



**CHARTER TOWNSHIP OF MUSKEGON  
MUSKEGON COUNTY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2020**

## TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	5
<b>BASIC FINANCIAL STATEMENTS</b>	
<hr/>	
<b>Government-wide Financial Statements</b>	
Statement of Net Position	16
Statement of Activities	17
<b>Fund Financial Statements</b>	
<b>Governmental Funds</b>	
Balance Sheet	18
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balance	20
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances with Statement of Activities	21
<b>Proprietary Funds</b>	
Statement of Net Position	22
Statement of Revenues, Expenses, and Changes in Net Position	23
Statement of Cash Flows	24
<b>Fiduciary Funds</b>	
Statement of Fiduciary Net Position	25
Statement of Changes in Fiduciary Net Position	26
<b>Notes to the Financial Statements</b>	28
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<hr/>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	55
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Public Safety	56
Schedule of Changes in Net Pension Liability and Related Ratios - MERS Pension Plan	57
Schedule of Contributions - MERS Pension Plan	58
Schedule of Changes in Net OPEB Liability and Related Ratios - Retiree Health Care Plan	59
Schedule of Contributions - Retiree Health Care Plan	60
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
<hr/>	
<b>Nonmajor Governmental Funds</b>	
Combining Balance Sheet	62
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	63
<b>Custodial Funds</b>	
Combining Statement of Net Position	64
Combining Statement of Changes in Fiduciary Net Position	65

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Charter Township of Muskegon, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Muskegon, Michigan (the "Township"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

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

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

### **Independent Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2020, 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.

## **Change in Accounting Principle**

As stated in Note 12 to the basic financial statements, the Township adopted GASB Statement No. 84 *Fiduciary Activities* in 2020, which represents a change in its policy for reporting fiduciary activities. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedules for the pension and other post-employment benefit plans, as stated in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

### *Other 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 fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining 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 17, 2021

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

**Charter Township of Muskegon  
Management's Discussion and Analysis  
December 31, 2020**

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, 2020. 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 \$1,825,619 (net position). Of this amount, a deficit \$(13,294,607) is shown in governmental activities unrestricted net position and a surplus of \$2,697,325 is shown in business-type activities unrestricted net position.
- Total revenues during the year were \$11,556,066 compared to total expenses of \$12,114,619, yielding an overall decrease in net position of \$558,553.
- At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$4,045,481. Approximately 46.6% (\$1,887,155) 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 \$2,326,306, or approximately 55.2% of total general fund expenditures 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 enterprise 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 four 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 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 \$1,825,619 at the close of the most recent fiscal year.

### Charter Township of Muskegon's Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
<b>ASSETS</b>						
<i>Current Assets</i>						
Cash and Investments	\$ 4,653,377	\$ 4,370,596	\$ 2,718,836	\$ 3,170,103	\$ 7,372,213	\$ 7,540,699
Receivables	2,796,135	2,646,642	936,930	1,170,779	3,733,065	3,817,421
Due from Other Governments	811,526	324,013	24,123	26,154	835,649	350,167
Prepays	-	-	-	10,216	-	10,216
Internal Balances	(869,714)	(573,659)	869,714	573,659	-	-
<b>Total Current Assets</b>	<b>7,391,324</b>	<b>6,767,592</b>	<b>4,549,603</b>	<b>4,950,911</b>	<b>11,940,927</b>	<b>11,718,503</b>
<i>Noncurrent Assets</i>						
Special Assessments Receivable	424,102	341,007	14,222	24,197	438,324	365,204
Capital Assets Not Being Depreciated	577,138	613,931	53,638	53,638	630,776	667,569
Capital Assets Being Depreciated	2,867,692	2,880,852	19,548,012	20,324,682	22,415,704	23,205,534
<b>Total Noncurrent Assets</b>	<b>3,868,932</b>	<b>3,835,790</b>	<b>19,615,872</b>	<b>20,402,517</b>	<b>23,484,804</b>	<b>24,238,307</b>
<b>Total Assets</b>	<b>11,260,256</b>	<b>10,603,382</b>	<b>24,165,475</b>	<b>25,353,428</b>	<b>35,425,731</b>	<b>35,956,810</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension Related Deferred Outflows	1,378,985	1,600,041	103,794	120,434	1,482,779	1,720,475
OPEB Related Deferred Outflows	2,735,662	145,895	303,962	16,210	3,039,624	162,105
<b>Total Deferred Outflows of Resources</b>	<b>4,114,647</b>	<b>1,745,936</b>	<b>407,756</b>	<b>136,644</b>	<b>4,522,403</b>	<b>1,882,580</b>
<b>LIABILITIES</b>						
<i>Current Liabilities</i>						
Accounts Payable	134,878	236,867	196,264	402,023	331,142	638,890
Accrued and Other Liabilities	95,954	168,751	5,653	12,595	101,607	181,346
Due to Other Governments	45,667	82,407	-	-	45,667	82,407
Accrued Interest	-	-	85,028	88,559	85,028	88,559
Current Portion of Compensated Absences	186,842	164,996	13,347	15,850	200,189	180,846
Current Portion of Long-term Debt	-	-	450,923	423,712	450,923	423,712
<b>Total Current Liabilities</b>	<b>463,341</b>	<b>653,021</b>	<b>751,215</b>	<b>942,739</b>	<b>1,214,556</b>	<b>1,595,760</b>
<i>Noncurrent Liabilities</i>						
Long-term Debt	-	-	10,897,322	11,423,004	10,897,322	11,423,004
Compensated Absences	129,179	114,082	9,227	10,959	138,406	125,041
Net Pension Liability	8,544,397	7,708,370	643,127	580,200	9,187,524	8,288,570
Net OPEB Liability	11,894,486	9,442,060	1,321,610	1,049,118	13,216,096	10,491,178
<b>Total Noncurrent Liabilities</b>	<b>20,568,062</b>	<b>17,264,512</b>	<b>12,871,286</b>	<b>13,063,281</b>	<b>33,439,348</b>	<b>30,327,793</b>
<b>Total Liabilities</b>	<b>21,031,403</b>	<b>17,917,533</b>	<b>13,622,501</b>	<b>14,006,020</b>	<b>34,653,904</b>	<b>31,923,553</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Taxes Levied for a Subsequent Period	3,444,536	3,381,880	-	-	3,444,536	3,381,880
Unavailable Revenues - Charges for Services	24,075	-	-	-	24,075	-
Pension Related Deferred Inflows	-	139,298	-	10,487	-	149,785
<b>Total Deferred Inflows of Resources</b>	<b>3,468,611</b>	<b>3,521,178</b>	<b>-</b>	<b>10,487</b>	<b>3,468,611</b>	<b>3,531,665</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	3,043,293	3,278,289	8,253,405	8,531,604	11,296,698	11,809,893
Restricted	1,126,203	941,931	-	-	1,126,203	941,931
Unrestricted	(13,294,607)	(13,309,613)	2,697,325	2,941,961	(10,597,282)	(10,367,652)
<b>Total Net Position</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>

The largest portion of the Township's net position (\$11,296,698) 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.

\$1,126,203 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 \$(10,597,282) is unrestricted.

Cash and investments within governmental activities increased by \$282,781 primarily as a result of an increase in governmental fund balance of \$933,569 while cash and investments within business-type activities decreased by \$451,267 primarily as a result of cash flows used by capital and related financing activities of \$949,771. The timing of customers and other governments paying the Township has resulted in an increase in receivables of \$149,493 and due from other governments of \$487,513 within governmental activities while receivables within business-type activities decreased by \$233,849. Similarly, timing of expenditures at year-end has decreased accounts payable by \$101,989 and \$205,759 for governmental and business-type activities, respectively.

As noted in note 8 of the notes to the financial statements, a significant change in assumption of the OPEB valuation's discount rate has contributed to the increase in net OPEB liability for the Township of \$2,724,918 and related deferred outflows of resources of \$2,877,519. Similarly, as noted in note 7 of the notes the financial statements, significant changes in assumptions of the pension valuation have contributed to an increase in the Township's net pension liability of \$898,954.

The Township's overall net position decreased \$558,553 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**

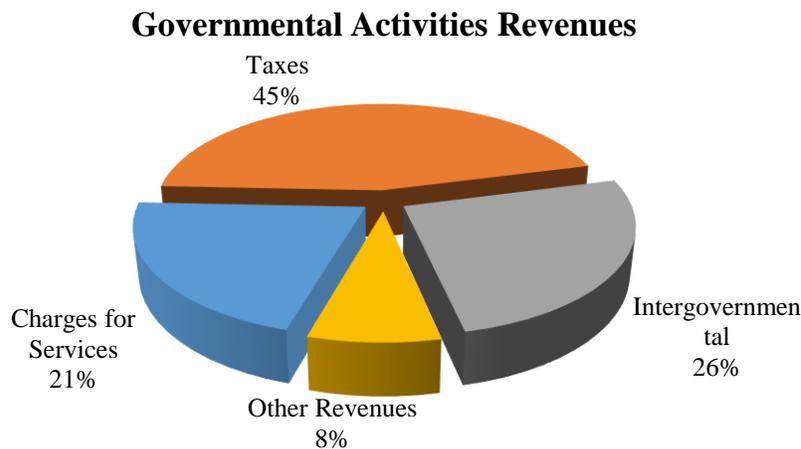
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 1,688,751	\$ 1,672,440	\$ 3,463,208	\$ 3,460,847	\$ 5,151,959	\$ 5,133,287
Operating Grants and Contributions	578,038	211,808	100,078	300,781	678,116	512,589
<b>Total Program Revenues</b>	<b>2,266,789</b>	<b>1,884,248</b>	<b>3,563,286</b>	<b>3,761,628</b>	<b>5,830,075</b>	<b>5,645,876</b>
<b>General Revenues</b>						
Taxes	3,600,250	3,482,270	-	-	3,600,250	3,482,270
Intergovernmental	2,043,472	1,997,322	-	-	2,043,472	1,997,322
Interest Income	43,206	108,974	39,063	113,633	82,269	222,607
<b>Total General Revenues</b>	<b>5,686,928</b>	<b>5,588,566</b>	<b>39,063</b>	<b>113,633</b>	<b>5,725,991</b>	<b>5,702,199</b>
<b>Total Revenues</b>	<b>7,953,717</b>	<b>7,472,814</b>	<b>3,602,349</b>	<b>3,875,261</b>	<b>11,556,066</b>	<b>11,348,075</b>
<b>Expenses</b>						
General Government	1,353,545	1,177,437	-	-	1,353,545	1,177,437
Public Safety	4,946,956	4,642,947	-	-	4,946,956	4,642,947
Public Works	1,379,723	1,297,886	-	-	1,379,723	1,297,886
Community and Economic Development	160,761	145,753	-	-	160,761	145,753
Recreation and Culture	148,450	138,897	-	-	148,450	138,897
Sanitation	-	-	799,884	797,104	799,884	797,104
Sewer	-	-	3,325,300	3,701,469	3,325,300	3,701,469
<b>Total Expenses</b>	<b>7,989,435</b>	<b>7,402,920</b>	<b>4,125,184</b>	<b>4,498,573</b>	<b>12,114,619</b>	<b>11,901,493</b>
<b>Change in Net Position</b>	<b>(35,718)</b>	<b>69,894</b>	<b>(522,835)</b>	<b>(623,312)</b>	<b>(558,553)</b>	<b>(553,418)</b>
<i>Net Position at the Beginning of Period</i>	<i>(9,089,393)</i>	<i>(9,159,287)</i>	<i>11,473,565</i>	<i>12,096,877</i>	<i>2,384,172</i>	<i>2,937,590</i>
<b>Net Position at the End 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>

## Governmental Activities

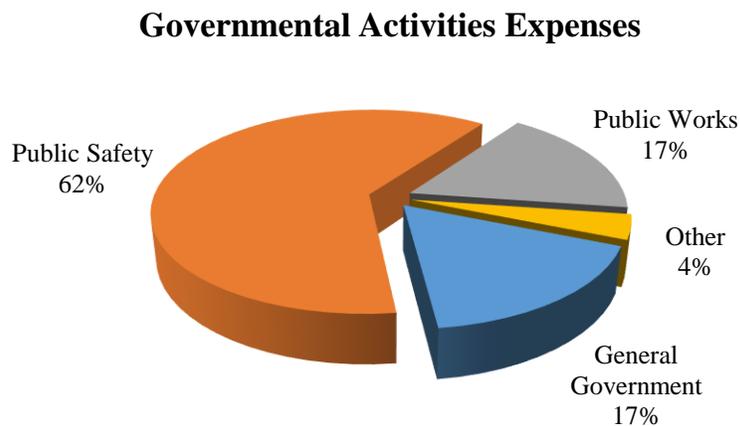
The decrease in the overall net position of the governmental activities of the Township was \$35,718 during the year compared to an increase of \$69,894 in the prior year.

Operating grants and contributions increased by \$366,230 largely in part due to a public safety and public health payroll reimbursement grant. Correspondingly, public safety expenses increased by \$304,009 as a result of grant-related expenses. Taxes have increased by \$117,980 as a result of an increase in overall taxable value for the Township. Changes within the net pension liability, net OPEB liability, and the related deferrals resulted in an increase in general government expenses by \$176,108.

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 a decrease in overall net position of \$522,835 compared to a decrease of \$623,312 in the prior year. Operating grants and contributions decreased by \$200,703 and sewer expenses decreased by \$376,169 during the year; each decrease was a result of the Township receiving a SAW grant in the prior year but not in the current year.

### **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 \$4,045,481, an increase of \$933,569 over the prior year. Approximately 46.6% (\$1,887,155) 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 (\$1,126,203, or 27.9%) or 2) committed for particular purposes (\$1,032,123, or 25.5%).

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 \$2,326,306 while total fund balance increased by \$623,380 to \$2,719,336. 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 55.2% of total general fund expenditures and transfers out while total fund balance represents approximately 64.6% of that same amount.

General fund revenues were very comparable to the prior year besides an increase in licenses and permits due to marijuana licenses. Expenditures were also comparable to the prior year.

The public safety fund, a major fund, had no fund balance at the end of the year. The fund receives a large 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 \$13,046 in the current year for an ending net position of \$285,312. The increase was comparable to the increase of \$19,563 in the prior year. Both revenues and expenses were also comparable to the prior year.

The sewer fund had a decrease in net position of \$535,881 in the current year for an ending net position of \$10,665,418. The decrease was less than the decrease of \$642,875 in the prior year. The smaller decrease in net position is due to the Stormwater, Asset Management, and Wastewater Grant related expenses that were incurred in the prior year but not in the current year.

**General Fund Budgetary Highlights**

**Original budget compared to final budget.** During the year there was no need for any significant amendments to increase either the total general fund original estimated revenues or original budgeted appropriations.

**Final budget compared to actual results.** The Township had the following minor expenditures in excess of the amounts appropriated during the year ended December 31, 2020:

<u>Department</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Negative Variance</u>
Clerk	\$ 239,233	\$ 243,223	\$ (3,990)
Zoning	101,431	104,120	(2,689)

**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, 2020, amounts to \$23,046,480 (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 3.5% as a result of depreciation expense exceeding the capital asset additions during the year.

Major capital asset additions during the year included the following:

- 2020 front end loader \$228,891
- 2020 Ford Explorer (2) \$91,299
- 2020 Ford F-250 \$29,088

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

	<b>Capital Assets, Net of Accumulated Depreciation</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Land	\$ 577,138	\$ 613,931	\$ 53,638	\$ 53,638	\$ 630,776	\$ 667,569
Land Improvements	291,469	322,990	94,820	-	386,289	322,990
Buildings and Improvements	1,161,503	1,228,313	81,695	84,408	1,243,198	1,312,721
Furniture and Equipment	137,448	148,651	51,762	61,901	189,210	210,552
Vehicles	1,277,272	1,180,898	371,411	473,735	1,648,683	1,654,633
Utility Systems	-	-	18,834,637	19,583,846	18,834,637	19,583,846
Access Rights	-	-	113,687	120,792	113,687	120,792
Total	<u>\$ 3,444,830</u>	<u>\$ 3,494,783</u>	<u>\$ 19,601,650</u>	<u>\$ 20,378,320</u>	<u>\$ 23,046,480</u>	<u>\$ 23,873,103</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 \$34,090,460 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:

	<b>Outstanding Long-term Obligations</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
General Obligation Bonds	\$ -	\$ -	\$ 11,348,245	\$ 11,846,716	\$ 11,348,245	\$ 11,846,716
Compensated Absences	316,021	279,078	22,574	26,809	338,595	305,887
Net OPEB Liability	11,894,486	9,442,060	1,321,610	1,049,118	13,216,096	10,491,178
Net Pension Liability	8,544,397	7,708,370	643,127	580,200	9,187,524	8,288,570
Total	<u>\$ 20,754,904</u>	<u>\$ 17,429,508</u>	<u>\$ 13,335,556</u>	<u>\$ 13,502,843</u>	<u>\$ 34,090,460</u>	<u>\$ 30,932,351</u>

The Township's total long-term obligations increased by net \$3,158,109 during the year. This change includes: a \$498,471 decrease in general obligation bonds payable and premium on bonds payable as a result of the Township making scheduled debt service payments, a \$32,708 net increase in compensated absences, a \$2,724,918 increase in other postemployment benefits liability, and a \$898,954 increase in net pension liability primarily as a result of less than expected investment income.

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 78% of our general fund revenues for 2020. Taxable value of property within the Township increased 1.8% for 2020 (2019 tax year) and 3.5% percent for 2021 (2020 tax year) with modest rate increases in subsequent years. Despite the COVID-19 shutdowns, the economy of Michigan remained relatively strong in 2020, which

resulted in state revenue sharing/sales tax collections very close to our original budgeted amount for 2020. We anticipate revenue sharing to increase approximately 4.8% for 2021, but then decrease slightly for 2022, before beginning to rise slowly in 2023 and beyond as the state's economy recovers from the effects of the mandated shut-downs.

We anticipate that the increase in home prices will continue at a modest rate in 2021 and continue to increase in coming years. For the 2021 fiscal year, we anticipate tax collections will increase slightly compared with 2020, but will be mitigated by an increase in Disabled Veteran exemptions and negative Tax Tribunal rulings.

The 2021 general fund budgeted expenditures were approved at \$4,803,456, an increase of 14% from the actual general fund expenditures of 2020. This is due mainly to a large increase in the transfer to the public safety fund as we received a large CARES Act grant in 2020. The general fund's total fund balance at 12/31/20 was \$2,719,336 with \$2,326,306 (55.2% of budgeted expenditures) classified as unassigned. Our total fund balance is budgeted to decrease by \$33,938 in 2021, though recent increases in projected state revenue sharing should push this deficit into a surplus.

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 2020.

### **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, 2020**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and Investments	\$ 4,653,377	\$ 2,718,836	\$ 7,372,213
Accounts Receivable	--	920,171	920,171
Property Taxes Receivable	2,684,085	--	2,684,085
Special Assessments Receivable	35,615	--	35,615
Other Receivables	76,435	16,759	93,194
Due from Other Governments	811,526	24,123	835,649
Internal Balances	(869,714)	869,714	--
<b>Total Current Assets</b>	<b>7,391,324</b>	<b>4,549,603</b>	<b>11,940,927</b>
<i>Noncurrent Assets</i>			
Special Assessments Receivable	424,102	14,222	438,324
Capital Assets not being Depreciated	577,138	53,638	630,776
Capital Assets being Depreciated	2,867,692	19,548,012	22,415,704
<b>Total Noncurrent Assets</b>	<b>3,868,932</b>	<b>19,615,872</b>	<b>23,484,804</b>
<b>Total Assets</b>	<b>11,260,256</b>	<b>24,165,475</b>	<b>35,425,731</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related Deferred Outflows	1,378,985	103,794	1,482,779
OPEB Related Deferred Outflows	2,735,662	303,962	3,039,624
<b>Total Deferred Outflows of Resources</b>	<b>4,114,647</b>	<b>407,756</b>	<b>4,522,403</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	134,878	196,264	331,142
Accrued Liabilities	57,518	5,653	63,171
Accrued Interest	--	85,028	85,028
Current Portion of Compensated Absences	186,842	13,347	200,189
Current Portion of Long-term Debt	--	450,923	450,923
Deposit Payable	38,436	--	38,436
Due to Other Governments	45,667	--	45,667
<b>Total Current Liabilities</b>	<b>463,341</b>	<b>751,215</b>	<b>1,214,556</b>
<i>Noncurrent Liabilities</i>			
Long-term Debt	--	10,897,322	10,897,322
Compensated Absences	129,179	9,227	138,406
Net Pension Liability	8,544,397	643,127	9,187,524
Net OPEB Liability	11,894,486	1,321,610	13,216,096
<b>Total Noncurrent Liabilities</b>	<b>20,568,062</b>	<b>12,871,286</b>	<b>33,439,348</b>
<b>Total Liabilities</b>	<b>21,031,403</b>	<b>13,622,501</b>	<b>34,653,904</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes Levied for a Subsequent Period	3,444,536	--	3,444,536
Unavailable Revenues - Charges for Services	24,075	--	24,075
<b>Total Deferred Inflows of Resources</b>	<b>3,468,611</b>	<b>--</b>	<b>3,468,611</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,043,293	8,253,405	11,296,698
<i>Restricted for:</i>			
Public Safety	3,030	--	3,030
Street Lights	394,198	--	394,198
Hydrants	78,187	--	78,187
Water Purposes	428,184	--	428,184
Local Streets	222,604	--	222,604
<i>Unrestricted</i>	(13,294,607)	2,697,325	(10,597,282)
<b>Total Net Position</b>	<b>\$ (9,125,111)</b>	<b>\$ 10,950,730</b>	<b>\$ 1,825,619</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, 2020**

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	\$ 1,353,545	\$ 546,316	\$ 16,008	\$ --	\$ (791,221)	\$ --	\$ (791,221)
Public Safety	4,946,956	741,460	416,259	--	(3,789,237)	--	(3,789,237)
Public Works	1,379,723	261,297	145,771	--	(972,655)	--	(972,655)
Community and Economic Development	160,761	127,576	--	--	(33,185)	--	(33,185)
Recreation and Culture	148,450	12,102	--	--	(136,348)	--	(136,348)
<b>Total Governmental Activities</b>	<b>7,989,435</b>	<b>1,688,751</b>	<b>578,038</b>	<b>--</b>	<b>(5,722,646)</b>	<b>--</b>	<b>(5,722,646)</b>
<b>Business-type Activities:</b>							
Sanitation	799,884	810,176	--	--	--	10,292	10,292
Sewer	3,325,300	2,653,032	100,078	--	--	(572,190)	(572,190)
<b>Total Business-type Activities</b>	<b>4,125,184</b>	<b>3,463,208</b>	<b>100,078</b>	<b>--</b>	<b>--</b>	<b>(561,898)</b>	<b>(561,898)</b>
<b>Total Township</b>	<b>\$ 12,114,619</b>	<b>\$ 5,151,959</b>	<b>\$ 678,116</b>	<b>\$ --</b>	<b>(5,722,646)</b>	<b>(561,898)</b>	<b>(6,284,544)</b>
<b>General Purpose Revenues:</b>							
					3,600,250	--	3,600,250
					43,206	39,063	82,269
					2,043,472	--	2,043,472
					<b>5,686,928</b>	<b>39,063</b>	<b>5,725,991</b>
					<b>(35,718)</b>	<b>(522,835)</b>	<b>(558,553)</b>
					(9,089,393)	11,473,565	2,384,172
					<b>\$ (9,125,111)</b>	<b>\$ 10,950,730</b>	<b>\$ 1,825,619</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, 2020**

	<u>Special Revenue</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Public Safety</u>		
<b>ASSETS</b>				
Cash and Investments	\$ 2,452,999	\$ 240,191	\$ 1,957,917	\$ 4,651,107
Receivables				
Property Taxes Receivable	1,271,526	808,870	603,689	2,684,085
Special Assessments Receivable	--	--	459,717	459,717
Other Receivables	70,928	5,507	--	76,435
Due from Other Governments	677,243	73,938	60,345	811,526
<b>Total Assets</b>	<b><u>\$ 4,472,696</u></b>	<b><u>\$ 1,128,506</u></b>	<b><u>\$ 3,081,668</u></b>	<b><u>\$ 8,682,870</u></b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 85,948	\$ 27,011	\$ 21,919	\$ 134,878
Accrued Liabilities	13,770	39,945	3,803	57,518
Deposit Payable	38,436	--	--	38,436
Due to Other Governments	--	--	45,667	45,667
Advance from Other Funds	--	--	468,177	468,177
<b>Total Liabilities</b>	<b><u>138,154</u></b>	<b><u>66,956</u></b>	<b><u>539,566</u></b>	<b><u>744,676</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Taxes Levied for a Subsequent Period	1,615,206	1,061,550	767,780	3,444,536
Unavailable Revenues - Charges for Services	--	--	24,075	24,075
Unavailable Revenues - Special Assessments	--	--	424,102	424,102
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b><u>1,753,360</u></b>	<b><u>1,128,506</u></b>	<b><u>1,755,523</u></b>	<b><u>4,637,389</u></b>
<b>FUND BALANCE</b>				
Restricted				
Public Safety	3,030	--	--	3,030
Local Streets	--	--	222,604	222,604
Street Lights	--	--	394,198	394,198
Hydrants	--	--	78,187	78,187
Water Purposes	--	--	428,184	428,184
Committed				
Building and Grounds Improvements	340,000	--	--	340,000
Public Safety	--	--	642,123	642,123
Compensated Absences	50,000	--	--	50,000
Unassigned	2,326,306	--	(439,151)	1,887,155
<b>Total Fund Balance</b>	<b><u>2,719,336</u></b>	<b><u>--</u></b>	<b><u>1,326,145</u></b>	<b><u>4,045,481</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b><u>\$ 4,472,696</u></b>	<b><u>\$ 1,128,506</u></b>	<b><u>\$ 3,081,668</u></b>	<b><u>\$ 8,682,870</u></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, 2020**

Total Fund Balance - Governmental Funds	\$	4,045,481
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.		84,181
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 \$8,427,111 less accumulated depreciation of \$5,465,729.		2,961,382
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.		424,102
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 \$316,021, other postemployment benefits liability of \$11,894,486 (and the OPEB related deferrals of \$2,735,662), and the net pension liability of \$8,544,397 (and the pension related deferrals of \$1,378,985).		(16,640,257)
<b>Total Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>(9,125,111)</u></b>

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

**Charter Township of Muskegon**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended December 31, 2020**

	<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	\$ 1,786,437	\$ 1,008,099	\$ 805,714	\$ 3,600,250
Special Assessments	--	--	80,395	80,395
Licenses and Permits	623,399	--	--	623,399
Intergovernmental	1,988,297	460,969	144,692	2,593,958
Charges for Services	335,623	4,802	359,327	699,752
Fines and Forfeitures	1,904	1,740	42,920	46,564
Interest Income	28,057	1,450	13,699	43,206
Other Revenues	72,280	20,677	8,211	101,168
<b>Total Revenues</b>	<u>4,835,997</u>	<u>1,497,737</u>	<u>1,454,958</u>	<u>7,788,692</u>
<b>Expenditures</b>				
General Government	906,005	--	--	906,005
Public Safety	394,408	3,249,464	51,038	3,694,910
Public Works	11,012	--	981,731	992,743
Community and Economic Development	131,155	--	--	131,155
Recreation and Culture	100,573	--	--	100,573
Other Governmental Functions	1,029,737	--	--	1,029,737
<b>Total Expenditures</b>	<u>2,572,890</u>	<u>3,249,464</u>	<u>1,032,769</u>	<u>6,855,123</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>2,263,107</u>	<u>(1,751,727)</u>	<u>422,189</u>	<u>933,569</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	--	1,751,727	--	1,751,727
Transfers Out	(1,639,727)	--	(112,000)	(1,751,727)
<b>Net Other Financing Sources (Uses)</b>	<u>(1,639,727)</u>	<u>1,751,727</u>	<u>(112,000)</u>	<u>--</u>
<b>Net Change in Fund Balance</b>	<b>623,380</b>	<b>--</b>	<b>310,189</b>	<b>933,569</b>
<i>Fund Balance at Beginning of Period</i>	2,095,956	--	1,015,956	3,111,912
<b>Fund Balance at End of Period</b>	<u><b>\$ 2,719,336</b></u>	<u><b>\$ --</b></u>	<u><b>\$ 1,326,145</b></u>	<u><b>\$ 4,045,481</b></u>

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, 2020**

Total Net Change in Fund Balances - Governmental Funds	\$	933,569
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		10,410
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 \$104,534 less depreciation expense of \$313,146 and loss on sale of \$36,793.		(245,405)
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		83,095
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 net change in compensated absences of \$36,943, the net change in other postemployment benefits of \$(137,341), and the net change in the net pension liability (and pension related deferrals) of \$917,785.		(817,387)
<b>Changes in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>(35,718)</u></b>

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

**Charter Township of Muskegon**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2020**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Sanitation</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and Investments	\$ 459,078	\$ 2,259,758	\$ 2,718,836	\$ 2,270
Receivables				
Accounts Receivable	226,506	693,665	920,171	--
Other Receivables	16,759	--	16,759	--
Due from Other Governments	--	24,123	24,123	--
<b>Total Current Assets</b>	<b>702,343</b>	<b>2,977,546</b>	<b>3,679,889</b>	<b>2,270</b>
<i>Noncurrent Assets</i>				
Special Assessments Receivable	--	14,222	14,222	--
Advances to Other Funds	--	869,714	869,714	--
Capital Assets not being Depreciated	--	53,638	53,638	--
Capital Assets being Depreciated	427,632	19,120,380	19,548,012	483,448
<b>Total Noncurrent Assets</b>	<b>427,632</b>	<b>20,057,954</b>	<b>20,485,586</b>	<b>483,448</b>
<b>Total Assets</b>	<b>1,129,975</b>	<b>23,035,500</b>	<b>24,165,475</b>	<b>485,718</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related Deferred Outflows	59,311	44,483	103,794	--
OPEB Related Deferred Outflows	151,981	151,981	303,962	--
<b>Total Deferred Outflows of Resources</b>	<b>211,292</b>	<b>196,464</b>	<b>407,756</b>	<b>--</b>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	21,540	174,724	196,264	--
Accrued Liabilities	4,452	1,201	5,653	--
Accrued Interest	--	85,028	85,028	--
Current Portion of Compensated Absences	980	12,367	13,347	--
Current Portion of Long-term Debt	--	450,923	450,923	--
<b>Total Current Liabilities</b>	<b>26,972</b>	<b>724,243</b>	<b>751,215</b>	<b>--</b>
<i>Noncurrent Liabilities</i>				
Long-term Debt	--	10,897,322	10,897,322	--
Compensated Absences	677	8,550	9,227	--
Net Pension Liability	367,501	275,626	643,127	--
Net OPEB Liability	660,805	660,805	1,321,610	--
Advance from Other Funds	--	--	--	401,537
<b>Total Noncurrent Liabilities</b>	<b>1,028,983</b>	<b>11,842,303</b>	<b>12,871,286</b>	<b>401,537</b>
<b>Total Liabilities</b>	<b>1,055,955</b>	<b>12,566,546</b>	<b>13,622,501</b>	<b>401,537</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	427,632	7,825,773	8,253,405	81,911
<i>Unrestricted</i>	(142,320)	2,839,645	2,697,325	2,270
<b>Total Net Position</b>	<b>\$ 285,312</b>	<b>\$ 10,665,418</b>	<b>\$ 10,950,730</b>	<b>\$ 84,181</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, 2020**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Sanitation</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>
<b>Operating Revenues</b>				
Charges for Services	\$ 809,636	\$ 2,652,907	\$ 3,462,543	\$ 81,930
Other Revenues	540	125	665	--
<b>Total Operating Revenues</b>	<u>810,176</u>	<u>2,653,032</u>	<u>3,463,208</u>	<u>81,930</u>
<b>Operating Expenses</b>				
Administration	58,500	157,000	215,500	--
Operations	642,563	1,942,604	2,585,167	--
Depreciation	98,821	772,669	871,490	62,527
<b>Total Operating Expenses</b>	<u>799,884</u>	<u>2,872,273</u>	<u>3,672,157</u>	<u>62,527</u>
<b>Operating Income (Loss)</b>	<u>10,292</u>	<u>(219,241)</u>	<u>(208,949)</u>	<u>19,403</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest Income	2,754	36,309	39,063	--
Connection Fee	--	100,078	100,078	--
Interest Expense	--	(453,027)	(453,027)	(8,993)
<b>Net Non-Operating Revenues (Expenses)</b>	<u>2,754</u>	<u>(316,640)</u>	<u>(313,886)</u>	<u>(8,993)</u>
<b>Change In Net Position</b>	<b>13,046</b>	<b>(535,881)</b>	<b>(522,835)</b>	<b>10,410</b>
<i>Net Position at Beginning of Period</i>	272,266	11,201,299	11,473,565	73,771
<b>Net Position at End of Period</b>	<u><b>\$ 285,312</b></u>	<u><b>\$ 10,665,418</b></u>	<u><b>\$ 10,950,730</b></u>	<u><b>\$ 84,181</b></u>

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, 2020**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Sanitation</u>	<u>Sewer</u>	<u>Total</u>	<u>Internal Service Fund</u>
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 818,914	\$ 2,890,149	\$ 3,709,063	\$ -
Cash Received from Interfund Services Provided	-	-	-	81,930
Cash Payments for Wages and Benefits	(203,713)	(117,905)	(321,618)	-
Cash Payments to Suppliers for Goods and Services	(486,140)	(2,145,809)	(2,631,949)	-
<i>Total Cash Flows Provided by Operating Activities</i>	<u>129,061</u>	<u>626,435</u>	<u>755,496</u>	<u>81,930</u>
<b>Cash Flows from Non-capital Financing Activities</b>				
Change in Interfund Advances	-	(296,055)	(296,055)	185,043
<i>Total Cash Flows Used by Non-capital Financing Activities</i>	-	(296,055)	(296,055)	185,043
<b>Cash Flows from Capital and Related Financing Activities</b>				
Cash Received from Connection Fees	-	100,078	100,078	-
Purchase of Capital Assets	-	(94,820)	(94,820)	(257,979)
Interest Payments on Debt	-	(456,558)	(456,558)	(8,993)
Principal Payments on Debt and Amortization of Bond Premium	-	(498,471)	(498,471)	-
<i>Total Cash Flows Used by Capital and Related Financing Activities</i>	-	(949,771)	(949,771)	(266,972)
<b>Cash Flows from Investing Activities</b>				
Interest Earned	2,754	36,309	39,063	-
<i>Total Cash Flows Provided by Investing Activities</i>	<u>2,754</u>	<u>36,309</u>	<u>39,063</u>	<u>-</u>
Net Increase (Decrease) in Cash and Investments	131,815	(583,082)	(451,267)	1
Cash and Investments - Beginning of Year	327,263	2,842,840	3,170,103	2,269
<i>Cash and Investments - End of Year</i>	<u>\$ 459,078</u>	<u>\$ 2,259,758</u>	<u>\$ 2,718,836</u>	<u>\$ 2,270</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>				
Operating Income (Loss)	\$ 10,292	\$ (219,241)	\$ (208,949)	\$ 19,403
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Depreciation Expense	98,821	772,669	871,490	62,527
<b>Changes in Assets and Liabilities</b>				
Receivables	8,738	235,086	243,824	-
Due from Other Governments	-	2,031	2,031	-
Prepays	-	10,216	10,216	-
Accounts Payable	(17,307)	(188,452)	(205,759)	-
Accrued Liabilities	(4,446)	(2,496)	(6,942)	-
Compensated Absences	1,119	(5,354)	(4,235)	-
Net Pension Liability and Pension Deferrals	39,474	29,606	69,080	-
Other Post-Employment Benefits Liability and OPEB Deferrals	(7,630)	(7,630)	(15,260)	-
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 129,061</u>	<u>\$ 626,435</u>	<u>\$ 755,496</u>	<u>\$ 81,930</u>

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, 2020**

	<b>OPEB Trust Fund</b>	<b>Custodial Funds</b>
<b>ASSETS</b>		
Cash and Investments	\$ --	\$ 675,215
<i>Total Assets</i>	--	675,215
<b>LIABILITIES</b>		
Undistributed Collections	--	38,839
Bonds and Other Payables	--	1,136
Due to Other Governments	--	635,240
<i>Total Liabilities</i>	--	675,215
<b>NET POSITION</b>		
Restricted for individuals, organizations and other governments	\$ --	\$ --

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

**Charter Township of Muskegon**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended December 31, 2020**

	<b>OPEB Trust Fund</b>	<b>Custodial Funds</b>
<b>Additions</b>		
Taxes Collected for Other Governments	\$ --	\$ 19,259,969
Employer Contributions	305,442	--
<b><i>Total Additions</i></b>	<b>305,442</b>	<b>19,259,969</b>
<b>Deductions</b>		
Payments of Property Taxes to Other Governments	--	19,259,969
Retirement Benefits	305,442	--
<b><i>Total Deductions</i></b>	<b>305,442</b>	<b>19,259,969</b>
<b><i>Change in Net Position</i></b>	<b>--</b>	<b>--</b>
<i>Net Position at Beginning of Period</i>	--	--
<b><i>Net Position at End of Period</i></b>	<b>\$ --</b>	<b>\$ --</b>

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

## **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 primary government. 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, except for agency funds which do not have a measurement focus.

## Charter Township of Muskegon

### Notes to the Financial Statements

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Revenues are recorded when earned and expenses are recorded when a 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.

#### *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.

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:

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

## Charter Township of Muskegon

### Notes to the Financial Statements

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#### ***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 the net difference between expected and actual investment returns on pension plan investments, differences between expected and actual experience, changes in assumptions, and contributions made subsequent to the measurement date of its pension plan. More detailed information can be found in Note 7. The Township also reports deferred outflows of resources for differences between expected and actual experience and changes in assumptions of its OPEB plan. More detailed information can be found in Note 8.

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 three 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.

#### ***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.

## Charter Township of Muskegon

### Notes to the Financial Statements

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#### ***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 payables 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.

#### ***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, 2020, the Township has recorded a net OPEB liability. Investments are reported at fair value.

#### ***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

## Charter Township of Muskegon

### Notes to the Financial Statements

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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 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

## Charter Township of Muskegon

### Notes to the Financial Statements

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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.

#### ***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 2020 ad valorem taxes are levied on December 1, 2020, it is the Township's policy to recognize revenue from the 2019 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 2019 state taxable value for real/personal property of the Township totaled approximately \$363,618,515. The ad valorem taxes levied consisted of 4.3124, 2.7500, 0.7000, 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

# Charter Township of Muskegon

## Notes to the Financial Statements

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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.

### *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 expenditures in excess of the amounts appropriated during the year ended December 31, 2020:

<u>Department</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Negative Variance</u>
Clerk	\$ 239,233	\$ 243,223	\$ (3,990)
Zoning	101,431	104,120	(2,689)

#### *Fund Deficit*

As of December 31, 2020, the Township's paving projects capital projects fund had an unassigned fund balance deficit of \$(439,151). The deficit will be eliminated through future special assessment collections. In addition, governmental activities had an unrestricted deficit net position of

# Charter Township of Muskegon

## Notes to the Financial Statements

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\$(13,294,607) and a total deficit net position of \$(9,125,111). The Township's business-type activities sanitation fund had an unrestricted deficit net position of \$(142,320) at year-end.

### 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, 2020:

<b>Statement of Net Position</b>	
Cash and Investments	\$ 7,372,213
<b>Statement of Fiduciary Net Position</b>	
Cash and Investments	<u>675,215</u>
<b>Total Cash and Investments</b>	<u>\$ 8,047,428</u>
<b>Deposits and Investments</b>	
Cash and Cash Equivalents	\$ 4,600,591
Investments	3,446,207
Cash on Hand	<u>630</u>
<b>Total Deposits and Investments</b>	<u>\$ 8,047,428</u>

### *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, \$4,141,913 of the Township's bank balance of \$4,391,913 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:

<u>Agency</u>	<u>Rating</u>	<u>Amount</u>
N/A	Not Rated	\$ 484,169
Standard & Poor's	AAAm	2,962,038
		<u>\$ 3,446,207</u>

#### ***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:

	<u>Certificates of Deposit</u>	<u>Cash Equivalents and Investments</u>
No Maturity	\$ -	\$ 2,962,038
Due in 1-5 Years	484,169	-
	<u>\$ 484,169</u>	<u>\$ 2,962,038</u>

#### ***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, 2020:

- Investments held with Multi-Bank Securities (MBS) totaled \$484,169. Investments included in MBS are certificates of deposits. These are valued using Level 1 inputs.
- Investments held with MICLASS totaled \$2,962,038. 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:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Public Safety	General	\$ 1,639,727
Public Safety	Nonmajor Governmental Funds	112,000

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, 2020, the Township had a long-term advance between the sewer fund and equipment fund, an internal service fund, for \$401,537 as well as a long-term advance between the sewer fund and paving projects fund in the amount of \$468,177.

# Charter Township of Muskegon

## Notes to the Financial Statements

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

Year Ending December 31,	Advance to Equipment Fund			Advance to Paving Projects Fund		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 72,937	\$ 10,038	\$ 82,975	\$ 39,045	\$ 16,535	\$ 55,580
2022	72,937	8,215	81,152	37,879	14,857	52,736
2023	72,937	6,392	79,329	37,879	15,367	53,246
2024	72,937	4,568	77,505	37,879	13,904	51,783
2025	72,937	2,745	75,682	35,838	12,441	48,279
2026-2030	36,852	921	37,773	174,830	44,158	218,988
2031-2035	-	-	-	104,827	9,139	113,966
<b>Total</b>	<b>\$ 401,537</b>	<b>\$ 32,879</b>	<b>\$ 434,416</b>	<b>\$ 468,177</b>	<b>\$ 126,401</b>	<b>\$ 594,578</b>

### Note 5 - Capital Assets

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

#### Governmental Activities:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Capital Assets not being Depreciated</b>				
Land	\$ 613,931	\$ -	\$ (36,793)	\$ 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	633,888	13,235	-	647,123
Vehicles	3,697,117	349,278	(118,830)	3,927,565
<i>Subtotal</i>	8,436,387	362,513	(118,830)	8,680,070
<b>Less Accumulated Depreciation</b>				
Land Improvements	865,519	31,521	-	897,040
Buildings and Improvements	1,688,560	66,810	-	1,755,370
Furniture and Equipment	485,237	24,438	-	509,675
Vehicles	2,516,219	252,904	(118,830)	2,650,293
<i>Subtotal</i>	5,555,535	375,673	(118,830)	5,812,378
<b>Capital Assets being Depreciated, Net</b>	2,880,852	(13,160)	-	2,867,692
<b>Capital Assets, Net</b>	<b>\$ 3,494,783</b>	<b>\$ (13,160)</b>	<b>\$ (36,793)</b>	<b>\$ 3,444,830</b>

## Charter Township of Muskegon

### Notes to the Financial Statements

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

#### Governmental Activities

General Government	\$ 19,953
Public Safety	247,263
Public Works	7,922
Recreation and Culture	38,008
Internal Service Fund - Public Works	62,527
Total	\$ 375,673

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

	Beginning Balance	Additions	Disposals	Ending Balance
<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	-	-	1,685,555
Access Rights	213,162	-	-	213,162
<i>Subtotal</i>	39,579,715	94,820	-	39,674,535
<b>Less Accumulated Depreciation</b>				
Utility Systems	17,924,709	749,209	-	18,673,918
Land Improvements	-	-	-	-
Building and Improvements	1,217	2,713	-	3,930
Furniture and Equipment	24,917	10,139	-	35,056
Vehicles	1,211,820	102,324	-	1,314,144
Access Rights	92,370	7,105	-	99,475
<i>Subtotal</i>	19,255,033	871,490	-	20,126,523
<b>Capital Assets being Depreciated, Net</b>	20,324,682	(776,670)	-	19,548,012
<b>Capital Assets, Net</b>	\$ 20,378,320	\$ (776,670)	\$ -	\$ 19,601,650

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

#### Business-type Activities

Sanitation Fund	\$ 98,821
Sewer Fund	772,669
Total	\$ 871,490

## Charter Township of Muskegon

### Notes to the Financial Statements

#### Note 6 - Long-term Obligations

The following is a summary of the changes in the long-term obligations for the year ended December 31, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Compensated Absences	\$ 279,078	\$ 36,943	\$ -	\$ 316,021	\$ 186,842
<i>Subtotal</i>	<u>279,078</u>	<u>36,943</u>	<u>-</u>	<u>316,021</u>	<u>186,842</u>
<b>Business-type Activities</b>					
General Obligation Bonds	11,082,604	-	(423,712)	10,658,892	450,923
Premium	764,112	-	(74,759)	689,353	-
Compensated Absences	26,809	1,120	(5,355)	22,574	13,347
<i>Subtotal</i>	<u>11,873,525</u>	<u>1,120</u>	<u>(503,826)</u>	<u>11,370,819</u>	<u>464,270</u>
<b>Total</b>	<u>\$ 12,152,603</u>	<u>\$ 38,063</u>	<u>\$ (503,826)</u>	<u>\$ 11,686,840</u>	<u>\$ 651,112</u>

For governmental activities, compensated absences are generally liquidated by the general fund.

Annual debt service requirements to maturity for general obligation bonds outstanding as of December 31, 2020 follows:

<b>Year Ended December 31,</b>	<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2021	\$ 450,923	\$ 510,131
2022	474,247	487,585
2023	497,570	463,873
2024	524,781	438,994
2025	551,992	412,755
2026-2030	3,164,238	1,673,227
2031-2035	4,046,647	865,305
2036	948,494	47,425
	<u>\$ 10,658,892</u>	<u>\$ 4,899,295</u>

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 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

## Charter Township of Muskegon

### Notes to the Financial Statements

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December 31, 2020, was \$620,861. The Township is unaware of any circumstances that would cause a shortfall in the near future.

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, 2020, was \$968,232. The Township is unaware of any circumstances that would cause a shortfall in the near future.

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, 2020, was \$1,393,600. The Township is unaware of any circumstances that would cause a shortfall in the near future.

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 77.75%. The Township's portion of the debt on December 31, 2020, was \$10,658,892. The Township is unaware of any circumstances that would cause a shortfall in the near future.

#### **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, 2020, Township and employee contributions were \$115,904 and \$135,594, respectively.

# 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, 2020, there were no 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).

Retirement benefits for employees are calculated as follows:

<b>Division</b>	<b>Benefit Multiplier</b>	<b>Benefit Maximum</b>	<b>Final Average Compensation (Years)</b>	<b>Normal Retirement Age</b>	<b>Unreduced Benefit (Age/Years of Service)</b>	<b>Reduced Benefit (Age/Years of Service)</b>	<b>Vesting (Years)</b>
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

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Township, generally after negotiations of these terms with the affected unions. Police and fire employee benefit terms may be subject to binding arbitration in certain circumstances.

# Charter Township of Muskegon

## Notes to the Financial Statements

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

At the December 31, 2019 measurement date, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	49
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	5
Active Plan Members	<u>23</u>
Total Employees Covered by MERS	<u>77</u>

### ***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.

For the year ended December 31, 2020, the Township had the following contribution rates:

<u>Division</u>	<u>Employee Contributions</u>	<u>Employer Contributions*</u>
General - Closed	10.00%	\$ 15,327
Police - Closed	10.00%	13,986
Fire - Closed	10.00%	13,645
Clerical DPW - Closed	10.00%	9,364

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

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

The net pension liability reported on December 31, 2020 was determined using a measure of the total pension liability and the pension net position as of December 31, 2019. The December 31, 2019 total pension liability was determined by an actuarial valuation performed as of that date.

## Charter Township of Muskegon

### Notes to the Financial Statements

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2018</b>	\$ 23,705,051	\$ 15,416,481	\$ 8,288,570
Service Cost	227,281	-	227,281
Interest	1,852,184	-	1,852,184
Contributions - Employer	-	558,756	(558,756)
Contributions - Employee	-	161,472	(161,472)
Changes in Assumptions	975,249	-	975,249
Difference Between Expected and Actual Experience	598,949	-	598,949
Net Investment Income	-	2,070,142	(2,070,142)
Benefit Payments, Including Refunds	(1,332,802)	(1,332,802)	-
Administrative Expenses	-	(35,661)	35,661
<i>Net Changes</i>	2,320,861	1,421,907	898,954
<b>Balance at December 31, 2019</b>	\$ 26,025,912	\$ 16,838,388	\$ 9,187,524

Reconciliation to Statement of Net Position		
	Governmental Activities	\$ 8,544,397
	Business-type Activities	643,127
		\$ 9,187,524

Net pension liability allocated to business-type activities is further allocated between the sanitation fund and the sewer fund in the amounts of \$367,501 and \$275,626, respectively.

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

For the year ended December 31, 2020, the Township recognized pension expense of \$1,614,727. On December 31, 2020, the Township reported deferred outflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 67,816	\$ -
Differences Between Expected and Actual Experience	299,475	-
Changes in Assumptions	487,624	-
Employer Contributions to the Plan Subsequent to the Measurement Date *	627,864	-
Total	\$ 1,482,779	\$ -

Reconciliation to Statement of Net Position		
	Governmental Activities	\$ 1,378,985
	Business-type Activities	103,794
		\$ 1,482,779

## Charter Township of Muskegon

### Notes to the Financial Statements

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\* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date, \$627,864, will be recognized as a reduction in the net pension liability for the year ending December 31, 2021.

Deferred outflows of resources allocated to business-type activities is further allocated between the sanitation fund and the sewer fund in the amounts of \$59,311 and \$44,483, respectively.

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

<b>Years Ending December 31,</b>	<b>Amount</b>
2021	\$ 752,531
2022	58,941
2023	215,994
2024	(172,551)

#### *Actuarial Assumptions*

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.50%

Salary Increases: base wage inflation of 3.00% in the long-term (plus merit and longevity from 0 to 11.00% based on age).

Investment rate of return: 7.35%, net of investment expense, including inflation.

Mortality rates used for non-disabled plan member were based on a weighted blend of RP-2014 mortality tables of a 50% Male and 50% Female blend. Mortality rates used for disabled plan member were based on a blend of RP-2014 disabled retire mortality tables of a 50% Male and 50% Female blend of disabled retirees. (1994 group annuity tables is 2014).

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

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.

## Charter Township of Muskegon

### Notes to the Financial Statements

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Target Allocation Gross Rate of Return</b>	<b>Long-term Expected Gross Rate of Return</b>	<b>Inflation Assumption</b>	<b>Long-term Expected Real Rate of Return</b>
Global Equity	60.00%	7.75%	4.65%	2.50%	3.15%
Global Fixed Income	20.00%	3.75%	0.75%	2.50%	0.25%
Private Investments	20.00%	9.75%	1.95%	2.50%	1.45%
	<u>100.00%</u>		<u>7.35%</u>		<u>4.85%</u>

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

The discount rate used to measure the total pension liability is 7.60%. 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. The discount rate used to measure the total pension liability in the prior year was 8.00%.

#### ***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 percent, 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>1% Decrease (6.60%)</b>	<b>Current Discount Rate (7.60%)</b>	<b>1% Increase (8.60%)</b>
Net Pension Liability of the Township	\$ 12,348,729	\$ 9,187,524	\$ 6,547,918

#### ***Significant Changes to the Pension Valuation***

At the February 28, 2019, board meeting, the MERS Retirement Board adjusted key economic assumptions. These assumptions, in particular the investment return assumption, have a significant effect on a plan's required contribution and funding level. Historically low interest rates, along with high equity market valuations, have led to reductions in projected returns for most asset classes. This has resulted in a Board adopted reduction in the investment rate of return assumption from 7.75% to 7.35%, effective with the December 31, 2019, valuation, first impacting 2021

# Charter Township of Muskegon

## Notes to the Financial Statements

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contributions. The Board also changed the assumed rate of wage inflation from 3.75% to 3.00%, with the same effective date.

### **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 authority 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, 2019):

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	62
Active Plan Members	<u>49</u>
Total Employees Covered by the Plan	<u>111</u>

##### *Contributions*

The Township Retiree Healthcare Plan was established and is being funded under the authority 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

## Charter Township of Muskegon

### Notes to the Financial Statements

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retiree medical costs as they occur. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves.

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

The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.50%

Salary Increases: base wage inflation of 3.00% in the long-term (plus merit and longevity from 0 to 11.00% based on age)

Municipal Bond Rate: 1.93%

Mortality rates used for non-disabled plan member were based on a weighted blend of RP-2014 mortality tables of a 50% Male and 50% Female blend. Mortality rates used for disabled plan member were based on a blend of RP-2014 disabled retire mortality tables of a 50% Male and 50% Female blend of disabled retirees. (1994 group annuity tables is 2014)

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

The discount rate used to measure the total OPEB liability was 1.93%. 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 3.26%.

## Charter Township of Muskegon

### Notes to the Financial Statements

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

The net OPEB liability reported on December 31, 2020, was determined using a measure of the total OPEB liability and the OPEB net position as of December 31, 2020. The December 31, 2020, total OPEB liability was determined by an actuarial valuation performed as of December 31, 2019.

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, 2019</b>	\$ 10,491,178	\$ -	\$ 10,491,178
Service Cost	184,090	-	184,090
Interest	340,035	-	340,035
Contributions - Employer	-	305,442	(305,442)
Changes in Assumptions	3,137,606	-	3,137,606
Ad Hoc Postemployment Benefit Changes	(631,371)	-	(631,371)
Benefit Payments, Including Refunds	(305,442)	(305,442)	-
<i>Net Changes</i>	2,724,918	-	2,724,918
<b>Balance at December 31, 2020</b>	\$ 13,216,096	\$ -	\$ 13,216,096

#### **Reconciliation to Statement of Net Position**

Governmental Activities	\$ 11,894,486
Business-type Activities	1,321,610
	\$ 13,216,096

Net OPEB liability allocated to business-type activities is further allocated between the sanitation fund and the sewer fund in the amounts of \$660,805 and \$660,805, 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 1.93%, 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	\$ 16,095,237	\$ 13,216,096	\$ 11,016,865

#### ***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 8.25% to 4.50% depending on coverage type, as well as what the employer's net

## Charter Township of Muskegon

### Notes to the Financial Statements

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	\$ 10,867,106	\$ 13,216,096	\$ 16,299,154

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

For the year ended December 31, 2020, the employer recognized OPEB expense of \$152,841. The Township reported deferred outflows of resources related to OPEB from the following sources:

<b>Source</b>	<b>Deferred Outflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 21,103
Changes in Assumptions	3,018,521
Total	\$ 3,039,624

#### **Reconciliation to Statement of Net Position**

Governmental Activities	\$ 2,735,662
Business-type Activities	303,962
	\$ 3,039,624

Deferred outflows of resources allocated to business-type activities is further allocated between the sanitation fund and the sewer fund in the amounts of \$151,981 and \$151,981, 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>
2021	\$ 260,088
2022	260,088
2023	260,088
2024	260,088
2025	260,088
2026+	1,739,184

## Charter Township of Muskegon

### Notes to the Financial Statements

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#### ***Significant Changes to the OPEB Valuation***

GASB Statement No. 75 requires the discount rate to match the 20-year-tax-exempt general obligation municipal bond yield as of the measurement date for unfunded plans. With fluctuations in these yields, especially during 2020, the total OPEB liability is subject to a high degree of volatility. This decrease in discount rate by itself caused the total OPEB liability to increase by approximately \$3.0 million.

#### **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) and Tool and Die Recovery Zones ("Recovery Zones").

## Charter Township of Muskegon

### Notes to the Financial Statements

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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 \$9,652 in reduced Township tax revenues for the year ended December 31, 2020.

#### **Note 11 - Subsequent Events and Commitments**

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals in the United States and worldwide. In response, the United States federal government and individual state and local governments have implemented measures to combat the outbreak that have impacted health care business operations. During 2020, the Township's operations were significantly impacted, as shelter-in-place orders and government mandates impacted census volumes. The Township has moved to mitigate the impact by managing the workforce, actively managing cash balances, and implementing other cost reduction measures.

On February 10, 2021, the Township entered an agreement to issue a limited tax general obligation pension obligation bond, series 2021, with an issue date of March 1, 2021. The total amount of the bond proceeds was \$8,895,000, an interest rate ranging from 0.265% to 2.717%, with a final maturity date of October 1, 2042. The purpose of the bond is to pay all or a part of the costs of the unfunded pension liability for the Township's defined benefit plan and costs of issuing the bond.

#### **Note 12 - Change in Accounting Principle**

The Township adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, in the current year. There was no change in the beginning fund balance for any funds.

## **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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Positive (Negative) Final to Actual</b>
<b>Revenues</b>				
Property Taxes	\$ 1,776,850	\$ 1,786,850	\$ 1,786,437	\$ (413)
Licenses and Permits	534,500	618,000	623,399	5,399
Intergovernmental	1,919,351	1,905,671	1,988,297	82,626
Charges for Services	355,933	331,902	335,623	3,721
Fines and Forfeitures	5,500	3,500	1,904	(1,596)
Interest and Rental	40,000	25,000	28,057	3,057
Other	76,292	82,040	72,280	(9,760)
<b>Total Revenues</b>	<u>4,708,426</u>	<u>4,752,963</u>	<u>4,835,997</u>	<u>83,034</u>
<b>Expenditures</b>				
<b>General Government</b>				
Board of Trustees	40,068	39,188	39,116	72
Supervisor	94,184	90,558	88,915	1,643
Elections	52,001	59,436	57,526	1,910
Assessing	184,050	174,125	169,335	4,790
Professional Services	37,500	27,500	25,545	1,955
Clerk	250,858	239,233	243,223	(3,990)
Treasurer	209,143	207,159	206,222	937
Township Hall	142,407	87,407	76,123	11,284
<b>Total General Government</b>	<u>1,010,211</u>	<u>924,606</u>	<u>906,005</u>	<u>18,601</u>
<b>Public Safety</b>				
Inspection Department	228,213	226,811	213,500	13,311
Rental Inspections	185,036	182,187	180,908	1,279
<b>Total Public Safety</b>	<u>413,249</u>	<u>408,998</u>	<u>394,408</u>	<u>14,590</u>
<b>Public Works</b>				
Leaf Collection	9,412	11,012	11,012	--
<b>Community and Economic Development</b>				
Planning	44,021	41,021	27,035	13,986
Zoning	83,431	101,431	104,120	(2,689)
Board of Appeals	1,744	1,744	--	1,744
<b>Total Community and Economic Development</b>	<u>129,196</u>	<u>144,196</u>	<u>131,155</u>	<u>13,041</u>
<b>Recreation and Culture</b>				
Parks and Recreation	121,843	99,743	100,573	(830)
<b>Other Governmental Functions</b>				
Insurance	435,000	410,000	401,964	8,036
Retirement	581,264	581,264	581,289	(25)
Payroll Benefits	9,150	9,150	8,397	753
Other	40,300	45,300	38,087	7,213
<b>Total Other Governmental Functions</b>	<u>1,065,714</u>	<u>1,045,714</u>	<u>1,029,737</u>	<u>15,977</u>
<b>Total Expenditures</b>	<u>2,749,625</u>	<u>2,634,269</u>	<u>2,572,890</u>	<u>61,379</u>
<b>Other Financing Uses</b>				
Transfers Out	2,004,513	1,717,801	1,639,727	78,074
<b>Total Expenditures and Other Financing Uses</b>	<u>4,754,138</u>	<u>4,352,070</u>	<u>4,212,617</u>	<u>139,453</u>
<b>Excess (Deficiency) of Revenues Over Expenditures and Other Uses</b>				
<b>Net Change in Fund Balance</b>	<u>(45,712)</u>	<u>400,893</u>	<u>623,380</u>	<u>222,487</u>
<b>Fund Balance at Beginning of Period</b>	2,095,956	2,095,956	2,095,956	--
<b>Fund Balance at End of Period</b>	<u>\$ 2,050,244</u>	<u>\$ 2,496,849</u>	<u>\$ 2,719,336</u>	<u>\$ 222,487</u>

**Charter Township of Muskegon**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Public Safety**  
**For the Year Ended December 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Positive (Negative)</b>
				<u>Final to Actual</u>
<b>Revenues</b>				
Property Taxes	\$ 1,010,281	\$ 1,010,281	\$ 1,008,099	\$ (2,182)
Intergovernmental	139,200	419,375	460,969	41,594
Charges for Services	7,500	7,500	4,802	(2,698)
Fines and Forfeitures	3,500	3,500	1,740	(1,760)
Interest and Rental	5,000	1,500	1,450	(50)
Other	23,000	15,000	20,677	5,677
<b>Total Revenues</b>	<u>1,188,481</u>	<u>1,457,156</u>	<u>1,497,737</u>	<u>40,581</u>
<b>Other Financing Sources</b>				
Transfers In	<u>2,116,513</u>	<u>1,829,801</u>	<u>1,751,727</u>	<u>(78,074)</u>
<b>Total Revenues and Other Financing Sources</b>	<u>3,304,994</u>	<u>3,286,957</u>	<u>3,249,464</u>	<u>(37,493)</u>
<b>Expenditures</b>				
<b>Public Safety</b>				
Police Department	1,737,284	1,807,547	1,805,192	2,355
Fire Department	1,567,710	1,479,410	1,444,272	35,138
<b>Total Public Safety</b>	<u>3,304,994</u>	<u>3,286,957</u>	<u>3,249,464</u>	<u>37,493</u>
<b>Total Expenditures</b>	<u>3,304,994</u>	<u>3,286,957</u>	<u>3,249,464</u>	<u>37,493</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Net Change in Fund Balance</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Fund Balance at Beginning of Period</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Fund Balance at End of Period</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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

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

\* Built prospectively upon implementation on GASB 68

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially Determined Contribution	\$ 627,864	\$ 558,756	\$ 540,240	\$ 570,648	\$ 480,936	\$ 402,696	\$ 375,012	\$ 383,471	\$ 340,167	\$ 320,962
Contributions in Relation to the Actuarially Determined Contribution	627,864	558,756	540,240	570,648	480,936	402,696	375,012	383,471	340,167	320,962
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 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	\$ 2,633,655
Contributions as a Percentage of Covered Payroll	44.38%	34.56%	28.47%	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	22 years
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	7.35%
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	50% Male - 50% Female blend of the RP-2014 Group Annuity Mortality Table

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>				
Service Cost	\$ 184,090	\$ 231,845	\$ 226,190	\$ 220,673
Interest	340,035	316,992	306,187	305,517
Differences Between Expected and Actual Experience	-	25,032	-	-
Changes in Assumptions	3,137,606	150,881	-	-
Ad Hoc Postemployment Benefit Changes	(631,371)	-	-	-
Benefit Payments, Including Refunds	(305,442)	(301,697)	(243,377)	(221,710)
<b>Net Change in Pension Liability</b>	<u>2,724,918</u>	<u>423,053</u>	<u>289,000</u>	<u>304,480</u>
<i>Total OPEB Liability - Beginning</i>	10,491,178	10,068,125	9,779,125	9,474,645
<b>Total OPEB Liability - Ending (a)</b>	<u>\$ 13,216,096</u>	<u>\$ 10,491,178</u>	<u>\$ 10,068,125</u>	<u>\$ 9,779,125</u>
 <b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 305,442	\$ 301,697	\$ 243,377	\$ 221,710
Benefit Payments, Including Refunds	(305,442)	(301,697)	(243,377)	(221,710)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Plan Fiduciary Net Position - Beginning</i>	-	-	-	-
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 <b>Net OPEB Liability - Ending (a) - (b)</b>	\$ 13,216,096	\$ 10,491,178	\$ 10,068,125	\$ 9,779,125
 Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	0.00%	0.00%	0.00%	0.00%
 Covered Employee Payroll	\$ 3,334,286	\$ 2,951,980	\$ 2,753,806	\$ 2,918,734
 Net OPEB Liability as a Percentage of Covered Employee Payroll	396.37%	355.39%	365.61%	335.05%

\* Built prospectively upon implementation on GASB 75

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 550,356	\$ 202,064	\$ 179,309	\$ 552,730	\$ 552,730
Contributions in Relation to the Actuarially Determined Contribution	305,442	301,697	243,377	221,710	209,563
Contribution Deficiency (Excess)	<u>\$ 244,914</u>	<u>\$ (99,633)</u>	<u>\$ (64,068)</u>	<u>\$ 331,020</u>	<u>\$ 343,167</u>
Covered Employee Payroll	\$ 3,334,286	\$ 2,951,980	\$ 2,753,806	\$ 2,918,734	\$ 2,847,545
Contributions as a Percentage of Covered Employee Payroll	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
Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	N/A
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	50% Male - 50% Female blend of the RP-2014 Group Annuity Mortality Table

\* 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, 2020**

	<u>Special Revenue</u>							<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Local Streets</u>	<u>Fire Equipment</u>	<u>Street Lighting</u>	<u>Hydrant</u>	<u>Northside Water System</u>	<u>Southside Water System</u>	<u>Local Water Improvement</u>	<u>Paving Projects</u>	
<b>ASSETS</b>									
Cash and Investments	\$ 353,358	\$ 641,414	\$ 453,933	\$ 78,187	\$ 149,524	\$ 50,367	\$ 231,134	\$ --	\$ 1,957,917
Receivables									
Property Taxes Receivable	441,193	--	161,753	--	--	--	743	--	603,689
Special Assessments Receivable	--	--	--	--	--	6,589	--	453,128	459,717
Due from Other Governments	--	24,784	--	--	--	--	35,561	--	60,345
<b>Total Assets</b>	<b>\$ 794,551</b>	<b>\$ 666,198</b>	<b>\$ 615,686</b>	<b>\$ 78,187</b>	<b>\$ 149,524</b>	<b>\$ 56,956</b>	<b>\$ 267,438</b>	<b>\$ 453,128</b>	<b>\$ 3,081,668</b>
<b>LIABILITIES</b>									
Accounts Payable	\$ 6,404	\$ --	\$ 15,515	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 21,919
Accrued Liabilities	3,736	--	--	--	--	--	67	--	3,803
Due to Other Governments	--	--	--	--	--	45,667	--	--	45,667
Advance from Other Funds	--	--	--	--	--	--	--	468,177	468,177
<b>Total Liabilities</b>	<b>10,140</b>	<b>--</b>	<b>15,515</b>	<b>--</b>	<b>--</b>	<b>45,667</b>	<b>67</b>	<b>468,177</b>	<b>539,566</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Taxes Levied for a Subsequent Period	561,807	--	205,973	--	--	--	--	--	767,780
Unavailable Revenues - Charges for Services	--	24,075	--	--	--	--	--	--	24,075
Unavailable Revenues - Special Assessments	--	--	--	--	--	--	--	424,102	424,102
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>571,947</b>	<b>24,075</b>	<b>221,488</b>	<b>--</b>	<b>--</b>	<b>45,667</b>	<b>67</b>	<b>892,279</b>	<b>1,755,523</b>
<b>FUND BALANCE</b>									
Restricted	222,604	--	394,198	78,187	149,524	11,289	267,371	--	1,123,173
Committed	--	642,123	--	--	--	--	--	--	642,123
Unassigned	--	--	--	--	--	--	--	(439,151)	(439,151)
<b>Total Fund Balance</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>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 794,551</b>	<b>\$ 666,198</b>	<b>\$ 615,686</b>	<b>\$ 78,187</b>	<b>\$ 149,524</b>	<b>\$ 56,956</b>	<b>\$ 267,438</b>	<b>\$ 453,128</b>	<b>\$ 3,081,668</b>

**Charter Township of Muskegon**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2020**

	Special Revenue						Capital Projects	Total Nonmajor Governmental Funds
	Local Streets	Fire Equipment	Street Lighting	Hydrant	Northside Water System	Southside Water System	Local Water Improvement	
<b>Revenues</b>								
Property Taxes	\$ 549,278	\$ --	\$ 256,436	\$ --	\$ --	\$ --	\$ --	\$ 805,714
Special Assessments	--	--	--	--	--	9,970	--	80,395
Intergovernmental	119,166	--	25,526	--	--	--	--	144,692
Charges for Services	--	342,381	--	--	--	--	16,946	359,327
Fines and Forfeitures	--	42,920	--	--	--	--	--	42,920
Interest Income	2,573	3,805	3,198	577	1,159	470	1,853	13,699
Other Revenues	--	7,971	--	--	--	--	240	8,211
<b>Total Revenues</b>	<b>671,017</b>	<b>397,077</b>	<b>285,160</b>	<b>577</b>	<b>1,159</b>	<b>10,440</b>	<b>19,039</b>	<b>1,454,958</b>
<b>Expenditures</b>								
Public Safety	--	51,038	--	--	--	--	--	51,038
Public Works	576,828	--	211,807	--	--	1,489	12,996	981,731
<b>Total Expenditures</b>	<b>576,828</b>	<b>51,038</b>	<b>211,807</b>	<b>--</b>	<b>--</b>	<b>1,489</b>	<b>12,996</b>	<b>1,032,769</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>94,189</b>	<b>346,039</b>	<b>73,353</b>	<b>577</b>	<b>1,159</b>	<b>8,951</b>	<b>6,043</b>	<b>422,189</b>
<b>Other Financing Uses</b>								
Transfers Out	--	(112,000)	--	--	--	--	--	(112,000)
<b>Net Other Financing Uses</b>	<b>--</b>	<b>(112,000)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(112,000)</b>
<b>Net Change in Fund Balance</b>	<b>94,189</b>	<b>234,039</b>	<b>73,353</b>	<b>577</b>	<b>1,159</b>	<b>8,951</b>	<b>6,043</b>	<b>310,189</b>
<i>Fund Balance at Beginning of Period</i>	128,415	408,084	320,845	77,610	148,365	2,338	261,328	1,015,956
<b>Fund Balance at End 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>\$ 1,326,145</b>

**Charter Township of Muskegon**  
**Combining Statement of Fiduciary Net Position**  
**Custodial Funds**  
**December 31, 2020**

	<b>Trust and Agency</b>	<b>Current Tax</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Investments	\$ 39,975	\$ 635,240	\$ 675,215
<i>Total Assets</i>	39,975	635,240	675,215
<b>LIABILITIES</b>			
Undistributed Collections	39,975	--	39,975
Due to Other Governments	--	635,240	635,240
<i>Total Liabilities</i>	39,975	635,240	675,215
<b>NET POSITION</b>			
Restricted for individuals, organizations and other governments	\$ --	\$ --	\$ --

**Charter Township of Muskegon**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Custodial Funds**  
**For the Year Ended December 31, 2020**

	<u>Trust and Agency</u>	<u>Current Tax</u>	<u>Total</u>
<b>Additions</b>			
Taxes Collected for Other Governments	\$ 610,412	\$ 18,649,557	\$ 19,259,969
<i>Total Additions</i>	<u>610,412</u>	<u>18,649,557</u>	<u>19,259,969</u>
<b>Deductions</b>			
Payments of Property Taxes to Other Governments	610,412	18,649,557	19,259,969
<i>Total Deductions</i>	<u>610,412</u>	<u>18,649,557</u>	<u>19,259,969</u>
<i>Change in Net Position</i>	--	--	--
<i>Net Position at Beginning of Period</i>	--	--	--
<i>Net Position at End of Period</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

June 17, 2021

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 Charter Township of Muskegon, Michigan (the "Township") for the year ended December 31, 2020. 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 February 18, 2021. 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, except as stated in Note 12 to the financial statements, the application of existing policies was not changed during 2020. 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 17, 2021.

### *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 script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the company.

Gabridge & Company, PLC  
Grand Rapids, MI