Summary of Assumption Changes - Retiree Health Care Plan**

**2021 Valuation - Assumption Changes**

Use of spouse dates of birth for active costs instead of 3-year age difference, unless date not available, then 3-year age difference is used  
Age weighting method updated  
Public safety employee's mortality table changed to the 2010 Public Safety Employees, headcount weighted, with MP-2021  
Mortality improvement scale updated to MP-2021 for non-public safety employees and retirees  
Trend Rates updated to those prescribed by PA 202 for 2021  
Merit scale for salary increases removed  
Retirement rates updated based on SOA study  
Discount rate updated from 1.93% to 2.25%

**2020 Valuation - Assumption Changes**

The Discount Rate was lowered from 3.26% to 1.93% because of the drop in Municipal Bond Rate Index.  
The Salary Scale, Mortality Tables, and Healthcare Trend was updated to coincide with the MERS experience analysis using 2014 - 2018 Plan Year data and the Uniform Assumptions Memo for 2020.

**Charter Township of Muskegon**  
**Required Supplementary Information**  
**Schedule of Contributions - Retiree Health Care Plan**  
**Last Six Years\***

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Actuarially Determined Contribution	\$ 700,434	\$ 550,356	\$ 202,064	\$ 179,309	\$ 552,730	\$ 552,730
Contributions in Relation to the Actuarially Determined Contribution	249,534	305,442	301,697	243,377	221,710	209,563
Contribution Deficiency (Excess)	<u>\$ 450,900</u>	<u>\$ 244,914</u>	<u>\$ (99,633)</u>	<u>\$ (64,068)</u>	<u>\$ 331,020</u>	<u>\$ 343,167</u>
Covered Employee Payroll	\$ 3,560,417	\$ 3,334,286	\$ 2,951,980	\$ 2,753,806	\$ 2,918,734	\$ 2,847,545
Contributions as a Percentage of Covered Employee Payroll	7.01%	9.16%	10.22%	8.84%	7.60%	7.36%

*Notes*

**Valuation Date**

Actuarially determined contribution amounts are calculated as of December 31 each year.

**Methods and Assumptions Used to Determine Contribution Rates**

Actuarial Cost Method	Entry-age normal - level percent of pay
Amortization Period	28 years
Asset Valuation Method	N/A, plan is not pre-funded
Discount Rate	2.25%, (S&P Municipal Bond 20-Year High Grade Rate Index)
Inflation	N/A, plan is not pre-funded
Salary Increases	3%, for purposes of allocating liability
Investment Rate of Return	N/A, plan is not pre-funded
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	Headcount weighted blend of MP-2021
Medical Trend	Pre-Medicare 7.5% graded down to 4.5% by 0.25% per year. Post-Medicare, 5.75% graded down to 4.5% by 0.25% per year; Dental: 3.0%

\* Built prospectively upon implementation on GASB 75

## **Combining and Individual Fund Statements and Schedules**

**Charter Township of Muskegon**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2021**

	Special Revenue								Capital Projects		Total Nonmajor Governmental Funds
	Local Streets	Fire Equipment	Street Lighting	Hydrant	Northside Water System	Southside Water System	Local Water Improvement	Paving Projects			
<b>ASSETS</b>											
Cash and Investments Receivables	\$ 453,952	\$ 558,869	\$ 488,828	\$ 78,303	\$ 149,753	\$ 52,859	\$ 255,083	\$ 274	\$ 2,037,921		
Property Taxes Receivable	461,995	--	170,806	--	--	--	--	--		632,801	
Special Assessments Receivable	--	--	--	--	--	--	--	461,599		461,599	
Due from Other Governments	--	24,646	--	--	--	--	18,988	--		43,634	
<i>Total Assets</i>	<b>\$ 915,947</b>	<b>\$ 583,515</b>	<b>\$ 659,634</b>	<b>\$ 78,303</b>	<b>\$ 149,753</b>	<b>\$ 52,859</b>	<b>\$ 274,071</b>	<b>\$ 461,873</b>	<b>\$ 3,175,955</b>		
<b>LIABILITIES</b>											
Accounts Payable	\$ 15,054	\$ 475	\$ 37,485	\$ --	\$ --	\$ 825	\$ 60	\$ --	\$ 53,899		
Accrued Liabilities	5,383	--	--	--	--	--	87	--		5,470	
Due to Other Governments	--	--	--	--	--	49,452	--	--		49,452	
Advance from Other Funds	--	--	--	--	--	--	--	476,745		476,745	
<i>Total Liabilities</i>	<b>20,437</b>	<b>475</b>	<b>37,485</b>	<b>--</b>	<b>--</b>	<b>50,277</b>	<b>147</b>	<b>476,746</b>	<b>585,566</b>		
<b>DEFERRED INFLOWS OF RESOURCES</b>											
Taxes Levied for Subsequent Period	577,004	--	213,325	--	--	--	--	--		790,329	
Unavailable Revenues - Special Assessments	--	--	--	--	--	--	--	436,482		436,482	
<i>Total Liabilities and Deferred Inflows of Resources</i>	<b>597,441</b>	<b>475</b>	<b>250,810</b>	<b>--</b>	<b>--</b>	<b>50,277</b>	<b>147</b>	<b>913,227</b>	<b>1,812,377</b>		
<b>FUND BALANCE</b>											
Restricted	318,506	--	408,824	78,303	149,753	2,582	273,924	--		1,231,892	
Committed	--	583,040	--	--	--	--	--	--		583,040	
Unassigned (Deficit)	--	--	--	--	--	--	--	(451,354)		(451,354)	
<i>Total Fund Balance</i>	<b>318,506</b>	<b>583,040</b>	<b>408,824</b>	<b>78,303</b>	<b>149,753</b>	<b>2,582</b>	<b>273,924</b>	<b>(451,354)</b>	<b>1,363,578</b>		
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<b>\$ 915,947</b>	<b>\$ 583,515</b>	<b>\$ 659,634</b>	<b>\$ 78,303</b>	<b>\$ 149,753</b>	<b>\$ 52,859</b>	<b>\$ 274,071</b>	<b>\$ 461,873</b>	<b>\$ 3,175,955</b>		

**Charter Township of Muskegon**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2021**

	Special Revenue							Capital Projects		Total Nonmajor Governmental Funds
	Local Streets	Fire Equipment	Street Lighting	Hydrant	Northside Water System	Southside Water System	Local Water Improvement	Paving Projects		
<b>Revenues</b>										
Property Taxes	\$ 566,301	\$ --	\$ 207,748	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 774,049
Special Assessments	--	--	--	--	--	509	--	--	94,892	95,401
Intergovernmental	132,475	320,617	36,364	--	--	--	--	--	--	489,456
Charges for Services	--	--	--	--	--	--	18,988	--	--	18,988
Fines and Forfeitures	--	11,556	--	--	--	--	--	--	--	11,556
Interest Income	952	1,464	791	116	229	127	442	65	4,186	
Other Revenues	45	--	--	--	--	--	120	--	--	165
<b>Total Revenues</b>	<b>699,773</b>	<b>333,637</b>	<b>244,903</b>	<b>116</b>	<b>229</b>	<b>636</b>	<b>19,550</b>	<b>94,957</b>		<b>1,393,801</b>
<b>Expenditures</b>										
Public Safety	--	278,720	--	--	--	--	--	--	--	278,720
Public Works	850,467	--	230,277	--	--	9,343	12,997	107,160	1,210,244	
Debt Service										
Principal	10,050	--	--	--	--	--	--	--	--	10,050
Interest	2,888	--	--	--	--	--	--	--	--	2,888
Issuance Cost	7,316	--	--	--	--	--	--	--	--	7,316
<b>Total Expenditures</b>	<b>870,721</b>	<b>278,720</b>	<b>230,277</b>	<b>--</b>	<b>--</b>	<b>9,343</b>	<b>12,997</b>	<b>107,160</b>		<b>1,509,218</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(170,948)</b>	<b>54,917</b>	<b>14,626</b>	<b>116</b>	<b>229</b>	<b>(8,707)</b>	<b>6,553</b>	<b>(12,203)</b>		<b>(115,417)</b>
<b>Other Financing Sources (Uses)</b>										
Pension Bonds Issued	266,850	--	--	--	--	--	--	--	--	266,850
Transfers In	--	--	--	--	--	--	--	--	--	--
Transfers Out	--	(114,000)	--	--	--	--	--	--	--	(114,000)
<b>Net Other Financing Sources (Uses)</b>	<b>266,850</b>	<b>(114,000)</b>								<b>152,850</b>
<b>Net Change in Fund Balance</b>	<b>95,902</b>	<b>(59,083)</b>	<b>14,626</b>	<b>116</b>	<b>229</b>	<b>(8,707)</b>	<b>6,553</b>	<b>(12,203)</b>		<b>37,433</b>
<b>Fund Balance at Beginning of Period</b>	<b>222,604</b>	<b>642,123</b>	<b>394,198</b>	<b>78,187</b>	<b>149,524</b>	<b>11,289</b>	<b>267,371</b>	<b>(439,151)</b>		<b>1,326,145</b>
<b>Fund Balance at End of Period</b>	<b>\$ 318,506</b>	<b>\$ 583,040</b>	<b>\$ 408,824</b>	<b>\$ 78,303</b>	<b>\$ 149,753</b>	<b>\$ 2,582</b>	<b>\$ 273,924</b>	<b>\$ (451,354)</b>		<b>\$ 1,363,578</b>

**Charter Township of Muskegon**  
**Combining Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2021**

	<b>Custodial Funds</b>		
	<b>Trust and Agency</b>	<b>Current Tax</b>	<b>Total Custodial Funds</b>
<b>ASSETS</b>			
Cash and Investments	\$ 39,034	\$ 465,216	\$ 504,250
<i>Total Assets</i>	<u>39,034</u>	<u>465,216</u>	<u>504,250</u>
<b>LIABILITIES</b>			
Undistributed Collections	39,034	--	39,034
Due to Other Governments	--	465,216	465,216
<i>Total Liabilities</i>	<u>39,034</u>	<u>465,216</u>	<u>504,250</u>
<b>NET POSITION</b>			
Restricted for Individuals, Organizations, and Other Governments	\$ --	\$ --	\$ --

**Charter Township of Muskegon**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended December 31, 2021**

<b>Custodial Funds</b>			
	<b>Trust and Agency</b>	<b>Current Tax</b>	<b>Total Custodial Funds</b>
<b>Additions</b>			
Taxes Collected for Other Governments	\$ --	\$ 13,894,550	\$ 13,894,550
Treasurer Collections	304,763	--	304,763
<b>Total Additions</b>	<b>304,763</b>	<b>13,894,550</b>	<b>14,199,313</b>
<b>Deductions</b>			
Payments of Property Taxes to Other Governments	--	13,894,550	13,894,550
Treasurer Distributions	304,763	--	304,763
<b>Total Deductions</b>	<b>304,763</b>	<b>13,894,550</b>	<b>14,199,313</b>
<b>Change in Net Position</b>	<b>--</b>	<b>--</b>	<b>--</b>
<i>Net Position at Beginning of Period</i>	<i>--</i>	<i>--</i>	<i>--</i>
<b>Net Position at End of Period</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>

June 3, 2022

To the Board of Trustees  
Charter Township of Muskegon, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Muskegon, Michigan (the “Township”) for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 1, 2022. Professional standards also require that we communicate to you the following information related to our audit.

### ***Significant Audit Matters***

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Township’s financial statements were:

- Management’s estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management’s estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management’s assumptions used to calculate the actuarial report and the net present value of post-employment benefits, including health and pension benefits.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 3, 2022.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### ***Other Matters***

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison schedules, and the schedules for the pension and other post-employment benefit plans, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### ***Restriction on Use***

This information is intended solely for the information and use of the Board of Trustees and management of the Township and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive ink that reads "Gabridge & Company".

Gabridge & Company, PLC  
Grand Rapids, MI