

NEW ISSUE

Rating*: Moody's: Aa1

Book-Entry-Only

In the opinion of Clark Hill, PLC, Bond Counsel, subject to compliance with certain covenants, under existing law, (1) the interest on the Bonds is excluded from gross income for federal income tax purposes to the extent described herein, (2) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and (3) the Bonds and the interest thereon are exempt from taxation by the State of Michigan or a political subdivision thereof, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof to the extent described herein. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. The Bonds have been designated as "qualified tax-exempt obligations" for purposes of deduction of interest expense by financial institutions pursuant to Section 265(b)(3)(B) of the Code.

\$5,730,000

**OAKLAND-MACOMB INTERCEPTOR DRAIN DRAINAGE DISTRICT
COUNTIES OF OAKLAND AND MACOMB, STATE OF MICHIGAN
BONDS (LIMITED TAX GENERAL OBLIGATION), SERIES 2020B (2023 ISSUE)**

AUTHORITY, PURPOSE, AND SECURITY: The Oakland-Macomb Interceptor Drain Drainage District (the "Drainage District") Bonds (Limited Tax General Obligation), Series 2020B (2023 Issue) (the "Bonds") are being issued pursuant to the provisions of Chapter 21 of Michigan Public Act 40 of the Public Acts of 1956 ("Drain Code" or "Act 40"), as amended, the Final Order of Apportionment adopted by the Drainage Board for the Drainage District on August 21, 2019, and a resolution adopted by the Drainage Board of the Oakland-Macomb Interceptor Drain Drainage District (the "Drainage Board") on April 19, 2023 (the "Resolution"). The Bonds are to be issued for the purpose of acquiring, financing, constructing, improving, and replacing certain wastewater facilities by the Drainage District (see "DESCRIPTION OF THE PROJECT" herein). The Bonds and the interest thereon are being issued in anticipation of and shall be payable from the Oakland-Macomb Interceptor Drain Series 2020B (2023 Issue) Special Assessments to the public corporations affected by the Project in accordance with the Final Order of Apportionment, and pursuant to Section 528 of the Drain Code (MCL §280.528) (see "SECURITY FOR THE BONDS" herein for the apportioned shares of the special assessments). All of the Oakland-Macomb Interceptor Drain Series 2020B (2023 Issue) Special Assessments are hereby pledged solely and only for the payment of the principal of and interest on the Bonds. The full faith and credit of the Drainage District have been pledged to the payment of the principal and interest on the Bonds. The Drainage District has no general taxing powers.

Pursuant to authorization provided in Chapter 21 of the Drain Code, and resolutions of the County of Oakland ("Oakland County") and the County of Macomb ("Macomb County") duly adopted by two-thirds (2/3) vote of the members of the Board of Commissioners of Oakland County on May 13, 2020 and Macomb County on April 30, 2020, the limited tax general obligation full faith and credit of each County have been pledged as a condition precedent to the issuance of the Bonds for the prompt payment of the principal of, and interest on the Bonds as the same shall become due in accordance with such resolutions. As provided in said resolutions and the Drain Code, in the event any Public Corporation in the Oakland County shall fail to pay or neglect to account to the Oakland County Treasurer, and any Public Corporation in Macomb County shall fail to pay or neglect to account to the Macomb County Treasurer, for the amount of any special assessment installment and interest (in anticipation of which the Bonds are issued) when due, then the amount thereof shall be advanced from the funds of the Oakland County or the Macomb County, respectively, as provided in such resolutions, and the Oakland County Treasurer and the Macomb County Treasurer are directed to make such advancement to the extent necessary. If it becomes necessary for Oakland County or Macomb County to so advance such moneys, they shall have such right or rights of reimbursement and any and all remedies therefor as provided by of the Drain Code or any other law.

BOOK-ENTRY-ONLY: The Bonds are issuable as fully registered bonds without coupons, and when issued, will be registered in the name of Cede & Co., as Bondholder and nominee for the Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of beneficial interest in the Bonds will be made in book-entry-only form, in the denominations of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their beneficial interest in Bonds purchased. So long as Cede & Co is the Bondholder, as nominee of DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM".

PAYMENT OF BONDS: Interest on the Bonds will be payable semi-annually on the first day of January and July of each year commencing January 1, 2024. The Bonds will be issued fully registered as to principal and interest in the denomination of \$5,000 or any integral multiple thereof not exceeding the principal amount of each maturity. The principal and interest shall be payable at the principal corporate trust office of The Huntington National Bank in Grand Rapids, Michigan or other designated office, the Bond Registrar and Paying Agent, or such other Bond Registrar and Paying Agent as the Drainage District may hereafter designate. So long as DTC or its nominee, Cede & Co., is the Bondholder, such payments will be made directly to such Bondholder. Disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants and Indirect Participants, as more fully described herein. Interest shall be paid when due by check or draft mailed to the registered owner, as shown on the registration books as of the fifteenth day of the month preceding the payment date for each interest payment.

Dated: Date of Delivery (September 19, 2023)**Principal Due:** July 1 of each year as shown on the inside cover**Legal Opinion:** Clark Hill, PLC**♦As of Date of Delivery.** See "BOND RATINGS" herein.

Underwriter:

HUNTINGTON SECURITIES, INC.

Municipal Advisor:



This cover page contains certain information for quick reference only. It is not a summary of this issue of Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

\$5,730,000
OAKLAND-MACOMB INTERCEPTOR DRAIN DRAINAGE DISTRICT
COUNTIES OF OAKLAND AND MACOMB, STATE OF MICHIGAN
BONDS (LIMITED TAX GENERAL OBLIGATION), SERIES 2020B (2023 ISSUE)

MATURITIES, INTEREST RATES AND YIELDS

Due	Principal	Interest	Priced to	Cusip	Due	Principal	Interest	Priced to	Cusip
<u>July 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Number</u> ⁽¹⁾	<u>July 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Number</u> ⁽¹⁾
2024	\$175,000	5.000%	3.500%	673421CG6	2034*	\$290,000	4.000%	3.550%^	673421CS0
2025	185,000	5.000%	3.450%	673421CH4	2035*	300,000	4.000%	3.700%^	673421CT8
2026	195,000	5.000%	3.350%	673421CJ0	2036*	315,000	4.000%	3.850%^	673421CU5
2027	205,000	5.000%	3.330%	673421CK7	2037*	325,000	4.000%	3.900%^	673421CV3
2028	215,000	5.000%	3.250%	673421CL5	2038*	340,000	4.000%	4.100%	673421CW1
2029	225,000	5.000%	3.250%	673421CM3	2039*	355,000	4.000%	4.180%	673421CX9
2030	240,000	5.000%	3.280%	673421CN1	2040*	370,000	4.125%	4.230%	673421CY7
2031	250,000	5.000%	3.280%	673421CP6	2041*	385,000	4.125%	4.280%	673421CZ4
2032	265,000	5.000%	3.250%	673421CQ4	2042*	400,000	4.125%	4.330%	673421DA8
2033	275,000	5.000%	3.300%	673421CR2	2043*	420,000	4.250%	4.370%	673421DB6

^Yield to first call date, July 1, 2033.

***PRIOR REDEMPTION:** Bonds maturing in the years 2034 through 2043 are subject to optional redemption as described under the heading “*Prior Redemption*” herein.

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Oakland-Macomb Interceptor Drain Drainage District

DRAINAGE DISTRICT BOARD MEMBERS

Chairman

Michael Gregg

Michigan Department of Agriculture
& Rural Development

Candice S. Miller

Macomb County
Public Works Commissioner

Jim Nash

Oakland County
Water Resources Commissioner

The following have assisted in the preparation of this Bond Issue:

Macomb County Public Works

Brian Baker

Chief Deputy Public Works Commissioner

Bruce Manning

Financial Manager

Stephen Downing

Construction & Maintenance Manager

Macomb County

Stephen Smigiel
Finance Director

Oakland County Water Resources Commissioner's Office

Steven Korth, P.E.

Chief Manager

Sid Lockhart, P.E.

Special Projects Manager

Carrie Cox, P.E.

Special Projects Manager

Joel Brown, P.E.

Chief Engineer

Oakland County

Jody Weissler DeFoe
Chief Deputy Treasurer

Paul Zelenak

Investment Administrator

Bond Counsel Clark Hill, PLC
Detroit, Michigan
Municipal Advisor MFCI, LLC
Milford, Michigan
Paying Agent The Huntington National Bank
Grand Rapids, Michigan

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REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the Oakland-Macomb Interceptor Drain Drainage District to give any information or to make any representation other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized by the Drainage District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth in this Official Statement has been obtained from the Drainage District and other sources which are believed to be reliable, including The Depository Trust Company with respect to the information contained under the heading “Book-Entry-Only System,” but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Drainage District.

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of the Official Statement nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Drainage District since the date of this Official Statement. The Paying Agent has not participated in the preparation of this Official Statement and assumes no responsibility for it.

This Official Statement contains forward-looking statements, which can be identified by the use of the future tense or other forward-looking terms such as “may,” “intend,” “will,” “expect,” “anticipate,” “plan,” “management believes,” “estimate,” “continue,” “should,” “strategy,” or “position” or the negatives of those terms or other variations of them or by comparable terminology. In particular, any statements express or implied, concerning future receipts of installments of special assessments or the ability to generate cash flow to service indebtedness are forward-looking statements. Investors are cautioned that reliance on any of those forward-looking statements involves risks and uncertainties and that, although the Drainage District’s management believes that the assumptions on which those forward looking statements are based are reasonable, any of those assumptions could prove to be inaccurate. As a result, the forward-looking statements based on those assumptions also could be incorrect, and actual results may differ materially from any results indicated or suggested by those assumptions. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Official Statement should not be regarded as a representation by the Drainage District or that its plans and objectives will be achieved. All forward-looking statements are expressly qualified by the cautionary statements contained in this paragraph. The Drainage District undertakes no duty to update any forward-looking statements.

**OFFICIAL STATEMENT OF THE
\$5,730,000
OAKLAND-MACOMB INTERCEPTOR DRAIN DRAINAGE DISTRICT
COUNTIES OF OAKLAND AND MACOMB, STATE OF MICHIGAN
BONDS (LIMITED TAX GENERAL OBLIGATION), SERIES 2020B (2023 ISSUE)**

INTRODUCTION

The purpose of this Official Statement is to set forth information concerning the Oakland-Macomb Interceptor Drain Drainage District (the “Drainage District”) Bonds (Limited Tax General Obligation), Series 2020B (2023 Issue) (the “Bonds”). The Bonds are to be issued for the purpose of acquiring, financing, constructing, improving, and replacing certain wastewater facilities by the Drainage District (see “DESCRIPTION OF THE PROJECT” herein). The information contained herein is presented in connection with the sale of the Bonds and for the information of those who initially became holders of the Bonds. Information describing the Bonds, summarized on the cover page, is part of this Official Statement.

All financial and other information presented in this Official Statement with respect to each of the Drainage District, the County of Oakland (“Oakland County”), the County of Macomb (“Macomb County”), City of Auburn Hills, Independence Township (which includes the Village of Clarkston), the City of Lake Angelus, the City of Rochester, the City of Rochester Hills, Oakland Township, Orion Township, Oxford Township, the Village of Lake Orion, the Village of Oxford, Waterford Township, and West Bloomfield Township, in Oakland County, Michigan; and Chesterfield Township, the City of Fraser, the City of Sterling Heights, the City of Utica, Clinton Township, Harrison Township, Lenox Township, Macomb Township, Washington Township, Shelby Township, and the Village of New Haven, in Macomb County, Michigan, has been provided by representatives of the Drainage District, Oakland County, Macomb County and the individual municipalities (the “Public Corporations”, as defined by Section 511(b) of the Drain Code, MCL §280.511(b)), respectively, from their records, except for information expressly attributed to other sources. Information from other sources has not been independently confirmed or verified by any of the Drainage District, Oakland County, Macomb County, and the Public Corporations and the accuracy of such information is not guaranteed. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of Oakland County, Macomb County, or the Public Corporations. No representation is made that past experience, as is shown by such financial and other information, will necessarily continue or be repeated in the future.

Reference to provisions of Michigan law, whether codified in the Michigan Compiled Laws or uncoded, or of the Michigan Constitution, are references to those current provisions, and such provisions may be amended, repealed or supplemented.

DESCRIPTION OF THE BONDS

The Bonds, aggregating the principal sum of \$5,730,000 shall be known as “Oakland-Macomb Interceptor Drain Drainage District Bonds (Limited Tax General Obligation), Series 2020B (2023 Issue)” and shall be dated the date of their delivery (September 19, 2023). The Bonds shall be fully registered Bonds, both as to principal and interest, in any one or more denominations of \$5,000 or a multiple of \$5,000 numbered from 1 upwards regardless of rate and maturity date. The Bonds shall mature on July 1, 2024 and each July 1 thereafter, until maturity, as provided on the inside cover page of this Official Statement.

Authorization

The Bonds are being issued pursuant to Chapter 21 of Michigan Public Act 40 of the Public Acts of 1956 (“Drain Code” or “Act 40”), Act 34, Public Acts of Michigan, 2001, as amended (“Act 34”), the Final Order of Apportionment adopted by the Drainage Board for the Drainage District on August 21, 2019, and a resolution adopted by the Drainage Board of the Oakland-Macomb Interceptor Drain Drainage District on April 19, 2023.

Qualification Under Section 265(b)(3) of the Internal Revenue Code of 1986

The Bonds have been designated as “Qualified Tax-Exempt Obligations” for the purpose of deduction of interest expense by financial institutions pursuant to section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”).

Interest Payment and Interest Rate

The Bonds shall bear interest payable January 1, 2024, and semi-annually thereafter on each January 1 and July 1 until maturity. Interest on the Bonds shall be computed using a 360-day year with twelve 30-day months. Interest shall be paid by check or draft mailed to the registered owner of each Bond as of the applicable date of record.

Paying Agent and Bond Registrar

The Drainage District anticipates designating The Huntington National Bank, Grand Rapids, Michigan, as bond registrar and paying agent (the “Paying Agent”) for the Bonds in connection with the issuance and initial delivery thereof. The Paying Agent will keep records of the registered holders of the Bonds, serve as transfer agent for the Bonds, authenticate the original and any re-issued Bonds and will pay principal and interest to the registered holders of the Bonds as shown on the registration books of the Drainage District maintained by the Paying Agent on the applicable date of record. The principal of each Bond will be paid when due upon presentation and surrender thereof to the Paying Agent. The date of record shall be the 15th day of the month before such payment is due. The Drainage District may, from time to time as required, designate a qualified successor bond registrar and paying agent. Alternatively, the Drainage District Treasurer may serve as bond registrar and paying agent for the Bonds if the Drainage District determines that it is in the best interest of the Drainage District.

Prior Redemption

The Bonds maturing prior to July 1, 2034, shall not be subject to optional redemption prior to maturity. Bonds maturing on or after July 1, 2034, shall be subject to redemption prior to maturity at the option of the Drainage District, in any order, in whole or in part in integral multiples of \$5,000 on any date on or after July 1, 2033. Bonds called for redemption shall be redeemed at par, plus accrued interest to the date fixed for redemption.

With respect to partial redemptions, any portion of a Bond outstanding in a denomination larger than the minimum authorized denomination may be redeemed provided such portion as well as the amount not being redeemed each constitute an authorized denomination. In the event that less than the entire principal amount of a Bond is called for redemption, upon surrender of the Bond to the Paying Agent, the Paying Agent shall authenticate and deliver to the registered owner of the Bond a new Bond in the principal amount of the principal portion not redeemed.

Notice of redemption shall be sent to the registered holder of each Bond being redeemed by first class mail at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption, which notice shall fix the date of record with respect to the redemption if different than otherwise provided in the Resolution authorizing the issuance of the Bonds. Any defect in such notice shall not affect the validity of the redemption proceedings. Bonds so called for redemption shall not bear interest after the redemption date, provided funds are on hand with the Paying Agent to redeem the same.

CUSIP Numbers

It is anticipated that CUSIP numbers will be printed on the Bonds, but neither the failure to print such numbers nor any improperly printed number shall constitute cause for the purchaser to refuse to accept delivery of, or to pay for, the Bonds. All expenses for printing CUSIP numbers on the Bonds will be paid by the Drainage District, except that the CUSIP Service Bureau charge for the assignment of such numbers shall be the responsibility of and paid for by the purchaser.

THE DRAINAGE DISTRICT

The Oakland-Macomb Interceptor Drain Drainage District is a separate public corporation established pursuant to Chapter 21 of Act 40. The Drainage District is governed by a board composed of the Macomb County Public Works Commissioner, the Oakland County Water Resources Commissioner, and an appointed Chairman from the Michigan Department of Agriculture & Rural Development.

The Drainage District's primary purpose is the construction, maintenance, and operation of the Oakland-Macomb Interceptor Drain (the "OMID") sewer system. The OMID is a 22-mile long pipe originally constructed in the early 1970s. The pipe ranges in sizes up to 13 feet in diameter and is buried up to 100 feet deep. The north to south route begins in eastern Oakland County, passes through Macomb County, and terminates south of Eight Mile Road in Wayne County. The sanitary sewage is then passed to the Great Lakes Water Authority for treatment. The OMID services about 850,000 people in twenty-three Oakland County and Macomb County communities. The Drainage District's activities are reported as a component unit of Macomb County's financial statements. The Drainage District does not publish separate financial statements.

DESCRIPTION OF THE PROJECT

North Interceptor East Arm Project

The proposed project includes design and rehabilitation of approximately 1,600 lineal feet of lining of the existing 17.5-foot diameter PCI-4 interceptor, lining of approximately 800 lineal feet of the existing 12-foot diameter PCI-19 interceptor.

The project also consists of the construction of earth retention systems, shafts, gates, manholes, new piping, electrical, control and communication systems. Additionally, related modifications to gain access to the interceptor in the North Interceptor East-Arm and GLWA systems as well as upstream OMID flow control system operations and modifications to facilitate the downstream work. Contracted work also includes various spot repairs and other ancillary work in the North Interceptor East-Arm including the transition point of the OMID and GLWA systems. Related surface repairs of existing infrastructure to access the underground interceptor will also be needed along with various agreements with other government and private corporations for permitting, access, and managing the flow in order to commence the work.

Northeast Sewage Pump Station (NESPS) Repairs

The purpose of the Northeast Sewage Pump Station (NESPS) Pumping and Electrical Upgrades Project is to improve redundancy and efficiency to the pumping operations at the pump station. This will be achieved through the replacement of the existing pumps, motors, process piping, plumbing, electrical service, transformers, gear, starters, controls, communications, computer, software and all appurtenances to completely rehabilitate the pump station process from service power into the facility to wastewater leaving the facility. Five new pumps that will be approximately 1,000 horsepower each will be installed with new discharge piping, controls, valves, actuators, and other appurtenances. The station will utilize best management practices with pumping units that are better sized to match the expected flow along with some alternative energy features. Demolition of the old pumps and related piping and electrical gear and service will also be required.

Civil/Site Work for new drainage, concrete access drive, earthwork, landscaping, lighting, fencing, and security features are also included in the project. A new roof for the existing pump station will be required to protect the new equipment inside the facility along with a new electrical building, which will allow concurrent operations of the pump station while phasing over to the new system. The new building will include a restroom, storage, cleaning and control rooms, and office facilities for staff to properly maintain the new assets.

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds

Par Value of Bonds	\$	5,730,000.00
Original Issue Premium		176,878.45
Local Unit Prepayments		9,562,443.00
Total Sources	\$	15,469,321.45

Uses of Funds

Deposit to Construction Fund	\$	15,341,000.00
Underwriter's Discount		55,867.50
Estimated Costs of Issuance		72,453.95
Total Uses	\$	15,469,321.45

SECURITY FOR THE BONDS

Special Assessments for the Project

The Bonds and the interest thereon are being issued in anticipation of and shall be payable from the Oakland-Macomb Interceptor Drain Series 2020B (2023 Issue) Special Assessments confirmed on April 19, 2023 (the "2020B Special Assessments") pursuant to Section 528 of the Drain Code. The 2020B Special Assessments are payable by the Public Corporations listed in *Figure 1* and *Figure 2*. The Public Corporations were given the opportunity to prepay the 2020B Special Assessments. The percentages in *Figure 1* and *Figure 2* represent the pro-rata amount of principal and interest on the Bonds that each Public Corporation has been assessed after accounting for prepayments. Public Corporations with a 0.0000% assessment have prepaid the 2020B Special Assessment and will not be assessed for payment of the Bonds. All of the remaining 2020B Special Assessments are pledged solely and only for the payment of the principal of and interest on the Bonds.

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Figure 1

<u>County of Oakland</u>	<u>13.7564%</u>
	<u>Percentage</u>
<u>PUBLIC CORPORATIONS</u>	<u>of Bond Issue</u>
City of Auburn Hills	0.0000%
Independence Township (includes Village of Clarkston)	0.0000%
City of Lake Angelus	0.0000%
Village of Lake Orion	0.9050%
Oakland Township	0.0000%
Orion Township	0.0000%
Oxford Township	3.3100%
Village of Oxford	0.0000%
City of Rochester	5.1838%
City of Rochester Hills	0.0000%
Waterford Township	0.0000%
West Bloomfield Township	4.3576%
Total	<u>13.7564%</u>

Figure 2

<u>County of Macomb</u>	<u>86.2436%</u>
	<u>Percentage</u>
<u>PUBLIC CORPORATIONS</u>	<u>of Bond Issue</u>
Chesterfield Township	12.7386%
Clinton Township	0.0000%
City of Fraser	7.2309%
Harrison Township	11.0324%
Lenox Township	0.0000%
Macomb Township	0.0000%
Village of New Haven	0.0000%
Shelby Township	0.0000%
City of Sterling Heights	55.2417%
City of Utica	0.0000%
Washington Township	0.0000%
Total	<u>86.2436%</u>

Full Faith and Credit of Drainage District

The full faith and credit of the Drainage District have been pledged to the payment of the principal and interest on the Bonds. The Drainage District has no general taxing powers.

Limited Tax General Obligation Full Faith and Credit of Oakland County and Macomb County

Pursuant to authorization provided in Chapter 21 of the Drain Code, and resolutions of Oakland County and Macomb County, duly adopted by two-thirds (2/3) vote of the members of the Board of Commissioners of Oakland County on May 13, 2020, and Macomb County on April 30, 2020, the limited tax general obligation full faith and credit of each County have been pledged as a condition precedent to the issuance of the Bonds for the prompt payment of the principal of, and interest on the Bonds as the same shall become due in accordance with such resolutions. As provided in said resolutions and the Drain Code, in the event any Public Corporation in the Oakland County shall fail to pay or neglect to account to the Oakland County Treasurer, and any Public Corporation in Macomb County shall fail to pay or neglect to account to the Macomb County Treasurer, for the amount of any special assessment installment and interest (in anticipation of which the Bonds are issued) when due, then the amount thereof shall be advanced from the funds of the Oakland County or the Macomb County, respectively, as provided in such resolutions, and the Oakland

County Treasurer and the Macomb County Treasurer are directed to make such advancement to the extent necessary. If it becomes necessary for Oakland County or Macomb County to so advance such moneys, they shall have such right or rights of reimbursement and any and all remedies therefor as provided by of the Chapter 21 of the Drain Code or any other law.

The rights and remedies of the holders of the Bonds may be affected by bankruptcy, insolvency, fraudulent conveyance, or other laws affecting creditors' rights generally and by the application of general principles of equity including those relating to equitable subordination, now existing or hereafter enacted.

BOOK-ENTRY-ONLY SYSTEM

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17-A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Drainage District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, interest and redemption amounts, if any, on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Drainage District or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Paying Agent, or the Drainage District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, interest and redemption amounts, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Drainage District or Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Drainage District or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Drainage District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE DRAINAGE DISTRICT BELIEVES TO BE RELIABLE, BUT NEITHER THE DRAINAGE DISTRICT, BOND COUNSEL, MUNICIPAL ADVISOR NOR THE UNDERWRITERS ASSUME ANY RESPONSIBILITY FOR THE ACCURACY THEREOF.

THE DRAINAGE DISTRICT AND THE DRAINAGE DISTRICT'S BOND COUNSEL OR MUNICIPAL ADVISOR, THE UNDERWRITER AND THE PAYING AGENT CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (i) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE BONDS (ii) ANY DOCUMENT REPRESENTING OR CONFIRMING BENEFICIAL OWNERSHIP INTERESTS IN BONDS, OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH THE PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE DRAINAGE DISTRICT, THE UNDERWRITER NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY

BENEFICIAL OWNER OF ANY OTHER PERSON WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC TO ANY PARTICIPANT, OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER OF ANY AMOUNT DUE WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (4) THE DELIVERY BY DTC TO ANY PARTICIPANT, OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND RESOLUTION TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

Discontinuation of Book-Entry-Only System

DTC may determine to discontinue providing its service with respect to the Bonds at any time by giving notice to the Drainage District and the Paying Agent and discharging its responsibilities with respect thereto under applicable law. Upon the giving of such notice, the Paying Agent shall attempt to have established a securities depository/book-entry system relationship with another qualified depository. If the Paying Agent does not or is unable to do so, the book-entry-only system shall be discontinued.

Transfer Outside Book-Entry-Only System

In the event the book-entry-only system is discontinued, the Paying Agent shall keep the registration books for the Bonds (the "Bond Register") at its corporate trust office. Subject to the further conditions contained in the Resolution, the Bonds may be transferred or exchanged for one or more Bonds in different authorized denominations upon surrender thereof at the corporate trust office of the Paying Agent by the registered owners or their duly authorized attorneys; upon surrender of any Bonds to be transferred or exchanged, the Paying Agent shall record the transfer or exchange in the Bond Register and shall authenticate replacement bonds in authorized denominations; the Paying Agent shall not be required to effect or register any transfer or exchange of any Bond which has been selected for such redemption, except the Bonds properly surrendered for partial redemption may be exchanged for new Bonds in authorized denominations equal in the aggregate to the unredeemed portion; and the Drainage District and Paying Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in the Bond Register as of the appropriate dates, as the owner of such Bonds for all purposes under the Resolution.

Transfer or Exchange of Bonds

Any Bond shall be transferable on the Bond Register maintained by the Paying Agent with respect to the Bonds upon the surrender of the Bond to the Paying Agent together with an assignment executed by the registered owner or his or her duly authorized attorney in form satisfactory to the Paying Agent. Upon receipt of a properly assigned Bond, the Paying Agent shall authenticate and deliver a new Bond or Bonds in equal aggregate principal amount and like interest rate and maturity to the designated transferee or transferees.

Bonds may likewise be exchanged for one or more other Bonds with the same interest rate and maturity in authorized denominations aggregating the same principal amount as the Bond or Bonds being exchanged. Such exchange shall be effected by surrender of the Bond to be exchanged to the Paying Agent with written instructions signed by the registered owner of the Bond or his or her attorney in form satisfactory to the Paying Agent. Upon receipt of a bond with proper written instructions, the Paying Agent shall authenticate and deliver a new Bond or Bonds to the registered owner of the Bond or his or her properly designated transferee or transferees or attorney.

Any service charge made by the Paying Agent for any such registration, transfer or exchange shall be paid for by the Drainage District, unless otherwise agreed by the Drainage District and the Paying Agent. The Paying Agent may, however, require payment by a bondholder of a sum sufficient to cover any tax or other governmental charge payable in connection with any such registration, transfer or exchange.

CONTINUING DISCLOSURE

Each of Oakland County and Macomb County (the “Counties”), on behalf of the Drainage District, and the City of Sterling Heights, the Charter Township of Harrison, and the Charter Township of Chesterfield (together, the “Obligated Public Corporations”) have covenanted and will covenant for the benefit of the holders of the Bonds and the Beneficial Owners (as hereinafter defined) pursuant to a Continuing Disclosure Undertaking to be delivered on the date of issuance of the Bonds to the purchaser thereof (the “Disclosure Undertaking”), to provide or cause to be provided: (i) each year, certain financial information and operating data for the preceding fiscal year (the “Annual Report”) (a) with respect to Oakland County, by not later than nine (9) months after the first day of its fiscal year, commencing with the Annual Report for its fiscal year end September 30, 2023, and (b) with respect to Macomb County, by not later than nine (9) months after the first day of its fiscal year, commencing with the Annual Report for its fiscal year end December 31, 2023, and (c) with respect to each Obligated Public Corporation, by not later than nine (9) months after the first day of its fiscal year; provided, however, that if the audited financial statements of Oakland County and Macomb County, on behalf of the Drainage District, and the Obligated Public Corporations are not available by such date, they will be provided when and if available, and unaudited financial statements in a format similar to the audited financial statements then most recently prepared for the Drainage District will be included in the Annual Report; and (ii) timely notices of the occurrence of certain enumerated events, if material. “Beneficial Owner” means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including any person holding Bonds through nominees, depositories or other intermediaries).

Each Annual Report will be filed with the Municipal Securities Rulemaking Board (“MSRB”) electronically through MSRB’s Electronic Municipal Market Access system (“EMMA”). If the Counties or the Obligated Public Corporations are unable to provide the MSRB its Annual Report by the date required, the Counties or the Obligated Public Corporations shall send, in a timely manner, to the MSRB through EMMA, a notice of the failure to file the Annual Report by such date. Notices of material events will be filed by the Drainage District with the MSRB through EMMA. These covenants have been made by the Counties and the Obligated Public Corporations in order to assist the purchaser of the Bonds and registered brokers, dealers and municipal securities dealers in complying with the requirements of subsection of (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the “Rule”). The information to be contained in each Annual Report, the enumerated events, the occurrence of which will require a notice, and the other terms of the Disclosure Certificate are set forth in “Appendix L”, “FORM OF CONTINUING DISCLOSURE CERTIFICATES”.

A failure by the Counties or the Obligated Public Corporations to comply with the Disclosure Certificate will not constitute an event of default on the Bonds (although beneficial owners will have any available remedy at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Except as described in this paragraph, Oakland County has complied with all of its existing continuing disclosure undertakings over the last five years in all material respects. For the fiscal years ended September 30, 2018 and 2019, the County filed its continuing disclosure as required but inadvertently failed to link some CUSIPs to such filings. Upon discovery in 2020, the County linked the continuing disclosure to those missed CUSIPs. The County’s Annual Reports for the fiscal years ended September 30, 2018 omitted certain information relating to its county-wide tax collection record. Such omission was discovered in 2020, and notice of such omission along with updated information relating to county wide tax collection record has been posted to EMMA on or before the date of this Official Statement. Except for these incidents, in the past five years, the County has not failed to comply, in all material respects, with any of its previous undertakings in a written contract or agreement that it entered into pursuant to subsection (b)(5) of the Rule.

Except as described in this paragraph, Macomb County has complied with all of its existing continuing disclosure undertakings over the last five years in all material respects. The County has entered into several continuing disclosure undertakings in connection with several series of bonds or other obligations. The filing requirements pursuant to some undertakings vary as to operating data and filing deadline. For some issues, the County’s undertakings required Annual Reports to be filed within 180 days after the end of the County’s fiscal year, while for other issues the Annual Reports

were required to be filed within nine months after the end of the County's fiscal year. As a result, some or all of the County's Annual Reports were filed more than 180 days after, but within nine months of, the County's fiscal year-end of December 31. Further, the operating data included with the County's Annual Reports omitted some of the required data, including, particularly, for fiscal year 2017, the information included in the tables entitled "State Equalized Value," "Employment Statistics" and "Tax Rate Limitations." Finally, the County did not provide required late filing notices in a timely manner. As of the date of this Official Statement, the County filed the required, but previously omitted, operating data and notice of late filings.

Except as described in the following paragraphs, no Obligated Public Corporation has failed to comply with the requirements as described in section (b)(5) of the Rule of any undertaking made by the Obligated Public Corporation in the last five years.

The Continuing Disclosure filings for the City of Sterling Heights (the "City"), in connection with the Macomb Interceptor Drain Drainage District Clintondale Pump Station Improvements Drainage District Refunding Bonds, Series 2020 (Limited Tax General Obligation), for which the City is an obligated party, the City failed to file its 2021 General Fund Budget Summary and to link the proper CUSIP's on EMMA. The City has since filed its 2021 General Fund Budget Summary and updated the CUSIP links on EMMA. The City has taken steps to assure no information required by undertakings will be omitted from future filings.

BOND RATING

Moody's Investor Services, Inc.

Moody's Investors Service, Inc. ("Moody's"), will assign, as of the date of delivery, a municipal bond rating of "Aa1" to the Bonds.

The Drainage District furnished certain materials and information in addition to that provided herein. The rating is the sole view of Moody's and is based on Moody's own research, analysis, and methodologies. There is no assurance that such rating will prevail for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. Additional information is available upon request from Moody's Investors Service, Inc., 7 Trade Center at 250 Greenwich St., New York, NY 10007, (212) 553-0377.

TAX MATTERS

General

It is the opinion of Clark Hill, PLC., Bond Counsel ("Bond Counsel"), based on its examination of the documents described in its opinion, under existing law as enacted and construed on the date of the initial delivery of the Bonds, the interest on the Bonds is (a) excluded from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. However, Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax.

Bond Counsel is also of the opinion that, based on its examination of the documents described in its opinion, under existing law as enacted and construed on the date of the initial delivery of the Bonds, the Bonds and the interest thereon are exempt from all taxation by the State of Michigan or a political subdivision thereof, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. Bond Counsel will express no opinion regarding any other federal or state tax consequences arising with respect to the Bonds and interest thereon.

The opinions on federal tax matters is based on the accuracy of certain representations and certifications, and continuing compliance with certain covenants of the Drainage District contained in the transcript of proceedings and which are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excludable from gross income for federal income tax purposes. The Drainage District has covenanted to take the actions required of it for the interest on the Bonds to be and to remain excludable from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. The opinions assume the accuracy of the Drainage District's certifications and representations and the continuing

compliance with the Drainage District's covenants. Noncompliance with these covenants by the Drainage District may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. After the date of issuance of the Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to their attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the market prices of the Bonds.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to the excludability of interest on the Bonds from gross income for federal income tax purposes but is not a guarantee of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel cannot give, and has not given, any opinion or assurance about the effect of future changes in the Internal Revenue Code of 1986, as amended (the "Code"), the applicable regulations, the interpretations thereof or the enforcement thereof by the IRS.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, foreign corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits individuals otherwise eligible for the earned income tax credit and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Bonds. Bond Counsel will express no opinion regarding any such consequences.

Arbitrage and Rebate Requirements

Interest on the Bonds will remain excluded from gross income under applicable federal tax law only if, among other requirements, the Drainage District complies with certain arbitrage requirements set forth in Section 148 of the Code. These requirements include yield and other limits regarding investment of the proceeds of the Bonds and other funds, and rebate of certain investment earnings on such amounts on a periodic basis to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance may occur or be ascertained. The Drainage District has covenanted in the Resolution to comply with all such requirements.

Tax Treatment of Accruals on Original Issue Discount Bonds

For federal income tax purposes, the difference between the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the Bonds initially sold at a discount as shown on the inside cover page hereof (the "OID Bonds") is sold and the amount payable at the stated redemption price at maturity thereof constitutes "original issue discount." Such discount is treated as interest excluded from federal gross income to the extent properly allocable to each registered owner thereof. The original issue discount accrues over the term to maturity of each such OID Bond on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) with straight line interpolations between compounding dates. The amount of original issue discount accruing during each period is added to the adjusted basis of such OID Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such OID Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of registered owners of the OID Bonds who purchase such bonds after the initial offering of a substantial amount thereof. Registered owners who do not purchase such OID Bonds in the initial offering at the initial offering and purchase prices should consult their own tax advisors with respect to the tax consequences of ownership of such OID Bonds.

Amortizable Bond Premium

For federal income tax purposes, the excess of the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold over the amount payable at maturity thereof constitutes for the original purchasers of such Bonds (collectively, the "Original Premium Bonds") an amortizable bond premium. Bonds other than Original Premium Bonds may also be subject to an amortizable bond premium determined generally with regard to the taxpayer's basis (for purposes of determining loss on a sale or exchange) and the amount payable on maturity or, in certain cases, on an earlier call date (such bonds being referred to herein collectively with the Original Premium Bonds as the "Premium Bonds"). The amount of amortizable bond premium allocable to each taxable year is generally

determined on the basis of the taxpayer's yield to maturity determined by using the taxpayer's basis (for purposes of determining loss on sale or exchange) of such Premium Bonds and compounding at the close of each six-month accrual period. The amount of amortizable bond premium allocable to each taxable year is deducted from the taxpayer's adjusted basis of such Premium Bonds to determine taxable gain upon disposition (including sale, redemption or payment at maturity) of such Premium Bonds.

All holders of the Premium Bonds should consult with their own tax advisors as to the amount and effect of the amortizable bond premium.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a valid IRS Form W-9, together with appropriate attachments, reporting and certifying under penalties perjury the recipient's correct taxpayer identification number ("TIN") and further certifying that the recipient is not subject to backup withholding on a valid IRS Form W-9 or suitable substitute, or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing the Bonds through a brokerage account has executed a valid IRS Form W-9 in connection with the establishment of such account no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the IRS.

Future Developments

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds and, unless separately engaged, Bond Counsel is not obligated to defend the Drainage District in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the Drainage District as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit.

NO ASSURANCE CAN BE GIVEN THAT ANY FUTURE LEGISLATION OR CLARIFICATIONS OR AMENDMENTS TO THE CODE, IF ENACTED INTO LAW, WILL NOT CONTAIN PROPOSALS THAT COULD CAUSE THE INTEREST ON THE BONDS TO BE SUBJECT DIRECTLY OR INDIRECTLY TO FEDERAL OR STATE OF MICHIGAN INCOME TAXATION, ADVERSELY AFFECT THE MARKET PRICE OR MARKETABILITY OF THE BONDS, OR OTHERWISE PREVENT THE HOLDERS FROM REALIZING THE FULL CURRENT BENEFIT OF THE STATUS OF THE INTEREST THEREON. BOND COUNSEL EXPRESS NO OPINION REGARDING ANY PENDING OR PROPOSED FEDERAL OR STATE OF MICHIGAN TAX LEGISLATION.

FURTHER, NO ASSURANCE CAN BE GIVEN THAT ANY ACTIONS OF THE IRS, INCLUDING, BUT NOT LIMITED TO, SELECTION OF THE BONDS FOR AUDIT EXAMINATION, OR THE COURSE OR RESULT OF ANY EXAMINATION OF THE BONDS, OR OTHER BONDS WHICH PRESENT SIMILAR TAX ISSUES, WILL NOT AFFECT THE MARKET PRICE OF THE BONDS.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS, INCLUDING THE IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE OF MICHIGAN TAX LEGISLATION.

BOND HOLDERS' RISKS

The Federal Bankruptcy Code affects the rights and obligations of municipalities and their creditors. Although State legislative authority is a condition to the filing by municipalities of cases for relief under the Bankruptcy Code, recently enacted legislation empowers local governments, such as the Drainage District, to become a debtor under the Bankruptcy Code. This authorization would be invoked if fiscal circumstances become such an emergency financial manager were appointed for the Drainage District. No assurance can be given that future circumstances or legislation will not result in the Drainage District filing for relief under the Bankruptcy Code. Should the Drainage District file a petition for relief under the Bankruptcy Code, the bankruptcy court could reduce the amount of or extend the time of the Drainage District's legal obligation to pay its outstanding debts.

ABSENCE OF CERTAIN LITIGATION

There is no litigation pending or threatened, in any court (either state or federal) which seeks to restrain or enjoin the issuance or delivery of the Bonds, which questions (i) the proceedings under which the Bonds are to be issued, (ii) the validity of the Bonds, (iii) the legal existence of the Drainage District, the Counties or any Obligated Public Corporation, as applicable, or the title to the office of the present officials of any of the Drainage District, the Counties or the Obligated Public Corporations, as applicable, to operate or any other matter which may materially affect the financial condition of the Drainage District, the Counties or the Obligated Public Corporations, as applicable. One or more authorized representatives of each of the Drainage District, the County, and the Obligated Public Corporations, as applicable, will deliver a certificate to that effect at the time of the original delivery of the Bonds.

APPROVAL OF LEGALITY

The approving opinion of Clark Hill, PLC, attorneys of Detroit, Michigan, will be furnished without expense to the purchaser of the Bonds at the delivery thereof.

STATE TREASURY QUALIFICATION

The Drainage District has received a letter from the Michigan Department of Treasury stating that it is in material compliance with the criteria of Act No. 34, Public Acts of Michigan, 2001, as amended for a municipality to be granted qualified status. The Drainage District may proceed to issue the Bonds without further approval from the Department.

MUNICIPAL ADVISOR

MFCI, LLC of Milford, Michigan (the "Municipal Advisor"), is a registered Municipal Advisor in accordance with the rules of the Municipal Securities Rulemaking Board ("MSRB"). The Municipal Advisor has been retained by the Drainage District to provide certain municipal advisory services relating to the planning, structuring and issuance of the Bonds, including preparation of certain parts of the deemed "final" Preliminary Official Statement and the final Official Statement (the "Official Statements").

The Municipal Advisor will make no representation, warranty or guarantee regarding the accuracy or completeness of the information in the Preliminary Official Statement or Official Statement, other than information about the Municipal Advisor supplied by the Municipal Advisor, and its assistance in preparing these documents should not be construed as a representation that it has independently verified such information.

The Municipal Advisor is not engaged in the business of underwriting, trading, marketing, or the distribution of securities or any other negotiable instruments. The Municipal Advisor's duties, responsibilities, and fees arise solely as registered Municipal Advisor to the Drainage District, and it has no secondary obligation or other responsibility. The Municipal Advisor's fees are expected to be paid from Bond proceeds.

RESPONSIBILITIES OF BOND COUNSEL

Bond Counsel has reviewed the statements made in this Official Statement under the captions "DESCRIPTION OF THE BONDS" (except under the subcaption "Book-Entry-Only"), "SECURITY FOR THE BONDS",

“CONTINUING DISCLOSURE” (first two paragraphs only), “TAX MATTERS”, “APPROVAL OF LEGALITY” AND “RESPONSIBILITIES OF BOND COUNSEL”, but has not been retained to review and has not reviewed any other portion of this Official Statement. Bond Counsel has not made inquiry of any official or employee of the Drainage District or any other person with respect to, or otherwise made any independent verification of, the accuracy or completeness of any statement made in this Official Statement (including those that it has reviewed) and has not expressed and will not express an opinion as to the accuracy or completeness of any statement made herein.

Except as stated in the immediately preceding paragraph and to the extent necessary to render its approving opinion respecting the validity of the Bonds and the exemption of the Bonds and the interest thereon from taxation, Bond Counsel has not been retained to examine or review, and has not examined or reviewed, any financial documents, statements or other materials that have been or may be furnished in connection with the authorization, marketing or issuance of the Bonds and, therefore, will not express an opinion with respect to the accuracy or completeness of any such documents, statements or other materials.

The fees of Bond Counsel for services rendered in connection with its approving opinion are expected to be paid from Bond proceeds or other funds available to the Drainage District.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

This Official Statement has been duly approved, executed, and delivered by the Drainage District, Oakland County, and Macomb County on the date set forth on the front cover of this Official Statement.

[Signature page to follow]

Oakland-Macomb Interceptor Drain Drainage District

By: /s/ Michael Gregg
Its: Chairman

County of Oakland

By: /s/ Robert Wittenberg
Its: Treasurer

By: /s/ Jim Nash
Its: Water Resources Commissioner

County of Macomb

By: /s/ Stephen Smigiel
Its: Finance Director

By: /s/ Candice S. Miller
Its: Public Works Commissioner

The City of Sterling Heights, Charter Township of Harrison, and Charter Township of Chesterfield certify that to its best knowledge and belief, this Official Statement, as it pertains to its own economic and financial conditions, is true and correct as of the date of this Official Statement, and does not contain, or omit, any material facts which would make the statements contained herein misleading.

City of Sterling Heights

By: /s/ Jennifer Varney
Its: Finance and Budget Director

Charter Township of Harrison

By: /s/ Nicol Giebas
Its: Township Finance Director

Charter Township of Chesterfield

By: /s/ Victoria Bauer
Its: Township Director of Finance

APPENDIX A
OAKLAND COUNTY, STATE OF MICHIGAN
GENERAL AND ECONOMIC
INFORMATION REGARDING THE COUNTY

Introduction

Oakland County continues to be a great place to live, work, shop, and establish a business. The County is an exceptional place to live where residents enjoy a high quality of life and where business growth and opportunity is strong. The County's taxable value for real and personal property continues to rebound along with the overall economy and grew 24.2% from 2019 to 2023. With only 3.57% of the 2022 taxable valuation coming from the ten largest taxpayers, the County continues to have a well-diversified tax base.

Residential developments in the County include some of the finest in the State. Based on building permit data, the average value of a new construction single-family home was approximately \$322,000 in 2021. 50% of the County's residential development from 2018 through 2022 has been single-family units. Since 2018, 46% of net new residential construction in the Southeast Michigan region has taken place in Oakland County.

The unemployment rate for Oakland County averaged 3.0% in 2022. Oakland County did experience some job loss due to manufacturing reorganization in 2006 and the national recession that followed but had experienced consistent job growth since the middle of 2010 until job losses associated with the COVID-19 pandemic began to register in the data in April 2020. Based on their May 2023 report, the University of Michigan's economic forecast for Oakland County expects the count of employed Oakland County residents to keep growing in almost every quarter of our forecast period. From mid-2023 through early 2024, the local labor force is forecast to grow more quickly than the number of employed residents, which would put upward pressure on the unemployment rate. The report forecasts that the County's unemployment rate may climb slightly to 3.4% by mid-2024, but fall to 2.8% by the end of 2025.

In 2023, Oakland County was recognized as one of the most prosperous counties in the nation. In comparing Oakland County with 42 other counties of similar population throughout the nation, University of Michigan economists ranked Oakland County tenth overall based on selected indicators of prosperity.

Oakland County has the highest level of median household income of the major labor markets in Michigan. The estimated median household income of Oakland County residents in 2021 was \$86,275.

Source: Oakland County Department of Planning and Economic Development, University of Michigan Research Seminar in Quantitative Economics

The County

The County is a public corporation created under the Constitution and Statutes of the State of Michigan and has general governmental powers and authority. Under Act 206, Public Acts of Michigan, 1893, as amended, the Treasurer of the County is the officer responsible for the collection of delinquent real property taxes returned to the County as uncollected on March 1 of any year. In addition, the County Treasurer is responsible for the application of the borrowing proceeds and the preservation of the security related to these funds. The County uses a modified accrual basis for accounting purposes.

Form of Government

The County operates under the unified form of county government adopted pursuant to Act 139, Public Acts of Michigan, 1973, as amended. The 19-member Board of Commissioners is the governing and legislative body of the County and is elected from districts for two (2) year terms. The County Executive is the chief administrative officer of the County and is elected for a four (4) year term.

The County Executive is responsible for the overall supervision of all County departments, except those headed by other elected officials. The County Executive also has veto powers over ordinances or resolutions adopted by the Board of Commissioners, including appropriating resolutions, which may be overridden by a 2/3 vote of all members elected and serving on the County Board of Commissioners.

County Location, Transportation, and Character

The County of Oakland is located in the southeast portion of Michigan's Lower Peninsula and covers an area of 910 square miles, which includes 30 cities, 10 villages, and 21 townships. Within the County there are more than 1,400 lakes, 900 miles of interior shoreline, 5 rivers, and numerous small streams. There are approximately 82 private and public golf courses, including Groveland Oaks, the first park in Michigan to be environmentally certified by the Michigan Turfgrass Environmental Stewardship Program, which attracts many businesses and residents to Oakland County.

Oakland (County) International Airport: The County's airport can accommodate large commercial jets and is home base for over 624 corporate and general aviation aircraft. It is the nation's 16th busiest general aviation airport (2021 data) and is the second busiest airport in Michigan with more than 140,000 annual takeoffs and landings. In 1996 the airport opened a full-time U.S. customs office and expanded the airport to international commerce. The airport contributes over \$584 million to the County's economy each year.

Detroit Metropolitan Airport (DTW): DTW is located 18 miles south of the County, offers direct and connecting flights daily to nearly everywhere in the world. With approximately 37 million passengers and 1,100 flights per day in 2022, Detroit Metropolitan Airport is one of the busiest airports in the United States. DTW serves as one of the largest hubs for both Delta and Spirit Airlines. The facility consists of two passenger terminals, 145 gates, six jet runways, and two modern Federal Inspection Services facilities for international arrivals.

The Port of Detroit: The Port of Detroit is located south of the County (in Wayne County), and serves as Southeast Michigan's link to the Great Lakes, the St. Lawrence Seaway and the world. An international port of entry with full U.S. Customs Service and a Free Trade Zone, enhancing the area's attractiveness to foreign manufacturers. In 2021, more than \$35 billion in goods were exported from the Detroit MSA. The Detroit region ranked eighth in exports (based on dollar value) after Houston, New York, Los Angeles, Chicago, Dallas, Miami, and New Orleans.

Roads and Highways: Major investments in upgrades to Interchanges along the 87 miles of interstate freeways serving Oakland County continue to be made. Interstate 75 and I-275 link the area with the states of Ohio, Kentucky, Tennessee, Georgia and Florida; I-94, I-96 and I-696 are major east/west freeways in the state, and link east to Canada and west through Chicago. Oakland County and the surrounding area are free of toll roads.



Rail Service: CSX offers class-one industrial and commercial freight shipping from Wixom, MI to Detroit or Chicago. Canadian National Railway operates class-one industrial/commercial freight shipping from Birmingham, Michigan to Detroit or Windsor, ON. Amtrak Passenger Rail Service has stations in the Michigan cities of Birmingham, Pontiac, and Royal Oak for trains traveling to Chicago Union Station and to points in between.

Residential: For the period of 2013-2022, the County issued approximately 28,000 net new construction permits (including multi-family). Oakland County continues to post strong numbers in residential development and had the highest total in the seven-county Southeast Michigan region according to SEMCOG data. According to the Oakland County Department of Planning and Economic Development and Zillow Research and Analytics' Zillow Housing Value Index (ZHVI), the median value of a home in

Oakland County increased from \$303,904 in 2021 to \$330,907 in 2022, an 8.9% increase.

Commercial: Oakland County recorded 6.7 million square feet of nonresidential development completed in 2021 across 61 projects with a reported value of nearly \$527.6 million. In 2022, the County recorded 27 completed nonresidential projects with a reported value of nearly \$231.6 million and covering 1.7 million square feet. Currently, there are 58 nonresidential development projects underway in the county with 4.0 million square feet of floorspace and a reported value of more than \$350.2 million.

Agriculture: Agriculture has been declining steadily due to farm property being converted into residential, commercial, and industrial sites, but remains an important part of the County's economic diversification strategy.

Retail Activity: The County is home to an extensive collection of malls and shopping centers ranging from small village malls and popular local downtown shopping districts, to multi-floor regional malls found in most major cities. From luxury retailers at Somerset Collection to value-oriented stores at Great Lake Crossing Outlets, Oakland County offers shopping to meet the needs of residents and visitors alike.

Corporate: As of 2022, 57% percent of Fortune 500 companies do business in Oakland County. In 2022, according to the Bureau of Labor Statistics, nearly 18,000 Oakland County workers are employed by the Management and Companies and Enterprises Industry.

Hotels-Motels: As of 2023, Oakland County had 100 hotels and motels with 20 or more rooms. Several new hotel/motel properties have opened in the past few years.

Source: Oakland County Department of Planning and Economic Development

Office Buildings: More than ten million square feet of floor space has been completed in Oakland County since the start of 2007, accounting for nearly a third of Southeast Michigan's total nonresidential development. According to Jones Lang LaSalle, office lease and vacancy rates in Oakland County submarkets remain competitive with the rest of metro Detroit. Vacancy rates across Southeast Michigan have risen since the COVID-19 pandemic. In the first quarter of 2023, Royal Oak/Southeast Oakland County remains one of the strongest markets with an estimated vacancy rate of 9.9% versus the region wide suburban average of 21.3%. Other vacancy rates for Oakland County submarkets include Birmingham/Bloomfield 18.2%, Farmington/Farmington Hills 27.0%, Southfield 29.8%, and Troy 28.2%.

Source: SEMCOG, Jones Lang LaSalle (<https://www.us.jll.com/en/trends-and-insights/research/office-market-statistics-trends/detroit>)

Industrial & Research Parks: Oakland Technology Park, located in Auburn Hills, is one of the top five research parks in the nation in size. Stellantis N.V.'s \$1 billion R & D headquarters and \$1.4 billion corporate world headquarters is located on 500 acres just outside the Oakland Technology Park. Electronic Data Systems, Comerica Bank, World Computer, ITT Automotive and other major firms are located in this Oakland Technology Park. Oakland County leads all Michigan counties with more than 240 business parks totaling more than 10,000 acres.

Source: SEMCOG

Water & Sewage: All of southern Oakland County buys water from the Great Lakes Water Authority. When projects now underway are completed, the Great Lakes Water Authority will treat all of southern Oakland County's sewage (other than those served by the Clinton River Water Resource Recovery Facility). Major drainage systems have been and are being built in the County. Following is a list of the utility suppliers and sources for Oakland County:

<u>Electric Suppliers:</u>	DTE Energy	Consumers Energy	
<u>Natural Gas Suppliers:</u>	Consumers Energy	MichCon	Semco Energy
<u>Water Sources:</u>	Great Lakes Water Authority	Lake Huron	Ground Water from Wells
<u>Sewer and System Types:</u>	Great Lakes Water Authority	Community Water	Clinton River Water
	Separate Storm and Sanitary	Treatment Facilities and	Resource Recovery
	Community Treatment Facilities	Septic Fields	System

Education

There are 28 school districts in Oakland County. In 2022, U.S. News & World Report rated the International Academy in Bloomfield Hills number 3 in Michigan and number 52 in the nation's top U.S. high schools. Six other high schools located in Oakland County were listed in the top 20 of Michigan high schools.

In the fall of 2006, Oakland County launched a Mandarin Chinese language program in four school districts. Today, all school districts in Oakland County and three consortium schools offer this language program.

Twenty-five institutions of higher learning with a total enrollment of over 43,000 are located in the County. The largest public degree-granting institutions headquartered in Oakland County are Oakland University, Oakland Community College, Lawrence Technological University, and Walsh College. Over 75% of Michigan's schools offer dual-enrollment programs which give high school students the opportunity to earn college credits. The national average of schools offering dual-enrollment is only 65%.

Oakland University: Oakland University has a total unduplicated headcount enrollment of 16,108 as of Fall 2022. The Schools of Management and Engineering work with industrial firms in developing personnel versed in manufacturing technologies and technology development processes, and management. The university's faculty consults with many industrial firms and facilitates the transfer of technology between the University and the business community. The new William Beaumont/Oakland University School of Medicine is a game-changing development for Oakland University, Oakland County, and the practice of medicine.

Oakland Community College: Oakland Community College has an enrollment of 13,573, as of January 2023, who attend this multi-campus college specializing in technical and vocational education.

Lawrence Technological University: One of the Midwest's leading technical schools, Lawrence's engineering, architecture, business and industrial management and associate studies graduate approximately 809 students annually.

Other Educational Institutions: Central Michigan University and Michigan State University have graduate studies and programs in the County. Walsh College concentrates on business and accounting education, as does Baker College.

The main campuses of the University of Michigan, Wayne State University, and Michigan State University are between 20 to 90 miles from the County. These are major centers of research. Each university has institutes established for the purpose of providing technology research, development, and transfer to the business sector for economic development. The Polymer Institute is located at the University of Detroit, less than two miles from the southern border of the County.

Source: Oakland County Department of Planning and Economic Development

Population

Oakland County's 2022 population was estimated to be 1,269,431, which represents a 4 percent increase since 2012. Out of 83 counties in Michigan, it has the second largest population. According to SEMCOG's 2050 Forecast, Oakland County is projected to have the largest actual population gain in the metro Detroit area by 2050 with the addition of 113,443 new residents.

Table 1 – Population Trends, 1970 – 2022

<u>Year</u>	<u>Population</u>	<u>Year</u>	<u>Population</u>	<u>Year</u>	<u>Population</u>
1970	907,871	2013	1,232,947	2018	1,256,694
1980	1,011,793	2014	1,238,718	2019	1,257,584
1990	1,083,592	2015	1,244,602	2020	1,274,395
2000	1,194,156	2016	1,251,027	2021	1,270,017
2010	1,202,362	2017	1,256,016	2022	1,269,431

Source: U.S. Department of Commerce, Census Bureau, SEMCOG

Income

Oakland County's estimated median household income (MHI) was \$86,523 in 2021, the second-highest among Michigan's 83 counties. Oakland County's median household income also compares favorably to the national MHI of \$70,784 and Michigan's MHI of \$64,488.

Table 2 – Median Household Income in Oakland County, 2012 – 2021

Year	Median Household Income
2021	\$86,275
2020	81,587
2019	79,698
2018	76,387
2017	73,369
2016	69,850
2015	67,465
2014	66,436
2013	65,594
2012	65,637

Source: U.S. Department of Commerce, U.S. Census Bureau, American Community Survey, 5-year estimates

Job Growth

Oakland County is recognized as one of the most prosperous counties in the nation. Oakland County's economy is continuing to improve since the days of the "Great Recession." Oakland County was at its peak employment level in the third quarter of 2000, but during the recession lost 166,463 jobs by the time it reached its low point in the fourth quarter of 2009. Since then, Oakland County recovered 144,800 jobs through the first quarter of 2020, marking over ten consecutive years of job growth.

University of Michigan economists Gabriel Ehrlich and Donald Grimes estimate that the COVID-19 pandemic caused the loss of 148,900 Oakland County jobs during the second quarter of 2020 but had regained more than two-thirds of that loss by the third quarter of 2021. In their May 2023 report, they project the County to add 9,700 payroll jobs in 2023, a growth rate of 1.4 percent. They expect growth to be relatively widespread across industries, as remaining backlogs of demand in the auto and construction industries cushion local employment against a mild national recession. Job gains may continue at roughly the same pace next year before ticking up to 12,000 in 2025. Their forecast takes Oakland County's payroll jobs count back to its pre-pandemic level in the second quarter of 2025 and to 1.2 percent higher by the end of the year.

The County's economic base continues to diversify since Oakland County's Emerging Sectors Initiative was put into place. Since the inception of Emerging Sectors in 2004, approximately 571 Emerging Sector companies have generated more than \$5.4 billion in investment while creating or retaining approximately 95,000 jobs. The vast majority of those jobs are in the high-wage category. Oakland County is succeeding at attracting companies from emerging sectors from around the country, and in some instances, from around the globe.

Source: Oakland County Department of Planning and Economic Development, Oakland County Economic Outlook 2023-2025

Industrial and High Technology

The automotive industry has a large presence in southeast Michigan including many in Oakland County, specifically. Research and development organizations continue to select Oakland County, as one-third of all of Michigan's R&D facilities are located in Oakland County. Automation Alley, founded in Oakland County and headquartered in Troy, is Southeast Michigan's leading technology business association. Automation Alley is Michigan's Industry 4.0 knowledge center, with a global outlook and a regional focus and is one of Michigan's

designated SmartZones. SmartZones are technology and business accelerators that provide distinct geographical locations to assist technology-based firms, entrepreneurs and researchers.

In January 2022, General Motors Co. announced plans to invest approximately \$4 billion dollars in Oakland County to expand its Orion Township electric vehicle plant. The expanded facility will assemble GM's full size electric pickup and is estimated to create about 2,300 new jobs.

Source: Oakland County Department of Planning and Economic Development

Foreign Investment

Over 1,000 businesses, representing 39 countries are located in Oakland County.

Labor Force

The unemployment rate for Oakland County and the State of Michigan averaged 3.0% and 4.2%, respectively, in 2022. The February 2023 unemployment rate for Oakland County was 2.9% and the State of Michigan was 4.6%

Table 3 – Unemployment History in the County, Calendar Year 2022

Month	Total Labor Force	Unemployed	Percent Unemployed
January	660,465	24,684	3.7%
February	661,320	23,068	3.5%
March	665,992	22,207	3.3%
April	656,816	17,611	2.7%
May	661,424	19,981	3.0%
June	666,248	20,933	3.1%
July	669,380	18,843	2.8%
August	671,453	20,112	3.0%
September	666,266	18,422	2.8%
October	666,312	18,130	2.7%
November	661,909	16,744	2.5%
December	663,202	17,239	2.6%

Source: State of Michigan, Department of Technology, Management & Budget- <https://milmi.org/DataSearch/LAUS>

Table 4 – Unemployment History in the County, 2013-2022 (Annual Averages)

Calendar Year	Total Labor Force	Unemployed	Percent Unemployed
2022	664,232	19,831	3.0%
2021	660,789	30,661	4.6
2020	654,755	59,552	9.1
2019	689,483	23,164	3.4
2018	683,285	23,022	3.3
2017	673,030	23,724	3.5
2016	652,450	26,842	4.1
2015	630,756	29,426	4.7
2014	629,684	40,596	6.4
2013	630,193	48,694	7.7

Source: State of Michigan, Department of Technology, Management & Budget: <https://milmi.org/DataSearch/LAUS>

Table 5 – Unemployment History in the State of Michigan, 2012-2022 (Annual Averages)

Calendar Year	Total Work Force	Unemployed	Percent Unemployed
2022	4,836,000	203,000	4.2%
2021	4,780,000	278,000	5.8
2020	4,863,000	484,000	10.0
2019	4,976,000	203,000	4.1
2018	4,945,000	206,000	4.2
2017	4,911,000	225,000	4.6
2016	4,849,000	242,000	5.0
2015	4,760,000	258,000	5.4
2014	4,760,000	344,000	7.2
2013	4,737,000	414,000	8.7

Source: State of Michigan, Department of Technology, Management & Budget: <https://milmi.org/DataSearch/LAUS>

Major Employers

The 25 largest employers in the County and number of employees as of July 2022.

Table 6 – Twenty-Five Largest Employers in the County

Employer Name	Approximate Number of Employees
Corewell Health (formerly Beaumont Hospitals)	14,644
Stellantis (formerly FCA US LLC)	11,615
United Wholesale Mortgage	8,058
General Motors Co.	7,983
Ascension Michigan	5,498
Henry Ford Health System	5,301
U.S. Postal Service	5,000
Oakland County	3,567
Trinity Health Michigan	3,558
Magna International of America	2,640
Flagstar Bancorp Inc.	2,102
Rochester Community School District	2,020
Comerica Bank	1,972
Lear Corp.	1,958
Continental Automotive Systems	1,877
Amazon.com Inc.	1,850
Oakland University	1,823
Blue Cross Blue Shield of Michigan	1,708
McLaren Health Care	1,707
Walled Lake Consolidated Schools	1,658
Wayne State University	1,579
State of Michigan	1,374
U.S. Farathane	1,222
BorgWarner Inc.	1,135
Farmington Public Schools	1,122

Source: Crain's Detroit Business

Major Corporations

Oakland County is host to major corporate headquarters and major regional division offices. Below is a listing of the top ten doing business in Oakland County.

Table 7 – Companies with Major Corporate or Regional Division Offices in Oakland County

<u>Company</u>	<u>2021 Revenue (billions)</u>
Stellantis, N.V.	\$176.78
Penske Automotive Group, Inc.	25.6
Lear Corporation	19.3
Aptiv PLC	15.6
BorgWarner Inc.	14.8
Kelly Services Inc.	4.9
Meritor Inc.	3.8
TI Fluid Systems	3.3
United Wholesale Mortgage	3.0
Sun Communities Inc.	2.3

Source: Crain's Detroit Business

Banking

The banking needs within the County are handled by:

Bank of America	First Merchants Bank	Mercantile Bank
Bank of Ann Arbor	Flagstar Bank	Michigan First Credit Union
Chief Financial Credit Union	Genisys Credit Union	MSU Federal Credit Union
CIBC	Horizon Bank	Oxford Bank
Citizen Community Federal	Huron Valley State Bank	PNC Bank
Citizens Bank, NA	Independent Bank	The Huntington National Bank
Clarkston State Bank	JP Morgan Chase Bank	Mercantile Bank
Comerica Bank	Lakes Community Credit Union	
Crestmark Bank	Main Street Bank	

County Budget Process

Budget Practices: The County's budgetary practices have resulted in favorable variances against actual operations. Historically the County budgeted for all authorized positions at full funding, regardless of whether they are filled or not. Starting with the FY 2021 budget an overall turnover factor is included in the General Fund operating budget.

Multiple-Year Budgeting: After years of preparing and managing an operating budget for two-year periods of time, in 2009, the County expanded its budget practices to a triennial budget. On September 29, 2022, the Oakland County Board of Commissioners adopted the FY 2023 to FY 2025 Budget and General Appropriations Act. The County maintains the triennial budget with periodic amendments. Each new program or action is considered for the current year and the subsequent two years on a line-item basis.

Dynamic Budgeting: The County continually monitors budget and supplementary data, including real estate trends, foreclosure data, and other information which impacts County operations. This data is continually evaluated to determine long-term budget trends and to adjust current budgets. County expenditures are monitored on an ongoing basis, with an updated budget forecast produced and approved by the Board of Commissioners on a quarterly basis.

Operating and Other Reserves: The County recently updated its fund balance policy to maintain a minimum fund balance of 25% of annual General Fund expenditures (Miscellaneous Resolution #15175 adopted in July 22, 2021). The County recognizes that it is essential that it maintain adequate levels of fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations and/or unanticipated expenditures. The General Fund balance is projected to be well above the minimum operating reserve through FY 2025, exceeding 50% of annual General Fund expenditures, based on the County's budget that was adopted on September 29, 2022. The County also has a formally expressed policy of maintaining a targeted amount of at least \$200,000,000 in its Delinquent Tax Revolving Fund.

Additional information on the County's budget is available at: <https://www.oakgov.com/government/investor-relations>

**Table 8 – History of State Equalized Valuation (SEV) and Taxable Value (TV)
(SEV Value represents 50% of True Cash Value)**

Assessment Year	Real Property	Personal Property	Total SEV	% Change In Total SEV	Taxable Value
2023	\$93,796,145,533	\$3,893,136,303	\$97,689,281,836	8.86%	\$74,880,625,314
2022	85,872,455,469	3,863,299,665	89,735,755,134	5.84	69,645,264,171
2021	81,062,991,752	3,721,556,729	84,784,548,481	4.42	65,419,654,128
2020	77,592,268,960	3,603,125,954	81,195,394,914	5.84	62,997,745,070
2019	73,184,421,995	3,531,580,300	76,716,002,295	6.74	60,306,168,847
2018	68,461,534,887	3,409,823,960	71,871,358,847	4.15	57,302,006,431
2017	65,554,572,199	3,453,780,010	69,008,352,209	6.03	54,723,743,027
2016	61,675,751,998	3,409,099,116	65,084,851,114	7.04	52,786,202,473
2015	56,923,321,000	3,882,782,774	60,806,103,774	10.39	51,895,341,437
2014	51,433,104,533	3,651,502,760	55,084,607,293	7.11	50,048,650,087

Source: Oakland County Equalization Department

SEV does not include any value of tax-exempt property (e.g., governmental facilities, churches, public schools, etc.) or property granted tax abatements. In accordance with Act 409, Public Acts of 1965, as amended, and Article IX, Section 3, of the Michigan Constitution of 1963, SEV represents 50% of true cash value. See "Property Subject to Taxation" herein.

Table 9 – History and Percentage Breakdown of State Equalized Valuation by Tax Year

Type of Property	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Residential	76.3%	76.1%	76.4%	76.4%	76.3%	76.5%	76.9%	76.7%	75.3%	73.7%
Commercial	16.2	16.3	16.0	16.1	15.9	15.7	15.2	15.2	15.5	16.7
Industrial	3.3	3.2	3.1	3.0	3.0	3.0	2.8	2.8	2.7	2.9
Personal Property	4.0	4.3	4.4	4.4	4.6	4.7	5.0	5.2	6.4	6.6
Agricultural	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Developmental	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Oakland County Equalization Department

Figures in the table above may not add to 100% due to rounding.

Ten Largest Taxpayers

The 10 largest taxpayers in the County and their 2023 taxable valuations are approximately 3.50% of the County's total 2023 taxable value, indicating a well-diversified tax base:

Table 10 – Ten Largest Taxpayers

Taxpayer	Taxable Valuation
DTE Electric And Gas	\$775,697,714
Consumers Energy	685,593,644
ITC Transmission	178,778,093
FCA/ FCA Auburn Hills Owner LLC	170,320,290
Amazon	155,298,020
Taubman, Great Lakes/12 Oaks Mall	152,020,150
Singh	144,207,769
Enbridge	121,396,870
Edward Rose/Occidental Dev.	119,045,380
General Motors	<u>117,391,850</u>
Total	\$2,619,749,780

Note: The taxable values have been compiled from a number of sources/reports and may include estimated figures.

Source: *Oakland County Equalization Department*

Property Subject to Taxation

The State Constitution limits the proportion of true cash value at which property can be uniformly assessed to 50%. The state Legislature has also provided that the property shall be assessed at 50% of its true cash value.

Responsibility for assessing local taxable property rests with the assessing officers of cities, villages, and townships. Any property owner may appeal his or her assessment to the local Board of Review and ultimately to the Michigan State Tax Tribunal.

The State Constitution also mandates a system of equalization for assessments. Although the assessors for each local unit of government are responsible for assessing at 50% of true cash value, the final state equalized assessment against which local property tax rates are applied is derived through several steps. County equalization is brought about by adjustments of the various local unit assessment ratios to the same levels; thereafter, the State equalizes the various counties in relation to each other.

On March 15, 1994, the electors of the State approved an amendment to the Michigan Constitution, limiting the increase in taxable value of property in any year, commencing 1995, to 5% or the rate of inflation, whichever is less, unless ownership of the property is sold or transferred at which time the assessment reverts to 50% of the true cash value of the property, as equalized. The effect of this assessment cap is that different parcels of property are taxed at different percentages of their cash value. The legislation implementing this constitutional amendment adds a new measure of property value for property taxes levied after 1994, known as taxable value. For the year 1995, the taxable value of property is based on the state equalized value (SEV) of that property in 1994. For each year after 1994, increases in the taxable value of property are limited by the constitutional assessment cap or the percentage change in the SEV of such property from the prior year until the sale or transfer of ownership of the property at which time the taxable value shall be the property's SEV.

Industrial Facilities Tax

The Michigan Plant Rehabilitation and Industrial Development District Act (Act 198, Public Acts of Michigan, 1974, as amended) ("Act 198"), provides significant tax incentives to industry to renovate and expand aging plants and to build new plants in Michigan. Under the provisions of Act 198, qualifying cities, villages, and townships may establish districts in which industrial firms are offered certain property tax incentives to encourage restoration or replacement of obsolete industrial facilities and to attract new plants to the area. The issuance of any exemption certificate must be approved by the State Treasurer. Firms situated in such districts pay an Industrial Facilities Tax in lieu of property taxes on plant and equipment for a period of up to 12 years. For rehabilitated plant and equipment, the assessed value is frozen at previous levels. New plant and equipment is taxed at one-half the current millage rate. It must be emphasized, however, that ad valorem property taxes on

land and inventory are not reduced in any way since both land and inventory are specifically excluded under Act 198.

For abatements granted prior to January 1, 1994, new plant and equipment is taxed at one half the current millage rate, except for mills levied for local and intermediate school operating purposes or under the State Education Tax Act, plus one-half of the number of mills levied for school operating purposes in 1993. For abatements granted after 1993, new plant and equipment is taxed at one-half of the total mills levied as ad valorem taxes by all taxing units, except mills levied under the State Education Tax Act. For abatements granted after 1993, the State Treasurer may also permit abatement of one-half of the mills levied or exempt the abatement totally from mills levied under the State Education Act. Abatements under Act 198 have been granted to properties in the County with a total 2023 taxable valuation of \$304,734,528 for real and personal property.

Others

The Obsolete Property Rehabilitation Act (Act 146, Public Acts of Michigan, 2000, as amended) provides partial property tax abatements to property owners on the value of improvements made to certain types of commercial and residential properties. Currently, the City of Pontiac is the only community in Oakland County to utilize this tax abatement.

The Taxation of Lessees or Users of Tax-exempt Property Act (Act 189, Public Acts of Michigan, 1953, as amended) (“Act 189”) states that if real property exempt for any reason from ad valorem property taxation is leased, loaned, or otherwise made available to and used by a private individual, association, or corporation in connection with a business conducted for profit, the lessee or user of the real property is subject to taxation in the same amount and to the same extent as though the lessee or user owned the real property. In 2022, the total number of lessees or users of property under Act 189 within the County was 28.

Source: Oakland County Treasurer

Personal Property Tax Revenues

State of Michigan voters approved the enactment of Michigan Public Acts 153 and 154 of 2013 and Acts 80 and 86 through 93 of 2014 by referendum on August 5, 2014 (collectively, and as have been subsequently amended, the “PPT Reform Acts”), which significantly reformed Personal Property tax in Michigan.

Under the PPT Reform Acts, owners of industrial and commercial Personal Property with a total true cash value of \$80,000 or less may file an affidavit claiming a Personal Property tax exemption. To be eligible for the exemption, all of the commercial or industrial Personal Property within a city or township that is owned by, leased to, or controlled by the claimant has to have an accumulated true cash value of \$80,000 or less. (This threshold will increase to \$180,000 beginning with the tax year 2023.) Beginning in calendar year 2016, owners of certain manufacturing Personal Property that was either purchased after December 31, 2012, or that is at least 10 years old were able to claim an exemption from Personal Property tax. In 2022, all eligible manufacturing Personal Property is at least 10 years old or was purchased after December 31, 2012, so that it could be exempted from Personal Property tax.

To replace personal property tax revenues lost by local governments the PPT Reform Acts divided the existing state use tax into two components, a “state share tax” and a “local community stabilization share tax,” and established the Local Community Stabilization Authority (the “LCSA”) to levy and administer distribution of the local community stabilization share. The Michigan Department of Treasury collects the local community stabilization share tax on behalf of the LCSA. The local community stabilization share tax revenues are not subject to the annual appropriations process and are provided to the LCSA for distribution pursuant to a statutory formula. The County has received full reimbursement of PPT losses for FY 2017 through FY 2022 with the State of Michigan reimbursing at rates of more than 100% for those years.

The ultimate nature, extent, and impact of other tax and revenue measures, which are from time to time considered, cannot currently be predicted. Purchasers of the Bonds should consult with their legal counsel and financial advisors as to the consequences of any such legislation on the market price or marketability of the Bonds, the security therefor and the operations of the County. The County’s adopted budget for FY 2023 – FY 2025 assumes reimbursement of \$3.90 million annually.

County Tax Rates

In August, 1978, the voters of Oakland County approved, as part of County wide fixed millage, a maximum millage of \$5.26 per \$1,000, subject to Headlee Amendment reductions. The maximum authorized operating millage for 2021, after the Headlee reduction, is 4.0132 mills. See “Tax Rate Limitation” herein.

Table 11 - County Tax Rates (in mills) \$1.00/\$1,000 of Taxable Valuation

As of September 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Operating	3.9686	3.9686	4.0132	4.0200	4.0400	4.0400	4.0400	4.0400	4.0900	4.1900
Parks & Recreation	0.3431	0.3470	0.3500	0.2329	0.2349	0.2368	0.2392	0.2410	0.2415	0.2415
Transit	0.9500	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Huron Clinton Authority	0.2070	0.2089	0.2104	0.2117	0.2129	0.2140	0.2146	0.2146	0.2146	0.2146
Zoo Authority	0.0945	0.0956	0.0965	0.0973	0.0982	0.0980	0.0990	0.0998	0.1000	0.1000
Arts Authority	0.1945	0.1897	0.1913	0.1929	0.1945	0.1961	0.1981	0.1996	0.2000	0.2000
Total	5.7577	4.8098	4.8614	4.7548	4.7805	4.7849	4.7909	4.7950	4.8461	4.9461

Source: Oakland County Treasurer

Tax Rate Limitation

Article IX, Section 6, of the Michigan Constitution of 1963 provides, in part:

“Except as otherwise provided in this Constitution, the total amount of general ad valorem taxes imposed upon real and tangible personal property for all purposes in any one year shall not exceed 15 mills on each dollar of the assessed valuation of property as finally equalized.”

Article IX, Section 6 further provides that by a majority vote of qualified electors of the County, the 15 mill limitation may be increased to a total of not to exceed 18 mills, and the millage of the local units involved shall then be permanently fixed within that greater millage limitation. These limitations may be further increased to an aggregate amount of up to 50 mills for a period of up to 20 years, if approved by a majority vote of the qualified electors of the County.

Act 62, Public Acts of Michigan, 1933, as amended, (“Act 62”) defines local units as counties, townships, villages, cities, school districts, community college districts, intermediate school districts, districts and other organizations or districts which may be established with the power to levy taxes, except villages and cities for which there are provisions in their charters or general law fixing maximum limits on the power to levy taxes against property.

The County voted in 1978 to fix millage rates pursuant to Article IX, Section 6 of the 1963 Michigan Constitution and Act 62 and eliminate the Tax Allocation Board. The fixed rates are as follows (per \$1,000 of equalized valuation):

<u>Unit of Government</u>	<u>Millage Rate</u>
Any School District	9.54
County of Oakland	5.26
Any Township	1.41
Oakland County Intermediate School District	<u>0.25</u>
Total Millage Rate	16.46

In addition, Article IX, Section 6, permits the levy of millage in excess of the above for:

1. All debt service on tax supported notes issued prior to December 23, 1978 or tax supported issues which have been approved by the voters for which the issuer has pledged its full faith and credit.
2. Operating purposes for a specified period of time provided that such increased millage is approved by a majority of the qualified electors of the local unit.

County Operating Tax Collection Record

Table 12 – Collection Record of County’s Tax Levy, 2013 - 2022

**Collected within the Fiscal Year of the
Levy**

Total Collections to Date

Year of Tax Levy ⁽¹⁾	Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date		
		Tax Levy ⁽²⁾	Amount	Percentage	Collections in Subsequent Years	Amount	Percentage
2022	2022	\$268,255,998	\$229,561,355	85.58	38,290,058	267,851,414	99.85
2021	2021	255,643,144	221,700,293	86.72	29,841,904	255,252,495	99.85
2020	2020	246,663,143	223,110,366	90.45	21,514,465	244,624,831	99.17
2019	2019	237,559,852	215,492,770	90.71	21,223,051	236,715,821	99.64
2018	2018	226,289,005	201,249,308	88.93	24,724,355	225,973,663	99.86
2017	2017	216,149,261	196,045,294	90.70	19,952,482	215,997,776	99.93
2016	2016	208,735,308	186,750,930	89.47	21,893,519	208,644,449	99.96
2015	2015	207,429,739	186,742,691	90.03	20,596,594	207,339,285	99.96
2014	2014	204,966,211	181,910,042	88.75	22,977,344	204,887,386	99.96
2013	2013	201,089,193	179,700,449	89.36	21,384,238	201,084,687	100.00

⁽¹⁾ Tax levy date is July 1 of each year.

⁽²⁾ Tax levy is subject to change due to the fact that settlement at the County level has not yet taken place for the current fiscal year.

Source: Oakland County Treasurer

Operating and extra voted taxes become delinquent the following March 1. In some prior years, the County has issued General Obligation Limited Tax Notes and established a Delinquent Tax Revolving Fund at the County level, and after March 1st, the County pays, from the Delinquent Tax Revolving Fund, all delinquent real property taxes from all municipalities in the County. The fund does not cover personal property, buildings on leased land, DNR-PILT, or tax abated property taxes.

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Table 13 – Collection Record of County Wide Tax Levy, 2013 - 2022

Year of Tax Levy	Tax Levy*	Collections to March 1 of Each Levy Year Amount**	Percent	Collections Plus Delinquent Tax Funding Percent
2022*	\$2,973,715,208	\$2,900,035,216	97.52%	100.00%
2021*	2,803,399,758	2,737,407,807	97.65	100.00
2020*	2,745,535,326	2,673,107,911	97.36	100.00
2019*	2,624,523,402	2,553,427,283	97.29	100.00
2018	2,513,293,651	2,442,068,195	97.17	100.00
2017	2,398,951,788	2,331,000,581	97.17	100.00
2016	2,328,096,528	2,256,640,187	96.93	100.00
2015	2,286,212,705	2,212,322,514	96.77	100.00
2014	2,217,628,392	2,140,231,078	96.51	100.00
2013	2,170,304,164	2,083,958,031	96.02	100.00

* Includes real and personal property taxes.

** Reflects only real property delinquency and assumes 100% collection of personal property taxes.

Source: Oakland County Treasurer

Table 14 – History of County Wide Tax Delinquencies

Levy Year	Real Property	Personal Property
2022	\$67,845,940.18	\$5,718,886.35
2021	61,282,304.06	4,539,534.34
2020	66,860,487.96	5,337,123.56
2019	66,197,750.10	4,898,368.56
2018	66,133,316.14	4,970,962.04
2017	63,093,751.40	4,699,079.29
2016	66,517,083.17	4,813,003.09
2015	68,796,395.48	4,791,215.74
2014	72,532,013.95	4,669,385.41
2013	80,215,223.23	6,132,887.66

Source: Oakland County Treasurer

Revenues from the State of Michigan

The County receives revenue sharing payments from the State of Michigan under the State revenue Sharing Act of 1971, as amended (the “Revenue Sharing Act”). The County’s revenue sharing distribution is subject to annual legislative appropriation and may be reduced or delayed by Executive Order during any State fiscal year in which the Governor, with the approval of the State Legislature’s appropriation committees, determines that actual revenues will be less than the revenue estimates on which appropriations were based.

The State’s ability to make revenue sharing payments to the County in the amounts and at the times specified in the Revenue Sharing Act is subject to the State’s overall financial condition and its ability to finance any temporary cash flow deficiencies. Act 357, Public Acts of Michigan, 2004 (“Act 357”) amended the General Property Tax Act to temporarily eliminate statutory revenue sharing payments to counties by creating a reserve fund, against which counties could draw in lieu of annual revenue sharing payments, paid for by the permanent advancement of the counties’ property tax levy from December to July each year, beginning in 2005. Under Act 357, a county would resume receiving state revenue sharing payments in the first year in which the County’s property tax revenue reserve was less than the amount the County would have otherwise received in state revenue sharing payments. The County resumed receiving the revenue sharing payments in 2015.

Under the fiscal year 2024 budget, signed into law on July 31, 2023, by Governor Whitmer, a portion of county revenue sharing payment distributions are made pursuant to the Revenue Sharing Act and a portion are distributed through an incentive-based program called the county incentive program (“CIP”). For fiscal year 2024, \$261.1 million has been appropriated for revenue sharing distributions to counties, resulting in approximately 6.2% increase from the fiscal year 2023 appropriation of \$245.8 million, of which \$217.5 million will be distributed pursuant to the Revenue Sharing Act and \$43.6 million will be distributed through the CIP. The CIP provides eligible counties distributions for complying with “best practices” to increase transparency. The department of treasury shall distribute revenue sharing funds to counties so that each eligible county receives a payment equal to 116.4592% of the amount determined pursuant to the Revenue Sharing Act, less the amount such county is eligible to receive under the CIP plus an additional 1.0% upon certification that all ARPA funds have been fully obligated, expended or declined, and plus an additional 2.0% for funding local public safety initiatives. However, each eligible county that is determined to have a retirement pension benefit system in underfunded status under section 5 of Act 202, Public Acts of Michigan, 2017, must allocate the excess of the sum of the amount it receives in 2022 county revenue sharing and county incentive program payments over the sum of the amount it received in county revenue sharing and county incentive program payments in fiscal year 2020 to its unfunded pension liability. Eligible counties are those that would be eligible to resume receiving state revenue sharing payments under Act 357.

Under the fiscal year 2023 CIP, an eligible county can receive CIP payments if it meets requirements for accountability and transparency, including making a citizen’s guide to its finances, a performance dashboard, a debt service report and a two-year budget projection available for public viewing. Any portion of the CIP that the County would be eligible to receive would be subject to certain benchmarks that the County would need to meet, and there can be no assurance of what amount, if any, the County would receive under CIP. The County anticipates meeting the requirements to receive fiscal year 2023 CIP payments.

Purchasers of the Bonds should be alert to further modifications to revenue sharing payments to Michigan local governmental units, to the potential consequent impact upon the County’s general fund condition, and to the potential impact upon the market price or marketability of the Bonds resulting from changes in revenues received by the County from the State.

The following table sets forth the amounts of annual revenue sharing payments from the State for the County’s fiscal years ended September 30, 2018, through September 30, 2022, and the estimated revenue sharing payments for the County’s fiscal year ending September 30, 2023.

Table 15 – Revenue Sharing from the State of Michigan

County of Oakland Fiscal Year End September 30 th	Revenue Sharing Payments
2023	\$29,577,022*
2022	27,902,012
2021	27,357,386
2020	20,953,995**
2019	26,808,155
2018	26,683,378

Source: <https://www.michigan.gov/treasury/local/share/county-revshare>

*Projected – State of Michigan Executive Recommendation: <https://www.michigan.gov/treasury/-/media/Project/Websites/treasury/Revenue/1/County-Projections-for-FY-2023-Conf-Rpt--07-05-22.pdf?rev=04d35809a3464a4cb69ec4d050f6b6fa&hash=ACBBF1F6272B484F656FD974D0942AD8>

**Reduced via Executive Reduction Order mid-year, with an amount of federal CARES Act funds exceeding the reduction appropriated and distributed to the County.

County Labor Contracts

As of April 2023, Oakland County has 3,513 full-time eligible positions of which 2,201 are represented by 11 certified bargaining units.

There are no current labor problems that might have a material effect upon Oakland County. Oakland County adopted Miscellaneous Resolution #19383 on December 12, 2019, that established a Neutrality and Card Check Recognition Policy.

Union contracts with the Oakland County Sheriff Deputies Association and Oakland County Command Officers Association expired September 30, 2021. Negotiations regarding new contracts are ongoing with both unions. Any increased financial costs to the County resulting from resolution of the negotiations will be incorporated into the County's long-term financial planning.

Table 16 – Oakland County Employees Represented by Bargaining Unit

County Employee Group	Number of Positions	Contract Expiration Date
Sheriff's Law Enforcement/Corrections	806	9/30/2026
Sheriff's Command Officers	126	9/30/2021 - In 312 Arbitration
Children's Village Employees	114	9/30/2025
Family Court Employees	76	9/30/2025
Prosecutor's Investigators	13	9/30/2024
Oakland County Employees Union	320	9/30/2025
Public Health Nurses	69	9/30/2025
Operating Engineers	6	9/30/2025
MAPE Supervisory	16	9/30/2025
UAW Supervisory	152	9/30/2024
UAW Non-Supervisory	503	9/30/2024
	2,201	

Source: Oakland County Human Resources Department as of April 2023.

Pensions

The September 30, 2022 fiscal year end reported net pension asset was determined using a measure of the total pension liability and the pension net position as of the September 30, 2022 measurement date. The September 30, 2022, total pension liability was determined by an actuarial valuation performed as of September 30, 2021, which used update procedures to roll forward the estimated liability to September 30, 2022. The plan's fiduciary net position represents 90.36% of the total pension liability.

The following data is taken from the latest actuarial report prepared by Gabriel, Roeder, Smith & Company as of September 30, 2021. Additional information can be found on the County's website at: <https://www.oakgov.com/government/investor-relations>

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Table 17 – Oakland County Employees Retirement System

	General Union	Command Officers	Road Deputies	Corrections Deputies	Total
A. Accrued Liability					
1. For retirees and beneficiaries	\$497,635,630	\$52,952,151	\$70,749,629	\$62,572,722	\$683,910,132
2. For vested /terminated members	4,414,512	439,538	596,343	323,281	5,773,674
3. For present active members					
a. Value of expected future benefit payments	37,440,325	1,969,137	2,010,797	1,123,516	42,543,775
b. Value of future normal costs	2,216,545	24,114	68,084	48,062	2,356,805
c. Active member liability: (a) – (b)	35,223,780	1,945,023	1,942,713	1,075,454	40,186,970
4. Total	537,273,922	55,336,712	73,288,685	63,971,457	729,870,776
B. Valuation Assets	551,792,926	55,902,025	74,071,169	65,754,067	747,520,187
C. Unfunded Accrued Liability: (A.4) – (B)	(14,519,004)	(565,313)	(782,484)	(1,782,610)	(17,649,411)
D. Funding Ratio: (B) / (A.4)	102.7%	101.0%	101.1%	102.8%	102.4%

Other Post-Employment Benefits (“OPEB”)

The September 30, 2022 fiscal year end reported net OPEB asset was determined using a measure of the total OPEB liability and the OPEB net position as of the September 30, 2022 measurement date. The September 30, 2022 total OPEB liability was determined by an actuarial valuation performed as of September 30, 2021, which used update procedures to roll forward the estimated liability to September 30, 2022. The plan's fiduciary net position represents 142.48 percent of the total OPEB liability. The following data is taken from the latest actuarial report prepared by Gabriel, Roeder, Smith & Company as of September 30, 2021. Additional information can be found on the County's website at: <https://www.oakgov.com/government/investor-relations>

Table 18 – Oakland County Retirees' Health Care Trust* – Present Financial Report

	General Members	Command Officers	Road Deputies	Corrections Deputies	Total
A. Accrued Liability					
1. For retirees and beneficiaries	\$417,263,003	\$37,596,013	\$57,942,670	\$49,240,207	\$562,041,893
2. For vested and terminated members	39,748,136	1,644,508	4,478,032	2,189,160	48,059,863
3. For present active members					
a. Value of expected future benefit payments	218,844,426	33,178,430	65,337,435	39,432,393	356,792,684
b. Value of future normal costs	28,154,956	4,825,158	11,450,607	6,368,753	50,799,474
c. Active member liability: (a) – (b)	190,689,470	28,353,272	53,886,828	33,063,640	305,993,210
4. Total	647,700,636	67,593,793	116,307,530	84,493,007	916,094,966
B. Valuation Assets	1,057,077,564	88,019,962	186,892,995	138,877,622	1,470,868,143
C. Unfunded Accrued Liability: (A.4) – (B)	(409,376,928)	(20,426,169)	(70,585,465)	(54,384,615)	(554,773,177)

* The State of Michigan adopted Public Act 329, effective October 9, 2012, which authorized local units of government to issue taxable general obligation bonds to fund OPEB obligations. This created the opportunity for the County to take advantage of lower bond interest rates and to refinance the 2007 COPS debt. On September 27, 2013, Oakland County initiated a private placement of \$350 million in bonded debt to refinance the outstanding long-term OPEB COP's debt of \$422.1 million which were subsequently called on April 1, 2014. The remaining amount of \$72.1 million needed to call the debt came from surplus assets in the Interim trust fund set up to keep the VEBA Trust fully funded.

Table 19 –Oakland County Net Direct Debt as of August 30, 2023 – Unaudited
Including the Bonds described herein

	<u>Gross</u>	Self-Supporting or Portion Paid Directly by Benefited <u>Municipalities*</u>	<u>Net</u>
<u>Limited Tax</u>			
Building Authority	\$ 23,080,000	\$ -	\$ 23,080,000
Building Authority Refunding	14,550,000	-	14,550,000
Retirees Health Care	126,295,000	-	126,295,000
Sewer Disposal	16,205,000	16,205,000	-
Water Supply	5,582,600	5,582,600	-
Water & Sewage Refunding	10,660,000	10,660,000	-
MFA Sewage Disposal	43,524,773	43,524,773	-
Total Limited Tax	<u>239,897,373</u>	<u>75,972,373</u>	<u>163,925,000</u>
<u>Drain Districts</u>			
Drain	67,013,583	66,551,416	462,167
Drain Refunding	38,825,000	38,397,580	427,420
MFA Drain**	232,890,132	232,807,748	82,385
Total Drain Districts	<u>338,728,715</u>	<u>337,756,744</u>	<u>971,972</u>
Total Limited Tax and Drain Districts	<u>\$ 578,626,088</u>	<u>\$ 413,729,116</u>	<u>\$ 164,896,972</u>

*“Self-Supporting or Portion Paid Directly by Benefited Municipalities” includes bond issues that are first paid from sources other than County funds. This includes bonds issued for water, sewer, drain, and lake level projects in the County on behalf or for the benefit of other municipalities or properties within the County. Payment sources include, but are not limited to, contracted payments under Act 342 of 1939 (including bonds issued as capital improvement bonds under Act 34 of 2001, if Act 342 contracted revenue pays the debt service), special drain assessments under Act 40 of 1956, or other special assessments against properties in the County. The County has pledged its full faith and credit to the repayment of these bonds. In the event the anticipated revenues are not sufficient to pay the debt service, the County is ultimately responsible for the debt service payments.

**Includes \$108,963,000 for the Evergreen Farmington Sanitary Drain Drainage District issued to the State of Michigan’s Clean Water State Revolving Fund (“CWSRF”) on January 20, 2023. As of August 1, 2023, approximately \$33,786,363 of the \$108,963,000 has been drawn from the CWSRF.

Source: Oakland County Treasurer

Table 20 – Oakland County Overlapping Debt as of August 30, 2023 – Unaudited
Including the Bonds described herein

Cities, Villages, and Townships	\$1,205,224,009
School Districts	3,566,670,742
Community College, Intermediate School Districts and Library	<u>44,980,433</u>
Net County Overlapping Debt	<u>4,816,875,184</u>
Net County Direct Debt	<u>164,896,972</u>
Net County Direct and Overlapping Debt	<u>\$4,981,772,156</u>

Overlapping Debt: Property in the County is currently taxed for a proportionate share of outstanding debt. Obligations of overlapping governmental entities including school districts, cities, villages and townships within the County.

Source: Oakland County Treasurer and Municipal Advisory Council of Michigan

Table 21 – Oakland County Schedule of Bond Maturities
County Limited Tax General Obligation
Principal Only as of August 30, 2023 – Unaudited

<u>Fiscal Year</u>	<u>Building Authority</u>	<u>Building Authority Refunding</u>	<u>Water Supply</u>	<u>Sewage</u>	<u>Water & Sewage Refunding</u>	<u>MFA Sewer Disposal</u>	<u>Retiree Healthcare**</u>
2023	\$ -	\$ 900,000	\$ 20,000	\$ 270,000	\$ 595,000	\$ 2,495,000	\$ -
2024	1,795,000	1,960,000	156,800	1,630,000	860,000	3,196,100	29,660,000
2025	1,865,000	1,355,000	161,800	1,670,000	890,000	3,266,500	30,750,000
2026	1,950,000	1,305,000	161,800	1,705,000	945,000	3,341,900	31,885,000
2027	2,030,000	1,360,000	171,800	1,755,000	995,000	3,428,027	34,000,000
2028	2,120,000	1,415,000	151,800	1,460,000	1,020,000	3,415,400	-
2029	2,215,000	1,470,000	161,800	1,505,000	1,080,000	3,505,800	-
2030+	11,105,000	4,785,000	4,596,800	6,210,000	4,275,000	20,876,046	
Total	<u>\$23,080,000</u>	<u>\$14,550,000</u>	<u>\$5,582,600</u>	<u>\$16,205,000</u>	<u>\$10,660,000</u>	<u>\$43,524,773</u>	<u>\$126,295,000</u>

** All of the outstanding \$126,295,000 Retiree Healthcare Bonds are federally taxable.

Source: Oakland County Treasurer

**Table 22 – Oakland County Schedule of Drain Bond Maturities
County Limited Tax General Obligation – Drain Districts
Principal Only as of August 30, 2023 – Unaudited**

<u>Fiscal Year</u>	<u>Drain</u>	<u>Drain Refunding*</u>	<u>MFA Drain</u>
2023	\$ 425,000	\$ -	\$ 7,020,000
2024	2,832,065	4,200,000	15,046,576
2025	2,947,065	3,785,000	9,993,500
2026	3,547,065	3,430,000	9,712,246
2027	3,547,065	3,510,000	14,375,700
2028	3,497,065	3,600,000	14,689,600
2029	3,667,065	3,690,000	14,894,200
2030+	46,551,193	16,610,000	147,158,310
Total	<u>\$67,013,583</u>	<u>\$38,825,000</u>	<u>\$232,890,132</u>

* Includes \$32,825,000 of federally taxable bonds.

Source: Oakland County Treasurer

**Table 23 – Oakland County Schedule of Principal and Interest Requirements*
as of August 30, 2023 – Unaudited
Including the Bonds described herein**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-2027	\$237,137,282	\$48,937,967	\$286,075,249
2028-2032	156,709,867	26,110,739	182,820,606
2033-2037	100,544,201	7,934,864	108,479,065
2038+	20,516,625	2,146,593	22,663,218
Total	<u>\$514,907,975</u>	<u>\$85,130,163</u>	<u>\$600,038,138</u>

*Does not include the undrawn balances of principal and interest for bond issued to the State of Michigan's Clean Water State Revolving Fund ("CWSRF").

Source: Oakland County Treasurer

**Table 24 – Legal Debt Margin as of August 30, 2023 – Unaudited
Including the Bonds described herein**

2023 State Equalized Value (SEV)	\$97,689,281,836
Statutory Limit - 10% of 2023 SEV	9,768,928,184
 Total Bonded Debt Outstanding	 578,626,088
Available Statutory Debt Limit	<u>\$9,190,302,096</u>

Source: Oakland County Treasurer

Debt-History

The County of Oakland has no record of default.

Short-Term Financing

The County has issued short-term notes in order to establish the Delinquent Tax Revolving Fund. Notes issued in each of the years below have been in a face amount less than the actual real property tax delinquency. The County has pledged its full faith and credit and limited taxing power to the payment of principal and interest on notes issued since 1979. The County has not issued short-term obligations for cash flow purposes.

**Table 25 – History of Oakland County Delinquent Tax Anticipation Notes
as of August 2, 2023 – Unaudited**

Year Issued	Notes Issued	Amount Outstanding
2023	-	-
2022	-	-
2021	-	-
2020	-	-
2019	-	-
2018	25,000,000	-
2017	25,000,000	-
2016	25,000,000	-
2015	25,000,000	-
2014	25,000,000	-

Source: Oakland County Treasurer

Lease Obligations

The County leases a portion of its Law Enforcement Complex, Rochester Hills 52-3 District Court, Executive Office Building, Airport T-Hangars, Airport Terminal Building, Animal Control Building and various Facility Infrastructure and Information Technology Capital Projects from the Oakland County Building Authority. Since ownership of the property will ultimately transfer to the County from the Building Authority, the leases have been capitalized. There are also a number of sub-leases between the County and various governmental entities with the debt being funded from payments from the benefiting community over the life of the debt issues, with the structures being collateral. Current sub-leases are in place with the City of Rochester Hills, City of Keego Harbor, City of Oak Park, and Oakland Community Health Network (formerly Oakland County Community Mental Health Authority).

The County leases certain office and computer equipment and facilities. Total lease expense and future minimum annual payments are not significant.

Future Financing

The Clinton River Water Resource Recovery Facility Drainage District plans to finance a portion of multiple projects totaling approximately \$44,795,000 less \$3,809,000 of principal forgiveness on September 20, 2023 through the State of Michigan's Clean Water State Revolving Fund. Local municipalities within Oakland County have been apportioned 100% of this bond issue. Oakland County has pledged its full faith and credit as additional security to the bonds.

The County Water Resources Commissioner's Office is applying for financing from the State's CWSRF Program for several projects in Fiscal Year 2024. Local municipalities within Oakland County will likely be apportioned 100% of these projects, and the County expects some communities to prepay some or all of their apportionment. The actual amount bonded will depend on the final project cost and the amount of local municipality prepayments. In the past, Oakland County has pledged its full faith and credit as additional security to the bonds apportioned to local municipalities within County.

The County has outstanding bond issues that are callable within the next twelve months. The County may issue current refunding bonds if present value interest savings are sufficient.

The County has contracted with an outside firm to provide a comprehensive assessment of its long-term facility needs. It will consider debt financing of future major facility projects based on the results of that assessment.

APPENDIX B

COUNTY OF MACOMB

GENERAL DESCRIPTION AND STATISTICAL INFORMATION

COUNTY OF MACOMB
LOCATION AND DESCRIPTION

Macomb County (the "County") is located in the southeastern portion of Michigan's Lower Peninsula, encompassing an area of 482 square miles. The County includes 12 cities, 3 villages and 12 townships.

FORM OF GOVERNMENT

The electors of the County on November 3, 2009 approved the formation of a charter form of county government, effective January 1, 2011 with an elected county executive and thirteen (13) member board of commissioners.

POPULATION

SEMCOG Estimate*	875,569
2020 U.S. Census	881,217
2010 U.S. Census	840,978
2000 U.S. Census	788,149

* Source: Southeastern Michigan Council of Governments, estimate as of July 2022

FISCAL YEAR

January 1 to December 31

PROPERTY VALUATIONS

Article IX, Section 3, of the Michigan Constitution provides that the proportion of true cash value at which property shall be assessed shall not exceed 50% of true cash value. The Michigan Legislature by statute has provided that property shall be assessed at 50% of its true cash value, except as described below. The Michigan Legislature or the electorate may at some future time reduce the percentage below 50% of true cash value.

On March 15, 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as "Taxable Value." Since 1995, taxable property has two valuations -- State equalized valuation ("SEV") and Taxable Value. Property taxes are levied on Taxable Value. Generally, Taxable Value of property is the lesser of (a) the Taxable Value of the property in the immediately preceding year minus any losses, multiplied by the lesser of 1.05 or the inflation rate, plus additions, or (b) the property's current SEV. Under certain circumstances, therefore, the Taxable Value of property may be different from the same property's SEV. When property is sold or transferred, Taxable Value is adjusted to the SEV, which under existing law is 50% of the current true cash value. The Taxable Value of new construction is equal to current SEV. Taxable Value and SEV of existing property are also adjusted annually for additions and losses.

REAL PROPERTY TAX ASSESSMENTS

Responsibility for assessing taxable real property rests with the local assessing officer of each township and city. Any property owner may appeal the assessment to the local assessor, the local Board of Review and ultimately to the Michigan Tax Tribunal.

The Michigan Constitution also mandates a system of equalization for assessments. Although the assessors for each local unit of government within a county are responsible for actually assessing at 50% of true cash value, adjusted for Taxable Value purposes, the final SEV and Taxable Value are arrived at through several steps. Assessments are established initially by the municipal assessor. Municipal assessments are then equalized to the 50% levels as determined by the County's Department of Equalization. Thereafter, the State equalizes the various counties in relation to each other. SEV is important, aside from its use in determining Taxable Value for the purpose of levying ad valorem property taxes, because of its role in the spreading of taxes between overlapping jurisdictions, the distribution of various State aid programs, State revenue sharing and in the calculation of debt limits.

Real property that is exempt from property taxes, e.g., churches, government property, public schools, is not included in the SEV and Taxable Value data in this Official Statement. Property granted tax abatements under the Michigan Plant Rehabilitation and Industrial Development District Act, Act 198, Public Acts of Michigan, 1974, as amended ("Act 198") are

recorded on separate tax rolls while subject to tax abatement. The valuation of tax abated property is based upon SEV but is not included in either the SEV or Taxable Value data in this Official Statement except as noted.

APPEAL OF PROPERTY ASSESSMENTS

Property taxpayers may appeal their assessments to the Michigan Tax Tribunal. Unless otherwise ordered by the Tax Tribunal, before the Tax Tribunal renders a decision on an assessment appeal, the taxpayer must have paid the tax bill. The County has several tax appeals pending before the Tax Tribunal (including personal property appeals), none of which are expected to have a significant impact on the County's State Equalized Valuation, Taxable Value or the resulting taxes.

INDUSTRIAL FACILITIES TAX

The Michigan Plant Rehabilitation and Industrial Development District Act (Act 198, Public Acts of Michigan, 1974, as amended) ("Act 198") provides significant property tax incentives to industry to renovate and expand aging industrial facilities and to build new industrial facilities in Michigan. Under the provisions of Act 198, qualifying cities, villages and townships may establish districts in which industrial firms are offered certain property tax incentives to encourage restoration or replacement of obsolete industrial facilities and to attract new industrial facilities.

Property owners situated in such districts pay an Industrial Facilities Tax ("IFT") in lieu of ad valorem property taxes on plant and equipment for a period of up to 12 years. For rehabilitated plant and equipment, the IFT is determined by calculating the product of the taxable value of the replacement facility in the year before the effective date of the abatement certificate multiplied by the total mills levied by all taxing units in the current year. For abatements granted prior to January 1, 1994, new plant and equipment is taxed at one-half the total mills levied by all taxing units, except for mills levied for local school district operating purposes or under the State Education Tax Act, plus one-half of the number of mills levied for local school district operating purposes in 1993. For new facility abatements granted after 1993, new plant and equipment is taxed at one-half of the total mills levied as ad valorem taxes by all taxing units, except mills levied under the State Education Tax Act, plus the number of mills levied under the State Education Tax Act. For new facility abatements granted after 1993, the State Treasurer may permit abatement of all, none or one-half of the mills levied under the State Education Tax Act. It must be emphasized, however, that ad valorem property taxes on land and inventory are not reduced in any way since both land and inventory are specifically excluded under Act 198.

The County's currently outstanding exemption certificates have an aggregating 2022 Equivalent Taxable Value of \$435,142,211.

HISTORY OF PROPERTY VALUATIONS⁽¹⁾

Year		STATE EQUALIZED VALUATION	TAXABLE VALUE
2023	(1)	\$47,160,724,255	\$35,184,968,148
2022	(1)	42,966,442,850	32,856,276,082
2021	(1)	40,402,808,490	30,941,343,810
2020	(1)	38,477,883,519	29,808,021,825
2019	(1)	35,889,948,583	28,485,097,229
2018	(1)	33,477,440,582	27,147,729,028
2017	(1)	32,302,241,763	26,056,430,719
2016	(1)	30,605,374,212	25,326,599,492
2015	(1)	29,029,994,149	25,559,369,130
2014	(1)	26,233,186,099	24,643,810,672

⁽¹⁾ This value includes properties from the Renaissance Zone
Sources: Macomb County Equalization Department and the State of Michigan Treasury
Website - <https://eequal.bsasoftware.com/ReportSelectionForm.aspx>

MICHIGAN PROPERTY TAX REFORM

The enactment of Michigan Public Acts 153 and 154 of 2013, together with subsequent enactment of Michigan Public Acts 80 and 86 through 93 of 2014, significantly reformed personal property tax in Michigan. The voters of the State approved a referendum on August 4, 2014, to which all of these acts were tied, and therefore these acts will continue in effect.

Under these acts, owners of industrial and commercial personal property with a total true cash value of \$180,000 or less may annually file an affidavit claiming a personal property tax exemption. To be eligible for the exemption, all of the commercial or industrial personal property within a city or township that is owned by, leased to, or controlled by the claimant has to have accumulated true cash value of \$180,000 or less. Beginning in 2016, owners of certain eligible manufacturing personal property that was either purchased after December 31, 2012, or that is a least 10 years old have been able to claim an exemption from personal property tax by filing an affidavit claiming the exemption.

To replace revenues lost by local governments, due to these exemptions, a portion of the current State use tax is set aside as a “local community stabilization share” that will not be subject to the annual appropriations process, and is automatically provided to a “local community stabilization authority” for distribution pursuant to a statutory formula anticipated to provide 100% reimbursement to local governments for losses due to the new personal property tax exemptions. The County received \$9.4 million from the Local Community Stabilization Authority to replace personal property tax revenues during the fiscal year ended December 31, 2022.

An analysis of **State Equalized Valuation** is as follows:

BY CLASS			
	2023	2022	2021
Real Property	\$45,240,300,402	\$40,966,481,994	\$38,463,388,829
Personal Property	1,920,423,853	1,999,960,856	1,939,419,661
TOTAL	\$47,160,724,255	\$42,966,442,850	\$40,402,808,490

BY USE			
	2023	2022	2021
Residential	\$35,954,831,904	\$32,133,108,137	\$30,226,329,117
Agricultural	232,554,200	220,248,750	212,592,100
Commercial	6,138,755,468	5,788,324,737	5,418,719,769
Industrial	2,914,158,830	2,824,800,370	2,605,747,843
Personal Property	1,920,423,853	1,999,960,856	1,939,419,661
TOTAL	\$47,160,724,255	\$42,966,442,850	\$40,402,808,490

An analysis of **Taxable Value** is as follows:

BY CLASS			
	2023	2022	2021
Real Property	\$33,264,668,526	\$30,856,391,965	\$29,002,019,131
Personal Property	1,920,299,622	1,999,884,117	1,939,324,679
TOTAL	\$35,184,968,148	\$32,856,276,082	\$30,941,343,810

BY USE			
	2023	2022	2021
Residential	\$26,100,642,917	\$24,143,676,372	\$22,704,883,022
Agricultural	143,893,216	137,345,218	131,386,357
Commercial	4,777,090,967	4,468,983,038	4,230,673,730
Industrial	2,243,041,426	2,106,387,337	1,935,076,022
Personal Property	1,920,299,622	1,999,884,117	1,939,324,679
TOTAL	\$35,184,968,148	\$32,856,276,082	\$30,941,343,810

Sources: Macomb County Equalization Department and the State of Michigan Treasury
Website - <https://eequal.bsasoftware.com/ReportSelectionForm.aspx>

2023 TAXABLE VALUE BY GOVERNMENT UNIT				2023 Total State Equalized Valuation
Townships:	Real Property	Personal Property	Total	
Armada	\$274,712,444	\$102,448,400	\$377,160,844	\$478,378,450
Bruce	580,712,030	49,148,100	629,860,130	819,161,122
Chesterfield	2,066,859,323	85,748,400	2,152,607,723	2,758,944,800
Clinton	3,441,318,835	148,885,900	3,590,204,735	4,738,914,100
Harrison	1,141,615,608	31,904,800	1,173,520,408	1,511,070,200
Lenox	355,194,640	57,725,900	412,920,540	556,976,116
Macomb	4,499,883,169	120,096,390	4,619,979,559	5,912,551,730
Ray	245,398,225	47,386,800	292,785,025	381,474,200
Richmond	176,412,100	37,771,500	214,183,600	303,344,925
Shelby	4,194,097,911	169,855,300	4,363,953,211	5,688,365,210
Washington	1,730,883,275	115,215,400	1,846,098,675	2,352,295,250
Cities:				
Center Line	174,342,406	13,162,061	187,504,467	272,510,900
Eastpointe	566,420,970	42,193,800	608,614,770	946,750,400
Fraser	521,078,725	27,453,600	548,532,325	757,283,500
Grosse Pte	13,590,496	281,100	13,871,596	16,897,500
Shores				
Memphis	20,831,645	2,213,700	23,045,345	29,862,200
Mount Clemens	380,450,810	24,713,589	405,164,399	582,277,595
New Baltimore	498,176,613	13,008,317	511,184,930	665,176,032
Richmond	219,881,307	9,561,400	229,442,707	295,192,000
Roseville	1,059,639,386	77,574,700	1,137,214,086	1,637,106,900
St. Clair Shores	1,932,350,245	66,222,400	1,998,572,645	2,931,681,753
Sterling Heights	5,069,289,398	243,973,490	5,313,262,888	7,310,585,590
Utica	224,013,474	20,207,700	244,221,174	319,416,620
Warren	3,877,515,491	413,546,875	4,291,062,366	5,894,507,162
TOTAL	\$33,264,668,526	\$1,920,299,622	\$35,184,968,148	\$47,160,724,255

Sources: Macomb County Equalization Department and the State of Michigan Treasury
Website - <https://eequal.bsasoftware.com/ReportSelectionForm.aspx>

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MAJOR TAXPAYERS ⁽¹⁾

According to County officials, the 2023 Taxable Value of each of the County's major taxpayers is as follows:

Name of Taxpayer	2023	2023
	Taxable Value	% of Total Taxable Value
Detroit Edison	\$430,219,280	1.22%
Consumers Energy	373,018,763	1.06%
General Motors	258,932,345	0.74%
International Transmission	139,403,381	0.40%
Enbridge Energy	93,439,564	0.27%
Meijer	79,066,954	0.22%
Chrysler	75,530,890	0.21%
Comcast	64,288,520	0.18%
Sun Properties	57,930,691	0.16%
Harbour Apartments	53,481,315	0.15%
Total	\$1,625,311,703	4.62%

⁽¹⁾ Including IFT Assessments

Source: Macomb County Equalization Department

TAX RATES

(Per \$1,000 of Taxable Value)

		2022	2021	2020
County of Macomb	Operating	\$4.3200	\$4.3721	\$4.4150
	Veterans ⁽¹⁾	0.0652	0.0660	0.0667
	MTB Medical Care Facility ⁽¹⁾	0.0000	0.0000	0.0990
	HCMA ⁽¹⁾	0.2070	0.2089	0.2104
	Smart System ⁽¹⁾	0.9500	0.9731	0.9827
	Zoo Authority ⁽¹⁾	0.0945	0.0957	0.9670
	Art Authority ⁽¹⁾	0.1956	0.1911	0.1930
Total		\$5.8323	\$5.9069	\$6.9338
		2022	2021	2020
	Macomb ISD	\$4.6300	\$4.6845	\$4.7296
	Macomb Community College	1.4077	1.4247	1.4387
Total		\$6.0377	\$6.1092	\$6.1683
Total	All Jurisdictions	\$11.8700	\$12.0161	\$13.1021

⁽¹⁾ Extra voted millages

Source: County of Macomb Finance Department Website - <http://finance.macombgov.org/Finance-Transparency-Reports>

TAX RATE LIMITATIONS

Article IX, Section 6, of the Michigan Constitution of 1963 provides in part:

"Except as otherwise provided in this Constitution, the total amount of general ad valorem taxes imposed upon real and tangible personal property for all purposes in any one year shall not exceed 15 mills on each dollar of the assessed valuation of property as finally equalized."

Section 6 further provides that by a majority vote of qualified electors of the County, the 15 mill limitation may be increased to a total of not to exceed 18 mills, and the millages of the local units involved shall then be permanently fixed within that greater millage limitation.

Act 60, Public Acts of Michigan, 1933, as amended, defines local units as counties, townships, villages, first class school district (only Detroit schools), community` college districts, intermediate school districts, and districts, divisions and other organizations which may be established that have the power to levy taxes, except villages and cities which have provisions in their charters or general law fixing maximum limits on the power to levy taxes against property and school districts.

The amount of mills allocated to the County, townships in the County and the intermediate school district have been fixed by vote as follows:

Units of Government	Rates	Maximum Authorized Tax Rate ⁽¹⁾
County of Macomb	\$5.1900	\$4.3721
Any General Law Township	1.0000	
Intermediate School District	0.2300	
	<u>\$6.4200</u>	

⁽¹⁾ See "CONSTITUTIONAL MILLAGE ROLL-BACK," below.

In addition, Article IX, Section 6, permits the levy of millage in excess of the above for:

1. All debt service on tax supported bonds issued prior to December 23, 1978 or tax supported issues which have been approved by the voters for which the issuer has pledged its full faith and credit.
2. Operating purposes for a specified period of time provided that said increase is approved by a majority of the qualified electors of the local unit.
3. Payment of valid judgments levied in accordance with State law.

CONSTITUTIONAL MILLAGE ROLL-BACK

Article IX, Section 31 of the Michigan Constitution requires that if the total value of existing taxable property in a local taxing unit, exclusive of new construction and improvements, increases faster than the U.S. Consumer Price Index from one year to the next, the maximum authorized tax rate for that local taxing unit must be permanently reduced through a Millage Reduction Fraction unless reversed by a vote of the electorate of the local taxing unit.

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TAX LEVIES AND COLLECTIONS

Year	Tax Levy *	Collections to March 1 of Following Year	
2023	\$150,984,245	-	-
2022	141,054,041	134,495,683	95.35%
2021	133,122,925	131,663,659	98.90%
2020	129,371,743	128,770,367	99.54%
2019	124,839,717	124,800,394	99.97%
2018	120,171,383	120,155,877	99.99%
2017	116,001,630	115,997,957	100.00%
2016	113,477,469	113,476,738	100.00%
2015	114,327,731	114,327,371	100.00%
2014	110,588,899	110,588,899	100.00%

* Includes IFTs.

Source: County of Macomb audited Comprehensive Annual Financial Statement and the County of Macomb Finance Department

The County's taxes are due and payable at the offices of the various local Treasurers and a lien is created upon the assessed property on December 1 of each year. All real property taxes remaining unpaid on the following March 1st are turned over to the County Treasurer for collection.

The delinquent real property taxes are subject to additional penalties and interest by the County. Unless the delinquent real property taxes are paid within approximately 25 months from the date of delinquency the underlying property is foreclosed upon and sold at public action.

The County has established a Delinquent Tax Revolving Fund which pays all real property taxes returned delinquent to the County Treasurer as of March 1st of each year. Said fund pays all local units, school districts, villages, townships, the County general fund, park fund, commission on aging, central dispatch and courthouse renovation debt service and the State of Michigan (with regard to the SET) for the full amount of taxes levied against real property. If feasible, it is anticipated that the County will continue to reimburse the local units, School Districts, Villages, Townships, the County General Fund and the State of Michigan (with regard to the SET) for any uncollected taxes, but there is no assurance that this will be the case since the County is not obligated to continue this fund in future years. Uncollected personal property taxes are collected by the local treasurer and are negligible.

REVENUES FROM THE STATE OF MICHIGAN

The County receives revenue sharing payments from the State of Michigan under the State Revenue Sharing Act of 1971, as amended (the "Revenue Sharing Act"), on a per capita basis. The County's revenue sharing distribution is subject to annual legislative appropriation and may be reduced or delayed by Executive Order during any State fiscal year in which the Governor, with the approval of the State Legislature's appropriation committees, determines that actual revenues will be less than the revenue estimates on which appropriations were based.

The State's ability to make revenue sharing payments to the County in the amounts and at the times specified in the Revenue Sharing Act is subject to the State's overall financial condition and its ability to finance any temporary cash flow deficiencies. Act 357, Public Acts of Michigan, 2004 ("Act 357") amended the General Property Tax Act to temporarily eliminate statutory revenue sharing payments to counties by creating a reserve fund, against which counties could draw in lieu of annual revenue sharing payments, paid for by the permanent advancement of the counties' property tax levy from December to July each year, beginning in 2005. Under Act 357, a county would resume receiving state revenue sharing payments in the first year in which the county's property tax revenue reserve was less than the amount the county would have otherwise received in state revenue sharing payments. The County resumed receiving revenue sharing payments during its fiscal year ended December 31, 2012.

Under the fiscal year 2024 budget, signed into law on July 31, 2023, by Governor Whitmer, a portion of county revenue sharing payment distributions are made pursuant to the Revenue Sharing Act and a portion are distributed through an incentive-based program called the county incentive program ("CIP"). For fiscal year 2024, \$261.1 million has been appropriated for revenue sharing distributions to counties, resulting in approximately 6.2% increase from the fiscal year 2023 appropriation of \$245.8 million, of which \$217.5 million will be distributed pursuant to the Revenue Sharing Act and \$43.6 million will be distributed through the CIP. The CIP provides eligible counties distributions for complying with "best practices" to increase transparency. The department of treasury shall distribute revenue sharing funds to counties so that each eligible county receives

a payment equal to 116.4592% of the amount determined pursuant to the Revenue Sharing Act, less the amount such county is eligible to receive under the CIP plus an additional 1.0% upon certification that all ARPA funds have been fully obligated, expended or declined, and plus an additional 2.0% for funding local public safety initiatives. However, each eligible county that is determined to have a retirement pension benefit system in underfunded status under section 5 of Act 202, Public Acts of Michigan, 2017, must allocate the excess of the sum of the amount it receives in 2022 county revenue sharing and county incentive program payments over the sum of the amount it received in county revenue sharing and county incentive program payments in fiscal year 2020 to its unfunded pension liability. Eligible counties are those that would be eligible to resume receiving state revenue sharing payments under Act 357.

Under the fiscal year 2023 CIP, an eligible county can receive CIP payments if it meets requirements for accountability and transparency, including making a citizen's guide to its finances, a performance dashboard, a debt service report and a two-year budget projection available for public viewing. Any portion of the CIP that the County would be eligible to receive would be subject to certain benchmarks that the County would need to meet, and there can be no assurance of what amount, if any, the County would receive under CIP. The County anticipates meeting the requirements to receive fiscal year 2023 CIP payments.

Purchasers of the Bonds should be alerted to further modifications to revenue sharing payments to Michigan local governmental units, to potential consequent impact on the County's general fund condition, and to the potential impact upon the market price or marketability of the Bonds resulting from changes in revenues received by the County from the State.

The following table sets forth the annual revenue sharing payments and other monies received by the County for the fiscal years ended December 31, 2018, through December 31, 2022 as well as estimated payments for fiscal year 2023. If revenue sharing dollars received by the State are less than anticipated and the County's revenue sharing distribution is reduced, the County intends to make certain adjustments as necessary to balance its budget.

Fiscal Year Ending December 31	Revenue Sharing Payments	County Incentive Program (CIP)	Supplemental Payments	Total
2023	\$15,289,732	\$3,286,506	-	\$18,576,238 ⁽¹⁾
2022	14,237,720	3,286,506	-	17,524,226
2021	13,895,660	3,286,506	-	17,182,166
2020	10,421,690	2,738,745	-	13,160,435
2019	13,474,675	3,286,506	76,033	16,761,181

¹ Calculated as of May 1, 2023

Source: https://www.michigan.gov/treasury/0,4679,7-121-1751_2197_33032---,00.html

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LABOR AGREEMENTS

The following table lists the County's employee bargaining units which have negotiated comprehensive salary, wage, fringe benefit and working conditions contracts with the County. The duration of these agreements are as follows:

Union Group	Employee Classification Covered	Number of Employees	Expiration Date of Contract
ADTECH	Dep. Of Roads and Technical Employees	101	December 31, 2025
AFSCME Local 411 General & District Court	Clerical	557	December 31, 2025
AFSCME Local 411 Teachers	Teachers	38	December 31, 2025
Building Trades Association	Carpenters, electricians, etc.	19	December 31, 2025
Commmand Officers Association of Michigan	Sheriff - Lieutenants and Sergeants	62	December 31, 2024
IUOE Local 547	Boiler Operators	5	December 31, 2025
Macomb County Environmental Health Association	Environmentalists	29	December 31, 2025
MCPDSA	Correction Officers	151	December 31, 2025
Michigan Nurses Association Unit 1	Nurses	42	December 31, 2025
FOPLC	Deputies and Dispatchers	243	December 31, 2024
POAM - Animal Control	Animal Shelter	12	December 31, 2025
POAM - Prosecuting Attorneys	APAs	66	December 31, 2025
POAM JJC	Juvenile Justice Center	39	December 31, 2025
POAM - Medical Examiner	Medical Examiners & Forensic Investigator	8	December 31, 2025
POLC - Captains	Captains and Jail Administrator	5	December 31, 2024
Road Technicians Association	Dept. of Road Technicians	125	December 31, 2025
Teamsters Local 214	Circuit Court/Friend of the Court	68	December 31, 2025
TPOAM	Circuit Court Officers and Professionals	53	December 31, 2025
TPOAM	Juvenile Court and Justice Center	13	December 31, 2025
TPOAM - IT	IT	28	December 31, 2025
TPOAM - Specialized Employees	Specialized Employees	34	December 31, 2025
TPOAM - Public Defender's Office	Staff Attorney's at Public Defender's Office	6	December 31, 2025
UAW 412 - Unit 75	Supervisors	76	December 31, 2025
UAW 412 - Unit 95	Corporation Counsel	4	December 31, 2025
UAW 889	MCCSA Professionals	20	December 31, 2025
UAW 889	Specialized Offices	64	December 31, 2025
UAW 889	Macomb Community Action	159	December 31, 2025
UAW 889	Probate Court/Corporation Counsel	16	December 31, 2025
Non-Affiliated	County and Roads	691	N/A
		<u>2,734</u>	

Source: County of Macomb

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RETIREMENT PLANS

Defined Contribution Pension Plan *

The County provides pension benefits to all new full-time employees hired on or after January 1, 2016 through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Eligible employees participate as of their date of employment, contributing three percent of their base wages annually, while the County contributes six percent of the employees' base wages annually plus a flat amount per eligible employee of \$2,600 annually. County contributions vest with the eligible employees once they reach five years of employment with the County.

In accordance with plan requirements, the County contributed \$5,380,073 during fiscal year 2022. Additionally, eligible employees contributed \$1,544,988 during the same year.

* For additional information see – Macomb County, Audited Annual Comprehensive Financial Report (ACFR), Fiscal Year Ended December 31, 2022, Note 12.

Employees' Retirement System **

Pension Plan Description

The County sponsors and administers the Macomb County Employees' Retirement System (the "System"), a single employer defined plan covering substantially all of the County's employees. The System was established in accordance with State statutes to provide retirement benefits for the employees of the County and its several offices, boards and departments, including the Department of Roads. The System is administered by a seven-member Board of Trustees (the "Pension Board") consisting of the County Executive or his/her designee, the Chair of the Board of Commissioners or his/her designee, the County Treasurer or his/her designee, the Director of the Department of Roads and three (3) active employees elected by the active members of the System on three-year staggered terms

Plan Membership

At December 31, 2021, (date of the most recent actuarial valuation) the System's membership consisted of:

<u>Retirement System Membership</u>	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total</u>
Retirees and beneficiaries currently receiving benefits	2,897	187	3,084
Deferred members entitled to benefits but not yet receiving them	469	84	553
Active employees accruing retirement benefits	1,249	63	1,312
Active employees accruing termination benefits	1,232	258	1,490
Total membership	<u>5,847</u>	<u>592</u>	<u>6,439</u>

This plan is closed to new entrants effective January 1, 2016.

** For additional information see – Macomb County, Audited Comprehensive Annual Financial Reports, Fiscal Year Ended December 31, 2022, Note 13.

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Benefits Provided

The System provides retirement, disability and death benefits. Benefit levels and employee contribution rates for union employees are granted through collective bargaining agreements and benefit levels for non-union employees are awarded by the County Executive in accordance with County Charter. The Board of Trustees does not have the authority to determine benefit levels. However, the Board of Trustees does have the authority to grant disability retirements. Members become vested in the System after eight (8) or fifteen (15) years of service, depending on their date of hire. The System does not provide for automatic postemployment benefit changes such as cost of living adjustments. The following is a summary of the normal retirement benefits provided to the members of the System:

General County – Virtually all employees hired on or before December 21, 2001, may retire if their age plus years of service equals or exceeds 70 and they have attained a minimum age of 50. The annual retirement benefit, payable monthly for life, is computed at 2.4% of final average compensation for the first 26 years of service and 1% for every year thereafter, with a maximum employer contribution of 65%. Employees hired on or after January 1, 2002, and certain employees hired before that date not covered by the provisions described above may retire at age 55 with 25 or more years of service or age sixty (60) with eight (8) years of service. The annual retirement benefit, payable monthly for life, for these employees is computed at 2.2% of final average compensation for each year of service, with a maximum employer pension of 66% of final average compensation.

Sheriff Department – Employees may retire at any age with 25 or more years of service or age 60 with 8 years of service. The annual retirement benefit for the Sheriff and deputies, payable monthly for life, is computed at 2.64% of final average compensation multiplied by credited years of service with a maximum employer pension of 66%. The factor for undersheriff, captains, jail administrator, command officers, corrections officers and dispatchers is 2.4% for the first 26 years of service and 1% for every year thereafter, with a maximum employer pension of 66% of final average compensation.

Department of Roads – Employees may retire at age 55 with 25 or more years of service, at age 60 with 8 years of service or at age 55 if their age plus years of service equals or exceeds 70. The annual retirement benefit, payable monthly for life is computed at 2.4% of final average compensation multiplied for the first 26 years of service and 1% for every year thereafter, with a maximum employer pension of 65% final average compensation.

The System also provides death and disability benefits. If an employee leaves covered employment or dies before they are vested, accumulated employee contributions plus interest at the rate of 3.5% per year is refunded to the employee or designated beneficiary.

The System also provides a termination benefit of \$1,000 to all employees hired after January 1, 2016. The benefit is fully vested following five years of service with the County.

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Pension Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established by collective bargaining agreement for union members. Contribution rates for nonunion members mirror those of union members with the same benefit levels. The County is required to contribute the difference between the actuarially determined rate and the contribution rate for employees. General County employees contribute 2.5% or 3.5% of their annual salary to the System depending upon classification. Department of Roads employees contribute 3.5% of their annual salary. Sheriff employees contribute 4.0% of their annual salary. The County's required contribution for 2022 was \$10,252,487. The County contributed \$11,966,428 for the year ended December 31, 2022, which represents an excess contribution of \$1,713,941.

Deferred Retirement Option Program (DROP)

The County offers employees the ability to continue employment and be paid a salary after they are fully vested and also receive credits for the retirement benefit payments that would have been paid to them had they left County employment. Employees may receive up to 60 months of DROP credits. The accumulated credits are paid out, including interest at 3.5%, after the employee has fully retired (discontinued providing employee services to the County). The Plan had \$20,077,427 accumulated in DROP accounts at December 31, 2022.

Pension Plan Reserves

In accordance with the provisions of the Plan document, the following reserves are required to be set aside within the pension plan:

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

The **employee reserve** account is credited as employee contributions are received throughout the year; the Plan maintains a record of the amount contributed by each employee, and credits interest annually at a rate of 3.5%. For any employee who terminates before vesting in the pension plan, their balance is returned to them for those who stay until retirement, the balance is transferred into the retiree reserve.

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

The balances of the reserve accounts at December 31, 2022 are as follows:

Primary Government Reserves	Required	Actual	Over (Under) Funded
Retiree Reserve	\$ 731,379,287	\$ 731,379,287	\$ -
Employee Reserve	46,626,781	46,626,781	-
Employer Reserve	N/A	258,462,649	N/A

Schedule of Changes in Net Pension Liability and Related Ratios

Total Employees' Retirement System	As of Fiscal Year Ended December 31,		
	2022	2021	2020
Total Pension Liability			
Service Cost	\$ 12,943,168	\$ 12,620,981	\$ 13,541,838
Interest	73,247,248	72,849,681	71,750,208
Changes in Benefit Terms	-	-	-
Actual Employee Contributions	-	-	-
Differences between expected and actual experience of the pension lia	13,885,986	(3,857,138)	4,132,925
Changes in assumptions	-	-	-
Other Changes	-	-	-
Benefit payments, including refunds of member contributions	(79,117,600)	(73,489,957)	(72,127,791)
Net change in total pension liability	20,958,802	8,123,567	17,297,180
Total pension liability - Beginning of year	1,072,335,828	1,064,212,261	1,046,915,081
Total pension liability – End of year	<u>\$ 1,093,294,630</u>	<u>\$ 1,072,335,828</u>	<u>\$ 1,064,212,261</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 11,966,428	\$ 15,560,031	\$ 15,146,875
Contributions - Member	2,816,531	3,015,289	3,142,287
Net investment income	(185,832,413)	219,370,679	126,094,417
Administrative Expenses	(744,955)	(730,984)	(666,662)
Benefit payments, including refunds	(79,117,600)	(73,489,957)	(72,127,791)
Net change in plan fiduciary net position	(250,912,009)	163,725,058	71,589,126
Plan fiduciary net position – Beginning of year	1,317,355,983	1,153,630,925	1,082,041,799
Plan fiduciary net position – End of year	<u>\$ 1,066,443,974</u>	<u>\$ 1,317,355,983</u>	<u>\$ 1,153,630,925</u>
County's net pension liability - Ending	<u>\$ (26,850,656)</u>	<u>\$ 245,020,155</u>	<u>\$ 89,418,664</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	97.54%	122.85%	108.40%
Covered Employee Payroll	\$ 96,607,825	\$ 97,589,925	\$ 103,002,972
Net Pension Liability as a Percentage of Covered Employee Payroll	27.79%	-251.07%	-86.81%

Schedule of Employer Contributions

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Covered Payroll	Contributions as % of Covered Payroll
2013	\$ 19,932,742	\$ 19,932,742	\$ 102,252,875	19.49%
2014	22,152,820	22,152,820	107,365,519	20.63%
2015	21,281,602	21,281,612	102,252,875	20.81%
2016	20,909,535	20,909,535	110,159,044	18.98%
2017	19,920,483	21,672,813	105,254,524	20.59%
2018	22,169,777	23,747,047	116,574,389	20.37%
2019	16,137,328	17,144,386	107,492,732	15.95%
2020	14,304,020	15,146,875	103,002,972	14.71%
2021	13,892,354	15,560,031	97,589,925	15.94%
2022	10,252,487	11,966,428	96,607,825	12.39%

Source: County of Macomb audited Comprehensive Annual Financial Reports, as of December 31, 2022

OTHER POST-EMPLOYMENT BENEFITS

General and Sheriff Employees¹

The County sponsors and administers a single employer defined benefit post-retirement health care plan (the "Plan") that provides certain health care benefits for general County (including the Martha T. Berry Medical Care Facility) and sheriff department retirees and their spouses so long as the retiree is currently receiving a pension from the Macomb County Employees Retirement System. The Plan does not cover employees and retirees of the Department of Roads as the department participates in a separate plan.

Plan assets are held in the Retiree Health Care Trust Fund. Benefit provisions are established by the County Board of Commissioners and may be amended in accordance with County policy. Hospitalization insurance is provided through insurance companies, whose premiums are based on the benefits paid during the year.

The County finances these expenditures for general county and sheriff department retirees through the Retiree Health Care Trust Fund of the primary government.

As of December 31, 2020, (date of the most recent actuarial valuation), members consisted of:

OPEB Membership - General and Sheriff Employees	Primary Government	Component Unit	Total
Retirees and beneficiaries currently receiving benefits	2,317	173	2,490
Deferred members entitled to benefits but not yet receiving them	232	11	243
Active employees covered by the plan	1,199	27	1,226
Total membership	3,748	211	3,959

Plan members are required to contribute 25% of the cost of vision and dental coverage as well as co-pays for prescription drugs.

On March 10, 2015, Macomb County issued retiree health care bonds for the purpose of defraying the unfunded portion of the County's retiree health care obligations. The net proceeds of \$262,636,883 (after payment of \$589,161 of issuance costs, underwriters' discount of \$328,956) were placed in the Retiree Health Care Intermediate Trust (the "Intermediate Fund"), which was established in conjunction with the Macomb County Retiree Health Care Trust Fund to fund other postemployment benefits (OPEB). In addition, the County used General Fund balance of \$29,000,000 and \$30,000,000 contributed to the General Fund by the Delinquent Tax Revolving Fund in 2015 to contribute a total of \$59,000,000 to the Intermediate Trust. It is the policy of the County to fund the annual required contribution (ARC) to the Macomb County Retiree Health Care Trust Fund each year via a transfer from the Intermediate Trust. In 2017, as a result of the County's implementation of Governmental Accounting

¹ For further information, see Note 14 in the County's Comprehensive Annual Financial Report, fiscal year ended December 31, 2022.

Standards Board Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, the County moved the Intermediate Trust into the Other Postemployment Benefits Internal Service Fund.

County departments fully fund each debt service payment annually in lieu of contributing to the OPEB ARC. Allocation of the debt service payment responsibility is determined based on the unfunded actuarial accrued liability as of December 31, 2015 by County department. As mandated in the County's intermediate trust agreement, the County contributes to the Macomb County Retiree Health Care Trust Fund an amount equal to at least the annual actuarially determined contribution each year. The County makes the annual contribution from its Other Postemployment Benefits Internal Service Fund.

The County contributed \$20,000,000 to the Macomb County Retiree Health Care Trust Fund for the year ended December 31, 2022. Employee contributions for the year totaled \$1,029,225, for total contributions to the Macomb County Retiree Health Care Trust Fund in the amount of \$26,029,225. The total cost of retiree health care benefits, administrative expenses of the plan and investment management fees for the year ended December 31, 2022, was \$22,527,343.

Schedule of Changes in Net OPEB Liability and Related Ratios

	As of Fiscal Year Ended December 31,		
	2022	2021	2020
Total OPEB Liability			
Service Cost	\$ 4,418,392	\$ 5,759,750	\$ 6,735,392
Interest	36,055,693	35,763,194	40,104,208
Differences between expected and actual experience of the pension lia	(54,699,846)	(84,939,571)	(106,423,307)
Changes in assumptions	10,716,405	84,476,683	18,279,831
Benefit payments	(19,130,895)	(18,056,070)	(18,112,636)
Net change in total OPEB liability	(22,640,251)	23,003,986	(59,416,512)
Total OPEB liability - Beginning of year	522,437,579	499,433,593	558,850,105
Total OPEB liability - End of year	<u>\$ 499,797,328</u>	<u>\$ 522,437,579</u>	<u>\$ 499,433,593</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 20,000,000	\$ 25,000,000	\$ 24,061,562
Contributions - Member	-	1,035,383	1,018,213
Net investment income	(75,825,616)	75,623,396	47,860,789
Administrative Expenses	(87,370)	(78,975)	(48,000)
Benefit Payments	(19,473,078)	(18,414,285)	(18,457,992)
Member Paid Benefits	-	(1,035,383)	(1,018,213)
Net change in plan fiduciary net position	(75,386,064)	82,130,136	53,416,359
Plan fiduciary net position - Beginning of year	474,457,299	392,327,163	338,910,804
Plan fiduciary net position - End of year	<u>\$ 399,071,235</u>	<u>\$ 474,457,299</u>	<u>\$ 392,327,163</u>
County's net OPEB liability - Ending	<u>\$ (100,726,093)</u>	<u>\$ (47,980,280)</u>	<u>\$ (107,106,430)</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	79.85%	90.82%	78.55%
Covered Employee Payroll	\$ 87,215,547	\$ 88,390,068	\$ 93,395,842
Net OPEB liability as a Percentage of Covered Employee Payroll	115.49%	54.28%	114.68%

Source: County of Macomb audited Comprehensive Annual Financial Reports, as of December 31, 2022

GENERAL FUND-FUND BALANCE

The County's General Fund balance for the last five years has been as follows:

Fiscal Year Ended December 31	Fund Balance
2022	\$ 112,692,569
2021*	96,270,675
2020	72,430,990
2019	61,499,507
2018	58,196,913

*As restated.

Source: County of Macomb audited Comprehensive Annual Financial Statements

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DEBT STATEMENT

(As of August 30, 2023, including the Bonds described herein)

DIRECT DEBT	Gross	Portion Paid Directly by Benefited Municipalities	Net
General Obligation	\$ 223,190,000	\$ -	\$ 223,190,000
Sewer	8,935,000	-	8,935,000
Drain	197,347,439	197,134,577	212,862
Share of Oakland Macomb Interceptor	144,260,000	144,260,000	-
Total	<u>\$ 573,732,439</u>	<u>\$ 341,394,577</u>	<u>\$ 232,337,862</u>

OVERLAPPING DEBT

Cities	\$ 497,131,397
Townships	237,506,628
Villages	17,921,148
School Districts	2,056,668,783
Intermediate School Districts	108,880
Community College	-
Library	34,690,000

TOTAL OVERLAPPING DEBT	<u>\$ 2,844,026,836</u>
NET DIRECT AND OVERLAPPING DEBT	<u>\$ 3,076,364,698</u>

Source: Municipal Advisory Council of Michigan

DEBT RATIOS

Per Capita 2023 State Equalized Valuation	\$ 53,947.60
Per Capita 2023 True Cash Value	107,895.20
Per Capita Net Direct Debt	\$ 265.77
Per Capita Combined Net Direct and Overlapping Debt	3,519.08
Percent of Net Direct Debt of 2023 State Equalized Valuation	0.49%
Percent of Net Direct and Overlapping Debt of 2023 State Equalized Valuation	6.52%
Percent of Net Direct Debt of 2023 True Cash Value	3.58%
Percent of Net Direct and Overlapping Debt of 2023 True Cash Value	3.58%

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SCHEDULE OF BOND MATURITIES

(As of August 30, 2023, including the Bonds described herein)

Fiscal Year	General Obligation Bonds	Sewer Bonds	Drain Bonds⁽¹⁾	Total
2023	\$ 13,010,000	\$ 255,000	\$ 7,560,000	\$ 20,825,000
2024	16,350,000	680,000	22,555,000	39,585,000
2025	16,860,000	695,000	23,495,000	41,050,000
2026	17,375,000	715,000	24,600,000	42,690,000
2027	17,930,000	730,000	25,465,000	44,125,000
2028	18,535,000	740,000	26,515,000	45,790,000
2029	19,195,000	765,000	27,400,000	47,360,000
2030	19,585,000	780,000	24,770,000	45,135,000
2031	16,205,000	805,000	25,165,000	42,175,000
2032	16,520,000	820,000	21,460,000	38,800,000
2033	16,860,000	845,000	21,975,000	39,680,000
2034	17,200,000	720,000	19,780,000	37,700,000
2035	17,565,000	190,000	15,392,439	33,147,439
2036	-	195,000	9,140,000	9,335,000
2037	-	-	8,850,000	8,850,000
2038	-	-	9,090,000	9,090,000
2039	-	-	9,385,000	9,385,000
2040	-	-	9,675,000	9,675,000
2041	-	-	4,155,000	4,155,000
2042	-	-	4,360,000	4,360,000
2043	-	-	400,000	400,000
2044	-	-	420,000	420,000
	<u>\$ 223,190,000</u>	<u>\$ 8,935,000</u>	<u>\$ 341,607,439</u>	<u>\$ 573,732,439</u>

⁽¹⁾Includes Outstanding County Drain Bonds and Oakland Macomb Interceptor Drain Bonds.

DEBT HISTORY

There has been no record of default.

FUTURE BONDING

The County has no current plans for additional bonding in the next six months.

STATEMENT OF LEGAL DEBT MARGIN

(As of August 30, 2023, including the Bonds described herein)

2023 State Equalized Valuation	\$47,160,724,255
Plus Equilivent of 2023 State Equalized Valuation of Act 198 Exemptions	217,571,106
Total State Equalized Valuation	<u>47,378,295,361</u>
Debt Limit (10% of State Equalized Valuation)	4,737,829,536
Amount of Outstanding Debt (Debt Statement)	573,732,439
LEGAL DEBT MARGIN	<u><u>\$4,164,097,097</u></u>

MAJOR EMPLOYERS

Major employers in the County are as follows:

Firm Name	Product/Service	Approximate Number of Employees
General Motors Corporation	Automotive	25,306
Stellantis NV (formerly FCA US LLC)	Automotive	17,774
U.S. Government	Government	6,943
Ford Motor Company	Automotive	3,990
Ascension Michigan	Healthcare	2,937
Utica Community Schools	Education	2,640
Macomb County	Government	2,429
Henry Ford Health System	Healthcare	2,201
McLaren Health Care System	Healthcare	1,969
General Dynamics Land Systems	Defense	1,826
Chippewa Valley Schools	Education	1,680
State of Michigan	Government	1,564
Warren Consolidated Schools	Education	1,403
Adient, LLC	Automotive	1,206
Amazon.com	E-commerce	1,175
Bridgewater Interiors, LLC	Automotive	1,175
Macomb Intermediate School District	Education	1,080

* The approximate number of employees listed are as reported in the sources indicated below. Because of reporting time lags and other factors inherent in collecting and reporting such information, the numbers may not reflect recent changes in employment levels, if any.*

Source: Macomb County Comprehensive Annual Financial Report, fiscal year ended December 31, 2022.

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LABOR CHARACTERISTICS

The U.S. Census 2017 – 2021 American Community Survey 5 – Year Estimates lists the labor force characteristics for the County, for employed persons 16 years and over, as follows:

<u>By Occupation</u>	<u>Number of Employees</u>
Management, business, science, and arts occupations	157,151
Service occupations	72,214
Sales and office occupations	95,166
Natural resources, construction, and maintenance occupations	32,290
Production, transportation, and material moving occupations	74,379
Total	<u>431,200</u>
<u>By Industry</u>	
Agriculture, forestry, fishing and hunting, and mining	1,032
Construction	25,062
Manufacturing	91,510
Wholesale trade	9,460
Retail trade	50,475
Transportation and warehousing, and utilities	18,448
Information	4,835
Finance and insurance, and real estate and rental and leasing	25,874
Professional scientific, and management, and administrative and waste management services	43,797
Educational services, and health care and social assistance	86,856
Arts, entertainment, and recreation, and accommodation and food services	40,263
Other services, except public administration	18,363
Public administration	15,225
Total	<u>431,200</u>

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UNEMPLOYMENT DATA

According to the Michigan Center for Data and Analytics Michigan Labor Market Information website, the unemployment statistics for the County during the last four calendar years and the most recent for the current year, are as follows:

	2023	2022	2021	2020	2019
January	4.20%	4.60%	7.10%	4.60%	5.30%
February	3.70%	4.50%	6.70%	3.70%	4.50%
March	2.80%	4.10%	6.60%	4.80%	4.80%
April	2.00%	3.50%	6.00%	26.30%	3.90%
May		3.60%	6.30%	25.70%	3.90%
June		3.70%	6.70%	18.30%	4.30%
July		3.50%	7.10%	14.70%	4.70%
August		3.60%	6.10%	10.90%	4.40%
September		3.70%	5.20%	9.70%	3.80%
October		3.30%	4.60%	7.70%	3.50%
November		3.00%	3.90%	7.10%	3.40%
December		3.20%	3.90%	7.90%	3.60%
Annual		3.70%	5.90%	11.70%	4.20%

AGRICULTURAL CHARACTERISTICS

According to the 2017 U.S. Census of Agriculture, the County had 404 farms in 2017 compared to 502 farms in 2012, encompassing approximately 73,660 acres. The average farm was approximately 182 acres in size in 2017 compared to 135 acres in size in 2012.

The value of agricultural products sold in 2017 for the County farms amounted to \$195,109,000 compared to \$73,242,000 in 2012 and the average value per farm amounted to \$195,109 in 2017 compared to \$73,242 in 2012.

A breakdown of farm size (harvested) in 2017 is as follows:

Under 49 acres	55.7%
50 to 179 acres	17.6%
180 to 499 acres	15.6%
500 acres and over	11.1%

56.9% of the farms in the County are owner-operated; 35.1% are operated by part-time owners; 8.0 by tenants. Of the above, 54.2% devote full-time to farming and 45.8% devote part-time to farming. The average age for a farm operator in the County in 2017 was 58.0 years, up from the 57.9 years average in 2012.

Please note that the U.S. Census of Agriculture is only taken once every five years. Data is not yet available for 2022.

RESIDENTIAL CHARACTERISTICS

There are 368,224 housing units located within the County according to the 2017 - 2021 U.S. Census U.S. Census 2021 American Community Survey 5 – Year Estimates of which 74.4% are owner-occupied. A breakdown of the dwelling units according to the U.S. Census 2017 - 2021 American Community Survey 5-Year Estimates is as follows:

Single Family	78.4%
Multi Family	18.1%
Mobile Home	3.5%

According to the U.S. Census 2017 - 2021 American Community Survey 5 – Year Estimates, the median value of an owner-occupied residence in the County is \$184,600.

INCOME CHARACTERISTICS

There were 351,715 households in the County according to the U.S. Census 2017 - 2021 American Community Survey 5 – Year Estimates, which had a median household income of \$67,828. A breakdown of the income for the County's households is as follows:

	Number of Households
Less than \$10,000	15,824
\$10,000 to \$14,999	11,654
\$15,000 to \$24,999	27,411
\$25,000 to \$34,999	30,148
\$35,000 to \$49,999	44,862
\$50,000 to \$74,999	62,711
\$75,000 to \$99,999	49,057
\$100,000 to \$149,999	62,334
\$150,000 or more	47,714

The per capita income for the County U.S. Census 2017 - 2021 American Community Survey 5 – Year Estimates was \$34,880.

AGE STATISTICS

Age groups for the County's residents, according to the U.S. Census, are as follows:

	2021 Estimate	2020 US Census Percentage	2010 US Census Percentage
Under 5 years	5.3%	5.5%	5.8%
5 to 19 years	17.5%	17.7%	19.8%
20 to 24 years	5.8%	6.1%	5.9%
25 to 44 years	26.0%	25.5%	26.1%
45 to 64 years	27.6%	28.3%	28.0%
Over 65 years	17.8%	16.9%	14.4%

EDUCATIONAL CHARACTERISTICS

The primary and secondary educational needs of the residents of the County are adequately handled by six public school districts which serve the County. Higher educational opportunities are available at the following institutions, which are located within driving distance of the County's residents:

Lawrence Technological University

Madonna University

Oakland University

University of Detroit- Mercy

University of Michigan – Dearborn

Wayne State University

Walsh College

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According to the U.S. Census 2017 - 2021 American Community Survey 5 – Year Estimate, the educational characteristics for the County are as follows:

<u>Years of School Completed</u>	<u>Persons 25 and Over</u>
Less than 9th grade	3.4%
9th to 12th grade no diploma	6.2%
High school graduate	29.4%
Some college, no degree	24.1%
Associate degree	10.8%
Bachelor's degree	17.0%
Graduate or professional degree	9.2%
High school graduate or higher	90.4%
Bachelor's degree or higher	26.1%

UTILITIES

County residents are supplied with water by various municipal systems. Natural gas is provided to County residents by Consumers Energy and DTE Energy with DTE Energy also providing electricity to County residents.

TRANSPORTATION

Macomb County is easily accessible via Interstate Highways 94 and 696, Michigan Highways 3, 19, 29, 53, 59 and 97. Rail service is provided by CN Rail. Bus service is provided by Southeastern Michigan Transportation Authority (SMART). Private, commuter and small charter air services are available at Detroit Metropolitan Airport and Oakland Pontiac Airport located approximately 20 miles west of the County. Detroit Metropolitan Airport, which is served by the major airlines and offers both domestic and international flights, is located approximately 30 miles southwest of the County.

BANKING

The banking needs of the County's residents can be adequately served by the following, all of which have branches located in the County:

Bank of America	CSB Bank	Comerica Bank
Community Central Bank	First Citizens Bank	Fifth Third Bank
First State Bank of East Detroit	Fidelity Bank	The Huntington National Bank
JPMorgan Chase Bank, N.A.	Flagstar Bank, FSB	Peoples State Bank
Macomb Community Bank	KeyBank, N.S.	
Citizens Bank, N.A.	Seaway Community Bank	

FINANCIAL INFORMATION

The following financial information has been compiled from information provided in the County of Macomb Comprehensive Annual Financial Reports for the fiscal years ended December 31, 2022, 2021 and 2020. These audited Comprehensive Annual Financial Reports were prepared in accordance with the Generally Accepted Accounting Principles. The County's auditors have not been asked to consent to the use of information from such audited Comprehensive Annual Financial Reports in the Preliminary Official Statement nor the final Official Statement and have not conducted any subsequent review of such audited Annual Financial Statements or the information presented in this Appendix.

Copies of audited Comprehensive Annual Financial Reports of the County may be obtained from the State of Michigan - Department of Treasury.

Michigan Department of Treasury

Local Audit and Finance Division

Lansing, MI 48922

Telephone: (517) 373-3227

Website: www.michigan.gov/treasury

Beginning July 1, 2009, municipal bond issuers, obligors or their designated agents must provide continuing disclosure documents and related information to the MSRB for posting on the EMMA website. These continuing disclosure documents, which include annual financial statements and events notices, will be posted on the EMMA website generally within an hour of receipt.

By Mail:	MSRB	By Phone:	(703) 797-6600
	1900 Duke St., Suite 600	By Fax:	(703) 797-6700
	Alexandria, VA 22313	Professional Qualifications:	(703) 797-6702
		Accounting:	(703) 797-6703
	www.msrb.org	Municipal Securities Information Library	(703) 797-6704
		Transaction Report	(703) 797-6704
			(703) 797-6703
		www.emma.msrb.org	

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COUNTY OF MACOMB
GENERAL FUND – BALANCE SHEET
FOR YEARS ENDED DECEMBER 31

	As of Fiscal Year Ended December 31,		
	2022	2021	2020
Assets			
Cash and pooled investments	\$ 117,167,744	\$ 71,410,717	\$ 66,302,340
Receivables			
Property taxes, net	6,064,669	3,967,180	3,048,185
Accrued interest	2,586,512	94,210	91,053
Trade accounts, net	5,812,192	4,884,408	5,628,914
Leases	1,238,402	-	-
Due from other governments	15,038,198	13,372,292	13,594,648
Due from governmental funds	807,597	1,005,533	185,054
Due from proprietary funds	7,470,485	6,188,878	5,370,587
Due from component units	2,377,700	2,743,500	2,743,500
Due from fiduciary funds	5,307,345	10,534,973	-
Other assets	2,307,163	2,276,267	1,455,555
TOTAL ASSETS	\$ 166,178,007	\$ 116,477,958	\$ 98,419,836
LIABILITIES, DEFERRED INFLOWS OF RESOURCES			
AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 3,305,220	\$ 3,472,255	\$ 4,741,402
Accrued liabilities	3,230,807	729,836	522,504
Accrued compensation and benefits	2,169,773	2,053,471	7,336,515
Due to Proprietary Funds	27,032,078	-	-
Due to other governments	306,830	26,588	144,370
TOTAL LIABILITIES	\$ 36,044,708	\$ 6,282,150	\$ 12,744,791
Deferred Inflows of Resources			
Lease Activities	\$ 1,198,311	\$ -	\$ -
Unavailable property taxes	4,829,605	2,251,677	1,825,702
Unavailable grants and other changes	11,412,814	11,658,482	11,418,353
	\$ 17,440,730	\$ 13,910,159	\$ 13,244,055
Fund Balances			
Nonspendable	\$ 4,684,863	\$ 5,019,767	\$ 4,199,055
Assigned	-	-	-
Unassigned	108,007,706	91,265,882	68,231,935
TOTAL FUND BALANCES	\$ 112,692,569	\$ 96,285,649	\$ 72,430,990
TOTAL LIABILITIES, DEFERRED INFLOWS OF			
RESOURCES, AND FUND BALANCES	\$ 166,178,007	\$ 116,477,958	\$ 98,419,836

COUNTY OF MACOMB
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
AS OF DECEMBER 31

	As of Fiscal Year Ended December 31,		
	2022	2021	2020
Revenues			
Property taxes	\$ 140,932,483	\$ 134,142,878	\$ 130,170,497
Licenses and Permits	1,682,489	1,643,799	1,455,253
Federal and State Grants	43,674,121	41,325,217	68,406,321
Charges for services	40,041,050	44,535,856	41,391,651
Charges to other funds for administrative services	13,898,553	13,275,462	13,289,629
Fines and forfeitures	661,031	496,813	433,942
Interest and rents	7,381,479	2,260,231	3,258,385
Other revenue	294,916	112,988	59,112
TOTAL REVENUES	\$ 248,566,122	\$ 237,793,244	\$ 258,464,790
Expenditures			
Current:			
Legislative	1,657,838	1,476,642	1,515,571
Judicial	31,316,194	29,981,910	29,483,228
General government	48,329,763	43,658,195	44,186,949
Public safety	73,536,677	77,045,562	77,156,919
Public works	7,133,951	6,917,145	6,532,423
Health and welfare	17,987,104	16,057,394	15,018,611
Community and economic development	3,524,609	3,114,739	2,972,372
Other	2,903,046	1,902,318	1,144,930
Capital outlay	2,685,166	1,901,600	2,401,588
TOTAL EXPENDITURES	\$ 189,074,348	\$ 182,055,505	\$ 180,412,591
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 59,491,774	\$ 55,737,739	\$ 78,052,199
OTHER FINANCING SOURCES (USES)			
Operating transfers in	\$ 8,000,000	\$ 8,151,241	\$ 8,000,000
Operating transfers out	(51,069,880)	(40,049,295)	(75,120,716)
NET OTHER FINANCING SOURCES (USES)	\$ (43,069,880)	\$ (31,898,054)	\$ (67,120,716)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 16,421,894	\$ 23,839,685	\$ 10,931,483
Fund balance, January 1 *	96,270,675	72,430,990	61,499,507
Fund balance, December 31	<u><u>\$ 112,692,569</u></u>	<u><u>\$ 96,270,675</u></u>	<u><u>\$ 72,430,990</u></u>

* As restated.

APPENDIX C

CITY OF STERLING HEIGHTS

GENERAL DESCRIPTION AND STATISTICAL INFORMATION

CITY OF STERLING HEIGHTS
GENERAL AND ECONOMIC INFORMATION

LOCATION AND DESCRIPTION

The City of Sterling Heights is located in the southwestern portion of the County of Macomb and encompasses an area of approximately 36.8 square miles. The City of Sterling Heights is located approximately 18 miles north of downtown Detroit.

FORM OF GOVERNMENT

The City is organized under the Council-Manager form of government. The City Council is the legislative and governing body of the City and consists of the Mayor and six (6) Council members. Elections are held every four years to elect the Mayor and six Councilpersons for four-year terms of office. The City Council selects and appoints the City Manager and the City Attorney, who serve at the pleasure of the Council. All other Administrative Officers are appointed by the City Manager.

POPULATION

<u>Year</u>	<u>Population</u>
Current Estimate	133,269
2020 U.S. Census	134,346
2010 U.S. Census	124,471
2000 U.S. Census	117,810

Source: U.S. Census

FISCAL YEAR

July 1 to June 30

PROPERTY VALUATIONS

Article IX, Section 3, of the Michigan Constitution provides that the proportion of true cash value at which property shall be assessed shall not exceed 50% of true cash value. The Michigan Legislature by statute has provided that property shall be assessed at 50% of its true cash value, except as described below. The Michigan Legislature or the electorate may at some future time reduce the percentage below 50% of true cash value.

On March 15, 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as "Taxable Value." Since 1995, taxable property has two valuations -- State equalized valuation ("SEV") and Taxable Value. Property taxes are levied on Taxable Value. Generally, the Taxable Value of property is the lesser of (a) the Taxable Value of the property in the immediately preceding year minus any losses, multiplied by the lesser of 1.05 or the inflation rate, plus additions, or (b) the property's current SEV. Under certain circumstances, therefore, the Taxable Value of property may be different from the same property's SEV. When property is sold or transferred, Taxable Value is adjusted to the SEV, which under existing law is 50% of the current true cash value. The Taxable Value of new construction is equal to current SEV. Taxable Value and SEV of existing property are also adjusted annually for additions and losses.

On March 15, 1994, the electors of the State of Michigan also voted to amend the State Constitution to increase the state sales tax from 4% to 6% and to place a yearly cap on property value assessment increases. The State now levies a property tax to finance education, and a higher real estate transfer tax is imposed on the sale of real property.

REAL PROPERTY TAX ASSESSMENTS

Responsibility for assessing taxable real property rests with the local assessing officer of each township and city. Any property owner may appeal the assessment to the local assessor, the local Board of Review and, ultimately, to the Michigan Tax Tribunal.

The Michigan Constitution also mandates a system of equalization for assessments. Although the assessors for each local unit of government within a county are responsible for actually assessing at 50% of true cash value, adjusted for Taxable Value purposes, the final SEV and Taxable Value are arrived at through several steps. Assessments are established initially by the municipal assessor. Municipal assessments are then equalized to the 50% levels as determined by the County's Department of Equalization. Thereafter, the State equalizes the various counties in relation to each other. SEV is important, aside from its use in determining Taxable Value for the purpose of levying ad valorem property taxes, because of its role in the spreading of taxes between overlapping jurisdictions, the distribution of various State aid programs, State revenue sharing and in the calculation of debt limits.

Real property that is exempt from property taxes, e.g., churches, government property, public schools, is not included in the SEV and Taxable Value data in this Official Statement. Property granted tax abatements under the Michigan Plant Rehabilitation and Industrial Development District Act, Act 198, Public Acts of Michigan, 1974, as amended ("Act 198") are recorded on separate tax rolls while subject to tax abatement. The valuation of tax abated property is based upon SEV but is not included in either the SEV or Taxable Value data in this Official Statement except as noted.

APPEAL OF PROPERTY ASSESSMENTS

Property taxpayers may appeal their assessments to the Michigan Tax Tribunal. Unless otherwise ordered by the Tax Tribunal, before the Tax Tribunal renders a decision on an assessment appeal, the taxpayer must have paid the tax bill. The City has approximately 20 total tax appeals pending before the Tax Tribunal (including personal property appeals) which are not expected to have a significant impact on the City's State Equalized Valuation, Taxable Value or the resulting taxes.

MICHIGAN PROPERTY TAX REFORM

The enactment of Michigan Public Acts 153 and 154 of 2013, together with subsequent enactment of Michigan Public Acts 80 and 86 through 93 of 2014, significantly reformed personal property tax in Michigan. The voters of the State approved a referendum on August 4, 2014, to which all of these acts were tied, and therefore these acts will continue in effect.

Under the PPT Reform Acts, owners of industrial and commercial Personal Property with a total true cash value of \$180,000 or less may file an affidavit claiming a Personal Property tax exemption. To be eligible for the exemption, all of the commercial or industrial Personal Property within a city or township that is owned by, leased to, or controlled by the claimant must have an accumulated true cash value of \$180,000 or less. Beginning in calendar year 2016, owners of certain manufacturing Personal Property that was either purchased after December 31, 2012, or that was at least 10 years old could claim an exemption from Personal Property tax. By 2022, all eligible manufacturing Personal Property was at least 10 years old or purchased after December 31, 2012, so that it could be exempted from Personal Property tax.

To replace revenues lost by local governments, due to these exemptions, a portion of the current State use tax is set aside as a "local community stabilization share" that will not be subject to the annual appropriations process, and is automatically provided to a "local community stabilization authority" for distribution pursuant to a statutory formula anticipated to provide 100% reimbursement to local governments for losses due to the new personal property tax exemptions.

INDUSTRIAL FACILITIES TAX

The Michigan Plant Rehabilitation and Industrial Development District Act (Act 198, Public Acts of Michigan, 1974, as amended) ("Act 198") provides significant property tax incentives to industry to renovate and expand aging industrial facilities and to build new industrial facilities in Michigan. Under the provisions of Act 198, qualifying cities, villages, and townships may establish districts in which industrial firms are offered certain property tax incentives to encourage restoration or replacement of obsolete industrial facilities and to attract new industrial facilities.

Property owners situated in such districts pay an Industrial Facilities Tax ("IFT") in lieu of ad valorem property taxes on plants and equipment for a period of up to 12 years. For rehabilitated plant and equipment, the IFT is determined by calculating the product of the taxable value of the replacement facility in the year before the effective date of the abatement certificate multiplied by the total mills levied by all taxing units in the current year. For abatements granted prior to January 1, 1994, new plant and equipment is taxed at one-half the total mills levied by all taxing units, except for mills levied for local school district operating purposes or under the State Education Tax Act,

plus one-half of the number of mills levied for local school district operating purposes in 1993. For new facility abatements granted after 1993, new plant and equipment is taxed at one-half of the total mills levied as ad valorem taxes by all taxing units, except mills levied under the State Education Tax Act, plus the number of mills levied under the State Education Tax Act. For new facility abatements granted after 1993, the State Treasurer may permit abatement of all, none or one-half of the mills levied under the State Education Tax Act. It must be emphasized, however, that ad valorem property taxes on land and inventory are not reduced in any way since both land and inventory are specifically excluded under Act 198. The equivalent effect of the abatements granted under Act 198 is to understate the City's Taxable Value for its fiscal year ending June 30, 2023, by \$57,368,782.

HISTORY OF PROPERTY VALUATIONS

Fiscal Year	State Equalized Value	Taxable Value
2023	\$6,760,163,400	\$5,048,694,330
2022	6,490,425,650	4,824,687,579
2021	6,211,667,616	4,660,894,866
2020	5,851,809,075	4,499,869,753
2019	5,461,624,715	4,272,388,143
2018	5,261,715,125	4,123,040,102
2017	5,013,602,527	4,040,160,433
2016	4,919,824,700	4,214,410,975
2015	4,570,734,306	4,131,471,775
2014	4,349,484,972	4,103,737,276

Source: City of Sterling Heights ACFR for FY Ended June 30, 2022

MAJOR TAXPAYERS

According to City officials, the 2022 Taxable Value of each of the City's major taxpayers is as follows:

Name of Taxpayer	2022 Taxable Value	2022 % of Total Taxable Value
DTE Energy	\$56,633,434	1.12%
FCA US, LLC	53,066,262	1.05%
Consumer Energy	50,004,301	0.99%
Ford Motor Company	28,289,567	0.56%
Comcast	17,753,216	0.35%
ITC Transmission	17,406,468	0.34%
Liberty Park Commerce Center, LLC	16,437,186	0.33%
Chalk Spade Investments (USA)	14,589,304	0.29%
General Dynamics	13,532,280	0.27%
Sun Properties	12,651,618	0.25%
Total	\$280,363,636	5.55%

Source: City of Sterling Heights

TAX RATES
(Per \$1,000 of Taxable Value)

	2022	2021	2020	2019	2018
City Operating	9.4940	9.3106	9.4940	10.4940	9.4940
Refuse Services	0.9877	0.9639	1.0038	1.0420	1.0827
Police and Fire Pension	2.7240	2.4410	2.1984	2.1279	2.0124
Public Improvement Debt	0.1150	0.1097	0.1096	0.0971	0.1114
Safe Streets	2.4157	2.4343	2.4505	2.4678	2.4853
Recreation	0.9378	0.9443	0.9506	0.9516	0.9700
Macomb County ISD	4.6845	4.7296	2.8744	2.8945	2.9146
Macomb Community College	1.4247	1.4387	1.4531	1.4640	1.4304
Huron - Clinton Metro Authority	0.2089	0.2104	0.2117	0.2129	0.2140
SMART	0.9731	0.9827	0.9926	1.0000	0.0990
Zoo Authority	0.0957	0.0967	0.0977	0.0985	0.0989
Veterans	0.0660	0.0667	0.0674	0.0676	0.0682
DIA	0.1911	0.1930	0.1950	0.1965	0.1979
Med Call	0.0000	0.9900	0.0000	0.0000	0.0000
Macomb County Operating	4.3721	4.4150	4.4592	4.4925	4.5242
Drain Debt	0.0000	0.0000	0.0000	0.0050	0.0050
Utica Community School District - Principal	9.5000	9.5000	9.5000	9.7600	9.8500
Warren Consolidated School District - Principal	15.8452	16.1383	16.5731	16.9478	17.3791
TOTAL UTICA COMMUNITY SCHOOLS	38.1903	38.8266	36.0580	37.3719	35.5580
TOTAL WARREN CONSOLIDATED SCHOOLS	44.5355	45.4649	43.1311	44.5597	43.0871

Source: City of Sterling Heights

TAX RATE LIMITATIONS

Home rule cities are permitted by Act 279 of the Public Acts of Michigan of 1909, as amended (the "Home Rule Cities Act"), to authorize by their charters a maximum levy of 20 mills for operating purposes.

Pursuant to the Home Rule Cities Act, home rule cities may authorize an additional levy of up to three mills for refuse collection and disposal. Home rule cities are also authorized to levy up to one mill (plus one additional mill with voter approval) for library purposes pursuant to Act 164 of the Public Acts of Michigan of 1877, as amended. Act 359 of the Public Acts of Michigan of 1925, as amended, also authorizes home rule cities to levy up to \$50,000 for promotional expenses.

In addition, the City's electorate may authorize the issuance of general obligation bonds or other obligations which pledge the full faith and credit and unlimited taxing power of the City.

Article IX, Section 6, of the Michigan Constitution permits the levy of millage in excess of the above for:

1. All debt service on tax supported bonds issued prior to December 23, 1978, or tax supported issues which have been approved by the voters for which the issuer has pledged its full faith and credit.
2. Operating purposes for a specified period of time provided that said increase is approved by a majority of the qualified electors of the local unit.
3. Payment of valid judgments levied in accordance with State law.

CONSTITUTIONAL MILLAGE ROLL-BACK

Article IX, Section 31 of the Michigan Constitution requires that if the total value of existing taxable property in a local taxing unit, exclusive of new construction and improvements, increases faster than the U.S. Consumer Price Index from one year to the next, the maximum authorized tax rate for that local taxing unit must be permanently reduced through a Millage Reduction Factor unless reversed by a vote of the electorate of the local taxing unit.

The City is subject to the following limitations for its current authorized levies:

Purpose	Original Authorized Millage	2022 Millage Permanently Reduced by Headlee Act	Expiration Date of Levy
General Operating	12.0000	10.3519	None
Refuse	3.0000	2.5877	None
Police and Fire Pension	N/A	N/A	None
Debt	N/A	N/A	11/2023
Safe Streets	2.4500	2.3859	06/2030
Parks & Recreation	0.9700	0.9260	06/2037
TOTAL	18.4200	16.2515	

Source: City of Sterling Heights

TAX LEVIES AND COLLECTIONS

Year	Tax Levy	Collections to March 1 of Following Year	
2023	\$ 82,703,836	\$ 81,190,278	98.17%
2022	80,310,614	79,482,073	98.97%
2021	75,178,547	75,039,131	99.81%
2020	72,676,628	72,571,714	99.86%
2019	73,342,584	73,195,212	99.80%
2018	66,431,075	66,339,150	99.86%
2017	61,003,077	60,885,829	99.81%
2016	63,842,382	63,741,083	99.84%
2015	62,603,722	62,508,181	99.85%
2014	51,490,018	51,405,665	99.84%

Source: City of Sterling Heights

Property taxes are assessed as of December 31, and the related property taxes are levied and become a lien on July 1 of the following year. These taxes are due on September 1, after which time the taxes are considered delinquent, and penalties and interest are assessed. The final collection date is February 28 before taxes are returned delinquent to the county treasurer.

The delinquent real property taxes are subject to additional penalties and interest by the county. Unless the delinquent real property taxes are paid within approximately 25 months from the date of delinquency the underlying property is foreclosed upon and sold at public action.

Macomb County has established a Delinquent Tax Revolving Fund which pays all real property taxes returned delinquent to the County Treasurer as of March 1st of each year. If feasible, it is anticipated that the Delinquent Tax Revolving Fund will continue to reimburse the City for any uncollected taxes, but there is no assurance that this will be the case since the County is not obligated to continue this fund in future years. Uncollected personal property taxes must be collected by the local treasurer and are negligible.

REVENUES FROM THE STATE OF MICHIGAN

The City receives revenue sharing payments from the State of Michigan under the State Constitution and the State Revenue Sharing Act of 1971, as amended. The revenue sharing payments are composed of two components – a constitutional distribution and a statutory distribution.

The constitutional distribution is mandated by the State Constitution and distributed on a per capita basis to townships, cities, and villages. The amount of the constitutionally mandated revenue sharing component distributed to the City can vary depending on the population of the City and the receipt of sales tax revenues by the State.

The statutory distribution is authorized by legislative action and distribution is subject to annual State appropriation by the State Legislature. Statutory distributions may be reduced or delayed by Executive Order during any State fiscal year in which the Governor, with the approval of the State Legislature’s appropriations committees, determines that actual revenues will be less than the revenue estimates on which appropriations were based.

On July 31, 2023, Governor Whitmer signed into law the budget for fiscal year 2024. The budget includes a constitutional revenue sharing distribution to cities, villages and townships of approximately \$1.101 billion. The budget continues the incentive-based revenue sharing program known as the City, Village, and Township Revenue Sharing (or “CVTRS”) program begun in fiscal year 2015 that distributes revenue sharing to cities, villages and townships that meet requirements for accountability and transparency, including making a debt service report and a two-year budget projection available for public viewing. The CVTRS program is funded at \$299.1 million for fiscal year 2024, and each city, village and township that received a CVTRS distribution in fiscal year 2023 is eligible to receive a payment equal to 107.0% of its 2023 distribution, of which 2.0% is specifically dedicated to funding for local public safety initiatives and 5.0% is a general increase, with 1.0% of that to be withheld if the city, village or township does not fully obligate or expend its federal funds allocated under the American Rescue Plan Act of 2001 by December 31, 2023. Each city, village or township that is determined to have a retirement pension benefit system in underfunded status under section 5 of Act 202, Public Acts of Michigan, 2017, must allocate the 5.0% excess of the amount it receives in 2024 CVTRS payments over the amount it received in CVTRS payments in fiscal year 2023 to its unfunded pension liability, unless the city, village or township has issued a municipal security to fund its unfunded pension liability or has received a local unit municipal pension principal payment grant. The fiscal year 2024 budget continues funding for the revenue sharing grant program for financially distressed communities at the 2023 level of \$2.5 million.

Any portion of the CVTRS payment that the City would be eligible to receive would be subject to certain benchmarks that the City would need to meet, and there can be no assurance what amount, if any, the City would receive under the CVTRS program.

Purchasers of the Bonds should be alerted to further modifications to revenue sharing payments to Michigan local governmental units, to potential consequent impact on the City’s general fund condition, and to the potential impact upon the market price or marketability of the Bonds resulting from changes in revenues received by the City from the State.

The following table sets forth the annual revenue sharing payments and other moneys received by the City for the State of Michigan’s fiscal years ended September 30, 2019, through September 30, 2022, as well as anticipated payments for fiscal year 2023.

State Fiscal Year Ending September 30	Constitutional	CVTRS	Supplemental Payments	Total
2023*	\$ 14,686,704	\$ 1,115,372	-	\$ 15,802,076
2022	14,128,089	1,052,238	307,224	15,487,551
2021	12,694,341	1,008,413	-	13,702,754
2020	11,195,385	859,670	-	12,055,055
2019	11,197,246	1,031,606	-	12,228,852

*Estimated.

Sources: State of Michigan - https://www.michigan.gov/treasury/0,4679,7-121-1751_2197_58826---,00.html

CITY OF STERLING HEIGHTS

DEBT STATEMENT

As of August 30, 2023, including the bonds described herein.

City Direct Debt

General Obligation

	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
5/31/2017 LTGO	\$ 32,865,000	\$ 32,865,000	\$ -
5/22/2018 LTGO	15,910,000	-	15,910,000
8/22/2019 LTGO	19,565,000	-	19,565,000
3/31/2021 LTGO	13,755,000	13,755,000	-
5/18/2022 LTGO	11,825,000	11,825,000	-
Subtotal	<u>\$ 93,920,000</u>	<u>\$ 58,445,000</u>	<u>\$ 35,475,000</u>

Michigan Transportation Fund Bonds

4/20/2016 MTF Bonds	\$ 15,900,000	\$ 15,900,000	\$ -
5/31/2017 MTF Bonds	15,970,000	15,970,000	-
5/22/2018 MTF Bonds	5,660,000	5,660,000	-
11/18/2020 MTF RF Bonds	1,365,000	1,365,000	-
3/31/2021 MTF Bonds	5,765,000	5,765,000	-
5/18/2022 MTF Bonds	601,000	601,000	-
Subtotal	<u>\$ 45,261,000</u>	<u>\$ 45,261,000</u>	<u>\$ -</u>

Special Assessment Bonds

8/1/2008 Improvements	\$ 1,200,000	\$ 1,200,000	\$ -
Subtotal	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>	<u>\$ -</u>

Total Direct Debt Obligations

	<u>\$ 140,381,000</u>	<u>\$ 104,906,000</u>	<u>\$ 35,475,000</u>
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City Indirect Debt

Share of County Issued Drain Bonds	<u>\$ 71,291,799</u>	<u>\$ 71,291,799</u>	<u>\$ -</u>
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Total Direct and Indirect Debt

	<u>\$ 211,672,799</u>	<u>\$ 176,197,799</u>	<u>\$ 35,475,000</u>
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Overlapping Debt

County			\$ 35,822,474
School Districts			156,732,036

Total Overlapping Debt

	<u>\$ 192,554,510</u>
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Net Direct and Overlapping Debt

	<u>\$ 228,029,510</u>
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Source: City of Sterling Heights and Municipal Advisory Council of Michigan

CITY OF STERLING HEIGHTS

LEGAL DEBT MARGIN

As of August 30, 2023, including the bonds described herein.

LEGAL DEBT MARGIN CALCULATION

2023 State Equalized Value (SEV)	\$ 6,760,163,400
Plus: Assessed Value Equivalent of Act 198 Property	61,276,500
Plus: for Revenue Sharing (1)	1,664,427,639
Plus: LCSA/PPT (2)	608,564,228
Equivalent Valuation for Debt Margin Purposes	<u>9,094,431,766</u>
Legal Debt Limit - 10% of SEV (3)	<u>909,443,177</u>

Total Bonded Debt Outstanding	\$ 211,672,799
Less: Exempt Debt	46,461,000
Net Amount Subject to Legal Debt Limit	<u>165,211,799</u>

LEGAL DEBT MARGIN AVAILABLE

\$ 744,231,378

(1) FY2022 Constitutional and CVTRS State Revenue Sharing payments divided by the City's 2022 operating millage rate.

(2) The Local Community Stabilization Authority ("LCSA") was established to administer distribution of the replacement of personal property tax revenues lost by local government. Eligible reimbursements for LCSA equals Total Reimbursement less Total Qualified Loss Reimbursement divided by the City's eligible millage.

(3) 10% of City's Total 2023 SEV Value.

Source: City of Sterling Heights and Municipal Advisory Council of Michigan

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CITY OF STERLING HEIGHTS
GENERAL FUND - BALANCE SHEET

	For Fiscal Years Ended June 30		
	2022	2021	2020
Assets			
Cash and cash equivalents	\$ 4,321,887	\$ 4,581,314	\$ 13,042,400
Investments - At fair value	36,601,182	35,573,539	19,377,752
Receivables			
Accrued interest	226,773	-	-
Leases receivable	1,611,434	176,757	119,330
Other receivables	1,070,528	947,484	787,297
Due from other governmental units	3,969,447	3,032,458	2,128,352
Due from other funds	60,273	738,765	2,430,504
Inventory	835,103	820,440	531,276
Prepays and other assets	225,994	126,520	133,129
Total Assets	\$ 48,922,621	\$ 45,997,277	\$ 38,550,040
Liabilities			
Accounts payable	\$ 2,895,055	\$ 2,182,122	\$ 2,033,789
Due to other governmental units	8,568	1,005,915	484,036
Due to component units	-	-	470,150
Due to other funds	-	-	1,892,082
Cash and bond deposits	2,883,002	2,915,120	-
Accrued liabilities	5,019,438	4,404,767	1,690,968
Unearned revenue	133,781	145,521	69,016
Total Liabilities	\$ 10,939,844	\$ 10,653,445	\$ 6,640,041
Deferred Inflows of Resources			
Deferred charges on bond refunding	\$ 3,558,248	\$ 3,094,659	\$ 1,955,571
Deferred pension costs	-	-	-
Deferred OPEB costs	1,550,223	-	-
	\$ 5,108,471	\$ 3,094,659	\$ 1,955,571
Fund Balances			
Nonspendable	\$ 1,061,097	\$ 946,960	\$ 664,405
Assigned	-	-	-
Unassigned	31,813,209	31,302,213	29,250,023
Total Fund Balance	\$ 32,874,306	\$ 32,249,173	\$ 29,914,428
Total Liabilities and Fund Balance	\$ 48,922,621	\$ 45,997,277	\$ 38,510,040

Source: City of Sterling Heights Annual Financial Statements

CITY OF STERLING HEIGHTS
GENERAL FUND – REVENUES AND EXPENDITURES

Revenues	As of Fiscal Year Ended June 30		
	2022	2021	2020
Property taxes	\$ 69,831,358	\$ 66,001,527	\$ 63,979,293
Intergovernmental:	-	-	-
Federal sources	557,339	6,056,664	1,151,429
State sources	23,978,925	22,090,442	20,435,576
Local sources	-	-	-
Charges for Services	13,648,102	13,184,263	13,779,420
Fines and forfeitures	1,678,277	1,079,803	1,540,704
Licenses and permits:	-	-	-
Cable franchise fees	2,114,490	2,218,739	2,227,827
Fees and permits	2,572,200	2,344,498	2,562,476
Investment (loss) income:	-	-	-
Investment (losses) earnings	(2,147,920)	297,664	1,206,866
Rental income	1,746,415	1,640,887	1,498,761
Other revenue	1,176,265	1,093,955	1,279,989
TOTAL REVENUES	115,155,451	116,008,442	109,662,341
Expenditures			
Current:			
General government			
41A District Court	13,273,352	12,753,975	12,485,728
Public safety	3,736,014	3,433,515	3,475,770
Public works	61,869,706	59,545,824	55,511,099
General expenditures	16,523,425	15,666,765	15,566,792
Recreation and culture	3,407,230	1,932,314	2,365,408
Community and economic development	2,575,935	2,608,613	2,594,486
Capital outlay	227,106	223,780	219,193
Debt service	-	-	-
TOTAL EXPENDITURES	101,612,768	96,164,786	92,218,476
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	13,542,683	19,843,656	17,443,865
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	26,430
Operating transfers out	(12,994,780)	(17,550,810)	(14,457,655)
Sale of capital assets	77,230	41,899	17,875
NET OTHER FINANCING SOURCES (USES)	(12,917,550)	(17,508,911)	(14,413,350)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	625,133	2,334,745	3,030,515
Fund balance - Beginning of year	32,249,173	29,914,428	26,883,913
Fund balance - End of year	\$ 32,874,306	\$ 32,249,173	\$ 29,914,428

Source: City of Sterling Heights Annual Financial Statements

APPENDIX D

CHARTER TOWNSHIP OF HARRISON GENERAL DESCRIPTION AND STATISTICAL INFORMATION

CHARTER TOWNSHIP OF HARRISON GENERAL AND ECONOMIC INFORMATION

LOCATION AND DESCRIPTION

The Charter Township of Harrison is located in eastern Macomb County on the shores of Lake St. Clair. The Township is known for its numerous water-related activities and is home to Selfridge Air National Guard Base.

FORM OF GOVERNMENT

The Township is governed by a Board of Trustees composed of seven members who are elected for four-year terms. The Board is composed of a Supervisor, a Clerk, a Treasurer, and four Trustees. The Board is vested with all legislative powers except those otherwise provided by law.

POPULATION

2020 U.S. Census	24,314
2010 U.S. Census	24,587
2000 U.S. Census	24,461

Source: U.S. Census

FISCAL YEAR

January 1 to December 31

PROPERTY VALUATIONS

Article IX, Section 3, of the Michigan Constitution provides that the proportion of true cash value at which property shall be assessed shall not exceed 50% of true cash value. The Michigan Legislature by statute has provided that property shall be assessed at 50% of its true cash value, except as described below. The Michigan Legislature or the electorate may at some future time reduce the percentage below 50% of true cash value.

On March 15, 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as "Taxable Value." Since 1995, taxable property has two valuations -- State equalized valuation ("SEV") and Taxable Value. Property taxes are levied on Taxable Value. Generally, Taxable Value of property is the lesser of (a) the Taxable Value of the property in the immediately preceding year minus any losses, multiplied by the lesser of 1.05 or the inflation rate, plus additions, or (b) the property's current SEV. Under certain circumstances, therefore, the Taxable Value of property may be different from the same property's SEV. When property is sold or transferred, Taxable Value is adjusted to the SEV, which under existing law is 50% of the current true cash value. The Taxable Value of new construction is equal to current SEV. Taxable Value and SEV of existing property are also adjusted annually for additions and losses.

REAL PROPERTY TAX ASSESSMENTS

Responsibility for assessing taxable real property rests with the local assessing officer of each township and city. Any property owner may appeal the assessment to the local assessor, the local Board of Review and ultimately to the Michigan Tax Tribunal.

The Michigan Constitution also mandates a system of equalization for assessments. Although the assessors for each local unit of government within a county are responsible for actually assessing at 50% of true cash value, adjusted for Taxable Value purposes, the final SEV and Taxable Value are arrived at through several steps. Assessments are established initially by the municipal assessor. Municipal assessments are then equalized to the 50% levels as determined by the County's Department of Equalization. Thereafter, the State equalizes the various counties in relation to each other. SEV is important, aside from its use in determining Taxable Value for the purpose of levying ad valorem property taxes, because of its role in the spreading of taxes between overlapping jurisdictions, the distribution of various State aid programs, State revenue sharing and in the calculation of debt limits.

Real property that is exempt from property taxes, e.g., churches, government property, public schools, is not included in the SEV and Taxable Value data in this Official Statement. Property granted tax abatements under the Michigan Plant Rehabilitation and Industrial Development District Act, Act 198, Public Acts of Michigan, 1974, as amended ("Act 198") are recorded on separate tax rolls while subject to tax abatement. The valuation of tax abated property is based upon SEV but is not included in either the SEV or Taxable Value data in this Official Statement except as noted.

APPEAL OF PROPERTY ASSESSMENTS

Property taxpayers may appeal their assessments to the Michigan Tax Tribunal. Unless otherwise ordered by the Tax Tribunal, before the Tax Tribunal renders a decision on an assessment appeal, the taxpayer must have paid the tax bill.

MICHIGAN PROPERTY TAX REFORM

The enactment of Michigan Public Acts 153 and 154 of 2013, together with subsequent enactment of Michigan Public Acts 80 and 86 through 93 of 2014, significantly reformed personal property tax in Michigan. The voters of the State approved a referendum on August 4, 2014, to which all of these acts were tied, and therefore these acts will continue in effect.

Under the PPT Reform Acts, owners of industrial and commercial Personal Property with a total true cash value of \$180,000 or less may file an affidavit claiming a Personal Property tax exemption. To be eligible for the exemption, all of the commercial or industrial Personal Property within a city or township that is owned by, leased to, or controlled by the claimant must have an accumulated true cash value of \$180,000 or less. Beginning in calendar year 2016, owners of certain manufacturing Personal Property that was either purchased after December 31, 2012, or that was at least 10 years old could claim an exemption from Personal Property tax. By 2022, all eligible manufacturing Personal Property was at least 10 years old or purchased after December 31, 2012, so that it could be exempted from Personal Property tax.

To replace revenues lost by local governments, due to these exemptions, a portion of the current State use tax is set aside as a "local community stabilization share" that will not be subject to the annual appropriations process, and is automatically provided to a "local community stabilization authority" for distribution pursuant to a statutory formula anticipated to provide 100% reimbursement to local governments for losses due to the new personal property tax exemptions.

INDUSTRIAL FACILITIES TAX

The Michigan Plant Rehabilitation and Industrial Development District Act (Act 198, Public Acts of Michigan, 1974, as amended) ("Act 198") provides significant property tax incentives to industry to renovate and expand aging industrial facilities and to build new industrial facilities in Michigan. Under the provisions of Act 198, qualifying cities, villages, and townships may establish districts in which industrial firms are offered certain property tax incentives to encourage restoration or replacement of obsolete industrial facilities and to attract new industrial facilities.

Property owners situated in such districts pay an Industrial Facilities Tax ("IFT") in lieu of ad valorem property taxes on plant and equipment for a period of up to 12 years. For rehabilitated plant and equipment, the IFT is determined by calculating the product of the taxable value of the replacement facility in the year before the effective date of the abatement certificate multiplied by the total mills levied by all taxing units in the current year. For abatements granted prior to January 1, 1994, new plant and equipment is taxed at one-half the total mills levied by all taxing units, except for mills levied for local school district operating purposes or under the State Education Tax Act, plus one-half of the number of mills levied for local school district operating purposes in 1993. For new facility abatements granted after 1993, new plant and equipment is taxed at one-half of the total mills levied as ad valorem taxes by all taxing units, except mills levied under the State Education Tax Act, plus the number of mills levied under the State Education Tax Act. For new facility abatements granted after 1993, the State Treasurer may permit abatement of all, none or one-half of the mills levied under the State Education Tax Act. It must be emphasized, however, that ad valorem property taxes on land and inventory are not reduced in any way since both land and inventory are specifically excluded under Act 198.

The Township has IFT exemption certificates currently outstanding equal to \$1,747,623.50 in 2023 Equivalent Taxable Value.

HISTORY OF PROPERTY VALUATIONS

Year	State Equalized Valuation	Taxable Value
2023	\$ 1,511,070,200	\$ 1,173,520,408
2022	1,401,440,740	1,099,692,467
2021	1,332,203,000	1,037,774,331
2020	1,258,765,938	1,004,850,409
2019	1,190,936,000	967,772,383
2018	1,086,307,363	925,037,517
2017	1,061,753,734	892,731,315
2016	1,027,287,350	873,149,530
2015	956,034,295	860,914,285
2014	876,003,360	837,245,810

Source: Department of Treasury

MAJOR TAXPAYERS

According to Township officials, the 2023 Taxable Value of each of the Township's major taxpayers is as follows:

Top Taxpayers by Taxable Value	2023 Taxable Value
Paragon Properties Co.	\$ 10,231,978
DTE Energy	9,999,194
Beachwood Townhomes of Harrison	7,374,178
Goodwill Investments LLC	6,148,000
The Shores of Lake St Clair	4,994,703
Consumers Energy Company	4,762,452
Gordan Management Company	4,714,505
Brittany Park - R&R Management	4,560,844
Mariner's Pointe LLC	3,854,558
Yanfeng USA Automotive Trim System	3,314,068
Total	<u>\$ 59,954,480</u>
Percentage of Township Taxable Value	5.11%

Source: Charter Township of Harrison

TAX RATES *

(Per \$1,000 of Taxable Value)

	2022	2021	2020	2019	2018
Township Operating	3.4854	3.5331	3.5822	3.6188	3.6547
Township Police and Fire	5.2146	5.0994	5.1038	5.0743	5.0453
Township Library	0.8000	0.4695	0.4761	0.4810	0.4858
Macomb County	4.3200	4.4381	4.5807	4.5266	4.4925
L'Anse Creuse School District Debt	7.0000	7.0000	7.0000	7.0000	7.0000
State Education Tax	6.0000	6.0000	6.0000	6.0000	6.0000
Macomb County ISD	4.6300	4.6845	4.7296	2.8744	2.6957
Macomb Community College	1.4077	1.4247	1.4387	1.4531	1.4640
SMART	0.9500	0.9731	0.9827	0.9926	1.0000
Zoo Authority	0.0945	0.0957	0.0967	0.0977	0.0985
Art Authority	0.1956	0.1911	0.1930	0.1950	0.1965
Huron - Clinton Metro Authority	0.2070	0.2089	0.2104	0.2117	0.2129
Total- Homestead	34.3048	34.1181	34.3939	32.5252	32.3459
L'Anse Creuse School District	17.6356	17.8516	17.7920	17.9757	18.0000
Total Non-Homestead	51.9404	51.9697	52.1859	50.5009	50.3459

TAX RATE LIMITATIONS

The Township is authorized pursuant to Act 359, Public Acts of Michigan, 1947, as amended (the "Charter Township Act") to levy taxes up to 1/10 of 1% of the assessed valuation of all real and personal property subject to taxation within the limits of a village located within the township and 1/2 of 1% of the assessed valuation of all real and personal property subject to taxation in the balance of the township. Additionally, The electors of a charter township may increase the tax levy limitation not to exceed a total of 1% of the assessed valuation of all real and personal property in the township for a period not to exceed 20 years at 1 time.

In addition, Article IX, Section 6, of the Michigan Constitution permits the levy of millage in excess of the above for:

1. All debt service on tax supported bonds issued prior to December 23, 1978 or tax supported issues which have been approved by the voters for which the issuer has pledged its full faith and credit.
2. Operating purposes for a specified period of time provided that said increase is approved by a majority of the qualified electors of the local unit.
3. Payment of valid judgments levied in accordance with State law.

CONSTITUTIONAL MILLAGE ROLL-BACK

Article IX, Section 31 of the Michigan Constitution requires that if the total value of existing taxable property in a local taxing unit, exclusive of new construction and improvements, increases faster than the U.S. Consumer Price Index from one year to the next, the maximum authorized tax rate for that local taxing unit must be permanently reduced through a Millage Reduction Factor unless reversed by a vote of the electorate of the local taxing unit.

The Township is subject to the following limitations for its current authorized levies:

Purpose	Authorized	2022 Millage	Expiration Date of Levy
		Permanently Reduced by Headlee Act	
General Operating	5.0000	3.4854	In perpetuity
Police and Fire	5.7646	5.7646	2026
Library	0.8000	0.8000	2031
TOTAL	11.5646	10.0500	

Source: Charter Township of Harrison

TAX LEVIES AND COLLECTIONS

Year	Tax Levy	Collections to March 1 of the Year Following the Levy	
2022	\$ 10,435,544	\$ 9,943,055	95.28%
2021	9,440,060	9,108,545	96.49%
2020	9,204,506	8,731,155	94.86%
2019	8,876,908	8,429,147	94.96%
2018	8,498,441	8,136,051	95.74%
2017	7,582,100	6,974,534	91.99%
2016	7,512,843	7,244,094	96.42%
2015	6,670,436	6,482,447	97.18%
2014	6,537,880	6,149,486	94.06%
2013	6,028,340	5,688,618	94.36%

Source: Charter Township of Harrison

The Township's taxes are due and payable, and a lien created upon the assessed property, on July 1 each year. Taxes remaining unpaid on the following March 1st are turned over to the County Treasurer for collection.

The delinquent real property taxes are subject to additional penalties and interest by the county. Unless the delinquent real property taxes are paid within approximately 25 months from the date of delinquency the underlying property is foreclosed upon and sold at public action.

Macomb County has established a Delinquent Tax Revolving Fund which pays all real property taxes returned delinquent to the County Treasurer as of March 1st of each year. If feasible, it is anticipated that the Delinquent Tax Revolving Fund will continue to reimburse the Township for any uncollected taxes, but there is no assurance that this will be the case since the County is not obligated to continue this fund in future years. Uncollected personal property taxes must be collected by the local treasurer and are negligible.

Source: Charter Township of Harrison

REVENUES FROM THE STATE OF MICHIGAN

The Township receives revenue sharing payments from the State of Michigan under the State Constitution and the State Revenue Sharing Act of 1971, as amended. The revenue sharing payments are composed of two components – a constitutional distribution and a statutory distribution.

The constitutional distribution is mandated by the State Constitution and distributed on a per capita basis to townships, cities, and villages. The amount of the constitutionally mandated revenue sharing component distributed to the Township can vary depending on the population of the Township and the receipt of sales tax revenues by the State.

The statutory distribution is authorized by legislative action and distribution is subject to annual State appropriation by the State Legislature. Statutory distributions may be reduced or delayed by Executive Order during any State fiscal year in which the Governor, with the approval of the State Legislature's appropriations committees, determines that actual revenues will be less than the revenue estimates on which appropriations were based.

On July 31, 2023, Governor Whitmer signed into law the budget for fiscal year 2024. The budget includes a constitutional revenue sharing distribution to cities, villages and townships of approximately \$1.101 billion. The budget continues the incentive-based revenue sharing program known as the City, Village, and Township Revenue Sharing (or "CVTRS") program begun in fiscal year 2015 that distributes revenue sharing to cities, villages and townships that meet requirements for accountability and transparency, including making a debt service report and a two-year budget projection available for public viewing. The CVTRS program is funded at \$299.1 million for fiscal year 2024, and each city, village and township that received a CVTRS distribution in fiscal year 2023 is eligible to receive a payment equal to 107.0% of its 2023 distribution, of which 2.0% is specifically dedicated to funding for local public safety initiatives and 5.0% is a general increase, with 1.0% of that to be withheld if the city, village or township does not fully obligate or expend its federal funds allocated under the American Rescue Plan Act of 2001

by December 31, 2023. Each city, village or township that is determined to have a retirement pension benefit system in underfunded status under section 5 of Act 202, Public Acts of Michigan, 2017, must allocate the 5.0% excess of the amount it receives in 2024 CVTRS payments over the amount it received in CVTRS payments in fiscal year 2023 to its unfunded pension liability, unless the city, village or township has issued a municipal security to fund its unfunded pension liability or has received a local unit municipal pension principal payment grant. The fiscal year 2024 budget continues funding for the revenue sharing grant program for financially distressed communities at the 2023 level of \$2.5 million.

Any portion of the CVTRS payment that the Township would be eligible to receive would be subject to certain benchmarks that the Township would need to meet, and there can be no assurance what amount, if any, the Township would receive under the CVTRS program.

Purchasers of the Bonds should be alerted to further modifications to revenue sharing payments to Michigan local governmental units, to potential consequent impact on the City's general fund condition, and to the potential impact upon the market price or marketability of the Bonds resulting from changes in revenues received by the City from the State.

The following table sets forth the annual revenue sharing payments and other moneys received by the City for the fiscal years ended June 30, 2019, through June 30, 2022, as well as anticipated payments for fiscal year 2023.

State Fiscal Year				
Ending			Supplemental	
September 30*	Constitutional	CVTRS	Payments	Total
2023	\$ 2,658,006	\$ 93,993	\$ -	\$ 2,751,999
2022	2,616,893	88,673	-	2,705,566
2021	2,406,463	86,934	-	2,493,397
2020	2,122,306	72,445	-	2,194,751
2019	2,124,371	65,114	19,865	2,209,350

*Estimated.

Sources: State of Michigan - https://www.michigan.gov/treasury/0,4679,7-121-1751_2197_58826---,00.html

STATEMENT OF LEGAL DEBT MARGIN

As of August 30, 2023, including the bonds described herein.

2023 State Equalized Valuation	\$1,511,070,200
Debt Limited 10% of SEV	151,107,020
Amount of Outstanding Debt	\$18,204,784
Less:	
Special Assessment Bonds	-
Net Debt	18,204,784
LEGAL DEBT MARGIN	\$132,902,236

Act 359, Public Acts of Michigan, 1947, as amended (the "Charter Township Act"), provides that the net indebtedness of the Township shall not exceed 10% of all assessed real and personal property in the Township.

Source: Charter Township of Harrison and Municipal Advisory Council of Michigan

CHARTER TOWNSHIP OF HARRISON
DEBT STATEMENT - as of August 30, 2023
Including the Bonds described herein.

DIRECT DEBT

General Obligation Bonds	\$2,535,646
Special Assessment Bonds	822,100
Installment Purchase Contracts	-
County Issued Drain Bonds	14,847,038
Total	<u>\$18,204,784</u>

Per Capita Township Net Direct Debt	\$748.74
Percent Township Net Direct Debt to 2023 TV	1.55%

OVERLAPPING DEBT

School District		
36.12% Lanse Creuse	\$229,615,440	\$82,937,097
County		
3.34% Macomb	235,209,938	7,856,012
Intermediate School District		
3.27% Macomb I/S/D	-	-
Community College		
3.34% Macomb Community College	-	-
TOTAL OVERLAPPING DEBT		<u>\$90,793,109</u>

NET DIRECT AND OVERLAPPING DEBT	<u>\$108,997,893</u>
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Per Capita Township Net Direct and Overlapping Debt	\$4,483
Percent Net Direct and Overlapping Debt to 2023 TV	9.29%

Source: Charter Township of Harrison and Municipal Advisory Council of Michigan

CHARTER TOWNSHIP OF HARRISON
GENERAL FUND - BALANCE SHEET

Charter Township of Harrison
General Fund Balance Sheet

	For Fiscal Years Ended December 31		
	2022	2021	2020
Assets:			
Cash and Cash Equivalents	\$ 2,451,307	\$ 1,357,473	\$ 261,321
Investment	-	196,970	-
Receivables:			
Accounts (net of allowance)	187,334	119,900	160,779
Special assessments	-	50,887	57,977
Due from other governmental units	461,646	448,820	376,692
Due from other funds	153,848	304,450	1,042,940
Advances to other funds	574,641	1,261,755	1,256,197
Prepaid Items	47,006	1,261,755	1,256,197
Total Assets	\$ 3,875,782	\$ 5,002,010	\$ 4,412,103
Liabilities:			
Accounts payable	\$ 62,143	\$ 108,029	\$ 30,787
Accrued liabilities	69,177	76,773	75,181
Escrow Payable	95,200	-	-
Bonds and deposits	-	104,544	104,557
Due to other funds	-	250,000	-
Unearned revenue	-	16,497	-
Total Liabilities	\$ 226,520	\$ 555,843	\$ 210,525
Fund Balance:			
Nonspendable	\$ 47,006	\$ 1,261,755	\$ 1,256,197
Committed	-	90,047	92,604
Unassigned	3,602,256	1,832,587	1,596,580
Total Fund Balance	\$ 3,649,262	\$ 3,184,389	\$ 2,945,381
Total liabilities, deferred inflows of resources and fund balances	\$ 3,875,782	\$ 3,740,232	\$ 3,155,906

Source: Charter Township of Harrison Annual Financial Statements

CHARTER TOWNSHIP OF HARRISON
GENERAL FUND – REVENUES AND EXPENDITURES

	As of Fiscal Year Ended December 31		
	2022	2021	2020
Revenues			
Taxes	\$ -	\$ 10,504	\$ 5,647
Special assessments	-	67,009	69,146
Licenses and permits	207,942	767,656	809,428
Intergovernmental	2,832,098	2,670,882	2,282,934
Charges for services	522,600	127,903	146,039
Fines and forfeitures	1,850	1,800	650
Franchise fees	444,696	-	-
Investment Income	142	-	-
Interest and rent	78,025	26,767	16,609
Other revenue	82,148	10,325	107,680
TOTAL REVENUES	4,169,501	3,682,846	3,438,133
Expenditures			
Current:			
General government	2,967,220	2,702,818	2,409,655
Public works	27,714	66,003	181,519
Planning and zoning	304,822		
Recreation and culture	52,237	43,798	22,374
Community and economic development	-	291,310	297,179
Capital outlay	29,008	-	-
Debt service:			
Principal	2,687	2,557	82,433
Interest and fees/issuance costs	4,603	4,733	4,857
TOTAL EXPENDITURES	3,388,291	3,111,219	2,998,017
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	781,210	571,627	440,116
OTHER FINANCING SOURCES (USES)			
Gain on sale of assets	-	13,825	-
Operating transfers out	(316,337)	(346,444)	(205,905)
NET OTHER FINANCING SOURCES (USES)	(316,337)	(332,619)	(205,905)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	464,873	239,008	234,211
Fund balance, January 1	3,184,389	2,945,381	2,711,170
Fund balance, December 31	\$ 3,649,262	\$ 3,184,389	\$ 2,945,381

Source: Charter Township of Harrison Annual Financial Statements

APPENDIX E

CHARTER TOWNSHIP OF CHESTERFIELD

GENERAL DESCRIPTION AND STATISTICAL INFORMATION

CHARTER TOWNSHIP OF CHESTERFIELD

GENERAL AND ECONOMIC INFORMATION

LOCATION AND DESCRIPTION

The Charter Township of Chesterfield is one of the fastest growing areas in Michigan with a strong sense of community pride by its residents and leaders. Located in the northeast quadrant of Macomb County and bordered by Anchor Bay, Chesterfield is 30.7 square miles, of which 27.9 square miles is land and 2.8 square miles is water.

FORM OF GOVERNMENT

The Township is governed by a Board of Trustees which is composed of seven members who are elected for four-year terms. The Board is composed of a Supervisor, a Clerk, a Treasurer and four Trustees. The Board is vested with all legislative powers except those otherwise provided by law.

POPULATION

2020 U.S. Census	45,376
2010 U.S. Census	43,381
2000 U.S. Census	37,405

Source: U.S. Census

FISCAL YEAR

January 1 to December 31

PROPERTY VALUATIONS

Article IX, Section 3, of the Michigan Constitution provides that the proportion of true cash value at which property shall be assessed shall not exceed 50% of true cash value. The Michigan Legislature by statute has provided that property shall be assessed at 50% of its true cash value, except as described below. The Michigan Legislature or the electorate may at some future time reduce the percentage below 50% of true cash value.

On March 15, 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as "Taxable Value." Since 1995, taxable property has two valuations -- State equalized valuation ("SEV") and Taxable Value. Property taxes are levied on Taxable Value. Generally, Taxable Value of property is the lesser of (a) the Taxable Value of the property in the immediately preceding year minus any losses, multiplied by the lesser of 1.05 or the inflation rate, plus additions, or (b) the property's current SEV. Under certain circumstances, therefore, the Taxable Value of property may be different from the same property's SEV. When property is sold or transferred, Taxable Value is adjusted to the SEV, which under existing law is 50% of the current true cash value. The Taxable Value of new construction is equal to current SEV. Taxable Value and SEV of existing property are also adjusted annually for additions and losses.

REAL PROPERTY TAX ASSESSMENTS

Responsibility for assessing taxable real property rests with the local assessing officer of each township and city. Any property owner may appeal the assessment to the local assessor, the local Board of Review and ultimately to the Michigan Tax Tribunal.

The Michigan Constitution also mandates a system of equalization for assessments. Although the assessors for each local unit of government within a county are responsible for actually assessing at 50% of true cash value, adjusted for Taxable Value purposes, the final SEV and Taxable Value are arrived at through several steps. Assessments are established initially by the municipal assessor. Municipal assessments are then equalized to the 50% levels as determined by the County's Department of Equalization. Thereafter, the State equalizes the various counties in relation to each other. SEV is important, aside from its use in determining Taxable Value for the purpose of levying

ad valorem property taxes, because of its role in the spreading of taxes between overlapping jurisdictions, the distribution of various State aid programs, State revenue sharing and in the calculation of debt limits.

Real property that is exempt from property taxes, e.g., churches, government property, public schools, is not included in the SEV and Taxable Value data in this Official Statement. Property granted tax abatements under the Michigan Plant Rehabilitation and Industrial Development District Act, Act 198, Public Acts of Michigan, 1974, as amended ("Act 198") are recorded on separate tax rolls while subject to tax abatement. The valuation of tax abated property is based upon SEV but is not included in either the SEV or Taxable Value data in this Official Statement except as noted.

APPEAL OF PROPERTY ASSESSMENTS

Property taxpayers may appeal their assessments to the Michigan Tax Tribunal. Unless otherwise ordered by the Tax Tribunal, before the Tax Tribunal renders a decision on an assessment appeal, the taxpayer must have paid the tax bill. The Township has approximately four (4) tax appeals for 2019, fourteen (14) tax appeals for 2020 pending before the Tax Tribunal (including personal property appeals), which are not expected to have a significant impact on the Township's State Equalized Valuation, Taxable Value or the resulting taxes. Additionally, the Township has one (1) personal property parcel under valuation appeal before the Michigan Tax Tribunal for 2017 and 2018; that has been placed in abeyance.

MICHIGAN PROPERTY TAX REFORM

The enactment of Michigan Public Acts 153 and 154 of 2013, together with subsequent enactment of Michigan Public Acts 80 and 86 through 93 of 2014, significantly reformed personal property tax in Michigan. The voters of the State approved a referendum on August 4, 2014, to which all of these acts were tied, and therefore these acts will continue in effect.

Under the PPT Reform Acts, owners of industrial and commercial Personal Property with a total true cash value of \$180,000 or less may file an affidavit claiming a Personal Property tax exemption. To be eligible for the exemption, all of the commercial or industrial Personal Property within a city or township that is owned by, leased to, or controlled by the claimant must have an accumulated true cash value of \$180,000 or less. Beginning in calendar year 2016, owners of certain manufacturing Personal Property that was either purchased after December 31, 2012, or that was at least 10 years old could claim an exemption from Personal Property tax. By 2022, all eligible manufacturing Personal Property was at least 10 years old or purchased after December 31, 2012, so that it could be exempted from Personal Property tax.

To replace revenues lost by local governments, due to these exemptions, a portion of the current State use tax is set aside as a "local community stabilization share" that will not be subject to the annual appropriations process, and is automatically provided to a "local community stabilization authority" for distribution pursuant to a statutory formula anticipated to provide 100% reimbursement to local governments for losses due to the new personal property tax exemptions. The Township received \$71,685.74 from the Local Community Stabilization Authority to replace personal property tax revenues in 2022.

INDUSTRIAL FACILITIES TAX

The Michigan Plant Rehabilitation and Industrial Development District Act (Act 198, Public Acts of Michigan, 1974, as amended) ("Act 198") provides significant property tax incentives to industry to renovate and expand aging industrial facilities and to build new industrial facilities in Michigan. Under the provisions of Act 198, qualifying cities, villages, and townships may establish districts in which industrial firms are offered certain property tax incentives to encourage restoration or replacement of obsolete industrial facilities and to attract new industrial facilities.

Property owners situated in such districts pay an Industrial Facilities Tax ("IFT") in lieu of ad valorem property taxes on plant and equipment for a period of up to 12 years. For rehabilitated plant and equipment, the IFT is determined by calculating the product of the taxable value of the replacement facility in the year before the effective date of the abatement certificate multiplied by the total mills levied by all taxing units in the current year. For abatements granted prior to January 1, 1994, new plant and equipment is taxed at one-half the total mills levied by all taxing units, except for mills levied for local school district operating purposes or under the State Education Tax Act, plus one-half of the number of mills levied for local school district operating purposes in 1993. For new facility abatements granted after 1993, new plant and equipment is taxed at one-half of the total mills levied as ad valorem taxes by all taxing units, except mills levied under the State Education Tax Act, plus the number of mills levied under

the State Education Tax Act. For new facility abatements granted after 1993, the State Treasurer may permit abatement of all, none or one-half of the mills levied under the State Education Tax Act. It must be emphasized, however, that ad valorem property taxes on land and inventory are not reduced in any way since both land and inventory are specifically excluded under Act 198.

The Township has five (5) IFT exemption certificates currently outstanding, aggregating \$6,935,694 in 2023 Equivalent Taxable Value.

HISTORY OF PROPERTY VALUATIONS

Year	STATE EQUALIZED VALUATION	TAXABLE VALUE
2023	\$ 2,758,944,800	\$ 2,152,607,723
2022	2,504,705,167	2,004,889,801
2021	2,352,904,868	1,863,787,340
2020	2,254,760,538	1,803,676,991
2019	2,113,460,900	1,724,254,966
2018	1,981,683,870	1,626,298,040
2017	1,912,733,026	1,555,024,572
2016	1,813,695,328	1,504,022,678
2015	1,700,033,255	1,500,188,912
2014	1,533,917,763	1,460,790,755

Source: Department of Treasury

MAJOR TAXPAYERS

According to Township officials, the 2023 Taxable Value of each of the Township's major taxpayers is as follows:

Top Taxpayers by Taxable Value	2023 Taxable Value
DTE Energy	\$ 22,310,045
PMAT Waterside, LLC	16,159,197
Aspen Creek Apartments	9,764,976
Chesterfield Care 2017, LLC	9,752,196
Semco Energy	9,302,491
29700 Commerce, LLC	8,276,600
Meijer	6,569,800
Walmart	6,453,300
Total	<u>\$ 88,588,605</u>
Percentage of Township Taxable Value	1.75%

Source: Charter Township of Chesterfield

TAX RATES *

(Per \$1,000 of Taxable Value)

	2022		2021		2020	
	Principal Residence	Non Principal Residence	Principal Residence	Non Principal Residence	Principal Residence	Non Principal Residence
Township Operating	\$ 0.7543	\$ 0.7543	\$ 0.7624	\$ 0.7624	\$ 0.7671	\$ 0.7671
Public Safety**	7.9500	7.9500	7.9500	7.9500	7.9500	7.9500
Chesterfield Library	0.6047	0.6047	0.6112	0.6112	0.6150	0.6150
Macomb County	4.3852	4.3852	4.4381	4.4381	4.5807	4.5807
Anchor Bay School District Local	-	18.0000	-	18.0000	-	18.0000
Anchor Bay School District Debt	10.0000	10.0000	10.0000	10.0000	10.0000	10.0000
State Education Tax	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000
Macomb County ISD	4.6300	4.6300	4.6845	4.6845	4.7296	4.7296
Macomb Community College	1.4077	1.4077	1.4247	1.4247	1.4387	1.4387
SMART	0.9500	0.9500	0.9731	0.9731	0.9827	0.9827
Zoo Authority	0.0945	0.0945	0.0957	0.0957	0.0967	0.0967
Art Authority	0.1956	0.1956	0.1911	0.1911	0.1930	0.1930
Huron-Clinton Metro Authority	0.2070	0.2070	0.2089	0.2089	0.2104	0.2104
Total All Jurisdictions	\$ 37.1790	\$ 55.1790	\$ 37.3397	\$ 55.3397	\$ 37.5639	\$ 55.5639

* Principal residence includes qualified agricultural property, qualified forest property and industrial personal property, which is excluded from taxes levied for school operating purposes. Moreover, commercial personal property is exempt from a portion of taxes levied for school operating purposes. Non-Principal Residence is property not included in the above definition.

** Levied in Special Assessment District only

Source: Charter Township of Chesterfield

TAX RATE LIMITATIONS

The Township is authorized pursuant to Act 359, Public Acts of Michigan, 1947, as amended (the "Charter Township Act") to levy the following tax rates:

Purpose	Authorized	2022 Millage Permanently Reduced by Headlee Act	Expiration Date of Levy
General Operating	1.0000	0.7543	In perpetuity

The Township may levy taxes in excess of the above limitation pursuant to state law for the following purposes:

Purpose	Authority	Rate per \$1,000 of Taxable Valuation
Police and Fire Pension Requirements	Act 345, P.A. of Michigan 1937, as amended	Amount Required to Make Contribution

In addition, Article IX, Section 6, of the Michigan Constitution permits the levy of millage in excess of the above for:

1. All debt service on tax supported bonds issued prior to December 23, 1978 or tax supported issues which have been approved by the voters for which the issuer has pledged its full faith and credit.

2. Operating purposes for a specified period of time provided that said increase is approved by a majority of the qualified electors of the local unit.
3. Payment of valid judgments levied in accordance with State law.

CONSTITUTIONAL MILLAGE ROLL-BACK

Article IX, Section 31 of the Michigan Constitution requires that if the total value of existing taxable property in a local taxing unit, exclusive of new construction and improvements, increases faster than the U.S. Consumer Price Index from one year to the next, the maximum authorized tax rate for that local taxing unit must be permanently reduced through a Millage Reduction Factor unless reversed by a vote of the electorate of the local taxing unit.

TAX LEVIES AND COLLECTIONS

The Township's taxes are due and payable, and a lien created upon the assessed property, on July 1 each year. Taxes remaining unpaid on the following March 1st are turned over to the County Treasurer for collection.

The delinquent real property taxes are subject to additional penalties and interest by the county. Unless the delinquent real property taxes are paid within approximately 25 months from the date of delinquency the underlying property is foreclosed upon and sold at public action.

Macomb County has established a Delinquent Tax Revolving Fund which pays all real property taxes returned delinquent to the County Treasurer as of March 1st of each year. If feasible, it is anticipated that the Delinquent Tax Revolving Fund will continue to reimburse the Township for any uncollected taxes, but there is no assurance that this will be the case since the County is not obligated to continue this fund in future years. Uncollected personal property taxes must be collected by the local treasurer and are negligible.

Year	Tax Levy	Collections to March 1 of the Year Following the	
		Levy	
2022	\$1,505,590	\$1,472,182	97.78%
2021	1,421,492	1,379,332	97.03%
2020	1,376,811	1,323,203	96.11%
2019	1,319,783	1,280,461	97.02%
2018	1,264,969	1,227,769	97.06%
2017	1,209,706	1,170,511	96.76%
2016	1,179,212	1,141,060	96.76%
2015	1,200,504	1,159,417	96.58%
2014	1,168,045	1,121,783	96.04%
2013	1,156,087	1,099,184	95.08%
2012	1,136,891	1,087,515	95.66%

Source: Charter Township of Chesterfield

REVENUES FROM THE STATE OF MICHIGAN

The Township receives revenue sharing payments from the State of Michigan under the State Constitution and the State Revenue Sharing Act of 1971, as amended. The revenue sharing payments are composed of two components – a constitutional distribution and a statutory distribution.

The constitutional distribution is mandated by the State Constitution and distributed on a per capita basis to townships, cities, and villages. The amount of the constitutionally mandated revenue sharing component distributed to the Township can vary depending on the population of the Township and the receipt of sales tax revenues by the State.

The statutory distribution is authorized by legislative action and distribution is subject to annual State appropriation by the State Legislature. Statutory distributions may be reduced or delayed by Executive Order during any State fiscal year in which the Governor, with the approval of the State Legislature's appropriations committees, determines that actual revenues will be less than the revenue estimates on which appropriations were based.

On July 31, 2023, Governor Whitmer signed into law the budget for fiscal year 2024. The budget includes a constitutional revenue sharing distribution to cities, villages and townships of approximately \$1.101 billion. The budget continues the incentive-based revenue sharing program known as the City, Village, and Township Revenue Sharing (or “CVTRS”) program begun in fiscal year 2015 that distributes revenue sharing to cities, villages and townships that meet requirements for accountability and transparency, including making a debt service report and a two-year budget projection available for public viewing. The CVTRS program is funded at \$299.1 million for fiscal year 2024, and each city, village and township that received a CVTRS distribution in fiscal year 2023 is eligible to receive a payment equal to 107.0% of its 2023 distribution, of which 2.0% is specifically dedicated to funding for local public safety initiatives and 5.0% is a general increase, with 1.0% of that to be withheld if the city, village or township does not fully obligate or expend its federal funds allocated under the American Rescue Plan Act of 2001 by December 31, 2023. Each city, village or township that is determined to have a retirement pension benefit system in underfunded status under section 5 of Act 202, Public Acts of Michigan, 2017, must allocate the 5.0% excess of the amount it receives in 2024 CVTRS payments over the amount it received in CVTRS payments in fiscal year 2023 to its unfunded pension liability, unless the city, village or township has issued a municipal security to fund its unfunded pension liability or has received a local unit municipal pension principal payment grant. The fiscal year 2024 budget continues funding for the revenue sharing grant program for financially distressed communities at the 2023 level of \$2.5 million. Purchasers of the Bonds should be alerted to further modifications to revenue sharing payments to Michigan local governmental units, to potential consequent impact on the City’s general fund condition, and to the potential impact upon the market price or marketability of the Bonds resulting from changes in revenues received by the City from the State.

Any portion of the CVTRS payment that the Township would be eligible to receive would be subject to certain benchmarks that the Township would need to meet, and there can be no assurance what amount, if any, the Township would receive under the CVTRS program.

Purchasers of the Bonds should be alerted to further modifications to revenue sharing payments to Michigan local governmental units, to potential consequent impact on the Township’s general fund condition, and to the potential impact upon the market price or marketability of the Bonds resulting from changes in revenues received by the Township from the State.

The following table sets forth the annual revenue sharing payments and other moneys received by the City for the fiscal years ended June 30, 2019, through June 30, 2022, as well as anticipated payments for fiscal year 2023.

Fiscal Year Ending December 31*	Constitutional	CVTRS	Supplemental Payments	Total
2023	\$4,960,504	\$165,839	-	\$5,126,343
2022	4,748,921	156,452	168,316	5,073,689
2021	4,245,933	153,384	-	4,399,317
2020	3,744,570	127,820	-	3,872,390
2019	3,748,214	114,886	35,049	3,898,149

*Estimated.

Sources: State of Michigan - https://www.michigan.gov/treasury/0,4679,7-121-1751_2197_58826---,00.html

FUTURE FINANCING

The Township is planning to issue approximately \$18,260,000 in one or more bond issues in August 2023.

CHARTER TOWNSHIP OF CHESTERFIELD

DEBT STATEMENT

As of August 30, 2023, including the bonds described herein.

DIRECT DEBT

General Obligation Bonds	\$ 14,550,000
Special Assessment Bonds	3,805,000
Revenue Bonds (State Revolving Clean Water)	925,000
County Issued Drain Bonds	23,403,651
TOTAL DIRECT DEBT	\$ 42,683,651

Less Revenue Bonds:	925,000
NET DIRECT DEBT	\$ 41,758,651

Per Capita Township Net Direct Debt	\$ 920
Percent Township Net Direct Debt to 2023 TV	1.94%

OVERLAPPING DEBT

School District		
54.99% Anchor Bay	\$ 181,180,795	\$ 99,631,319
35.15% Lanse Creuse	229,615,440	80,709,827
12.03% New Haven	75,013,511	9,024,125
County		
6.12% Macomb	235,209,938	14,394,848
Intermediate School District		
5.99% Macomb I/S/D	-	-
Community College		
6.12% Macomb Community College	-	-
TOTAL OVERLAPPING DEBT		\$ 203,760,119
NET DIRECT AND OVERLAPPING DEBT		\$ 245,518,770

Per Capita Township Net Direct and Overlapping Debt	\$ 5,411
Percent Net Direct and Overlapping Debt to 2023 TV	11.41%

Source: Charter Township of Chesterfield and Municipal Advisory Council of Michigan

STATEMENT OF LEGAL DEBT MARGIN

As of August 30, 2023, including the bonds described herein.

2023 State Equalized Valuation		\$ 2,758,944,800
Plus:		
2023 SEV Equivalent of Act 198 specific tax levies	\$ 7,068,700	
2022 State Revenue Sharing	545,030,508	
2022 PPT Reimbursement	<u>770,720</u>	\$ 552,869,928
Total Valuation		<u>3,311,814,728</u>
 Debt Limited 10% of SEV		 \$ 331,181,473
 Amount of Outstanding Debt	\$ 42,683,651	
Less:		
Special Assessment Bonds	3,805,000	
Revenue Bonds	925,000	
Net Debt		<u>37,953,651</u>
LEGAL DEBT MARGIN		<u><u>\$ 293,227,822</u></u>

Act 359, Public Acts of Michigan, 1947, as amended (the "Charter Township Act"), provides that the net indebtedness of the Township shall not exceed 10% of all assessed real and personal property in the Township.

Source: Charter Township of Chesterfield and Municipal Advisory Council of Michigan

CHARTER TOWNSHIP OF CHESTERFIELD

GENERAL FUND - BALANCE SHEET

Comparative Balance Sheet

	For Fiscal Years Ended December 31		
	2022	2021	2020
Assets:			
Cash and Cash Equivalents	\$ 16,661,905	\$ 13,831,878	\$ 12,076,990
Receivables:			
Property taxes receivable	1,105,104	536,181	483,127
Special assessments receivable	594,131	596,820	279,419
Accrued interest receivable	35,172	3,703	11,936
Other receivables	36,548	67,301	396,159
Due from other governmental units	1,056,706	1,146,830	958,420
Due from other funds	32,051	5,367	51,596
Inventory	-	6,104	11,220
Prepaid expenses and deposits	133,430	89,534	227,337
Total Assets	\$ 19,655,047	\$ 16,283,718	\$ 14,496,204
Liabilities:			
Accounts payable	\$ 307,429	\$ 418,303	\$ 312,731
Due to other governmental units	1,137,103	904,791	1,099,350
Due to other funds	158,927	94,190	53,495
Refundable deposits and bonds	1,067,705	1,065,612	1,060,346
Accrued liabilities and other	-	35	337
Unearned revenue	4,881,041	2,442,964	-
Total Liabilities	\$ 7,552,205	\$ 4,925,895	\$ 2,526,259
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	\$ 594,131	\$ 596,820	\$ 358,463
Property taxes levied for the following year	1,505,679	1,421,580	1,376,901
Total deferred inflows of resources	\$ 2,099,810	\$ 2,018,400	\$ 1,735,364
Total liabilities and deferred inflows of resources	\$ 9,652,015	\$ 6,944,295	\$ 4,261,623
Fund Balance:			
Nonspendable - Prepaids, deposits, and inventory	\$ 133,430	\$ 95,638	\$ 238,557
Assigned - Subsequent year's budget	1,668,308	1,280,859	2,068,676
Assigned - Capital projects	-	-	4,000,000
Unassigned	8,201,294	7,962,926	3,927,348
Total Fund Balance	\$ 10,003,032	\$ 9,339,423	\$ 10,234,581
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 19,655,047	\$ 16,283,718	\$ 14,496,204

Source: Charter Township of Chesterfield Annual Financial Statements

CHARTER TOWNSHIP OF CHESTERFIELD
GENERAL FUND – REVENUES AND EXPENDITURES

Revenues	As of Fiscal Year Ended December 31		
	2022	2021	2020
Taxes	\$ 1,523,865	\$ 1,493,715	\$ 1,410,580
Special assessments	159,740	209,974	53,589
Intergovernmental:			
Federal grants	12,124	243,829	496,788
State-shared revenue and grants	5,350,825	4,871,092	3,967,841
Charges for services	175,745	998,767	619,634
Licenses and permits	-	-	6,748
Investment income:			
Investment income	2,683	22,410	73,089
Rental income	265,627	259,422	274,666
Other revenue:			
Other miscellaneous income	209,876	173,044	115,389
Cable franchise fees	747,212	756,511	754,570
TOTAL REVENUES	8,447,697	9,028,764	7,772,894
Expenditures			
Current:			
General government	5,761,612	7,552,303	7,318,527
Public safety	278,390	454,565	259,324
Public works	842,984	1,326,676	645,935
Community and economic development	9,812	16,510	18,957
Recreation and culture	719,288	601,925	491,636
Capital outlay	130,302	204,193	-
Debt service:			
Principal	100,000	100,000	100,000
Interest on long-term debt	22,700	26,750	30,750
TOTAL EXPENDITURES	7,865,088	10,282,922	8,865,129
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	582,609	(1,254,158)	(1,092,235)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	55,000	350,000	314,242
Operating transfers out	-	-	(21,836)
Sale of capital assets	26,000	9,000	4,435
NET OTHER FINANCING SOURCES (USES)	81,000	359,000	296,841
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	663,609	(895,158)	(795,394)
Fund balance, January 1	9,339,423	10,234,581	11,029,975
Fund balance, December 31	\$ 10,003,032	\$ 9,339,423	\$ 10,234,581

Source: Charter Township of Chesterfield Annual Financial Statements

APPENDIX F

COUNTY OF OAKLAND ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2022

This Appendix contains the basic financial statements (excluding supplemental financial information) and related notes for the County's fiscal year ended September 30, 2022. The auditor was not requested to examine or review and therefore has not examined or reviewed any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Bonds and, accordingly, has not conducted any post-audit review procedures and will not express any opinion with respect to the accuracy or completeness of such financial documents, statements or materials.

The supplemental financial information for the fiscal year ended September 30, 2022, is available on the State of Michigan Local Government Document Search Site by searching for the County at:

<https://treas-secure.state.mi.us/DocumentSearch>

County of Oakland Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of Oakland County's (the County) financial performance, providing an overview of the activities for the fiscal year ended September 30, 2022. This analysis should be read in conjunction with the Transmittal Letter, beginning on page 1 of this report, and with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- In total, Oakland County's financial position increased by \$10.8 million or one percent during fiscal year 2022, increasing from \$1,837.1 million to \$1,847.9 million (excluding component units).
- Governmental activities net position decreased by approximately \$6.1 million, decreasing from \$1,009.1 million to 1,003.0 million.
- Business-type activity net position increased \$17 million from \$828 million to \$845 million.

Fund Level:

- At the close of the fiscal year, the County's governmental funds reported combined ending fund balance of \$294.4 million, an overall decrease of \$50.4 million from the fiscal year 2021 governmental funds combined ending fund balance.
- The General Fund balance decreased by \$67.6 million from \$288.4 million at the end of fiscal year 2021 to \$220.8 million at the end of fiscal year 2022.
- At the close of the fiscal year, the County's proprietary funds reported a combined ending net position of \$1,362.6 million, consisting of \$844.9 million for the Enterprise Funds (a \$16.9 million increase from fiscal year 2021) and \$517.7 million for the Internal Service Funds (a \$17.7 million increase from fiscal year 2021).

Capital and Long-term Debt Activities:

- The County's capital assets experienced a net increase of \$25.1 million during fiscal year 2022, which is attributed to a \$16.0 million net increase in business type activities and a net increase of \$8.9 million in governmental activities.
- The County reported approximately \$6.1 million in new general government debt and business type debt during fiscal year 2022. Business-type Activities accounted for \$63 thousand of the \$6.1 million in additions and the remaining was for governmental-type activities.
- The County's primary government bond and note obligations decreased by \$42.5 million during fiscal year 2022, which reflects \$11.1 million in payments and refunding activity related to Building Authority debt, \$27.6 million in payments related to Retirees Health Care bonds, and \$3.8 million in payments and refunding activity related to Water and Sewer debt.
- The County is \$8.4 billion below its authorized debt limit.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the County consists of the following components: 1) Introductory Section which includes the *Transmittal Letter*; 2) Financial Section which includes the *Auditor's Report*, the *Management Discussion and Analysis*, the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as a budget to actual comparison for the General Fund, additional *Required Information* including combining financial statements for all non-major governmental funds, proprietary funds and fiduciary funds; and 3) Statistical Section which provides a ten (10) year history on specific data regarding the County.

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Government-wide Financial Statements (Reporting the County as a Whole)

The set of *basic financial statements* includes the Statement of Net Position and the Statement of Activities, which report information about the County as a whole and about its activities. Their purpose is to assist in answering the question: is the County, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. Accrual accounting means revenues are accounted for when they are *earned*, and expenses are accounted for when an *obligation* is incurred; regardless of when the actual cash is received or disbursed.

The Statement of Net Position presents the entire County's assets and liabilities, recording the difference between the two as "net position." Over time, increases or decreases in net position measure whether the County's financial position is improving or declining.

The Statement of Activities presents information showing how the County's net position changed during fiscal year 2022. All changes in net position are reported based on the period for which the underlying events occur, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- *Governmental Activities* – Most of the County's basic services are reported under this category. Taxes, charges for services, and intergovernmental revenues primarily fund these services. Most of the County Executive departments, law enforcement, the courts, the Board of Commissioner operations, and other countywide elected official operations are reported under these activities.
- *Business-type Activities* – These activities operate like private businesses. The County charges fees to recover the cost of the services provided. The Oakland County International Airport, Water and Sewer services, and the Parks and Recreation Fund operations are examples of these activities.
- *Discretely Presented Component Units* – Component units are legally separate organizations for which the Board of Commissioners appoints a majority of the organization's policy board and there is a degree of financial accountability to the County. Two organizations are included as component units: the Road Commission for Oakland County and the Drainage Districts.

As stated previously, the government-wide statements report on an *accrual basis* of accounting. However, the governmental funds report on a *modified accrual basis*. Under modified accrual accounting, revenues are recognized when they are available to pay obligations of the fiscal period, expenditures are recognized when they are due and able to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, a reconciliation between the two statement types is presented in the financial section. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

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- Capital assets used in governmental activities (depreciation) are not reported on the governmental fund financial statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the governmental fund financial statements.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.
- Long-term contingencies, such as litigation, etc., appear as liabilities on the government-wide statements; however, they will not appear on the governmental fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund financial statements.

Fund Financial Statements (Reporting the County's Major Funds)

The fund financial statements provide information on the County's significant (major) funds – not on the County as a whole. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the County uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as the Child Care Fund; other funds are required by bond or grant agreements, such as the Friend of the Court Fund. Funds are also utilized to track specific operations, which include the internal services funds (e.g. Motor Pool, Fringe Benefits, Building and Liability Insurance, etc.) and enterprise funds (e.g. Airports and Parks and Recreation).

The *basic financial statements* only report major funds as defined by the GASB and the Michigan Department of Treasury. All other funds are classified as non-major funds. The County includes detailed information on its non-major funds in other sections of this report.

The County's funds are divided into three categories – governmental, proprietary, and fiduciary – and use different accounting approaches:

- *Governmental Funds* – Most of the County's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year, and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the County's programs. These funds are reported using the *modified accrual* basis of accounting as described above. Because this basis of accounting differs from the government-wide statements, additional information is provided reconciling the governmental fund statements to the government-wide statements.

Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).

- *Proprietary Funds* – Services, for which the County charges customers (whether outside the County structure or a County department) a fee, are generally reported in proprietary funds. Proprietary funds use the *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and services to the general public as well as the cities, villages, and townships. An example is the Oakland County

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International Airport. *Internal Service funds* report activities that provide supplies and a service primarily to the County's other operations, such as the Motor Pool Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

- *Fiduciary Funds* – The County acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of trust arrangements, can only be used for the trust beneficiaries. The County's fiduciary activities are reported in separate statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These funds, which include pension, VEBA, and trust funds, are reported using the accrual basis of accounting. The government-wide statements *exclude* the custodial fund activities and balances because these assets are not available to the County to fund its operations.

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements.

Required Supplementary Information

Following the basic financial statements is additional Required Supplementary Information (RSI) which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedule for the General Fund and pension trend data.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds are added together, by fund type, and are presented in single columns in the basic financial statements, but are not reported individually, as are the major funds, on the government-wide statements.

Special Note:

The fiscal year 2022 Annual Comprehensive Financial Report (ACFR) reflects the implementation of Governmental Accounting Standards Board (GASB) Statement 87, Leases.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

The government-wide financial analysis focuses on the net position and changes in net position of the County's governmental and business-type activities. As previously stated, Oakland County's overall financial position improved during fiscal year 2022. As reflected on the table below, the County's combined net position increased by \$10.8 million. This includes the net position decrease of \$6.1 million (.6 percent) for governmental activities and the net position increase of \$16.9 million (2 percent) for business-type activities.

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The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the County's net position changed during the fiscal year:

Oakland County's Net Position (in millions of dollars)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Current Assets	\$ 905.9	\$ 792.9	\$ 525.8	\$ 521.3	\$ 1,431.7	\$ 1,314.2
Capital Assets	236.0	227.1	407.2	390.9	643.2	618.0
Other Long-term Assets	400.3	690.2	-	-	400.3	690.2
Total Assets	1,542.2	1,710.2	933.0	912.2	2,475.2	2,622.4
Deferred Outflows related to Pension	-	-	-	-	-	-
Deferred Outflows related to OPEB	245.6	2.8	-	-	245.6	2.8
Deferred Outflows of Resources	245.6	2.8	-	-	245.6	2.8
Current Liabilities	336.8	266.4	39.3	37.1	376.1	303.5
Long Term Liabilities	400.5	263.7	47.1	47.1	447.6	310.8
Total Liabilities	737.3	530.1	86.4	84.2	823.7	614.3
Deferred Inflows of Resources						
Deferred Inflows related to Pension	-	45.5	-	-	-	45.5
Deferred Inflows related to OPEB	47.6	128.4	-	-	47.6	128.4
Deferred Inflows from leases	-	-	1.6	-	1.6	-
Total Deferred Inflows of Resources	47.6	173.9	1.6	-	49.2	173.9
Net Position:						
Net Investment in Capital Assets	208.4	203.4	360.0	339.9	568.4	543.3
Restricted	54.7	60.0	123.2	120.5	177.9	180.5
Unrestricted	739.9	745.7	361.8	367.6	1,101.7	1,113.3
Total Net Position	\$ 1,003.0	\$ 1,009.1	\$ 845.0	\$ 828.0	\$ 1,848.0	\$ 1,837.1

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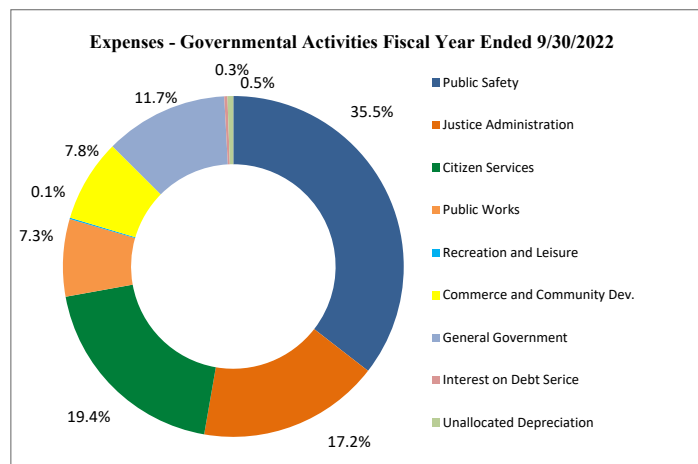
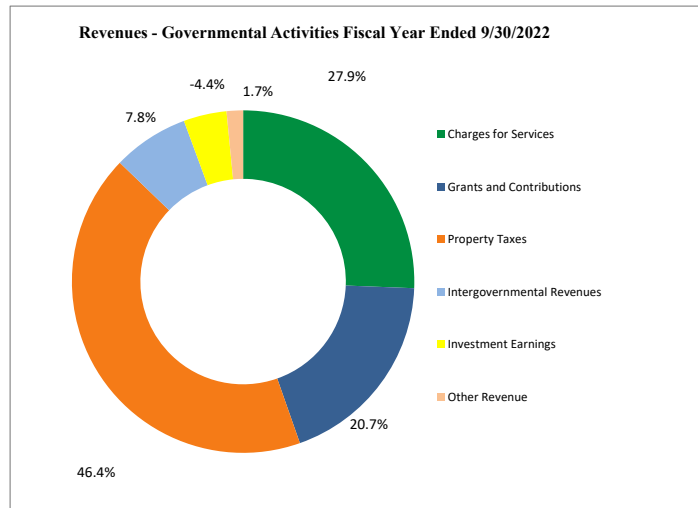
Changes in Oakland County's Net Position (in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues						
Charges for Services	\$ 159.0	\$ 175.1	\$ 308.5	\$ 302.5	\$ 467.5	\$ 477.6
Grants and Contributions						
Operating	121.5	219.7	1.0	0.4	122.4	220.1
Capital	-	0.1	0.9	1.1	0.9	1.2
General Revenues						
Property Taxes	272.2	256.7	22.1	21.6	294.3	278.3
Intergovernmental Revenue	45.8	44.9	0.2	0.3	46.0	45.2
Investment Earnings (loss)	(26.0)	4.3	(9.8)	2.5	(35.7)	6.8
Other Revenue	9.3	16.2	-	-	9.3	16.2
Gain on Sale of Assets	4.5	0.8	-	-	4.5	0.8
Total Revenues	586.3	717.8	322.9	328.4	909.2	1,046.2
Expenses						
Public Safety	213.3	170.2	16.7	23.1	230.0	193.3
Justice Administration	103.7	82.7	-	-	103.7	82.7
Citizen Services	116.8	197.2	7.3	6.9	124.1	204.1
Public Works	44.1	20.6	244.0	244.8	288.1	265.4
Recreation and Leisure	0.8	0.9	28.3	26.3	29.1	27.2
Commerce and Community Dev.	47.1	44.9	-	-	47.1	44.9
General Government	70.1	68.1	0.9	0.9	71.0	69.0
Interest on Debt Service	2.0	2.3	-	-	2.0	2.3
Unallocated Depreciation	3.3	2.9	-	-	3.3	2.9
Total Expenses	601.2	589.8	297.2	302.0	898.4	891.8
Revenues (Under) Over						
Expenditures	(14.9)	128.0	25.7	26.4	10.8	154.4
Special Item - Transfer of Water System	-	-	-	(1.1)	-	(1.1)
Transfers - On-going	8.7	3.6	(8.7)	(3.6)	0.0	-
Increase (Decrease) in Net Position	(6.1)	131.6	17.0	21.7	10.9	153.3
Net Position-Beginning	1,009.1	877.5	828.0	806.3	1,837.1	1,683.8
Net Position - Ending	\$ 1,003.0	\$ 1,009.1	\$ 845.0	\$ 828.0	\$ 1,848.0	\$ 1,837.1

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Governmental Activities:

The following charts depict revenue and expenses of the governmental activities for the fiscal year:



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In total, fiscal year 2022 governmental activity revenue decreased by \$131.5 million (18.3 percent) from fiscal year 2021 primarily reflecting decreased federal and state funding that had been previously provided to support COVID-19 pandemic response programs.

Property taxes generated \$272.2 million in revenue, remaining the largest source of support for governmental activities, comprising 46.3 percent of all governmental activity revenue. Governmental activities have decreased their dependency on property taxes; the fiscal year 2022 percentage is far below fiscal year 2008, when property taxes represented 60.6 percent of governmental activity revenue. However, this reduced reliance on property tax revenue is due to reduced property values when compared to 2008 rather than substantial increases from other revenue sources.

Property tax revenue increased by approximately \$15.4 million from the amount realized during fiscal year 2021. This overall increase is primarily due to increasing property taxable values over the past year as well as the timing of property tax collections. The County's operating millage rate of 3.9686 mills is one of lowest county general operating millage rates in the State. For more details regarding actual property tax collections, please see the statistical section appearing in the last section of this document.

Charges for services, which reflects revenue generated by county operations charging specific benefiting parties for services performed, as well as recognition of other revenues generated by specific programs, is the second largest source of governmental activity revenue, generating \$159.0 million or 27.8 percent of the total. The decrease in revenue is largely due to the Register of Deeds and decreases in the housing transfer related activities. There are a wide variety of activities charged under this category including service rendered to individuals, such as fees for marriage licenses, passports, and access to county records; as well as services rendered to other governmental units including contracted law enforcement and dispatch services, real and personal property assessing services, and the housing of state wards in the County's juvenile facility.

For FY 2022, the third largest source of support for governmental activities is the \$121.5 million received in operating and capital grants contributions, which is 20.6 percent of the total revenue for governmental activities. This amount represents a \$98.2 million decrease (45 percent) from fiscal year 2021. The decrease is primarily the result of ending COVID 19 relief funding from federal and state funding agencies.

Oakland County governmental activities also recorded \$45.8 million in intergovernmental revenue during fiscal year 2022, a \$.8 million increase from the \$44.9 million received in fiscal year 2021. Intergovernmental revenue is "shared" revenue by the state and federal government and is not tied to contractual obligations such as grant agreements. However, in the case of the convention facility liquor tax revenue, one-half of the revenues distributed by the State under the authority of the State Convention Facility Development Act, P.A. 106 of 1985, must be earmarked for substance abuse prevention and treatment programs.

Governmental activities generated a \$26.0 million in investment loss during fiscal year 2022; The decrease is substantially due to reduced investment earnings and market value adjustments in comparison to the previous year.

Governmental activity fiscal year expenses increased \$11.4 million from the fiscal year 2021 expense level, a 1.9 percent increase from the previous fiscal year. The increase was significantly less than prior year's increase and was primarily attributed to expense returning to pre-pandemic levels.

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Public Safety is the largest expense category for governmental activity, expensing \$213.3 million of the \$601.2 million total governmental activities amount (35.5 percent). Public Safety, which encompasses law enforcement, crime prevention, incarceration, emergency management, and technical support, experienced a \$43.1 million increase (25 percent) in comparison to the previous fiscal year. The primary reason for the increase due to an increase in contract for law enforcement including retroactive pay. Also included in the law enforcement expenses for the year would have been the response to the Oxford High School shooting in November 2021.

Citizen Services, which includes all public health activities, public services such as Veterans' Services, and the care of children who have been declared wards of the Oakland County Family Court, is the second largest expense category with \$116.6 million in expenses, or 19.4 percent of the total governmental activities. Expenses decreased by \$80.2 million from the fiscal year 2021 level (40.8 percent).

Justice Administration is the third largest expense category accounting for \$103.7 million, or 17.2 percent of the total governmental activity expenses. The Justice Administration activity, which centers on the operations of the 6th Judicial Circuit Court and 52nd District Court, as well as the Prosecuting Attorney and County Clerk functions which support the courts and the Reimbursement Unit of the Fiscal Services Division, experienced a \$21 million increase (25.4 percent) from the previous fiscal year. This increase reflects personnel costs and costs associated with the Michigan Indigent Defense Commission activity are leveling off.

The Public Works activity, which includes the operating systems that form the infrastructure of basic county functions, expensed \$44.1 million in fiscal year 2022, or 7.3 percent of the total governmental activities expenses. This level of expense is a net increase of \$23.5 million (114.0 percent) from fiscal year 2021. This increase is due to catching up with technology changes post pandemic on the entire Oakland County campus and other infrastructure projects that did not meet capitalization thresholds.

Commerce and Community Development, which reflects all efforts to promote and sustain a strong economic business climate and vibrant communities, experienced \$47.1 million in expenses, or 7.8 percent of the total governmental activities. This reflects an increase of \$2.2 million (4.9 percent) from fiscal year 2021. This increase is attributed to expenses returning to pre-pandemic levels.

The General Government activity, which is comprised of the administration and financial management of County business, expensed \$70.1 million in fiscal year 2022, or 11.7 percent of the total governmental activity expenses. The level of expenses in fiscal year 2022 increased by \$2.1 million (3.1 percent) from fiscal year 2021 level. The majority of the increase is related to the *Rafaeli, LLC v Oakland County* court case that was filed in 2015. The case was settled on July 27, 2022.

The result of fiscal year 2022 governmental activity was an overall decrease of \$6.1 million in net position, to \$1,003.0 million. Of the total \$1,003.0 million in governmental activities' net position, \$208.4 million is invested in capital assets; \$54.7 million is reported as restricted, meaning these assets are legally committed for a specific purpose through statute or by another authority outside the County government; and \$739.9 million is reported as unrestricted.

Business-type Activities:

Net position in business-type activities is reported at \$845.0 million for fiscal year 2022, an increase of \$17 million (2.1 percent) over the amount reported at the end of fiscal year 2021. Of the total net position, \$360 million is for the net investment in capital assets, \$123.2 million is restricted, and \$361.8 million is

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reported as unrestricted. It is important to note that although reported as unrestricted, many of these assets have been reserved through Board of Commissioners resolutions to be spent on specific activities.

During fiscal year 2022, business-type activities generated \$322.9 million in revenue; this is a decrease of \$5.5 million (1.7 percent) from the previous fiscal year. Overall, the business-type activities remained steady.

Business-type activity recorded expenses of \$297.3 million, a decrease of \$4.7 million from fiscal year 2021 (1.6 percent). This decrease is related to expenses decreasing in Public Works, Public Safety and Recreation and Leisure.

FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR FUNDS

GASB Statement 34 requires that funds designated as "major" be presented as a separate column on the face of the financial statements. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also represents five (5) percent of those categories for governmental and enterprise funds combined.

Governmental Funds

Three (3) governmental funds are designated as major funds of the County: The *General Fund*, *American Rescue Plan (ARP) Local Fiscal Recovery Fund*, and the *Water and Sewer Debt Act 342 Fund*. As the County completed fiscal year 2022, the governmental funds reported *combined* fund balances of \$294.4 million with the fund balances of the General Fund, ARP Local Fiscal Recover Fund, and the Water & Sewer Debt Act 342 representing 75.1 percent of the combined governmental funds balance.

The fiscal year ending combined fund balances of \$294.4 million represents a decrease of \$50.4 million from the combined fund balances reported at the end of fiscal year 2021. The overall decrease in the combined governmental fund balances includes a \$67.6 million decrease to the General Fund balance which is the result of the *Rafaeli, LLC* settlement of 39.8 million and a Market Value loss adjustment for investments of over 20 million. The Water and Sewer Debt Act 342 remained relatively unchanged. The non-major governmental funds increased by \$17.2 million primarily reflected by an increase in Capital Projects.

General Fund

The General Fund is the principal operating fund of the County. Unless otherwise required by statute, contractual agreement, or policy, all County revenues and expenditures are recorded in the General Fund. As of September 30, 2022, the General Fund reported a fund balance of \$220.8 million. This amount reflects a decrease of \$67.6 million (23.4 percent) from the fund balance of \$288.4 million reported as of September 30, 2021.

The overall \$67.6 million decrease in the General Fund balance is a result of General Fund expenses exceeding General Fund revenues by \$17.4 million. In addition, the General Fund received \$6.5 million transfers from other funds, while transferring \$60.2 million to other funds, rendering a net "transfer-out" of \$53.6 million.

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General Fund revenues were recorded at \$440.8 million for fiscal year 2022. This amount is a decrease of \$139.0 million (24.0 percent) from the \$579.8 million received in fiscal year 2021. The decrease is due to federal and state funding provided in response to the COVID-19 pandemic ending as well as the loss in investment income for the Market Value adjustment of 21.9 million.

General Fund expenditures were \$458.3 million, a decrease of \$51.5 million from the fiscal year 2021 level (10 percent). Again, the overall change is due to COVID- 19 pandemic related expenses ending.

The General Fund received \$6.5 million in transfers from other funds; this is an increase of \$0.1 million (1 percent) from the amounts transferred during fiscal year 2021. This increase relates to eligible amounts authorized for transfer from restricted funds and the completion and close out of projects in comparison to the previous year.

The General Fund transferred \$60.2 million to other funds during fiscal year 2022. This amount is \$5.2 million more (9.5 percent) than the fiscal year 2021 transfers. The increase reflects more transfers made to the Child Care Fund (CCF) operating subsidy in fiscal year 2022.

Of the total \$220.8 million General Fund balance, all but \$1.0 million is Assigned for specific purposes or non-spendable. The total fiscal year 2022 General Fund balance of \$220.8 million represents 50.1 percent of the fiscal year 2022 General Fund operations. The General Fund balance of \$220.8 million represents 75.0 percent of the combined fund balances of the governmental funds.

General Fund Budgetary Highlights

Oakland County's budget is a dynamic document and process. Although the FY 2022 budget was adopted on September 23, 2021 (prior to the start of the fiscal year), the budget is frequently amended during the course of the fiscal year to reflect changing operational demands.

The General Fund revenue budget was increased by \$13.6 million (3.0 percent) during the fiscal year 2022 from \$450.7 million to \$464.3 million. The increase is to recognize an increase in property tax revenue, increase in federal funding, and additional charges for services for the Sheriff Department contract increases.

Actual General Fund revenue totaled \$440.8 million, \$23.5 million less than the amended budget. Although variances naturally occur in every revenue line item, the most significant reason for this overall variance is related to unfavorable investment income of \$25.1 million which was partially offset by favorability in charges for services in the Clerks/Register of Deeds due to increased housing market activity. Intergovernmental Revenue was \$1.9 million favorable overall largely due to an increase in state shared revenue.

The General Fund expenditure budget increased \$32.8 million (7.7 percent) from \$425.2 million to \$458.0 million during fiscal year 2022. The increases were primarily related to public safety service levels. \$12.2 million was re-appropriated in fiscal year 2022 for carry forward requests and encumbrances that were approved with the FY 2021 Year End Report approved by the Board of Commissioners in December 2021. Furthermore, there were appropriations made during fiscal year 2022 of \$2.0 million in new Local Road Improvement program projects and new Tri-Party Road Improvement Program projects in the amount of \$2.0 million.

The General Fund expenditures for fiscal year 2022 were \$245,000 above budget. There was \$14.2 million of unfavorability in contractual/commodity due to the settlement of the *Rafaeli, LLC vs Oakland County* lawsuit. This was partially offset by favorability of \$10.5 million in salary and fringe benefit savings due

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to vacancies and turnover, and \$3.4 million in internal support.

The adopted budget also included other financing sources and uses for General Fund operations, essentially the net result of the General Fund receiving resources from other funds less the amount of General Fund resources provided to (or transferred to) other funds. The adopted budget assumed that the General Fund would transfer \$64.0 million more in resources to other funds (financing uses) than it would take in from other funds (financing sources). The financing uses budget was increased during fiscal year 2022 by \$22.7 million from \$47.3 million to \$70.0 million. Major amendments included \$5.5 million to support the County's Building and Liability Fund; \$7.7 million to the Major Departmental Support Projects Fund toward IT Infrastructure Modernization project, and \$2.6 million for the Imaging System project; \$3.3 million to the Project Work Order fund in support of efforts for Children's Village Security and Life Safety Enhancements; and \$1.3 million grant match for the US Department of Commerce's Economic Development Administration (EDA) Grant to establish revolving loan program in Oakland County to be used to provide gap financing to small businesses.

Actual financing uses from the General Fund were \$10.3 million less than budgeted. This variance largely reflects reduced operational requirements for the Child Care Fund (\$7.5 million), Housing & Community Development Grants (\$609,538), and Law Enforcement Grants (\$460,976).

ARP Local Fiscal Recovery Fund

The *ARP Local Fiscal Recover Fund* was a new major fund in fiscal year 2021. This fund was created to track Federal funding awarded through American Rescue Plan ACT (ARPA) Coronavirus Local Fiscal Recover Fund. See the Transmittal Letter for Additional information on ARPA funding. Total revenues for this fund were reported at \$20.5 million for fiscal year 2022. This amount represents 3.6% of the total revenues in the governmental funds. The expenditures were \$20.5 million, representing 3.3% of governmental funds expenditures. There is no effect on fund balance for the governmental funds.

The Water and Sewer Debt Act 342

The remaining governmental fund classified as major is the *Water and Sewer Debt Act 342 Fund*, which experienced an increase in fund balance of \$284 to report a total fund balance of \$17,625.

Enterprise Funds

There are five (5) *enterprise funds* that are classified as major: the *Parks and Recreation Fund*, the *Delinquent Tax Revolving Fund*, the *Water and Sewer Trust Fund*, the *Evergreen-Farmington Sewage Disposal System (EFSDS) Fund*, and the *Southeast Oakland County Sewage Disposal System (SOCSDS) Fund*. As of September 30, 2022, the Enterprise Funds had a combined net position of \$844.9 million, an increase of \$16.9 million from the combined net position reported at the end of fiscal year 2021. The five major enterprise funds reported net positions of \$633.7 million (75 percent of the total combined Enterprise net position). The net position of these five major Enterprise funds increased overall by \$11.8 million and the non-major enterprise funds increased by \$5.1 million for fiscal year 2022.

In total, the major Enterprise Funds experienced an increase in net position. The *Delinquent Tax Revolving Fund (DTRF)* ended fiscal year 2022 with a net position decrease to \$203.7 million, \$4.3 million (2.1 percent) less than the net position recorded at the end of fiscal year 2021. This decrease is primarily the result of market value adjustments for fund investments as of September 30, 2022.

The *Water and Sewer Trust Fund* realized a \$6.2 million increase (3.5 percent) in fiscal year 2022 to report a net position of \$181.1 million. This overall increase is mainly attributed to fluctuations in operating activity for the various water and sewer systems.

County of Oakland Management's Discussion and Analysis

The *Evergreen-Farmington Sewage Disposal System Fund (EFSDS)* increased in net position by \$4.4 million (4.3 percent) to \$107.8 million. The increase in net position is attributed to fluctuating operating activity over the prior year.

The *Parks and Recreation Fund* net position increased \$4.6 million (5.1 percent) during fiscal year 2022 to a total of \$96.6 million in net position. This increase is a result of the increased tax revenue and an increase in charges for services.

The *Southeast Oakland County Sewage Disposal System Fund (SOCSDS)* experienced a \$.8 million increase (1.9 percent) in net position to \$44.4 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The County categorizes its capital assets as follows: land, land improvements, building and improvements, equipment and vehicles, infrastructure, and construction in progress.

At the end of fiscal year 2022, the County had invested \$643.1 million, net of accumulated depreciation. This amount of net capital assets reflects an overall increase of \$25.1 million from fiscal year 2021. As seen in the table below, this is attributed to a \$8.9 million increase in governmental activities and a \$16.2 million increase to business-type activities. The overall change is largely related to on-going infrastructure projects in progress for business-type activities and new accounting standards classification for leased assets in the governmental activities.

Oakland County's Capital Assets (net of depreciation, in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 7.4	\$ 7.4	\$ 68.8	\$ 68.5	\$ 76.2	\$ 75.9
Land Improvements	0.4	0.4	10.3	11.8	10.7	12.2
Buildings and Improvements	137.2	138.3	47.1	49.3	184.3	187.6
Equipment and Vehicles	34.5	27.6	18.5	19.1	52.9	46.7
Infrastructure	17.1	16.3	118.2	58.2	135.4	74.5
Right to Use Asset	7.7	-	0.2	-	7.8	-
Subtotal	204.2	190.0	263.1	206.9	467.3	396.9
Construction in Progress	31.8	37.1	144.0	184.0	175.8	221.1
Total Capital Assets	<u>\$ 236.0</u>	<u>\$ 227.1</u>	<u>\$ 407.1</u>	<u>\$ 390.9</u>	<u>\$ 643.1</u>	<u>\$ 618.0</u>

Please review Note 6 of the financial statements, for additional information regarding capital assets.

Long-term Debt - As of September 30, 2022, the Primary Government had \$274.6 million in limited taxing authority bonds outstanding. This represents a \$36.4 million decrease from September 30, 2021 in the limited tax authority bonds. In addition, the County uses its full faith and credit, as a secondary obligor,

County of Oakland Management's Discussion and Analysis

to back \$236.7 million of Drainage District component unit debt. The Drainage District component unit debt experienced an overall decrease of \$21.6 million in fiscal year 2022.

Outstanding Debt as of September 30, 2022 (in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Bonds - Limited Tax Authority	\$ 230.8	\$ 263.5	\$ 43.7	\$ 47.5	\$ 274.6	\$ 311.0
Total Bonds	<u>\$ 230.8</u>	<u>\$ 263.5</u>	<u>\$ 43.7</u>	<u>\$ 47.5</u>	<u>\$ 274.6</u>	<u>\$ 311.0</u>
Notes - Limited Tax Authority	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Outstanding Debt	<u>\$ 230.8</u>	<u>\$ 263.5</u>	<u>\$ 43.7</u>	<u>\$ 47.5</u>	<u>\$ 274.6</u>	<u>\$ 311.0</u>

	Drainage Districts Component Unit		Total County Commitment			
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>		
Bonds - Limited Tax Authority	\$ 236.7	\$ 258.3	\$ 511.3	\$ 569.3		
Total Bonds	<u>\$ 236.7</u>	<u>\$ 258.3</u>	<u>\$ 511.3</u>	<u>\$ 569.3</u>		
Notes - Limited Tax Authority	\$ -	\$ -	\$ -	\$ -		

County of Oakland
Management’s Discussion and Analysis

Total Outstanding Debt	\$ 236.7	\$ 258.3	\$ 511.3	\$ 569.3
Debt Limit (10% of SEV)			\$ 8,973.6	\$ 8,478.4
Available Statutory Debt Limit			\$ 8,462.3	\$ 7,909.1

Oakland County issued approximately \$6.1 million in general government and business-type activity debt in fiscal year 2022. Of the \$6.1 million, all is for governmental-type activities new issues which related to Water Supply Systems and Lake Level Projects. Business-type activities included \$63 thousand in new issues which related to water and sewer infrastructure projects.

During fiscal year 2022, \$42.5 million in outstanding general government and business-type debt was paid or refunded to take advantage of bond issues eligible for refinancing.

The Drainage Districts component unit issued \$1.3 million in new or refunding debt during fiscal year 2022 and retired about \$22.8 million in debt obligations.

A more detailed discussion of the County’s long-term debt obligations is presented in Note 7 to the financial statements.

Bond Ratings

The County’s general obligations are rated AAA by Standards and Poor’s and Aaa by Moody’s Investors Services.

Limitations on Debt

State statute limits the County’s debt obligations to 10 percent of the current state equalized value (SEV). The County’s SEV as of September 30, 2022 was \$89.7 billion. The County is \$8.5 billion below its authorized debt limit.

ECONOMIC OUTLOOK

Oakland County is recognized as one of the most prosperous counties in the nation. As detailed in the *Transmittal Letter* preceding this *Management’s Discussion and Analysis*, while the unemployment rate spiked to 19.6% in May 2021 as a result of the pandemic, Oakland County’s unemployment rate declined to 2.5% as of December 2022. This compares to the national unemployment rate of 3.3% and the State of Michigan unemployment rate of 3.8% as of December 2022 (per the U.S. Bureau of labor Statistics).

The budget assumptions in the FY 2022 – FY 2024 adopted budget document includes an estimated 6.2% increase in taxable value as of December 31, 2022 (FY 2023 revenue); a 4.6% increase of taxable value as of December 31, 2023 (FY 2024 revenue); and an additional 4.4% increase in taxable value as of December 31, 2024 (FY 2025 revenue). Every 1.0 percent increase in taxable value adds approximately \$3.0 million to the County’s property tax revenue.

The initiatives taken by the County’s Elected Officials and Administration have resulted in structural reductions of county expenses as well as revising the County’s fund balance policy to reflect an increase in minimum targeted fund balance from 20 percent to 25 percent of annual ongoing general fund expenditures. On September 29, 2022, the Oakland County Board of Commissioners adopted a balanced budget for fiscal years 2022, 2023, and 2024 (through September 30, 2024). This document also includes budget estimates for fiscal years 2025 and 2026.

County of Oakland
Management’s Discussion and Analysis

CONTACTING THE COUNTY’S DEPARTMENT OF MANAGEMENT AND BUDGET

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County’s finances and to demonstrate the County’s accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Department of Management and Budget, Fiscal Services Division at (248) 858-0049.

Statement of Net Position

September 30, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Pooled cash and investments	\$ 709,345,182	\$ 400,742,188	\$ 1,110,087,370	\$ 151,309,307
Investments	16,788,721	-	16,788,721	-
Receivables (Note 4)	172,799,142	118,653,413	291,452,555	231,823,308
Due from component units	744,756	693,720	1,438,476	-
Internal balances	(1,604,890)	1,604,890	-	-
Inventories and supplies	2,250,281	181,843	2,432,124	5,971,644
Prepaid expenses and other assets	5,586,131	3,961,554	9,549,685	4,832,077
Restricted assets	-	-	-	31,404,276
Net OPEB asset (Note 12)	400,265,102	-	400,265,102	-
Capital assets: (Note 6)				
Assets not subject to depreciation	39,161,369	212,859,367	252,020,736	318,464,094
Assets subject to depreciation - Net	196,859,353	194,258,697	391,118,050	1,364,138,509
Total assets	1,542,197,147	932,955,672	2,475,152,819	2,107,943,213
Deferred Outflows of Resources				
Deferred pension costs (Note 10)	68,518,417	-	68,518,417	4,585,119
Deferred OPEB costs (Note 12)	177,127,629	-	177,127,629	7,412,749
Total deferred outflows of resources	245,646,046	-	245,646,046	11,997,868
Liabilities				
Accounts payable	42,463,740	32,794,100	75,257,840	23,597,885
Due to other governmental units	7,402,590	853,280	8,255,870	6,770,353
Due to primary government	-	-	-	1,438,476
Refundable deposits and bonds	32,905,160	-	32,905,160	1,738,313
Accrued liabilities and other	21,829,347	4,110,278	25,939,625	2,828,576
Unearned revenue (Note 5)	232,230,470	1,528,286	233,758,756	42,352,759
Noncurrent liabilities:				
Due within one year:				
Payable from restricted assets	-	-	-	5,918,751
Compensated absences (Note 7)	1,703,902	-	1,703,902	-
Provision for claims and judgments (Note 15)	48,689,911	-	48,689,911	948,119
Current portion of bonds payable (Note 7)	38,242,673	3,992,043	42,234,716	21,790,686
Due in more than one year:				
Compensated absences (Note 7)	15,335,116	-	15,335,116	2,450,826
Provision for claims and judgments (Note 15)	23,827,091	-	23,827,091	979,247
Net pension liability (Note 10)	69,207,954	-	69,207,954	4,254,080
Net OPEB obligation (Note 12)	-	-	-	96,568,922
Bonds and leases payable - Net of current portion (Note 7)	203,455,638	43,137,193	246,592,831	222,720,687
Total liabilities	737,293,592	86,415,180	823,708,772	434,357,680
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 10)	-	-	-	25,106,151
Deferred OPEB cost reductions (Note 12)	47,595,124	-	47,595,124	18,615,665
Deferred inflows from leases (Note 16)	-	1,583,043	1,583,043	-
Total deferred inflows of resources	47,595,124	1,583,043	49,178,167	43,721,816
Net Position				
Net investment in capital assets	208,414,771	359,988,828	568,403,599	1,463,576,755
Restricted:				
Debt service	3,749,984	-	3,749,984	169,854,248
Public safety	8,332,890	-	8,332,890	-
Citizens services	4,408,013	-	4,408,013	-
Public works	13,407,281	-	13,407,281	29,181,384
Superseding trust - OPEB	16,829,466	-	16,829,466	-
Justice administration	27,910	-	27,910	-
Commerce and community development	7,894,747	-	7,894,747	-
Community water and sewer	-	123,206,475	123,206,475	-
Unrestricted	739,889,415	361,762,146	1,101,651,561	(20,750,802)
Total net position	\$ 1,002,954,477	\$ 844,957,449	\$ 1,847,911,926	\$ 1,641,861,585

See notes to financial statements.

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Functions/Programs

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government, administrative	\$ 70,138,155	\$ 21,647,745	\$ 987,164	\$ -
Public safety	213,302,224	71,593,604	18,840,945	-
Justice administration	103,693,297	14,894,634	20,096,453	-
Citizen services	116,822,520	9,690,233	57,727,223	-
Public works	44,105,238	16,436,978	5,533,677	-
Recreation and leisure	771,777	-	-	-
Commerce and community development	47,126,228	24,759,678	18,267,516	-
Unallocated depreciation	3,270,176	-	-	-
Interest on long-term debt	1,997,323	-	-	-
Total governmental activities	601,226,938	159,022,872	121,452,978	-
Business-type activities				
Airports	7,310,040	5,660,606	23,000	-
Community safety support	16,776,965	17,052,331	-	-
Community tax financing	886,342	11,971,091	-	-
Community water and sewer	102,062,666	111,098,682	301,703	-
Recreation and leisure	28,290,154	11,008,520	294,750	267,900
Sewage disposal systems	141,959,078	152,067,468	-	614,557
Total business-type activities	297,285,245	308,858,698	619,453	882,457
Total primary government	\$ 898,512,183	\$ 467,881,570	\$ 122,072,431	\$ 882,457
Component units				
Drainage districts	130,431,922	125,731,268	-	4,811,370
Road commission	129,364,990	20,291,455	117,923,686	45,612,754
Total component units	\$ 259,796,912	\$ 146,022,723	\$ 117,923,686	\$ 50,424,124

General Revenue:

Taxes
Unrestricted state-shared revenue
Unrestricted investment income
Gain on sale of capital assets
Other miscellaneous income

Total general revenue

Transfers

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

See notes to financial statements.

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Statement of Activities

Year Ended September 30, 2022

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Units
\$ (47,503,246)	\$ -	\$ (47,503,246)	\$ -
(122,867,675)	-	(122,867,675)	-
(68,702,210)	-	(68,702,210)	-
(49,405,064)	-	(49,405,064)	-
(22,134,583)	-	(22,134,583)	-
(771,777)	-	(771,777)	-
(4,099,034)	-	(4,099,034)	-
(3,270,176)	-	(3,270,176)	-
(1,997,323)	-	(1,997,323)	-
(320,751,088)	-	(320,751,088)	-
-	(1,626,434)	(1,626,434)	-
-	275,366	275,366	-
-	11,084,749	11,084,749	-
-	9,337,719	9,337,719	-
-	(16,718,984)	(16,718,984)	-
-	10,722,947	10,722,947	-
-	13,075,363	13,075,363	-
(320,751,088)	13,075,363	(307,675,725)	-
-	-	-	110,716
-	-	-	54,462,905
-	-	-	54,573,621
272,180,505	22,148,124	294,328,629	-
45,801,251	223,310	46,024,561	-
(25,976,167)	(9,760,599)	(35,736,766)	(619,505)
4,538,403	4,950	4,543,353	1,360,908
9,322,411	-	9,322,411	205,626
305,866,403	12,615,785	318,482,188	947,029
8,748,901	(8,748,901)	-	-
(6,135,784)	16,942,247	10,806,463	55,520,650
1,009,090,261	828,015,202	1,837,105,463	1,586,340,935
<u>\$ 1,002,954,477</u>	<u>\$ 844,957,449</u>	<u>\$ 1,847,911,926</u>	<u>\$ 1,641,861,585</u>

Oakland County, Michigan

Governmental Funds Balance Sheet

September 30, 2022

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Water and Sewer Debt Act 342	ARP Local Fiscal Recovery Fund		
Assets					
Pooled cash and investments	\$ 288,681,868	\$ 279,428	\$ 219,546,669	\$ 83,193,782	\$ 591,701,747
Receivables (Note 4)	82,993,929	41,449,299	7,887	43,416,585	167,867,700
Due from component units	61,945	-	-	626,725	688,670
Due from other funds	22,154,718	-	-	24,761,589	46,916,307
Advances to other funds	-	-	-	903,165	903,165
Inventories and supplies	172,929	-	-	-	172,929
Prepays and other assets	247,752	500	-	96,033	344,285
Total assets	<u>\$ 394,313,141</u>	<u>\$ 41,729,227</u>	<u>\$ 219,554,556</u>	<u>\$ 152,997,879</u>	<u>\$ 808,594,803</u>
Liabilities					
Accounts payable	\$ 21,122,949	\$ 241,903	\$ 958,764	\$ 10,618,389	\$ 32,942,005
Due to other governmental units	53,524	-	-	7,203,404	7,256,928
Due to other funds	37,877,592	-	5,792,528	17,428,490	61,098,610
Advances from other funds	-	-	-	738,165	738,165
Refundable deposits and bonds	32,905,160	-	-	-	32,905,160
Accrued liabilities and other	14,718,542	18,972	8,924	3,460,464	18,206,902
Unearned revenue	5,759,433	-	212,794,340	13,670,381	232,224,154
Provision for claims	39,840,000	-	-	-	39,840,000
Total liabilities	152,277,200	260,875	219,554,556	53,119,293	425,211,924
Deferred Inflows of Resources - Unavailable revenue (Note 5)	<u>21,212,198</u>	<u>41,450,727</u>	<u>-</u>	<u>26,290,201</u>	<u>88,953,126</u>
Total liabilities and deferred inflows of resources	173,489,398	41,711,602	219,554,556	79,409,494	514,165,050
Fund Balances (Note 9)					
Nonspendable	420,681	500	-	991,698	1,412,879
Restricted	-	17,125	-	32,320,672	32,337,797
Committed	-	-	-	44,312,823	44,312,823
Assigned	219,443,400	-	-	-	219,443,400
Unassigned	959,662	-	-	(4,036,808)	(3,077,146)
Total fund balances	<u>220,823,743</u>	<u>17,625</u>	<u>-</u>	<u>73,588,385</u>	<u>294,429,753</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 394,313,141</u>	<u>\$ 41,729,227</u>	<u>\$ 219,554,556</u>	<u>\$ 152,997,879</u>	<u>\$ 808,594,803</u>

Oakland County, Michigan

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

September 30, 2022

Fund Balances Reported in Governmental Funds	\$ 294,429,753
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	189,608,480
Receivables such as special assessments, property taxes, and contracts receivable that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	88,265,328
Bonds and leases payable are not due and payable in the current period and are not reported in the funds	(86,798,311)
Accrued interest is not due and payable in the current period and is not reported in the funds	(229,719)
Internal service funds are included as part of governmental activities	517,678,946
Net Position of Governmental Activities	<u>\$ 1,002,954,477</u>

Oakland County Michigan

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances Year Ended September 30, 2022

	General Fund	Water and Sewer Debt Act 342	ARP Local Fiscal Recovery Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Taxes	269,470,416	-	-	-	269,470,416
Special assessments	-	3,366,943	-	4,844,083	8,211,025
Intergovernmental:					
Federal grants	1,289,019	-	19,971,327	43,033,971	64,294,317
State and local	54,900,733	-	-	36,589,223	91,489,956
Charges for Services	123,604,204	500	-	11,112,624	134,717,328
Indirect cost recovery	9,068,263	-	-	181	9,068,445
Investment income	(21,902,499)	1,473	538,912	182,847	(21,179,267)
Other revenue	4,399,568	-	-	6,211,859	10,611,426
Total revenue	440,829,704	3,368,916	20,510,239	101,974,788	566,683,647
Expenditures					
Current operations:					
County Executive	108,685,938	-	1,810,860	85,486,252	195,983,050
Clerk/Register of Deeds	9,628,669	-	-	2,268,211	11,896,879
Treasurer	49,338,347	-	-	-	49,338,347
Justice administration	57,093,878	-	-	22,707,345	79,801,223
Law enforcement	197,131,376	-	2,645,808	8,225,729	208,002,914
Legislative	5,263,965	-	50,000	-	5,313,965
Water Resource Commissioner	8,067,506	500	-	3,319,275	11,387,281
Non-departmental	22,220,792	-	15,957,227	6,239,397	44,417,417
No Cost Center	205,197	-	-	-	205,197
Capital outlay	637,245	-	46,344	76,196	759,785
Intergovernmental	-	-	-	55,724	55,724
Debt service:					
Principal	-	2,390,000	-	8,756,800	11,146,800
Interest and fiscal charges	-	978,700	-	1,499,327	2,478,027
Total Expenditures	458,272,912	3,369,200	20,510,239	138,634,257	620,786,608
Excess of Revenues Over (Under) Expenditures	(17,443,208)	(284)	-	(36,659,469)	(54,102,961)
Other Financing Sources (Uses)					
Transfers In	6,503,242	-	-	55,723,086	62,226,328
Transfers Out	(60,186,178)	-	-	(8,002,806)	(68,188,984)
Issuance of refunding bonds	-	-	-	6,035,648	6,035,648
Debt premium	-	-	-	135,416	135,416
Sales of capital assets	3,546,870	-	-	-	3,546,870
Total other financing sources (uses)	(50,136,066)	-	-	53,891,344	3,755,278
Net Change in Fund Balances	(67,579,274)	(284)	-	17,231,875	(50,347,683)
Fund Balance - Beginning of year	288,403,017	17,909	-	56,356,510	344,777,436
Fund Balance - End of year	220,823,743	17,625	-	73,588,385	294,429,753

Oakland County, Michigan

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

Year Ended September 30, 2022

Net Change in Fund Balances Reported in Governmental Funds \$ (50,347,683)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Capital outlay	4,065,591
Depreciation and amortization expense	(10,404,827)
Net book value of assets disposed of	(2,292)

Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	6,715,202
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Lease expense is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	849,961
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Issuing debt provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(6,171,064)
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Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	11,146,800
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Interest expense is recognized in the government-wide statements as it accrues	480,706
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Claims and similar costs that do not use current financial resources are not reported as expenditures in the governmental funds	19,800,000
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Internal service funds are included as part of governmental activities	17,731,822
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Change in Net Position of Governmental Activities \$ (6,135,784)

Oakland County, Michigan

	Enterprise Funds			
	Parks and Recreation	Delinquent Tax Revolving	Water and Sewer Trust	Evergreen-Farmington S.D.S.
Assets				
Current assets:				
Pooled cash and investments	\$ 31,539,127	\$ 142,965,147	\$ 101,601,354	\$ 21,431,137
Investments	-	-	-	-
Receivables	658,921	61,169,434	33,150,309	6,643,864
Due from component units	-	-	-	689,979
Due from other funds	219	-	400,048	30,873
Inventories and supplies	123,646	-	-	-
Prepaid expenses and other assets	-	150,880	1,310,585	400,083
Total current assets	32,321,913	204,285,461	136,462,296	29,195,936
Noncurrent assets:				
Net OPEB asset	-	-	-	-
Capital assets:				
Assets not subject to depreciation	32,959,514	-	24,567,709	54,187,649
Assets subject to depreciation - Net	32,884,909	-	48,996,647	45,216,279
Total noncurrent assets	65,844,423	-	73,564,356	99,403,928
Total assets	98,166,336	204,285,461	210,026,652	128,599,864
Deferred Outflows of Resources				
Deferred pension costs	-	-	-	-
Deferred OPEB costs	-	-	-	-
Total deferred outflows of resources	-	-	-	-
Liabilities				
Current liabilities:				
Accounts payable	998,738	226,029	12,586,775	7,451,521
Due to other governmental units	-	253,612	7,613	-
Due to other funds	112,949	-	-	-
Accrued liabilities and other	328,677	65,972	1,963,361	119,481
Unearned revenue	162,802	-	-	-
Compensated absences	-	-	-	-
Provision for claims and judgments	-	-	-	-
Current portion of bonds payable	-	-	1,027,043	1,265,000
Total current liabilities	1,603,166	545,613	15,584,792	8,836,002
Noncurrent liabilities:				
Advances from other funds	-	-	165,000	-
Compensated absences	-	-	-	-
Provision for claims and judgments	-	-	-	-
Net pension liability	-	-	-	-
Bonds and leases payable - Net of current portion	-	-	13,136,520	11,915,000
Total noncurrent liabilities	-	-	13,301,520	11,915,000
Total liabilities	1,603,166	545,613	28,886,312	20,751,002
Deferred Inflows of Resources				
Deferred OPEB cost reductions	-	-	-	-
Deferred inflows from leases	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Net Position				
Net investment in capital assets	65,844,423	-	59,400,793	86,223,928
Restricted:				
Public works	-	-	65,114,044	15,983,133
Superseding trust - OPEB	-	-	-	-
Unrestricted	30,718,747	203,739,848	56,625,503	5,641,801
Total net position	<u><u>\$ 96,563,170</u></u>	<u><u>\$ 203,739,848</u></u>	<u><u>\$ 181,140,340</u></u>	<u><u>\$ 107,848,862</u></u>

Proprietary Funds
Statement of Net Position

September 30, 2022

Enterprise Funds			Governmental Activities
S.O.C.S.D.S.	Nonmajor Enterprise	Total Enterprise Funds	Proprietary Internal Service Fund
\$ 33,969,682	\$ 69,235,741	\$ 400,742,188	\$ 117,643,435
-	-	-	16,788,721
5,855,623	11,175,262	118,653,413	4,931,442
-	3,741	693,720	56,086
-	1,905,521	2,336,661	16,103,336
-	58,197	181,843	2,077,352
334,885	1,765,121	3,961,554	5,243,846
40,160,190	84,143,583	526,569,379	162,844,218
-	-	-	400,265,102
2,321,060	98,823,435	212,859,367	27,370,328
10,873,797	56,287,065	194,258,697	19,041,914
13,194,857	155,110,500	407,118,064	446,677,344
53,355,047	239,254,083	933,687,443	609,521,562
-	-	-	68,518,417
-	-	-	177,127,629
-	-	-	245,646,046
8,835,941	2,695,096	32,794,100	9,521,735
-	592,055	853,280	145,662
22,901	430,921	566,771	3,690,923
89,142	1,543,645	4,110,278	2,704,928
-	1,365,484	1,528,286	6,316
-	-	-	1,703,902
-	-	-	8,849,911
-	1,700,000	3,992,043	28,605,000
8,947,984	8,327,201	43,844,758	55,228,377
-	-	165,000	-
-	-	-	15,335,116
-	-	-	23,827,091
-	-	-	69,207,954
-	18,085,673	43,137,193	126,295,000
-	18,085,673	43,302,193	234,665,161
8,947,984	26,412,874	87,146,951	289,893,538
-	-	-	47,595,124
-	1,583,043	1,583,043	-
-	1,583,043	1,583,043	47,595,124
13,194,857	135,324,827	359,988,828	46,412,242
16,927,038	25,182,260	123,206,475	-
-	-	-	16,829,466
14,285,168	50,751,079	361,762,146	454,437,238
\$ 44,407,063	\$ 211,258,166	\$ 844,957,449	\$ 517,678,946

Oakland County, Michigan

	Enterprise Funds			
	Parks and Recreation	Delinquent Tax Revolving	Water and Sewer Trust	Evergreen-Farmington S.D.S.
Operating Revenue				
Charges for services	\$ 11,001,997	\$ 11,436,016	\$ 110,822,305	\$ 49,478,814
Other	6,523	-	276,377	15,769
Total operating revenue	11,008,520	11,436,016	111,098,682	49,494,583
Operating Expenses				
Salaries	10,783,888	139,405	131,191	-
Fringe benefits	3,410,998	76,144	68,725	-
Fringe benefits - Pension	-	-	-	-
Fringe benefits - OPEB	-	-	-	-
Contractual services	7,494,618	205,749	53,919,018	42,300,696
Commodities	1,628,582	-	2,206,379	34,073
Internal services	1,594,365	141,436	27,453,992	1,843,948
Intergovernmental	-	-	15,955,638	-
Depreciation	3,377,703	-	1,946,067	754,956
Total operating expenses	28,290,154	562,734	101,681,010	44,933,673
Operating (Loss) Income	(17,281,634)	10,873,282	9,417,672	4,560,910
Nonoperating Revenue (Expense)				
Property tax revenue	22,148,124	-	-	-
Investment income (loss)	(1,000,830)	(5,115,086)	(3,086,595)	112,910
Interest expense	-	-	(381,656)	(342,741)
Gain on sale of assets	4,950	-	-	-
Other nonoperating revenue	95,750	-	-	-
Operating grants	199,000	-	301,703	-
Local community stabilization share	223,310	-	-	-
Total nonoperating revenue (expense)	21,670,304	(5,115,086)	(3,166,548)	(229,831)
Income (Loss) - Before capital contributions	4,388,670	5,758,196	6,251,124	4,331,079
Capital Contributions	267,900	-	-	614,557
Transfers In	50,000	5	-	-
Transfers Out	(31,648)	(10,107,789)	(46,800)	(500,000)
Change in Net Position	4,674,922	(4,349,588)	6,204,324	4,445,636
Net Position - Beginning of year	91,888,248	208,089,436	174,936,016	103,403,226
Net Position - End of year	\$ 96,563,170	\$ 203,739,848	\$ 181,140,340	\$ 107,848,862

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

Year Ended September 30, 2022

Enterprise Funds			Governmental Activities
S.O.C.S.D.S.	Nonmajor Enterprise	Total Enterprise Funds	Proprietary Internal Service Fund
\$ 54,767,416	\$ 70,498,322	\$ 308,004,870	\$ 287,704,752
151,669	403,490	853,828	59,015
54,919,085	70,901,812	308,858,698	287,763,767
-	5,132,068	16,186,552	49,053,667
-	2,569,574	6,125,441	23,970,125
-	-	-	27,115,956
-	-	-	(37,070,644)
50,686,509	44,081,323	198,687,913	190,922,550
199,622	406,957	4,475,613	10,120,994
1,893,893	3,716,460	36,644,094	10,741,203
-	6,764,158	22,719,796	-
126,356	5,055,778	11,260,860	5,679,370
52,906,380	67,726,318	296,100,269	280,533,221
2,012,705	3,175,494	12,758,429	7,230,546
-	-	22,148,124	-
(1,165,251)	494,253	(9,760,599)	(4,796,896)
-	(460,579)	(1,184,976)	(6,412,669)
-	-	4,950	993,825
-	-	95,750	-
-	23,000	523,703	-
-	-	223,310	-
(1,165,251)	56,674	12,050,262	(10,215,740)
847,454	3,232,168	24,808,691	(2,985,194)
-	-	882,457	6,005,459
-	2,173,331	2,223,336	14,845,187
-	(286,000)	(10,972,237)	(133,630)
847,454	5,119,499	16,942,247	17,731,822
43,559,609	206,138,667	828,015,202	499,947,124
\$ 44,407,063	\$ 211,258,166	\$ 844,957,449	\$ 517,678,946

Oakland County, Michigan

	Enterprise Funds			
	Parks and Recreation	Delinquent Tax Revolving	Water and Sewer Trust	Evergreen-Farmington S.D.S.
Cash Flows from Operating Activities				
Receipts from customers	\$ 10,864,981	\$ 11,581,084	\$ 107,551,392	\$ 48,137,288
Payments to suppliers	(8,670,354)	(415,680)	(68,546,542)	(42,051,811)
Payments to employees and fringes	(14,072,447)	(214,423)	(201,050)	-
Payments to other funds	(1,517,853)	(141,436)	(27,524,903)	(1,843,948)
Net cash and cash equivalents (used in) provided by operating activities	(13,395,673)	10,809,545	11,278,897	4,241,529
Cash Flows from Noncapital Financing Activities				
Operating grants and subsidies	269,750	-	301,703	-
Transfers from other funds	50,000	5	-	-
Principal and interest paid on operating debt	-	-	157,513	-
Transfers to other funds	(31,648)	(10,107,789)	(46,800)	(500,000)
Payments of loans made from other funds	-	-	(60,000)	-
Property taxes	22,148,124	-	-	-
Local community stabilization share	223,310	-	-	-
Purchase of delinquent property taxes	-	(61,261,483)	-	-
Delinquent property taxes collected	-	63,139,360	-	-
Net cash and cash equivalents provided by (used in) noncapital financing activities	22,659,536	(8,229,907)	352,416	(500,000)
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of capital assets	39,487	-	-	-
Purchase of capital assets	(2,024,546)	-	(9,866,964)	(3,263,935)
Principal and interest paid on capital debt	-	-	(1,274,534)	(1,572,741)
Net cash and cash equivalents used in capital and related financing activities	(1,985,059)	-	(11,141,498)	(4,836,676)
Cash Flows from Investing Activities				
Interest received and investment value change	(1,049,447)	(5,160,083)	(3,266,073)	102,702
Purchases of investment securities	-	-	-	-
Purchase of investment securities - Net of sales	-	-	-	-
Net cash and cash equivalents (used in) provided by investing activities	(1,049,447)	(5,160,083)	(3,266,073)	102,702
Net Increase (Decrease) in Cash and Cash Equivalents	6,229,357	(2,580,445)	(2,776,258)	(992,445)
Cash and Cash Equivalents - Beginning of year	25,309,770	145,545,592	104,377,612	22,423,582
Cash and Cash Equivalents - End of year	\$ 31,539,127	\$ 142,965,147	\$ 101,601,354	\$ 21,431,137
Classification of Cash and Cash Equivalents - Cash and investments	\$ 31,539,127	\$ 142,965,147	\$ 101,601,354	\$ 21,431,137
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (17,281,634)	\$ 10,873,282	\$ 9,417,672	\$ 4,560,910
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation	3,377,703	-	1,946,067	754,956
Changes in assets and liabilities:				
Receivables	(143,539)	145,068	(3,547,290)	(1,357,295)
Due to and from other funds	76,512	-	(70,911)	-
Inventories	(551)	-	-	-
Prepaid and other assets	2,282	(150,880)	(252,304)	(50,652)
Net pension or OPEB asset	-	-	-	-
Accounts payable	451,115	(59,051)	3,786,797	333,610
Deferrals related to pension or OPEB	-	-	-	-
Accrued and other liabilities	122,439	1,126	(1,134)	-
Total adjustments	3,885,961	(63,737)	1,861,225	(319,381)
Net cash and cash equivalents (used in) provided by operating activities	\$ (13,395,673)	\$ 10,809,545	\$ 11,278,897	\$ 4,241,529
Significant Noncash Transactions - Contribution of capital assets	\$ 267,900	\$ -	\$ -	\$ 614,557

**Proprietary Funds
Statement of Cash Flows**

Year Ended September 30, 2022

Enterprise Funds			Governmental Activities
S.O.C.S.D.S.	Nonmajor Enterprise	Total	Proprietary Internal Service Fund
\$ 53,840,116	\$ 69,210,229	\$ 301,185,090	\$ 291,515,505
(50,303,328)	(50,568,615)	(220,556,330)	(59,099,449)
-	(7,669,366)	(22,157,286)	(206,320,904)
(1,893,893)	(3,271,139)	(36,193,172)	(8,566,205)
1,642,895	7,701,109	22,278,302	17,528,947
-	23,000	594,453	-
-	2,173,331	2,223,336	9,345,187
-	-	157,513	-
-	(286,000)	(10,972,237)	(133,630)
-	-	(60,000)	-
-	-	22,148,124	-
-	-	223,310	-
-	-	(61,261,483)	-
-	-	63,139,360	-
-	1,910,331	16,192,376	9,211,557
-	-	39,487	1,062,407
(116,481)	(11,310,844)	(26,582,770)	(6,151,665)
-	(2,522,625)	(5,369,900)	(33,997,669)
(116,481)	(13,833,469)	(31,913,183)	(39,086,927)
(1,182,688)	464,449	(10,091,140)	(4,868,110)
-	-	-	(500,000)
-	-	-	3,455,356
(1,182,688)	464,449	(10,091,140)	(1,912,754)
343,726	(3,757,580)	(3,533,645)	(14,259,177)
33,625,956	72,993,321	404,275,833	131,902,612
\$ 33,969,682	\$ 69,235,741	\$ 400,742,188	\$ 117,643,435
\$ 33,969,682	\$ 69,235,741	\$ 400,742,188	\$ 117,643,435
\$ 2,012,705	\$ 3,175,494	\$ 12,758,429	\$ 7,230,546
126,356	5,055,778	11,260,860	5,679,370
(1,078,969)	(1,691,583)	(7,673,608)	3,749,582
-	430,921	436,522	2,175,433
-	66,116	65,565	(580,900)
32,633	(60,339)	(479,260)	3,369,056
-	-	-	245,114,219
550,170	692,446	5,755,087	6,516,289
-	-	-	(255,068,907)
-	32,276	154,707	(655,741)
(369,810)	4,525,615	9,519,873	10,298,401
\$ 1,642,895	\$ 7,701,109	\$ 22,278,302	\$ 17,528,947
\$ -	\$ -	\$ 882,457	\$ 6,005,459

Oakland County, Michigan

**Fiduciary Funds
Statement of Fiduciary Net Position**

September 30, 2022

	Pension and Other Postemployment Benefits Trust Funds	Investment Trust Fund	Custodial Funds
Assets			
Pooled cash and investments	\$ 61,039,079	\$ 608,754,597	\$ 260,253,065
Investments:			
U.S. government securities	302,796,923	-	-
Other fixed income	19,478,074	-	-
Commercial mortgage-backed securities	21,682,822	-	-
International common stock	493,771,272	-	-
Common, preferred, and convertible stocks	251,221,104	-	-
Corporate bonds	233,403,900	-	-
Real estate	253,540,036	-	-
Partnerships	168,485,550	-	-
Hedge funds	185,889,344	-	-
Receivables - Accrued interest receivable	4,494,598	129,812	34,295
Prepaid expenses and other assets	220,418	-	-
Total assets	1,996,023,120	608,884,409	260,287,360
Liabilities			
Accounts payable	2,793,263	-	-
Due to other governmental units	-	-	256,046,221
Refundable deposits and bonds	-	-	980,833
Accrued liabilities and other	1,861,094	-	-
Total liabilities	4,654,357	-	257,027,054
Net Position - Restricted			
Pension	648,806,362	-	-
Postemployment benefits other than pension	1,342,562,401	-	-
Pool participants	-	608,884,409	-
Individuals, organizations, and other governments	-	-	3,260,306
Total net position	\$ 1,991,368,763	\$ 608,884,409	\$ 3,260,306

Oakland County, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Position

Year Ended September 30, 2022

	Pension and Other Postemployment Benefits Trust Funds	Investment Trust Fund	Custodial Funds
Additions			
Investment income (loss):			
Interest and dividends	\$ 29,791,378	\$ 4,460,814	\$ 1,550
Net decrease in fair value of investments	(290,039,732)	(24,282,054)	-
Investment-related expenses	(5,031,500)	-	-
Net investment (loss) income	(265,279,854)	(19,821,240)	1,550
Contributions - Employer contributions	343,822	-	-
New investments by participating municipalities	-	431,078,818	-
Property tax collections	-	-	1,446,428,251
Other revenue	6,784,728	-	-
Forfeitures, escheats, and deposits	-	-	10,093,363
Total additions	(258,151,304)	411,257,578	1,456,523,164
Deductions			
Benefit payments	109,415,856	-	-
Redemptions of investments by participating municipalities	-	849,161,682	-
Administrative expenses	846,025	-	-
Taxes disbursed	-	-	1,446,428,251
Release of funds	-	-	8,157,659
Court-ordered funds	-	-	10,776,214
Total deductions	110,261,881	849,161,682	1,465,362,124
Net Decrease in Fiduciary Net Position	(368,413,185)	(437,904,104)	(8,838,960)
Net Position - Beginning of year	2,359,781,948	1,046,788,513	12,099,266
Net Position - End of year	\$ 1,991,368,763	\$ 608,884,409	\$ 3,260,306

See notes to financial statements.

Oakland County, Michigan

Component Units Statement of Net Position

September 30, 2022

	Drainage Districts	Road Commission	Total
Assets			
Pooled cash and investments	\$ 48,145,915	\$ 103,163,392	\$ 151,309,307
Receivables	194,840,938	36,982,368	231,823,306
Inventories and supplies	-	5,971,644	5,971,644
Prepaid expenses and other assets	1,320,186	3,511,891	4,832,077
Restricted assets	31,404,276	-	31,404,276
Capital assets:			
Assets not subject to depreciation	68,286,357	250,177,737	318,464,094
Assets subject to depreciation - Net	588,656,618	775,481,891	1,364,138,509
Total assets	932,654,290	1,175,288,923	2,107,943,213
Deferred Outflows of Resources			
Deferred pension costs	-	4,585,119	4,585,119
Deferred OPEB costs	-	7,412,749	7,412,749
Total deferred outflows of resources	-	11,997,868	11,997,868
Liabilities			
Accounts payable	10,039,359	13,558,526	23,597,885
Due to other governmental units	6,770,353	-	6,770,353
Due to primary government	1,382,160	56,316	1,438,476
Refundable deposits and bonds	-	1,738,313	1,738,313
Accrued liabilities and other	554,119	2,274,457	2,828,576
Unearned revenue	26,525,416	15,827,343	42,352,759
Noncurrent liabilities:			
Due within one year:			
Payable from restricted assets	5,918,751	-	5,918,751
Provision for claims and judgments	-	948,119	948,119
Current portion of bonds payable	21,790,686	-	21,790,686
Due in more than one year:			
Compensated absences	-	2,450,826	2,450,826
Provision for claims and judgments	-	979,247	979,247
Net pension liability	-	4,254,080	4,254,080
Net OPEB obligation	-	96,568,922	96,568,922
Bonds and leases payable - Net of current portion	222,720,687	-	222,720,687
Total liabilities	295,701,531	138,656,149	434,357,680
Deferred Inflows of Resources			
Deferred pension cost reductions	-	25,106,151	25,106,151
Deferred OPEB cost reductions	-	18,615,665	18,615,665
Total deferred inflows of resources	-	43,721,816	43,721,816
Net Position			
Net investment in capital assets	437,917,127	1,025,659,628	1,463,576,755
Restricted:			
Debt service	169,854,248	-	169,854,248
Public works	29,181,384	-	29,181,384
Unrestricted	-	(20,750,802)	(20,750,802)
Total net position	\$ 636,952,759	\$ 1,004,908,826	\$ 1,641,861,585

See notes to financial statements.

Oakland County, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Drainage Districts	\$ 130,431,922	\$ 125,731,268	\$ -	\$ 4,811,370
Road Commission	129,364,990	20,291,455	117,923,686	45,612,754
Total component units	\$ 259,796,912	\$ 146,022,723	\$ 117,923,686	\$ 50,424,124

General revenue:

Unrestricted investment (loss) income
Gain on sale of capital assets
Other miscellaneous income

Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Component Units Statement of Activities

Year Ended September 30, 2022

Net Revenue (Expense) and Changes in Net Position		
Drainage Districts	Road Commission	Total
\$ 110,716	\$ -	\$ 110,716
-	54,462,905	54,462,905
110,716	54,462,905	54,573,621
(1,052,346)	432,841	(619,505)
-	1,360,908	1,360,908
205,626	-	205,626
(846,720)	1,793,749	947,029
(736,004)	56,256,654	55,520,650
637,688,763	948,652,172	1,586,340,935
\$ 636,952,759	\$ 1,004,908,826	\$ 1,641,861,585

Note 1 - Significant Accounting Policies***Accounting and Reporting Principles***

The basic financial statements of Oakland County, Michigan (the "County") have been prepared in conformity with generally accepted accounting principles (GAAP), as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification). The more significant of the County's accounting policies are described below.

The Financial Reporting Entity

As defined by generally accepted accounting principles established by the GASB, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board and either (a) the ability to impose will by the primary government or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

The accompanying financial statements present Oakland County, Michigan and its component units. The County's Parks and Recreation Commission is not legally separate from the County, nor does it possess separate corporate powers. As such, the financial data of the County's Parks and Recreation Commission have been included with the financial data of the primary government. The financial data of the component units are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units

A blended component unit is a legally separate entity from the County that is so intertwined with the County that it is, in substance, the same as the County. It is reported as part of the County and blended into the appropriate funds.

Oakland County Building Authority (the "Authority")

A five-person authority is appointed by the Oakland County Board of Commissioners, and its activity is dependent upon board actions. The purpose of the Authority is to finance, through tax-exempt bonds, the construction of public buildings for use by the County, with the bonds secured by lease agreements with the County and retired through lease payments from the County. The Oakland County Building Authority is reported as if it were part of the primary government because its sole purpose is to finance the construction of the County's public buildings. The Authority's activity is reported in various debt service funds (designated by the caption "Building Authority") and the Building Improvement Fund, a capital projects fund.

Separate financial statements for the Authority are not published.

Discretely Presented Component Units

A discretely presented component unit is an entity that is legally separate from the County but for which the County is financially accountable or whose relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. These component units are reported in separate columns to emphasize that they are legally separate from the County.

Note 1 - Significant Accounting Policies (Continued)***Drainage Districts***

This component unit consists of individual districts created under Chapters 20 and 21 of Michigan Public Act 40 of 1956 for the purpose of alleviating drainage problems. This involves the construction, maintenance, and financing necessary to account for the cost of the drainage district. The individual districts, each a separate legal entity with power to assess the benefiting communities, are governed by the Drain Board for Oakland County, which consists of the Oakland County water resources commissioner, the chairman of the Oakland County Board of Commissioners, and the chairperson of the finance committee of the Board of Commissioners. Assessments are made against the applicable municipalities within each district, including the Road Commission for Oakland County and the State of Michigan, for road drainage. All activities of the various drainage districts are administered by the Oakland County water resources commissioner. However, the drainage districts are not subject to the County's appropriation process. Because of the relationship between the component unit and the primary government, it would be misleading to exclude the Drainage Districts component unit from the financial statements of Oakland County, Michigan.

The financial activities of the Drainage Districts as of and for the year ended September 30, 2022 are reported discretely as a governmental fund type. There are no separately issued financial statements of this component unit, although financial information for the specific drainage districts may be obtained from Oakland County Water Resources Commissioner, #1 Public Works Drive, Waterford, MI 48328.

Road Commission for Oakland County (the "Road Commission")

The Road Commission is governed by three appointees of the County Board of Commissioners who are not board members. The Road Commission is responsible for the construction and maintenance of the County's system of roads and bridges and is principally funded by state-collected vehicle fuel and registration taxes under Michigan Public Act 51 of 1951. The County has budgetary control and appropriation authority over its activities; however, such control has not been exercised. The Road Commission's primary activities, which are as of and for the year ended September 30, 2022, are reported discretely as a governmental fund type - special revenue fund. The Road Commission Retirement System, which is as of and for the year ended December 31, 2021, is not reported in the financial statements of Oakland County, Michigan.

Complete financial statements of the Road Commission, which include the Road Commission Retirement System and its separately issued statements, can be obtained from its administrative offices at 31001 Lahser Road, Beverly Hills, MI 48025.

Fiduciary Component Units***Oakland County Public Employees' Retirement System (PERS)***

The PERS is governed by a nine-member board, as described in Note 10. Although it is legally separate from the County, it is reported as a fiduciary component unit because the County appoints the voting majority to the board and imposes a financial burden on the County.

Voluntary Employees' Beneficiary Trust (VEBA)

The VEBA is governed by a nine-member board, as described in Note 12. Although it is legally separate from the County, it is reported as a fiduciary component unit because the County appoints the voting majority to the board and imposes a financial burden on the County.

Note 1 - Significant Accounting Policies (Continued)**Fund Accounting**

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

Governmental Funds

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

- The General Fund is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. Revenue is primarily derived from property taxes, state and federal distributions, and charges for services.
- The Water and Sewer Debt Act 342 Fund accounts for the accumulation of resources, mainly special assessments against benefiting municipalities, for the payment of bonded debt issued for construction of various water and sewer systems in Oakland County.
- The ARP Local Fiscal Recovery Fund accounts for the financial resources received under the American Rescue Plan Act.

Additionally, the County reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.
- Capital project funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for capital-related items. The funds operate until the purpose for which they were created is accomplished.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

Proprietary Funds

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

- The Parks and Recreation Fund accounts for the operation of the Oakland County, Michigan parks system.
- The Delinquent Tax Revolving Fund accounts for money advanced to the County and other local units of government for unpaid property taxes and the subsequent collection of delinquencies.
- The Water and Sewer Trust Fund accounts for the collection of resources for the operation of various water and sewer systems maintained by the County, rather than the respective individual municipalities.
- The Evergreen-Farmington S.D.S. (Sewage Disposal System) Fund was established to record the operations and maintenance of the system, which is used to move sewage to the Great Lakes Water Authority for treatment. Costs are recovered by developing rates and billing the municipalities serviced.

Note 1 - Significant Accounting Policies (Continued)

- The Southeastern Oakland County S.D.S. (S.O.C.S.D.S.) Fund was established to record the operations and maintenance of the system, which is used to move sewage and storm water to the Great Lakes Water Authority for treatment. Costs are recovered by developing rates and billing the municipalities being served.

Internal service funds account for goods and services provided to departments, funds, and governmental units on a cost-reimbursement basis. Included within the internal service funds are certain fringe benefits and services provided to county employees and funds which include health, workers' compensation, unemployment compensation, information technology, various equipment revolving funds, and central service-type operations.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the County's programs. Oakland County, Michigan's fiduciary funds include Pension and Other Postemployment Benefits Trust Funds to account for retirees' retirement and medical benefits; the investment trust fund, which reports funds deposited by and invested for local units of government; and custodial funds, which account for assets held in a custodial capacity by the County for others. These funds are not reflected in the government-wide financial statements because the resources of the funds are not available to support the programs of Oakland County, Michigan.

Interfund Activity

During the course of operations, the County has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the County has spent its resources.

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

Note 1 - Significant Accounting Policies (Continued)

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

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

Report Presentation

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

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

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

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

Specific Balances and Transactions**Pooled Cash and Investments**

The County maintains a cash and investment pool for all funds except the pension trust funds, the Superseding Trust Fund, and two custodial funds (Jail Inmate Trust and District Court Trust) in order to maximize investment earnings. Investments of the pool are not segregated by fund, but each contributing fund's balance is treated as equity in the pool. For funds not in the pool, cash equivalents are considered to be demand deposits and short-term investments with an original maturity date of three months or less from the date of acquisition.

Cash overdrafts occurring in funds participating in pooled cash accounts at September 30, 2022 have been reclassified as a due to other funds, and a corresponding due from other funds was established in the General Fund. Similarly, negative accrued interest receivable caused by negative cash balances is also reclassified at year end as an interfund liability.

Note 1 - Significant Accounting Policies (Continued)

Pooled investment income is allocated to all funds based on the respective share of their average daily balances. Interest charges for funds with negative balances are reported as negative interest income.

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term receivables and payables resulting from such transactions are classified as due from other funds or due to other funds on the balance sheet.

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by nonspendable fund balance.

Inventories

Inventories in governmental and proprietary funds are stated at cost using the first-in, first-out (FIFO) method. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Prepayments

Payments made for services that will benefit periods beyond September 30, 2022 are recorded as prepayments using the consumption method.

Unearned Revenue

Revenue for which asset recognition has been met but for which revenue recognition criteria have not yet been met for payments received before earnings are complete is reported as a liability.

Restricted Cash

The County has unspent bond proceeds remaining from the 2020 General Obligation Debt for the OMI Drainage District of \$31,404,276.

Capital Assets

Capital assets, which includes land, buildings, equipment, and infrastructure assets (e.g., roads, drains, and similar items), are reported in the government-wide statements and applicable proprietary fund financial statements. Capital assets that are used for governmental activities are only capitalized in the government-wide statements and fully expended in the government funds. The County established capitalization thresholds for capital assets of \$5,000. Capital assets are stated at cost or, if donated, at acquisition value at the time of donation. In some instances, capital asset historical costs were not available; therefore, the costs of these assets at the dates of acquisitions have been estimated. Expenditures materially extending the life of capital assets are capitalized.

Capital assets are depreciated over their useful lives, using the straight-line depreciation method. Infrastructure (public domain) assets, including roads, bridges, sanitary sewers, drains, curbs, and gutters, are capitalized.

The County's estimated useful lives of the major classes of property and equipment follow:

Class	Years
Land improvements	10-15
Buildings and improvements	15-45
Equipment and vehicles	3-10
Sewage disposal systems	40-50
Infrastructure	10-100

Capital assets used in the general operation of the Road Commission are depreciated under various methods, including straight-line and sum-of-the-years digits.

Note 1 - Significant Accounting Policies (Continued)**Long-term Obligations**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses. The debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The County recognizes deferred outflows from changes in assumptions related to the OPEB plan and the net difference between projected and actual earnings on retirement and OPEB plan investments. The Road Commission component unit reports deferred outflows from contributions to the plan subsequent to the measurement date for both the pension and OPEB plans and changes in assumptions in relation to the OPEB plan.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The County has three types of deferred inflows, the first of which arising only under a modified accrual basis of accounting, that qualify for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from five sources: property taxes, contracts, grants, special assessments, and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second type is related to the difference between expected and actual experience related to the OPEB plan. The third type is related to changes in assumptions related to the OPEB plan. These amounts will be amortized over future years and included in net OPEB expense. The Road Commission component unit reports deferred inflows of resources related to both the pension and OPEB plan for the difference between expected and actual experience and net difference between projected and actual earnings on investments along with grant reimbursement funding and special assessment receivables that were not received within the 60-day period of availability.

Property taxes levied are used to finance the expenditures of the current fiscal period (October 1, 2021 through September 30, 2022) and are reported as revenue in the financial statements. Amounts not collected within 60 days of the end of the fiscal year are considered unavailable for the current period and are reported as deferred inflows.

Net Position

Net position of the County is classified in three components:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like or imposed by law through constitutional provisions or enabling legislation.

Note 1 - Significant Accounting Policies (Continued)

- Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often is designated to indicate that management does not consider them to be available for general operations. Unrestricted net position often has constraints on resources that are imposed by management but can be removed or modified.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Equity

In the fund financial statements for the governmental funds, the following are the components of fund balance:

- Nonspendable: resources that are not in spendable form (i.e., inventories)
- Restricted: amounts that are restricted to specific purposes externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through enabling legislation
- Committed: amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolution of the County's highest level of decision-making authority. A formal resolution by the Board of Commissioners is required to establish, modify, or rescind a fund balance commitment.
- Assigned: amounts that are constrained by the County's intent to be used for specific purposes but are neither restricted nor committed. These assignments are authorized by the Board of Commissioners through a formal resolution.
- Unassigned: the residual classification of the General Fund and the reporting of any negative fund balance of a governmental fund

Note 1 - Significant Accounting Policies (Continued)**Property Tax Revenue**

County general operating property taxes are levied annually on July 1 (lien date) to fund operations for the current year. The property taxes are due in full within nine months (prior to March 1), at which time uncollected taxes become delinquent. The assessed value of real and personal is established by the local units, accepted by the County, and equalized under state statute at approximately 50 percent of the current estimated market value. In March 1994, Michigan voters approved Proposal A, which requires property taxes to be levied based on the taxable value of the underlying property. Annual increases in taxable value are limited to the lesser of 5 percent or the rate of inflation. Taxable value reverts to 50 percent of true cash value when the property is sold. Taxable value is determined by using such factors as equalized, assessed, and capped values.

The taxable value of real and personal property for the July 1, 2022 general operating levy was \$69.6 billion. The general operating tax rate for this levy was 3.9686 mills, which is the maximum allowable millage levy per the Headlee Amendment to the Michigan Constitution. The County also has a voter-approved tax of 0.347 mills for parks and recreation, which is levied on December 1 each year. The amount unpaid at fiscal year end is reported as current property taxes receivable in the County's General Fund.

Pension

The County offers pension benefits to retirees. The County records a net pension liability (asset) for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Pension Liability

The government-wide statements include a liability (asset) for our unfunded (overfunded) legacy costs related to the County's pension plan. The net pension liability (asset) is the difference between the total pension liability and the plan's fiduciary net position. The pension expense recognized each fiscal year is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the liability and investment experience. The net pension liability (asset) is recorded on the government-wide, internal service, and discretely presented component unit statements. This change does not impact the General Fund or any other governmental fund. Refer to the pension footnotes for further details.

Other Postemployment Benefit Liability (Asset)

The County offers a defined health care benefits plan to retirees. The County records an OPEB liability (asset) 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 (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The net OPEB liability (asset) is recorded on both the government-wide, internal service, and discretely presented component unit financial statements. This change does not impact the General Fund or any other governmental fund. Refer to the OPEB notes for further details.

Note 1 - Significant Accounting Policies (Continued)**Compensated Absences**

Compensated absences (vested sick and annual leave) of the primary government that are allowed to accumulate are charged to operations in the Fringe Benefits Fund (an internal service fund) as the benefits accrue. Compensated absences for the Road Commission are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only for employee terminations as of year end.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits for the primary government and component units.

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds is charges to customers for sales or services. Operating expenses for these funds include the cost of sales or services and administrative expenses and may include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

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

Leases

The County is a lessee for noncancelable leases of buildings. The County recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the Water and Sewer Trust Fund (enterprise fund) and in the governmental activities column in the government-wide financial statements. The County recognizes lease assets and liabilities with an initial value of \$5,000 or more.

At the commencement of a lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the County determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The County uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Note 1 - Significant Accounting Policies (Continued)

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

The County is a lessor for noncancelable leases of a cellular tower. The County recognizes a lease receivable and a deferred inflow of resources in the proprietary fund financial statements (Radio Communications Fund).

At the commencement of a lease, the County initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the County determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

- The County uses the incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Upcoming Accounting Pronouncements

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

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The County is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the County's financial statements for the year ending September 30, 2023.

In April 2022, the Governmental Accounting Standards Board issued Statement No. 99, *Omnibus 2022*, which establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP), nonmonetary transactions, pledges of future revenue, the focus of government-wide financial statements, and terminology. The standard has various effective dates. The County does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

Note 1 - Significant Accounting Policies (Continued)

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, *Accounting Changes and Error Corrections*, which enhances the accounting and financial reporting requirements for accounting changes and error corrections. The provisions of this statement are effective for the County's financial statements for the year ending September 30, 2024.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the County's financial statements for the year ending September 30, 2025.

Adoption of New Accounting Pronouncement

During the current year, the County adopted GASB Statement No. 87, *Leases*. As a result, the government-wide financial statements and Water and Sewer Trust (enterprise fund) now include a liability for the present value of payments expected to be made and right-to-use assets. The Radio Communications Fund (nonmajor enterprise fund) now includes receivables for the present value of payments expected to be received and deferred inflows of resources that will be recognized as revenue over the term of the lease. Lease activity is further described in Note 16.

Note 2 - Stewardship, Compliance, and Accountability**Budgetary Information**

The Board of Commissioners has established the legal level of control by control groups, as outlined in the County's General Appropriations Act. This act states that expenditures shall not exceed the total appropriations for personnel expenditures (salaries, overtime, and fringes), operating expenditures, and internal support expenditures (internal service fund charges), respectively, by department. Budgets are adopted and presented on the GAAP basis of accounting.

The Board of Commissioners is authorized to make amendments to the various budgets as deemed necessary. Current year supplemental budgetary appropriations were not material. Funds that receive an appropriation and can, therefore, be defined as those with an appropriated, annual, legally adopted budget are the General Fund and three special revenue funds: ARP Local Fiscal Recovery, Child Care, and Social Welfare Foster Care. The budgetary comparison for the General Fund and ARP Local Fiscal Recovery Fund are presented in the required supplemental information and the Child Care and Social Welfare Foster Care funds are presented in the other supplemental information.

Transfers within and between budgeted funds and departments may be made by the fiscal officer (director of management and budget department) in the following instances:

- Transfers may be made from the nondepartmental overtime reserve account and fringe benefit adjustment account to the appropriate departmental budget as specific overtime requests are reviewed and approved by the fiscal officer. Additionally, overtime appropriations may be transferred between divisions within a department at the request of the department head if authorized by the fiscal officer or designee.
- Transfers may be made from the nondepartmental appropriation reserve accounts for maintenance department charges and miscellaneous capital outlay to the appropriate departmental budgets as specific requests for these items are reviewed and approved by the fiscal officer.
- Transfers may be made from the nondepartmental appropriation reserve accounts, emergency salaries, and summer help as specific requests for these items are reviewed and approved by the director of the human resources department.

September 30, 2022

Note 2 - Stewardship, Compliance, and Accountability (Continued)

At year end, the Board of Commissioners adopts a resolution that authorizes and closes amounts exceeding the original appropriation against the balances in other appropriations and closes the remaining balance to the General Fund's unassigned fund balance.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the County incurred expenditures that were in excess of the amounts budgeted as follows:

	Budget	Actual
General Fund - Treasurer - Operating	\$ 5,658,770	\$ 44,322,292
General Fund - Nondepartmental - Personnel	(3,383,147)	1,965,499
Child Care Fund - Human services - Internal support	-	1,721
Child Care Fund - Circuit court - Personnel	1,833,118	1,876,341
Child Care Fund - Circuit court - Internal support	25,723	26,001

Due to ongoing legal matters related to the Rafaeli, LLC lawsuit, the timing of the payment was unpredictable, and, therefore, the budget was not updated for the \$39.8 million expense that was booked to the General Fund late in fiscal year 2022.

The variance between budget and actuals for nondepartmental General Fund personnel is due to the Voluntary Employee Separation Incentive Program (VESIP). More employees took advantage of the program earlier than expected thereby creating a larger variance than anticipated in our personnel budget. This is unfavorable because we now have more vacancies than planned.

The Child Care budget for human services had not been updated between categories for entries recorded late in the fiscal year. However, human services overall had a favorable budget of \$5.2 million in the Child Care Fund.

The Child Care budget for circuit court was \$5.2 million favorable overall for fiscal year 2022. Amendments had not been completed to adjust between categories for expenses booked late in the fiscal year.

Fund Deficits and Management's Plan

At September 30, 2022, the County had a deficit in fund balance in the following funds:

Special revenue fund - Friend of the Court Fund: \$2,588,261

Special revenue fund - Other Grants Fund: \$602,746

Capital project fund - Lake Levels Act 146 Fund: \$30,581. The negative unassigned fund balance in the Lake Levels Act 146 Fund relates to the Bush Lake Level project and the Upper Straits Lake Level project in the amounts of \$24,760 and \$9,104, respectively.

Bush Lake Level

Construction of a new lake level control structure has been completed. In 2010, the Oakland County Board of Commissioners authorized a loan in the amount of \$300,000 from the County's Long-term Revolving Fund to the Bush Lake Special Assessment District to be collected in 10 annual installments. The long-term assessment for the project commenced in FY 2011. The project cost was more than anticipated, and the final collections from the long-term assessment roll are being reviewed. The \$24,760 deficit within the construction fund will be covered by additional annual assessments to be incorporated with the lake level maintenance fund assessment. The district will be assessed appropriate additional amounts to ensure the ability to eliminate the deficit within the next five to seven years given the small district size and being mindful of the impact to residents in the district.

September 30, 2022

Note 2 - Stewardship, Compliance, and Accountability (Continued)***Upper Straits Lake Level***

Design and construction of an augmentation well to maintain the lake level has been started. The expected completion date is sometime in 2024. In 2020, the Oakland County Board of Commissioners approved the Special Assessment District issuance of bonds in the aggregate principal amount of not to exceed \$700,000. Full repayment of this debt by the special assessment district is to be collected in 10 annual installments. The \$9,104 deficit within the construction fund was caused by project overruns and will be collected through additional assessments during the annual process of assessing the maintenance fund. An assessment to be collected in the next fiscal year is sufficient to cover this deficit.

Special Revenue Funds

Friend of the Court Fund - The negative unassigned fund balance reflects the fact that this grant fund operates on a reimbursement basis, for example, the County pays the original expenses and is reimbursed by the grantor agency after submission of the proper support documentation. Typically, reimbursement for year-end expenditures lags by two to three months. The negative unassigned fund balance of \$2,588,000 is slightly offset by unavailable revenue recorded of \$1,267,000. Once reimbursement is obtained, the negative unassigned fund balance will be eliminated. Should the reimbursement not be sufficient to cover the expenditures, the County has match funds budgeted which will be transferred to cover any remaining deficit.

Other Grants Fund - The negative unassigned fund balance reflects the fact that this grant fund operates on a reimbursement basis, for example, the County pays the original expenses and is reimbursed by the grantor agency after submission of the proper support documentation. Typically, reimbursement for year-end expenditures lags by two to three months. The negative unassigned fund balance of \$602,746 is offset by unavailable revenue recorded of \$368,757. Once reimbursement is obtained, the negative unassigned fund balance will be eliminated. Should the reimbursement not be sufficient to cover the expenditures, the County has match funds budgeted, which will be transferred to cover any remaining deficit.

Note 3 - Deposits and Investments

The County has deposits and investments that are maintained for its primary government, component unit, and fiduciary fund types.

For the primary government, the County manages its investments in a pool format that is used by all county funds. Income, gains, and losses are allocated back to county funds based on their share of the pool, which is calculated based on their average daily cash balance.

For its pool, the County only uses federal- and state-chartered financial institutions that are members of the FDIC, NCUA, or DIFS and have a location in the state of Michigan. All deposits and investments for the pool are held in the County's name and tax ID number.

The County Treasurer is permitted to offer an investment option to local units of government within the County, called the Local Government Investment Pool (LGIP). Contracted participant deposits are treated just like county funds. Income, gains, and losses are allocated based upon the participant's average daily balance. The LGIP is not subject to regulatory oversight, is not registered with the SEC, and does not issue a separate report. Fair value of the position in the pool is approximately equal to the value of the pool shares. The LGIP has not provided or obtained any legally binding guarantees during the period to support the value of the shares. Investments are valued monthly.

September 30, 2022

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

It is County policy to review and verify a bank's creditworthiness through a system of ratio analysis and from information provided by several third-party sources. In addition, the County places concentration limits on banks based on creditworthiness resulting from both the ratio analysis and third-party information.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the County's deposits may not be returned.

As of September 30, 2022, the bank balance of the County's deposits was \$314,156,025. Insured deposits were \$4,000,000, and the remaining \$310,156,025 was uninsured, uncollateralized, and held in the County's name.

The Drainage Districts component unit's cash, deposits, and investments are maintained in pooled accounts of the County; therefore, their amount of insurance would be allocated to the Drainage Districts' deposits based on their prorated share of the investment portfolio.

The County's investment policy allows for the use of bank deposits, including certificates of deposit. The only limitation placed on bank deposits is that they cannot exceed 60 percent of the total investment portfolio. In addition, the County's investment policy limits the investment with any single financial institution to 25 percent.

At September 30, 2022, the Road Commission component unit had bank deposits of \$18,401,835 (checking and savings accounts) that were uninsured and uncollateralized. The Road Commission believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Road Commission evaluates each financial institution with which it deposits funds and assesses the level of risk for each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments - Internal Investment Pool

Investments, except those of the Retirement Systems, Superseding Retirees' Medical Benefits Trust, and Deferred Compensation Plan, are administered by the treasurer under guidelines established by Act 20 of the Michigan Public Acts of 1943 as amended and the investment policy as adopted by the County's Board of Commissioners. The County's investment policy is more restrictive than state law and allows for the following instruments:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of Michigan financial institutions
3. Commercial paper rated at the time of purchase at the highest classification established by no less than two standard rating services and that matures no more than 270 days after the date of purchase
4. Repurchase agreements consisting of instruments in subdivision 1. The PSA Master Repurchase agreement prototype agreement shall be employed with appropriate supplemental provisions regarding security delivery, security substitutions, and governing law. A signed repurchase agreement must be on file before entering into a repurchase transaction.
5. Bankers' acceptances of United States banks
6. Obligations of this state or any of its political subdivisions that, at the time of purchase, are rated as investment grade by no less than one standard rating service

September 30, 2022

Note 3 - Deposits and Investments (Continued)

7. Obligations described in subdivisions 1 through 6 if purchased through an interlocal agreement under the Urban Cooperation Act of 1967
8. Investment pools organized under the Surplus Funds Investment Pool Act, PA 367 of 1982
9. Investment pools organized under the Local Government Investment Pool Act, PA 121 of 1985
10. Mutual funds registered under the Investment Company Act of 1940 with authority to only purchase investment vehicles that are legal for direct investment by a Michigan public corporation. Investment is limited to mutual funds that maintain a net asset value of \$1.00 per share.

As of September 30, 2022, the County had the following deposit and investment types in its internal investment pool:

	Governmental Activities (Dollars)	Weighted- average Maturity (Days)
Certificates of deposit (1)	274,225,928	155
Deposit accounts (1)	72,124,490	1
Government investment pools	136,594,572	1
Treasury notes	224,059,349	522
Negotiable CDs	4,826,698	478
Commercial paper	139,405,224	33
Municipal bonds	34,871,158	1,643
Government agencies	<u>1,200,155,023</u>	635
Total fair value of internal investment pool	<u>2,086,262,442</u>	
Weighted-average maturity of internal investment pool (in days)	-	484

(1) These items are considered deposits and not investments. They are presented here to give a clear picture of the investment pool's overall weighted-average maturity.

Credit Risk

The County had \$224,059,349 invested in treasury notes that are rated AAA by Standard & Poor's and Aaa by Moody's. The County had \$1,200,155,023 invested in U.S. government agencies that are rated AA by Standard & Poor's and Aaa by Moody's. The County had \$34,871,158 invested in AAA (S&P) and Aaa (Moody's) municipal bonds. The money market investment pool had \$136,594,572 invested with a rating of AAAM (S&P). The County's investment policy is silent on the use of rated versus unrated money market funds. In addition, there is no rating level requirement for rated money market funds.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments that are in the possession of another side party. The County's investment policy requires that all investment transactions (including collateral for repurchase agreements) be conducted on a delivery-versus-payment (DVP) basis. Securities shall be held by a third-party custodian, as designated by the county treasurer, and shall be evidenced by a safekeeping receipt. As of September 30, 2022, \$1,603,317,452 in investments, at fair value, was held in third-party safekeeping in the County's name.

The County also invests in money market funds that have their securities safe kept with a third party selected by the counterparty. However, the pool's securities are held in trust for the participants of the fund and are not available to the counterparty if the counterparty should happen to fail. We believe this arrangement satisfies the County's investment policy safekeeping requirement.

September 30, 2022

Note 3 - Deposits and Investments (Continued)**Concentration of Credit Risk - Investments**

On September 30, 2022, the County had investments of 5 percent or more of the total portfolio with the following issuers: Federal Farm Credit Bank - 16.195 percent, Federal Home Loan Bank - 22.48 percent, Farmer Mac - 10.14 percent, Freddie Mac - 7.51 percent, and U.S. Treasury note - 10.91 percent. No other issuer exceeded 5 percent of the total portfolio.

Interest Rate Risk

To limit its exposure to fair value losses from rising interest rates, the County's investment policy states the County will not directly invest in securities that mature more than three years from date of purchase; however, securities exceeding the three-year limitation may be purchased provided maturity dates coincide with the expected use of the funds. As of September 30, 2022, the internal investment pool had a weighted-average maturity of 484 days, and the longest investment maturity in the portfolio was 1,643 days (4.5 years).

Investments - Pension Trust Funds and VEBA Trust

The Pension and VEBA Trust Funds investments are made in accordance with Act 55 of the Michigan Public Acts of 1982, as amended, and are limited to no more than 65 percent in common stock. In addition, no investments, loans, or leases are with parties related to the pension plan.

Pension investments are made through the use of investment advisors that are selected and retained by the Retirement (PERS, VEBA, and ST) and Deferred Compensation Board. The advisors serve at the leisure of the board, as provided by investment agreements. At September 30, 2022, the primary government's pension trust fund had 34 investment advisors. Investments are held in street name by safekeeping agents under formal trust agreements and/or in the Retirement System's name.

As of September 30, 2022, the County had the following investment types in its pension, VEBA Trust, and Superseding Trust (presented within the Fringe Benefit internal service fund) funds:

Investment Type	Fair Value	Percentage	Average Duration (in Years)
Common stock	\$ 493,771,272	24.81%	N/A
Common stock funds/ETFs	383,554,625	19.27%	N/A
Government bonds	53,170,197	2.67%	9.75
Government agencies	125,631,019	6.31%	7.79
Municipal debt securities	214,316	0.01%	9.75
Corporate debt securities	146,423,034	7.36%	6.58
Government mortgage-backed securities	83,031,555	4.17%	7.38
Commercial mortgage-backed securities	21,748,098	1.09%	1.72
Asset-backed securities	17,027,705	0.86%	1.88
Non-government-backed CMOs	64,001	0.01%	2.05
Other fixed income	2,791,444	0.14%	2.94
Fixed income fund	133,691,841	6.72%	N/A
Real estate	253,540,036	12.74%	N/A
Sukuk	186,540	0.01%	1.67
Partnerships	200,697,128	10.09%	N/A
Hedge funds	31,431,999	1.58%	N/A
Cash and cash equivalents	61,114,100	2.16%	0.03
Total	<u>\$ 2,008,088,910</u>		

September 30, 2022

Note 3 - Deposits and Investments (Continued)**Credit Risk - Pension and VEBA Trust**

The board's adopted Statement of Investment Goals and Objectives (SIGO) states that no nonconvertible bonds and convertible securities are authorized for purchase. In addition, no more than 10 percent of the total value of the portfolio, at the time of purchase, may be held in noninvestment grade bonds as rated by Moody's and/or Standard & Poor's. Of the total value of the portfolio, 90 percent must have a quality rating of A or better by Moody's and Standard & Poor's. For any security held in the portfolio that drops below investment grade, as rated by Moody's or Standard & Poor's, the investment manager is to advise the board of that fact along with a buy/hold recommendation. The board shall then instruct the investment manager as to which action should be taken.

As of September 30, 2022, debt obligation investments held in the pension, VEBA Trust, and Superseding Trust funds had the following ratings:

Fair Value	Percentage	S&P Rating	Moody's Rating
\$ 177,778,117	26.81%	AAA	Aaa
17,239,040	2.60%	AA	Aa
59,555,959	8.98%	A	A
55,681,310	8.40%	BBB	Baa
9,206,371	1.39%	BB	Ba
2,354,634	0.36%	B	B
362,713	0.05%	CCC	Caa
199,760,542	30.12%	Not rated	Not rated
141,290,295	21.30%	U.S.	U.S.
		Government Guaranteed	Government Guaranteed
<u>\$ 663,228,981</u>			

Custodial Credit Risk - Pension and VEBA Trust Funds and Superseding Trust

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Retirement System would not be able to recover the value of its investments that are in the possession of an outside party. The Retirement System's Statement of Investment Goals and Objectives requires that all investment transactions shall be conducted through a custodian that will act as the system's third party. Securities shall be held by the custodian, as designated by the retirement boards, and shall be evidenced by a custodial report. As of September 30, 2022, \$2,008,088,910 in investments was held in third-party safekeeping in the County's name.

Concentration of Credit Risk - Pension and VEBA Trust Funds and Superseding Trust

The board's adopted Statement of Investment Goals and Objectives states that no more than 5 percent of the assets of the Retirement System's portfolio may be invested in the fixed-income obligations of any one corporation or its affiliates and no more than 10 percent may be invested in the equity of any one corporation or its affiliates. Further, for fixed-income investments, no more than 10 percent of the assets of the portfolio may be invested in the securities of any governmental agency that is not fully backed by the U.S. government. No limitation applies to obligations of the United States Treasury or any fully guaranteed agency of the federal government.

For equities, holdings of all securities of an industry group should not exceed 25 percent of the portfolio at cost. ADRs should not exceed a maximum of 10 percent of the portfolio at cost and shall be further limited to Canadian securities and non-U.S. domiciled corporations issuing U.S. securities. As of September 30, 2022, as reported by the system's investment managers, no holdings exceed any of the board's adopted limits.

September 30, 2022

Note 3 - Deposits and Investments (Continued)**Interest Rate Risk - Pension and VEBA Trust Funds and Superseding Trust**

The board's adopted Statement of Investment Goals and Objectives places no limitation on the system's fixed-income managers on the length to maturity for fixed-income investments. As the schedule on the previous page indicates, the system's fixed-income investments had average durations of between 0.03 years and 18.53 years, which is reasonable given the long-term nature of the system. Having reasonable durations will reduce the retirement system's risk exposure to rapidly adjusting interest rates.

Collateralized mortgage obligations (CMOs) are U.S. government-issued asset-backed certificates and corporate-issued asset-backed certificates. Current CMO holdings have maturity lengths ranging from 25.3 years to 26.3 years and are backed by investments in various assets, including mortgages. As of September 30, 2022, the market value was \$64,001.

Interest Rate Risk - Collateralized Mortgage Obligations

The market value of such investments can be affected by, among other factors, changes in interest rates, including the effect of prepayments, marketability, and default rates on assets underlying the securities. At September 30, 2022, the County's CMO portfolio had an effective duration of 2.05 years.

Fair Value Measurements

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

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

The County's primary government has the following recurring fair value measurements as of September 30, 2022:

	Assets Measured at Carrying Value on a Recurring Basis at September 30, 2022			
	Level 1	Level 2	Level 3	Total Value
Investment Type				
Government agencies	\$ -	\$ 1,200,155,023	\$ -	\$ 1,200,155,023
Municipal bonds	-	34,871,158	-	34,871,158
Treasury notes	-	224,059,349	-	224,059,349
Commercial paper	-	139,405,224	-	139,405,224
Negotiable CDs	-	4,826,698	-	4,826,698
Total	\$ -	\$ 1,603,317,452	\$ -	1,603,317,452
Investments measured at NAV - Money market investment pools				136,594,572
Total assets				<u>\$ 1,739,912,024</u>

September 30, 2022

Note 3 - Deposits and Investments (Continued)

The fair value of Treasury notes, negotiable CDs, government agencies, and municipal bonds at September 30, 2022 was determined primarily based on Level 2 inputs, and they are valued using quoted prices for identical securities in markets that are not active. The money market investment pools are valued at published fair value per share (unit) for the fund.

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rate "A-1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by Treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

September 30, 2022

Note 3 - Deposits and Investments (Continued)

The following table represents the County's pension and VEBA Trust funds' assets measured at fair value on a recurring basis at September 30, 2022:

Assets Measured at Carrying Value on a Recurring Basis at September 30, 2022				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2022
Assets				
Equity securities:				
Common stock	\$ 469,771,270	\$ -	\$ -	\$ 469,771,270
Common stock - Funds/ETFs	-	72,245,766	-	72,245,766
Total equity securities	469,771,270	72,245,766	-	542,017,036
Debt securities:				
Government bonds	-	53,170,197	-	53,170,197
Government agencies	-	125,631,019	-	125,631,019
Municipal/Provincial bonds	-	214,316	-	214,316
Corporate bonds	-	146,422,033	-	146,422,033
Government mortgage- backed securities	-	83,031,555	-	83,031,555
Commercial mortgage- backed securities	-	21,748,098	-	21,748,098
Non-government-backed CMO	-	64,001	-	64,001
Asset-backed securities	-	17,027,705	-	17,027,705
Sukuk	-	186,540	-	186,540
Other fixed income	-	2,791,444	-	2,791,444
Total debt securities	-	450,286,908	-	450,286,908
Total investments by fair value level	\$ 469,771,270	\$ 522,532,674	\$ -	992,303,944
Investments measured at NAV:				
Domestic equity				230,151,004
International equity				162,366,721
Global fixed income				133,691,841
Private fixed income				98,961,037
Private equity				44,528,228
Hedged funds				31,431,999
Real estate				253,540,037
Total investments measured at NAV				954,670,867
Total assets				\$ 1,946,974,811

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches: equity mutual funds are valued using fair value per share for each fund, and fixed-income investments are normally valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors. Debt and equity securities classified in Level 3 are based upon unobservable inputs.

September 30, 2022

Note 3 - Deposits and Investments (Continued)**Investments in Entities that Calculate Net Asset Value per Share**

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

At September 30, 2022, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Carrying Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Domestic equity	\$ 230,151,004	\$ -	Monthly	10 days
International equity	162,366,721	-	Monthly	10 days
Global fixed income	133,691,841	-	Daily	3 days
Private fixed income	98,961,037	75,609,831	Daily	3 days
Private equity	44,528,228	-	Daily	3 days
Hedged funds	31,431,999	-	Quarterly	90 days
Real estate	253,540,037	17,294,809		
Total	\$ 954,670,867	\$ 92,904,640		

The domestic equity fund seeks to approximate, as closely as possible, the performance of the S&P 500 index over the long run.

The international equity fund seeks long-term growth of capital by investing at least 80 percent of its net assets in large capitalization equity securities listed in the Morgan Stanley Capital International Europe, Australasia, and Far East Index (MSCI EAFE Index).

The global fixed-income fund seeks current income with capital appreciation and growth of income by investing at least 80 percent of its net assets in bonds of governments, government-related entities, and government agencies located anywhere in the world. The fund regularly enters into various currency related and other transactions involving derivative instruments.

The private fixed-income fund invests in senior secured loans to U.S. middle market private equity portfolio companies with annual cash flow of up to \$100 million that are owned or controlled by leading private equity sponsors.

The private equity funds objectives are to generated high risk-adjusted returns produced from current income by investing in a variety of instruments, including senior secured corporate debt instruments.

The hedged funds are composed of hedge funds that invest in global equity markets using long/short strategies both from a bottom-up (stock-pickers) orientation and a top-down (macro) orientation, including emerging markets.

The fair values of the investments in the preceding six classes have been estimated using net asset value per share of the investments.

The real estate funds class included several real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this class have been estimated using the net asset value of the County's ownership interest in partners' capital.

September 30, 2022

Note 3 - Deposits and Investments (Continued)

The board's investment philosophy combines preservation of capital with moderate risk-taking in exchange for moderate investment returns - attempting to optimize the return per unit of risk. This philosophy is supported by the Retirement System's long investment time horizon. The board follows the following key tenets: (1) broadly diversify the plan's assets across stocks, bonds, and other investments (within the constraints of Act 314); (2) further diversify the plan's assets across the broader asset classes (as defined in Section IV), managers, styles, and other factors; and (3) select qualified investment managers and continually monitor their performance.

The board has adopted a strategic asset allocation policy that is consistent with the achievement of the plan's financial needs and overall investment objectives. Asset classes are selected based on their expected long-term returns, individual reward/risk characteristics, correlation with other asset classes, manager roles, and fulfillment of the plan's long-term financial needs. Conformance with statutory investment guidelines is also considered.

The board established an allocation range for each asset class in recognition of the need to vary exposure within and among different asset classes, based on investment opportunities and changing capital market conditions. The board selected the target allocation for each asset class based on the plan's current investments and present market conditions. The board intends to review these allocation targets at least annually, focusing on changes in the plan's financial needs, investment objectives, and asset class performance.

The board has diversified the fund into private investments. These investments exposure the fund to additional risk factors, including but not limited to illiquidity risk. The inclusion of these investments offers the potential for higher rates. However, the board does not have any control of the timing of distributions. Distributions are at the manager's discretion, subject to the underlying offering documents. Generally speaking, these investments have an estimated life of 10 years.

Disclosures Regarding Redemption Only Upon Liquidation

The investments in the private real estate, real estate, and real estate international can never be redeemed with the funds. Distributions from each fund will be received only as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next 1 to 10 years.

Note 4 - Receivables

Receivables as of September 30, 2022 for the County's individual major funds and the nonmajor, internal service, and component units in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Primary Government					
	Governmental Activities					
	General Fund	Water and Sewer Debt Act 342	ARP Local Fiscal Recovery Fund	Nonmajor Funds	Proprietary Internal Service Fund	Total Governmental Activities
Receivables:						
Property taxes receivable	\$ 40,568,936	\$ -	\$ -	\$ -	\$ -	\$ 40,568,936
Special assessments receivable	-	41,450,727	-	10,345,144	-	51,795,871
Delinquent property taxes receivable	687,798	-	-	-	-	687,798
Accrued interest receivable	(138,553)	(1,428)	7,887	167,861	1,126,481	1,162,248
Leases receivable	-	-	-	-	-	-
Due from other governments	37,147,693	-	-	16,731,707	94,950	53,974,350
Other	1,237,301	-	-	8,067,673	3,710,011	13,014,985
Contracts receivable	3,515,754	-	-	8,104,200	-	11,619,954
Allowance for doubtful accounts	(25,000)	-	-	-	-	(25,000)
Net receivables	\$ 82,993,929	\$ 41,449,299	\$ 7,887	\$ 43,416,585	\$ 4,931,442	\$ 172,799,142

September 30, 2022

Note 4 - Receivables (Continued)

	Primary Government					
	Business-type Activities					
	Parks and Recreation	Delinquent Tax Revolving	Water and Sewer Trust	Evergreen Farmington S.D.S.	S.O.C.S.D.S.	Nonmajor Enterprise
Receivables:						
Property taxes receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments receivable	-	-	-	-	-	-
Delinquent property taxes receivable	63,275	47,779,545	-	-	-	47,842,820
Accrued interest receivable	62,628	2,076,558	409,699	159,769	275,408	3,585,999
Leases receivable	-	-	-	-	-	1,664,731
Due from other governments	252,425	1,412,734	1,895,204	3,925,739	5,531,058	6,447,168
Other	444,573	9,900,597	30,845,406	-	49,157	1,985,372
Contracts receivable	-	-	-	2,558,356	-	496,054
Allowance for doubtful accounts	(163,980)	-	-	-	-	(163,980)
Net receivables	\$ 658,921	\$ 61,169,434	\$ 33,150,309	\$ 6,643,864	\$ 5,855,623	\$ 11,175,262

	Primary Government		
	Component Units		
	Drainage Districts	Road Commission	Total Component Units
Receivables:			
Property taxes receivable	\$ -	\$ -	\$ -
Special assessments receivable	188,395,444	6,498,448	194,893,892
Delinquent property taxes receivable	-	-	-
Accrued interest receivable	216,477	-	216,477
Leases receivable	-	-	-
Due from other governments	6,177,290	-	6,177,290
Other	51,727	30,483,920	30,535,647
Contracts receivable	-	-	-
Allowance for doubtful accounts	-	-	-
Net receivables	\$ 194,840,938	\$ 36,982,368	\$ 231,823,306

The allowance in the General Fund is for accounts receivable, and the allowance in the Parks and Recreation Fund is for taxes receivable.

Note 5 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental and enterprise funds report unearned revenue in connection with resources that have been received but not yet earned.

At September 30, 2022, the various components of unearned and unavailable revenue were as follows:

	Governmental Funds			Enterprise Funds		
	Component Units			Component Units		
	Modified Accrual - Deferred Inflow - Unavailable	Liability - Unearned	Total	Modified Accrual - Deferred Inflow - Unavailable	Liability - Unearned	Total
Property taxes	\$ 11,553,835	\$ -	\$ 11,553,835	\$ -	\$ -	\$ -
Special assessments	51,795,871	-	51,795,871	169,839,550	26,474,277	196,313,827
Grants	4,997,650	-	4,997,650	-	-	-
Contracts receivable	8,045,000	-	8,045,000	-	-	-
Other	12,560,770	232,224,154	244,784,924	1,528,286	-	15,878,482
Total	\$ 88,953,126	\$ 232,224,154	\$ 321,177,280	\$ 1,528,286	\$ 169,839,550	\$ 42,352,759

Oakland County, Michigan

Notes to Financial Statements

September 30, 2022

Note 6 - Capital Assets

Capital asset activity for the year ended September 30, 2022 of the County's governmental and business-type activities was as follows:

Governmental Activities

	Balance October 1, 2021	Reclassifications	Additions	Disposals and Adjustments	Balance September 30, 2022
Capital assets not being depreciated:					
Land	\$ 7,365,551	\$ -	\$ -	\$ -	\$ 7,365,551
Construction in progress	37,048,175	(15,328,065)	10,075,708	-	31,795,818
Subtotal	44,413,726	(15,328,065)	10,075,708	-	39,161,369
Capital assets being depreciated:					
Buildings and improvements	284,457,097	5,773,559	-	(550,000)	289,680,656
Equipment and vehicles	156,830,106	7,976,588	6,252,438	(3,265,578)	167,793,554
Infrastructure	38,470,983	1,577,918	-	-	40,048,901
Land improvements	1,675,941	-	-	-	1,675,941
Right-to-use asset	8,832,080	-	-	-	8,832,080
Subtotal	490,266,207	15,328,065	6,252,438	(3,815,578)	508,031,132
Accumulated depreciation:					
Buildings and improvements	146,131,735	-	6,894,999	(547,708)	152,479,026
Equipment and vehicles	129,196,620	-	7,195,663	(3,091,563)	133,300,720
Infrastructure	22,131,354	-	781,443	-	22,912,797
Land improvements	1,267,144	-	39,628	-	1,306,772
Right-to-use asset	-	-	1,172,464	-	1,172,464
Subtotal	298,726,853	-	16,084,197	(3,639,271)	311,171,779
Net capital assets being depreciated	191,539,354	15,328,065	(9,831,759)	(176,307)	196,859,353
Net governmental activities capital assets	\$ 235,953,080	\$ -	\$ 243,949	\$ (176,307)	\$ 236,020,722

Oakland County, Michigan

Notes to Financial Statements

September 30, 2022

Note 6 - Capital Assets (Continued)

Business-type Activities

	Balance October 1, 2021	Reclassifications	Additions	Disposals and Adjustments	Balance September 30, 2022
Capital assets not being depreciated:					
Land	\$ 68,502,058	\$ 66,449	\$ 242,900	\$ -	\$ 68,811,407
Construction in progress	183,955,695	(65,932,937)	26,013,202	-	144,035,960
Other	12,000	-	-	-	12,000
Subtotal	252,469,753	(65,866,488)	26,256,102	-	212,859,367
Capital assets being depreciated:					
Buildings and improvements	106,847,854	9,816	52,150	-	106,909,820
Equipment and vehicles	91,735,465	1,416,134	676,301	(19,479)	93,808,421
Infrastructure	326,330,901	64,440,538	239,987	-	391,011,426
Land improvements	45,829,232	-	27,378	-	45,856,610
Right-to-use asset	192,395	-	-	-	192,395
Subtotal	570,935,847	65,866,488	995,816	(19,479)	637,778,672
Accumulated depreciation:					
Buildings and improvements	57,503,086	-	2,281,323	-	59,784,409
Equipment and vehicles	72,644,857	-	2,718,810	(5,857)	75,357,810
Infrastructure	268,087,218	-	4,677,888	-	272,765,106
Land improvements	34,029,811	-	1,542,335	-	35,572,146
Right-to-use asset	-	-	40,504	-	40,504
Subtotal	432,264,972	-	11,260,860	(5,857)	443,519,975
Net capital assets being depreciated	138,670,875	65,866,488	(10,265,044)	(13,622)	194,258,697
Net business-type activities capital assets	\$ 391,140,628	\$ -	\$ 15,991,058	\$ (13,622)	\$ 407,118,064

Oakland County, Michigan

Notes to Financial Statements

September 30, 2022

Note 6 - Capital Assets (Continued)

Component Units

Capital asset activity for the County's component units for the year ended September 30, 2022 was as follows:

	Balance October 1, 2021	Reclassifications	Additions	Disposals and Adjustments	Balance September 30, 2022
Capital assets not being depreciated:					
Land and other	\$ 239,345,708	\$ (408,041)	\$ 7,745,746	\$ -	\$ 246,683,413
Construction in progress	164,381,026	(101,187,967)	8,587,622	-	71,780,681
Subtotal	403,726,734	(101,596,008)	16,333,368	-	318,464,094
Capital assets being depreciated:					
Buildings and storage bins	94,204,463	3,222,492	25,108	-	97,452,063
Road equipment	82,215,730	14,514	1,214,785	(4,092,247)	79,352,782
Other equipment	9,849,073	346,793	576,962	-	10,772,828
Infrastructure	1,872,458,017	96,737,675	82,690,551	(30,477,452)	2,021,408,791
Brine wells and gravel pits	2,489,608	-	-	-	2,489,608
Land improvements	-	1,274,534	174,714	-	1,449,248
Subtotal	2,061,216,891	101,596,008	84,682,120	(34,569,699)	2,212,925,320
Accumulated depreciation:					
Buildings and storage bins	31,535,163	-	2,612,662	-	34,147,825
Road equipment	66,827,257	-	5,760,027	(4,092,247)	68,495,037
Other equipment	6,656,881	-	622,327	-	7,279,208
Infrastructure	694,231,711	-	72,555,740	(30,477,452)	736,309,999
Brine wells and gravel pits	2,078,392	-	110,058	-	2,188,450
Land improvements	-	-	366,292	-	366,292
Subtotal	801,329,404	-	82,027,106	(34,569,699)	848,786,811
Net capital assets being depreciated	1,259,887,487	101,596,008	2,655,014	-	1,364,138,509
Net component units - Capital assets	\$ 1,663,614,221	\$ -	\$ 18,988,382	\$ -	\$ 1,682,602,603

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

Governmental activities:	
Public safety	\$ 4,214,232
Justice administration	1,909,980
Citizens services	806,976
Public infrastructure	167,290
Commerce and community development	36,173
Unallocated depreciation	3,270,176
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	5,679,370
Total governmental activities	\$ 16,084,197

Oakland County, Michigan

Notes to Financial Statements

September 30, 2022

Note 6 - Capital Assets (Continued)

Business-type activities:	
Airports	\$ 2,676,834
Community safety support	1,431,579
Community water and sewer	1,946,067
Recreation and leisure	3,377,703
Sewage disposal systems	1,828,677
Total business-type activities	\$ 11,260,860
Component units:	
Drainage Districts	\$ 14,252,432
Road Commission	67,774,674
Total component units	\$ 82,027,106

Note 7 - Long-term Debt

The County issues bonds and notes authorized by various state acts. Each act provides specific covenants for specific purposes. Long-term debt activity for the year ended September 30, 2022 is summarized as follows:

Governmental Activities

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year	General Obligation	With Governmental Commitment
Bonds payable:								
Direct borrowings:								
Retirees Health Care Bonds	3.62%	\$ 148,485,000	\$ -	\$ (27,585,000)	\$ 120,900,000	\$ 28,605,000	\$ 120,900,000	\$ -
Water supply - Act 342	3.34%	125,000	-	(20,000)	105,000	20,000	-	105,000
Michigan Bond Authority - Sewage Disposal Bonds	1.62% - 2.50%	29,767,312	-	(1,720,000)	28,047,312	1,765,000	-	28,047,312
Total direct borrowings principal outstanding		178,377,312	-	(29,325,000)	149,052,312	30,390,000	120,900,000	28,152,312
Other debt:								
Building authority - Act 31	2.00% - 3.375%	16,615,000	-	(2,790,000)	13,825,000	2,855,000	13,825,000	-
Building authority refunding	2.00% - 5.00%	16,130,000	-	(5,185,000)	10,945,000	2,610,000	2,900,000	8,045,000
Retiree Health Care Bonds	4.52%	34,000,000	-	-	34,000,000	-	34,000,000	-
Lake levels - Act 451	2.00%	421,200	820,648	(46,800)	1,195,048	128,865	-	1,195,048
Water supply - Act 342	2.00% - 4.25%	-	5,215,000	-	5,215,000	65,000	-	5,215,000
Sewage disposal - Act 342	1.70% - 3.25%	8,610,000	-	(650,000)	7,960,000	670,000	-	7,960,000
Water and sewer refunding bonds	1.50% - 5.00%	160,000	-	(160,000)	-	-	-	-
Water supply refunding	2.00% - 5.00%	9,200,000	-	(575,000)	8,625,000	595,000	-	8,625,000
Total other debt principal outstanding		85,136,200	6,035,648	(9,406,800)	81,765,048	6,923,865	50,725,000	31,040,048
Unamortized bond premiums		3,153,072	135,416	(389,656)	2,898,832	-	2,898,832	-
Total bonds payable		266,666,584	6,171,064	(39,121,456)	233,716,192	37,313,865	2,898,832	-
Lease liability		8,832,080	-	(849,961)	7,982,119	928,808	-	-
Compensated absences		16,691,974	2,016,241	(1,669,197)	17,039,018	1,703,902	-	-
Claims and judgments		28,106,395	51,763,081	(7,352,474)	72,517,002	48,689,911	-	-
Total governmental activities long-term debt		\$ 320,297,033	\$ 59,950,386	\$ (48,993,088)	\$ 331,254,331	\$ 88,636,486	\$ 174,523,832	\$ 59,192,360

Oakland County, Michigan

Notes to Financial Statements

September 30, 2022

Note 7 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year	General Obligation	With Governmental Commitment
Bonds payable:								
Direct borrowings - Michigan Bond Authority - Water and Sewage Disposal Bonds	2.50% - 6.00%	\$ 16,373,928	\$ 63,418	\$ (1,076,296)	\$ 15,361,050	\$ 1,109,296	\$ 15,361,050	\$ -
Other debt:								
BA refunding - County Airport	2.00% - 5.00%	4,030,000	-	(625,000)	3,405,000	660,000	3,405,000	-
BA - Act 31 - Radio	4.00% - 5.00%	14,140,000	-	(990,000)	13,150,000	1,040,000	13,150,000	-
Sewage disposal - Act 34	1.51% - 3.125%	10,470,000	-	(900,000)	9,570,000	925,000	9,570,000	-
Sewage disposal refunding	2.00% - 3.00%	2,465,000	-	(210,000)	2,255,000	229,000	2,255,000	-
Total other debt principal outstanding		31,105,000	-	(2,725,000)	28,380,000	2,845,000	28,380,000	-
Unamortized bond premiums		3,571,031	-	(340,358)	3,230,673	-	-	-
Total bonds payable		51,049,959	63,418	(4,141,654)	46,971,723	3,954,296	43,741,050	-
Lease liability		160,544	-	(3,031)	157,513	37,747	-	-
Total business-type activities long-term debt		\$ 51,210,503	\$ 63,418	\$ (4,144,685)	\$ 47,129,236	\$ 3,992,043	\$ 43,741,050	\$ -

Component Unit - Drainage Districts and Road Commission

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year	General Obligation	With Governmental Commitment
Bonds payable:								
Direct borrowings:								
Drain bonds - Act 40	1.00% - 2.45%	\$ 440,000	\$ -	\$ (85,000)	\$ 355,000	\$ 85,000	\$ 158,708	\$ 196,292
Michigan Bond Authority - Drain Bonds	1.625% - 6.00%	143,379,884	1,310,506	(14,997,400)	129,692,990	14,214,300	14,785,743	114,907,247
Total direct borrowings principal outstanding		143,819,884	1,310,506	(15,082,400)	130,047,990	14,299,300	14,944,451	115,103,539
Other debt:								
Drain bonds - Act 40	1.00% - 7.00%	66,960,000	-	(3,230,000)	63,730,000	2,880,000	866,146	62,831,854
Drain Refunding Bonds	1.85% - 3.00%	47,495,000	-	(4,530,000)	42,965,000	4,140,000	39,202,990	3,762,010
Total other debt principal outstanding		114,455,000	-	(7,760,000)	106,695,000	7,020,000	40,101,136	66,593,864
Unamortized bond premiums		8,239,769	-	(471,386)	7,768,383	471,386	7,768,383	-
Total bonds payable		266,514,653	1,310,506	(23,313,786)	244,511,373	21,790,686	55,045,587	181,697,403
Net pension liability - Road Commission		26,535,050	-	(22,280,970)	4,254,080	-	-	-
Net OPEB liability - Road Commission		121,981,535	-	(25,412,613)	96,568,922	-	-	-
Compensated absences - Road Commission		2,536,954	-	(86,128)	2,450,826	-	-	-
Claims and judgments - Road Commission		1,988,007	-	(60,641)	1,927,366	948,119	-	-
Total component unit long-term debt		\$ 419,556,199	\$ 1,310,506	\$ (71,154,138)	\$ 349,712,567	\$ 22,738,805	\$ 62,813,970	\$ 181,697,403

Oakland County, Michigan

Notes to Financial Statements

September 30, 2022

Note 7 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

The annual requirements to pay principal and interest on debt outstanding at September 30, 2022 (excluding the liabilities for leases, compensated absences, other postemployment benefits, pension liability, and uninsured losses for the County and Road Commission component unit) are as follows:

Years Ending September 30	Governmental Activities				
	Direct Borrowings		Other Debt		Total
	Principal	Interest	Principal	Interest	
2023	\$ 30,390,000	\$ 4,559,138	\$ 6,923,865	\$ 3,191,481	\$ 45,064,484
2024	31,485,000	3,460,623	4,508,865	2,948,593	42,403,081
2025	32,620,000	2,322,284	3,118,865	2,799,498	40,860,647
2026	33,805,000	1,142,548	3,168,865	2,683,504	40,799,917
2027	1,960,727	518,136	37,273,865	1,797,993	41,550,721
2028-2032	9,905,000	1,865,948	14,480,723	3,422,979	29,674,650
2033-2037	8,886,585	562,158	8,710,000	1,345,463	19,504,206
2038-2042	-	-	1,075,000	648,431	1,723,431
2043-2047	-	-	1,125,000	160,344	1,285,344
2048-2052	-	-	1,380,000	160,344	1,540,344
Total	\$ 149,052,312	\$ 14,430,835	\$ 81,765,048	\$ 19,158,630	\$ 264,406,825

Years Ending September 30	Business-type Activities				
	Direct Borrowings		Other Debt		Total
	Principal	Interest	Principal	Interest	
2023	\$ 1,109,296	\$ 377,067	\$ 2,845,000	\$ 1,038,423	\$ 5,369,786
2024	1,144,796	349,140	2,935,000	938,436	5,367,372
2025	1,170,196	320,328	2,615,000	833,468	4,938,992
2026	1,205,596	290,880	2,705,000	733,912	4,935,388
2027	1,245,996	260,548	2,805,000	630,493	4,942,037
2028-2032	6,354,900	819,066	13,780,000	1,449,470	22,403,436
2033-2037	2,992,474	185,260	695,000	10,859	3,883,593
2038-2042	137,796	3,442	-	-	141,238
2043-2047	-	-	-	-	-
2048-2052	-	-	-	-	-
Total	\$ 15,361,050	\$ 2,605,731	\$ 28,380,000	\$ 5,635,061	\$ 51,981,842

Years Ending September 30	Component Units - Drainage Districts				
	Direct Borrowings		Other Debt		Total
	Principal	Interest	Principal	Interest	
2023	\$ 14,299,300	\$ 2,936,365	\$ 7,020,000	\$ 2,914,327	\$ 27,169,992
2024	14,641,576	2,594,219	7,180,000	2,720,637	27,136,432
2025	9,578,500	2,311,190	6,880,000	2,525,249	21,294,939
2026	9,802,246	2,089,027	6,610,000	2,336,159	20,837,432
2027	9,842,700	1,862,263	6,770,000	2,121,485	20,596,448
2028-2032	48,867,110	5,861,717	34,915,000	7,224,739	96,868,566
2033-2037	21,595,000	1,291,432	25,505,000	2,557,438	50,948,870
2038-2042	1,421,558	35,539	11,815,000	475,700	13,747,797
2043-2047	-	-	-	-	-
2048-2052	-	-	-	-	-
Total	\$ 130,047,990	\$ 18,981,752	\$ 106,695,000	\$ 22,875,734	\$ 278,600,476

September 30, 2022

Note 7 - Long-term Debt (Continued)

The County has pledged its full faith and credit on debt totaling \$511,301,400. By statute, general obligation debt is limited to 10 percent of the state equalized value. As of September 30, 2022, the debt limit was \$8,973,575,513. The County is obligated if payments received on assessments or contracts levied against benefiting municipalities are insufficient to meet principal and interest requirements of this debt when due and is shown in the preceding table as debt with governmental commitment.

The aforementioned bonds are to be repaid as summarized in the following paragraphs:

Building Authority - Act 31

Act 31, Michigan Public Acts of 1948, provides for an authority to issue bonds to build and equip various public buildings, which are then leased to the County. Proceeds from these leases are used to repay the bonds. The collection of lease payments and retirement of debt is reflected in the respective debt service fund. At September 30, 2022, there were two issues outstanding totaling \$13,825,000, maturing in the years 2023-2035, which represents debt originally issued in the years 2012-2015 totaling \$34,775,000.

Retirees Health Care Bonds

In September 2013, the County issued refunding bonds in the amount of \$350,000,000 in order to refinance and redeem the 2007 Certificates of Participation debt. This enabled the County to fully fund the VEBA Trust Fund as of September 30, 2014. The County thereafter entered into a superseding contract with a new Superseding Trust created by the County, under which contract the County is now obligated to maintain the funding in the VEBA Trust Fund in future years pursuant to the terms of that contract under a superseding plan that has superseded and supplanted the obligation of the County to maintain retiree health services by keeping the VEBA Trust Fund at full funding. As of September 30, 2022, there were two issues outstanding totaling \$154,900,000, maturing in the years 2023-2027. The debt is recorded in the Fringe Benefits Fund, an internal service fund of the County.

Sewage Disposal, Water and Sewer, and Water Supply Bonds - Act 342

Act 342, Michigan Public Acts of 1939 provides for a contract between the County and local municipalities that defines a schedule of annual payments to be made by the municipality to meet principal and interest obligations. Such contractual payments may be funded by revenue produced by utility or tax revenue. The County is obligated upon the default of the local municipality, and, therefore, such obligation is shown as with governmental commitment. Assessments are shown in their entirety with the corresponding deferred inflows in the debt service funds for each act. At September 30, 2022, there were six issues outstanding, totaling \$13,175,000, maturing in the years 2023-2053. This represents debt originally issued in the amount of \$11,250,000 issued in the years 2017-2018 and \$5,215,000 issued in 2022.

Refunding Bonds

Michigan Public Act 31 of 1948 and Act 34 of 2001 provide for the refunding of bonds based on covenants contained in the acts. The bonds will be repaid from assessments levied against the benefiting municipalities for water and sewer debt or leases for the Building Authority's debt. At September 30, 2022, there were 11 issues outstanding totaling \$19,570,000, maturing in the years 2023-2040. This represents debt originally issued in the years 2010-2021 totaling \$48,875,000.

Lake Levels

Act 451 of Michigan Public Acts of 1994 permits the issuance of debt for providing lake level control. Bonds are to be repaid through special assessments levied against benefiting property owners. In March 2020, the County authorized the issuance of bonds in the amount of \$468,000 for the Upper Straits Lake Level, which matures in the year 2030. In fiscal year 2022, an additional \$820,648 was issued for the Bald Eagle Lake drain, which matures in the year 2032. At September 30, 2022, there was a balance outstanding of \$1,195,048.

September 30, 2022

Note 7 - Long-term Debt (Continued)**Michigan Bond Authority Sewage Disposal Bonds**

In September 2007, the County authorized the issuance of bonds from the Michigan Municipal Bond Authority Revolving Loan fund for up to \$2,000,000 for the Softwater Lake Capital Improvement Sewage Disposal System project. As of September 30, 2010, a final amount of \$1,935,727 was received from the State Revolving Loan Fund. The amount outstanding at September 30, 2022 for this issue is \$500,727, which matures in the years 2023-2027.

In September 2014, the County authorized the issuance of bonds from the Michigan Municipal Bond Authority Revolving Loan fund for up to \$36,855,000 for the Evergreen and Farmington Sewage Disposal Systems Middlebelt Transport and Storage Tunnel project. As of September 30, 2022, \$123,415 remains undrawn from the State Revolving Loan Fund. The amount outstanding at September 30, 2022 for this issue is \$27,546,585, which matures in the years 2023-2036.

Business-type

Two of the Building Authority's refunding bond issues for the County Airports Fund consist of the Airport T-Hangar Refunding in the amount outstanding as of September 30, 2022 of \$860,000 maturing in the years 2023-2024 and the Airport Terminal Building in the amount outstanding as of September 30, 2022 of \$2,545,000 maturing in the years 2023-2030. These represent original refunding debt issued in the amount of \$4,585,000 in 2012 for the Airport T-Hangar and \$2,970,000 in 2020 for the Airport Terminal Building.

In March 2012, the County authorized the issuance of bonds from the Michigan Municipal Bond Authority Revolving Loan fund for up to \$2,415,000 for the Evergreen-Farmington Sewage Disposal System 8 Mile Pumping Station Septage Facility (enterprise fund type). The amount outstanding for this issue at September 30, 2022 was \$1,355,000, which matures in the years 2023-2032.

In August 2012, in conjunction with the transfer of operations of the City of Pontiac, Michigan water and sewer system to the County, the County's Water and Sewer Trust Fund assumed the debt obligations initiated by the City of Pontiac, Michigan for Clean Water/Water Quality projects. The total authorized loan amount is \$8,220,720. In October 2014, the County authorized the issuance of bonds from the Michigan Municipal Bond Authority Revolving Loan fund for the City of Pontiac Water Supply System Improvements for an additional \$6,890,000. Further, in October 2014, the County authorized the issuance of two additional bonds from the Michigan Municipal Bond Authority Revolving Loan fund for the City of Pontiac Water Supply System Improvements one for up to \$6,850,000, with \$1,762,500 principal forgiveness. As of September 30, 2021, a final total amount of \$5,998,006 was received from the State Revolving Loan fund. The amount outstanding at September 30, 2022 is \$3,020,006, which matures in the years 2023 through 2036. The second issuance for 2014 was for up to \$720,000. As of September 30, 2019, a final total amount of \$541,988 was received from the State Revolving Loan fund. The amount outstanding at September 30, 2022 is \$373,988, which matures in the years 2023 through 2036. Additionally, in October 2015, the County authorized the issuance of bonds from the Michigan Municipal Bond Authority Revolving Loan fund for the City of Pontiac Water Supply System Improvements for up to \$5,165,000 with \$1,000,000 principal forgiveness. As of September 30, 2022, a final total amount of \$3,085,832 was received from the State Revolving Loan fund. The amount outstanding at September 30, 2022 is \$1,590,832, which matures in the years 2023 through 2038. The total debt obligation related to the City of Pontiac, Michigan at September 30, 2022 is \$14,006,050.

In February 2018, the County issued \$3,065,000 of refunding bonds for a current refunding of a general obligation limited tax bond issue for the Evergreen-Farmington Sewage Disposal System pursuant to authorization contained in Act 34, Public Acts of Michigan of 2001. The amount outstanding as of September 30, 2022 was \$2,255,000, which matures in the years 2023-2031.

September 30, 2022

Note 7 - Long-term Debt (Continued)

In September 2018 and March 2020, the County issued \$8,300,000 and \$3,910,000, respectively, of general obligation limited tax sewage disposal bonds for the Evergreen-Farmington Sewage Disposal System pursuant to authorization contained in Act 34, Public Acts of Michigan of 2001. The amount outstanding as of September 30, 2022 was \$9,570,000, which matures in the years 2023-2033.

In May 2020, the County issued \$15,125,000 of general obligation limited tax bonds for the Radio Communications project pursuant to authorization contained in Michigan Public Act 31 of 1948 and Act 34 of 2001. The amount outstanding as of September 30, 2022 was \$13,150,000, which matures in the years 2023-2032.

Drain Bonds - Act 40 (Component Unit)

Act 40 provides for the creation of a drain board, which has the power to assess state, county, and local levels of government for principal and interest payments. Such assessments are to be funded from General Fund revenue of the respective municipality. The County's portion of the assessment is identified as a general obligation. Further, the County is obligated if assessments levied against benefiting municipalities are insufficient to meet principal and interest requirements when due. Such obligations are shown as with governmental commitment. At September 30, 2022, there were 12 issues outstanding, totaling \$64,085,000, maturing in the years 2023-2040. This represents original debt issued for \$85,410,000 in the years 2003-2020.

Drain Refunding Bonds (Component Unit)

Act 202 of 1943 and Act 34 of 2001 provide for the refunding of bonds based on covenants contained in the acts. The County initiates the refunding of various drain bonds issued under Act 40 on behalf of the drainage district's component unit. Bonds will be repaid from assessments levied against the benefiting municipalities. At September 30, 2022, there were six issues outstanding, totaling \$42,965,000, maturing in the years 2023-2034. This represents debt originally issued in the years 2013-2021 in the amount of \$56,390,000.

Michigan Bond Authority Drain Bonds (Component Unit)

The County authorized the issuance of bonds for \$17,880,000 in October 2000 from the Michigan Municipal Bond Authority Revolving Loan fund for the George W. Kuhn Drainage District. Further, in 2001, the County authorized an additional \$82,200,000 for the George W. Kuhn Drainage District Segment II, with successive authorizations in the years 2005 through 2008 amounting to \$13,246,822. In February 2010, Oakland County, Michigan; Macomb County, Michigan; and their underlying municipalities, under the authority of Chapter 21 of Public Act 40, Public Acts of Michigan of 1956, were permitted to issue bonds in the amount of \$26,076,000 for the Oakland-Macomb Interceptor Drainage District with successive authorizations for Segments II, III, and IV in the years 2012, 2013, and 2015, respectively, amounting to \$99,160,000. In August 2012, in conjunction with the transfer of operations of the City of Pontiac, Michigan wastewater treatment system to the County, the County's Drainage Districts assumed the debt obligations initiated by the City of Pontiac, Michigan for two clean water/water quality projects. The total authorized loan amount was \$13,322,810. Further, in October 2014, the County authorized an additional \$9,840,000, with \$1,000,000 principal forgiveness, for the Pontiac Waste-Water Treatment Drain District. In June 2017, the County authorized the issuance of bonds for Clinton River Water Resource Recovery Facility Drainage District for \$31,995,000, with \$2,500,000 principal forgiveness. As of September 30, 2022, \$428,442 remains undrawn. At September 30, 2022, there were 14 issues outstanding, totaling \$129,692,990, maturing in the years 2023-2038.

September 30, 2022

Note 8 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receiveable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	\$ 16,805,719
	ARP Local Fiscal Recovery Fund	5,144,611
	Parks and Recreation Fund	112,949
	Internal service funds	91,439
	Total General Fund	22,154,718
Nonmajor governmental funds	General Fund	22,235,599
	Nonmajor governmental funds	353,900
	ARP Local Fiscal Recovery Fund	450,613
	S.O.C.S.D.S. Fund	22,901
	Internal service funds	1,698,576
	Total nonmajor governmental funds	24,761,589
Parks and Recreation Fund	ARP Local Fiscal Recovery Fund	219
Internal service funds	General Fund	15,625,993
	ARP Local Fiscal Recovery Fund	197,085
	Nonmajor governmental funds	268,871
	Internal service funds	11,387
	Total internal service funds	16,103,336
Water and Sewer Trust Fund	Nonmajor enterprise funds	400,048
Evergreen-Farmington S.D.S.	Nonmajor enterprise funds	30,873
Nonmajor enterprise funds	General Fund	16,000
	Internal service funds	1,889,521
	Total nonmajor enterprise funds	1,905,521
	Total	<u>\$ 65,356,304</u>

These balances result from the time difference between the dates that services are provided, or transfers are authorized, transactions are recorded in the accounting system, and payments between funds are made. In the General Fund, the receivable primarily consists of \$2,607,980 to cover various funds with deficit cash balances at year end, return of excess funding of \$5,081,269 in the Child Care Fund, \$5,144,611 from the ARP Local Fiscal Recovery Fund, \$4,931,036 from the Friend of the Court Fund, and \$3,546,870 from the Project Work Order Fund covering the sale of the property at the Brown Road Animal Shelter. The receivable in the nonmajor governmental funds primarily consists of General Fund support of \$11,832,926 in IT Projects, \$6,447,932 Facility Projects, and \$3,336,200 in support of the Child Care Fund. The Building Liability internal service fund received General Fund support in the amount of \$5,500,000. Other interfund receivables/payables include charges from the Drain Commissioner Revolving Fund for amounts due from various drains and lake level funds, the Drain Equipment Fund, and the Information Technology Fund for charges for services and/or supplies.

September 30, 2022

Note 8 - Interfund Receivables, Payables, and Transfers (Continued)

The County has made the following long-term advances between funds:

Fund Borrowed From	Fund Loaned To	Amount
Nonmajor governmental funds	Nonmajor governmental funds	\$ 738,165
	Water and Sewer Trust Fund	165,000
	Total nonmajor governmental funds	<u>\$ 903,165</u>

Advances distinguish long-term internal borrowings from receivables and payables that arise in connection with routine borrowings and short-term loans (due to/due from other funds). These include the balances of the loans from the Long-term Revolving Fund to the Water and Sewer Trust Fund for the Lake Orion Sewer SCADA Project, \$165,000; the Bush Lake Level Dam Project, \$38,638; construction of the Lower Pettibone Sanitary Drain, \$645,000; and \$54,327 for deficits from maintenance and repairs of two Chapter 4 Drains.

The balance of amounts loaned to (borrowed from) discretely presented component units is as follows:

Receivable	Payable	Amount
General Fund	Drainage Districts	\$ 61,641
	Road Commission	304
	Total General Fund	61,945
Nonmajor governmental funds	Drainage Districts	626,725
Evergreen-Farmington S.D.S. Fund	Drainage Districts	689,979
Nonmajor enterprise funds	Drainage Districts	3,741
Internal service funds	Drainage Districts	74
	Road Commission	56,012
	Total internal service funds	56,086
	Total	<u>\$ 1,438,476</u>

These amounts are primarily short-term funding provided by the Drain Commissioner Revolving Fund and charges for services and/or supplies by the Drain Equipment Fund and Evergreen Farmington Sewage Disposal System to the Drainage Districts component unit and administrative charges to the Road Commission component unit.

September 30, 2022

Note 8 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are composed of the following:

Receiving Fund (Transfer In)	Paying Fund (Transfer Out)	Amount
General Fund	Nonmajor governmental funds	\$ 873,702
	Internal service funds	43,645
	Delinquent Tax Revolving Fund	5,585,895
	Total General Fund	6,503,242
Nonmajor governmental funds	General Fund	43,572,093
	Nonmajor governmental funds	7,129,099
	Evergreen-Farmington S.D.S.	500,000
	Delinquent Tax Revolving Fund	4,521,894
	Total nonmajor governmental funds	55,723,086
Parks and Recreation Fund	General Fund	50,000
Nonmajor enterprise funds	General Fund	2,173,331
Internal service funds	General Fund	14,390,754
	Parks and Recreation Fund	31,648
	Nonmajor enterprise funds	286,000
	Water and Sewer Trust Fund	46,800
	Internal service funds	89,985
	Total internal service funds	14,845,187
Delinquent Tax Revolving Fund	Nonmajor governmental funds	5
	Total	<u>\$ 79,294,851</u>

The transfers to and from the various funds are made to account for budgetary authorizations and/or providing funding for operations as needed. Major transfer amounts consist of the General Fund's recording of transfers to fund operations of capital projects, the Child Care Fund, the Friend of the Court Fund, the Mandated Indigent Defense Fund, and various grants in the amounts of \$19,337,417, \$11,625,778, \$6,568,662, \$1,850,703, and \$1,656,594, respectively. Additionally, transfers in the amounts of \$8,616,324 and \$5,500,000 were made to fund operations of the Information Technology Fund and the Building and Liability Insurance Fund, respectively, along with \$1,644,186 transferred to the Court Law Enforcement Information System Fund. In the nonmajor governmental funds, a transfer was made in the amount of \$6,562,022 from the Building Improvement Fund to fund various work projects.

Oakland County, Michigan

Notes to Financial Statements

September 30, 2022

Note 9 - Fund Balance Constraints

The detail of the various components of fund balance is as follows:

	Primary Government					Total
	General Fund	Water and Sewer Debt Act 342 Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	
Nonspendable:						
Inventory	\$ 172,929	\$ -	\$ -	\$ -	\$ -	\$ 172,929
Prepays	247,752	500	2,295	-	86,238	336,785
Long-term receivable	-	-	-	-	903,165	903,165
Total nonspendable	420,681	500	2,295	-	989,403	1,412,879
Restricted:						
Debt service	-	17,125	-	3,732,359	-	3,749,484
Specific programs	-	-	28,588,313	-	-	28,588,313
Total restricted	-	17,125	28,588,313	3,732,359	-	32,337,797
Committed - Capital projects	-	-	-	-	44,312,823	44,312,823
Assigned:						
Budget stabilization reserve	125,500,000	-	-	-	-	125,500,000
Property tax forfeiture activities	2,551,831	-	-	-	-	2,551,831
Strategic investment plan	32,000,000	-	-	-	-	32,000,000
Reserve for noneconomic budget risks	25,100,000	-	-	-	-	25,100,000
Future operating requirements 2023 and beyond	8,575,000	-	-	-	-	8,575,000
Carryforwards	17,971,071	-	-	-	-	17,971,071
Encumbrances	1,963,199	-	-	-	-	1,963,199
Marine safety patrol match	100,000	-	-	-	-	100,000
Secondary Township road repair program	2,000,000	-	-	-	-	2,000,000
Unused local road commitments	2,600,000	-	-	-	-	2,600,000
Oxford response	1,082,299	-	-	-	-	1,082,299
Total assigned	219,443,400	-	-	-	-	219,443,400
Unassigned	959,662	-	(4,006,227)	-	(30,581)	(3,077,146)
Total fund balance	\$ 220,823,743	\$ 17,625	\$ 24,584,381	\$ 3,732,359	\$ 45,271,645	\$ 294,429,753

Note 10 - Pension Plans

Plan Description

The Oakland County Public Employees' Retirement System (PERS) is a single-employer defined benefit pension plan covering all eligible employees. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. The plan is administered by the Oakland County Retirement and Deferred Compensation Board.

The financial statements of the pension system are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund). PERS does not issue a separate financial report.

Oakland County, Michigan

Notes to Financial Statements

September 30, 2022

Note 10 - Pension Plans (Continued)

Management of PERS is vested with the Retirement and Deferred Compensation Board, which consists of nine voting members composed of the following individuals:

- Oakland County Board of Commissioners chairperson or designee
- BOC Finance Committee chairperson or designee
- County treasurer or designee
- County executive or designee
- Three elected employee members
- One elected retiree member
- One citizen member appointed by the board and confirmed by the Oakland County Board of Commissioners

The County established a defined contribution plan for county employees, and all new employees and eligible part-time employees hired on or after July 1, 1994 are covered by the defined contribution plan, as the County's PERS is no longer available to new employees. The benefits are administered by the Oakland County Retirement and Deferred Compensation Board.

Benefits Provided

Members of both plans may retire at age 55 (except sheriff's deputies, who may retire with 25 years of service regardless of age) with 25 years of service or at age 60 with 8 years of service. Members vest after 8 years of service.

Eligible employees under the county plan are provided benefits based on 2 percent, but 2.2 percent for years in excess of 14 years (sheriff's deputies, 2.2 percent for the first 14 years of service and 2.5 percent thereafter, command officers 2.5 percent), of the final average compensation times the number of years of credited service. Maximum county retirement is 75 percent of final average compensation, defined as the average of the highest 5 consecutive years during the last 10 years.

Duty disability benefits provided by the County are computed as a regular retirement, with additional service credited until attainment of age 60, less an amount offset by workers' compensation payments, with a maximum payment of 75 percent of final average compensation. Nonduty disability benefits after 10 years of service are computed as a regular retirement. Death benefits are provided to beneficiaries after 10 years of service based on years of service.

Employees Covered by Benefit Terms

The County PERS covers the majority of full-time employees of the County hired prior to July 1, 1994. The plans' membership consists of the following at September 30, 2021, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	1,967
Inactive plan members entitled to but not yet receiving benefits	45
Active plan members	75
Total employees covered by the plan	2,087

Contributions

The County's policy is to fund normal costs of the plan by contributions, which are based on actuarially determined rates expressed as percentages of annual covered payroll, that are sufficient to accumulate assets to pay benefits when due. For fiscal year 2022, there was no annual contribution required, which was determined through actuarial valuations performed at September 30, 2020.

September 30, 2022

Note 10 - Pension Plans (Continued)

Sheriff's deputies contribute at a rate of 3 percent of their annual pay for the first 14 years of service and 5 percent thereafter. Command officers contribute 5 percent. General county option A members who have elected improved benefits contribute 1 percent of their pay after 14 years of service. Contributions received from these employees for the year ended September 30, 2022 amounted to \$61,977.

The contribution requirements of plan members and the County are established and may be amended by the Board of Commissioners in accordance with County policies, union contracts, and plan provisions. All administrative costs of the plan are financed directly by Oakland County, Michigan.

Net Pension Liability (Asset)

The County has chosen to use the September 30 measurement date as its measurement date for the net pension liability. The September 30, 2022 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the September 30, 2022 measurement date. The September 30, 2022 total pension liability was determined by an actuarial valuation performed as of September 30, 2021, which used update procedures to roll forward the estimated liability to September 30, 2022.

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

Changes in Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension (Asset) Liability
Balance at October 1, 2021	\$ 718,911,003	\$ 790,825,096	\$ (71,914,093)
Changes for the year:			
Service cost	597,034	-	597,034
Interest	49,855,196	-	49,855,196
Differences between expected and actual experience	11,754,356	-	11,754,356
Contributions - Employee	-	61,977	(61,977)
Net investment income	-	(78,511,417)	78,511,417
Benefit payments, including refunds	(63,103,273)	(63,103,273)	-
Administrative expenses	-	(466,021)	466,021
Net changes	(896,687)	(142,018,734)	141,122,047
Balance at September 30, 2022	<u>\$ 718,014,316</u>	<u>\$ 648,806,362</u>	<u>\$ 69,207,954</u>

The plan's fiduciary net position represents 90.36 percent of the total pension liability.

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

For the year ended September 30, 2022, the County reported pension expense of \$27,115,956.

At September 30, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 68,518,417

September 30, 2022

Note 10 - Pension Plans (Continued)

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

Years Ending September 30	Amount
2023	\$ 18,721,500
2024	13,381,507
2025	9,659,121
2026	26,756,289
Total	<u>\$ 68,518,417</u>

Actuarial Assumptions

The total pension liability in the September 30, 2021 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.25 percent to 9.25 percent, an investment rate of return (net of investment expenses) of 7.25 percent, and the RP-2014 Healthy Annuity Mortality Table (unadjusted) projected to 2021 using a static projection based on the two-dimensional MP-2014 improvement scales. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that county contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s). For each major asset class that is included in the pension plan's target asset allocation as of September 30, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	32.50 %	7.50 %
International equity	12.50	8.50
Domestic bonds	25.00	2.50
International bonds	5.00	3.50
Real estate	10.00	4.50
Alternative assets	15.00	5.59

Note 10 - Pension Plans (Continued)

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

The following presents the net pension liability of the County, calculated using the discount rate of 7.25 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net pension liability	\$ 133,674,567	\$ 69,207,954	\$ 13,701,872

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the PERS board by a majority vote of its members. It is the policy of the PERS board to pursue an investment strategy that is in compliance with Michigan Public Act 314 of 1965 and manages risks through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The board's adopted asset allocation policy as of October 30, 2018 is included in the investment rate of return table above.

Rate of Return

For the year ended September 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (11.75) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Plan Reserves

Net position restricted for employees' pension benefits include legally required reserves.

The annuity reserve represents the cumulative contributions for retirees, disabled members, or surviving spouses who have elected monthly annuity benefits. Pension reserve represents the funded pension benefits available for retired lives and is funded by actuarially determined transfers from the pension accumulated reserve. Pension accumulated reserve represents the accumulated reserve for pension payable by the County.

Note 10 - Pension Plans (Continued)

The balances of the reserve accounts at September 30, 2022 are as follows:

Annuity reserve	\$ (1,591,330)
Pension reserve	29,292,384
Pension accumulated reserve	621,105,308
Total	\$ 648,806,362

Road Commission for Oakland County Retirement System

The Road Commission for Oakland County Retirement System board of trustees administers the Road Commission for Oakland County Retirement System - a single-employer defined benefit pension plan that provides retirement, disability, and death benefits for all eligible general employees of the retirement system. Benefit terms have been established by contractual agreements between the retirement system and the various employee union representation or other actions of the Oakland County Board of Road Commissioners; amendments are subject to the same process. At December 31, 2020, the date of the most recent actuarial valuation, membership consisted of 616 inactive plan members or beneficiaries currently receiving benefits, 57 inactive plan members entitled to but not yet receiving benefits, and 435 active plan members. The Road Commission's net pension liability as of December 31, 2021 was \$4,254,080. The Road Commission has chosen to use December 31, 2021 as its measurement date for the net pension liability. The September 30, 2022 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of December 31, 2021. The December 31, 2021 total pension liability was determined by an actuarial valuation performed as of December 31, 2020. For the year ended September 30, 2022, the Road Commission recognized pension recoveries of \$3,982,837. At September 30, 2022, the Road Commission reported total deferred outflows of resources of \$4,585,119 and deferred inflows of resources of \$25,106,151.

Note 11 - Retirement Plans

The County maintains a defined contribution plan, Oakland Performance Retirement System (OPRS), which qualifies under Internal Revenue Code Section 401(a). Employees in the County PERS were first afforded the opportunity to transfer to the OPRS through December 31, 1995, retroactive to January 1, 1995. Employees who elected to transfer to the OPRS had their individually actuarially determined earned retirement benefits in the County PERS, determined as of January 1, 1995, plus accrued interest at the rate of 7.5 percent from January 1, 1995 until the date of election to transfer, transferred into the OPRS. Subsequent to 1995, the County reopened the opportunity for transfer several times, resulting in an additional 1,477 employees transferred from the County PERS to the OPRS.

The OPRS maintains a schedule of vesting, with the participants becoming fully vested upon completion of six years of continuous service. Employees transferring from the County PERS were allowed a permanent selection of employee contributions of 0 or 3 percent of their salary, with the employer matching the contribution respectively with 6 or 9 percent for general employees or 7 or 10 percent for employees in certain bargaining units. For employees hired on or after July 1, 1994, the employer contributes 5 percent of the employee's salary. Effective December 1999, employees were offered an opportunity to increase their contribution with a county match of 2 percent for new hires and 1 percent for all others. In December 2000, the employee and county match were increased 1 percent. All employees are able to contribute up to 10 percent of their salary on a voluntary after-tax basis. All contributions are remitted to a third-party plan administrator.

Total membership in the OPRS as of September 30, 2022 was 3,458, which includes 167 employees who elected to transfer from the PERS in 1995 through 2000 and 3,291 current employees hired since July 1, 1994.

Note 11 - Retirement Plans (Continued)

The County's payroll for employees covered by the OPRS for the year ended September 30, 2022 was \$312,032,569. The required contributions, which matched those actually made, were \$11,068,747 by employees and \$23,721,786 by the County, representing 3.5 and 7.6 percent of covered payroll, respectively.

In 2008, the County offered a voluntary defined contribution plan for part-time noneligible employees. The plan qualifies under the Omnibus Budget Reconciliation Act of 1990 (OBRA) and IRS Section 3121 (b) (& (F), which allows for a defined contribution plan in lieu of Social Security. With the implementation of this plan, the County contributes 1.3 percent and employees contribute 6.2 percent of their earnings into a defined contribution plan. The employee would be immediately 100 percent vested in both the employer and employee contributions but cannot access the money invested in the plan until they are separated from county employment. During fiscal year 2022, the County contributed \$217,686 to the plan.

The contribution requirements of plan members and the County are established and may be amended by the Board of Commissioners in accordance with county policies, union contracts, and plan provisions.

Note 12 - Other Postemployment Benefit Plan

Plan Description

The Oakland County Employees' Retirement System - Voluntary Employees' Beneficiary Association Trust (VEBA) is a single-employer defined benefit health plan, covering all eligible employees. The plan provides health care benefits to plan members and their beneficiaries. The plan is administered by the Oakland County Retirement and Deferred Compensation Board through two funding vehicles: the Oakland County VEBA Trust (the "Trust") and the Superseding Trust.

Management of VEBA is vested with the Retirement and Deferred Compensation Board, which consists of nine voting members composed of the following individuals:

- Oakland County Board of Commissioners chairperson or designee
- BOC Finance Committee chairperson or designee
- County treasurer or designee
- County executive or designee
- Three elected employee members
- One elected retiree member
- One citizen member appointed by the board and confirmed by the Oakland County Board of Commissioners

Benefits

In 2022, there were 4,326 members covered under the OPEB plan: 2,756 retirees and beneficiaries; 189 inactive, nonretired members; and 1,381 active members.

Note 12 - Other Postemployment Benefit Plan (Continued)

Postemployment benefits are established and may be amended by the Board of Commissioners in accordance with county policies, union contracts, and plan provisions. The plan covers the following classes of employees: general, command officers, and deputies. The plan in all classes is now closed to new hires. The County has established a "Retirement Health Savings Plan" beginning on January 1, 2007. For general members hired on and after January 1, 1995 (May 27, 1995 for command officers and sheriff's deputies), the portion of health care costs paid by the Trust will be based on years of service at retirement. If a member has less than 15 years of service, there is no county-paid retiree health coverage. If a member has 15 years of service at retirement, 60 percent of the health care premium will be paid by the Trust. The percentage increases 4.0 percent per year of service over 15, with a 100 percent maximum coverage after 25 years of service. New employees are required to join the County's retirement health savings plan effective January 1, 2006 for general nonunion employees, March 5, 2009 for sheriff command officers, January 1, 2010 for sheriff corrections deputies, and February 9, 2012 for sheriff road patrol deputies. Employees will receive a cash payment upon retirement from which they can purchase their own health insurance.

Plan Membership

The Oakland County VEBA covers the majority of full-time employees of the County hired prior to September 21, 1985 having 8 or more years of service or hired between September 20, 1985 and January 1, 1995 with 15 years of service (for family coverage) or 8-14 years of service (for retired members only). The plans' membership consists of the following at September 30, 2021, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	2,756
Inactive plan members entitled to but not yet receiving benefits	189
Active plan members	1,381
	<hr/>
Total plan members	4,326

For employees whose employment ends prior to retirement, the Trust provides benefits to those with 15 to 19 years of service (for members only) or 20 years of service (for family coverage).

Funding Policy Contributions

In 2013, the County contributed an additional \$236,000,000 in order to fully fund the VEBA. The County contributions are based on a 10-year open amortization of the unfunded actuarial accrued liabilities (UAL) for the overfunded divisions. For fiscal year 2022, there was no annual contribution required, which was determined through actuarial valuations performed at September 30, 2021, given the VEBA was fully funded. The insurance premiums are paid by the VEBA.

Net OPEB Asset

The County has chosen to use the September 30 measurement date as its measurement date for the net OPEB asset. The September 30, 2022 fiscal year end reported net OPEB asset was determined using a measure of the total OPEB liability and the OPEB net position as of the September 30, 2022 measurement date. The September 30, 2022 total OPEB liability was determined by an actuarial valuation performed as of September 30, 2021, which used update procedures to roll forward the estimated liability to September 30, 2022. The net OPEB asset has been recorded in the Fringe Benefits Fund, an internal service fund that is used to account for the County's employee fringe benefits.

September 30, 2022

Note 12 - Other Postemployment Benefit Plan (Continued)

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

Changes in Net OPEB Asset	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Asset
Balance at October 1, 2021	\$ 949,693,489	\$ 1,567,956,854	\$ (618,263,365)
Changes for the year:			
Service cost	8,239,992	-	8,239,992
Interest	67,475,212	-	67,475,212
Differences between expected and actual experience	(73,242,187)	-	(73,242,187)
Changes in assumptions	36,161,530	-	36,161,530
Contributions - Employee	-	281,845	(281,845)
Net investment income	-	(186,768,437)	186,768,437
Benefit payments, including refunds	(46,030,738)	(46,030,738)	-
Administrative expenses	-	(380,004)	(380,146)
Member-financed benefit payments	-	(281,845)	281,845
Other income	-	7,784,725	(7,784,725)
Net changes	(7,396,191)	(225,394,454)	217,998,263
Balance at September 30, 2022	<u>\$ 942,297,298</u>	<u>\$ 1,342,562,400</u>	<u>\$ (400,265,102)</u>

The plan's fiduciary net position represents 142.48 percent of the total OPEB liability.

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

For the year ended September 30, 2022, the County recognized a recovery of OPEB expense of \$37,070,643.

At September 30, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (45,990,897)
Changes in assumptions	19,815,858	(1,604,227)
Net difference between projected and actual earnings on OPEB plan investments	157,311,771	-
Total	<u>\$ 177,127,629</u>	<u>\$ (47,595,124)</u>

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

Years Ending September 30	Amount
2023	\$ 16,427,318
2024	27,921,137
2025	25,374,017
2026	59,810,033
Total	<u>\$ 129,532,505</u>

September 30, 2022

Note 12 - Other Postemployment Benefit Plan (Continued)**Actuarial Assumptions**

The total OPEB liability in the September 30, 2021 actuarial valuation was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 3.25 to 9.25 percent; an investment rate of return (net of investment expenses) of 7.25 percent; a health care cost trend rate of 7.5 percent for 2022, decreasing to an ultimate rate of 3.5 percent years 10 and later years; and the RP-2014 Healthy Annuitant Mortality Table (unadjusted) projected to 2021 using a static projection based on the two-dimensional MP-2014 improvement scales.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that county contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Investment Rate of Return

The long-term expected rate of return of OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s).

The VEBA plan's policy in regard to the allocation of invested assets is established and may be amended by the PERS board by a majority vote of its members. It is the policy of the PERS board to pursue an investment strategy that is in compliance with the Michigan Public Act 314 of 1965 and manages risks through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The table below includes the board's adopted asset allocation policy as of January 11, 2018.

For each major asset class that is included in the OPEB plans' target asset allocation as of September 30, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	32.50 %	7.50 %
International equity	12.50	8.50
Domestic bonds	25.00	2.50
International bonds	5.00	3.50
Real estate	10.00	4.50
Other assets	15.00	5.59

September 30, 2022

Note 12 - Other Postemployment Benefit Plan (Continued)**Sensitivity of the Net OPEB Asset to Changes in the Discount Rate**

The following presents the net OPEB asset of the County, calculated using the discount rate of 7.25 percent, as well as what the County's net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net OPEB asset	\$ (291,875,249)	\$ (400,265,102)	\$ (491,506,445)

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

The following presents the net OPEB asset of the County, calculated using the health care cost trend rate of 7.5 percent, as well as what the County's net OPEB asset would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.5% Decreasing to 2.5%)	Current Health Care Cost Trend Rate (7.5% Decreasing to 3.5%)	1 Percentage Point Increase (8.5% Decreasing to 4.5%)
Net OPEB asset	\$ (503,578,792)	\$ (400,265,102)	\$ (276,843,880)

OPEB Plan Fiduciary Net Position

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

Assumption Changes

The change in assumption is related to increasing Medicare Part B premiums.

Rate of Return

For the year ended September 30, 2022, the annual money-weighted rate of return on VEBA plan investments, net of VEBA plan investment expense, was (12.11) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

September 30, 2022

Note 12 - Other Postemployment Benefit Plan (Continued)**Road Commission for Oakland County Retiree Health Care Trust**

The Road Commission contributes to the Road Commission for Oakland County Retiree Health Care Trust (the "RHC Trust"). The RHC Trust provides for future payment of medical benefits for eligible retirees, their spouses, and their dependents. The obligation to provide benefits to employees was established by negotiation with various collective bargaining units or other actions of the Oakland County Board of Road Commissioners. At December 31, 2020, the date of the most recent actuarial valuation, membership consisted of 430 inactive plan members or beneficiaries currently receiving benefits and 223 active plan members. For the year ended September 30, 2022, the Road Commission made payments for postemployment health benefit premiums of \$7,135,517 and advance-funding contributions of \$3,500,000. For the year ended September 30, 2022, the Road Commission recognized OPEB expense of \$1,887,623, deferred outflows of resources of \$7,412,749, deferred inflows of resources of \$18,615,665, and a net OPEB liability of \$96,568,922 at September 30, 2022.

Note 13 - Pension and Other Employee Benefit Trust Funds

The following are condensed financial statements for the pension plan and postemployment health care plan:

	Oakland County Employees' Retirement	VEBA Trust	Total
Statement of Net Position			
Cash and investments	\$ 647,770,758	\$ 1,343,537,346	\$ 1,991,308,104
Other assets	1,561,429	3,153,587	4,715,016
Liabilities	(525,825)	(4,128,532)	(4,654,357)
Net position	<u>\$ 648,806,362</u>	<u>\$ 1,342,562,401</u>	<u>\$ 1,991,368,763</u>
Statement of Changes in Net Position			
Net investment loss	\$ (78,511,417)	\$ (186,768,437)	\$ (265,279,854)
Contributions	61,977	281,845	343,822
Other additions	-	6,784,728	6,784,728
Benefit payments	(63,103,273)	(46,312,583)	(109,415,856)
Other deductions	(466,021)	(380,004)	(846,025)
Net change in net position	<u>\$ (142,018,734)</u>	<u>\$ (226,394,451)</u>	<u>\$ (368,413,185)</u>

Note 14 - Deferred Compensation Plan

In fiscal year 1998, both the County and the Road Commission adopted GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. During fiscal year 1999, as required by the statement, the County and the Road Commission each placed all deferred compensation plan assets with a trustee, relinquishing all fiduciary accountability for the assets. Accordingly, the related assets and liabilities of the plan are not reported in the County and Road Commission's financial statements. In 2022, the County and the Road Commission adopted the provisions of GASB Statement No. 97, paragraphs 6 through 9, and the County and the Road Commission determined that the 457 plans did not meet the definition of a fiduciary activity to be reported within the financial statements.

September 30, 2022

Note 15 - Risk Management

The County is exposed to various risks of loss related to property, employee injuries, general liability claims, and torts, as well as medical benefits provided to employees. The County has purchased a commercial property policy for its building and contents, electronic data processing equipment, boats and motors, ATV/snowmobiles, and automobile catastrophe physical damage coverage. The policy is subject to a maximum per occurrence catastrophic loss limit of \$350,000,000. Policy limits (subject to the maximum \$350,000,000 per occurrence catastrophic loss limit) are: building and contents in the amount of \$698,315,968, electronic data processing equipment in the amount of \$43,447,088, boats and motors in the amount of \$571,299, ATV/snowmobiles in the amount of \$82,692, automobile catastrophe physical damage in the amount of \$2,000,000, flood coverage in the amount of \$50,000,000 (subject to limitations in some flood zones), earthquake coverage in the amount of \$50,000,000, and boiler and machinery coverage in the amount of \$100,000,000. Property insurance for helicopters' hull physical damage in the amount of \$3,139,792 and helicopters' additional equipment physical damage in the amount of \$1,354,800. Liability insurance has been purchased for airport operations in the amount of \$50,000,000, helicopter operations in the amount of \$100,000,000, automobile fleet operations in the amount of \$5,000,000, fiduciary liability in the amount of \$25,000,000, employee dishonesty/faithful performance in the amount of \$3,000,000, travel accident in the amount of \$100,000 per person/\$500,000 aggregate, N.E.T. law enforcement liability in the amount of \$5,000,000, workers' compensation statutory coverage in excess of \$1,250,000 each occurrence, self-insured retention and employers' liability in the amount of \$1,000,000, parks facility rental liability in the amount of \$3,000,000, excess liability with limits of \$15,000,000 over auto liability, and \$15,000,000 over a \$15,000,000 SIR/deductible; cyber liability with limits of \$5,000,000; liquor liability insurance in the total amount of \$5,000,000 for parks and recreation facilities at Springfield Oaks and Lyon Oaks and \$3,000,000 at White Lake Oaks; and water resource commission CVT maintenance agreement liability coverage in the amount of \$15,000,000. The County is self-insured for all other risks except as noted.

The County and the Road Commission estimate the liability for all of the above-mentioned claims that have been incurred through September 30, 2022, including both those claims that have been reported and those that have not yet been reported, and estimates of both future payments of losses and related claim adjustment expenses. Estimated liabilities for unpaid claims are based on historical claim payments, including related legal and administrative expenses.

The County records estimates in the Fringe Benefits and the Building and Liability Insurance funds, both internal service funds. The Road Commission component unit records these estimates in the governmental fund type, with \$900,000 estimated current portion of general liability claims included in accrued liabilities. Changes in the estimated claims liabilities are as follows:

Primary Government	2022	2021
Liability - Beginning of period	\$ 28,106,395	\$ 21,948,793
Estimated claims incurred, claim adjustment expenses, and changes in estimates	112,329,351	58,996,187
Claim payments and claim adjustment expenses	(67,918,744)	(52,838,585)
Liability - End of period	<u>\$ 72,517,002</u>	<u>\$ 28,106,395</u>
Road Commission - Component Unit	2022	2021
Liability - Beginning of year	\$ 2,888,007	\$ 2,405,941
Estimated claims incurred and changes in estimates	13,590,523	14,484,214
Claim payments	(13,651,164)	(14,002,148)
Liability - End of year	<u>\$ 2,827,366</u>	<u>\$ 2,888,007</u>

September 30, 2022

Note 16 - Leases

The County leases certain assets from various third parties. The assets leased include buildings. Payments are generally fixed monthly rates with escalation in payments over the term of the lease.

Lease asset activity of the County is included in Note 6.

Future principal and interest payment requirements related to the County's lease liability at September 30, 2022 are as follows:

Governmental Activities

Years Ending	Principal	Interest	Total
2023	\$ 928,808	\$ 467,161	\$ 1,395,969
2024	1,076,019	406,461	1,482,480
2025	1,185,435	337,232	1,522,667
2026	1,084,724	263,654	1,348,378
2027	467,410	216,950	684,360
2028-2032	2,724,862	628,297	3,353,159
2033-2037	514,861	23,542	538,403
Total	<u>\$ 7,982,119</u>	<u>\$ 2,343,297</u>	<u>\$ 10,325,416</u>

Water and Sewer Trust

Years Ending	Principal	Interest	Total
2023	\$ 37,747	\$ 8,603	\$ 46,350
2024	40,742	6,208	46,950
2025	43,926	3,624	47,550
2026	35,098	902	36,000
Total	<u>\$ 157,513</u>	<u>\$ 19,337</u>	<u>\$ 176,850</u>

The County leases certain assets to various third parties. The assets leased include radio equipment. Payments are generally fixed monthly rates with escalation in payments over the term of the lease.

During the year ended September 30, 2022, the County recognized the following related to its lessor agreements:

	Radio Communications
Lease revenue	\$ 184,772
Interest income related to its leases	100,158

Future principal and interest payment requirements related to the County's lease receivable at September 30, 2022 are as follows:

Years Ending	Principal	Interest	Total
2023	\$ 119,740	\$ 93,458	\$ 213,198
2024	131,468	85,727	217,195
2025	154,595	76,662	231,257
2026	180,237	66,058	246,295
2027	192,330	54,688	247,018
2028-2032	724,784	112,932	837,716
2033-2037	161,577	24,256	185,833
Total	<u>\$ 1,664,731</u>	<u>\$ 513,781</u>	<u>\$ 2,178,512</u>

September 30, 2022

Note 16 - Leases (Continued)**Regulated Leases**

The County leases certain assets to various third parties that are considered regulated leases, as defined by GASB 87. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings. For example, the U.S. Department of Transportation (DOT) and the Federal Aviation Administration regulate aviation leases between airport and air carriers and other aeronautical users through various policies and guidance, including the FAA's Rates and Charges Policy and Federal Grant Assurances. In accordance with GASB 87, the County does not recognize a lease receivable and a deferred inflow of resources for regulated leases. The regulated lease assets include terminal passenger holdrooms, operations space, baggage service areas, terminal apron areas, jet bridges, ticket counters, ticket offices, hangars, and land. Leased land and several of the terminal locations are considered exclusive use by the second parties to the agreement, while some terminal areas are considered either preferential or shared/joint use.

During the year ended September 30, 2022, the County recognized the following from regulated leases:

Lease revenue	\$	1,114,489
Interest income related to its leases		1,001,956

Future expected minimum payments related to the County's regulated leases at September 30, 2022 are as follows:

Years Ending	Principal	Interest	Total
2023	\$ 753,662	\$ 956,838	\$ 1,710,500
2024	791,142	909,782	1,700,924
2025	840,984	859,941	1,700,925
2026	874,282	807,308	1,681,590
2027	822,550	754,144	1,576,694
2028-2032	4,135,834	3,044,607	7,180,441
2033-2037	3,751,770	1,777,791	5,529,561
2038-2042	2,499,527	806,982	3,306,509
2043-2046	1,265,946	211,246	1,477,192
2047-2052	230,155	18,030	248,185
Total	\$ 15,965,852	\$ 10,146,669	\$ 26,112,521

Note 17 - Commitments and Contingencies

The County, the Drainage Districts, and the Road Commission are involved in legal actions in which plaintiffs seek damages of indeterminable amounts, which may exceed insurance coverage where applicable. Litigation is subject to many uncertainties, and the outcome of individual matters cannot be predicted. Accordingly, a reasonable range of liability to the County, the Drainage Districts, or Road Commission pertaining to these matters cannot be determined. Management has taken steps to protect the County and believes any liability resulting from cases in which it is involved will not materially affect its financial position. At September 30, 2022, the County recorded an estimated liability in the amount of \$39,800,000 in the County's General Fund, based on an initial settlement, for the court case *Rafaeli, LLC v. Oakland County*. The County is a defendant in a lawsuit entitled *Rafaeli, LLC v. Oakland County*. The plaintiffs failed to pay their real estate taxes and the County foreclosed on their properties and sold them. At the auction, the County received more money than was owed for taxes and retained the surplus proceeds pursuant to statute.

September 30, 2022

Note 17 - Commitments and Contingencies (Continued)

As of year end, Oakland County and various of its government officials have been named as defendants in three federal civil lawsuits related to plaintiffs who claim they were wrongfully convicted and incarcerated (commonly referred to as "Reversed Conviction" cases). Because each of the pending lawsuits involve multiple defendants, Corporation Counsel has retained outside counsel to represent the defendants in these matters. While the cost of defending these claims is being paid out of the County's Building and Liability Insurance Fund, the county administration anticipates that any adverse judgments or negotiated settlements of these Reversed Conviction cases would be paid from the County's General Fund or other available operating funds. Because these lawsuits are still in the early stages of discovery, the potential financial liability to the County that may result from these suits cannot be reasonably estimated at this time.

The County, the Drainage Districts, and the Road Commission received funds from various federal and state units to finance specific activities. The final determination of revenue is subject to the acceptance of project costs by the granting agency, usually after a compliance audit. To the extent that costs are disallowed by the granting agency, the County, the Drainage Districts, and Road Commission resources would be required to reimburse the grant funds. Management believes that disallowed costs, if any, would be immaterial.

The County has outstanding construction commitments (contracts) under the jurisdiction of the Water Resources Commissioner and has contracts for Act 342 projects at September 30, 2022 as follows: Evergreen-Farmington S.D.S - Eight Mile Road Conveyance Project with a cost of \$2,266,254 with a balance of \$1,809,107 and the Evergreen-Farmington S.D.S - Evergreen Interceptor Rehabilitation Project with a cost of \$1,680,814 with a remaining balance of \$480,484. The Water and Sewer Trust Fund has entered into contracts as follows: a contract for the Pontiac Watermain Improvements with a cost of \$5,322,472 and a remaining balance of \$3,711,667 and a contract for a project to replace their billing system with a cost of \$2,000,000 and a remaining balance of \$2,000,000.

There are three contracts for Information Technology projects at September 30, 2022 as follows: P25 Radio Replacement Project with a cost of \$10,687,847 with a remaining balance of \$7,995,119 and two contracts for the New Financial Human Capital Management Program with a total cost of \$3,710,162 that have a remaining balance of \$1,569,217.

The Drainage Districts' component unit has construction contracts for northeast sanitary pump station electrical and mechanical upgrades for the Oakland Macomb Interceptor Drainage District Project with a total cost of \$31,815,153 with a remaining balance of \$24,796,489, a contract for north east sanitary pump station PCI rehabilitation for the Oakland Macomb Interceptor Drainage District Project with a total cost of \$9,252,146 with a remaining balance of \$7,743,509, and a contract for north east sanitary pump station pollution control solutions for the Oakland Macomb Interceptor Drainage District Project with a total cost of \$5,857,938 with a remaining balance of \$5,851,220 as of September 30, 2022.

The Road Commission for Oakland County component unit reports construction projects in progress at September 30, 2022 in the amount of \$114 million with remaining commitments of \$37 million. The Road Commission's net share of these costs following estimated revenue from federal aid and contributions from state and local participants totals approximately \$13 million.

Note 18 - Tax Abatements

The County received reduced property tax revenue during the year as a result of industrial facility taxes (IFTs), brownfield redevelopment agreements, Personal Property Tax (PA 328), and other agreements entered into by cities, villages, townships, and authorities within the County.

Note 18 - Tax Abatements (Continued)

The IFTs were entered into based upon the Plant Rehabilitation and Industrial Development District Act (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFTs provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in building of new facilities, and promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at both 100 and 50 percent of the millage rate applicable to other real and personal property in the County. The abatements amounted to \$626,216 for the County General Fund and \$54,139 for the County Parks and Recreation Fund for the fiscal year.

Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. These agreements were entered into based upon the Brownfield Redevelopment Act, PA 381 of 1996, as amended. Under this act, a municipality may create a brownfield redevelopment authority to develop and implement brownfield projects. Tax increment financing may be used as a tool for property redevelopment. The abatements amounted to \$983,439 for the County General Fund and \$85,022 for the County Parks and Recreation Fund for the year.

The County also receives reduced property tax revenue as a result of the Personal Property Tax (Act 328 of 1998, as amended by PA 20 of 1999) granted by cities, villages, and townships with the County. Personal Property Tax exemptions are intended to promote purchase of new equipment. The abatements amounted to \$679,913 for the County General Fund and \$58,781 for the County Parks and Recreation Fund for the year.

Finally, various local governments within Oakland County use Payment in Lieu of Taxes (PILOT) programs that are designed to provide tax abatements primarily for owners of low to moderate income multifamily housing units. Under this program, the local governments establish ordinances and enter into agreements that allow the low to moderate multifamily housing unit property owners to make payments at lower amounts than would have been otherwise due in the normal course of property tax collection. The County has estimated the PILOT abatement impact by taking the County's ad valorem tax amount less the actual PILOT payments for the year. The abatements amounted to \$356,000 for the year.

APPENDIX G

COUNTY OF MACOMB ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEAR ENDED DECEMBER 31, 2022

This Appendix contains the basic financial statements (excluding supplemental financial information) and related notes for the County's fiscal year ended December 31, 2022. The auditor was not requested to examine or review and therefore has not examined or reviewed any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Bonds and, accordingly, has not conducted any post-audit review procedures and will not express any opinion with respect to the accuracy or completeness of such financial documents, statements or materials.

The supplemental financial information for the fiscal year ended December 31, 2022, is available on the State of Michigan Local Government Document Search Site by searching for the County at:
<https://treas-secure.state.mi.us/DocumentSearch>

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2022

As management of the county, we offer this narrative overview and analysis of the financial activities of the county for the year ended December 31, 2022. Readers are encouraged to read it in conjunction with the letter of transmittal, which is located at the beginning of this report, and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of the county exceeded its liabilities and deferred inflows by \$1.8 billion at year-end.

The net position of the county increased by \$200.7 million in fiscal 2022.

The General Fund reported an increase of \$16.4 million for the year. Nonspendable fund balance was \$4.7 million, while Unassigned fund balances were \$108 million, or 57.1% of 2022 General Fund expenditures. Total fund balance was \$112.7 million. Nonspendable fund balance represented amounts for prepaid items and long-term receivables.

The county's governmental and business-type activities retired a combined \$17.6 million in long term debt during fiscal year 2022. At year end, the county is \$3.1 billion below its authorized debt limit.

The county's bond rating is AA+ with Standard & Poor's and Aa1 with Moody's Investor Services.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements: 1) government-wide financial statements, which focus on the county as a whole, 2) fund financial statements, which provide a more detailed view of the county's major funds and 3) notes to the financial statements, which provide additional information that is essential to gain a full understanding of the data presented in the financial statements.

Government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities* which provide readers with a broad overview of the activities of the county as a whole. One of the more important questions citizens and other readers of the financial statements often ask is "Is the county as a whole better or worse off this year than it was a year ago?" In other words, did the financial condition of the county improve or decline over the course of the past year. The government-wide statements report information in a manner that is intended to help answer these questions.

The government-wide statements are prepared using the full accrual basis of accounting, which is similar to that employed by businesses in the private sector.

The *Statement of Net Position* presents information on all of the assets and liabilities of the county, with the difference between the two reported as *net position*. Net position can be thought of as one way of measuring the financial strength of the county. Increases or decreases in net position over time may serve as a useful indicator of whether the financial condition of the county is improving or deteriorating. Non-financial factors such as changes in the property tax base, population and condition of county infrastructure must also be considered when assessing the financial condition of the county.

The *Statement of Activities* presents information showing how the net position of the county has changed over the course of the most recent fiscal year. All changes in net position are recognized as soon as the underlying transactions take place, regardless of the timing of the related cash flows. As a result, certain revenues and expenses reported in these statements are related to items that will only result in cash flows in future years. Examples of such items are uncollected property taxes and earned but unused sick and vacation leave.

The government-wide financial statements segregate the activities of the county into three categories: governmental activities, business-type activities and discretely presented component units. The basic services of the county are classified as **governmental activities** and are financed primarily through property taxes, user fees and intergovernmental revenues. Functions reported in this category include general government, legislative, health and welfare, public safety, public works and judicial. **Business-type activities** operate like private businesses and are intended to recover the majority of their costs through user fees. The business-type activities of the county include the Delinquent Tax Revolving Funds, Community Mental Health and the Freedom Hill Park. **Discretely presented component units** are legally separate entities, the majority of whose governing bodies are appointed by the Board of Commissioners and for which the county is financially

MANAGEMENT'S DISCUSSION AND ANALYSIS

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accountable. The county reports the Macomb/St. Clair Workforce Development Board, Public Works Drainage Districts and Martha T. Berry Medical Care Facility as discretely presented component units.

The government-wide financial statements begin on page B-1 of this report.

Fund financial statements are separate groupings of related accounts that are used to maintain control over resources that have been segregated for specific purposes. Each fund of the county is considered a separate accounting entity for which a self-balancing set of accounts is maintained. Certain funds are established in accordance with State law while others are required by bond or grant agreements or are established at the discretion of management to enable it to more easily manage and report on the activities of the many programs of the county. All the funds of the county can be divided into one of three categories: governmental, proprietary or fiduciary.

Governmental funds are used to account for most of the basic services provided by the county and report essentially the same functions as those reported as governmental activities in the government-wide financial statements. Governmental funds are accounted for using the *modified accrual* basis of accounting, which focuses on the short-term inflows and outflows of cash and other financial assets that can be readily converted into cash and the balances available for spending at year-end. Because the focus of the governmental fund financial statements is narrower in scope than that of the government-wide financial statements, reconciliations are provided in both the governmental fund balance sheet and operating statement to help the reader better understand the relationship between the two.

All of the governmental funds of the county are categorized as either major or nonmajor for presentation in the financial statements. The purpose of such segregation is to focus the attention of the reader on the more significant funds of the county. A fund is considered major if its assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures meet or exceed certain percentage thresholds in relation to all governmental funds taken as a whole. The thresholds used to determine a fund's status as major or non-major are set forth in GASB Statement No. 34. The governmental funds financial statements begin on page B-3.

Information regarding major funds is presented separately in the basic financial statements while data for all nonmajor funds is combined into a single, aggregated presentation. The General Fund, Roads Special Revenue Fund, Coronavirus Response Special Revenue Fund, Community Action Agency Special Revenue Fund, and American Rescue Plan Act Capital Project Fund are the major governmental funds of the county. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds are classified as either enterprise funds or internal service funds and are accounted for using the full accrual basis of accounting. *Enterprise funds* are used to report the same functions as those presented as business-type activities in the government-wide financial statements and include the Delinquent Tax Revolving Fund, Community Mental Health Fund and the Freedom Hill Park Fund. *Internal service funds*, on the other hand, are used to account centrally for services provided to other county departments and include phone services, fleet management, copier replacement, workers' compensation insurance, general liability insurance, compensated absences, employee fringe benefits, and debt service related to employee fringe benefits. Because the internal service funds predominately benefit governmental rather than business-type functions, most of their activity have been included within the governmental activities in the government-wide financial statements, while some activities related to compensated absences and other postemployment benefits have been allocated to business-type activities. Data regarding the internal service funds has been combined into a single, aggregated presentation in the basic financial statements. Information regarding the individual internal service funds is provided in the form of combining statements elsewhere in this report. The proprietary fund financial statements begin on page B-7 of this report.

Fiduciary funds are used to account for resources held by the county on behalf of others, including those of the Employee Retirement System, the Retiree Health Care Trust, and the Roads Retiree Health Care Investment Trust, as well as custodial funds, including the Current Tax Collection Fund, COMET Fund, and Miscellaneous Custodial Fund. The activities of the fiduciary funds are presented separately in this report but are not reflected in the government-wide financial statements because the resources of those funds are not available to support the operations of the county. Fiduciary funds are accounted for using the full accrual basis of accounting. The fiduciary fund financial statements begin on page B-12 of this report.

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Notes to the Financial Statements provide additional information that is essential to gain a full understanding of the data presented in both the government-wide and fund financial statements and begin on page B-16 of this report.

Required Supplementary Information is presented following the notes to the financial statements and includes schedules regarding the progress of the county in funding its pension and retiree health care obligations and a budget to actual comparison for the major governmental funds of the county. Required Supplementary Information begins on page C-1 of this report.

Other Supplementary Information, which includes combining and individual funds statements of the nonmajor funds of the county are presented immediately following the required supplementary information and begin on page D-1 of this report.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

The financial analysis of the county as a whole focuses on the net position and changes in net position of the governmental and business-type activities of the county. As noted earlier, net position and changes in net position may serve as one indicator of the financial health of the county. The assets and deferred outflows of resources of the county exceeded its liabilities and deferred inflows of resources by \$1.8 billion at December 31, 2022 and increased by approximately \$200.7 million for the year then ended. (See page A-7)

Macomb County Primary Government Net Position

	Governmental Activities		Business-type Activities		Totals	
	2021	2022	2021	2022	2021	2022
Current and other assets	\$ 828,352,990	\$ 872,542,964	\$ 370,017,246	\$ 429,319,643	\$ 1,198,370,236	\$ 1,301,862,607
Capital assets	1,097,692,283	1,203,817,040	1,330,894	1,382,560	1,099,023,177	1,205,199,600
Net pension asset	218,684,557	-	16,666,438	-	235,350,995	-
Total assets	2,144,729,830	2,076,360,004	388,014,578	430,702,203	2,532,744,408	2,507,062,207
Deferred outflows of resources	79,193,755	179,393,826	15,538,852	36,332,694	94,732,607	215,726,520
Current liabilities	180,327,461	249,622,271	133,020,784	164,704,436	313,348,245	414,326,707
Long-term liabilities, including leases						
Due within one year	20,494,513	19,569,843	2,350,018	2,557,253	22,844,531	22,127,096
Due in more than one year	213,349,816	201,421,891	35,258,221	33,078,854	248,608,037	234,500,745
Asset retirement obligations	1,000,000	1,000,000	-	-	1,000,000	1,000,000
Net pension liability	-	28,374,356	-	1,433,523	-	29,807,879
Net OPEB liability	37,708,997	79,389,083	7,723,530	16,260,415	45,432,527	95,649,498
Total liabilities	452,880,787	579,377,444	178,352,553	218,034,481	631,233,340	797,411,925
Deferred inflows of resources	332,066,923	86,196,750	42,477,701	16,792,754	374,544,624	102,989,504
Net position						
Net investment in capital assets	1,065,824,305	1,177,106,816	1,330,894	1,382,560	1,067,155,199	1,178,489,376
Restricted	169,758,541	196,383,637	55,314,709	98,594,702	225,073,250	294,978,339
Unrestricted	203,393,029	216,689,183	126,077,573	132,230,400	329,470,602	348,919,583
Total Net Position	\$ 1,438,975,875	\$ 1,590,179,636	\$ 182,723,176	\$ 232,207,662	\$ 1,621,699,051	\$ 1,822,387,298

Approximately \$1.2 billion of the county's net position represents its investment in capital assets, net of any outstanding debt used to acquire those assets. These assets are used by the county to provide services to the public; consequently, they are not available for future spending. Although the county's investment in its capital assets is reported net of any related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the assets themselves cannot be used to liquidate the outstanding debt obligations. Another \$294.9 million of the county's net position represents resources that are subject to external restrictions regarding their use. Assets included in this category include funds received in Special Revenue, Capital Projects, and Internal Service funds whose use is restricted by statute as well as cash and investments restricted for the repayment of outstanding debt. The sum of restricted net position and net investment in capital assets was less than total net position, resulting in positive unrestricted net positions at both

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December 31, 2022 and December 31, 2021. Favorable operating results combined with the recognition of reduction in OPEB expenses were the main causes of the positive unrestricted net position at December 31, 2022 and December 31, 2021.

As indicated in the following schedule, the net position of the county increased by \$200.7 million for the year ended December 31, 2022. The components of this change were an increase of \$151.2 million in governmental activities and an increase of \$49.5 million in business-type activities.

The components of these changes are discussed in the following section.

Macomb County Primary Government Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2021	2022	2021	2022	2021	2022
Revenues						
Program revenue						
Charges for services	\$ 79,214,797	\$ 107,012,116	\$ 222,709,693	\$ 290,630,423	\$ 301,924,490	\$ 397,642,539
Operating grants and contributions	121,211,638	146,853,176	17,739,601	8,563,328	138,951,239	155,416,504
Capital grants and contributions	112,126,336	163,074,153	-	-	112,126,336	163,074,153
General revenue						
Property taxes	137,428,348	145,859,402	-	-	137,428,348	145,859,402
Intergovernmental revenues	32,518,306	34,683,345	-	-	32,518,306	34,683,345
Investment earnings	73,747,870	6,375,891	15,349,732	4,254,471	89,097,602	10,630,362
	556,247,295	603,858,083	255,799,026	303,448,222	812,046,321	907,306,305
Expenses						
Legislative	1,239,991	1,724,355	-	-	1,239,991	1,724,355
Judicial	42,028,215	55,013,675	-	-	42,028,215	55,013,675
General government	33,086,174	49,260,162	-	-	33,086,174	49,260,162
Public safety	76,184,493	99,785,088	-	-	76,184,493	99,785,088
Public works	59,761,130	87,583,903	-	-	59,761,130	87,583,903
Health and welfare	108,907,298	147,306,870	-	-	108,907,298	147,306,870
Community and economic development	7,366,368	4,711,288	-	-	7,366,368	4,711,288
Recreation and culture	123,939	155,100	-	-	123,939	155,100
Interest and fees on long-term debt	7,390,195	6,504,713	1,174,768	1,133,370	8,564,963	7,638,083
Delinquent tax collections	-	-	2,040,066	2,870,224	2,040,066	2,870,224
Community Mental Health	-	-	223,172,225	248,459,211	223,172,225	248,459,211
Freedom Hill Park	-	-	463,862	590,770	463,862	590,770
	336,087,803	452,045,154	226,850,921	253,053,575	562,938,724	705,098,729
Increase (decrease) in net position before transfers	220,159,492	151,812,929	28,948,105	50,394,647	249,107,597	202,207,576
Net transfers	876,692	(609,168)	(874,201)	(910,161)	2,491	(1,519,329)
Increase (decrease) in net position	221,036,184	151,203,761	28,073,904	49,484,486	249,110,088	200,688,247
Net position, beginning of year	1,217,939,691	1,438,975,875	154,649,272	182,723,176	1,372,588,963	1,621,699,051
Net position, end of year	\$ 1,438,975,875	\$ 1,590,179,636	\$ 182,723,176	\$ 232,207,662	\$ 1,621,699,051	\$ 1,822,387,298

As mentioned in Note 1 of the financial statements, the majority of the funds of the county are accounted for on a fiscal year that ends on December 31. However, there are several funds that operate on a fiscal year that ends on either June 30 or September 30, which causes timing differences in transfers between the General Fund (a December 31 year-end fund) and some of the Special Revenue Funds that have September 30 and June 30 year-ends.

Governmental activities. The \$151.2 million increase in net position of governmental activities was contrasted by the increase in net position of \$221 million in the prior year. The change of \$69.8 million between the prior year's increase and the current year's increase is the result of strong market performance in 2021 and recognition of gains in OPEB investments which occurred in 2021 but are being recognized in 2022 as a reduction of OPEB expense.

MANAGEMENT'S DISCUSSION AND ANALYSIS

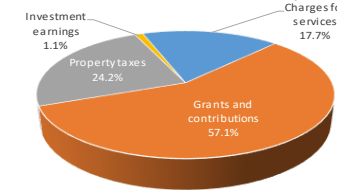
December 31, 2022

Total revenues increased \$47.6 million. Structural recurring revenues such as property taxes (up \$8.4 million), intergovernmental revenues (up \$2.2 million), and charges for services (up \$27.8 million) saw increases over 2021 results. A strong housing market combined with inflationary pressures caused the property tax increase. Intergovernmental revenues experienced small increases in state shared revenues, liquor tax, and PPT reimbursements. Charges for services increased by \$27.8 million over 2021 mainly as a result of cost sharing agreements with local units of government related to the Innovate Mound department of roads project. Capital grants and contributions increased \$50.9 million, mainly as a result of county road project funding, again related to the Innovate Mound roads project. Investment earnings decreased \$67.4 million, mainly due to investment losses in the county's Intermediate Retiree Medical Benefits Trust Internal Service Fund investments, which had been gains in 2021. The losses were in line with expectations based on market conditions and related sector benchmarks, which were substantially worse than 2021 comparable metrics.

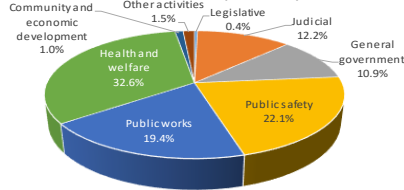
Total expenses increased \$115.9 million, mainly as a result of large increases in public works and health and welfare spending. Public works expenses increased by \$27.8 million while health and welfare expenses increased by \$38.4 million. Public works expense increases were driven by higher contractor and labor spending in order to perform a higher volume of maintenance work than in prior years. Health and welfare expense increases were driven by the county's Community Action Agency's expenses related to the Emergency Rental Assistance federal program. Judicial (increased \$13 million), general government (increased \$16.2 million), and public safety (\$23.6 million) and experienced increases in expenses as a result of operational increases, including salary and benefit increases, along with the spread of pension expense as part of the calculation of the county's net pension liability for 2022.

The components of the county's governmental revenues and expenses are presented below:

Governmental Activities Revenues By Source



Governmental Activities Expenses By Function



Business-type activities. The net position of the county's business-type activities increased approximately \$50.4 million during the year. The increase in net position was mainly driven by the county's Community Mental Health agency, which experienced a gain of \$43.5 million for the year. The agency's gain was due to a combination of new grants and program reorganizations that led to increased lease expenses along with lower payroll expenses as a result of higher than typical position vacancies.

FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR GOVERNMENTAL FUNDS

Governmental funds. As previously mentioned, the focus of governmental funds is to provide information on near-term inflows, outflows and remaining balances of spendable resources. Such information is useful in assessing the county's ability to meet its current financing requirements. The fund balance of governmental funds is segregated into one of five categories: nonspendable, restricted, committed, assigned and unassigned. Restricted fund balance represents that portion of the fund balance that may only be spent for specific restricted purposes and are not available for new spending. Examples of fund balance restrictions include amounts required to pay debt service, bond proceeds that may only be spent on projects for which the bonds were issued, and amounts required to meet long-term contractual commitments and encumbrances. Fund balance assignments are established to represent that portion of fund balance that is intended to be spent for certain purposes and differ from fund balance restrictions in that they can be redirected and used for new spending if necessary. Unassigned fund balance represents the portion of fund balance that is available at year-end for new spending.

The combined ending fund balances of all governmental funds were \$301.7 million at December 31, 2022, an increase of \$28.7 million over the prior year. The increase consists of a \$16.4 million increase in the General Fund, a \$2.7 million increase in the Roads Major Special Revenue Fund, a decrease of \$1.4 million in the Coronavirus Response Fund, a

MANAGEMENT'S DISCUSSION AND ANALYSIS

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decrease of \$0.5 million in the Community Action Agency Fund, and a combined increase of \$11.5 million in the nonmajor governmental funds.

General Fund – The General Fund is the primary operating fund of the county. All revenues and expenditures are recorded in the General Fund unless otherwise required by statute, contractual agreement or policy.

A year-to-year comparison of General Fund revenues by source and expenditures by function is presented below:

General Fund Revenue By Source and Expenditures By Function

			Increase (Decrease)	
	2021	2022	\$ Change	% Change
Revenues				
Property taxes	\$ 134,142,878	\$ 140,932,483	\$ 6,789,605	5.06%
Licenses and permits	1,643,799	1,682,489	38,690	2.35%
Federal and state grants	41,325,217	43,674,121	2,348,904	5.68%
Charges for services	44,535,856	40,041,050	(4,494,806)	-10.09%
Charges to other funds for administrative services	13,275,462	13,898,553	623,091	4.69%
Fines and forfeitures	496,813	661,031	164,218	33.05%
Interest and rents	2,275,205	7,381,479	5,106,274	224.43%
Other revenue	112,988	294,916	181,928	161.02%
Transfers from other funds	8,151,241	8,000,000	(151,241)	-1.86%
Total revenues	245,959,459	256,566,122	10,606,663	4.31%
Expenditures				
Current				
Legislative	1,476,642	1,657,838	181,196	12.27%
Judicial	29,981,910	31,316,194	1,334,284	4.45%
General government	43,658,195	48,329,763	4,671,568	10.70%
Public safety	77,045,562	73,536,677	(3,508,885)	-4.55%
Public works	6,917,145	7,133,951	216,806	3.13%
Health and welfare	16,057,394	17,987,104	1,929,710	12.02%
Community and economic development	3,114,739	3,524,609	409,870	13.16%
Other / Non-departmental	1,902,318	2,903,046	1,000,728	52.61%
Capital outlay	1,901,600	2,685,166	783,566	41.21%
Transfers out	40,049,295	51,069,880	11,020,585	27.52%
Total expenditures	222,104,800	240,144,228	18,039,428	8.12%
Net change in fund balance	\$ 23,854,659	\$ 16,421,894	\$ (7,432,765)	-31.16%

Property tax revenue increased by \$6.8 million, or 5.1%, due to a robust housing market and increasing inflation in 2022, which led to increased taxable values and associated property tax revenue collections for the year.

Federal and state grants increased by \$2.3 million, or 5.7%, mainly due small increases in state shared revenues, liquor tax, and PPT reimbursements.

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Charges for services decreased by \$4.5 million, or 10%, due to the reclassification of dispatch contract revenue. In previous years, dispatch contract revenues were recorded in the General Fund, but beginning with fiscal year 2022, they began to be recorded within the Dispatch and Cellular Fees Special Revenue Fund.

Interest and rents increased by \$5.1 million, or 224.4%, because of significantly higher interest rates on investments, such as certificates of deposits and treasury notes, as compared to 2021.

Expenditures increased \$18 million in 2022. Transfers out of the general fund increased \$11 million in 2022, mainly as a result of an increase of \$12.3 million in the transfer out to the capital projects fund. This transfer was done to fund current and planned capital projects.

Expenditures in general government increased \$4.7 million, or 10.7%, mainly as a result of increases in the Information Technology and Facilities and Operations county departments. Information Technology led major upgrades to software in 2022 (increased \$1.7 million over 2021). The Facilities and Operations department saw operations return to pre-COVID levels, but also saw increases in utility costs (increased \$1.8 million over 2021).

Expenditures in Health and welfare increased by \$1.9 million, or 12%, mainly as a result of Environmental Health (\$0.5 million increase), Clinical Health Services (\$0.9 million increase), and the Communicable Diseases Program (\$0.3 million increase) increasing services, as well as bringing back staff from COVID-related services recorded in other funds, such as the Coronavirus Response Fund, that are now back to their primary assignments and being charged from the General Fund. Additionally, new contracts with higher costs for the Medical Examiner's Office were executed for 2022, an increase of \$0.2 million.

Public Safety expenditures decreased by \$3.5 million, or 4.6%, because of over 40 deputy and corrections officer vacancies on average at the Sheriff's Department during 2022.

Non-Departmental expenditures increased by \$1 million, or 52.6%, mainly because of COVID-related activities the county continued to perform into 2022 that were no longer covered by a specific grant. These expenditures were budgeted instead into a COVID contingency. COVID testing, which included related facility and contract costs for laboratory and medical staffing, were the most significant activities in 2022.

Roads Special Revenue Fund – The Roads Special Revenue Fund is used to account for the activities at the Department of Roads. A year-to-year comparison of revenues by source and expenditures by function is presented on the following page:

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Department of Roads Revenue By Source and Expenditures By Function

	2021	2022	Increase (Decrease)	
			\$ Change	% Change
Revenues				
Licenses and permits	\$ 1,026,556	\$ 1,126,848	\$ 100,292	9.77%
Federal and state grants	109,151,683	158,937,406	49,785,723	45.61%
Charges for services	13,858,344	36,517,921	22,659,577	163.51%
Interest and rents	351,373	586,666	235,293	66.96%
Other revenue	572,656	723,245	150,589	26.30%
Total revenues	124,960,612	197,892,086	72,931,474	58.36%
Expenditures				
Current				
Public works	98,675,258	192,899,504	94,224,246	95.49%
Capital outlay	4,252,799	2,177,533	(2,075,266)	-48.80%
Debt service				
Principal	160,265	70,758	(89,507)	-55.85%
Interest and fees	15,728	12,401	(3,327)	-21.15%
Total expenditures	103,104,050	195,160,196	92,056,146	89.28%
Net change in fund balance	\$ 21,856,562	\$ 2,731,890	\$ (19,124,672)	-87.50%

Revenues increased by \$72.9 million, or 58.4%, mainly as a result of substantial increases in federal and state grants (increased \$49.8 million) and charges for services (increased \$22.7 million). The department of roads received funding from state and federal sources for the Innovate Mound project. Additionally, local communities contributed just over \$20 million to the Innovate Mound project in 2022, which represented the majority of the increase in charges for services. Finally, the \$92.1 million increase in expenditures was driven by progress towards the completion of the Innovate Mound project in 2022.

Coronavirus Response Special Revenue Fund – The Coronavirus Response Special Revenue Fund is used to account for the revenues and expenditures related to the county's use of federal and state grant programs related to coronavirus response activities, such as small business grant programs, COVID testing and vaccination efforts, as well as county building retrofits and purchasing of personal protective equipment.

The majority of spending in this fund was funded with direct funding from the Federal government's Coronavirus Relief Fund, as enabled by the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The county received \$152,501,374 under the CARES Act, which was spent mostly from the Coronavirus Response Fund as well as the General Fund. Under the CARES Act, funding may only be used to cover costs that (1) are necessary expenditures incurred due to the public health emergency with respect to COVID-19; (2) were not accounted for in the budget most recently approved as of March 27, 2020, and (3) were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021. The county also accounted for two COVID-related grants received from the state in the Coronavirus Relief Fund. The county received \$7,188,976 from the Michigan Economic Development Corporation for the purpose of issuing grants to small businesses with increased costs incurred as a result of the COVID-19 pandemic. The county also received \$537,000 from the Michigan Treasury under the First Responder Hazard Pay Premiums Program (FRHPPP).

At December 31, 2022, all funding under these programs was either expended or obligated. A year-to-year comparison of General Fund revenues by source and expenditures by function is presented below:

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Coronavirus Response Fund Revenue By Source and Expenditures By Function

	2021	2022	Increase (Decrease)	
			\$ Change	% Change
Revenues				
Federal and state grants	\$ 111,858,464	\$ -	\$ (111,858,464)	-100.00%
Charges for services	464,500	-	(464,500)	-100.00%
Interest and rents	177,665	-	(177,665)	-100.00%
Total revenues	112,500,629	-	(112,500,629)	-100.00%
Expenditures				
Current				
Health and welfare	52,217,012	1,435,838	(50,781,174)	-97.25%
Community and economic development	45,506,382	-	(45,506,382)	-100.00%
Capital outlay	9,139,672	-	(9,139,672)	-100.00%
Total expenditures	106,863,066	1,435,838	(105,427,228)	-98.66%
Net change in fund balance	\$ 5,637,563	\$ (1,435,838)	\$ (7,073,401)	-125.47%

The only activity in the fund during fiscal year 2022 was the expensing of inventory in the amount of \$1,435,838. The remaining fund balance at December 31, 2022 of \$2,187,470 is nonspendable fund balance and represents the fund's remaining personal protective equipment (PPE) inventory.

Community Action Agency Special Revenue Fund – The Community Action Agency Special Revenue Fund is used to account for a wide array of services to residents of the county, including, but not limited to, the Emergency Rental Assistance program, Meals on Wheels, senior citizens nutrition, income tax preparation for the elderly, transportation services, home injury control, household weatherization improvements and Head Start.

A year-to-year comparison of General Fund revenues by source and expenditures by function is presented below:

Community Action Agency Revenue By Source and Expenditures By Function

	2021	2022	Increase (Decrease)	
			\$ Change	% Change
Revenues				
Federal and state grants	\$ 46,216,981	\$ 73,551,100	\$ 27,334,119	59.14%
Other grants	100,000	-	(100,000)	-100.00%
Charges for services	2,864,414	4,166,601	1,302,187	45.46%
Other revenue	145,120	50,423	(94,697)	-65.25%
Transfers in	3,883,457	3,916,855	33,398	0.86%
Total revenues	53,209,972	81,684,979	28,475,007	53.51%
Expenditures				
Current				
Health and welfare	51,777,051	82,020,249	30,243,198	58.41%
Capital outlay	947,031	201,358	(745,673)	-78.74%
Transfers out	2,075	-	(2,075)	-100.00%
Total expenditures	52,726,157	82,221,607	29,495,450	55.94%
Net change in fund balance	\$ 483,815	\$ (536,628)	\$ (1,020,443)	-210.92%

Both revenues and expenditures significantly increased in 2022 because of expenditures related to the county's remaining funding under the Emergency Rental Assistance program.

American Rescue Plan Act Fund – The American Rescue Plan Act Capital Project Fund is used to account for the revenues and expenditures related to the county's use of its allocation of funding from the Coronavirus State and Local

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Fiscal Recovery Funds (SLFRF) program, a part of the American Rescue Plan. Under this program, governments are provided with resources needed to fight the pandemic and support families and businesses struggling with its public health and economic impacts, maintain vital public services, even amid declines in revenue resulting from the crisis, and build a strong, resilient, and equitable recovery by making investments that support long-term growth and opportunity.

SLFRF funds may be spent to (1) replace lost public sector revenue, (2) respond to the far-reaching public health and negative economic impacts of the pandemic, (3) provide premium pay for essential workers, and (4) invest in water, sewer, and broadband infrastructure. Funds distributed under the program must be obligated by December 31, 2024 and expended by December 31, 2026.

Under this program, the county received \$84,879,408 in August 2021 and received a second tranche in August 2022 for an equal amount, for a total of \$169,758,815. As of December 31, 2022, no funding under this program was expended.

FINANCIAL ANALYSIS OF THE COUNTY'S NON-MAJOR GOVERNMENTAL FUNDS

The fund balances of the county's nonmajor governmental funds were approximately \$56.6 million at year-end, an increase of approximately \$11.5 million over the prior year. The increase consists of an increase of \$14 million in the special revenue funds, a decrease of \$2.2 million in the debt service fund, and a decrease of \$0.3 million in the capital projects funds.

While the objective of many of the special revenue funds is to break even on an annual basis or over the period of a multi-year grant, the small increases or decreases experienced in these funds are often the result of the timing of payments from grant agencies, such as the state or federal government. The capital project funds experienced a decrease of \$0.3 million in 2022 because of planned capital projects reducing the General County Capital Projects Fund and Capital Improvement Fund by a net \$0.6 million. Additionally, the Youth Home Renovation Home fund was closed, with its remaining \$0.1 million fund balance being transferred back to the county's Capital Improvement Fund. The fund balance of the debt service fund decreased by \$2.2 million, which was mainly driven by the final payment made on the 2014 Martha T Berry / Youth Home Refunding Bonds in the amount of \$2.1 million. The payment was made from funds transferred into the Debt Service Fund in 2021.

FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR PROPRIETARY FUNDS

Delinquent Tax Revolving Fund – Virtually all of the local units of government in the county, including the county itself, levy their property taxes on July 1 of each year and unpaid taxes are considered delinquent March 1 of the following year. The county, through its Delinquent Tax Revolving Fund, purchases the delinquent taxes from the local units each year and thus becomes entitled to the interest and penalties on the delinquent balances. A year-to-year comparison of Delinquent Tax Revolving Fund revenues and expenses is presented below:

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Delinquent Tax Revolving Fund Revenue By Source and Expenditures By Function

	2021	2022	Increase (Decrease)	
			\$ Change	% Change
Revenues				
Charges for services	\$ 10,313,922	\$ 12,365,265	\$ 2,051,343	19.89%
Investment income	194,591	1,340,241	1,145,650	588.75%
Total revenues	10,508,513	13,705,506	3,196,993	30.42%
Expenses				
Wages and fringe benefits	488,092	549,653	61,561	12.61%
Contractual services	111,954	109,437	(2,517)	-2.25%
Supplies and services	1,440,020	2,211,134	771,114	53.55%
Transfers out	8,001,402	8,000,000	(1,402)	-0.02%
Total expenditures	10,041,468	10,870,224	828,756	8.25%
Change in net position	<u>\$ 467,045</u>	<u>\$ 2,835,282</u>	<u>\$ 2,368,237</u>	<u>507.07%</u>

Revenues increased by \$3.2 million, or 30.4% mainly as a result of a \$2.1 million increase in charges for services. This occurred because of an increase in delinquencies, which led to increased penalty and fee collections. Additionally, the fund experienced an increase of \$1.1 million in investment income, which was the result of significantly higher interest rates in 2022 as compared to 2021.

Expenses increased by \$0.8 million, or 8.25%, mainly as a result of tax foreclosures increasing by \$0.74 million. Foreclosure collections increased as a result of the end of deferment programs that were in place during the COVID-19 pandemic.

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Community Mental Health – The Community Mental Health Department delivers a variety of services to residents and their families throughout the county.

A year-to-year comparison of Community Mental Health revenues and expenses is presented below.

Community Mental Health Fund Revenue By Source and Expenditures By Function

	2021	2022	Increase (Decrease)	
			\$ Change	% Change
Revenues				
Federal and state grants	\$ 17,739,601	\$ 8,563,328	\$ (9,176,273)	-51.73%
Charges for services	208,960,642	274,876,515	65,915,873	31.54%
Other	107,477	22,499	(84,978)	-79.07%
Investment income	190,731	814,510	623,779	327.05%
Transfers in	7,074,279	7,003,839	(70,440)	-1.00%
Total revenues	234,072,730	291,280,691	57,207,961	24.44%
Expenses				
Wages and fringe benefits	20,455,305	14,157,198	(6,298,107)	-30.79%
Contractual services	185,620,565	223,716,327	38,095,762	20.52%
Utilities	443,021	143,435	(299,586)	-67.62%
Repairs and maintenance	17,264	161,146	143,882	833.42%
Supplies and services	16,120,137	9,518,089	(6,602,048)	-40.96%
Depreciation	18,810	119,759	100,949	536.68%
Total expenditures	222,675,102	247,815,954	25,140,852	11.29%
Change in net position	<u>\$ 11,397,628</u>	<u>\$ 43,464,737</u>	<u>\$ 32,067,109</u>	<u>281.35%</u>

Community Mental Health is funded primarily by Medicare and Medicaid. Revenues increased by \$57.2 million as a result of additional expenses, specifically, contractual services. Expenses increased by \$25.1 million, mainly as a result of additional services provided via contractual services and supplies and services as well as a reduction in pension expense in the amount of \$11.4 million.

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Freedom Hill Park – The Freedom Hill Park serves as a recreational facility for use by all county residents and is used as a concert and festival venue. A year-to-year comparison of Freedom Hill Park revenues is presented below.

Freedom Hill Park Fund Revenue By Source and Expenditures By Function

	2021	2022	Increase (Decrease)	
			\$ Change	% Change
Revenues				
Charges for services	\$ 273,649	\$ 315,232	\$ 41,583	15.20%
Other	4,280	900	(3,380)	-78.97%
Investment income	-	76	76	100.00%
Transfers in	52,922	86,000	33,078	62.50%
Total revenues	330,851	402,208	71,357	21.57%
Expenses				
Wages and fringe benefits	87,892	83,925	(3,967)	-4.51%
Utilities	98,974	119,281	20,307	20.52%
Repairs and maintenance	68,088	137,003	68,915	101.21%
Supplies and services	75,897	117,218	41,321	54.44%
Depreciation	137,333	133,080	(4,253)	-3.10%
Total expenditures	468,184	590,507	122,323	26.13%
Change in net position	\$ (137,333)	\$ (188,299)	\$ (50,966)	37.11%

Total revenue increased by \$71,357, or 21.6%. The increase was mainly as a result of increased charges for services due to increased activities at the facility, along with an increase in the transfer in from the county's General Fund.

Expenses increased by \$122,323, or 26.1%. Utilities, repairs and maintenance, as well as supplies and services all increased in 2022 as a result of more activities at the park.

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GENERAL FUND BUGETARY HIGHLIGHTS

The budget for the General Fund has historically been adopted by the Board of Commissioners in December of the prior year but may be adopted earlier if so desired. It may be amended from time to time throughout the year to reflect changing operational circumstances. A comparison of budgeted and actual revenues is presented below:

General Fund Revenues - Budgetary Comparison Schedule

	Original Budget	Final Amended Budget	Actual	Variance, Favorable (Unfavorable)	
				\$ Difference	% Difference
Revenues					
Property taxes	\$ 141,552,700	\$ 141,552,700	\$ 140,932,483	\$ (620,217)	-0.44%
Licenses and permits	1,466,200	1,466,200	1,682,489	216,289	14.75%
Federal and state grants	42,655,300	42,723,082	43,674,121	951,039	2.23%
Charges for services	38,886,900	39,236,700	40,041,050	804,350	2.05%
Charges to other funds for administrative services	14,203,900	14,203,900	13,898,553	(305,347)	-2.15%
Fines and forfeitures	504,500	504,500	661,031	156,531	31.03%
Interest and rents	2,488,500	2,488,500	7,381,479	4,892,979	196.62%
Other revenue	78,600	78,600	294,916	216,316	275.21%
Transfers in	8,000,000	8,000,000	8,000,000	-	0.00%
Total revenues	\$ 249,836,600	\$ 250,254,182	\$ 256,566,122	\$ 6,311,940	2.52%

The federal and state grants favorable variance of \$1 million was primarily the result of higher than budgeted personal property tax reimbursement distributions from the Local Community Stabilization Authority (LCSA). The LCSA distributes funds based on use tax collections and is required to send the county an amount equal to the county's qualified loss as calculated under Public Act 86 of 2014, as amended. When use tax collections allow, the LCSA distributes qualified loss reimbursements in excess of 100% of the calculated PPT reimbursement. In 2022, the excess payment amounted to \$5.7 million. Because these payments are not statutorily guaranteed, the county only budgets for 100% of its qualified loss and an estimate for the excess payment in years when one is reasonably expected to occur, so of the \$8.8 million total PPT reimbursement received in 2022, only \$8 million was budgeted, a variance of \$0.8 million.

Within the interest and rents revenue category, interest rates rose aggressively throughout 2022, leading to a substantial favorable variance of \$4.9 million. After recording interest revenue in the general fund of \$294,000 in 2021, the county anticipated higher interest rates and increased the budget for interest revenue from \$727,000 in 2021 to \$800,000 in 2022, anticipating an increase of over 270%. Interest revenue ended up increasing to \$5,678,236, an amount nineteen times higher than 2021's interest revenue total.

Charges for services had a favorable variance of \$0.8 million mainly as a result of real estate transfer tax and recording fee revenues. The variance was caused by a robust housing market that saw prices continue to rise for much of 2022, but also saw fewer houses sell as supply fell. The result was higher than budgeted real estate transfer taxes, which are sale price based (\$1.4 million favorable variance), and lower than budgeted recording fee revenues, which are transaction based (\$0.5 million unfavorable variance).

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A comparison of budgeted and actual expenditures is presented below and on the following pages.

General Fund Expenditures - Budgetary Comparison Schedule

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>\$ Unused</u>	<u>% Utilized</u>
Expenditures					
Current					
Legislative					
Board of commissioners	\$ 1,782,100	\$ 1,745,622	\$ 1,657,838	\$ 87,784	94.97%
Judicial					
Circuit court	8,898,700	8,737,466	7,865,870	871,596	90.02%
District court - 3rd class	19,000	19,000	6,503	12,497	34.23%
District court - New Baltimore	1,454,200	1,406,149	1,307,985	98,164	93.02%
District court - Romeo	1,341,000	1,302,291	1,199,534	102,757	92.11%
Family counseling	71,100	70,582	45,710	24,872	64.76%
Family court - Juvenile division	5,984,300	5,901,909	6,005,510	(103,601)	101.76%
Jury commission	154,700	154,700	9,508	145,192	6.15%
Law library	9,000	9,000	9,616	(616)	106.84%
Probate court	3,569,800	3,509,763	3,481,571	28,192	99.20%
Probation - Circuit court	127,800	127,800	85,424	42,376	66.84%
Prosecuting attorney	12,492,700	12,013,720	11,298,963	714,757	94.05%
Total judicial	34,122,300	33,252,380	31,316,194	1,936,186	94.18%
General government					
Building authority	500	500	140	360	28.00%
County clerk	5,860,500	5,712,798	5,082,794	630,004	88.97%
County executive	1,774,000	1,730,560	1,679,368	51,192	97.04%
Corporation counsel	1,184,700	1,239,769	1,210,774	28,995	97.66%
Elections	842,800	958,234	727,257	230,977	75.90%
Ethics board	4,700	4,700	542	4,158	11.53%
Equalization	1,059,700	1,047,550	1,002,419	45,131	95.69%
Facilities and operations	17,367,200	17,124,441	16,422,739	701,702	95.90%
Finance	2,528,400	2,458,880	2,328,451	130,429	94.70%
Human resources	3,047,200	2,979,423	2,747,707	231,716	92.22%
Information technology	11,273,300	11,247,898	10,967,319	280,579	97.51%
MSU extension	1,020,600	1,003,790	944,721	59,069	94.12%
Purchasing	1,387,700	1,335,240	1,159,354	175,886	86.83%
Register of deeds	1,928,400	1,841,699	1,686,812	154,887	91.59%
Treasurer	2,433,200	2,406,727	2,369,366	37,361	98.45%
Total general government	51,712,900	51,092,209	48,329,763	2,762,446	94.59%
Public safety					
Civil service commission	48,500	72,367	65,984	6,383	91.18%
Emergency management	1,519,900	1,469,940	1,487,520	(17,580)	101.20%
Sheriff department	72,026,900	70,999,475	71,983,173	(983,698)	101.39%
Total public safety	73,595,300	72,541,782	73,536,677	(994,895)	101.37%

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General Fund Expenditures - Budgetary Comparison Schedule (concluded)

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>\$ Unused</u>	<u>% Utilized</u>
Expenditures (concluded)					
Current (concluded)					
Public works	\$ 7,032,900	\$ 7,053,701	\$ 7,133,951	\$ (80,250)	101.14%
Health and welfare					
Animal shelter	2,113,900	2,046,890	1,878,286	168,604	91.76%
Health & community services	213,300	212,141	199,843	12,298	94.20%
Health department	19,275,100	18,310,007	15,850,389	2,459,618	86.57%
Social services	59,500	59,500	58,586	914	98.46%
Total health and welfare	21,661,800	20,628,538	17,987,104	2,641,434	87.20%
Community and economic development					
Planning and economic development	3,905,000	3,801,593	3,524,609	276,984	92.71%
Other current operations					
Non-departmental appropriations	3,646,700	3,832,504	2,903,046	929,458	75.75%
Vacant position turnover factor	(3,532,400)	-	-	-	0.00%
Total other current operations	114,300	3,832,504	2,903,046	929,458	75.75%
Capital outlay	13,570,800	2,258,199	2,685,166	(426,967)	118.91%
Transfers out	38,637,300	51,165,864	51,069,880	95,984	99.81%
Total expenditures	<u>\$ 246,134,700</u>	<u>\$ 247,372,392</u>	<u>\$ 240,144,228</u>	<u>\$ 7,228,164</u>	<u>97.08%</u>

The total budget for the General Fund was increased by \$1.2 million during the year, and the fund experienced a \$7.2 million favorable variance between the final amended budget (\$247.4 million) and actual expenditures (\$240.2 million).

Budget amendments spreading the \$3.5 million vacant position turnover factor had a small impact on most department budgets.

The Sheriff's Department experienced a \$1 million unfavorable variance. This was mainly caused by vacancies, which led to larger than budgeted overtime expenses, but also lower than budgeted fringe benefit expenses. Overtime cost was in excess of the savings experienced from an average of 40 vacancies in the deputy and correction officer ranks during the year. Specifically, the county budgeted \$3.2 for overtime in the Sheriff's Department, but experienced \$5.8 million in actual expenditures, an unfavorable variance of \$2.7 million. The county budgeted \$31.4 million for base salaries in the Sheriff's Department, but experienced \$30.8 million in actual expenditures, a favorable variance of \$0.6 million. The most significant unfavorable variances in overtime were attributable to county jail overtime caused by staff shortages (\$2.2 million unfavorable variance). Overall, the department experienced an unfavorable variance of \$2.1 million in total salaries and wages, but did experience a \$0.5 million favorable variance in fringe benefits. This was mainly the result of fewer full time employees in the department than budgeted, which lowered health care, dental, life insurance, and other employee-based, rather than payroll dollar-based, fringe benefits. Finally, the Sheriff's Department experienced a favorable variance of \$0.6 million for indirect costs due to those costs being lower than initially budgeted.

The Circuit Court experienced a \$0.9 million favorable variance. This was mainly from jury fee and indirect cost expenses being lower than budgeted. Jury fee expenses experienced a favorable variance of \$0.3 million, mainly as a result of fewer jury trials than had been budgeted for in 2022. While jury expenses increased over 2021, the circuit court still did not have a pre-COVID level of jury trials in 2022. Indirect costs had a favorable variance of \$0.6 million, mainly as a result of those costs being lower than initially budgeted.

The Health Department experienced a \$2.5 million favorable variance. The favorable variances were generally a result of higher budgeted expenditures in core services due to the expectation that service levels would return to pre-COVID levels. However, the actual expenditures did not end up being as high as budgeted, mainly due to COVID activities using health

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department personnel and supplies being charged to the COVID contingency cost center in the General Fund. Most notably, salaries, wages, and fringe benefits were lower than budgeted because of COVID activities as well as vacancies. This resulted in a favorable variance of \$1.1 million. Pharmaceutical supplies, including non-COVID vaccines, had a favorable variance of \$0.8 million, mainly as a result of lower than anticipated demand for vaccines. Finally, indirect costs experienced a favorable variance of \$0.5 million due to those costs being lower than initially budgeted.

Non-departmental appropriations experienced a favorable variance of \$0.9 million as a result of COVID contingency funds not being fully utilized during the year. As most COVID-related funding expired at the end of 2021, the county created the COVID contingency for \$2 million in order to continue certain ongoing COVID-19 mitigation efforts. In 2022, significant COVID contingency expenditures included leasing facilities for COVID testing, as well as contractual services for laboratory testing and medical staff. These costs totaled \$1.3 million in 2022, a favorable variance of \$0.6 million. As the funding was considered a contingency, it was a conservative estimate of potential costs, and a favorable variance was expected by management.

GENERAL FUND BUDGET PERFORMANCE

The county's administration benchmarks budget performance with the following goals. For revenues, the county seeks final collections of revenues to be within five percent of the final amended revenue budget. For expenditures, the county seeks final utilization of the expenditure budget to be equal to or no less than 95 percent of the final amended expenditure budget, excluding capital outlay and related transfers out. General Fund budgetary performance was strong in 2022, with revenues and expenditures within desired county benchmarks.

When evaluating expenditure budget performance of the General Fund, it is necessary to exclude capital outlay and related transfers out as these line items vary significantly from the budget depending the status of capital projects being funded from these budgets. Since 2019, the county has funded the entire capital project in the year the project is approved by the Board of Commissioners. Prior to 2019, transfers from the General Fund to the Capital Project funds were requested as work was completed and invoices came due. Both methods have historically created large variances between budgeted expenditures in capital outlay and transfers out as compared to actual expenditures, which has been driven historically by the timing of projects, and the availability of contractors to perform the projects, which can delay the start date and the progress of the capital projects.

Based on county administration benchmarks and expenditure definitions described above, the county has achieved its budget performance goals in each of the past eight years for revenues and in five out of the past eight years for expenditures.

Excluding capital outlay and capital-related transfers out, the General Fund experienced total expenditures that were \$7.7 million less than the final amended General Fund Budget. This represented total budget utilization of 96.71%. The General Fund experienced total revenue collections, excluding transfers in, that were \$6.3 million more than the final amended General Fund Budget. This represented a total collection of budgeted revenues equal to 102.61%.

Below is a chart showing the budget performance of the General Fund since 2015, measured by utilization of budgeted expenditures (less capital outlay and related transfers out) and collection of budgeted revenues.

General Fund Budget Performance, 2015 - 2022

Year	Collection of Budgeted Revenues	Utilization of Budgeted Expenditures
2022	102.61%	96.71%
2021	102.64%	94.88%
2020	97.32%	94.87%
2019	100.11%	98.28%
2018	102.48%	99.93%
2017	103.48%	98.64%
2016	102.67%	98.24%
2015	100.00%	92.04%

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Finally, General Fund revenues exceeded expenditures by \$16.4 million for the year ended December 31, 2022, and actual expenditures, when including capital outlay and related transfers out, were \$7.2 million less than final budgeted expenditures. Unassigned fund balance was \$108 million or 57.1% of 2022 General Fund expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The county categorizes its capital assets as follows: land, land improvements, buildings and improvements, machinery, equipment and vehicles, infrastructure and construction in progress. At year-end, the county's investment in capital assets, net of accumulated depreciation, was \$1.2 billion for governmental activities and \$1.4 million for business-type activities as shown on the following page.

Macomb County Capital Assets Summary Schedule
(reported net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2021	2022	2021	2022	2021	2022
Land	\$ 206,270,896	\$ 206,763,487	\$ 50,000	\$ 50,000	\$ 206,320,896	\$ 206,813,487
Land improvements	4,048,694	3,586,354	274,484	248,709	4,323,178	3,835,063
Buildings and improvements	200,189,431	197,930,791	916,198	815,855	201,105,629	198,746,646
Machinery, equipment and vehicles	21,592,645	22,988,877	90,212	64,993	21,682,857	23,053,870
Infrastructure	644,107,801	754,874,551	-	-	644,107,801	754,874,551
Right to use assets	376,252	157,834	-	203,003	376,252	360,837
Construction in progress	21,106,564	17,515,146	-	-	21,106,564	17,515,146
Total assets	<u>\$ 1,097,692,283</u>	<u>\$ 1,203,817,040</u>	<u>\$ 1,330,894</u>	<u>\$ 1,382,560</u>	<u>\$ 1,099,023,177</u>	<u>\$ 1,205,199,600</u>

Additional information regarding the county's capital assets can be found in Note 5 to the basic financial statements.

Long-term debt. The county's total long-term debt was \$226.5 million at December 31, 2022. All outstanding obligations are backed by the full faith and credit of the county. The components of the total liability are presented below.

Macomb County Long-Term Debt - Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Total bonded debt and loans					
Governmental activities	\$ 207,980,771	\$ -	\$ 15,480,668	\$ 192,500,103	\$ 13,743,088
Business-type activities	36,105,955	-	2,155,090	33,950,865	2,209,601
Total bonded debt and loans	<u>\$ 244,086,726</u>	<u>\$ -</u>	<u>\$ 17,635,758</u>	<u>\$ 226,450,968</u>	<u>\$ 15,952,689</u>

The general obligation bonds of the county are rated **AA+** by Standard & Poor's and **Aa1** by Moody's Investor Services. State statute limits the total amount of general obligation debt of the county to 10% of the assessed value of all property in the county. Assessed value is generally 50% of true market value. Management, however, believes that the taxable value of all property in the county is a more practical and conservative base on which to base the calculation of the county's debt limit. The taxable value of all property in the county as of December 31, 2022 was \$33.7 billion. After adjustments as shown on page E-16, the county's debt limitation was \$3.1 billion at year-end. The county's outstanding debt of \$499.7 million at year end, of which \$226.3 million was subject to the debt limit, was well below the limit based on either assessed or taxable value.

Additional information regarding the long-term obligations of the county may be found in Note 6 to the basic financial statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following factors were considered when developing the 2023 budget:

Property values were projected to increase 5% in 2023.

Wage cost increases, as an average across the county, of approximately 9% were factored into the 2023 budget.

Health care costs are anticipated to increase 4% for employees and 8% for retirees in 2023.

Market interest rates in 2023 are expected to increase from 2022 levels.

CONTACTING THE COUNTY FINANCE DEPARTMENT

This financial report is designed to provide citizens, taxpayers, investors, creditors and others with a general overview of the finances of the county. Questions concerning any information contained in this report or requests for additional information should be addressed to the attention of the Finance Director at the following address: Macomb County Finance Department, 120 North Main Street, 2nd Floor, Mount Clemens, Michigan 48043. Requests can also be made by phone at 586-469-5250.

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STATEMENT OF NET POSITION
December 31, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and pooled investments	\$ 544,114,451	\$ 327,389,659	\$ 871,504,110	\$ 79,212,772
Restricted cash	-	-	-	2,544,674
Investments, at fair value	202,184,890	47,700,033	249,884,923	-
Receivables				
Property taxes, net	8,043,590	24,024,204	32,067,794	-
Accrued interest	3,199,538	1,148,146	4,347,684	-
Trade accounts and leases, net	43,953,339	5,583,290	49,536,629	13,820,362
Special assessments	-	-	-	273,226,166
Inventories	6,547,742	-	6,547,742	-
Due from other governments	60,632,389	15,479,512	76,111,901	4,314,936
Due from component units	14,812,438	-	14,812,438	-
Internal balances	(41,417,810)	5,606,373	(35,811,437)	-
Due from fiduciary funds	5,307,345	-	5,307,345	-
Other assets	8,941,734	2,388,426	11,330,160	2,499,922
Net pension asset	-	-	-	2,957,223
Net other post-employment benefits asset	16,223,318	-	16,223,318	-
Capital assets, net				
Assets not being depreciated	224,278,633	50,000	224,328,633	33,848,800
Assets being depreciated	979,536,407	1,332,560	980,870,967	341,209,331
TOTAL ASSETS	2,076,360,004	430,702,203	2,507,062,207	753,634,186
DEFERRED OUTFLOWS OF RESOURCES				
Related to asset retirement obligations	540,316	-	540,316	-
Related to pension	81,468,989	18,438,029	99,907,018	2,123,980
Related to other post-employment benefits	80,200,404	14,375,027	94,575,431	4,487,966
Related to refunded debt	17,184,117	3,519,638	20,703,755	637,634
TOTAL DEFERRED OUTFLOWS OF RESOURCES	179,393,826	36,332,694	215,726,520	7,249,580
LIABILITIES				
Accounts payable and accrued liabilities	63,406,764	27,267,281	90,674,045	19,947,711
Accrued wages payable	4,345,835	710,632	5,056,467	680,702
Accrued interest payable	836,012	149,359	985,371	3,476,665
Due to other governments	6,947,876	117,769,095	124,716,971	2,694,267
Unearned revenue	174,085,784	18,808,069	192,893,853	5,945,829
Long-term liabilities, including leases				
Due within one year	19,569,843	2,557,253	22,127,096	21,240,742
Due in more than one year	201,421,891	33,078,854	234,500,745	301,497,209
Asset retirement obligations	1,000,000	-	1,000,000	-
Net pension liability	28,374,356	1,433,523	29,807,879	-
Net other post-employment benefits liability	79,389,083	16,260,415	95,649,498	5,076,595
TOTAL LIABILITIES	579,377,444	218,034,481	797,411,925	360,559,720
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied in advance	2,121,312	-	2,121,312	-
Lease activities	1,849,272	-	1,849,272	237,702
Related to pension	3,999,778	905,228	4,905,006	163,005
Related to other post-employment benefits	78,226,388	15,887,526	94,113,914	4,960,178
TOTAL DEFERRED INFLOWS OF RESOURCES	86,196,750	16,792,754	102,989,504	5,360,885
NET POSITION				
Net investment in capital assets	1,177,106,816	1,382,560	1,178,489,376	176,299,506
Restricted for:				
Capital projects	130,757,994	-	130,757,994	25,855,374
Debt service	100,627	-	100,627	171,349,662
General government	4,523,702	-	4,523,702	-
Health and welfare	37,811,027	-	37,811,027	4,918,198
Planning and economic development	363,709	-	363,709	-
Judicial	1,778,214	-	1,778,214	-
Housing rehabilitation loans	8,128,058	-	8,128,058	-
Mental health and substance abuse	-	98,594,702	98,594,702	-
Public safety	6,596,630	-	6,596,630	-
Public works	-	-	-	35,215,223
Department of Roads liability insurance	6,323,676	-	6,323,676	-
Unrestricted (deficit)	216,689,183	132,230,400	348,919,583	(18,674,802)
TOTAL NET POSITION	\$ 1,590,179,636	\$ 232,207,662	\$ 1,822,387,298	\$ 394,963,161

See accompanying notes to the financial statements.

Macomb County, Michigan

STATEMENT OF ACTIVITIES

Year Ended December 31, 2022

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
Legislative	\$ 1,724,355	\$ 36,000	\$ -	\$ -	\$ (1,688,355)
Judicial	55,013,675	5,566,356	21,324,962	-	(28,122,357)
General government	49,260,162	15,021,521	265,884	107,086	(33,865,671)
Public safety	99,785,088	26,807,743	6,551,870	4,029,661	(62,395,814)
Public works	87,583,903	41,942,140	-	158,937,406	113,295,643
Health and welfare	147,306,870	16,173,708	117,585,913	-	(13,547,249)
Community and economic development	4,711,288	1,424,720	1,124,547	-	(2,162,021)
Recreation and culture	155,100	39,928	-	-	(115,172)
Interest and fees on long-term debt	6,504,713	-	-	-	(6,504,713)
Total governmental activities	452,045,154	107,012,116	146,853,176	163,074,153	(35,105,709)
Business-type activities					
Delinquent tax collections	2,870,224	12,365,265	-	-	9,495,041
Community mental health	248,459,211	277,941,706	8,563,328	-	38,045,823
Freedom hill park	590,770	323,452	-	-	(267,318)
Interest and fees on long-term debt	1,133,370	-	-	-	(1,133,370)
Total business-type activities	253,053,575	290,630,423	8,563,328	-	46,140,176
Total primary government	\$ 705,098,729	\$ 397,642,539	\$ 155,416,504	\$ 163,074,153	\$ 11,034,467
Component units					
Drainage districts	\$ 79,369,968	\$ 76,838,059	\$ -	\$ 1,926,773	\$ (605,136)
Martha T. Berry medical care facility	29,761,643	28,442,944	2,218,558	-	899,859
Workforce development board	24,010,738	159	24,475,469	-	464,890
Total component units	\$ 133,142,349	\$ 105,281,162	\$ 26,694,027	\$ 1,926,773	\$ 759,613
		Governmental Activities	Business-Type Activities	Total	Component Units
Changes in net position					
Net (expense) revenue from above	\$ (35,105,709)	\$ 46,140,176	\$ 11,034,467	\$ 759,613	
General revenues					
Property taxes		145,859,402	-	145,859,402	-
Intergovernmental revenues - unrestricted		34,683,345	-	34,683,345	297,222
Investment earnings		6,375,891	4,254,471	10,630,362	11,424,731
Transfers - internal activities		(609,168)	(910,161)	(1,519,329)	-
Total general revenues and transfers		186,309,470	3,344,310	189,653,780	11,721,953
CHANGE IN NET POSITION		151,203,761	49,484,486	200,688,247	12,481,566
Net position, beginning of year (1)		1,438,975,875	182,723,176	1,621,699,051	382,481,595
Net position, end of year		\$ 1,590,179,636	\$ 232,207,662	\$ 1,822,387,298	\$ 394,963,161

(1) - As restated. See Notes to the Basic Financial Statements, Note 21.

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See accompanying notes to the financial statements.

Macomb County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS

December 31, 2022

	Major Governmental Funds					Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Special Revenue Funds			Community Action Agency (1)	American Rescue Plan Act		
		Road Fund (1)	Coronavirus Response Fund					
ASSETS								
Cash and pooled investments	\$ 117,167,744	\$ 143,832,218	\$ -	\$ -	\$ 169,758,815	\$ 60,782,243	\$ 491,541,020	
Receivables								
Property taxes, net	6,064,669	-	-	-	-	1,978,921	8,043,590	
Accrued interest	2,586,512	471,669	-	-	-	-	3,058,201	
Trade accounts and leases, net	7,050,594	2,554,480	-	11,478	-	32,709,609	42,336,161	
Inventories			2,187,470				6,313,031	
Due from other governments	15,038,198	18,736,793	48,600	14,399,868	-	12,388,930	60,612,389	
Due from governmental funds	807,597	-	-	-	-	-	807,597	
Due from proprietary funds	7,470,485	-	-	-	-	-	7,470,485	
Due from component units	2,377,700	-	-	-	-	-	2,377,700	
Due from fiduciary funds	5,307,345	-	-	-	-	-	5,307,345	
Other assets	2,307,163	3,250,194	-	112,678	-	70,139	5,740,174	
TOTAL ASSETS	\$ 166,178,007	\$ 172,980,935	\$ 2,236,070	\$ 14,524,024	\$ 169,758,815	\$ 107,929,842	\$ 633,607,693	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$ 3,305,220	\$ 42,393,965	\$ -	\$ 907,653	\$ -	\$ 9,234,018	\$ 55,840,856	
Accrued liabilities	3,230,807	-	-	-	-	400,529	3,631,336	
Accrued compensation and benefits	2,169,773	808,498	-	266,408	-	1,101,156	4,345,835	
Due to other governments	306,830	-	-	271	-	6,640,775	6,947,676	
Due to governmental funds	-	-	48,600	11,074,987	-	2,588,549	13,712,136	
Due to proprietary funds	27,032,078	-	-	-	-	-	27,032,078	
Accrued workers compensation claims	-	4,508	-	-	-	-	4,508	
Unearned revenue	-	-	-	100,000	169,758,815	4,226,969	174,085,784	
TOTAL LIABILITIES	36,044,708	43,206,971	48,600	12,349,319	169,758,815	24,191,996	285,600,409	
DEFERRED INFLOWS OF RESOURCES								
Property taxes levied in advance	-	-	-	-	-	2,121,312	2,121,312	
Lease activities	1,198,311	-	-	-	-	650,961	1,849,272	
Unavailable property taxes	4,829,605	-	-	-	-	-	4,829,605	
Unavailable grants and other charges	11,412,814	1,281,722	-	467,463	-	24,346,079	37,508,078	
TOTAL DEFERRED INFLOWS OF RESOURCES	17,440,730	1,281,722	-	467,463	-	27,118,352	46,308,267	
FUND BALANCES								
Nonspendable	4,684,863	7,375,755	2,187,470	112,678	-	70,139	14,430,905	
Restricted	-	121,116,487	-	1,772,261	-	39,898,693	162,787,441	
Assigned	-	-	-	-	-	22,544,902	22,544,902	
Unassigned	108,007,706	-	-	(177,697)	-	(5,894,240)	101,935,769	
TOTAL FUND BALANCES	112,692,569	128,492,242	2,187,470	1,707,242	-	56,619,494	301,699,017	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 166,178,007	\$ 172,980,935	\$ 2,236,070	\$ 14,524,024	\$ 169,758,815	\$ 107,929,842	\$ 633,607,693	

(1) - Balance Sheet as of September 30, 2022

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See accompanying notes to the financial statements.

Macomb County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

December 31, 2022

Total fund balances for governmental funds \$ 301,699,017

Amounts reported for governmental activities in the government-wide statement of net position are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives.

Capital assets	
Land	\$ 206,763,487
Land improvements	11,691,774
Buildings and improvements	388,861,398
Machinery, equipment, and vehicles	109,851,092
Infrastructure	1,707,982,881
Right to use assets	1,213,882
Construction in progress	17,432,503
Accumulated depreciation	<u>(1,240,755,770)</u>

Capital assets, net of accumulated depreciation 1,203,041,247

Internal service funds are used by management to charge the costs of certain activities such as insurance, compensated absences, workers' compensation, certain benefit-related debt service, and central inventory to individual governmental funds and business-type units. The assets and liabilities of the internal service funds that pertain to governmental funds are included in the governmental activities in the government-wide statement of net position.

(2,398,061)

Receivables not available to pay for current year expenditures are not recognized as revenue in the governmental funds but are recognized as revenue in the statement of net position.

42,337,683

Certain changes in pension plan net position are reported as deferred outflows and deferred inflows in the statement of net position, while reported as expenditures and revenues in the governmental funds.

Deferred inflows related to pension	(3,999,778)
Deferred outflows related to pension	81,468,989

Certain changes in net position related to asset retirement obligations are reported as deferred outflows in the statement of net position, but not reported within the governmental funds

540,316

Net pension liability is not due and payable in the current year and is not reported in the governmental funds.

(28,374,356)

Certain changes in the Department of Roads' OPEB plan net position are reported as deferred outflows and deferred inflows in the statement of net position, while reported as expenditures and revenues in the governmental funds.

Deferred inflows related to other post-employment benefits	(657,876)
Deferred outflows related to other post-employment benefits	10,016,451

Net OPEB liability is not due and payable in the current year and is not reported in the governmental funds.

16,223,318

Asset retirement obligations are not due and payable in the current year and are not reported in the governmental funds.

(1,000,000)

Long-term bonded debt is not due and payable in the current period and, therefore, is not reported in the governmental funds. However, bonded debt is recorded as long-term liabilities in the government-wide statement of net position.

(26,710,224)

Accrued interest payable on long-term debt at year-end is not recorded in the governmental funds, but is recorded as a liability in the statement of net position.

(160,635)

Accrued compensated absences not funded at year-end are not recorded in the governmental funds, but are recorded as a liability in the statement of net position.

(1,834,170)

The noncurrent portion of accrued workers compensation losses are not recorded in the governmental funds, but are recorded as a liability in the statement of net position.

(12,285)Net position of governmental activities \$ 1,590,179,636

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See accompanying notes to the financial statements.

Macomb County, Michigan

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Year Ended December 31, 2022

	Major Governmental Funds					Capital Project Fund American Rescue Plan Act	Nonmajor Governmental Funds	Total Governmental Funds
	Special Revenue Funds							
	General Fund	Road Fund (1)	Coronavirus Response Fund	Community Action Agency (1)				
REVENUES								
Property taxes	\$ 140,932,483	\$ -	\$ -	\$ -	\$ -	\$ 2,053,418	\$ 142,985,901	
Licenses and permits	1,682,489	1,126,848	-	-	-	478,300	3,287,637	
Federal and state grants	43,674,121	158,937,406	-	73,551,100	-	45,802,316	321,964,943	
Other grants	-	-	-	-	-	355,883	355,883	
Charges for services	40,041,050	36,517,921	-	4,166,601	-	13,935,270	94,660,842	
Charges to other funds for administrative services	13,898,553	-	-	-	-	-	13,898,553	
Fines and forfeitures	661,031	-	-	-	-	892,384	1,553,415	
Interest and rents	7,381,479	586,666	-	-	-	110,990	8,079,135	
Other revenue	294,916	723,245	-	50,423	-	12,314,164	13,382,748	
TOTAL REVENUES	248,566,122	197,892,086	-	77,768,124	-	75,942,725	600,169,057	
EXPENDITURES								
Current								
Legislative	1,657,838	-	-	-	-	-	1,657,838	
Judicial	31,316,194	-	-	-	-	20,850,053	52,166,247	
General government	48,329,763	-	-	-	-	1,236,451	49,566,214	
Public safety	73,536,677	-	-	-	-	18,334,615	91,871,292	
Public works	7,133,951	192,899,504	-	-	-	27,646	200,061,101	
Health and welfare	17,987,104	-	1,435,838	82,020,249	-	37,798,801	139,241,992	
Community and economic development	3,524,609	-	-	-	-	1,010,786	4,535,395	
Recreational and cultural	-	-	-	-	-	88,963	88,963	
Other	2,903,046	-	-	-	-	-	2,903,046	
Capital outlay	2,685,166	2,177,533	-	201,358	-	13,672,450	18,736,507	
Debt service								
Principal	-	70,758	-	-	-	4,875,000	4,945,758	
Interest and fees	-	12,401	-	-	-	1,007,074	1,019,475	
TOTAL EXPENDITURES	189,074,348	195,160,196	1,435,838	82,221,607	-	98,901,839	566,793,828	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	59,491,774	2,731,890	(1,435,838)	(4,453,483)	-	(22,959,114)	33,375,229	
OTHER FINANCING SOURCES (USES)								
Transfers in	8,000,000	-	-	3,916,855	-	49,479,761	61,396,616	
Transfers out	(51,069,880)	-	-	-	-	(14,983,538)	(66,053,418)	
TOTAL OTHER FINANCING SOURCES (USES)	(43,069,880)	-	-	3,916,855	-	34,496,223	(4,656,802)	
NET CHANGE IN FUND BALANCES	16,421,894	2,731,890	(1,435,838)	(536,628)	-	11,537,109	28,718,427	
Fund balances, beginning of year (2)	96,270,675	125,760,352	3,623,308	2,243,870	-	45,082,385	272,980,590	
Fund balances, end of year	\$ 112,692,569	\$ 128,492,242	\$ 2,187,470	\$ 1,707,242	\$ -	\$ 56,619,494	\$ 301,699,017	

(1) - Year ended September 30, 2022

(2) - As restated. See Notes to the Basic Financial Statements, Note 21.

See accompanying notes to the financial statements.

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Macomb County, Michigan

RECONCILIATION OF THE CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2022

Net change in fund balances - total governmental funds \$ 28,718,427

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives.

Expenditures for capital assets	\$ 169,760,873
Current year depreciation expense	(63,497,574)
Net book value of assets disposed	<u>(188,476)</u>

Revenues in the statement of activities that do not provide current financial resources are not recorded in the funds. In the current period these amounts consist of changes in unavailable resources.

Repayment of debt principal is recorded as an expenditure in the governmental funds, but is recorded as a reduction of long-term liabilities in the statement of net position.

Net pension asset and deferred inflows and outflows related to pension are reported in the statement of activities at the time it is earned or incurred, but not in the governmental funds until paid.

Net OPEB liability and deferred inflows and outflows related to the Department of Roads' OPEB plan are reported in the statement of activities at the time it is earned or incurred, but not in the governmental funds until paid.

Asset retirement obligations and deferred outflows related to those obligations are reported in the statement of activities at the time they are earned or incurred, but not in the governmental funds until paid.

Internal service funds are used by management to charge the costs of certain activities such as insurance, compensated absences, workers' compensation, certain benefit-related debt service, and central inventory to individual governmental funds and business-type units. The net income (loss) in those funds that is attributable to governmental funds is excluded from the statement of activities.

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in compensated absences	(45,898)
Decrease in workers' compensation claims	18,627
Decrease in accrued interest payable	<u>192,154</u>

164,883

Change in net position of governmental activities \$ 151,203,761

Macomb County, Michigan

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

December 31, 2022

	Major Business-Type Activities - Enterprise Funds		Nonmajor Enterprise Fund	Enterprise Fund Totals	Internal Service Funds
	Delinquent Tax Revolving	Community Mental Health (1)	Freedom Hill Park		
ASSETS					
Current Assets					
Cash and pooled investments	\$ 103,172,134	\$ 223,736,121	\$ 322,706	\$ 327,230,961	\$ 52,732,129
Investments, at fair value	-	-	-	-	249,884,923
Receivables					
Property taxes, net	24,024,204	-	-	24,024,204	-
Accrued interest	977,593	141,605	-	1,119,198	170,285
Trade accounts, net	4,534,980	684,434	93,549	5,312,963	1,887,505
Inventories	-	-	-	-	234,711
Due from other governments	-	15,479,512	-	15,479,512	20,000
Due from component unit	-	-	-	-	12,434,738
Due from governmental funds	-	3,800,621	-	3,800,621	324,559
Due from fiduciary funds	-	-	-	-	-
Other assets	10,000	2,378,426	-	2,388,426	3,201,560
Total current assets	132,718,911	246,220,719	416,255	379,355,885	320,890,410
Noncurrent assets					
Capital assets, net					
Assets not being depreciated	-	-	50,000	50,000	-
Assets being depreciated	-	250,320	1,082,240	1,332,560	775,793
Total noncurrent assets	-	250,320	1,132,240	1,382,560	775,793
TOTAL ASSETS	132,718,911	246,471,039	1,548,495	380,738,445	321,666,203
DEFERRED OUTFLOWS OF RESOURCES					
Related to pension	-	18,438,029	-	18,438,029	-
Related to other post-employment benefits	-	-	-	-	84,558,980
Related to refunded debt	-	-	-	-	20,703,755
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	18,438,029	-	18,438,029	105,262,735
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	901,665	26,265,623	73,683	27,240,971	3,960,882
Accrued wages payable	7,670	701,639	1,323	710,632	-
Accrued interest payable	-	-	-	-	824,736
Due to other governments	12,618	117,756,477	-	117,769,095	-
Due to governmental funds	-	-	-	-	7,470,485
Unearned revenue	-	18,808,069	-	18,808,069	-
Long-term liabilities due within one year	-	113,315	-	113,315	17,156,819
Total current liabilities	921,953	163,645,123	75,006	164,642,082	29,412,922
Noncurrent liabilities					
Long-term liabilities due in more than one year	-	80,172	-	80,172	210,716,348
Net pension liability	-	1,433,523	-	1,433,523	-
Net other post-employment benefits liability	-	-	-	-	95,649,498
Total noncurrent liabilities	-	1,513,695	-	1,513,695	306,365,846
TOTAL LIABILITIES	921,953	165,158,818	75,006	166,155,777	335,778,768
DEFERRED INFLOWS OF RESOURCES					
Related to pension	-	905,228	-	905,228	-
Related to other post-employment benefits	-	-	-	-	93,456,038
TOTAL DEFERRED INFLOWS OF RESOURCES	-	905,228	-	905,228	93,456,038
NET POSITION					
Net investment in capital assets	-	250,320	1,132,240	1,382,560	775,793
Restricted for:					
Mental health and substance abuse	-	98,594,702	-	98,594,702	-
Department of Roads liability insurance	-	-	-	-	6,323,676
Unrestricted (deficit)	131,796,958	-	341,249	132,138,207	(9,405,337)
TOTAL NET POSITION	\$ 131,796,958	\$ 98,845,022	\$ 1,473,489	\$ 232,115,469	\$ (2,305,868)

RECONCILIATION OF THE STATEMENT OF NET POSITION FOR PROPRIETARY FUNDS

Total net position of enterprise funds / internal service funds	\$ 232,115,469	\$ (2,305,868)
Add (subtract): Business-type equity in the net position of internal service funds	92,193	(92,193)

(1) - Year ended September 30, 2022

Net position reported in the government-wide statement of net position	\$ 232,207,662	\$ (2,398,061)
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See accompanying notes to the financial statements.

Macomb County, Michigan

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUNDS

Year Ended December 31, 2022

	Major Business-Type Activities - Enterprise Funds	
	Delinquent Tax Revolving	Community Mental Health (1)
OPERATING REVENUES		
Federal and state grants	\$ -	\$ 8,563,328
Charges for services	12,365,265	274,876,515
Other	-	22,499
TOTAL OPERATING REVENUES	12,365,265	283,462,342
OPERATING EXPENSES		
Wages and fringe benefits	549,653	14,157,198
Contractual services	109,437	223,716,327
Utilities	-	143,435
Repairs and maintenance	-	161,146
Benefits and claims expenses	-	-
Supplies and services	2,211,134	9,518,089
Depreciation	-	119,759
TOTAL OPERATING EXPENSES	2,870,224	247,815,954
OPERATING INCOME (LOSS)	9,495,041	35,646,388
NONOPERATING REVENUES (EXPENSES)		
Investment income (expense)	1,340,241	814,510
Interest expense	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	1,340,241	814,510
NET INCOME (LOSS) BEFORE TRANSFERS	10,835,282	36,460,898
TRANSFERS		
Transfers in	-	7,003,839
Transfers out	(8,000,000)	-
NET TRANSFERS	(8,000,000)	7,003,839
CHANGE IN NET POSITION	2,835,282	43,464,737
Net position, beginning of year	128,961,676	55,380,285
Net position, end of year	<u>\$ 131,796,958</u>	<u>\$ 98,845,022</u>

(1) - Year ended September 30, 2022

See accompanying notes to the financial statements.

-CONTINUED-

Macomb County, Michigan

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUNDS (CONCLUDED)

Year Ended December 31, 2022

	Nonmajor Enterprise Fund	Enterprise Fund Totals	Internal Service Funds
	Freedom Hill Park		
OPERATING REVENUES			
Federal and state grants	\$ -	\$ 8,563,328	\$ -
Charges for services	315,232	287,557,012	86,152,525
Other	900	23,399	129,706
TOTAL OPERATING REVENUES	316,132	296,143,739	86,282,231
OPERATING EXPENSES			
Wages and fringe benefits	83,925	14,790,776	-
Contractual services	-	223,825,764	-
Utilities	119,281	262,716	-
Repairs and maintenance	137,003	298,149	-
Benefits and claims expenses	-	-	73,736,939
Supplies and services	117,218	11,846,441	3,579,684
Depreciation	133,080	252,839	319,655
TOTAL OPERATING EXPENSES	590,507	251,276,685	77,636,278
OPERATING INCOME (LOSS)	(274,375)	44,867,054	8,645,953
NONOPERATING REVENUES (EXPENSES)			
Investment income (expense)	76	2,154,827	(12,323,293)
Interest expense	-	-	(6,807,063)
TOTAL NONOPERATING REVENUES (EXPENSES)	76	2,154,827	(19,130,356)
NET INCOME (LOSS) BEFORE TRANSFERS	(274,299)	47,021,881	(10,484,403)
TRANSFERS			
Transfers in	86,000	7,089,839	4,047,634
Transfers out	-	(8,000,000)	-
NET TRANSFERS	86,000	(910,161)	4,047,634
CHANGE IN NET POSITION	(188,299)	46,111,720	(6,436,769)
Net position, beginning of year (2)	1,661,788	186,003,749	4,130,901
Net position, end of year	<u>\$ 1,473,489</u>	<u>\$ 232,115,469</u>	<u>\$ (2,305,868)</u>

(2) - As restated. See Notes to the Basic Financial Statements, Note 21.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION TO THE STATEMENT OF ACTIVITIES OF BUSINESS-TYPE ACTIVITIES			
Change in net position	\$	46,111,720	\$ (6,436,769)
Add (subtract): Increase (decrease) in business-type activities' equity of internal service funds		3,372,766	(3,372,766)
Net income (loss) in the government-wide statement of activities	\$	49,484,486	\$ (9,809,535)

See accompanying notes to the financial statements.

Macomb County, Michigan
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended December 31, 2022

	Major Business-Type Activities - Enterprise Funds	
	Delinquent Tax Revolving	Community Mental Health (1)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 59,116,843	\$ 290,821,808
Cash received from interfund services	-	-
Cash payments for delinquent taxes	(45,308,234)	-
Cash payments to employees and employee trusts	(658,350)	(25,440,090)
Cash payments to suppliers	(2,890,619)	(220,678,596)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	10,259,640	44,703,122
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Principal and interest paid on long-term debt	-	(111,018)
Transfers in	-	7,003,839
Transfers out	(8,000,000)	-
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	(8,000,000)	6,892,821
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	445,430	672,907
Proceeds from sale and maturities of investment securities	-	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	445,430	672,907
NET INCREASE (DECREASE) IN CASH AND POOLED INVESTMENTS	2,705,070	52,268,850
Cash and pooled investments, beginning of year	100,467,064	171,467,271
Cash and pooled investments, end of year	\$ 103,172,134	\$ 223,736,121
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ 9,495,041	\$ 35,646,388
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	-	119,759
Changes in deferrals related to pension or OPEB	-	(29,486,737)
Changes in assets and liabilities:		
Taxes receivable	1,388,551	-
Accounts receivable	90,736	(118,335)
Inventory	-	-
Due from other governments	-	(7,529,647)
Due from component unit	-	-
Due from other funds	-	(3,800,621)
Other assets	(10,000)	(634,978)
Accounts payable	(669,485)	(14,751,984)
Accrued employee benefits	740	103,884
Due to other governments	(35,943)	28,247,363
Due to other funds	-	-
Unearned revenue	-	18,808,069
Long term liabilities	-	-
Net pension or net OPEB liability	-	18,099,961
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 10,259,640	\$ 44,703,122

(1) - Year ended September 30, 2022

See accompanying notes to the financial statements.

-CONTINUED-

Macomb County, Michigan
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONCLUDED)
Year Ended December 31, 2022

	Nonmajor Enterprise Fund	Enterprise Fund	Internal Service
	Freedom Hill Park	Totals	Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 278,485	\$ 350,217,136	\$ -
Cash received from interfund services	-	-	90,208,745
Cash payments for delinquent taxes	-	(45,308,234)	-
Cash payments to employees and employee trusts	(83,871)	(26,182,311)	(52,165,272)
Cash payments to suppliers	(387,225)	(223,956,440)	(72,388,769)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	(192,611)	54,770,151	(34,345,296)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Principal and interest paid on long-term debt	-	(111,018)	(18,010,888)
Transfers in	86,000	7,089,839	4,047,634
Transfers out	-	(8,000,000)	-
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	86,000	(1,021,179)	(13,963,254)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	-	-	(369,589)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	-	1,118,337	5,085,531
Proceeds from sale and maturities of investment securities	-	-	41,295,923
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	-	1,118,337	46,381,454
NET INCREASE (DECREASE) IN CASH AND POOLED INVESTMENTS	(106,611)	54,867,309	(2,296,685)
Cash and pooled investments, beginning of year	429,317	272,363,652	55,028,814
Cash and pooled investments, end of year	\$ 322,706	\$ 327,230,961	\$ 52,732,129
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ (274,375)	\$ 44,867,054	\$ 8,645,953
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	133,080	252,839	319,655
Changes in deferrals related to pension or OPEB	-	(29,486,737)	(99,630,563)
Changes in assets and liabilities:			
Taxes receivable	-	1,388,551	-
Accounts receivable	(37,647)	(65,246)	(1,486,541)
Inventory	-	-	(4,783)
Due from other governments	-	(7,529,647)	372,836
Due from component unit	-	-	1,560,000
Due from other funds	-	(3,800,621)	1,131,446
Other assets	-	(644,978)	54,518
Accounts payable	(13,723)	(15,435,192)	413,691
Accrued employee benefits	54	104,678	-
Due to other governments	-	28,211,420	-
Due to other funds	-	-	1,180,589
Unearned revenue	-	18,808,069	-
Long term liabilities	-	-	2,880,932
Net pension or net OPEB liability	-	18,099,961	50,216,971
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (192,611)	\$ 54,770,151	\$ (34,345,296)

See accompanying notes to the financial statements.

Macomb County, Michigan

STATEMENT OF FIDUCIARY NET POSITION

December 31, 2022

	Pension and Other Employee Benefit Trust Funds	Custodial Funds
ASSETS		
Cash and pooled investments	\$ 73,088,897	\$ 10,370,350
Investments, at fair value		
Common stock	478,609,087	-
Foreign stock	98,544,612	-
Limited partnership	336,720,810	-
Real estate investment trusts	29,852,319	-
Fixed income common collective trusts	143,818,348	-
Equity common collective trusts	317,874,202	-
Interest in pooled investment	92,073,817	-
Total investments, at fair value	1,497,493,195	-
Receivables		
Accrued interest	1,108,331	-
Other	317,239	15,180
Due from other governments	-	42,519
Other assets	48,785	-
TOTAL ASSETS	1,572,056,447	10,428,049
LIABILITIES		
Accounts payable	2,699,254	2,383,014
Accrued compensation and benefits	6,460,822	-
Due to other governments	-	6,384,448
Due to primary government	5,307,345	-
TOTAL LIABILITIES	14,467,421	8,767,462
NET POSITION		
Restricted for:		
Pension benefits	1,066,443,974	-
Other postemployment benefits	491,145,052	-
Individuals, organizations, and other governments	-	1,660,587
	\$ 1,557,589,026	\$ 1,660,587

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See accompanying notes to the financial statements.

Macomb County, Michigan

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended December 31, 2022

	Pension and Other Employee Benefit Trust Funds	Custodial Funds
ADDITIONS		
Investment income (loss):		
Interest and dividends	\$ 22,852,887	\$ 17,505
Net change in fair value of investments	(289,016,013)	-
Less investment expenses	(10,032,268)	-
Net investment income (loss)	(276,195,394)	17,505
Contributions		
Employer	38,874,731	-
Employee	2,816,531	-
Total contributions	41,691,262	-
Tax collections for other governments	-	207,256,608
Tax adjustments collected from other governments	-	5,040,824
State funds collected for other governments	-	182,375
Forfeitures collected for other governments	-	343,124
Fee and fine collections for other governments	-	771,868
Real estate transfer taxes collected for other governments	-	46,941,744
Payments collected on behalf on others	-	4,999,949
Other collections	-	831,304
TOTAL ADDITIONS	(234,504,132)	266,385,301
DEDUCTIONS		
Benefit payments	101,097,519	-
Withdrawals and refunds of contributions	401,462	-
Tax collections disbursed to other governments	-	207,256,608
Tax adjustments disbursed to individuals	-	5,040,824
Forfeiture grants disbursed to other governments	-	105,841
Forfeiture proceeds disbursed to other governments	-	369,133
Fees and fines disbursed to other governments	-	771,868
Real estate transfer taxes disbursed to other governments	-	46,941,744
Payments disbursed to others	-	5,004,976
Administrative expenses	904,844	3,000
Other disbursements	-	572,755
TOTAL DEDUCTIONS	102,403,825	266,066,749
CHANGE IN NET POSITION	(336,907,957)	318,552
Net Position - beginning of year	1,894,496,983	1,342,035
Net Position - end of year	\$ 1,557,589,026	\$ 1,660,587

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See accompanying notes to the financial statements.

Macomb County, Michigan

COMBINING STATEMENT OF NET POSITION – COMPONENT UNITS

December 31, 2022

	Drainage Districts (1)	Martha T. Berry Medical Care Facility	Workforce Development Board (2)	Total
ASSETS				
Cash and pooled investments	\$ 71,098,297	\$ 8,107,660	\$ 6,815	\$ 79,212,772
Restricted cash	2,514,247	30,427	-	2,544,674
Receivables				
Trade accounts and leases, net	10,306,230	3,496,377	17,755	13,820,362
Special assessments	273,226,166	-	-	273,226,166
Due from other governments	-	377,899	3,937,037	4,314,936
Other assets	1,592,009	711,441	196,472	2,499,922
Capital assets, net				
Assets not being depreciated	33,848,800	-	-	33,848,800
Assets being depreciated	331,473,863	5,120,251	4,615,217	341,209,331
Net pension asset	-	2,957,223	-	2,957,223
TOTAL ASSETS	724,059,612	20,801,278	8,773,296	753,634,186
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	-	2,123,980	-	2,123,980
Related to other post-employment benefits	-	4,487,966	-	4,487,966
Related to refunded debt	637,634	-	-	637,634
TOTAL DEFERRED OUTFLOWS OF RESOURCES	637,634	6,611,946	-	7,249,580
LIABILITIES				
Accounts payable and accrued liabilities	15,030,928	1,420,972	3,495,811	19,947,711
Accrued wages payable	-	457,425	223,277	680,702
Accrued interest payable	3,425,360	51,305	-	3,476,665
Due to other governments	-	2,663,973	30,294	2,694,267
Unearned revenue	5,235,346	710,483	-	5,945,829
Long-term liabilities, including leases				
Due within one year	19,124,889	1,261,554	854,299	21,240,742
Due within more than one year	282,658,724	14,306,756	4,531,729	301,497,209
Net other post-employment benefits liability	-	5,076,595	-	5,076,595
TOTAL LIABILITIES	325,475,247	25,949,063	9,135,410	360,559,720
DEFERRED INFLOWS OF RESOURCES				
Lease activities	237,702	-	-	237,702
Related to pension	-	163,005	-	163,005
Related to other post-employment benefits	-	4,960,178	-	4,960,178
TOTAL DEFERRED INFLOWS OF RESOURCES	237,702	5,123,183	-	5,360,885
NET POSITION				
Net investment in capital assets	166,564,038	5,120,251	4,615,217	176,299,506
Restricted for:				
Capital projects	25,855,374	-	-	25,855,374
Debt service	171,349,662	-	-	171,349,662
Public works	35,215,223	-	-	35,215,223
Health and welfare	-	4,918,198	-	4,918,198
Unrestricted (deficit)	-	(13,697,471)	(4,977,331)	(18,674,802)
TOTAL NET POSITION	\$ 398,984,297	\$ (3,659,022)	\$ (362,114)	\$ 394,963,161

(1) - Balance Sheet as of September 30, 2022

(2) - Balance Sheet as of June 30, 2022

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See accompanying notes to the financial statements.

Macomb County, Michigan

COMBINING STATEMENT OF ACTIVITIES – COMPONENT UNITS

Year Ended December 31, 2022

Functions / Programs	Expenses	Program Revenues	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Drainage Districts (1)						
Governmental activities						
Public works	\$ 69,752,272	\$ 76,838,059	\$ -	\$ 1,926,773	\$ -	\$ 9,012,560
Interest and fees on long-term debt	9,617,696	-	-	-	-	(9,617,696)
Total Drainage Districts	79,369,968	76,838,059	-	1,926,773	-	(605,136)
Martha T. Berry Medical Care Facility						
Governmental activities						
Health and welfare	29,437,266	28,442,944	2,218,558	-	-	1,224,236
Interest and fees on long-term debt	324,377	-	-	-	-	(324,377)
Total Martha T. Berry Medical Care Facility	29,761,643	28,442,944	2,218,558	-	-	899,859
Workforce Development Board (2)						
Governmental activities						
Health and welfare	23,884,130	159	24,475,469	-	-	591,498
Interest and fees on long-term debt	126,608	-	-	-	-	(126,608)
Total Workforce Development Board	24,010,738	159	24,475,469	-	-	464,890
Total component units	\$ 133,142,349	\$ 105,281,162	\$ 26,694,027	\$ 1,926,773	\$ -	\$ 759,613
Changes in net position						
Net (expense) revenue from above		\$ (605,136)	\$ 899,859	\$ 464,890	\$ -	\$ 759,613
General revenues						
Intergovernmental revenues - unrestricted		-	297,222	-	-	297,222
Investment earnings		11,078,872	345,859	-	-	11,424,731
Total general revenues		11,078,872	643,081	-	-	11,721,953
CHANGE IN NET POSITION		10,473,736	1,542,940	464,890	-	12,481,566
Net position, beginning of year (3)		388,510,561	(5,201,962)	(827,004)	-	382,481,595
Net position, end of year		\$ 398,984,297	\$ (3,659,022)	\$ (362,114)	\$ -	\$ 394,963,161

(1) - Year ended September 30, 2022

(2) - Year ended June 30, 2022

(3) - As restated. See Notes to the Basic Financial Statements, Note 21.

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See accompanying notes to the financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Macomb County (the county) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing such principles. All financial statements are for the year ended December 31, 2022, except as follows: the financial statements of the Circuit Court Programs, Child Care, Department of Roads, Friend of the Court, Veterans' Services, Community Corrections, Community Services, Health Grants, MSU Extension, Prosecuting Attorney, and Sheriff Grants Special Revenue Funds, the Community Mental Health Enterprise Fund, and the Drainage Districts Component Unit, which are reported as of and for the year ended September 30, 2022. The Macomb / St. Clair Employment and Training special revenue fund as well as the Work Force Development Board component unit are reported as of and for the year ended June 30, 2022.

A. Financial Reporting Entity

Macomb County was incorporated in 1818 and includes a land area of 479 square miles with the county seat located in the City of Mt. Clemens. The county operates under a Home Rule Charter that provides for both executive and legislative branches of government. The executive branch is directed by an elected County Executive, who serves as the Chief Administrative Officer of the county and directs the operations of all departments except the Sheriff, Prosecuting Attorney, Treasurer, Public Works, County Clerk/Register of Deeds, the Circuit and District Courts and the Board of Commissioners, which are all operated by separately elected officials. The legislative branch is directed by a 13 member elected Board of Commissioners. The county provides many services to residents, including law enforcement, administration of justice, community development and enrichment, parks and recreation and human services.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county. In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units

Blended component units are legally separate from the county, but are so intertwined with the county that they are, in substance, the same as the county. They are reported as part of the county and blended into the appropriate funds.

The **Macomb County Criminal Justice Building Authority (MCCJBA)** is governed by a three-member board appointed by the County's Board of Commissioners. Although legally separate from the county, the MCCJBA is reported as if it were part of the primary government because its sole purpose is to finance and construct certain county buildings.

The **Macomb County Building Authority** is governed by a seven-member board appointed by the County Board of Commissioners. Although legally separate from the county, the Building Authority is presented as a blended component unit because its sole purpose is to finance and construct certain county buildings.

Discretely Presented Component Units

Component units are legally separate organizations for which the Board of Commissioners appoints a majority of the organization's policy board and there is a degree of financial accountability to the county.

The **Macomb/St. Clair Workforce Development Board** is governed by a separate board, consisting of 37 members, the majority of which is appointed by the Chair of the Macomb County Board of Commissioners. The Workforce Development Board receives federal funding under the Workforce Innovation and Opportunity Act to operate employment and training programs that lead to unsubsidized employment for unskilled adults and youth. Its activities are included in the county's financial statements because a financial benefit/burden relationship exists between the two organizations. Separate independently audited financial statements of the Workforce Development Board are not prepared.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**A. Financial Reporting Entity (concluded)****Discretely Presented Component Units (concluded)**

All of the funds of the Workforce Development Board are Special Revenue Funds and there are no adjustments necessary to convert their activities from the modified basis of accounting to the full accrual basis of accounting. Therefore, fund level financial statements are not presented herein.

The **Drainage Districts** are governed by separate boards composed of the Public Works Commissioner, the Chair of the County Board of Commissioners and Chair of the Finance Committee of the Board of Commissioners. Each Drainage District is a separate legal entity with the power to contract, sue and be sued and hold, dispose of and manage real property. The primary function of the Drainage Districts is to direct the construction and maintenance of drains, sewers and water supply systems within the county. The activities of the Drainage Districts are included in the county's financial statements because a financial benefit/burden relationship exists between the two organizations. Separate independently audited financial statements of the Drainage Districts are not prepared.

The **Martha T. Berry Medical Care Facility** is governed by a separate board consisting of 3 members, the majority of which are appointed by the Macomb County Board of Commissioners. Its activities are included in the county's financial statements since the Macomb County Board of Commissioners not only appoints a majority of the facility's board, but also because the facility's budget is approved by the Board of Commissioners. All of the funds of the Martha T. Berry Medical Care Facility are Enterprise Funds and as such, there are no adjustments necessary to convert their activities from the modified basis of accounting to the full accrual basis of accounting. Therefore, fund level financial statements are not presented herein. Separate independently audited financial statements of the Martha T. Berry Medical Care Facility are available and can be obtained by contacting the Controller's Office at the Martha T. Berry Medical Care Facility, located at 43533 Elizabeth St, Mt Clemens, MI 48043.

The **Macomb County Employees' Retirement System** is governed by a separate board consisting of seven members, composed of the County Executive or their designee, the Chair of the Board of Commissioners or their designee, the County Treasurer or their designee, the Director of the Department of Roads, and three active employees elected by the active members of the system on three year staggered terms. Although it is legally separate from the county, it is reported as a fiduciary component unit because county officials comprise of a voting majority of the board and the system imposes a financial burden on the county. Separate independently audited financial statements of the system are not prepared.

The **Macomb County Retiree Health Care Trust** is governed by a separate board consisting of five members, composed of the County Executive or their designee, the Chair of the Board of Commissioners or their designee, a member of the Board of Commissioners, the County Treasurer or their designee, and the County Finance Director. Although it is legally separate from the county, it is reported as a fiduciary component unit because county officials comprise of a voting majority of the board and the trust imposes a financial burden on the county. Separate independently audited financial statements of the trust are not prepared.

The **Macomb County Roads Department Retiree Health Care Investment Trust** is governed by a separate board of the Department of Roads administration, composed of the Department of Roads Director and the Department of Roads Assistant Finance Director. Although it is legally separate from the county, it is reported as a fiduciary component unit because county officials comprise of a voting majority of the board and the trust imposes a financial burden on the county. Separate independently audited financial statements of the trust are not prepared.

Related Organization

The **County of Macomb Hospital Finance Authority** is governed by a five-member board appointed by the Macomb County Board of Commissioners. The Authority was created pursuant to Public Act 38 of 1969 for the purpose of providing hospitals within the county the opportunity to finance capital projects at favorable interest rates. Public Act 38 allows hospitals to finance capital projects through the Authority, which enjoys the county's excellent credit rating. Because the Authority does not provide a financial benefit or burden to the county, it is not reported as a component unit of the county.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**B. Basic (Government-Wide) and Fund Financial Statements**

The activities of the county are categorized as either governmental or business-type in both the government-wide and fund financial statements. The majority of the county's activities are governmental activities and are supported primarily by property taxes, charges for services and intergovernmental revenues while business-type activities are supported by fees and charges for services.

For the most part, the effect of inter-fund activity has been eliminated from these statements. However, inter-fund activity between governmental activities and business-type activities has not been eliminated so as to not distort the direct costs and program revenues of the various functions.

The basic (government-wide) financial statements report information on the county as a whole. These statements focus on the sustainability of the county as an entity and the change in aggregate financial position resulting from the activities of the fiscal period and consist of the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all of the assets, liabilities, deferred inflows and deferred outflows of the county, with the net of these items reported as net position. Net position is classified into one of three categories for accounting and financial reporting purposes:

- Net Investment in Capital Assets - This category represents the cost of the county's capital assets, net of accumulated depreciation and reduced by any outstanding debt used to acquire those assets.
- Restricted - Assets are considered restricted when constraints are placed on their use by external sources such as creditors and grantors, or imposed by statute.
- Unrestricted - Net position that does not meet the definition of the two preceding categories is considered unrestricted and can be used for new spending. Assignments are often placed on unrestricted net position to indicate that internal restrictions have been placed upon their use. However, assignments differ from restrictions in that they may be subsequently removed or modified by management or the Board of Commissioners.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues are segregated into three categories: charges for services, operating grants and capital grants. Charges for services are those revenues generated from charges to customers or applicants who purchase, use or directly benefit from the goods and services provided by a given function or segment. Operating and capital grants are those restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenues not specifically associated with a particular program are reported as general revenues in the Statement of Activities.

Fund financial statements report information at the individual fund level and are, in substance, very similar to the financial statements presented in the previous financial reporting model. The focus of the fund financial statements is on the major funds of both governmental and business-type activities. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the basic financial statements and are detailed in the supplementary information. Funds are classified as governmental, proprietary or fiduciary. The fiduciary funds are included in the fund financial statements but are excluded from the government-wide financial statements since these assets are being held for the benefit of third parties and are not available to support the activities or obligations of the county.

The county reports the following major governmental funds:

- The *General Fund* is the chief operating fund of the county. It accounts for all financial resources except those required to be accounted for in another fund.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**B. Basic (Government-Wide) and Fund Financial Statements (continued)**

- The *Department of Roads Fund* accounts for the revenues and expenditures related to construction and maintenance of roads throughout the county. These activities are funded primarily by the Federal government, the State of Michigan and local units of government within the county.
- The *Coronavirus Response Fund* accounts for the revenues and expenditures related to the county's use of federal and state grant programs related to coronavirus response activities not budgeted elsewhere, such as small business grant programs, COVID testing and vaccination efforts, as well as county building retrofits and purchasing of personal protective equipment. These activities are funded primarily by the Federal Government, and the State of Michigan.
- The *Community Action Agency Fund* accounts for a wide array of services to residents of the county, including, but not limited to, the Emergency Rental Assistance program, Meals on Wheels, senior citizens nutrition, income tax preparation for the elderly, transportation services, home injury control, household weatherization improvements and Head Start. Approximately 93% of the funding comes from State and Federal grants.
- The *American Rescue Plan Act Fund* accounts for the revenues and expenditures related to the county's use of its allocation of funding from the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program, a part of the American Rescue Plan.

The county reports the following major enterprise funds:

- The *Delinquent Tax Revolving Fund* accounts for the county's annual purchase of delinquent real property taxes from each of the local taxing jurisdictions in the county and their subsequent collection. In addition, the operations of the personal property tax collection division of the Treasurer's Office are reported here.
- The *Community Mental Health Fund* accounts for the activities of delivering an array of mental health services to county residents.

Financial information regarding the county's internal service funds is presented in summary form as part of the proprietary fund financial statements.

The financial statements of the internal service funds are consolidated into the governmental and business-type activities in the entity-wide financial statements. Surpluses or deficits of the internal service funds are allocated back to the governmental activities and business-type activities within the government-wide financial statements.

The accounts of the county are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The funds of the county are classified into three broad categories: governmental, proprietary and fiduciary.

Governmental Funds

General Fund – The General Fund is the general operating fund of the county. It is used to account for all financial resources except those required to be accounted for in other funds.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditure for specific purposes other than debt service or capital projects.

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, principal, interest and related costs of general long-term debt not being accounted for in proprietary funds.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**B. Basic (Government-Wide) and Fund Financial Statements (concluded)**

Capital Projects Funds – Capital projects funds are used to account for the acquisition, construction or renovation of major capital facilities other than those accounted for in proprietary funds.

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for the activities of the county's business-type activities. The operations of these funds are financed primarily through user fees that are intended to recover the cost of services provided.

Internal Service Funds – Internal service funds are used to account for goods and services provided to other departments and governmental agencies on a cost-reimbursement basis. The county utilizes separate internal service funds to account for compensated absences, workers' compensation insurance, liability insurance, certain benefit-related debt service, and central services such as inventory and telephone.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services in connection with the principal ongoing operations of any particular proprietary fund. Operating expenses for proprietary funds include cost of sales and services, administrative expenses and depreciation of capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds

Employees' Retirement Fund – The Employees' Retirement Fund is used to account for the accumulation of resources for pension benefit payments to qualified employees.

Retiree Health Care Trust Fund – The Retiree Health Care Trust Fund is used to account for the accumulation of resources to provide health care benefits to county retirees.

Roads Department Retiree Health Care Investment Trust – The Roads Department Retiree Health Care Investment Trust is used to account for the accumulation of resources to provide health care benefits to Roads Department retirees.

Custodial Funds – Custodial funds are used to account for assets held by the county in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The county reports the following custodial funds: the COMET fund, which accounts for the activities of the COMET forfeiture unit, the Tax Administration Fund, which accounts for the collection and disbursement of taxes payable to various jurisdictions, and the Miscellaneous Custodial Fund, which accounts for a variety of items collected on behalf of and disbursed to other jurisdictions. For example, the Miscellaneous Custodial Fund accounts for state-mandated court fees collected and passed through to the State of Michigan.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements as well as the financial statements of the proprietary funds, fiduciary trust funds, and custodial funds are accounted for using the economic resources measurement focus and the full accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred without regard to the receipt or payment of cash or its equivalent.

The governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues of governmental funds are recognized when they become both measurable and available. "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the county considers revenues to be available if they are collected within 60 days of year-end.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**C. Measurement Focus and Basis of Accounting (concluded)**

Property taxes are recognized as revenue in the period for which they are levied. Federal grants, state distributions and grants and interest earned are recognized as revenue in the period they become both measurable and available. Special assessments are recognized as revenues only to the extent that individual installments are received within the period of availability. Licenses and permits, fines and forfeitures and other revenues are recorded when received in cash because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, with the exception of principal and interest on general long-term debt, which is recognized when due.

The majority of the funds of the county are accounted for using the modified accrual basis of accounting. Because the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a reconciliation is provided after each governmental fund financial statement that briefly explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

D. Bank Deposits and Investments

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

E. Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Trade receivables of the primary government totaled \$47,449,219 at year-end, net of an allowance of \$2,348,858 for the special revenue Community Action Agency Fund.

F. Inventories

Inventories consist of expendable items held for consumption and are valued at cost using the weighted average value method. The expenditure related to utilization of inventory items is recorded at the time individual items are consumed.

G. Other Assets

Other assets represent deposits and prepaid items. Prepaid items are accounted for under the consumption method.

H. Budgetary Accounting

The annual operating budget includes proposed expenditures and the means of financing them for the General Fund, Special Revenue Funds and the Debt Service Fund, as well as Community Mental Health and Parks business-type activities and the Martha T. Berry Medical Care Facility Discretely Presented Component Unit. A public hearing is conducted to obtain taxpayer comments and the budget is legally enacted through passage of a resolution by the Board of Commissioners no later than December 31.

As required by the county charter, the County Finance Director submits to the Board of Commissioners a proposed operating budget by October 1 each year for the fiscal year beginning the following January 1. The annual operating budget includes proposed expenditures and the means of financing them for the General Fund, Special Revenue Funds and the Debt Service Fund, as well as Community Mental Health and Parks business-type activities. A public hearing is conducted to obtain taxpayer comments and the budget is legally enacted through passage of a resolution by the Board of Commissioners no later than December 31.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**H. Budgetary Accounting (concluded)**

Formal budgetary integration is employed as a management control device during the year for all funds. Expenditures may not legally exceed budgeted appropriations at the department level in the General Fund and the fund level in all other funds. The County Executive is authorized to transfer funds between budgeted line items within a department within a fund as long as the amount being transferred does not exceed the lesser of \$35,000 or 5% of the department budget. Budget amendments that exceed these limits must be approved by the Finance Committee of the Board of Commissioners.

During the year, supplemental budgetary appropriations were not significant in relation to the original appropriations as adopted. Unexpended appropriations lapse at year-end. Encumbrances open at year-end are re-appropriated in the following year. Budgets are adopted on a basis consistent with generally accepted accounting principles and budgeted amounts presented in the financial statements represent final budget authorization, including all amendments approved during the year.

More information regarding budget matters can be found in the Required Supplementary Information section of this report.

I. Capital Assets

Capital assets of the primary government, including land, land improvements, buildings, equipment, vehicles, and infrastructure, are reported in the government-wide financial statements and the applicable proprietary fund financial statements. Capital assets utilized for governmental activities are only capitalized in the government-wide financial statements and are fully expended in the governmental funds. Capital assets of the component units are reported in the Drainage Districts and the Martha T. Berry Medical Care Facility. The county capitalizes assets whose initial purchase price equals or exceeds \$5,000 and whose estimated useful life exceeds one year. Capital assets are valued at historical cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value. Depreciation of all exhaustible capital assets is allocated against the various functions in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Depreciation has been provided over the following estimated useful lives using the straight-line method: land improvements - 20 years, buildings and improvements – 20-40 years, equipment - 3-15 years, vehicles – 3-5 years and infrastructure 8-40 years.

J. Leases

The county is a lessee for noncancelable leases of buildings and equipment. The county recognizes a lease liability and intangible right-to-use asset in the governmental activities, business type activities, and drainage district component unit. The county recognizes lease assets and liabilities with an initial value of \$20,000 or more.

At the commencement of the lease, the county measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

To determine the present value of the expected lease payments, the county uses a discount rate, and also determines the lease term and lease payments to be made. To determine the discount rate, the county uses the interest rate charged by the lessor. When the interest rate is not provided, the county uses its estimated incremental borrowing rate, which is based on treasury yield curves for a similar term and for a similar date as the lease term and commencement date, respectively. To determine the lease term and lease payments, the county includes only the noncancelable period of the lease. Fixed payments due to the lessor and any purchase options that the county is reasonably certain to exercise are used to calculate the total lease payments.

The county monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain modifications to the leases occur that are expected to significantly affect the amount of the lease liability.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**J. Leases (concluded)**

Lease assets are reported as right to use assets within capital assets and lease liabilities are reported within long term debt on the statement of net position.

The county is a lessor for noncancelable leases of buildings, cellular towers, and a parking lot. The county recognizes a lease receivable and a deferred inflow of resources in the General Fund (building and cellular tower leases), E911 Radio Maintenance Fund (cellular tower leases), and Drainage District component unit (parking lot).

At the commencement of the lease, the county measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

To determine the present value of the expected lease receipts, the county uses a discount rate, and also determines the lease term and lease payments to be received. To determine the discount rate, the county uses its incremental borrowing rate, which is based on treasury yield curves for a similar term and for a similar date as the lease term and commencement date, respectively. To determine the lease term and lease payments, the county includes only the noncancelable period of the lease. Fixed payments are used to calculate the total lease receivable.

The county monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and deferred inflows of resources if certain modifications to the leases occur that are expected to significantly affect the amount of the lease receivable.

K. Compensated Absences

County employees earn vacation and sick leave benefits based on length of service. Both are fully available for use upon accrual.

Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement or termination). Certain limitations have been placed on the number of hours of vacation and sick leave that may be accumulated and carried over for payment at separation of service. Unused hours exceeding these limitations are forfeited. Accumulated unpaid vacation, sick pay and other employee benefit liabilities have been accrued in the Compensated Absences Internal Service Fund.

L. Long Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position.

Bond premiums and discounts and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are expensed as 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 other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

M. Pension and Other Postemployment Benefit Costs (OPEB)

Pension – 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Pension and Other Postemployment Benefit Costs (OPEB) (concluded)

to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Each county fund with participants in the plan contribute towards the liquidation of the net pension liability. Investments are reported at fair value.

OPEB – For purposes 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 plans and additions to/deductions from the plan fiduciary net positions have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The OPEB Internal Services Fund, which is funded by each county fund with participants in the plan, contributes toward the liquidation of the net OPEB liability. Investments are reported at fair value.

N. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Encumbrances outstanding at year-end lapse and are re-appropriated and spent under authorization of a new budget in the following year.

O. Property Taxes

The county property tax is levied July 1 of each year based on the taxable value of property as of the preceding December 31. Taxes are billed and collected for the county by the local units within the county and are payable in one installment no later than February 28 of the following year, at which time they become delinquent and subject to penalty.

Taxable value is established annually by the local units, accepted by the county and equalized by the State of Michigan to approximate 50% of market value (SEV). The annual increase in taxable value is limited by State statute to the rate of inflation or 5%, whichever is less. Taxable value reverts to SEV when a property is sold or when SEV drops below taxable value. The taxable value of real and personal property in Macomb County for the July 1, 2022 levy (calendar 2022 revenue) was \$32,856,276,082.

The county operating tax rate for the 2022 levy was 4.3200 mills, and the Veteran's rate was .0660 mills. The county records an allowance of 0.35% for assessment appeals and personal property tax delinquencies. The amount recorded in 2022 was \$493,689.

The county, through its Delinquent Tax Revolving Fund, purchases annually from the municipalities within the county, at face value, the delinquent real property taxes receivable, as certified to the county as not collected as of March 1. The Delinquent Tax Revolving Fund is self-supporting at this time. Collection of these delinquent property taxes will be used to purchase future delinquent real property taxes from municipalities within the county.

P. Unearned Revenue

Governmental funds, governmental activities, and business type activities defer revenue recognition in connection with resources that have been received but not yet earned.

Q. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from such estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Equity

Governmental funds report fund balance as either nonspendable, restricted, committed, assigned or unassigned.

- Nonspendable - Amounts that are not expected to be converted into cash, such as inventories and prepaid items, and amounts that are legally required to be maintained intact, such as the corpus of a permanent fund.
- Restricted – Amounts whose use are restricted by constraints imposed by outside parties such as creditors, grantors, laws and regulations of other governments, constitutional provisions or enabling legislation.
- Committed – Amounts that have been designated for specific purposes established by formal action of the government's highest level of decision-making authority. Fund balance commitments require a formal resolution of the Board of Commissioners. Once committed, these amounts cannot be used for any other purpose unless the restrictions are removed or changed through the same type of action used to make the original commitment.
- Assigned – Amounts that are intended to be used for specific purposes, but are not restricted or committed. Specific fund balance assignments, such as use of fund balance in a subsequent budget, require formal approval by the Board of Commissioners. Other assignments of fund balances do not require board approval. Fund balances in governmental funds other than the General Fund, which are not classified as nonspendable, restricted or committed are classified as assigned in accordance with GASB Statement No. 54, even though specific intended uses may not have been declared by the government.
- Unassigned – The residual amount of fund balance remaining in the General Fund after all other classifications have been made and negative amounts in other governmental funds.

The balances by function within the above categories as each funds' year end are presented on the following page.

Macomb County, Michigan
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Equity (concluded)

	Major Governmental Funds				Nonmajor Governmental Funds	Total
	General Fund	Road Fund	Coronavirus Response Fund	Community Action Agency (1)		
Nonspendable for:						
Inventories	\$ -	\$ 4,125,561	\$ 2,187,470	\$ -	\$ -	\$ 6,313,031
Long-term receivables	2,377,700	-	-	-	-	2,377,700
Prepaid items	2,307,163	3,250,194	-	112,678	70,139	5,740,174
TOTAL NONSPENDABLE	4,684,863	7,375,755	2,187,470	112,678	70,139	14,430,905
Restricted for:						
Capital projects	-	121,116,487	-	-	984,030	122,100,517
Circuit Court	-	-	-	-	193,633	193,633
Community Action Agency	-	-	-	1,772,261	1,977,609	3,749,870
Community Corrections	-	-	-	-	4,640	4,640
Concealed Pistol License	-	-	-	-	2,138,075	2,138,075
Dispatch and Cellular Fees	-	-	-	-	4,087,410	4,087,410
Debt service	-	-	-	-	100,627	100,627
Friend of the Court	-	-	-	-	1,281,159	1,281,159
Health Department	-	-	-	-	8,272,606	8,272,606
Housing rehabilitation loans	-	-	-	-	8,128,058	8,128,058
Macomb / St. Clair Employment and Training	-	-	-	-	17,966	17,966
MSU Extension	-	-	-	-	117,355	117,355
Opioid Programs	-	-	-	-	5,362,588	5,362,588
Prosecuting Attorney	-	-	-	-	58,377	58,377
Sheriff Department	-	-	-	-	2,048,847	2,048,847
Technology	-	-	-	-	2,382,387	2,382,387
Urban County Block Grant	-	-	-	-	196,209	196,209
Veterans Affairs	-	-	-	-	2,547,117	2,547,117
TOTAL RESTRICTED	-	121,116,487	-	1,772,261	39,898,693	162,787,441
Assigned for:						
Capital projects	-	-	-	-	18,381,880	18,381,880
Circuit Court	-	-	-	-	876	876
Dispatch and Cellular Fees	-	-	-	-	773,762	773,762
MSU Extension	-	-	-	-	128,537	128,537
Health Department	-	-	-	-	900	900
Debt service	-	-	-	-	825	825
Sheriff Department	-	-	-	-	9,068	9,068
Urban Block Grant	-	-	-	-	3,249,054	3,249,054
TOTAL ASSIGNED	-	-	-	-	22,544,902	22,544,902
Unassigned	108,007,706	-	-	(177,697)	(5,894,240)	101,935,769
TOTAL FUND BALANCES	\$ 112,692,569	\$ 128,492,242	\$ 2,187,470	\$ 1,707,242	\$ 56,619,494	\$ 301,699,017

When the county incurs an expenditure for purposes for which various fund balance classifications can be used, it is the county's policy to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance, if any. Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources.

In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Macomb County, Michigan
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

S. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

The county had deferred outflows at year-end related to pension, asset retirement obligations, refunded debt, and other post-employment benefits in its governmental activities, business-type activities, and the Martha T. Berry component unit. Explanations of the pension-related deferred outflows can be found in Note 13 of the notes to the basic financial statements. Explanations of asset retirement obligation-related deferred outflows can be found in Note 8 of the notes to the basic financial statements. Explanations of refunded debt-related deferred outflows can be found in Note 6 of the notes to the basic financial statements. Explanations of the other post-employment benefit-related deferred outflows can be found in Notes 14 and 15 of the notes to the basic financial statements.

In addition to liabilities, the statement of net position and/or governmental funds 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 assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The government has five types of items that qualify for reporting in this category.

The governmental funds report unavailable revenues from three sources: property taxes, special assessments, and State and Federal grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition to these items, the primary government also reports deferred inflows for property taxes received before the period for which they were levied. The property taxes are shown as deferred inflows of resources on both the governmental funds balance sheet as well as the statement of net position. The property taxes will be recognized as revenue in the subsequent fiscal year. The primary government also reports deferred inflows for lease transactions in which the primary government is the lessor. The deferred inflows represent the value of the related lease receivables recorded that are for future fiscal periods. Finally, the county had deferred inflows at year-end related to pension and other post-employment benefits in its governmental activities, business-type activities, and the Martha T. Berry component unit. Explanations of the pension-related deferred outflows can be found in Note 13 of the notes to the basic financial statements. Explanations of the other post-employment benefit-related deferred outflows can be found in Notes 14 and 15 of the notes to the basic financial statements.

T. Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE 2 – DEPOSITS AND INVESTMENTS

Primary Government and Component Unit Deposits and Investments

The county maintains a cash and investment pool that is available for use by all funds. In addition to their participation in the pool, certain funds also maintain separate investment accounts, consisting primarily of certificates of deposit and money market accounts. Each fund's portion of the pool as well as any amounts in separate accounts is reported as "Cash and Pooled Investments". Public Act 20 of 1943, as amended, authorizes local units of government to make deposits and invest in the accounts of federally insured banks, credit unions and savings and loan associations that maintain locations in the State of Michigan. The law also allows investments outside the State of Michigan if fully insured.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**Primary Government and Component Unit Deposits and Investments (continued)**

Public Act 20 authorizes local units to invest in bonds, securities and other direct obligations of the United States government, repurchase agreements, bankers' acceptances of United States banks, commercial paper rated within the two highest classifications by not less than two standard rating services and maturing not more than 270 days after the date of purchase, investment grade obligations of the State of Michigan or any of its political subdivisions and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Board of Commissioners adopts a depository resolution, including a list of authorized institutions, each year as recommended by the County Treasurer. The provisions of the depository resolution are as follows:

- Certificates of deposit must be with institutions with locations in the State of Michigan, shall not exceed 75% of the portfolio and the amount with any one institution may not exceed 25% of the total portfolio.
- Commercial paper must be rated A-1 by Standard & Poors and P-1 by Moodys and may not exceed 75% of the total portfolio.
- Banker's acceptances with any one institution may not exceed 20% of the total portfolio.
- Government investment pools may not exceed 50% of the total portfolio.
- The total of deposits and investments with any one institution may not exceed 50% of the capitalization of that institution.

In 2017, the county implemented Governmental Accounting Standards Board Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which required the county to change how it accounts for the county's Intermediate Retirement Medical Benefits Trust (the "Trust"). The Trust's assets are now accounted for in the Other Postemployment Benefits Fund, an internal service fund. As a result of this, the Trust's assets are now included below in primary government cash and investments. In addition to the instruments authorized by Public Act 20 of 1943, the Trust is authorized by Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks and bonds, diversified investment companies, real estate, annuity investment contracts, mortgages and certain other specified investment vehicles. The investments of the Trust are held in a bank-administered trust fund.

The deposits and investments of the primary government and component units, excluding the pension and other postemployment benefit trust funds, at December 31, 2022 and September 30, 2022 respectively, are presented on the following page.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**Primary Government and Component Unit Deposits and Investments (continued)**

	Primary Government	Component Units	Percent of Total
Cash on hand	\$ 43,343	\$ 5,125	0.01%
Bank and money market accounts	183,422,364	45,758,810	18.92%
Certificates of deposit	174,583,647	15,271,614	15.67%
Subtotal - deposits	358,049,354	61,035,549	34.60%
US Government securities	521,796,354	20,721,897	44.76%
Common stock	104,409,790	-	8.62%
Foreign stock	24,437,292	-	2.02%
Real estate investment trusts	73,128,497	-	6.04%
Fixed income common collective trusts	29,762,311	-	2.46%
Equity common collective trusts	18,147,033	-	1.50%
Subtotal - investments	771,681,277	20,721,897	65.40%
Total deposits and investments	1,129,730,631	81,757,446	100.00%
Timing effect of different year ends	2,028,752	-	
Amount reported at December 31, 2022	<u>\$ 1,131,759,383</u>	<u>\$ 81,757,446</u>	
Amount reported in primary government	\$ 1,121,389,033		
Amount reported in custodial funds	10,370,350		
	<u>\$ 1,131,759,383</u>		

The following summarizes the restricted cash and cash equivalents as of December 31, 2022:

	Component Units (Total)
Restricted cash and cash equivalents	
Unspent bond proceeds	\$ 2,514,247
Residents' Trust	30,427
	<u>\$ 2,544,674</u>

Deposits – The deposits of the primary government and its component units are subject to custodial credit risk, which is the risk that the deposits may not be returned in the event of a bank failure. The custodial credit risk assumed by the county is measured by categorizing deposits in one of three categories: 1) insured or collateralized with securities held by the county or its agent in the county's name, 2) collateralized with securities held by the counter-party's trust department or agent in the county's name and 3) uninsured and uncollateralized. At year-end, the book value of the deposits was \$382,324,413, with corresponding bank balances of \$392,833,806. Qualifying deposits are insured by the FDIC up to \$250,000. Of the bank balances, \$3,711,932 was insured and the remaining \$389,121,874 was uninsured and uncollateralized.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**Primary Government and Component Unit Deposits and Investments (continued)**

The county believes that it is impractical to insure all deposits given the size of the portfolio and the limits of insurance established by the FDIC. As a result, the county evaluates each institution with which it deposits funds and assesses the level of risk associated with each institution and adjusts its deposits accordingly.

Investments – Investments of the primary government and component units are subject to various types of risks as defined below:

Custodial Credit Risk exists when securities are uninsured, unregistered or held by a counterparty or its agent but not in the government's name. All investments of the primary government are held in the name of the county and are evidenced by a safekeeping receipt and, therefore, are not exposed to custodial credit risk.

Credit Risk is a measure of the creditworthiness of the issuers of the instruments being held and represents the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Statutes of the State of Michigan authorize the county to invest in the following instruments: obligations of the U.S. Treasury and its agencies and instrumentalities, commercial paper rated within the two highest classifications established by not less than two standard rating services, bankers' acceptances, investment pools of the Treasurer of the State of Michigan, and repurchase agreements.

Additionally, statutes of the State of Michigan authorize the county's Intermediate Retiree Medical Benefits Trust to invest in the following instruments: obligations of the U.S. Treasury and its agencies and instrumentalities, commercial paper rated within the two highest classifications established by not less than two standard rating services, bankers' acceptances, investment pools of the Treasurer of the State of Michigan, repurchase agreements and corporate bonds rated in the top four major grades as determined by at least two national ratings agencies. The entire portfolio of debt securities of the Fund is held in one bond index mutual fund that consists of a mix of corporate, US Treasury and US Agency securities. At December 31, 2022, the Fund's investments in debt securities were rated by Standard & Poor's as presented on the following page:

Quality Rating	US Treasury	US Agency	Corporate and Municipal Bonds	Total	Percent of Total	Breakdown of Corporate Portfolio
AAA	\$ 6,815,569	\$ 7,381,053	\$ 2,639,941	\$ 16,836,563	56.57%	16.96%
AA	-	-	982,195	982,195	3.30%	6.31%
A	-	-	4,482,918	4,482,918	15.06%	28.80%
BBB	-	-	7,183,565	7,183,565	24.14%	46.15%
BB	-	-	277,070	277,070	0.93%	1.78%
	<u>\$ 6,815,569</u>	<u>\$ 7,381,053</u>	<u>\$ 15,565,689</u>	<u>\$ 29,762,311</u>	<u>100.00%</u>	<u>100.00%</u>

Concentration of Credit Risk is the risk of loss measured by the magnitude of investments in a single issuer. As defined by GASB Statement No. 40, the county is exposed to concentration of credit risk if more than 5% of its portfolio is invested in instruments issued by a single issuer. Investments in instruments issued by the US Government, as well as those held in mutual funds and investment pools are exempt from this requirement. None of the investments in common or foreign stock exceeded the 5% threshold at December 31, 2022.

Interest Rate Risk is the risk that the fair value of the county's investments will be adversely affected by changes in market interest rates and is measured primarily by average days to maturity. Although the county investment policy does not limit investment maturities as a means of limiting its exposure to interest rate risk, the county manages this risk by purchasing a mix of short and longer-term investments. The county's entire portfolio of debt securities of the Fund is held in one bond index mutual fund that consists of a mix of corporate, US Treasury and US Agency securities and is therefore not subject to interest rate risk. The maturities of this fund have an average weighted life of 8.2 years.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**Retiree Health Care Trust Fund Deposits and Investments**

In addition to the instruments authorized by Public Act 20 of 1943, the Retiree Health Care Trust Fund is authorized by Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks and bonds, diversified investment companies, real estate, annuity investment contracts, mortgages and certain other specified investment vehicles. The investments of the Retiree Health Care Trust Fund (the "Fund") are held in a bank-administered trust fund.

Deposits – The Retiree Health Care Trust Fund has no deposits as of December 31, 2022. All reported cash and pooled investments are held by the Fund's bank-administered investment custodian and is invested in short term holdings, such as money market accounts.

Investments – A summary of the investments of the Retiree Health Care Trust Fund at December 31, 2022 are presented below:

	Amount	Percent of Total
Cash and pooled investments	\$ 29,399,308	7.26%
Common stock	89,899,378	22.21%
Foreign stock	24,060,466	5.94%
Limited partnerships	9,569,381	2.36%
Real estate investment trusts	29,852,319	7.37%
Fixed income common collective trusts	47,870,397	11.83%
Equity common collective trusts	174,157,802	43.03%
	<u>\$ 404,809,051</u>	<u>100.00%</u>

Credit Risk is a measure of the creditworthiness of the issuers of the instruments being held and represents the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Statutes of the State of Michigan authorize the Retiree Health Care Trust Fund to invest in the following instruments: obligations of the U.S. Treasury and its agencies and instrumentalities, commercial paper rated within the two highest classifications established by not less than two standard rating services, bankers' acceptances, investment pools of the Treasurer of the State of Michigan, repurchase agreements and corporate bonds rated in the top four major grades as determined by at least two national ratings agencies. The entire portfolio of debt securities of the Retiree Health Care Trust Fund is held in one bond index mutual fund that consists of a mix of corporate, US Treasury and US Agency securities.

At December 31, 2022, the Fund's investments in debt securities were rated by Standard & Poor's as follows:

Quality Rating	US Treasury	US Agency	Corporate Bonds	Total	Percent of Total	Breakdown of Corporate Portfolio
AAA	\$ 11,462,879	\$ 11,023,088	\$ 6,833,707	\$ 29,319,674	61.24%	26.92%
AA	-	-	1,797,994	1,797,994	3.76%	7.08%
A	-	-	5,906,275	5,906,275	12.34%	23.27%
BBB	-	-	10,713,726	10,713,726	22.38%	42.21%
BB+	-	-	132,728	132,728	0.28%	0.52%
	<u>\$ 11,462,879</u>	<u>\$ 11,023,088</u>	<u>\$ 25,384,430</u>	<u>\$ 47,870,397</u>	<u>100.00%</u>	<u>100.00%</u>

Custodial Credit Risk exists when securities are uninsured, unregistered or held by a counterparty or its agent but not in the government's name. All investments of the Retiree Health Care Trust Fund are held in trust by a third party institution in the name of the Fund and, therefore, are not exposed to custodial credit risk.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**Retiree Health Care Trust Fund Deposits and Investments (concluded)**

Concentration of Credit Risk is the risk of loss measured by the magnitude of investments in a single issuer. The county is exposed to concentration of credit risk if more than 5% of its portfolio is invested in instruments issued by a single issuer. Investments in instruments issued by the US Government, as well as those held in mutual funds and investment pools are exempt from this requirement. None of the investments in common or foreign stock exceeded the 5% threshold at December 31, 2022.

Interest Rate Risk is the risk that the fair value of investments in debt securities will be adversely affected by changes in market interest rates and is measured primarily by average days to maturity. The entire portfolio of debt securities of the Retiree Health Care Trust Fund is held in one bond index mutual fund that consists of a mix of corporate, US Treasury and US Agency securities and is therefore not subject to interest rate risk. The maturities of this fund have an average weighted life of 8.6 years.

Employees' Retirement System Deposits and Investments

In addition to the instruments authorized by Public Act 20 of 1943 the Macomb County Employees' Retirement System is authorized by Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks and bonds, diversified investment companies, real estate, annuity investment contracts, mortgages and certain other specified investment vehicles.

Deposits – The deposits of the Macomb County Employees' Retirement System (the "System") are subject to custodial credit risk, which is the risk that the deposits may not be returned in the event of a bank failure. The custodial credit risk assumed by the System is measured by categorizing deposits as previously described. At year-end, the book value of the deposits of the System was \$15,071,898 with corresponding bank balances of \$15,071,898. Qualifying deposits are insured by the FDIC up to \$250,000. Of the bank balances of the System, \$250,000 was insured and the remaining \$14,821,898 was uninsured and uncollateralized.

Investments – A summary of the investments of the System at December 31, 2022 is presented below:

	Amount	Percent of Total
Cash and pooled investments	\$ 43,689,589	4.07%
Common stock	388,709,709	36.20%
Foreign stock	74,484,146	6.94%
Limited partnerships	327,151,429	30.46%
Fixed income common collective trusts	95,947,951	8.94%
Equity common collective trusts	143,716,400	13.39%
	<u>\$ 1,073,699,224</u>	<u>100.00%</u>

The investments of the System are subject to various types of risks as defined below:

Custodial Credit Risk exists when securities are uninsured, unregistered or held by a counterparty or its agent but not in the government's name. All investments of the System are held in trust by a third party institution in the name of the System and therefore, are not exposed to custodial credit risk.

Credit Risk is a measure of the creditworthiness of the issuers of the instruments being held and represents the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Statutes of the State of Michigan authorize the System to invest in the following instruments: obligations of the U.S. Treasury and its agencies and instrumentalities, commercial paper rated within the two highest classifications established by not less than two standard rating services, bankers' acceptances, investment pools of the Treasurer of the State of Michigan, repurchase agreements, corporate stocks

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**Employees' Retirement System Deposits and Investments (concluded)**

and corporate bonds rated in the top four major grades as determined by at least two national ratings agencies. Corporate stock cannot exceed seventy percent (70%) of the total portfolio. At December 31, 2022, the System's investments in debt securities were rated by Standard & Poor's as presented below:

Quality Rating	US Treasury	US Agency	Corporate Bonds	Total	Percent of Total	Breakdown of Corporate Portfolio
AAA	\$ 34,025,441	\$ 11,521,511	\$ 13,385,476	\$ 58,932,428	61.41%	26.57%
AA	-	-	3,565,177	3,565,177	3.72%	7.07%
A+	-	-	515,797	515,797	0.54%	1.02%
A	-	-	11,775,495	11,775,495	12.27%	23.36%
BBB+	-	-	568,183	568,183	0.59%	1.13%
BBB	-	-	20,442,352	20,442,352	21.31%	40.56%
BB	-	-	141,321	141,321	0.15%	0.28%
CC	-	-	5,202	5,202	0.01%	0.01%
Not Rated	-	-	1,996	1,996	0.00%	0.00%
	<u>\$ 34,025,441</u>	<u>\$ 11,521,511</u>	<u>\$ 50,400,999</u>	<u>\$ 95,947,951</u>	<u>100.00%</u>	<u>100.00%</u>

Interest Rate Risk is the risk that the fair value of investments in debt securities will be adversely affected by changes in market interest rates and is measured primarily by average days to maturity. The maturities of the System have an average weighted life of 4.7 years.

Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Investments that do not have an established market value are reported at estimated fair value as determined by county management. Approximately 31.8 percent of the Employees' Retirement System assets and 20.5 percent of the Intermediate Retiree Medical Benefits Trust assets are not publicly traded and therefore do not have a readily determinable market value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for these securities existed. The difference could be material.

NOTE 3 – FAIR VALUE MEASUREMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)**Primary Government**

The primary government of the county had recurring fair value measurements as of December 31, 2022 as presented below:

Assets Measured at Fair Value on a Recurring Basis - Primary Government				
	Ending Balance	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities				
Common stock	\$ 104,409,790	\$ 104,409,790	\$ -	\$ -
Foreign stock	24,437,292	24,437,292	-	-
Total equity securities	128,847,082	128,847,082	-	-
Fixed income common collective trusts	29,762,311	-	29,762,311	-
Equity common collective trusts	18,147,033	-	18,147,033	-
Real estate investment trust funds	21,893,240	-	21,893,240	-
Total investments by fair value level	198,649,666	\$ 128,847,082	\$ 69,802,584	\$ -
Investments measured at net asset value (NAV)				
Hedge funds	8,687,416			
Private equity	18,026,309			
Real estate funds	24,521,532			
Total investments measured at NAV	51,235,257			
Total investments measured at fair value	\$ 249,884,923			

Equity securities classified in level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in level 2 are valued using the following approaches: Fixed income investments are normally valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors.

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

At the year ended December 31, 2022, the fair value, unfunded commitments, and redemption rules of those investments are as presented on the following page:

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)**Primary Government (concluded)**

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Hedge funds	\$ 8,687,416	\$ -	None	N/A
Private equity funds	18,026,309	21,770,840	None	N/A
Real estate funds	24,521,532	6,225,162	None	N/A
Total investments measured at NAV	\$ 51,235,257	\$ 27,996,002		

Multiple funds are held in the hedge funds category reported above. For reporting purposes, the redemption frequency and redemption notice period provided are the most restrictive in the category.

The hedge funds class includes investments in funds that achieve capital appreciation through multimanager and/or multistrategy investments. Within this group of funds, there is exposure to investment strategies including, but not limited to, credit, event-driven, equity, and relative value. The funds have the ability to invest across all markets and across all asset classes to implement their various strategies. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. Distributions from each fund will be received as the underlying investments of the fund are liquidated. It is estimated that the underlying investments of the fund will be liquidated over the next month to 5 years.

The private equity funds class is comprised of multiple funds with portfolios including investments in funds that achieve capital appreciation through leveraged buyouts and venture and growth equity. The fair value of the investments in this class have been estimated using the net asset value per share of the investments. None of the value of the investments in the private equity funds are in the process of being liquidated by fund manager. Distributions from each fund will be received as the underlying investments of the fund are liquidated. It is estimated that the underlying investments of the fund will be liquidated over the next 1 to 6 years.

The real estate funds class is comprised of multiple funds with portfolios including investments in commercial real estate that provide current cash flow yield and upside through future appreciation. The fair value of the investments in this class have been estimated using the net asset value per share of the investments. None of the value of the investments in the real estate funds are in the process of being liquidated by fund managers. Distributions from each fund will be received as the underlying investments of the fund are liquidated. It is estimated that the underlying investments of the funds will be liquidated over the next 2 to 6 years.

Disclosures Regarding Redemption Only Upon Liquidation

The investments in hedge funds, international equity funds, private equity funds, and real estate funds can never be redeemed with the funds. Distributions from each fund will be received only as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next 1 to 6 years.

Fiduciary Trust Funds

The county's fiduciary trust funds, which comprise of the Macomb County Employees' Retirement System, the Retiree Health Care Trust Fund, and the Roads' Retiree Health Care Investment Trust had recurring fair value measurements as of December 31, 2022 as presented on the following page.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)**Fiduciary Trust Funds (continued)**

Assets Measured at Fair Value on a Recurring Basis - Fiduciary Trust Funds				
Ending Balance	Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Equity securities				
Common stock	478,609,087	478,609,087	-	-
Foreign stock	98,544,612	98,544,612	-	-
Total equity securities	577,153,699	577,153,699	-	-
Limited Partnership investments	1,967	1,967	-	-
Fixed income common collective trusts	143,818,348	-	143,818,348	-
Equity common collective trusts	317,874,202	-	317,874,202	-
Real estate investment trust funds	29,852,319	29,852,319	-	-
Total investments by fair value level	1,068,700,535	\$ 607,007,985	\$ 461,692,550	\$ -
Investments measured at net asset value (NAV)				
Hedge funds	85,454,835			
Infrastructure funds	24,119,116			
Private equity funds	82,436,666			
Real estate funds	143,429,479			
International real estate funds	1,278,747			
Interest in pooled investment	92,073,817			
Total investments measured at NAV	428,792,660			
Total investments measured at fair value	\$ 1,497,493,195			

Equity securities classified in level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in level 2 are valued using the following approaches: Fixed income investments are normally valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors. Preferred stocks classified in level 2 are normally valued based on previous observed pricing and other similar offerings from the same institution. Debt securities classified in level 3 are based upon unobservable inputs.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)**Fiduciary Trust Funds (continued)**

At the year ended December 31, 2022, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Hedge funds	\$ 85,454,835	\$ -	None	N/A
Infrastructure funds	24,119,116	9,958,931	None	N/A
Private equity funds	82,436,666	89,143,595	None	N/A
Real estate funds	143,429,479	24,586,533	None	N/A
International real estate funds	1,278,747	11,116,000	None	N/A
Interest in pooled investment	92,073,817	-	Daily	None
Total investments measured at NAV	\$ 428,792,660	\$ 134,805,059		

Multiple funds are held in most of the categories reported above. For reporting purposes, the redemption frequency and redemption notice period provided are the most restrictive of any of the funds in the category.

The hedge funds class includes investments in funds that achieve capital appreciation through multimanager and/or multistrategy investments. Within this group of funds, there is exposure to investment strategies including, but not limited to, credit, event-driven, equity, and relative value. The funds have the ability to invest across all markets and across all asset classes to implement their various strategies. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. Distributions from each fund will be received as the underlying investments of the fund are liquidated. It is estimated that the underlying investments of the fund will be liquidated over the next month to 5 years.

The infrastructure funds class is comprised of the McMorgan Infrastructure Fund. The fund is comprised of various infrastructure projects, typically constructed by governmental entities. Many of these projects are subject to regulatory establishment of rates, service delivery levels, or both. The objective of the fund is to own a portfolio of high quality infrastructure assets with the potential to generate strong, consistent cash returns over long periods of time. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. Distributions from each fund will be received as the underlying investments of the fund are liquidated. It is estimated that the underlying investments of the fund will be liquidated over the next month to 20 years.

The private equity funds class includes investments in funds that achieve capital appreciation in a variety of different ways depending on the individual funds' objectives. Objectives include investments in emerging technologies, and mortgage recovery, while other funds eschew traditional sector-oriented goals in favor of flexibility in order to capitalize on opportunities that are time-sensitive, complex, or in dislocated markets. The fair value of the investments in this class have been estimated using the net asset value per share of the investments. Distributions from each fund will be received as the underlying investments of the fund are liquidated. It is estimated that the underlying investments of the fund will be liquidated over the next month to 6 years.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 – FAIR VALUE MEASUREMENTS (CONCLUDED)**Fiduciary Trust Funds (concluded)**

The real estate funds class includes investments in funds whose objective is to operate a core portfolio of real estate investments predominately located in the U.S. The funds acquire ownership in underlying investments either through direct real estate ownership or ownership in real estate companies or the equity of real estate investment trusts. The funds predominately target purchases in office, industrial, retail, or multifamily real estate classes. The fair value of the investments in this class have been estimated using the net asset value per share of the investments. Distributions from each fund will be received as the underlying investments of the fund are liquidated. It is estimated that the underlying investments of the fund will be liquidated over the next month to 7 years.

The interest in pooled investment is comprised of the Municipal Employees' Retirement System of Michigan (MERS) Total Market Fund, which is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes, including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. MERS manages the asset allocation and monitors the underlying investment managers of the MERS Total Market Fund.

Disclosures Regarding Redemption Only Upon Liquidation

The investments in hedge funds, infrastructure funds, international equity funds, private equity funds, real estate funds, and international real estate funds can never be redeemed with the funds. Distributions from each fund will be received only as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the month to 20 years.

NOTE 4 – DUE FROM COMPONENT UNIT

The county issued general obligation bonds in the amount of \$263,555,000 in March 2015 for the purpose of defraying the county's unfunded retiree health care liability. The net proceeds were placed into the Macomb County Retiree Health Care Intermediate Trust Fund. The employees of the Martha T. Berry Medical Care Facility Discretely Presented Component Unit participate in the retiree health care plan. Consequently, \$16,395,000 of the bond issue was allocated to Martha T. Berry based on actuarial analysis.

In October 2020, the county issued refunding general obligation bonds in the amount of \$131,015,000. The partial refunding retired \$108,810,000 of the 2015 bonds. The same actuarial analysis from 2015 was used to allocate the 2015 and 2020 bonds to Martha T. Berry. As a result, \$6,802,082 of Martha T. Berry's allocation of the 2015 Bonds was considered refunded, and \$8,150,067 of the 2020 refunding bonds were allocated to Martha T. Berry. Remaining amounts due from Martha T. Berry for the 2015 bonds will be paid back to the county with installment payments each May 1 and November 1 of each year through 2028. Remaining amounts due from Martha T. Berry for the 2020 refunding bonds will be paid back to the county with installment payments each May 1 and November 1 of each year through 2035. Both amounts were recorded in the governmental activities of the county as a due from component unit (a long-term receivable).

In addition, the county made an additional contribution of \$59,000,000 to its Retiree Health Care Intermediate Trust Fund in 2015 to pre-fund a portion of the county's other postemployment benefits liability. The Martha T. Berry Medical Care Facility (a discretely-presented component unit of the county) participates in the system and as such, \$3,658,000 of the \$59,000,000 contribution was deemed to be attributable to their portion of the amount of the pre-funding contribution. Remaining amounts due from Martha T. Berry will be paid back to the county with installment payments due each May 1 and November 1 of each year through 2035.

The county has recorded a due from component unit on the governmental activities statement of net position as shown in the table on the following page:

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 4 – DUE FROM COMPONENT UNIT (CONCLUDED)

	Balance, January 1, 2022	Increases	Decreases	Balance, December 31, 2022
2015 OPEB Bonds	\$ 5,844,671	\$ -	\$ 1,330,000	\$ 4,514,671
2020 OPEB Refunding Bonds	8,150,067	-	230,000	7,920,067
General Fund Loan Repayment	2,743,500	-	365,800	2,377,700
Total, Due from Component Unit	<u>\$ 16,738,238</u>	<u>\$ -</u>	<u>\$ 1,925,800</u>	<u>\$ 14,812,438</u>

NOTE 5 – CAPITAL ASSETS

The following is a summary of capital asset activity of the governmental activities of the county for the year ended December 31, 2022:

	Beginning Balance, as Restated	Increases	Decreases and Transfers	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 206,270,896	\$ 492,591	\$ -	\$ 206,763,487
Construction in progress	21,106,564	10,002,455	13,593,873	17,515,146
Total capital assets not being depreciated	227,377,460	10,495,046	13,593,873	224,278,633
Capital assets being depreciated:				
Land improvements	11,691,774	-	-	11,691,774
Buildings and building improvements	379,532,734	9,652,278	323,614	388,861,398
Machinery, equipment, and vehicles	111,707,924	10,194,821	5,506,587	116,396,158
Infrastructure	1,554,600,691	153,382,190	-	1,707,982,881
Right to use assets	1,213,882	-	-	1,213,882
Total capital assets being depreciated	2,058,747,005	173,229,289	5,830,201	2,226,146,093
Less accumulated depreciation for:				
Land Improvements	7,643,080	462,340	-	8,105,420
Buildings and building improvements	179,343,303	11,853,544	266,240	190,930,607
Machinery, equipment, and vehicles	90,115,279	8,667,487	5,375,485	93,407,281
Infrastructure	910,492,890	42,615,440	-	953,108,330
Right to use assets	837,630	218,418	-	1,056,048
Total accumulated depreciation	<u>1,188,432,182</u>	<u>63,817,229</u>	<u>5,641,725</u>	<u>1,246,607,686</u>
Net capital assets being depreciated	<u>870,314,823</u>	<u>109,412,060</u>	<u>188,476</u>	<u>979,538,407</u>
Net governmental capital assets	<u>\$ 1,097,692,283</u>	<u>\$ 119,907,106</u>	<u>\$ 13,782,349</u>	<u>\$ 1,203,817,040</u>

Macomb County, Michigan
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 5 – CAPITAL ASSETS (CONTINUED)

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

	Governmental Assets	Internal Service Assets	Total
Legislative	\$ 1,107	\$ -	\$ 1,107
Judicial	818,935	-	818,935
General government	8,255,686	319,655	8,575,341
Health and welfare	2,846,103	-	2,846,103
Recreation and culture	61,962	-	61,962
Public safety	4,367,868	-	4,367,868
Public works	47,145,913	-	47,145,913
	<u>\$ 63,497,574</u>	<u>\$ 319,655</u>	<u>\$ 63,817,229</u>

A summary of capital asset activity of the business-type activities of the county for the year ended December 31, 2022 is presented below:

	Beginning Balance	Increases and Transfers	Decreases	Ending Balance
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Capital assets being depreciated:				
Land improvements	491,310	-	-	491,310
Buildings and building improvements	2,449,173	-	-	2,449,173
Machinery, equipment, and vehicles	488,029	-	27,116	460,913
Right to use assets	-	304,505	-	304,505
Total capital assets being depreciated	3,428,512	304,505	27,116	3,705,901
Less accumulated depreciation for:				
Land Improvements	216,826	25,775	-	242,601
Buildings and building improvements	1,532,975	100,343	-	1,633,318
Machinery, equipment, and vehicles	397,817	25,219	27,116	395,920
Right to use assets	-	101,502	-	101,502
Total accumulated depreciation	2,147,618	252,839	27,116	2,373,341
Net capital assets being depreciated	1,280,894	51,666	-	1,332,560
Net business-type capital assets	<u>\$ 1,330,894</u>	<u>\$ 51,666</u>	<u>\$ -</u>	<u>\$ 1,382,560</u>

Depreciation expense of the business-type activities by function totaled \$133,080 for recreation and culture and \$119,759 for health and welfare, for a total reported increase in accumulated depreciation in business-type activities of \$252,839.

Macomb County, Michigan
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 5 – CAPITAL ASSETS (CONTINUED)

The following is a summary of changes in the Drainage Districts Component Unit capital assets for the year ended September 30, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit - Drainage Districts				
Capital assets not being depreciated:				
Land	\$ 1,484,060	\$ -	\$ -	\$ 1,484,060
Construction in progress	20,671,421	20,896,745	9,203,426	32,364,740
Total capital assets not being depreciated	22,155,481	20,896,745	9,203,426	33,848,800
Capital assets being depreciated:				
Machinery, equipment, and vehicles	2,152,133	240,265	-	2,392,398
Infrastructure	501,533,102	10,955,816	-	512,488,918
Total capital assets being depreciated	503,685,235	11,196,081	-	514,881,316
Less accumulated depreciation for:				
Machinery, equipment, and vehicles	727,401	244,172	-	971,573
Infrastructure	172,295,652	10,140,228	-	182,435,880
Total accumulated depreciation	173,023,053	10,384,400	-	183,407,453
Net capital assets being depreciated	330,662,182	811,681	-	331,473,863
Net drainage district capital assets	<u>\$ 352,817,663</u>	<u>\$ 21,708,426</u>	<u>\$ 9,203,426</u>	<u>\$ 365,322,663</u>

The following is a summary of changes in the Martha T. Berry Medical Care Facility (MCF) Component Unit capital assets for the year ended December 31, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit - Martha T. Berry MCF				
Capital assets being depreciated:				
Buildings and building improvements	6,119,748	242,053	-	6,361,801
Machinery, equipment, and vehicles	2,128,802	13,555	-	2,142,357
Total capital assets being depreciated	8,248,550	255,608	-	8,504,158
Less accumulated depreciation for:				
Buildings and building improvements	1,550,755	475,461	-	2,026,216
Machinery, equipment, and vehicles	1,155,249	202,442	-	1,357,691
Total accumulated depreciation	2,706,004	677,903	-	3,383,907
Net capital assets being depreciated	5,542,546	(422,295)	-	5,120,251
Net Martha T. Berry capital assets	<u>\$ 5,542,546</u>	<u>\$ (422,295)</u>	<u>\$ -</u>	<u>\$ 5,120,251</u>

Macomb County, Michigan
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 5 – CAPITAL ASSETS (CONCLUDED)

The following is a summary of changes in the Workforce Development Board Component Unit capital assets for the year ended June 30, 2022:

	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Component Unit - Workforce Development Board				
Capital assets being depreciated:				
Right to use assets	7,993,296	1,918,137	497,899	9,413,534
Less accumulated depreciation for:				
Right to use assets	4,531,632	764,584	497,899	4,798,317
Net capital assets being depreciated	3,461,664	1,153,553	-	4,615,217
Net Workforce Development Board capital assets	<u>\$ 3,461,664</u>	<u>\$ 1,153,553</u>	<u>\$ -</u>	<u>\$ 4,615,217</u>

Macomb County, Michigan
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 6 – LONG-TERM DEBT

The following is a summary of the long-term liability transactions for the year ended December 31, 2022:

	Beginning Balance, as Restated	Increases	Decreases	Ending Balance	Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
<i>General obligation bonds</i>					
Building Authority					
Series 2014 MTB / Youth Home Refunding	\$ 2,105,000	\$ -	\$ 2,105,000	\$ -	\$ -
General County					
Series 2015 Capital Improvement Bonds	28,925,000	-	2,770,000	26,155,000	2,870,000
Series 2015 Retiree Health Care Bonds	69,244,117	-	8,990,749	60,253,368	9,252,143
Series 2020 Refunding Retiree Health Care Bonds	107,244,928	-	1,544,161	105,700,767	1,548,256
<i>Notes from direct borrowings and direct placements</i>					
Department of Roads					
2014 MDOT Infrastructure Loan	171,537	-	32,309	139,228	33,279
2017 MDOT Infrastructure Loan	290,189	-	38,449	251,740	39,410
Total bonded debt and loans	207,980,771	-	15,480,668	192,500,103	13,743,088
<i>Other liabilities</i>					
Compensated absences					
General County	14,388,232	3,803,972	2,496,140	15,696,064	2,465,663
Department of Roads	1,788,272	1,689,063	1,643,165	1,834,170	1,500,000
General liability claims					
General County	6,036,865	6,115,779	3,761,966	8,390,678	1,206,102
Department of Roads	1,227,889	-	635,581	592,308	52,770
Workers' compensation claims					
General County	1,931,965	1,019,219	1,153,822	1,797,362	449,341
Department of Roads	101,186	-	84,393	16,793	4,508
Leases	389,149	-	224,893	164,256	148,371
Total other liabilities	25,863,558	12,628,033	9,999,960	28,491,631	5,826,755
Total governmental activities	233,844,329	12,628,033	25,480,628	220,991,734	19,569,843
Business-Type Activities					
<i>General obligation bonds</i>					
Series 2015 Retiree Health Care Bonds	14,165,883	-	1,839,251	12,326,632	1,892,857
Series 2020 Refunding Retiree Health Care Bonds	21,940,072	-	315,839	21,624,233	316,744
<i>Other liabilities</i>					
Compensated absences	1,502,284	226,704	237,233	1,491,755	234,337
Leases	-	304,505	111,018	193,487	113,315
Total business-type activities	37,608,239	531,209	2,503,341	35,636,107	2,557,253
TOTAL PRIMARY GOVERNMENT	<u>\$ 271,452,568</u>	<u>\$ 13,159,242</u>	<u>\$ 27,983,969</u>	<u>\$ 256,627,841</u>	<u>\$ 22,127,096</u>
DISCRETELY PRESENTED COMPONENT UNITS					
Martha T. Berry Medical Care Facility					
<i>Notes from direct borrowings and direct placements</i>					
Notes payable to Macomb County	\$ 16,738,238	\$ -	\$ 1,925,800	\$ 14,812,438	\$ 991,900
<i>Other liabilities</i>					
Compensated absences	1,104,321	823,357	1,171,806	755,872	269,654
Total Martha T. Berry Medical Care Facility	17,842,559	823,357	3,097,606	15,568,310	1,261,554
Drainage Districts					
<i>General obligation bonds</i>					
Special assessment debt	227,953,770	-	11,596,947	216,356,823	12,045,917
Unamortized premiums	30,131,184	-	1,540,838	28,590,346	1,540,838
Unamortized discounts	(37,598)	-	(4,699)	(32,899)	(4,699)
<i>Notes from direct borrowings and direct placements</i>					
Special assessment debt	63,774,391	-	6,905,048	56,869,343	5,542,833
Total Drainage Districts	321,821,747	-	20,038,134	301,783,613	19,124,889
Workforce Development Board					
<i>Other liabilities</i>					
Leases	4,345,237	1,918,137	877,346	5,386,028	854,299
TOTAL COMPONENT UNITS	<u>\$ 344,009,543</u>	<u>\$ 2,741,494</u>	<u>\$ 24,013,086</u>	<u>\$ 322,737,951</u>	<u>\$ 21,240,742</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Long-term bonded debt of the Primary Government and Component Units are presented below:

	Interest Rate	Date of Issue	Maturity Date	Original Issue Amount	Balance, End of Year
PRIMARY GOVERNMENT					
Governmental Activities					
<i>General Obligation Bonds</i>					
Building Authority					
Series 2014 MTB / Youth Home Refunding	4.00	09/01/14	03/01/22	\$ 15,155,000	\$ -
General County					
Series 2015 Capital Improvement Bonds	3.00 - 4.00	06/23/15	05/01/30	44,210,000	26,155,000
Series 2015 Retiree Health Care Bonds	3.076 - 3.926	03/10/15	11/01/35	218,794,324	60,253,368
Series 2020 Refunding Retiree Health Care Bonds	0.489 - 2.239	10/27/20	11/01/35	108,764,161	105,700,767
Subtotal, general obligation bonds				386,923,485	192,109,135
<i>Notes from direct borrowings and direct placements</i>					
Department of Roads					
2014 MDTOT Infrastructure Loan	3.00	07/01/14	07/01/26	472,500	139,228
2017 MDTOT Infrastructure Loan	2.50	11/09/17	11/09/27	400,000	251,740
Subtotal, notes from direct borrowings and direct placements				872,500	390,968
Total governmental activities				387,795,985	192,500,103
Business-Type Activities					
<i>General Obligation Bonds</i>					
Series 2015 Retiree Health Care Bonds	3.076 - 3.926	03/10/15	11/01/35	44,760,676	12,326,632
Series 2020 Refunding Retiree Health Care Bonds	0.489 - 2.239	10/27/20	11/01/35	22,250,839	21,624,233
Total business-type activities				67,011,515	33,950,865
TOTAL PRIMARY GOVERNMENT				454,807,500	226,450,968
DISCRETELY PRESENTED COMPONENT UNIT					
Drainage District					
<i>Special assessment debt with governmental commitment</i>					
<i>General Obligation Bonds</i>					
Lake St. Clair Clean Water Initiative					
Series 2013 refunding	4.00 - 5.00	12/19/13	10/01/29	13,725,000	890,000
Series 2019 refunding	1.76 - 2.59	12/27/19	10/01/29	7,355,000	5,755,000
Series 2020 refunding	0.475 - 1.810	12/10/20	12/31/29	7,225,000	6,905,000
Macomb Interceptor Drain Drainage District					
Series 2017A refunding	3.00 - 5.00	06/07/17	05/01/42	126,425,000	106,090,000
Series 2020	2.00	02/19/20	05/01/26	15,435,000	13,260,000
North Gratiot Interceptor					
Series 2010	5.50 - 6.35	05/11/10	05/01/35	16,965,000	10,430,000
Series 2015 refunding	3.50 - 5.00	08/06/15	05/01/33	16,990,000	11,705,000
Series 2018 refunding	5.00	08/09/15	11/01/31	8,890,000	6,545,000
Series 2020	5.00	02/19/20	05/01/26	1,745,000	1,530,000
Oakland-Macomb Interceptor					
Series 2014	2.00 - 3.125	10/15/14	10/01/34	5,150,335	3,424,065
Series 2019A	1.85	12/19/19	04/01/30	2,322,650	1,810,225
Series 2019B	1.55	12/19/19	10/01/25	4,566,195	1,307,134
Series 2020	2.00 - 5.00	08/19/20	07/01/40	48,723,665	46,705,399
Subtotal, general obligation bonds				275,517,845	216,356,823
<i>Notes from direct borrowings and direct placements</i>					
8.5 Mile Relief					
State Revolving Fund Loan (5306-01)	2.50	Various	10/01/29	4,025,000	1,640,000
State Revolving Fund Loan (5393-01)	2.50	Various	10/01/30	1,246,579	568,579
State Revolving Fund Loan (5460-01)	2.50	Various	04/01/31	418,488	220,345
State Revolving Fund Loan (5579-01)	2.50	Various	10/01/34	445,000	268,366
Lake St. Clair Clean Water Initiative					
State Revolving Fund Series #1 (5186-01)	2.50	Various	10/01/22	20,670,000	-
State Revolving Fund Series #2 (5186-02)	2.50	Various	04/01/22	13,630,000	-
State Revolving Fund Series #3 (5186-03)	2.50	Various	04/08/22	2,640,000	-
State Revolving Fund Series #4 (5186-04)	2.50	Various	10/01/22	5,550,000	-
State Revolving Fund Series #5 (5186-05)	2.50	Various	10/01/23	975,000	60,000
Macomb Interceptor Drain Drainage District					
State Revolving Fund Loan (5467-01)	2.50	Various	04/01/34	8,565,000	5,605,780
State Revolving Fund Loan (5540-01)	2.00	Various	10/01/33	2,250,000	1,344,999
State Revolving Fund Loan (5605-01)	2.50	Various	10/01/36	3,145,000	2,360,000
State Revolving Fund Loan (5624-01)	2.50	Various	10/01/35	3,675,000	1,912,499
State Revolving Fund Loan (5639-03)	2.00	Various	07/22/20	26,000,000	2,505,892
Oakland-Macomb Interceptor					
State Revolving Fund Loan (5368-01)	2.50	Various	04/01/31	13,429,140	6,877,825
State Revolving Fund Loan (5368-02)	2.50	Various	10/01/20	12,532,062	7,647,842
State Revolving Fund Loan (5368-03)	2.00	Various	10/01/34	31,966,690	20,674,806
SAW Program Loan 2001-01	2.50	Various	04/01/36	6,907,116	5,182,370
Subtotal, notes from direct borrowings and direct placements				158,070,075	56,869,343
TOTAL DISCRETELY PRESENTED COMPONENT UNIT				433,587,920	273,226,166
TOTAL REPORTING ENTITY				\$ 888,395,420	\$ 499,677,134

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 6 – LONG-TERM DEBT (CONCLUDED)

All long-term obligations are presented as of December 31, 2022 except for the Special Assessment Debt with Governmental Commitment and Department of Road obligations, which are presented as of September 30, 2022. Special assessments receivable have been pledged by various local units of government for the payment of principal and interest on the Special Assessment Debt with Governmental Commitment. The county has also pledged its full faith and credit as additional security for the payment of the principal and interest on the Special Assessment Debt with Governmental Commitment in the event that the monies required to pay the principal and interest on the bonds are not collected by the aforementioned special assessments.

The annual requirements necessary to pay principal and interest on the obligations of the Primary Government and Component Units outstanding at year-end, exclusive of the compensated absences, general liability and workers' compensation accruals, are presented below.

	Governmental Activities				Business-Type Activities	
	Notes from Direct Borrowings and				Bonds	
	Bonds		Direct Placements		Bonds	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 13,670,399	\$ 4,973,528	\$ 72,689	\$ 10,471	\$ 2,209,601	\$ 840,411
2024	14,080,998	4,564,161	74,672	8,486	2,269,002	780,639
2025	14,524,897	4,124,010	76,711	6,448	2,335,103	715,552
2026	14,971,079	3,673,033	78,805	4,354	2,403,921	645,897
2027	15,448,749	3,195,766	43,501	2,202	2,481,251	569,007
2028 - 2032	76,556,136	9,182,240	44,590	1,115	13,483,864	1,764,504
2033 - 2037	42,856,877	1,869,993	-	-	8,768,123	382,560
2038 - 2042	-	-	-	-	-	-
2043 - 2047	-	-	-	-	-	-
	<u>\$ 192,109,135</u>	<u>\$ 31,582,731</u>	<u>\$ 390,968</u>	<u>\$ 33,076</u>	<u>\$ 33,950,865</u>	<u>\$ 5,698,570</u>

	Primary Government				Discretely Presented Component Units			
	Notes from Direct Borrowings and				Notes from Direct Borrowings and			
	Bonds		Direct Placements		Bonds		Direct Placements	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 15,880,000	\$ 5,813,939	\$ 72,689	\$ 10,471	\$ 12,045,917	\$ 9,255,191	\$ 6,534,733	\$ 1,576,928
2024	16,350,000	5,344,800	74,672	8,486	12,528,031	8,705,973	6,634,518	1,430,028
2025	16,860,000	4,839,562	76,711	6,448	13,030,517	8,169,450	5,565,840	1,291,750
2026	17,375,000	4,318,930	78,805	4,354	13,824,554	7,604,894	5,647,542	1,161,900
2027	17,930,000	3,764,773	43,501	2,202	14,400,846	6,979,377	5,770,782	1,027,478
2028 - 2032	90,040,000	10,946,744	44,590	1,115	72,490,532	24,668,513	29,043,345	3,096,663
2033 - 2037	51,625,000	2,252,553	-	-	49,904,901	9,951,776	12,485,021	461,363
2038 - 2042	-	-	-	-	28,131,525	3,203,601	-	-
2043 - 2047	-	-	-	-	-	-	-	-
	<u>\$ 226,060,000</u>	<u>\$ 37,281,301</u>	<u>\$ 390,968</u>	<u>\$ 33,076</u>	<u>\$ 216,356,823</u>	<u>\$ 78,538,775</u>	<u>\$ 71,681,781</u>	<u>\$ 10,046,110</u>

NOTE 7 – CONDUIT DEBT

The City of Utica partnered with GS Entertainment, LLC, to redevelop property located north of Auburn Road and East of Moscone Drive, which was the site of a former waste disposal facility, into a community activity complex which includes a 2,000-seat ballpark and entertainment complex. The City of Utica and its Downtown Development Authority own the properties and lease them to GS Entertainment, LLC.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 7 – CONDUIT DEBT (CONCLUDED)

To further economic development in the county, on August 11, 2015, Macomb County entered into a brownfield redevelopment loan agreement with the Michigan Department of Environmental Quality, Remediation and Redevelopment Division to borrow \$1,000,000 for the purpose of environmental remediation activities at the site. The loan agreement was amended on August 27, 2020, allowing a one year deferral, interest free, on the original loan repayment schedule. Loan repayments began on July 6, 2021, and will continue through July 6, 2031. The interest rate established on the loan is 1.50%. The county may pay off a portion or the entire amount of the loan within the first 5 years without interest or penalty.

As collateral for this loan Huntington Bank issued an Irrevocable Standby Letter of Credit from GS Entertainment, LLC to the county in the amount of \$1,000,000. GS Entertainment also executed a Promissory Note and a loan guaranty agreement with the county in the amount of \$300,000 to be applied toward the environmental clean-up response action costs on the property.

As the debt has been issued on behalf of GS Entertainment and is fully secured by GS Entertainment, the debt is classified as conduit debt and has not been recorded on the county's financial statements. The county will recognize payments as they are received from GS Entertainment in the governmental funds as a liability equal to the amounts collected but not yet remitted to debt holders. The bonds are payable solely from payments received from GS Entertainment, and no further commitments beyond the maintenance of the tax-exempt status of the conduit debt were extended by the county. At December 31, 2022, the loan has a principal balance payable in the amount of \$817,880.

NOTE 8 – ASSET RETIREMENT OBLIGATIONS

The county reports asset retirement obligations related to a total of 10 underground gas tanks ranging in size from 8,000 gallons to 20,000 gallons as detailed below.

Location and Size	Year Installed	Useful Life	Remaining Useful Life	Asset Retirement Obligation	Beginning Deferred Outflow	Current Year Amortization	Ending Deferred Outflow
Washington Township							
20,000 gallon tank - Diesel	2000	40 years	17 years	\$ 100,000	\$ 85,714	\$ 4,762	\$ 80,952
12,000 gallon tank - Unleaded	2000	40 years	17 years	100,000	85,714	4,762	80,952
New Haven							
20,000 gallon tank - Diesel	1997	40 years	14 years	100,000	83,332	5,556	77,776
12,000 gallon tank - Unleaded	1997	40 years	14 years	100,000	83,332	5,556	77,776
Clinton Township							
20,000 gallon tank - Diesel	1979	45 years	1 year	100,000	40,000	20,000	20,000
10,000 gallon tank - Diesel	1979	45 years	1 year	100,000	40,000	20,000	20,000
20,000 gallon tank - Unleaded	1979	45 years	1 year	100,000	40,000	20,000	20,000
8,000 gallon tank - Unleaded	1979	45 years	1 year	100,000	40,000	20,000	20,000
Shelby Township							
20,000 gallon tank - Diesel	1993	40 years	10 years	100,000	78,571	7,143	71,428
12,000 gallon tank - Unleaded	1993	40 years	10 years	100,000	78,574	7,142	71,432
				<u>\$ 1,000,000</u>	<u>\$ 655,237</u>	<u>\$ 114,921</u>	<u>\$ 540,316</u>

Michigan Underground Storage Tank Rules, enforced by the Michigan Department of Licensing and Regulatory Affairs, holds owners of underground gas tanks financially responsible for any and all pollution and remediation expenditures as result of failure of the underground tank or as a result of removal of the underground tank.

The estimate of potential liability was determined by seeking quotes from contractors qualified to remove underground tanks and perform pollution remediation work if required. The liability is offset by available fund balance in the Roads Special Revenue Fund.

NOTE 9 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The majority of the outstanding interfund receivables and payables represent interfund reimbursements that were not settled at year-end, as well as short-term working capital loans for funds with negative cash balances in the county's cash and investment pool at year-end.

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. Interfund transfers are used to (1) account for the movement of unrestricted revenues collected in the General Fund to finance various

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 9 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONCLUDED)

programs accounted for in other funds in accordance with budgetary authorization and (2) move restricted revenues from the funds that are allowed to collect them to funds that are allowed to expend them. Specifically, the transfer out of the delinquent tax revolving fund enterprise and into the general fund is a discretionary annual transfer of the declared surplus of funds collected by the County Treasurer, which is then expended in the general fund. Transfers from the general fund to the community mental health enterprise fund are for a combination of required program contributions as well as fifty percent of the county's public act 2 "liquor tax" collections to support the substance abuse program. All other transfers are county contributions to various grant programs.

Interfund receivables, payables, and transfers are reported below.

Due to	Due From					
	Major Governmental Fund			Nonmajor Governmental Funds	Internal Service Funds	Total
	General Fund	Coronavirus Response Fund	Community Action Agency (1)	Roads Fund		
General Fund	\$ -	\$ 48,600	\$ -	\$ -	\$ 758,997	\$ 8,278,082
Community Mental Health Enterprise Fund	3,800,621	-	-	-	-	3,800,621
Internal Service	-	-	-	324,559	-	324,559
	3,800,621	48,600	-	324,559	758,997	12,403,262
Timing differences as a result of interfund transactions occurring in funds with different fiscal year ends	23,231,457	-	11,074,987	(324,559)	1,829,552	35,811,437
	<u>\$ 27,032,078</u>	<u>\$ 48,600</u>	<u>\$ 11,074,987</u>	<u>\$ -</u>	<u>\$ 2,588,549</u>	<u>\$ 48,214,699</u>

Interfund transfers are reported below.

Transfers Out	Transfers In					
	Major Governmental Fund			Major Enterprise Fund		Total
	General Fund	Community Action Agency	Nonmajor Governmental Funds	Internal Service	Community Mental Health	
General Fund	\$ -	\$ 4,701,121	\$ 34,603,831	\$ 4,047,634	\$ 7,631,294	\$ 51,069,880
Nonmajor governmental funds	-	-	14,983,538	-	-	14,983,538
Major enterprise fund	8,000,000	-	-	-	-	8,000,000
Delinquent Tax Revolving	-	-	-	-	-	-
Subtotal	8,000,000	4,701,121	49,587,369	4,047,634	7,631,294	74,053,418
Timing differences as a result of interfund transactions occurring in funds with different fiscal year ends	-	(784,266)	(107,608)	-	(627,455)	(1,519,329)
	<u>\$ 8,000,000</u>	<u>\$ 3,916,855</u>	<u>\$ 49,479,761</u>	<u>\$ 4,047,634</u>	<u>\$ 7,003,839</u>	<u>\$ 72,534,089</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 10 – LEASES

The county leases certain assets from various third parties. The assets leased include buildings and equipment. Payments are generally fixed monthly rates with escalation in payments over the term of the lease. Lease asset activity of the county is included in the capital asset footnote, Note 5.

Future principal and interest payment requirements related to the county's governmental activities lease liability at December 31, 2022 are as follows:

Years Ending	Principal	Interest	Total
2023	\$ 148,371	\$ 677	\$ 149,048
2024	15,885	11	15,896
Total	<u>\$ 164,256</u>	<u>\$ 688</u>	<u>\$ 164,944</u>

Future principal and interest payment requirements related to the county's business type activities lease liability at September 30, 2022 are as follows:

Years Ending	Principal	Interest	Total
2023	\$ 113,315	\$ 2,996	\$ 116,311
2024	80,172	917	81,089
Total	<u>\$ 193,487</u>	<u>\$ 3,913</u>	<u>\$ 197,400</u>

Future principal and interest payment requirements related to the county's component unit lease liability at June 30, 2022 are as follows:

Years Ending	Principal	Interest	Total
2023	\$ 854,299	\$ 156,967	\$ 1,011,266
2024	896,561	130,867	1,027,428
2025	916,992	103,393	1,020,385
2026	593,265	77,066	670,331
2027	217,949	61,447	279,396
2028-2032	994,526	225,076	1,219,602
2033-2037	878,588	87,394	965,982
2038-2042	33,848	147	33,995
Total	<u>5,386,028</u>	<u>842,357</u>	<u>6,228,385</u>

The county leases certain assets to various third parties. The assets leased include buildings and cell towers. Payments are generally fixed monthly rates with escalation in payments over the term of the lease.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 10 – LEASES (CONCLUDED)

During the year, the county recognized the following related to its lessor agreements:

	(1) Governmental Activities	(2) Component Units
Lease revenue	\$ 1,180,403	\$ 7,149
Interest income related to its leases	72,237	27,046

(1) Year ending December 31, 2022

(2) Year ending September 30, 2022

Future principal and interest payment requirements related to the county's governmental activities leases receivable at December 31, 2022 are as follows:

Years Ending	Principal	Interest	Total
2023	\$ 151,421	\$ 62,857	\$ 214,278
2024	150,516	58,778	209,294
2025	161,254	54,624	215,878
2026	172,666	50,178	222,844
2027	186,922	45,384	232,306
2028-2032	773,240	147,679	920,919
2033-2037	274,475	69,871	344,346
2038-2042	191,795	23,935	215,730
2043	25,121	317	25,438
	<u>\$ 2,087,410</u>	<u>\$ 513,623</u>	<u>\$ 2,601,033</u>

Future principal and interest payment requirements related to the county's component unit leases receivable at September 30, 2022 are as follows:

Years Ending	Principal	Interest	Total
2023	\$ 3,164	\$ 26,836	\$ 30,000
2024	3,388	26,612	30,000
2025	3,629	26,371	30,000
2026	3,887	26,113	30,000
2027	4,163	25,837	30,000
2028-2032	25,691	124,309	150,000
2033-2037	36,203	113,797	150,000
2038-2042	51,017	98,983	150,000
2043-2047	71,893	78,107	150,000
2048-2052	101,312	48,688	150,000
2053-2056	87,146	10,354	97,500
	<u>\$ 391,493</u>	<u>\$ 606,007</u>	<u>\$ 997,500</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 11 – DEFERRED COMPENSATION

The county offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, Macomb County Deferred Compensation Plan & Trust, administered by Vanguard, is available to all county employees, and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts are held in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets of the plan are not reported as assets of the employer.

NOTE 12 – DEFINED CONTRIBUTION PENSION PLAN

The county provides pension benefits to all new full-time employees hired on or after January 1, 2016 through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Eligible employees participate as of their date of employment, contributing three percent of their base wages annually, while the county contributes six percent of the employees' base wages annually plus a flat amount per eligible employee of \$2,600 annually. County contributions vest with the eligible employees at a rate of 20% per year of employment with the county until they are 100% vested at five years of employment with the county. After five years of employment, eligible employees have the option to contribute an additional one percent of their wages annually, while the county contributes an additional two percent of the employees' base wages if the employee exercises this option.

In accordance with plan requirements, the county contributed \$5,380,073 during the current year. Additionally, eligible employees contributed \$1,544,988 during the current year.

NOTE 13 – EMPLOYEES' RETIREMENT SYSTEM**Pension Plan Description****Plan Administration**

The county sponsors the Macomb County Employees' Retirement System (the "System"), a single employer defined benefit plan covering substantially all of the county's employees. The System was established in accordance with state statutes to provide retirement benefits for the employees of the county and its several offices, boards and departments, including the Department of Roads. The system is administered by a seven member Board of Trustees (the "Pension Board") consisting of the County Executive or his/her designee, the Chair of the Board of Commissioners or his/her designee, the County Treasurer or his/her designee, the Director of the Department of Roads and three (3) active employees elected by the active members of the System on three year staggered terms.

Plan Membership

At December 31, 2021 (date of the most recent actuarial valuation), the System's membership consisted of:

	Primary Government	Component Unit	Total
Retirees and beneficiaries currently receiving benefits	2,897	187	3,084
Deferred members entitled to benefits but not yet receiving them	469	84	553
Active employees accruing retirement benefits	1,249	63	1,312
Active employees accruing termination benefits	1,232	258	1,490
	<u>5,847</u>	<u>592</u>	<u>6,439</u>

The plan is closed to new entrants effective January 1, 2016.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 13 – EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**Benefits Provided**

The System provides retirement, disability and death benefits. Benefit levels and employee contribution rates for union employees are granted through collective bargaining agreements and benefit levels for non-union employees are awarded by the County Executive in accordance with county charter. The Board of Trustees does not have the authority to determine benefit levels. However, the Board of Trustees does have the authority to grant disability retirements. Members become vested in the System after 8 or 15 years of service, depending on their date of hire. The System does not provide for automatic postemployment benefit changes such as cost-of-living adjustments. The following is a summary of the normal retirement benefits provided to the members of the system.

General County – Virtually all employees hired on or before December 21, 2001 may retire if their age plus years of service equals or exceeds 70 and they have attained a minimum age of 50. The annual retirement benefit, payable monthly for life, is computed at 2.4% of final average compensation for the first 26 years of service and 1% for every year thereafter, with a maximum employer pension of 65%. Employees hired on or after January 1, 2002 and certain employees hired before that date not covered by the provisions described above may retire at age 55 with 25 or more years of service or age 60 with 8 years of service. The annual retirement benefit, payable monthly for life, for these employees is computed at 2.2% of final average compensation for each year of service, with a maximum employer pension of 66% of final average compensation.

Sheriff Department – Employees may retire at any age with 25 or more years of service or age 60 with 8 years of service. The annual retirement benefit for the Sheriff and deputies, payable monthly for life, is computed at 2.64% of final average compensation multiplied by credited years of service with a maximum employer pension of 66%. The factor for the undersheriff, captains, jail administrator, command officers, corrections officers and dispatchers is 2.4% for the first 26 years of service and 1% for every year thereafter, with a maximum employer pension of 66% of final average compensation.

Department of Roads – Employees may retire at age 55 with 25 or more years of service, at age 60 with 8 years of service or at age 55 if their age plus years of service equals or exceeds 70. The annual retirement benefit, payable monthly for life, is computed at 2.4% of final average compensation for the first 26 years of service and 1% for every year thereafter, with a maximum employer pension of 65% of final average compensation.

The System also provides death and disability benefits. If an employee leaves covered employment or dies before they are vested, accumulated employee contributions plus interest at the rate of 3.5% per year is refunded to the employee or designated beneficiary.

The System also provides a termination benefit of \$1,000 to all employees hired after January 1, 2016. The benefit is fully vested following five years of service with the county.

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Pension Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established by collective bargaining agreement for union members. Contribution rates for nonunion members mirror those of union members with the same benefit levels. The county is required to contribute the difference between the actuarially determined rate and the contribution rate for employees. General county employees contribute 2.5% or 3.5% of their annual salary to the System depending upon classification. Department of Roads employees contribute 3.5% of their annual salary. Sheriff employees contribute 4.0% of their annual salary. The county's required contribution for 2022 was \$10,252,487. The county contributed \$11,966,428 for the year ended December 31, 2022, which represents an excess contribution of \$1,713,941.

Deferred Retirement Option Program (DROP)

The county offers employees the ability to continue employment and be paid a salary after they are fully vested and also receive credits for the retirement benefit payments that would have been paid to them had they left county employment.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 13 – EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Employees may receive up to 60 months of DROP credits. The accumulated credits are paid out, including interest at 3.5%, after the employee has fully retired (discontinued providing employee services to the county). The Plan had \$20,077,427 accumulated in DROP accounts at December 31, 2022.

Pension Plan Investments – Policy and Rate of Return**Investment Policy**

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. It is the policy of the Pension Board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

The Board's adopted asset allocation policy as of December 31, 2022 is presented below.

	Target Allocation
Cash and cash equivalents	0%
Domestic equity	37%
International equity	15%
Domestic fixed income	15%
Real estate	10%
Alternative assets	23%
	<u>100%</u>

Rate of Return

The annual money-weighted rate of return on pension plan investments for the year ended December 31, 2022 was -14.5%. The money-weighted rate of return expressed investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Plan Reserves

In accordance with the provisions of the Plan document, the following reserves are required to be set aside within the pension plan:

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

The **employee reserve** account is credited as employee contributions are received throughout the year; the Plan maintains a record of the amount contributed by each employee, and credits interest annually at a rate of 3.5%. For any employee who terminates before vesting in the pension plan, their balance is returned to them; for those who stay until retirement, the balance is transferred into the retiree reserve.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 13 – EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**Pension Plan Investments – Policy and Rate of Return (concluded)**

The balances of the reserve accounts at December 31, 2022 are as follows:

Primary Government Reserves				Over (Under) Funded
	Required	Actual		
Retiree reserve	\$ 731,379,287	\$ 731,379,287	\$	-
Employee reserve	46,626,781	46,626,781		-
Employer reserve	N/A	258,462,649		N/A
Component Unit Reserves				
	Required	Actual		Over (Under) Funded
Retiree reserve	\$ 25,889,223	\$ 25,889,223	\$	-
Employee reserve	1,822,420	1,822,420		-
Employer reserve	N/A	2,263,614		N/A
Total Reserves, Employees' Retirement System				
	Required	Actual		Over (Under) Funded
Retiree reserve	\$ 757,268,510	\$ 757,268,510	\$	-
Employee reserve	48,449,201	48,449,201		-
Employer reserve	N/A	260,726,263		N/A

Net Pension Liability (Asset) of the County

The December 31, 2022 total pension liability (asset) was determined by an actuarial valuation dated December 31, 2021 and rolled forward to the measurement date. Changes in the net pension asset during the year are presented on the following page:

Macomb County, Michigan
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 13 – EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Net Pension Liability (Asset) of the County (concluded)

	Primary Government	Component Unit	Total
Total Pension Liability			
Service cost	\$ 12,526,871	\$ 416,297	\$ 12,943,168
Interest	70,891,363	2,355,885	73,247,248
Difference between expected and actual experience of the total pension liability	13,439,365	446,621	13,885,986
Benefit payments, including refunds of member contributions	(76,272,406)	(2,845,194)	(79,117,600)
Net change in total pension liability	20,585,193	373,609	20,958,802
Total pension liability - beginning of year	1,056,677,740	15,658,088	1,072,335,828
Total pension liability - end of year (a)	<u>\$ 1,077,262,933</u>	<u>\$ 16,031,697</u>	<u>\$ 1,093,294,630</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 11,966,428	\$ -	\$ 11,966,428
Contributions - employee	2,722,563	93,968	2,816,531
Net investment income	(182,259,633)	(3,572,780)	(185,832,413)
Benefit payments, including refunds of member contributions	(76,272,406)	(2,845,194)	(79,117,600)
Administrative expense	(730,633)	(14,322)	(744,955)
Net change in plan fiduciary net position	(244,573,681)	(6,338,328)	(250,912,009)
Plan fiduciary net position - beginning of year	1,292,028,735	25,327,248	1,317,355,983
Plan fiduciary net position - end of year (b)	<u>\$ 1,047,455,054</u>	<u>\$ 18,988,920</u>	<u>\$ 1,066,443,974</u>
County's net pension (asset) - end of year (a) - (b)	<u>\$ 29,807,879</u>	<u>\$ (2,957,223)</u>	<u>\$ 26,850,656</u>
Plan fiduciary net position as a percent of total pension liability	97.23%	118.45%	97.54%
Covered payroll	\$ 92,780,967	\$ 3,826,859	\$ 96,607,826
County's net pension liability (asset) as a percent of covered payroll	32.13%	-77.28%	27.79%

Macomb County, Michigan
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 13 – EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

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

For the year ended December 31, 2022, the county recognized a pension expense of \$12,581,857 and reported deferred outflows and inflows of resources related to pensions from the following sources:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability experience	\$ 12,145,143	\$ 4,905,006
Differences between projected and actual earnings on pension plan investments	87,761,875	-
Totals, Primary Government	<u>\$ 99,907,018</u>	<u>\$ 4,905,006</u>
Component Unit	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability experience	\$ 403,611	\$ 163,005
Differences between projected and actual earnings on pension plan investments	1,720,369	-
Totals, Component Unit	<u>\$ 2,123,980</u>	<u>\$ 163,005</u>
Totals, Employees' Retirement System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability experience	\$ 12,548,754	\$ 5,068,011
Differences between projected and actual earnings on pension plan investments	89,482,244	-
Totals	<u>\$ 102,030,998</u>	<u>\$ 5,068,011</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 13 – EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (concluded)**

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (or reduction) of pension expense as follows:

Year Ending December 31,	Primary Government	Component Unit	Total Increase (Reduction) in Pension Expense
2023	\$ (8,110,348)	\$ (167,409)	\$ (8,277,757)
2024	18,994,433	392,072	19,386,505
2025	29,024,319	599,103	29,623,422
2026	55,093,608	1,137,209	56,230,817
Totals	<u>\$ 95,002,012</u>	<u>\$ 1,960,975</u>	<u>\$ 96,962,987</u>

Actuarial Assumptions

The December 31, 2022 total pension liability was determined by an actuarial valuation as of December 31, 2021, which was then rolled forward to December 31, 2022. The actuarial valuation used the following assumptions, applied to all periods included in the measurement: (a) inflation of 3.0%, (b) salary increases of 3.0% to 18.0% including inflation and (c) investment rate of return of 7.00%, net of pension plan investment expense and adjusted for inflation. Mortality rates were based on the RP-2014 (Base 2006) for all divisions. All divisions used the MP-2018 mortality improvement scale. The actuarial assumptions in the roll forward of the December 31, 2021 valuation were based on the results of an actuarial experience study for the period from December 31, 2012 to December 31, 2017.

Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and employer contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the employee rates.

Projected Cash Flows

Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Had there been a point where assets were projected to be depleted, a municipal bond rate of 4.31% would have been used in the development of the blended GASB discount rate after that point. The 4.31% is based on the S&P Municipal Bond 20 Year High Grade Rate Index.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return as of December 31, 2022 for each major asset class included in the System's target asset allocation are summarized in the table on the following page and are presented as geometric means.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 13 – EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**Projected Cash Flows (concluded)**

	Long-Term Expected Real Rate of Return
Cash and cash equivalents	0.00%
Domestic equity	7.50%
International equity	8.50%
Domestic fixed income	2.50%
Real estate investment trusts	4.50%
Alternative assets	6.33%

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the county, calculated using the discount rate of 7.00% percent, as well as what that same liability or asset would be if it were calculated using a discount rate that is one percentage-point lower (6.00%) or one percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
Primary Government Net Pension Liability (Asset)	\$ 132,534,911	\$ 29,807,879	\$ (51,428,123)
Component Unit Net Pension Liability (Asset)	13,080,243	(2,957,223)	(21,748,501)
Total Net Pension Liability (Asset)	<u>\$ 145,615,154</u>	<u>\$ 26,850,656</u>	<u>\$ (73,176,624)</u>

Accounting Principles and Financial Reporting

The System follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The financial statements of the System are included in these financial statements as Employee Retirement and Other Postemployment Benefits Trust funds.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 13 – EMPLOYEES' RETIREMENT SYSTEM (CONCLUDED)**Accounting Principles and Financial Reporting (concluded)**

The System does not issue separate independently audited financial statements; therefore, financial statements as of and for the year ended December 31, 2022 are presented below.

Statement of Fiduciary Net Position		Statement of Changes in Fiduciary Net Position	
ASSETS		ADDITIONS	
Cash and pooled investments	\$ 43,689,589	Investment income (loss):	
Investments, at fair value		Interest and dividends	\$ 9,926,365
Common stock	388,709,709	Net change in fair value of investments	(187,776,987)
Foreign stock	74,484,146	Less investment expenses	(7,981,791)
Limited partnership	327,151,429		
Fixed income common collective trusts	95,947,951	Net investment income (loss)	(185,832,413)
Equity common collective trusts	143,716,400		
		Contributions	
Total investments	1,030,009,635	Employer	11,966,428
		Employee	2,816,531
Receivables		Total contributions	14,782,959
Accrued interest	474,203		
Other	233,044	TOTAL ADDITIONS	(171,049,454)
Other assets	17,776		
		DEDUCTIONS	
TOTAL ASSETS	1,074,424,247	Benefit payments	78,716,138
		Withdrawals and refunds of contributions	401,462
LIABILITIES		Administrative expenses	744,955
Accounts payable	1,519,451		
Accrued compensation and benefits	6,460,822	TOTAL DEDUCTIONS	79,862,555
TOTAL LIABILITIES	7,980,273	CHANGE IN NET POSITION	(250,912,009)
		Net position - beginning of year	1,317,355,983
NET POSITION RESTRICTED FOR PENSION BENEFITS	\$ 1,066,443,974	Net position - end of year	\$ 1,066,443,974

NOTE 14 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – GENERAL AND SHERIFF EMPLOYEES**Plan Description**

The county sponsors and administers a single employer defined benefit postretirement healthcare plan (the "Plan") that provides certain health care benefits for general county (including the Martha T. Berry Medical Care Facility) and sheriff department retirees and their spouses so long as the retiree is currently receiving a pension from the Macomb County Employees Retirement System.

The Plan does not cover employees and retirees of the Department of Roads as the department participates in a separate plan disclosed in Note 15.

Plan assets are held in the Retiree Health Care Trust Fund. Benefit provisions are established by the County Board of Commissioners and may be amended in accordance with county policy. Hospitalization insurance is provided through insurance companies, whose premiums are based on the benefits paid during the year.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 14 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – GENERAL AND SHERIFF EMPLOYEES (CONTINUED)**Plan Description (concluded)**

The county finances these expenditures for general county and sheriff department retirees through the Retiree Health Care Trust Fund of the primary government. At December 31, 2020 (date of the most recent actuarial valuation), membership consisted of:

	Primary Government	Component Unit	Total
Retirees and beneficiaries currently receiving benefits	2,317	173	2,490
Deferred members entitled to benefits but not yet receiving them	232	11	243
Active employees covered by the plan	1,199	27	1,226
	<u>3,748</u>	<u>211</u>	<u>3,959</u>

Funding Policy

Plan members are required to contribute 25% of the cost of vision and dental coverage as well as co-pays for prescription drugs.

On March 10, 2015, Macomb County issued retiree health care bonds for the purpose of defraying the unfunded portion of the county's retiree health care obligations. The net proceeds of \$262,636,883 (after payment of \$589,161 of issuance costs, underwriters' discount of \$328,956) were placed in the Retiree Health Care Intermediate Trust (the "Intermediate Trust"), which was established in conjunction with the Macomb County Retiree Health Care Trust Fund to fund other postemployment benefits (OPEB). In addition, the county used General Fund balance of \$29,000,000 and \$30,000,000 contributed to the General Fund by the Delinquent Tax Revolving Fund in 2015 to contribute a total of \$59,000,000 to the Intermediate Trust. It is the policy of the county to fund the annual required contribution (ARC) to the Macomb County Retiree Health Care Trust Fund each year via a transfer from the Intermediate Trust. In 2017, as a result of the county's implementation of Governmental Accounting Standards Board Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, the county moved the Intermediate Trust into the Other Postemployment Benefits Internal Service Fund.

County departments fully fund each debt service payment annually in lieu of contributing the OPEB ARC. Allocation of the debt service payment responsibility is determined based on the unfunded actuarial accrued liability as of December 31, 2015 by county department. As mandated in the county's intermediate trust agreement, the county contributes to the Macomb County Retiree Healthcare Trust an amount equal to at least the annual actuarially determined contribution each year. The county makes the annual contribution from its Other Postemployment Benefits Internal Service Fund.

The county contributed \$20,000,000 to the Macomb County Retiree Health Care Trust Fund for the year ended December 31, 2022. Employee contributions for the year totaled \$1,029,225, for total contributions to the Macomb County Retiree Health Care Trust Fund in the amount of \$21,029,225. The total cost of retiree health care benefits, administrative expenses of the plan and investment management fees for the year ended December 31, 2022 was \$22,527,343.

Net OPEB Liability

The December 31, 2022 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the December 31, 2022 measurement date. The December 31, 2022 measurement date total OPEB liability was determined by an actuarial valuation performed as of December 31, 2020.

Changes in the net OPEB liability during the measurement year were as presented on the following page:

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

**NOTE 14 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – GENERAL AND SHERIFF EMPLOYEES
(CONTINUED)****Net OPEB Liability (concluded)**

	Primary Government	Component Unit	Total
Total OPEB Liability			
Service cost	\$ 4,197,472	\$ 220,920	\$ 4,418,392
Interest	34,252,908	1,802,785	36,055,693
Difference between expected and actual experience of the total OPEB liability	(51,964,854)	(2,734,992)	(54,699,846)
Changes of assumptions	10,180,585	535,820	10,716,405
Benefit payments	(18,174,350)	(956,545)	(19,130,895)
Net change in total OPEB liability	(21,508,239)	(1,132,012)	(22,640,251)
Total OPEB liability - beginning of year	492,585,065	29,852,514	522,437,579
Total OPEB liability - end of year (a)	<u>\$ 471,076,826</u>	<u>\$ 28,720,502</u>	<u>\$ 499,797,328</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 19,000,000	\$ 1,000,000	\$ 20,000,000
Contributions - member	977,764	51,461	1,029,225
Net investment income	(72,142,784)	(3,682,832)	(75,825,616)
Employer paid benefits	(18,499,424)	(973,654)	(19,473,078)
Member paid benefits	(977,764)	(51,461)	(1,029,225)
Administrative expense	(83,002)	(4,368)	(87,370)
Net change in plan fiduciary net position	(71,725,210)	(3,660,854)	(75,386,064)
Plan fiduciary net position - beginning of year	447,152,538	27,304,761	474,457,299
Plan fiduciary net position - end of year (b)	<u>\$ 375,427,328</u>	<u>\$ 23,643,907</u>	<u>\$ 399,071,235</u>
County's net OPEB liability - end of year (a) - (b)	<u>\$ 95,649,498</u>	<u>\$ 5,076,595</u>	<u>\$ 100,726,093</u>
Plan fiduciary net position as a percent of total OPEB liability	79.70%	82.32%	79.85%
Covered employee payroll	\$ 83,388,689	\$ 3,826,859	87,215,548
County's net OPEB liability as a percent of covered employee payroll	114.70%	132.66%	115.49%

The following changes in assumptions impacted the calculation of the net OPEB liability as of December 31, 2022: The healthcare and prescription trend rates were modified, increasing the expected rate of increase over the next ten years.

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

For the year ended December 31, 2021, the county recognized a reduction in OPEB expense of \$34,180,425 and reported deferred outflows and inflows of resources related to OPEB from the sources on the following page:

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

**NOTE 14 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – GENERAL AND SHERIFF EMPLOYEES
(CONTINUED)****OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
(continued)**

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability experience	\$ -	\$ 93,456,038
Differences between projected and actual earnings on OPEB plan investments	38,616,013	-
Changes in assumptions	45,942,967	-
Totals, Primary Government	<u>\$ 84,558,980</u>	<u>\$ 93,456,038</u>
Component Unit	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability experience	\$ -	4,960,178
Differences between projected and actual earnings on OPEB plan investments	2,049,708	-
Changes in assumptions	2,438,258	-
Totals, Component Unit	<u>\$ 4,487,966</u>	<u>\$ 4,960,178</u>
Plan Totals	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability experience	\$ -	\$ 98,416,216
Differences between projected and actual earnings on OPEB plan investments	40,668,804	-
Changes in assumptions	48,378,142	-
Totals	<u>\$ 89,046,946</u>	<u>\$ 98,416,216</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 14 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – GENERAL AND SHERIFF EMPLOYEES (CONTINUED)**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (concluded)**

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as an increase (or reduction) in OPEB expense as follows:

Year Ending December 31,	Primary Government	Component Unit	Total Increase (Reduction) in OPEB Expense
2023	\$ (34,598,398)	\$ (1,836,309)	\$ (36,434,707)
2024	(6,466,087)	(343,187)	(6,809,274)
2025	11,456,077	608,031	12,064,108
2026	20,711,350	1,099,253	21,810,603
Total	<u>\$ (8,897,058)</u>	<u>\$ (472,212)</u>	<u>\$ (9,369,270)</u>

Actuarial Assumptions for Determining the Total OPEB Liability

The total OPEB liability was calculated as of December 31, 2022 using the County Retiree Health Care Plan valuation as of December 31, 2020 rolled forward to December 31, 2022. Key actuarial assumptions are as follows:

Expected Point in Time at Which Benefit Payments will Begin to be Made	All groups: Age-based table of rates specific to the type of eligibility condition. Sheriff: Experienced-based table of rates specific to the type of eligibility condition.
Marital Status and Dependency Status	Marital status of members at the calculation date was assumed to continue throughout retirement. Aging factors were based on the 2013 SOA study "Health Care Costs – From Birth to Death"
Mortality General and Martha T. Berry Members	Pub-2010 amount-weighted, general, employee (pre-retirement, retiree (post-retirement), disabled retiree (disability retirement), male and female, with mortality improvements projected to 2030 using MP-2019
Sheriff Members	Pub-2010 headcount-weighted, safety, employee (pre-retirement, retiree (post-retirement), disabled retiree (disability retirement), male and female, with mortality improvements projected to 2030 using MP-2019.
Turnover / Withdrawal Rates	Experienced-based table of rates. Assumed turnover rates are based on years of service for members with less than 5 years' service and are based on age for members with more than 5 years' service.
Healthcare Cost Trend Rate	Non-Medicare: Initial rate of 7.50%, reduced by 0.25% per year to a 3.50% long-term rate. Medicare: Initial rate of 6.25%, reduced by 0.25% per year to a 3.50% long-term rate.
Coverage Options	Determined by union membership and original date of hire at the date of retirement. 60% of general members, 70% of sheriff, and 50% of Martha T. Berry members were assumed to elect two-person coverage at retirement.
Inflation Rate	3.50%

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 14 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – GENERAL AND SHERIFF EMPLOYEES (CONTINUED)**Actuarial Assumptions for Determining the Total OPEB Liability (concluded)**

Payroll Growth Rate	General County (including Martha T. Berry) – 4.50% to 6.50% Sheriff – 4.50% to 10.50% All percentages include inflation
Investment Rate of Return	7.00%, net of OPEB plan expenses

Inactive plan members do not share in the cost of OPEB. The actuarial assumptions in the December 31, 2020 valuation were based on historical trends as well as the results of an actuarial experience study for the period from December 31, 2014 to December 31, 2018.

Discount Rate

A single discount rate of 7.00% was used to measure the total OPEB liability. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and employer contributions will be made at rates equal to the actuarially determined contribution rates.

Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Investment Rate of Return and Investment Policy

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

The Retiree Health Care Plan's investment policy in regard to the allocation of invested assets is established and may be amended by the Retiree Health Care Plan's board by a majority vote of its members. For the year ended December 31, 2022, there were changes to targeted asset allocation as shown in the table below.

Best estimates of arithmetic real rates of return for each major asset class as well as the board's adopted asset allocation policy as of December 31, 2022 are summarized in the following table.

	Long-Term Expected Real Rate of Return		Targeted Asset Allocation Policy
Domestic fixed income	2.50%	Equities	55%
Domestic equity	7.50%	Fixed income	25%
International equity	8.50%	Hedge funds	5%
Real estate investment trusts	4.50%	Private Equity	5%
Alternative assets	5.83%	Real estate investment trusts	10%
			<u>100%</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 14 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – GENERAL AND SHERIFF EMPLOYEES (CONTINUED)**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The table on the following page presents the net OPEB liability of the county, calculated using the discount rate of 7.00% percent, as well as what that same liability would be if it were calculated using a discount rate that is one percentage-point lower (6.00%) or one percentage-point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
Primary Government Net OPEB Liability	\$ 151,547,141	\$ 95,649,498	\$ 48,986,974
Component Unit Net OPEB Liability	8,043,361	5,076,595	2,599,983
Total Net OPEB Liability	<u>\$ 159,590,502</u>	<u>\$ 100,726,093</u>	<u>\$ 51,586,957</u>

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

The following table presents the net OPEB liability of the county, calculated using the healthcare cost trend rate of 7.50% percent, as well as what that same liability would be if it were calculated using a healthcare trend rate that is one percentage-point lower (6.50%) or one percentage-point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
Primary Government Net OPEB Liability	\$ 38,527,850	\$ 95,649,498	\$ 164,989,238
Component Unit Net OPEB Liability	2,044,865	5,076,595	8,756,800
Total Net OPEB Liability	<u>\$ 40,572,715</u>	<u>\$ 100,726,093</u>	<u>\$ 173,746,038</u>

Rate of Return

The annual money-weighted rate of return on Plan investments for the year ended December 31, 2022 was -14.50%. The money-weighted rate of return expressed investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Basis of Accounting and Financial Reporting

The financial statements of the Retiree Health Care Trust Fund are prepared using the accrual basis of accounting. Employee and employer contributions are recognized in the period that the contributions are due. Benefits and refunds are recognized when due and payable according to the terms of the plan.

Separate independently audited financial statements are not issued for the Plan. Therefore, financial statements as of and for the year ended December 31, 2022 are presented below and on the following page.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 14 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – GENERAL AND SHERIFF EMPLOYEES (CONCLUDED)**Basis of Accounting and Financial Reporting (concluded)**

Statement of Fiduciary Net Position		Statement of Changes in Fiduciary Net Position	
	Retiree Health Care Trust Fund		Retiree Health Care Trust Fund
ASSETS		ADDITIONS	
Cash and pooled investments	\$ 29,399,308	Investment income (loss):	
Investments, at fair value		Interest and dividends	\$ 12,926,522
Common stock	89,899,378	Net change in fair value of investments	(86,814,468)
Foreign stock	24,060,466	Less investment expenses	(1,937,670)
Limited partnership	9,569,381		
Real estate investment trusts	29,852,319	Net investment income (loss)	(75,825,616)
Fixed income common collective trusts	47,870,397		
Equity common collective trusts	174,157,802	Contributions	
		Employer	20,000,000
Total investments, at fair value	375,409,743		
		TOTAL ADDITIONS	(55,825,616)
Receivables		DEDUCTIONS	
Accrued interest	634,128	Benefit payments	19,473,078
Other	84,195	Administrative expenses	87,370
Other assets	31,009		
		TOTAL DEDUCTIONS	19,560,448
TOTAL ASSETS	405,558,383		
LIABILITIES		CHANGE IN NET POSITION	(75,386,064)
Accounts payable	1,179,803	Net position - beginning of year	474,457,299
Due to primary government	5,307,345		
		Net position - end of year	\$ 399,071,235
TOTAL LIABILITIES	6,487,148		
NET POSITION RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS	\$ 399,071,235		

NOTE 15 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – DEPARTMENT OF ROADS**Plan Description**

The county's Department of Roads sponsors a defined benefit postretirement healthcare plan (the "Plan") that provides certain health care benefits for department of roads retirees and their spouses so long as the retiree is currently receiving a pension from the Macomb County Employees' Retirement System. The Plan is a single employer defined benefit plan administered by the Municipal Employees' Retirement System (MERS). Assets of the Plan are held by MERS.

Benefit provisions are established by the County Board of Commissioners and may be amended in accordance with county policy. Hospitalization insurance is provided through insurance companies, whose premiums are based on the benefits paid during the year.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 15 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – DEPARTMENT OF ROADS (CONTINUED)**Plan Description (concluded)**

The county Department of Roads finances these expenditures through the Department of Roads Special Revenue Fund. At December 31, 2020 (date of the most recent actuarial valuation), membership consisted of:

Retirees and beneficiaries currently receiving benefits	327
Deferred members entitled to benefits but not yet receiving them	19
Active employees covered by the plan	124
	<u>470</u>

Funding Policy

It is the policy of the Department of Roads to fund the annual required contribution (ARC) to the Plan each year. There are no employee contributions to the Plan. The Department of Roads contributed \$6,908,303 to the Plan for the year ended September 30, 2022. Of this amount, \$2,908,303 was for payment of current healthcare invoices, while \$4,000,000 was a contribution to MERS. The total cost of retiree health care benefits, administrative expenses of the plan and investment management fees for the year ended September 30, 2022 was \$3,093,629.

Net OPEB Liability

The September 30, 2022 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the September 30, 2022 measurement date. The September 30, 2022 measurement date total OPEB liability was determined by an actuarial valuation performed as of December 31, 2020.

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

Changes in Net OPEB Liability (Asset)	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance, beginning of year	\$ 74,355,725	\$ 102,683,701	\$ (28,327,976)
Changes for the year:			
Service cost	730,626	-	730,626
Interest	4,945,515	-	4,945,515
Difference between expected and actual experience of the total OPEB liability	(1,273,064)	-	(1,273,064)
Contributions - employer	-	6,908,303	(6,908,303)
Net investment income	-	(14,537,365)	14,537,365
Employer paid benefits	-	(2,908,303)	2,908,303
Administrative expense	-	(72,519)	72,519
Benefit payments	(2,908,303)	-	(2,908,303)
Net changes	1,494,774	(10,609,884)	12,104,658
Balance, end of year	<u>\$ 75,850,499</u>	<u>\$ 92,073,817</u>	<u>\$ (16,223,318)</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 15 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – DEPARTMENT OF ROADS (CONTINUED)**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2022, the Department of Roads recognized a reduction in OPEB expense of \$9,557,847 and reported deferred outflows and inflows of resources related to OPEB from the sources on the following page:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability experience	\$ -	\$ 657,876
Differences between projected and actual earnings on OPEB plan investments	10,014,097	-
Changes in assumptions	<u>2,354</u>	<u>-</u>
Totals	<u>\$ 10,016,451</u>	<u>\$ 657,876</u>

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

Year Ending September 30,	Total OPEB Expense (Reduction in Expense)
2023	\$ 1,551,692
2024	1,689,754
2025	1,781,923
2026	<u>4,335,206</u>
Total	<u>\$ 9,358,575</u>

Actuarial Assumptions for Determining the Total OPEB Liability

The total OPEB liability was calculated as of September 30, 2022 using the Department of Roads Retiree Health Care Plan valuation as of December 31, 2020. Key actuarial assumptions are as follows:

Expected Point in Time at Which Benefit Payments will Begin to be Made	Age-based table of rates specific to the type of eligibility condition.
Marital Status and Dependency Status	100% of males and 100% of females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses for active member valuation purposes.
Mortality	RP-2014 Healthy Annuitant Mortality Table, adjusted for mortality improvements with MP-2018.
Healthy Pre-Retirement	105% of the male and 110% of the female RP-2014 Healthy Annuitant Mortality Table, adjusted for mortality improvements with MP-2018.
Healthy Post-Retirement	106% of the male and 114% of the female RP-2014 disabled mortality table, adjusted for mortality improvements with MP-2018.
Disability Retirement	

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 15 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – DEPARTMENT OF ROADS (CONTINUED)**Actuarial Assumptions for Determining the Total OPEB Liability (concluded)**

Turnover / Withdrawal Rates	Experienced-based table of rates. Assumed turnover rates are based on years of service for members with less than 5 years' service and are based on age for members with more than 5 years' service.
Healthcare Cost Trend Rate	Non-Medicare: Initial rate of 7.50%, reduced by 0.25% per year to a 3.50% long-term rate after 12 years. Medicare: Initial rate of 6.25%, reduced by 0.25% per year to a 3.50% long-term rate after 12 years.
Coverage Options	Determined by union membership and original date of hire at the date of retirement. 80% of retirees were assumed to elect two-person health care coverage at retirement.
Inflation Rate	2.50%
Payroll Growth Rate	3% - 15% Percentages include inflation
Investment Rate of Return	6.75%, net of OPEB plan expenses

Inactive plan members do not share in the cost of OPEB. The actuarial assumptions in the roll forward of the December 31, 2020 valuation were based on the results of an actuarial experience study for the period from December 31, 2012 to December 31, 2017.

Discount Rate

A single discount rate of 6.75% was used to measure the total OPEB liability. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and employer contributions will be made at rates equal to the actuarially determined contribution rates.

Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Investment Rate of Return and Investment Policy

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

The Plan's investment policy in regard to the allocation of invested assets is established and may be amended by amending the agreement with MERS, which requires approval by the County Executive and a majority vote of the Board of Commissioners. For the year ended September 30, 2022, there were no changes to the Plan's investment policy.

Best estimates of arithmetic real rates of return for each major asset class as well as the board's adopted asset allocation policy as of September 30, 2022 are summarized in the following table.

	Long-Term Expected Real Rate of Return	Targeted Asset Allocation Policy
International fixed income	2.00%	20.00%
International equities	4.50%	60.00%
Real assets	7.00%	20.00%

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 15 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – DEPARTMENT OF ROADS (CONTINUED)**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the county related to the Department of Roads OPEB plan, calculated using the discount rate of 6.75% percent, as well as what that same liability would be if it were calculated using a discount rate that is one percentage-point lower (5.75%) or one percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net OPEB liability (asset)	\$ (7,248,577)	\$ (16,223,318)	\$ (23,698,174)

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

The table on the following page presents the net OPEB liability of the county related to the Department of Roads OPEB plan, calculated using the healthcare cost trend rate of 8.25% percent, as well as what that same liability would be if it were calculated using a healthcare trend rate that is one percentage-point lower (7.25%) or one percentage-point higher (9.25%) than the current rate.

	1% Decrease (7.25%)	Current Rate (8.25%)	1% Increase (9.25%)
Net OPEB liability (asset)	\$ (24,944,108)	\$ (16,223,318)	\$ (5,685,843)

Rate of Return

The annual money-weighted rate of return on Plan investments for the year ended September 30, 2022 was -13.69%. The money-weighted rate of return expressed investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Basis of Accounting and Financial Reporting

The financial statements of the Roads Retiree Health Care Trust Fund are prepared using the accrual basis of accounting. Employee and employer contributions are recognized in the period that the contributions are due. Benefits and refunds are recognized when due and payable according to the terms of the plan.

Separate independently audited financial statements are not issued for the Plan. Therefore, financial statements as of and for the year ended September 30, 2022 are presented on the following page.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 15 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – DEPARTMENT OF ROADS (CONCLUDED)**Bas of Accounting and Financial Reporting (concluded)**

Statement of Fiduciary Net Position		Statement of Changes in Fiduciary Net Position	
	Roads Retiree Health Care Investment Trust Fund		Roads Retiree Health Care Investment Trust Fund
ASSETS		ADDITIONS	
Investments, at fair value		Investment income (loss):	
Interest in pooled investment	\$ 92,073,817	Net change in fair value of investments	\$ (14,424,558)
		Less investment expenses	(112,807)
		Net investment income (loss)	(14,537,365)
		Contributions	
		Employer	6,908,303
		TOTAL ADDITIONS	(7,629,062)
		DEDUCTIONS	
		Benefit payments	2,908,303
		Administrative expenses	72,519
		TOTAL DEDUCTIONS	2,980,822
		CHANGE IN NET POSITION	(10,609,884)
		Net position - beginning of year	102,683,701
NET POSITION RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS	\$ 92,073,817	Net position - end of year	\$ 92,073,817

NOTE 16 – AGGREGATE PRIMARY GOVERNMENT POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS INFORMATION

The county reported primary government totals related to its OPEB plans as detailed below:

	Footnote 14 General and Sheriff OPEB Plan	Footnote 15 Department of Roads OPEB Plan	Primary Government Totals
Net OPEB Asset	\$ -	\$ 16,223,318	\$ 16,223,318
Net OPEB Liability	95,649,498	-	95,649,498
Deferred inflows	93,456,038	657,876	94,113,914
Deferred outflows	84,558,980	10,016,451	94,575,431
OPEB expense	(32,457,731)	(9,557,847)	(42,015,578)

NOTE 17 – CONTINGENCIES AND COMMITMENTS**Grants**

The county receives funds from various Federal and State units to finance specific activities. The final determination of revenue is subject to the acceptance of project costs by the granting agency, usually after a compliance audit. To the extent that costs are disallowed by the granting agency, county monies would be required to reimburse the grant fund. The county does not believe that any disallowed costs would be material to the financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 17 – CONTINGENCIES AND COMMITMENTS (CONCLUDED)**Construction Commitments**

The Department of Roads had several significant active projects in progress at September 30, 2022, with estimated total project costs of \$75,053,203. Of the total, \$38,823,491 represents amounts previously expended and \$36,229,712 represents remaining commitments pursuant to construction contracts on those projects. In addition, the Drainage District Component Units had several significant active construction projects in progress at September 30, 2022, with estimated total project costs of \$77,033,411. Of the total, \$34,367,636 represents amounts previously expended and \$42,665,775 represents remaining commitments pursuant to construction contracts on those projects.

NOTE 18 – RISK MANAGEMENT

The county is exposed to various risks of loss related to property damage and loss, torts, errors and omissions, employee injury (workers' compensation) and medical benefits provided to employees and retirees. The county has purchased commercial insurance for property damage coverage and certain medical benefits, but is self-insured for workers' compensation and auto liability claims up to certain retention amounts, at which time insurance coverage begins. The county also self-funds certain medical benefits of employees and retirees.

There were no significant reductions in insurance coverage in 2022 from the prior year. Claims settled during the past three years have not exceeded the retention amounts. Liabilities include estimates of claims incurred but not reported and are calculated considering the effects of inflation, recent claim settlement trends and other economic and social factors.

Workers' Compensation

Since December 1, 1978, the county has been partially self-insured against workers' compensation claims. Under the plan, the county is obligated to pay the first \$750,000 of each law enforcement-related settlement or award and \$600,000 of all other individual settlements or awards with commercial insurance covering claims in excess of the retention to an aggregate of \$1,000,000 annually. General County claims and related activities to this self-insured program are funded from the Workers' Compensation Internal Service Fund while Roads claims are funded by the Roads Special Revenue Fund.

Changes in the estimated liabilities for unsolved workers' compensation claims for the past two fiscal years were as follows:

	General County Year Ended December 31,		Department of Roads Year Ended September 30,	
	2021	2022	2021	2022
Estimated liability - beginning of year	\$ 2,113,092	\$ 1,931,965	\$ 87,190	\$ 101,186
Estimated claims incurred, including changes in estimates	829,655	1,019,219	41,597	(73,423)
Claims payments	(1,010,782)	(1,153,822)	(27,601)	(10,970)
Estimated liability - end of year	\$ 1,931,965	\$ 1,797,362	\$ 101,186	\$ 16,793

General Liability

The county is a defendant in various lawsuits in which plaintiffs seek damages of an indeterminable amount. Since December 1, 1977, the primary government has been partially self-insured for losses of a general liability nature. The County Sheriff is currently self-insured for losses of a general liability nature up to \$1,000,000 per claim, with commercial insurance covering claims in excess of the retention amount to an aggregate of \$10,000,000 annually. The remainder of the county (excluding the Martha T. Berry Medical Care Facility and the Department of Roads) is currently self-insured for losses of a general liability nature up to \$750,000 per claim, with commercial insurance covering claims in excess of the retention amount to an aggregate of \$10,000,000 annually. The Martha T. Berry Medical Care Facility is insured for losses of up to \$3,000,000 per occurrence and \$5,000,000 in the aggregate. The Department of Roads is self-insured, within certain limits, for general liability claims arising prior to February 18, 1986 and subsequent to January 17, 1993 and is completely self-insured for claims arising within those dates. The General Liability Insurance Internal Service Fund has

Macomb County, Michigan
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 18 – RISK MANAGEMENT (CONCLUDED)

General Liability (concluded)

been established to account for the self-insured aspects of this program for the county, while the Roads General Liability Internal Service Fund is used to account for claims and activities related to the Department of Roads.

Changes in the estimated liabilities for general liability claims for the past two fiscal years were as follows:

	General County		Department of Roads	
	Year Ended December 31,		Year Ended September 30,	
	2021	2022	2021	2022
Estimated liability - beginning of year	\$ 4,715,422	\$ 6,036,865	\$ 273,267	\$ 1,227,889
Estimated claims incurred, including changes in estimates	4,280,430	6,115,779	1,001,561	(289,447)
Claims payments	(2,958,987)	(3,761,966)	(46,939)	(346,134)
Estimated liability - end of year	<u>\$ 6,036,865</u>	<u>\$ 8,390,678</u>	<u>\$ 1,227,889</u>	<u>\$ 592,308</u>

Health Insurance

Since January 1, 2018, the county has been self-insured for all three of its health care plans offered to employees and retirees. Two of the plans are administered by Blue Cross/Blue Shield of Michigan and one is administered by Health Alliance Plan. For all three plans, the county deposits a weekly amount based on estimated claims and settles these deposits against actual claims incurred on a quarterly basis. Medical claims for active employees are funded by the Fringe Benefits Internal Service Fund, while medical claims for retirees are funded by the County Retiree Health Care Trust Fund.

Changes in the estimated liabilities for health care claims for the past two fiscal years were as follows:

	General County	
	Year Ended December 31,	
	2021	2022
Estimated liability (asset) - beginning of year	\$ 2,352,075	\$ 596,728
Estimated claims incurred, including changes in estimates	45,366,802	47,599,210
Claims payments	(47,122,149)	(46,559,587)
Estimated liability (asset) - end of year	<u>\$ 596,728</u>	<u>\$ 1,636,351</u>

Macomb County, Michigan
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2022

NOTE 19 – NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of December 31, 2022 is presented below:

	Governmental Activities	Business-Type Activities	Component Units
CAPITAL ASSETS			
Capital assets not being depreciated	\$ 224,278,633	\$ 50,000	\$ 33,848,800
Capital assets being depreciated	<u>979,538,407</u>	<u>1,332,560</u>	<u>341,209,331</u>
	1,203,817,040	1,382,560	375,058,131
RELATED DEBT			
Total bonds payable related to capital assets	26,710,224	-	273,226,166
Net bond discounts and premiums	-	-	28,557,447
Less:			
Unspent bond proceeds	-	-	(2,514,247)
Bond proceeds not capitalized	<u>-</u>	<u>-</u>	<u>(100,510,741)</u>
	<u>26,710,224</u>	<u>-</u>	<u>198,758,625</u>
NET INVESTMENT IN CAPITAL ASSETS	<u>\$ 1,177,106,816</u>	<u>\$ 1,382,560</u>	<u>\$ 176,299,506</u>

NOTE 20 – TAX ABATEMENTS

The county receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions and Brownfield Redevelopment Agreements granted by cities, villages, and townships within the county. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended December 31, 2022, the county's property tax revenues were reduced by \$954,267 under these programs.

There were no significant abatements made by the county.

NOTE 21 – ACCOUNTING PRONOUNCEMENTS IMPLEMENTED

Effective January 1, 2022, the county implemented the provisions of the following Governmental Accounting Standards Board Statements:

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The table on the following page presents restatements of net position related to the implementation of Statement No. 87:

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 21 – ACCOUNTING PRONOUNCEMENTS IMPLEMENTED (CONTINUED)

	PRIMARY GOVERNMENT		COMPONENT UNITS		PROPRIETARY FUNDS
	Governmental Activities	Business-Type Activities	Workforce Development Board	Drainage District	Nonmajor Enterprise Fund
Beginning net position as previously reported	\$1,438,819,653	\$ 182,718,108	\$ 56,569	\$ 388,360,965	\$ 1,656,720
Restatement of beginning net position as a result of recording beginning lease liabilities, right to use assets, and accumulated amortization as a result of the county's implementation of GASB 87, <i>Leases</i> :	(12,897)		(883,573)		
Restatement of beginning net position as a result of recording beginning leases receivable, and deferred inflows as a result of the county's implementation of GASB 87, <i>Leases</i> :	169,119	5,068		149,596	5,068
Beginning net position as restated	<u>\$1,438,975,875</u>	<u>\$ 182,723,176</u>	<u>\$ (827,004)</u>	<u>\$ 388,510,561</u>	<u>\$ 1,661,788</u>

The table below presents restatements of fund balance related to the implementation of Statement No. 87:

	GOVERNMENTAL FUNDS		COMPONENT UNIT
	General Fund	Nonmajor Governmental Funds	Drainage District
Beginning fund balance as previously reported	\$ 96,285,649	\$ 44,898,292	\$ 71,221,971
Restatement of beginning fund balance as a result of recording beginning leases receivable, and deferred inflows as a result of the county's implementation of GASB 87, <i>Leases</i> :	(14,974)		149,596
E-911 Radio Maintenance Capital Project Fund		184,093	
Beginning fund balance as restated	<u>\$ 96,270,675</u>	<u>\$ 45,082,385</u>	<u>\$ 71,371,567</u>

Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. The Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. As a result, the county has made changes as required to the presentation of the conduit debt footnote (Note 7), which begins on page B-45.

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2022

NOTE 21 – ACCOUNTING PRONOUNCEMENTS IMPLEMENTED (CONCLUDED)

Statement No. 92, *Omnibus 2020*. The primary objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation of certain GASB statements. Paragraph 6 of this Statement changed how intra-entity transfers of assets are recorded between governmental employers and a defined benefit other postemployment benefit plan. As a result, the county reported contributions from the county Other Postemployment Benefits Internal Service Fund to the Retiree Healthcare Trust Fund as employer contributions. The Fiduciary Trust statements showing this change in presentation begin on page D-64.

NOTE 22 – UPCOMING ACCOUNTING PRONOUNCEMENTS

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The Statement will improve financial reporting by establishing the definitions of PPPs and APAs, along with uniform accounting rules for both. The county is currently evaluating the impact this standard will have on the financial statements when adopted, during the county's 2023 fiscal year.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement (1) defines a subscription-based information technology arrangement (SBITA), (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability, (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) requires notes disclosures regarding a SBITA. The county is currently evaluating the impact this standard will have on the financial statements when adopted, during the county's 2023 fiscal year.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The Omnibus will provide clarification of provisions in Statement No. 87, *Leases*; Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; and Statement No. 96, *Subscription-Based Information Technology Arrangements*. The county is currently evaluating the impact this standard will have on the financial statements when adopted, during the county's 2023 fiscal year.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The county is currently evaluating the impact this standard will have on the financial statements when adopted, during the county's 2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective will be achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The county is currently evaluating the impact this standard will have on the financial statements when adopted, during the county's 2024 fiscal year.

APPENDIX H

CITY OF STERLING HEIGHTS ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2022

This Appendix contains the basic financial statements (excluding supplemental financial information) and related notes for the City's fiscal year ended June 30, 2022. The auditor was not requested to examine or review and therefore has not examined or reviewed any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Bonds and, accordingly, has not conducted any post-audit review procedures and will not express any opinion with respect to the accuracy or completeness of such financial documents, statements or materials.

The supplemental financial information for the fiscal year ended June 30, 2022, is available on the State of Michigan Local Government Document Search Site by searching for the City at:

<https://treas-secure.state.mi.us/DocumentSearch>

City of Sterling Heights, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Sterling Heights, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2022. This narrative should be considered in conjunction with the additional information presented in the letter of transmittal found on pages i - x and is intended to serve as an introduction to the City of Sterling Heights, Michigan's basic financial statements.

Financial Highlights

- As a result of this year's operations, the City's overall net position increased by \$1.1 million, or 0.6 percent. The net position of governmental activities increased by \$3.9 million, or 6.0 percent, which was offset by a decrease in the net position of business-type activities of \$2.8 million, or 2.3 percent.
- The increase in the net position of governmental activities was primarily due to investments in roads, including the total reconstruction of Mound Road, and facilities, including a new public works building. This was partially offset by an increase in the net pension and OPEB liabilities due to investment losses of 14 to 15 percent across all three plans.
- The net position of business-type activities decreased by \$2.8 million, or 2.3 percent, primarily due to an operating loss in the Water and Sewer Fund of \$2 million largely resulting from less usage due to weather.
- The General Fund reported an approximately \$625,000 contribution to fund balance for the current year, bringing total General Fund reserves to \$32.9 million, or 28.7 percent of expenditures. General Fund revenue decreased by \$850,000, or 0.7 percent, due to unrealized investment losses of \$2.4 million and coronavirus relief grant revenue of \$5.5 million received in the prior year. These decreases were offset by increased operating property tax revenue of \$2.2 million resulting from an overall 4.0 percent increase in taxable value (1.4 percent due to inflation and the remainder due to growth and development) and an increase to the general operating millage rate of 0.1834 mill to return to pre-pandemic levels. The Police and Fire Retirement System pension tax contributed \$1.6 million to this increase due to an increase in the required contribution to the pension fund. State revenue sharing added \$2.5 million to general fund revenue due to higher sales tax collections. Increases to ALS transport revenue and court fines added another \$1 million.
- General Fund expenses increased by approximately \$854,000, or 0.75 percent, over last year primarily due to contractual wage increases, health insurance and overtime costs of \$2.2 million, an increase to the Police and Fire Pension Fund required contribution of \$1.8 million, and an increase in General Liability Insurance of \$1 million. This increase was partially offset by a decrease in the recommended OPEB contribution of \$1.1 million and a nonrecurring \$3.7 million transfer to the Facilities Improvement Fund in the prior year.

Government-wide Statements

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

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

The City's government-wide financial statements are divided into three categories:

- **Governmental Activities** - Most of the City's basic services are included here, such as general government, 41A District Court, public safety, public works, and recreation and culture. Property taxes, state-shared revenue, charges for services, and grants provide most of the funding.
- **Business-type Activities** - The City charges fees to customers to cover costs of providing water and sewer services.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

- **Component Units** - The City includes four other separate entities in its report: the Economic Development Corporation, the Brownfield Redevelopment Authority, the Corridor Improvement Authority, and the Local Development Finance Authority. Although legally separate, these component units are important because the City is considered financially accountable for them. The Sterling Heights Building Authority is also legally separate; however, it functions as a department of the City and, therefore, has been included as an integral part of the primary government.

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 City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into the following three categories:

- **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 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. The City adopts annual appropriated budgets for its governmental funds. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.
- **Proprietary Funds** - The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewage disposal activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for the management of its retained risks. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.
- **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 City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds include both the pension and other postemployment benefit trust funds and agency funds.

Notes and Other Information

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. In addition to the basic financial statements and accompanying notes, this report also presents required supplemental information concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. The combining statements in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplemental information on pension and OPEB plans.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

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 a condensed format, the table below shows net position as of June 30, 2022 and 2021:

The City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 128,652,623	\$ 114,009,034	\$ 50,363,202	\$ 57,051,259	\$ 179,015,825	\$ 171,060,293
Capital assets	357,326,994	344,599,991	199,349,128	185,037,963	556,676,122	529,637,954
Total assets	485,979,617	458,609,025	249,712,330	242,089,222	735,691,947	700,698,247
Deferred Outflows of Resources	53,490,144	26,174,859	3,704,046	1,066,998	57,194,190	27,241,857
Liabilities						
Current liabilities	37,517,415	33,449,847	8,704,817	6,951,355	46,222,232	40,401,202
Noncurrent liabilities	410,463,842	289,261,850	121,162,176	105,742,962	531,626,018	395,004,812
Total liabilities	447,981,257	322,711,697	129,866,993	112,694,317	577,848,250	435,406,014
Deferred Inflows of Resources	21,808,626	96,318,131	1,695,339	5,782,090	23,503,965	102,100,221
Net Position						
Net investment in capital assets	252,451,250	247,555,511	106,623,230	100,099,360	359,074,480	347,654,871
Restricted	17,511,052	12,414,891	9,184,883	16,102,118	26,695,935	28,517,009
Unrestricted	(200,282,424)	(194,216,346)	6,045,931	8,478,335	(194,236,493)	(185,738,011)
Total net position	<u>\$ 69,679,878</u>	<u>\$ 65,754,056</u>	<u>\$ 121,854,044</u>	<u>\$ 124,679,813</u>	<u>\$ 191,533,922</u>	<u>\$ 190,433,869</u>

The City as a Whole

The City's overall net position increased by 0.6 percent from last year, growing from \$190.4 million to \$191.5 million. The increase in net position can be primarily attributed to investments in roads, including the total reconstruction of Mound Road, and facilities, including a new public works building. This was partially offset by an operating loss in the Water and Sewer Fund due to weather and an increase in the net pension and OPEB liabilities due to investment losses of 14 to 15 percent across all three plans.

A review of the governmental activities, separate from the business-type activities, shows an increase of \$3.9 million in net position during fiscal year 2022. As noted above, this is primarily due to investments in roads, facilities, and a new public works building, as well as the increase in net pension and OPEB liabilities. As of June 30, 2022, unrestricted net position for governmental activities, which is the part of total net position available to finance day-to-day operations and future growth, was a deficit of \$200.3 million. This represents a decrease of \$6.1 million compared to June 30, 2021. The negative amount is primarily due to recognition of future pension and OPEB liabilities, which increased this year due to investment losses. The City is committed to continued funding of these long-term liabilities on a yearly basis.

The business-type activities experienced a decrease in net position of \$2.8 million, primarily due to operational losses due to weather.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenue						
Program revenue:						
Charges for services	\$ 14,084,736	\$ 11,855,679	\$ 54,238,528	\$ 58,984,621	\$ 68,323,264	\$ 70,840,300
Operating grants	12,138,713	16,887,133	-	-	12,138,713	16,887,133
Capital grants	17,341,628	15,630,666	1,954,602	994,297	19,296,230	16,624,963
General revenue:						
Taxes	78,406,913	74,402,654	-	-	78,406,913	74,402,654
Intergovernmental	16,288,653	14,499,046	-	-	16,288,653	14,499,046
Investment (losses) earnings	(2,626,093)	762,914	(54,761)	41,778	(2,680,854)	804,692
Other revenue	4,101,599	4,541,185	-	16,075	4,101,599	4,557,260
Total revenue	139,736,149	138,579,277	56,138,369	60,036,771	195,874,518	198,616,048
Expenses						
General government	16,824,449	13,349,706	-	-	16,824,449	13,349,706
41A District Court	4,780,581	3,443,551	-	-	4,780,581	3,443,551
Public safety	72,686,196	57,676,549	-	-	72,686,196	57,676,549
Public works	26,530,983	20,978,909	-	-	26,530,983	20,978,909
Recreation and culture	11,704,479	9,675,805	-	-	11,704,479	9,675,805
Capital outlay	-	(1,249)	-	-	-	(1,249)
Debt service	3,283,639	3,305,989	-	-	3,283,639	3,305,989
Water and sewer operations	-	-	58,964,138	54,962,880	58,964,138	54,962,880
Total expenses	135,810,327	108,429,260	58,964,138	54,962,880	194,774,465	163,392,140
Change in Net Position	3,925,822	30,150,017	(2,825,769)	5,073,891	1,100,053	35,223,908
Net Position - Beginning of year	65,754,056	35,604,039	124,679,813	119,605,922	190,433,869	155,209,961
Net Position - End of year	<u>\$ 69,679,878</u>	<u>\$ 65,754,056</u>	<u>\$ 121,854,044</u>	<u>\$ 124,679,813</u>	<u>\$ 191,533,922</u>	<u>\$ 190,433,869</u>

Financial Analysis of Individual Funds

The fund financial statements provide detailed information on the most significant funds. The City's major governmental funds for 2022 include the General Fund, the Road Bond Construction Fund, and the American Rescue Plan Act Fund.

A brief analysis of each of those funds is presented below:

General Fund Budgetary Highlights

General Fund revenue decreased by approximately \$850,000 (0.7 percent) compared to the prior year to \$115.2 million. The reduction was due to unrealized investment losses of \$2.4 million and coronavirus relief grant revenue of \$5.5 million received in the prior year. These decreases were offset by increased property tax revenue of \$2.2 million resulting from an overall 4.0 percent increase in taxable value (1.4 percent due to inflation and the remainder due to growth and development) and an increase to the general operating millage rate of 0.1834 mills to return to pre-pandemic levels. The Police and Fire Retirement System pension tax contributed \$1.6 million to this increase due to an increase in the required contribution to the pension fund. State revenue sharing added \$2.5 million to general fund revenue due to increased sales tax collection. Increases to ALS transport revenue and court fines added another \$1 million.

General Fund expenditures totaled \$114.6 million, which is an increase of \$854,000, or 0.75 percent, compared to the prior year. The increase was primarily due to contractual wage increases, health insurance and overtime costs of \$2.2 million, an increase to the Police and Fire Pension Fund required contribution of \$1.8 million, and an increase in General Liability Insurance of \$1 million. This increase was partially offset by a decrease in the recommended OPEB contribution of \$1.1 million and a \$3.7 million transfer to the Facilities Improvement Fund in the prior year.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

Over the course of the year, city administration and the City Council monitor and amend the budget to take into account unanticipated events that occur during the year. The budget was amended twice during fiscal year 2022. Final budgeted expenditures were \$2.3 million, or 2.0 percent, higher than the original budget primarily due to an increase in General Liability Insurance funding of \$1.0 million caused by higher than expected claims, and increased transfers to the Major Roads and General Improvements funds. Final budgeted revenue was \$5.2 million, or 4.6 percent, higher than the original budget due to a higher personal property tax reimbursement from the State of Michigan and an increase in state-shared revenue over original projections.

At year end, actual General Fund expenditures were 98.3 percent of the budgeted amount, or \$2.0 million under budget. Every department in the City came in under budget. General Fund revenue was 98.2 percent of the budget amount, or \$2.1 million under budget. This was primarily due to unrealized losses on investment income.

Road Bond Construction Fund Highlights

The Road Bond Construction Fund is used to account for road improvements financed through the issuance of Michigan Transportation Fund (MTF) bonds. In the current fiscal year, a \$16.85 million MTF Bond was issued to fund the second tranche of the total reconstruction of Mound Road. Future MTF bonds may be necessary to fund the City's \$43 million share of this \$230 million project. Other funding sources include a federal grant, as well as cost sharing with Macomb County, Michigan and the City of Warren, Michigan. The total fund balance in this fund increased by \$7.3 million due to the issuance of these bonds, offset by the spending of \$10 million of bond proceeds.

American Rescue Plan Act Fund Highlights

The American Rescue Plan Act Fund was created to track the revenue and expenditures related to the funds the City was allocated as part of the American Rescue Plan Act passed by the federal government in 2021. The City has received a total of \$19.8 million over two years, and eligible expenditures must be incurred by 2026. The ARPA Action Plan was approved by the City Council in April 2022 and includes a variety of transformational projects, including road reconstruction, multiuse trails, land acquisition, community gardens, and much more. Expenditures of \$2.3 million were incurred during 2022, primarily for road repair and reconstruction.

Capital Assets and Debt Administration

At the end of fiscal year 2022, the City had \$359.1 million invested (net of related debt) in a wide range of capital assets, including land, buildings, police and fire equipment, computer equipment, infrastructure assets (roads, bridges, sidewalks, and storm drains), and water and sewer lines. The value of the infrastructure assets contained in this report (including water and sewer lines), net of depreciation, is \$295.5 million and \$295.4 million for fiscal years 2022 and 2021, respectively (see Note 6 to the financial statements for additional information).

As part of the City's May 2022 bond sale, Standard & Poor's affirmed the City's excellent AA credit rating and upgraded the City's outlook from stable to positive. S&P noted the City's low debt, strong financial management, and progress toward fully funding legacy costs. The City's excellent credit rating allows the City to obtain low rates on debt issuances. Debt service for all outstanding direct debt during fiscal year 2022 totaled \$10.6 million (see Note 9 to the financial statements for additional information).

Significant bond activity for the audited fiscal year included a \$16.85 million Michigan Transportation Fund Bond issued in May 2022 to fund the second tranche of the total reconstruction of Mound Road and a \$12.3 million Capital Improvement Bond issued at the same time to fund water meter replacements and retro-fittings for all residential and commercial customers.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

The ratio of net general bonded debt to assessed valuation and the amount of net bonded debt per capita are as follows:

Years Ended	Net Debt Outstanding (Direct and Indirect)	Ratio of Net Debt Outstanding to Total State Equalized Value	Net Debt Outstanding per Capita
2022	\$ 163,534,898	2.52%	\$ 1,217
2021	158,425,723	2.55%	1,179
2020	134,880,843	2.30%	1,040

Economic Conditions and Outlook

The following economic factors currently affect the City and were considered in developing the 2022/2023 fiscal year budget:

General Fund

General Fund Revenue

Total General Fund revenue is expected to increase by \$3.3 million (2.9 percent) to a total of \$117.5 million in fiscal year 2022/2023.

Property Taxes

The City's overall property tax assessments are expected to increase by 4.6 percent due to a 3.3 percent inflationary increase and an additional 1.3 percent increase due to new construction and property turnover leading to the uncapping of assessments. The City's operating tax rate of 9.494 mills is lower than the maximum allowable levy by 0.8517 mills, which allows the capture of additional property tax revenue through growth and investment. However, this gap continues to narrow each year due to consistent Headlee rollbacks and, without legislative change, will disappear, limiting the City's ability to increase revenue. The City's total millage rate will decrease by 0.2942 mills to a total of 16.38 mills resulting from a decrease to the required contribution to the Police and Fire Pension Fund.

The City's tax rate remains lower than 57 percent of all cities in the state and one of the lowest of any city in Macomb County. For 2021, the City's tax rate was 5.2 mills below the average of all cities in the county. For the 2022 tax year, the average homeowner's city tax bill is \$1,403 annually for all city services, less than \$117 per month.

Other expected revenue increases include state revenue sharing (2.4 percent), personal property tax reimbursement (11.8 percent), and ordinance fines and costs (36 percent).

General Fund Expenditures

General Fund expenditures are budgeted at \$117.2 million for fiscal year 2023. This is an increase of \$3.4 million (3.0 percent) compared to the fiscal year 2021/2022 budget. The increase is primarily due to increases in contractual wages and benefits.

Contribution to Fund Balance

After depleting the General Fund fund balance to just over \$5 million during the economic downturn, the City has been able to steadily restore reserves over the past eight years. General Fund reserves now total \$32.9 million, or 28.7 percent of General Fund expenditures. The 2022/2023 budget includes an additional contribution to fund balance of \$306,000. By following the City's long-term financial plan, the City has been able to weather the financial storm caused by the pandemic and avoided compromising its superior AA bond rating, which saves hundreds of thousands of dollars in annual interest costs.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

Road Funding

The City of Sterling Heights, Michigan continued to prioritize road reconstruction in 2022 by investing over \$19.3 million in major and local road reconstruction. This investment continues in the fiscal year 2022/2023 budget, which includes an additional \$30 million of road construction expenditures, including significant progress on the transformative total reconstruction of Mound Road. This significant investment in roads was financed through a variety of sources, including state road funding, bond proceeds, and contributions from the General Fund. Thankfully, the Safe Streets millage that was first approved in 2013 was renewed in 2019 for an additional 10 years and will generate \$3.6 million annually for local road reconstruction. Despite recent increases in road funding from the State, the City has still lost \$8.9 million in revenue since 2002. Until the state Legislature can agree on a permanent solution, the ongoing repair and maintenance of major and local roads will continue to be a challenge.

American Rescue Plan Act Funding

The City of Sterling Heights, Michigan received \$19.8 million in funding through the American Rescue Plan Act. In April 2022, the Sterling Heights City Council approved the ARPA Action Plan, which laid out the plan for the use of these funds. Some of the transformative projects approved include the following:

- The resurfacing of Plumbrook Road
- Concrete repairs to Ryan Road
- A two-mile multiuse hike/bike trail along the ITC Corridor
- Land acquisition for improvements in the North Van Dyke District
- Land acquisition for a park in the southern portion of the City
- Additional tree plantings, sidewalk gap construction, the creation of a community garden, a micro forest, and much more.

These projects are all currently in the development stages and are expected to be completed by December 2026.

Water and Sewer Fund

The City of Sterling Heights, Michigan purchases water from the Great Lakes Water Authority (GLWA) and sewer services from Macomb County Public Works. Over 76 percent of the expenditures in the Water and Sewer Fund are directly related to the costs passed on by these two entities.

For fiscal year 2022/2023, the GLWA increased rates by 3.4 percent, and Macomb County Public Works increased rates by 2.2 percent. In addition, the City issued \$12 million in Capital Improvement Bonds to finance the water meter replacement and retro-fittings of all 40,000 residential and commercial customers. These cost increases resulted in a 5 percent increase in water and sewer rates for city customers. Even with this increase, the City continues to offer the lowest average water and sewer rates of our surrounding communities.

Future Actions Needed for 2023 and Beyond

Because the City has successfully approached challenging financial times in a comprehensive, long-term manner, it is able to weather unexpected economic challenges. As such, we are able to continue to focus on the future by continuing to implement the City's Visioning 2030 Plan. And soon, the City will be looking forward to 2040 by updating this plan for the next decade. This process continues to guide our master land use, parks and recreation, and succession and technology plans, allowing the City to better plan for its long-term success.

City of Sterling Heights, Michigan

Management's Discussion and Analysis (Continued)

Due to the City's cost-cutting efforts, the City is better positioned than many communities. Regularly updating the City's financial forecast allowed the City to take corrective action early when necessary. The City has low debt levels, high bond ratings, and excellent services funded by very low property taxes and water and sewer rates. The City's tax rate continues to be one of the lowest of any city in the county and is lower than 57 percent of cities throughout the state. The City also continues to have one of the lowest residential water and sewer rates of cities in the state with more than 25,000 residents. While we are not able to return to prior staffing levels due to property tax losses, with the Safe Streets millage, we are able to invest in replacing needed capital, make repairs to local neighborhood streets, and continue to provide critical police and fire services that result in the City remaining one of the safest large cities in the country. In addition, the Recreating Recreation millage is funding new amenities like the skate park and community center and exciting improvements to Dodge Park and other neighborhood parks.

While further revenue growth is limited due to state policies, the City will continue to balance service delivery needs, the need for capital investments, and the continued need to set aside funds for promised long-term retirement liabilities based on realistic actuarial investment assumptions.

The City Council and city administration will further develop the City's financial strategy and continue fiscal responsibility while maintaining as many core services as possible. In the meantime, the City will keep residents informed and ensure they continue to receive maximum value for their tax dollars.

Requests for Further Information

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the resources it receives. If you have any questions about this report or need additional information, we invite you to contact the administration offices at city hall.

City of Sterling Heights, Michigan

Statement of Net Position

June 30, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 18,526,940	\$ 756,190	\$ 19,283,130	\$ 2,168,351
Investments (Note 3)	60,393,553	11,075,400	71,468,953	-
Receivables:				
Customer receivables	-	12,596,087	12,596,087	18,169
Special assessments receivable	764,691	-	764,691	-
Accrued interest receivable	497,855	59,833	557,688	23
Leases receivable (Note 19)	1,611,434	-	1,611,434	-
Other receivables	1,222,210	-	1,222,210	-
Due from other governmental units	6,560,082	-	6,560,082	-
Inventory	847,825	233,473	1,081,298	295,800
Prepaid expenses and other assets	10,999,817	1,906,350	12,906,167	-
Restricted assets - Cash and cash equivalents (Note 4)	25,913,598	23,735,869	49,649,467	-
Capital assets:				
Assets not subject to depreciation (Note 6)	87,599,025	14,639,534	102,238,559	1,618,469
Assets subject to depreciation - Net (Note 6)	269,727,969	184,709,594	454,437,563	4,263,340
Rehabilitation loans (Note 5)	1,314,618	-	1,314,618	-
Total assets	485,979,617	249,712,330	735,691,947	8,364,152
Deferred Outflows of Resources				
Deferred charges on bond refunding (Note 7)	3,535	225,302	228,837	-
Deferred pension costs (Note 11)	29,755,543	2,105,653	31,861,196	-
Deferred OPEB costs (Note 12)	23,731,066	1,373,091	25,104,157	-
Total deferred outflows of resources	53,490,144	3,704,046	57,194,190	-
Liabilities				
Accounts payable	6,153,331	7,842,313	13,995,644	71,163
Due to other governmental units	8,568	-	8,568	-
Cash and bond deposits	2,883,002	-	2,883,002	-
Accrued and other liabilities	7,604,056	730,614	8,334,670	12,290
Unearned revenue (Note 8)	20,868,458	131,890	21,000,348	4,384
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 9)	1,181,793	74,164	1,255,957	-
Provision for claims (Note 10)	1,128,338	-	1,128,338	-
Current portion of bonds and contracts payable (Note 9)	7,464,000	5,257,349	12,721,349	-
Due in more than one year:				
Net pension liability (Note 11)	200,142,810	9,763,028	209,905,838	-
Net OPEB liability (Note 12)	74,037,925	4,283,870	78,321,795	-
Compensated absences (Note 9)	3,927,308	176,494	4,103,802	-
Provision for claims (Note 10)	900,465	-	900,465	-
Bonds and contracts payable - Net of current portion (Note 9)	121,681,203	101,607,271	223,288,474	-
Total liabilities	447,981,257	129,866,993	577,848,250	87,837
Deferred Inflows of Resources				
Deferred benefit on bond refunding (Note 7)	-	637,566	637,566	-
Deferred pension cost reductions (Note 11)	1,976,963	-	1,976,963	-
Deferred OPEB cost reductions (Note 12)	18,281,440	1,057,773	19,339,213	-
Deferred lease revenue (Note 19)	1,550,223	-	1,550,223	-
Total deferred inflows of resources	21,808,626	1,695,339	23,503,965	-

See notes to financial statements.

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City of Sterling Heights, Michigan

Statement of Net Position (Continued)

June 30, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Position				
Net investment in capital assets	\$ 252,451,250	\$ 106,623,230	\$ 359,074,480	\$ 5,881,809
Restricted:				
Roads	14,871,089	-	14,871,089	-
Public safety	1,351,622	-	1,351,622	-
Debt service	1,187,649	-	1,187,649	-
County drains (Note 4)	-	9,184,883	9,184,883	-
Community service	100,692	-	100,692	-
Unrestricted	(200,282,424)	6,045,931	(194,236,493)	2,394,506
Total net position	\$ 69,679,878	\$ 121,854,044	\$ 191,533,922	\$ 8,276,315

See notes to financial statements.

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City of Sterling Heights, Michigan

Functions/Programs

Primary government:

Governmental activities:

Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
General government	\$ 16,824,449	\$ 3,031,456	\$ -
41A District Court	4,780,581	1,940,087	380,490
Public safety	72,686,196	4,642,445	1,279,398
Public works	26,530,983	3,444,596	9,743,747
Recreation and culture	11,704,479	1,026,152	735,078
Interest on long-term debt	3,283,639	-	-

Total governmental activities 135,810,327 14,084,736 12,138,713 17,341,628

Business-type activities - Water and Sewer 58,964,138 54,238,528 - 1,954,602

Total primary government **\$ 194,774,465 \$ 68,323,264 \$ 12,138,713 \$ 19,296,230**

Component units:

Brownfield Redevelopment Authority	\$ 706,550	\$ -	\$ -	\$ -
Corridor Improvement Authority	136,824	-	-	-
Economic Development Corporation	77,900	-	-	-
Local Development Finance Authority	1,092,312	-	-	-

Total component units **\$ 2,013,586 \$ - \$ - \$ -**

General revenue:

Property taxes
Unrestricted state-shared revenue
Investment (losses) earnings
Cable franchise fees
Other miscellaneous income

Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Statement of Activities

Year Ended June 30, 2022

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-type Activities	Total	Component Units
\$ (12,371,229)	\$ -	\$ (12,371,229)	\$ -
(2,460,004)	-	(2,460,004)	-
(66,210,272)	-	(66,210,272)	-
2,023,143	-	2,023,143	-
(9,943,249)	-	(9,943,249)	-
(3,283,639)	-	(3,283,639)	-
(92,245,250)	-	(92,245,250)	-
-	(2,771,008)	(2,771,008)	-
(92,245,250)	(2,771,008)	(95,016,258)	-
-	-	-	(706,550)
-	-	-	(136,824)
-	-	-	(77,900)
-	-	-	(1,092,312)
-	-	-	(2,013,586)
78,406,913	-	78,406,913	2,546,409
16,288,653	-	16,288,653	-
(2,626,093)	(54,761)	(2,680,854)	216,025
2,114,490	-	2,114,490	-
1,987,109	-	1,987,109	-
96,171,072	(54,761)	96,116,311	2,762,434
3,925,822	(2,825,769)	1,100,053	748,848
65,754,056	124,679,813	190,433,869	7,527,467
\$ 69,679,878	\$ 121,854,044	\$ 191,533,922	\$ 8,276,315

City of Sterling Heights, Michigan

Governmental Funds
Balance Sheet

June 30, 2022

	General Fund	Road Bond Construction	American Rescue Plan Act	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and cash equivalents (Note 3)	\$ 4,321,887	\$ -	\$ 7,087,236	\$ 7,105,850	\$ 18,514,973
Investments - At fair value (Note 3)	36,601,182	-	11,255,344	9,660,416	57,516,942
Receivables:					
Special assessments receivable	-	-	-	764,691	764,691
Accrued interest receivable	226,773	20,598	13,832	176,928	438,131
Leases receivable (Note 19)	1,611,434	-	-	-	1,611,434
Other receivables	1,070,528	-	-	949	1,071,477
Due from other governmental units	3,969,447	-	-	2,590,635	6,560,082
Due from other funds (Note 13)	60,273	-	-	-	60,273
Inventory	835,103	-	-	12,722	847,825
Prepays and other assets	225,994	3,322,370	-	4,367,118	7,915,482
Restricted assets (Note 4)	-	22,508,949	-	3,404,649	25,913,598
Rehabilitation loans (Note 5)	-	-	-	1,314,618	1,314,618
Total assets	\$ 48,922,621	\$ 25,851,917	\$ 18,356,412	\$ 29,398,576	\$ 122,529,526
Liabilities					
Accounts payable	\$ 2,895,055	\$ 386	\$ 694,607	\$ 2,489,044	\$ 6,079,092
Due to other governmental units	8,568	-	-	-	8,568
Due to other funds (Note 13)	-	-	-	60,273	60,273
Cash and bond deposits	2,883,002	-	-	-	2,883,002
Accrued and other liabilities	5,019,438	-	121,400	1,485,190	6,626,028
Unearned revenue (Note 8)	133,781	-	17,511,767	3,222,910	20,868,458
Total liabilities	10,939,844	386	18,327,774	7,257,417	36,525,421
Deferred Inflows of Resources					
Unavailable revenue	3,558,248	-	-	840,400	4,398,648
Deferred lease revenue	1,550,223	-	-	-	1,550,223
Total deferred inflows of resources	5,108,471	-	-	840,400	5,948,871
Total liabilities and deferred inflows of resources	16,048,315	386	18,327,774	8,097,817	42,474,292
Fund Balances					
Nonspendable	1,061,097	3,322,370	-	4,379,840	8,763,307
Restricted:					
Roads	-	22,529,161	-	7,023,461	29,552,622
Public Safety	-	-	-	1,338,900	1,338,900
Debt service	-	-	-	600,130	600,130
Capital projects	-	-	-	1,756,975	1,756,975
Community service	-	-	-	100,692	100,692
Committed - Park acquisitions and improvements	-	-	-	31,283	31,283
Assigned:					
Capital projects	-	-	28,638	5,238,126	5,266,764
Parks and recreation	-	-	-	831,352	831,352
Unassigned	31,813,209	-	-	-	31,813,209
Total fund balances	32,874,306	25,851,531	28,638	21,300,759	80,055,234
Total liabilities, deferred inflows of resources, and fund balances	\$ 48,922,621	\$ 25,851,917	\$ 18,356,412	\$ 29,398,576	\$ 122,529,526

See notes to financial statements.

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City of Sterling Heights, Michigan

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

June 30, 2022

Fund Balances Reported in Governmental Funds	\$ 80,055,234
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets and lease assets used in governmental activities are not financial resources and are not reported in the funds	357,326,994
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	4,398,648
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(129,141,668)
Accrued interest is not due and payable in the current period and is not reported in the funds	(978,028)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(5,109,101)
Pension benefits	(172,364,230)
Retiree health care benefits	(68,588,299)
Internal service funds are included as part of governmental activities	4,080,328
Net Position of Governmental Activities	\$ 69,679,878

See notes to financial statements.

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City of Sterling Heights, Michigan

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2022

	General Fund	Road Bond Construction	American Rescue Plan Act	Nonmajor Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 69,831,358	\$ -	\$ -	\$ 8,575,555	\$ 78,406,913
Special assessments	-	-	-	151,788	151,788
Intergovernmental:					
Federal sources	557,339	-	2,325,495	1,569,312	4,452,146
State sources	23,978,925	-	-	16,734,460	40,713,385
Local sources	-	-	-	51,413	51,413
Charges for services	13,648,102	-	-	921,377	14,569,479
Fines and forfeitures	1,678,277	-	-	-	1,678,277
Licenses and permits:					
Cable franchise fees	2,114,490	-	-	-	2,114,490
Fees and permits	2,572,200	-	-	-	2,572,200
Investment (loss) income:					
Investment (losses) earnings	(2,147,920)	(154,741)	28,638	(308,904)	(2,582,927)
Rental income	1,746,415	-	-	-	1,746,415
Other revenue	1,176,265	-	-	695,446	1,871,711
Total revenue	115,155,451	(154,741)	2,354,133	28,390,447	145,745,290
Expenditures					
Current services:					
General government	13,273,352	-	903,731	-	14,177,083
41A District Court	3,736,014	-	-	223,088	3,959,102
Public safety	61,869,706	-	-	174,815	62,044,521
Public works	16,523,425	405,838	-	5,347,211	22,276,474
General expenditures	3,407,230	-	-	4,348	3,411,578
Recreation and culture	2,575,935	-	-	5,206,119	7,782,054
Capital outlay	227,106	10,023,340	1,421,764	19,052,215	30,724,425
Debt service	-	-	-	10,563,843	10,563,843
Total expenditures	101,612,768	10,429,178	2,325,495	40,571,639	154,939,080
Excess of Revenue Over (Under) Expenditures	13,542,683	(10,583,919)	28,638	(12,181,192)	(9,193,790)
Other Financing Sources (Uses)					
Transfers in	-	-	-	17,012,684	17,012,684
Transfers out	(12,994,780)	-	-	(4,017,904)	(17,012,684)
New debt issued	-	16,850,000	-	-	16,850,000
Debt premium or discount	-	1,036,153	-	-	1,036,153
Sale of capital assets	77,230	-	-	-	77,230
Total other financing (uses) sources	(12,917,550)	17,886,153	-	12,994,780	17,963,383
Net Change in Fund Balances	625,133	7,302,234	28,638	813,588	8,769,593
Fund Balances - Beginning of year	32,249,173	18,549,297	-	20,487,171	71,285,641
Fund Balances - End of year	<u>\$ 32,874,306</u>	<u>\$ 25,851,531</u>	<u>\$ 28,638</u>	<u>\$ 21,300,759</u>	<u>\$ 80,055,234</u>

See notes to financial statements.

City of Sterling Heights, Michigan

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

Year Ended June 30, 2022

Net Change in Fund Balances Reported in Governmental Funds	\$ 8,769,593
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	30,719,345
Depreciation expense	(17,757,401)
Net book value of assets disposed of	(234,941)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	490,570
Issuing debt provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(17,886,153)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	7,319,636
Interest expense is recognized in the government-wide statements as it accrues	(35,084)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(6,517,214)
Internal service funds are included as part of governmental activities	(942,529)
Change in Net Position of Governmental Activities	<u>\$ 3,925,822</u>

See notes to financial statements.

City of Sterling Heights, Michigan

Proprietary Funds Statement of Net Position

June 30, 2022

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self-insurance
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 756,190	\$ 11,967
Investments - At fair value (Note 3)	11,075,400	2,876,611
Receivables:		
Customer receivables	12,596,087	-
Accrued interest receivable	59,833	59,724
Other receivables	-	150,733
Inventory	233,473	-
Prepaid expenses and other assets	1,906,350	3,084,335
Total current assets	26,627,333	6,183,370
Noncurrent assets:		
Restricted assets (Note 4)	23,735,869	-
Capital assets: (Note 6)		
Assets not subject to depreciation	14,639,534	-
Assets subject to depreciation - Net	184,709,594	-
Total noncurrent assets	223,084,997	-
Total assets	249,712,330	6,183,370
Deferred Outflows of Resources (Notes 7, 11 and 12)		
Deferred charges on bond refunding	225,302	-
Deferred pension costs	2,105,653	-
Deferred OPEB costs	1,373,091	-
Total deferred outflows of resources	3,704,046	-
Liabilities		
Current liabilities:		
Accounts payable	7,842,313	74,239
Accrued and other liabilities	730,614	-
Unearned revenue (Note 8)	131,890	-
Compensated absences	74,164	-
Provision for claims	-	1,128,338
Current portion of bonds and contracts payable (Note 9)	5,257,349	-
Total current liabilities	14,036,330	1,202,577
Noncurrent liabilities:		
Compensated absences	176,494	-
Provision for claims	-	900,465
Net pension liability (Note 11)	9,763,028	-
Net OPEB liability (Note 12)	4,283,870	-
Bonds and contracts payable - Net of current portion (Note 9)	101,607,271	-
Total noncurrent liabilities	115,830,663	900,465
Total liabilities	129,866,993	2,103,042

See notes to financial statements.

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City of Sterling Heights, Michigan

Proprietary Funds Statement of Net Position (Continued)

June 30, 2022

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self-insurance
Deferred Inflows of Resources (Notes 7 and 12)		
Deferred benefit on bond refunding	\$ 637,566	\$ -
Deferred OPEB cost reductions	1,057,773	-
Total deferred inflows of resources	1,695,339	-
Net Position		
Net investment in capital assets	106,623,230	-
Restricted - County drains	9,184,883	-
Unrestricted (Note 17)	6,045,931	4,080,328
Total net position	\$ 121,854,044	\$ 4,080,328

See notes to financial statements.

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City of Sterling Heights, Michigan

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

	Year Ended June 30, 2022	
	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self-insurance
Operating Revenue		
Water sales	\$ 20,817,986	\$ -
Sewage disposal charges	31,476,838	-
Service charges	815,206	-
City contributions	-	8,938,389
Other	1,128,498	324,277
Total operating revenue	54,238,528	9,262,666
Operating Expenses		
Wages and fringe benefits	6,540,310	-
Water purchases	16,235,356	-
Sewage disposal charges	21,211,837	-
Materials and supplies	287,546	-
Repairs and maintenance	1,400,131	-
Building and equipment rental	448,098	-
Contractual services	558,510	-
Administration expenses and other	46,403	622,591
Other	2,252,940	-
Insurance and reinsurance charges and claims	139,598	9,539,438
Depreciation	7,175,809	-
Total operating expenses	56,296,538	10,162,029
Operating Loss	(2,058,010)	(899,363)
Nonoperating Expense		
Investment loss	(54,761)	(43,166)
Interest expense	(2,667,600)	-
Total nonoperating expense	(2,722,361)	(43,166)
Loss - Before capital contributions	(4,780,371)	(942,529)
Capital Contributions		
Lines donated by developers	1,049,406	-
Other capital contributions	905,196	-
Total capital contributions	1,954,602	-
Change in Net Position	(2,825,769)	(942,529)
Net Position - Beginning of year	124,679,813	5,022,857
Net Position - End of year	\$ 121,854,044	\$ 4,080,328

See notes to financial statements.

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City of Sterling Heights, Michigan

Proprietary Funds
Statement of Cash Flows

	Year Ended June 30, 2022	
	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self-insurance
Cash Flows from Operating Activities		
Receipts from customers	\$ 54,596,168	\$ 8,873,339
Payments for interfund services and reimbursements	(2,257,740)	-
Payments to suppliers	(38,572,260)	(33,746)
Payments to employees and fringes	(5,661,469)	-
Claims paid	-	(9,375,041)
Net cash and cash equivalents provided by (used in) operating activities	8,104,699	(535,448)
Cash Flows from Capital and Related Financing Activities		
Issuance of bonds	12,900,280	-
Special assessment collections	905,196	-
Proceeds from sale of capital assets	2,138	-
Purchase of capital assets	(13,522,471)	-
Principal and interest paid on capital debt	(7,658,636)	-
Advance construction deposit	(1,906,350)	-
Net cash and cash equivalents used in capital and related financing activities	(9,279,843)	-
Cash Flows from Investing Activities		
Interest received on investments	(54,761)	(43,166)
Purchases of investment securities	(7,576,330)	(1,134,779)
Net cash and cash equivalents used in investing activities	(7,631,091)	(1,177,945)
Net Decrease in Cash and Cash Equivalents	(8,806,235)	(1,713,393)
Cash and Cash Equivalents - Beginning of year	24,113,411	1,725,360
Cash and Cash Equivalents - End of year	\$ 15,307,176	\$ 11,967
Classification of Cash and Cash Equivalents		
Cash and investments	\$ 11,831,590	\$ 2,888,578
Less amounts classified as investments	(11,075,400)	(2,876,611)
Restricted cash	14,550,986	-
Total cash and cash equivalents	\$ 15,307,176	\$ 11,967

See notes to financial statements.

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City of Sterling Heights, Michigan

Proprietary Funds
Statement of Cash Flows (Continued)

Year Ended June 30, 2022

	Business-type Activities	Governmental Activities
	Enterprise Fund - Water and Sewer	Internal Service Fund - Self-insurance
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (2,058,010)	\$ (899,363)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	7,175,809	-
Changes in assets and liabilities:		
Receivables	357,640	(65,050)
Due to and from other funds	(4,800)	-
Inventories	46,642	-
Net pension or OPEB asset	22,753	-
Accounts payable	1,706,439	(33,746)
Estimated claims liability	-	462,711
Net pension or OPEB liability	7,582,025	-
Deferrals related to pension or OPEB	(6,723,799)	-
Total adjustments	10,162,709	363,915
Net cash and cash equivalents provided by (used in) operating activities	<u>\$ 8,104,699</u>	<u>\$ (535,448)</u>

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2022, developers constructed water and sewer lines with a value of approximately \$1,049,000 and donated them to the City's Water and Sewer Fund. Also during the year, approximately \$8 million of capital assets was recorded in connection with Oakland and Macomb County's MID and OMID drain interceptor projects. These assets were paid for using cash on hand at the counties of Oakland and Macomb, Michigan.

City of Sterling Heights, Michigan

Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2022

	Trust Funds - Pension and Other Employee Benefit Trust Funds	Custodial Funds
Assets		
Cash and cash equivalents	\$ 13,938,040	\$ 143,286
Investments - At fair value:		
Government securities	34,952,538	-
Mutual funds	58,859,804	-
Common and preferred stocks	309,254,620	-
Corporate bonds	24,409,940	-
Private real estate	10,164,047	-
Hedge funds	9,801,393	-
Receivables - Other	506,812	-
Total assets	461,887,194	143,286
Liabilities		
Accounts payable	936,643	-
Accrued and other liabilities	44,913	-
Provision for claims	630,964	-
Total liabilities	1,612,520	\$ -
Net Position - Restricted		
Pension	320,968,235	-
Postemployment benefits other than pension	139,306,439	-
Individuals, organizations, and other governments	-	143,286
Total net position	<u>\$ 460,274,674</u>	<u>\$ 143,286</u>

City of Sterling Heights, Michigan

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2022

	Trust Funds - Pension and Other Employee Benefit Trust Funds	Custodial Funds
Additions		
Investment income (expense):		
Interest and dividends	\$ 14,637,953	\$ -
Net decrease in fair value of investments	(94,885,078)	-
Investment costs	(3,422,409)	-
Net investment expense	(83,669,534)	-
Contributions:		
Employer contributions	27,572,202	-
Employee contributions	2,964,578	-
Purchase of prior year's service credits	19,734	-
Total contributions	30,556,514	-
Property tax collections for other governments	-	134,665,610
Court fees collected for other governments	-	814,629
Total additions	(53,113,020)	135,480,239
Deductions		
Benefit payments	44,089,730	-
Refunds of contributions	1,504,904	-
Tax distributions to other governments	-	134,665,610
Court fees distributed to other governments	-	671,343
Total deductions	45,594,634	135,336,953
Net (Decrease) Increase in Fiduciary Net Position	(98,707,654)	143,286
Net Position - Beginning of year	558,982,328	-
Net Position - End of year	<u><u>\$ 460,274,674</u></u>	<u><u>\$ 143,286</u></u>

See notes to financial statements.

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City of Sterling Heights, Michigan

Component Units
Statement of Net Position

June 30, 2022

	Economic Development Corporation	Brownfield Redevelopment Authority	Local Development Finance Authority	Corridor Improvement Authority	Total
Assets					
Cash and cash equivalents	\$ 114,761	\$ 2,142	\$ 1,334,814	\$ 716,634	\$ 2,168,351
Receivables:					
Customer receivables	-	-	18,169	-	18,169
Accrued interest receivable	2	6	10	5	23
Inventory	-	-	-	295,800	295,800
Capital assets: (Note 6)					
Assets not subject to depreciation	-	-	1,618,469	-	1,618,469
Assets subject to depreciation - Net	-	-	4,263,340	-	4,263,340
Total assets	114,763	2,148	7,234,802	1,012,439	8,364,152
Liabilities					
Accounts payable	-	-	71,163	-	71,163
Accrued and other liabilities	-	-	12,290	-	12,290
Unearned revenue	-	-	4,384	-	4,384
Total liabilities	-	-	87,837	-	87,837
Net Position					
Net investment in capital assets	-	-	5,881,809	-	5,881,809
Unrestricted	114,763	2,148	1,265,156	1,012,439	2,394,506
Total net position	<u><u>\$ 114,763</u></u>	<u><u>\$ 2,148</u></u>	<u><u>\$ 7,146,965</u></u>	<u><u>\$ 1,012,439</u></u>	<u><u>\$ 8,276,315</u></u>

See notes to financial statements.

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City of Sterling Heights, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Economic Development Corporation	\$ 77,900	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	706,550	-	-	-
Local Development Finance Authority	1,092,312	-	-	-
Corridor Improvement Authority	136,824	-	-	-
Total component units	\$ 2,013,586	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
Investment earnings				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Component Units Statement of Activities

Year Ended June 30, 2022

Net (Expense) Revenue and Changes in Net Position				
Economic Development Corporation	Brownfield Redevelopment Authority	Local Development Finance Authority	Corridor Improvement Authority	Total
\$ (77,900)	\$ -	\$ -	\$ -	\$ (77,900)
-	(706,550)	-	-	(706,550)
-	-	(1,092,312)	-	(1,092,312)
-	-	-	(136,824)	(136,824)
(77,900)	(706,550)	(1,092,312)	(136,824)	(2,013,586)
-	706,550	1,585,926	253,933	2,546,409
-	-	216,025	-	216,025
-	706,550	1,801,951	253,933	2,762,434
(77,900)	-	709,639	117,109	748,848
192,663	2,148	6,437,326	895,330	7,527,467
\$ 114,763	\$ 2,148	\$ 7,146,965	\$ 1,012,439	\$ 8,276,315

Note 1 - Significant Accounting Policies***Accounting and Reporting Principles***

The City of Sterling Heights, Michigan (the "City") follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the City of Sterling Heights, Michigan:

Reporting Entity

The City is governed by an elected seven-member council. The accompanying basic financial statements have been prepared in accordance with criteria established by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement Nos. 61 and 80, for determining the various governmental organizations to be included in the reporting entity. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the City's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City, although the City has the ability to impose its will over the entities.

Blended Component Unit

The Sterling Heights Building Authority (the "Building Authority") is governed by a board appointed by the City's governing body. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings.

Discretely Presented Component Units

The following nonmajor component units are reported within the component units column in the government-wide financial statements. Component unit financial statements have also been presented to display the financial position and results of operations for each of the discretely presented component units. Complete financial statements for each of these component units are available at the administrative office at 40555 Utica Road, Sterling Heights, MI 48313.

Economic Development Corporation

The Economic Development Corporation (the "Corporation") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services to and facilities of such enterprises to the residents of the City. The Corporation's governing body, which consists of five individuals, is selected by the City Council. In addition, the City Council sets the annual budget for the Corporation.

Brownfield Redevelopment Authority

The Brownfield Redevelopment Authority (the "BR Authority") was created to provide means and methods to encourage revitalization and redevelopment of brownfields, which are abandoned, undeveloped, or underutilized properties not being developed or fully utilized due to environmental contamination. The BR Authority's governing body, which consists of nine individuals, is selected by the City Council. In addition, the City Council sets the annual budget for the BR Authority.

Corridor Improvement Authority

The Corridor Improvement Authority (the "CI Authority") was created to encourage revitalization and redevelopment of commercial properties that have been developed along the City's major arterial roadways. The CI Authority's governing body, which consists of seven individuals, is selected by the City Council. In addition, the City Council sets the annual budget for the CI Authority.

Note 1 - Significant Accounting Policies (Continued)***Local Development Finance Authority***

The Local Development Finance Authority (the "LDF Authority") was created to encourage development, prevent conditions of unemployment, and promote economic growth. The LDF Authority's governing body, which consists of seven individuals, is selected by the City Council. In addition, the City Council sets the annual budget for the LDF Authority.

Fiduciary Component Units***General Employees' Retirement System***

The General Employees' Retirement System is governed by a five-member board that includes the city treasurer, the city finance director, one member appointed by the City, and two members elected by plan participants. Although the plan is legally separate from the City, it is reported as a fiduciary component unit because the City appoints a voting majority of the board and the plan imposes a financial burden on the City.

Police and Fire Retirement System

The Police and Fire Retirement System is governed by a five-member board that includes the city treasurer, two members appointed by the City, and two members elected by plan participants. Although the plan is legally separate from the City, it is reported as a fiduciary component unit because the City appoints a voting majority of the board and the plan imposes a financial burden on the City.

City of Sterling Heights Retiree Health Care Plan

The Retiree Health Care Plan is administered by the City. Management of the plan is vested in a three-member investment committee that includes the city treasurer, the city finance director, and the city clerk. Although the plan is legally separate from the City, it is reported as a fiduciary component unit because the City acts as the governing body over the plan and the plan imposes a financial burden on the City.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the City has spent its resources.

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

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 45 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: property taxes, state-shared revenue, franchise fees, state gas and weight tax revenue, licenses, most grant revenue, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow.

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

Note 1 - Significant Accounting Policies (Continued)**Fund Accounting**

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

Governmental Funds

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Road Bond Construction Fund (a capital project fund type) accounts for the proceeds of bond issues and all other resources used for the purpose of construction activity for roads and storm drains.
- The American Rescue Plan Act Fund (a special revenue fund type) accounts for the resources of federal grant revenue whose use is restricted for COVID-19 expenditures or the negative economic impacts of COVID-19.

Additionally, the City reports the following nonmajor governmental fund types:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.
- Capital projects funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new property, buildings, and equipment; technology upgrades; and remodeling and repairs. The funds operate until the purpose for which they were created is accomplished.
- Debt service funds are used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on long-term debt.

Proprietary Funds

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

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

The City's internal service fund is used to allocate insurance costs to the various funds on a full accrual basis so that the full costs are recognized and allocated to the various funds in the year that the costs are incurred.

Fiduciary Funds

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

- The General Employees' Retirement System, the Police and Fire Retirement System, and the Retiree Medical Benefits Trust account for the activities of the trust funds, which accumulate resources for pension benefits and retiree medical benefits provided to qualified individuals.

Note 1 - Significant Accounting Policies (Continued)

- The Tax Receiving Fund collects taxes on behalf of all the taxing authorities (state, county, school district, and various others) and remits the taxes to each authority.
- The District Court Fund accounts for assets held by the City as an agent for individuals, organizations, and other governments.

Interfund Activity

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Report Presentation

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

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

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

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

Note 1 - Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

Inventories and Prepaid Items

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

Restricted Assets

Restricted assets consist of amounts on deposit at the county being held for construction, maintenance, or debt service and unspent bond proceeds in the Road Bond Construction Fund and General Improvements Fund (capital project funds) and the Water and Sewer Fund, which are required to be set aside for construction.

Capital Assets

Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

In accordance with GASB Statement No. 89, interest incurred during the construction of capital assets of business-type activities is expensed in the period it is incurred.

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

	Depreciable Life - Years
Buildings	50
Building improvements	25
Other improvements	10-30
Equipment	5-20
Furnishings and fixtures	10-15
Infrastructure	20-40
Water and sewer mains	50

Note 1 - Significant Accounting Policies (Continued)

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond on a straight line basis. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses. The debt service funds, the Parks and Recreation Fund, and the Water and Sewer Fund are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

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

The City reports the following deferred outflows of resources and deferred inflows of resources:

	Inflows	Outflows
Unavailable revenue (those not collected within the period of availability) -		
Reported only at the modified accrual level	✓	
Deferred charge on bond refunding		✓
Deferred benefit on bond refunding	✓	
Deferred pension costs (or cost reductions)	✓	✓
Deferred OPEB costs (or cost reductions)	✓	✓
Deferred lease revenue	✓	

Net Position

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

Net Position Flow Assumption

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

Note 1 - Significant Accounting Policies (Continued)**Fund Balance Flow Assumptions**

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The honorable mayor and members of the City Council may assign fund balance as they do when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

Property taxes are assessed as of December 31, and the related property taxes are levied and become a lien on July 1 of the following year. These taxes are due on September 1, after which time the taxes are considered delinquent, and penalties and interest are assessed. The final collection date is February 28 before taxes are returned delinquent to the county treasurer.

The 2022 taxable valuation of the City totaled \$4,766,488,246, on which taxes levied consisted of 9.4940 mills for operating purposes, 0.9877 mills for refuse collection, 2.7240 mills for police and fire pension, 0.1150 mills for debt service related to firehouse improvements, 2.4157 mills for safe streets, and 0.9378 mills for parks and recreation. This resulted in \$44,414,185 for operating, \$4,654,345 for refuse collection, \$12,866,281 for police and fire pension, \$546,634 for debt service related to firehouse improvements, \$11,374,617 for safe streets, and \$4,395,965 for parks and recreation. These amounts are recognized in the respective General Fund and special revenue funds financial statements as tax revenue.

Note 1 - Significant Accounting Policies (Continued)**Pension**

The City offers a defined benefit pension plan to certain employees under two separate plans. The City's plans are the General Employees' Retirement System (GERS) and the Police and Fire Retirement System (PFRS). The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the General Employees' Retirement System and the Police and Fire Retirement System pension plans and additions to/deductions from the pension plans' fiduciary net position have been determined on the same basis as they are reported by the pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit (OPEB) Costs

The City offers retiree health care benefits to certain retirees. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Compensated Absences (Vacation and Sick Leave)

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the City will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation are used to liquidate the obligations, which are the General and Water and Sewer funds.

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund and the internal service fund is charges to customers for sales or services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for these funds include the cost of sales or services and administrative expenses and may include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

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

June 30, 2022

Note 1 - Significant Accounting Policies (Continued)**Leases**

The City is a lessor for noncancelable leases of land for the use of cell towers. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

- The City uses the actual rate charged to lessees as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Adoption of New Accounting Pronouncement

During the current year, the City adopted GASB Statement No. 87, *Leases*. As a result, the General Fund and governmental activities now include receivables for the present value of payments expected to be received and deferred inflows of resources that will be recognized as revenue over the term of the lease. Lease activity is further described in Note 19. There was no effect on fund balance or net position as a result of the adoption of this standard.

Upcoming Accounting Pronouncements

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

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2023.

June 30, 2022

Note 1 - Significant Accounting Policies (Continued)

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*, which enhances the accounting and financial reporting requirements for accounting changes and error corrections. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2024.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2025.

Note 2 - Stewardship, Compliance, and Accountability**Excess of Expenditures Over Appropriations in Budgeted Funds**

During the year, the City incurred expenditures in the General Fund that were in excess of the amounts budgeted, as follows:

	Budget	Actual
41A District Court	\$ 3,725,080	\$ 3,736,014

Construction Code Fees

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

Cumulative shortfall at July 1, 2021	\$ (9,962,096)
Current year permit revenue	2,771,753
Related expenses:	
Direct costs	\$ 1,441,748
Estimated indirect costs	1,693,209
	3,134,957
Current year shortfall	(363,204)
Cumulative shortfall at June 30, 2022	<u>\$ (10,325,300)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

June 30, 2022

Note 3 - Deposits and Investments (Continued)

The investment policy adopted by the City Council in accordance with the Public Act 20 of 1948, as amended, authorizes investments in U.S. Treasuries, U.S. agencies and instrumentalities (date-specific maturities only), nonnegotiable certificates of deposit, commercial paper (rated A2/P2 or above), bankers' acceptances, repurchase agreements, overnight deposits, or mutual funds. For overnight deposits, the treasurer may invest overnight or short-term liquid assets to cover cash flow requirements in the following types of pools: investment pools organized under the Surplus Funds Investment Pool Act of 1982, PA 367, 1 MCL 129.111 to MCL 129.118, or investment pools organized under the Urban Cooperation Act of 1967, PA 7, MCL 124.501 to 124.512.

For mutual funds, the treasurer may invest in no-load fixed-income mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan, either taxable or tax exempt. This authorization is limited to mutual funds whose intent is to maintain a net asset value of \$1.00 per share.

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

The City has designated one bank for the deposit of its cash. Other cash equivalents are held at this and several other institutions. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs but not the remainder of state statutory authority, as listed above. The City's investments comply with all required laws and regulations.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at net asset value.

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had bank deposits of approximately \$41,700,000 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, no investment securities were subject to custodial credit risk due to one of the following:

- Investments were part of an insured pool.
- Investments were book-entry only in the name of the City and were fully insured.
- Investments were part of a mutual fund.
- Investments were held by an agent in the City's name.

June 30, 2022

Note 3 - Deposits and Investments (Continued)**Interest Rate Risk**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy sets forth restrictions on the types of investment instruments and length of investment maturities the City may hold.

At year end, the City had the following fixed-income investments:

Investment	Carrying Value	Weighted-average Maturity (Years)
Government-wide		
Commercial paper	\$ 9,963,143	.2049
U.S. government agency bonds	64,055,747	2.6730
Municipal bonds	3,100,193	3.5654
U.S. government obligations	20,067,345	1.2453
General Employees' Retirement System		
Corporate bonds	6,203,296	5.6174
U.S. government agency bonds	3,812,119	7.4256
U.S. government obligations	4,441,431	9.0593
Police and Fire Retirement System		
Corporate bonds	10,368,002	6.3600
U.S. government agency bonds	9,545,028	6.1875
U.S. government obligations	6,738,641	9.1791
Municipal bonds	61,455	5.5981
Retiree Medical Benefits Trust		
Corporate bonds	7,838,642	5.4194
U.S. government agency bonds	4,629,885	7.4526
U.S. government obligations	5,723,979	8.4427

June 30, 2022

Note 3 - Deposits and Investments (Continued)

Credit Risk

In compliance with state law, the City's investment policy limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. As of year end, the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Rating	Rating Organization
Government-wide			
Pooled funds	\$ 2,505,693	AAA	S&P
Commercial paper	9,963,143	A1	S&P
U.S. government agency bonds	64,055,747	AA+	S&P
Municipal bonds	3,100,193	AA-	S&P
U.S. government obligations	20,067,345	AA+	S&P
General Employees' Retirement System			
Money market	494,290	NR	N/A
Corporate bonds	269,067	AA-	S&P
Corporate bonds	144,255	AA+	S&P
Corporate bonds	1,349,606	A+ to A-	S&P
Corporate bonds	3,137,151	BBB+ to BBB-	S&P
Corporate bonds	203,682	Baa3	Moody's
Corporate bonds	1,002,353	BB+ to BB-	S&P
Corporate bonds	97,182	B	S&P
U.S. government agency bonds	3,812,119	AA+	S&P
U.S. government obligations	4,441,431	AA+	S&P
Police and Fire Retirement System			
Money market	1,972,505	NR	N/A
Corporate bonds	745,305	AAA	Moody's
Corporate bonds	56,765	AA+ to AA-	S&P
Corporate bonds	200,377	Aa2	S&P
Corporate bonds	338,612	AA-	S&P
Corporate bonds	136,528	A+ to A-	Moody's
Corporate bonds	2,492,231	A+ to A-	S&P
Corporate bonds	5,116,226	BBB+ to BBB-	S&P
Corporate bonds	181,845	Ba1	Moody's
Corporate bonds	187,606	Baa1	S&P
Corporate bonds	258,366	BB+ to BB-	S&P
Corporate bonds	269,498	B+ to B-	S&P
Corporate bonds	11,830	CCC to CCC+	S&P
Corporate bonds	133,046	CC	S&P
Corporate bonds	140,028	Caa2	Moody's
Corporate bonds	99,740	NR	N/A
U.S. government agency bonds	9,545,028	AA+	S&P
U.S. government obligations	6,738,641	AA+	S&P
Municipal bonds	13,419	AAA	S&P
Municipal bonds	48,036	AA+ to AA	S&P
Retiree Medical Benefits Trust			
Corporate bonds	97,560	AA+	S&P
Corporate bonds	153,757	AA+ to AA-	S&P
Corporate bonds	1,888,095	A+ to A-	S&P
Corporate bonds	4,257,900	BBB+ to BBB-	S&P
Corporate bonds	1,317,807	BB+ to BB-	S&P
Corporate bonds	123,523	B+	S&P
U.S. government agency bonds	4,629,885	AA+	S&P
U.S. government obligations	5,723,979	AA+	S&P

June 30, 2022

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk

Through its investment policy, the City places a 15.0 percent limit on the amount it may invest in any one issuer. No issuer held greater than 15.0 percent of investments as of June 30, 2022.

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The pension system restricts the amount of investments in foreign currency-denominated investments to 5.0 percent of total pension system investments. No investments exceed 5.0 percent of total pension system investments as of June 30, 2022.

Both pension systems include exposure to the international asset class in order to increase diversification and reduce risk. The investments held by the General Employees' Retirement System and Police and Fire Retirement System are protected from foreign currency risk through the use of American Depository Receipts (ADRs).

Fair Value Measurements

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

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

June 30, 2022

Note 3 - Deposits and Investments (Continued)

The City has the following recurring fair value measurements as of June 30, 2022:

Assets Measured at Carrying Value on a Recurring Basis at June 30, 2022				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2022
Investments by fair value level:				
Debt securities:				
U.S. Treasury securities	\$ 36,971,396	\$ -	\$ -	\$ 36,971,396
U.S. government agencies	82,042,779	-	-	82,042,779
Municipal obligations	3,161,648	-	-	3,161,648
Corporate bonds	-	24,409,940	-	24,409,940
Total debt securities	122,175,823	24,409,940	-	146,585,763
Equity securities:				
Consumer discretionary	35,338,963	-	-	35,338,963
Consumer staples	16,102,729	-	-	16,102,729
Energy	5,763,213	-	-	5,763,213
Financials	35,366,166	-	-	35,366,166
Health care	37,173,230	-	-	37,173,230
Industrials	36,547,721	-	-	36,547,721
Information technology	59,936,699	-	-	59,936,699
Materials	10,384,676	-	-	10,384,676
Real estate	8,902,514	-	-	8,902,514
Telecommunications	22,407,930	-	-	22,407,930
Utilities	3,925,928	-	-	3,925,928
Other	37,404,851	-	-	37,404,851
Total equity securities	309,254,620	-	-	309,254,620
Alternative investments:				
Hedge funds	-	-	7,952,006	7,952,006
Private equity funds	-	-	1,849,387	1,849,387
Total alternative investments	-	-	9,801,393	9,801,393
Total	\$ 431,430,443	\$ 24,409,940	\$ 9,801,393	465,641,776
Investments measured at NAV:				
Michigan CLASS Investment Pool				2,505,694
Mutual funds - Western Asset Manager				20,199,064
Mutual funds - Other				38,660,740
American Core Realty Fund				4,945,201
U.S. Real Estate Investment Fund				5,218,846
Total investments measured at NAV				71,529,545
Total assets				\$ 537,171,321

The fair value of equity securities at June 30, 2022 was determined primarily based on Level 1 inputs. The City estimates the fair value using prices quoted in active markets for those securities.

June 30, 2022

Note 3 - Deposits and Investments (Continued)

The fair value of debt securities at June 30, 2022 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

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

Investments that Calculate Net Asset Value per Share

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

At June 30, 2022, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Carrying Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Michigan CLASS Investment Pool	\$ 2,505,693	\$ -	N/A	None
Mutual funds - Western Asset Manager	20,199,064	-	N/A	None
Mutual funds - Other	38,660,741	-	N/A	None
American Core Realty Fund	4,945,201	-	Quarterly	15 days
U.S. Real Estate Investment Fund	5,218,846	-	Quarterly	None
Total	\$ 71,529,545	\$ -		

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

The Western Asset SMASH series mutual funds are open-ended funds whose objective is total return consisting of capital appreciation and income, consistent with prudent investment management. The funds invest primarily in a combination of U.S. dollar-denominated and non-U.S. dollar investment-grade debt obligations of both U.S. and non-U.S. issuers.

Mutual funds are also held by multiple equity managers as a temporary investment vehicle for cash prior to entrance into the equity market.

The American Core Realty Fund is a real estate core fund managed by American Realty Advisors. The Fund has been organized to allow Taft-Hartley pension funds, governmental retirement plans, corporate pension plans and qualified trusts forming part of a pension or profit-sharing plan, endowments, charitable foundations and other taxable and tax-exempt organizations to pool their assets to make investments primarily in core, stable, institutional quality office, retail, industrial and residential properties that are substantially leased and have minimal deferred maintenance or functional obsolescence.

The U.S. Real Estate Investment Fund is a balanced portfolio of yield-driven real estate and real estate-related assets that are broadly diversified by geography and product type. The objectives of the fund are to preserve and protect investors' capital, provide potential for capital appreciation, produce income on invested capital of 6 to 8 percent per annum, and target total annual average returns of 10 percent per annum.

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2022

Note 4 - Restricted Assets

Specific assets of the Water and Sewer Fund and the General Improvements Fund are restricted as a result of external governments issuing bonds whose proceeds are required by state law to be used exclusively for the purpose for which the bonds were issued or the repayment of the bonds. Also, unspent bond proceeds of the Water and Sewer Fund, the General Improvements Fund, and the Road Bond Construction Fund are restricted for specific construction projects.

At June 30, 2022, restricted assets are composed of the following:

Water and Sewer Fund - Due from Oakland County, Michigan*	\$ 9,184,883
General Improvements Fund - Due from Macomb County, Michigan**	1,647,674
Water and Sewer Fund - Unspent bond proceeds	14,550,986
General Improvements Fund - Unspent bond proceeds	1,756,975
Road Bond Construction Fund - Unspent bond proceeds	22,508,949
Total	\$ 49,649,467

*This amount is held by Oakland County, Michigan in a construction fund maintained on behalf of the City for improvements to the Oakland-Macomb Interceptor Drainage District.

**This amount is held by Macomb County, Michigan in Construction and Debt Retirement Funds maintained on behalf of the City by the Macomb County Department of Public Works for drain construction projects of the City.

There were no unrecorded liabilities payable from the county-restricted assets.

Note 5 - Loans Receivable

The City utilizes Community Development Block Grant funds to provide housing rehabilitation loans to eligible applicants. Such loans are made to low- and moderate-income persons to improve or rehabilitate residences. The City accounts for this program in the Community Development Block Grant special revenue fund. Loans receivable of \$1,314,618 at June 30, 2022 have been reflected in the accompanying fund financial statements as rehabilitation loans receivable, with an offsetting unearned revenue for the recording of related grant funding.

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2022

Note 6 - Capital Assets

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

Governmental Activities

	Balance July 1, 2021	Additions	Disposals and Adjustments	Reclassifications	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 46,463,300	\$ -	\$ -	\$ -	\$ 46,463,300
Construction in progress	47,500,427	23,871,541	-	(30,725,490)	40,646,478
Works of art	467,647	10,800	-	10,800	489,247
Subtotal	94,431,374	23,882,341	-	(30,714,690)	87,599,025
Capital assets being depreciated:					
Buildings and improvements	88,990,569	52,248	(255,460)	21,986,038	110,773,395
Land improvements	47,940,860	1,971,467	(5,839)	1,249,819	51,156,307
Equipment	47,010,366	4,237,186	(3,339,843)	606,577	48,514,286
Furnishings and fixtures	3,386,723	377,214	(92,215)	-	3,671,722
Infrastructure	331,601,481	198,889	-	6,872,256	338,672,626
Subtotal	518,929,999	6,837,004	(3,693,357)	30,714,690	552,788,336
Accumulated depreciation:					
Buildings and improvements	21,305,052	3,722,079	(117,883)	-	24,909,248
Land improvements	7,739,045	1,690,327	(2,041)	-	9,427,331
Equipment	30,055,770	3,768,460	(3,252,624)	-	30,571,606
Furnishing and fixtures	1,044,033	193,949	(85,868)	-	1,152,114
Infrastructure	208,617,482	8,382,586	-	-	217,000,068
Subtotal	268,761,382	17,757,401	(3,458,416)	-	283,060,367
Net capital assets being depreciated	250,168,617	(10,920,397)	(234,941)	30,714,690	269,727,969
Net governmental activities capital assets	\$ 344,599,991	\$ 12,961,944	\$ (234,941)	\$ -	\$ 357,326,994

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2022

Note 6 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2021	Additions	Disposals and Adjustments	Reclassifications	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 64,871	\$ -	\$ -	\$ -	\$ 64,871
Construction in progress	9,372,703	20,680,339	-	(15,478,379)	14,574,663
Subtotal	9,437,574	20,680,339	-	(15,478,379)	14,639,534
Capital assets being depreciated:					
Buildings and improvements	524,660	-	-	-	524,660
Equipment	7,317,953	489,747	(338,574)	8,168,084	15,637,210
Furnishings and fixtures	21,075	-	(19,875)	-	1,200
Water and sewer lines	331,308,491	319,027	-	7,310,295	338,937,813
Subtotal	339,172,179	808,774	(358,449)	15,478,379	355,100,883
Accumulated depreciation:					
Buildings and improvements	224,000	15,592	-	-	239,592
Equipment	4,408,064	991,047	(336,435)	-	5,062,676
Furnishing and fixtures	20,988	80	(19,875)	-	1,193
Water and sewer lines	158,918,738	6,169,090	-	-	165,087,828
Subtotal	163,571,790	7,175,809	(356,310)	-	170,391,289
Net capital assets being depreciated	175,600,389	(6,367,035)	(2,139)	15,478,379	184,709,594
Net business-type activities capital assets	\$ 185,037,963	\$ 14,313,304	\$ (2,139)	\$ -	\$ 199,349,128

Construction in progress includes \$8,383,546 of drain improvements constructed by the Oakland-Macomb Interceptor Drainage District (OMID), which represents the City's in-progress portion of total OMID improvements in the amount of \$323,854,073. These improvements will be completed by OMID using state revolving loan funds; state stormwater, asset management, and wastewater loan (SAW); and bonded debt. See Note 9 for additional information.

City of Sterling Heights, Michigan

Notes to Financial Statements

June 30, 2022

Note 6 - Capital Assets (Continued)

Capital asset activity for the City's Local Development Finance Authority for the year ended June 30, 2022 was as follows:

Local Development Finance Authority

	Balance July 1, 2021	Additions	Reclassifications	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 1,209,203	\$ -	\$ -	\$ 1,209,203
Construction in progress	1,459,615	9,388	(1,062,737)	406,266
Works of art	-	-	3,000	3,000
Subtotal	2,668,818	9,388	(1,059,737)	1,618,469
Capital assets being depreciated:				
Buildings and improvements	3,406,188	406,917	1,059,737	4,872,842
Equipment	154,980	117,897	-	272,877
Subtotal	3,561,168	524,814	1,059,737	5,145,719
Accumulated depreciation:				
Buildings and improvements	647,598	167,771	-	815,369
Equipment	37,588	29,422	-	67,010
Subtotal	685,186	197,193	-	882,379
Net capital assets being depreciated	2,875,982	327,621	1,059,737	4,263,340
Net capital assets	\$ 5,544,800	\$ 337,009	\$ -	\$ 5,881,809

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

Governmental activities:	
General government	\$ 269,220
41A District Court	190,513
Public safety	2,723,124
Public works	10,418,077
Economic development	1,051,730
Recreation and culture	3,104,737
Total governmental activities	\$ 17,757,401
Business-type activities - Water and Sewer	\$ 7,175,809
Component unit activities - Local Development Finance Authority	\$ 197,193

Construction Commitments

The City has active construction projects at year end. The projects are related to road repair, replacement and construction programs, and other capital improvements. At year end, the City's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Construction and other contracts	\$ 59,848,403	\$ 17,724,226

June 30, 2022

Note 7 - Deferred Inflows/Outflows of Resources

At the end of the current fiscal year, the various components of deferred outflows of resources are as follows:

	Governmental Activities	Business-type Activities	Total
Pension expense - GERS (Note 11)	\$ 8,776,521	\$ 2,105,653	\$ 10,882,174
Pension expense - PFRS (Note 11)	20,979,022	-	20,979,022
OPEB expense - RMB (Note 12)	23,731,066	1,373,091	25,104,157
Bond refunding loss being amortized (Note 9)	3,535	225,302	228,837
Total deferred outflows	<u>\$ 53,490,144</u>	<u>\$ 3,704,046</u>	<u>\$ 57,194,190</u>

At the end of the current fiscal year, the various components of deferred inflows of resources are as follows:

	Governmental Funds	Governmental Activities	Business-type Activities
Special assessments - Unavailable	\$ 4,398,648	\$ -	\$ -
Pension expense - PFRS (Note 11)	-	1,976,963	-
OPEB expense - RMB (Note 12)	-	18,281,440	1,057,773
Bond refunding gain being amortized (Note 9)	-	-	637,566
Lease deferred inflows (Note 9)	1,550,223	1,550,223	-
Total deferred inflows	<u>\$ 5,948,871</u>	<u>\$ 21,808,626</u>	<u>\$ 1,695,339</u>

Note 8 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2022, the City had \$5,948,871 of unavailable revenue and \$21,004,732 of unearned revenue. Unavailable revenue primarily relates to state-shared revenue and special assessments received outside the period of availability. Unearned revenue in the governmental activities represents various rents, state and federal grant funds, and fees paid to the City in 2022 that are applicable to future periods. Unearned revenue in the Water and Sewer Fund represents payments made by system users to be applied as payment for future capital charges. Unearned revenue in the General Improvements Fund represents funds on deposits with Macomb County, Michigan for future drain repairs. Unearned revenue in the Local Development Finance Authority discretely presented component represents property taxes paid to the City in 2022 that are applicable to future years.

June 30, 2022

Note 9 - Long-term Debt

Long-term debt activity for the year ended June 30, 2022 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowings and direct placements:							
2013 Michigan Transportation Fund Refunding Bonds:							
Amount of issue - \$3,275,000		\$430,000 -					
Maturing through 2022	2.05%	\$515,000	\$ 490,000	\$ -	\$ (490,000)	\$ -	\$ -
Unamortized premium on refunding			1,393	-	(1,393)	-	-
2017 Unlimited Tax General Obligation Refunding Bonds:							
Amount of issue - \$3,105,000	1.00% -	\$445,000 -					
Maturing through 2023	2.00%	\$575,000	1,140,000	-	(565,000)	575,000	575,000
Total direct borrowings and direct placements principal outstanding			1,631,393	-	(1,056,393)	575,000	575,000
Other debt:							
2008 Special Assessment Limited Tax Bonds:							
Amount of issue - \$3,260,000	4.00% -	\$150,000 -					
Maturing through 2028	4.50%	\$400,000	1,600,000	-	(200,000)	1,400,000	200,000
2016 Michigan Transportation Fund Bonds:							
Amount of issue - \$9,630,000	2.00% -	\$520,000 -					
Maturing through 2031	3.00%	\$785,000	6,880,000	-	(600,000)	6,280,000	620,000
Unamortized premium			195,985	-	(15,276)	180,709	-
2017 Capital Improvement Bond Limited Tax General Obligation Bonds:							
Amount of issue - \$42,135,000	3.00% -	\$1,390,000 -					
Maturing through 2037	5.00%	\$2,905,000	36,165,000	-	(1,610,000)	34,555,000	1,690,000
Unamortized premium			2,348,502	-	(257,648)	2,090,854	-
2017 Michigan Transportation Fund Bonds:							
Amount of issue - \$2,075,000	2.00% -	\$110,000 -					
Maturing through 2032	3.00%	\$175,000	1,620,000	-	(125,000)	1,495,000	130,000
Unamortized premium			31,230	-	(2,315)	28,915	-
2018 Capital Improvement Bonds Limited Tax General Obligation:							
Amount of issue - \$19,390,000	3.00% -	\$640,000 -					
Maturing through 2038	5.00%	\$1,330,000	17,365,000	-	(710,000)	16,655,000	745,000
Unamortized premium			856,025	-	(52,642)	803,383	-
2018 Michigan Transportation Fund Bonds:							
Amount of issue - \$8,200,000	2.625% -	\$470,000 -					
Maturing through 2033	5.00%	\$655,000	6,755,000	-	(490,000)	6,265,000	500,000
Unamortized premium			354,446	-	(37,714)	316,732	-
2019 Capital Improvement Bonds General Obligation Limited Tax:							
Amount of issue - \$22,840,000	3.00% -	\$775,000 -					
Maturing through 2039	5.00%	\$1,530,000	21,230,000	-	(810,000)	20,420,000	855,000
Unamortized premium			1,871,384	-	(103,966)	1,767,418	-
2020 Michigan Transportation Refunding Bonds:							
General Obligation Limited Tax:							
Amount of issue - \$973,000		\$163,000 -					
Maturing through 2025	1.08%	\$209,000	973,000	-	(163,000)	810,000	209,000
2021 Michigan Transportation Fund Bonds:							
General Obligation Limited Tax:							
Amount of issue - \$18,000,000		\$1,040,000 -					
Maturing through 2036	2.00%	\$1,375,000	18,000,000	-	(1,040,000)	16,960,000	1,060,000
Unamortized premium			702,899	-	(46,860)	656,039	-

June 30, 2022

Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
3.375% - 5.000%	\$825,000 - \$1,470,000	\$ -	\$ 16,850,000	\$ -	\$ 16,850,000	\$ 880,000
		-	1,036,153	-	1,036,153	-
		116,948,471	17,886,153	(6,264,421)	128,570,203	6,889,000
		118,579,864	17,886,153	(7,320,814)	129,145,203	7,464,000
		5,155,198	940,327	(986,424)	5,109,101	1,181,793
		\$ 123,735,062	\$ 18,826,480	\$ (8,307,238)	\$ 134,254,304	\$ 8,645,793

Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
2.50%	\$194,583 - \$269,613	\$ 2,417,447	\$ -	\$ (215,195)	\$ 2,202,252	\$ 220,967
2.50%	\$223,717 - \$322,923	3,641,225	-	(240,925)	3,400,300	245,987
2.50%	\$492,612 - \$676,150	8,351,024	-	(522,912)	7,828,112	533,302
2.50%	\$47,001 - \$65,802	680,719	-	(40,735)	639,984	40,735
2.50%	\$135,991 - \$207,871	2,620,726	-	(145,703)	2,475,023	149,589
2.00%	\$375,533 - \$525,438	774,555	-	-	774,555	375,533
		18,485,696	-	(1,165,470)	17,320,226	1,566,113

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
County drain contract obligations:							
2010 North Gratiot Interceptor Drainage District:							
Amount of issue - \$252,751	4.35% -	\$8,716 -					
Maturing through 2035	6.35%	\$14,526	\$ 164,850	\$ -	\$ (9,460)	\$ 155,390	\$ 9,758
2014A Sewer Lining Repairs:							
Amount of issue - \$1,649,117	2.00% -	\$68,381 -					
Maturing through 2034	3.125%	\$108,270	1,244,530	-	(72,940)	1,171,590	75,219
2015 North Gratiot Interceptor Drainage District Refunding Bonds:							
Amount of issue - \$2,087,205	3.50% -	\$85,779 -					
Maturing through 2033	5.00%	\$140,531	1,542,800	-	(118,630)	1,424,170	118,022
Unamortized premium on refunding			136,365	-	(11,364)	125,001	-
2017A MID Drainage District:							
Amount of issue - \$19,085,935	3.00% -	\$426,989 -					
Maturing through 2042	5.00%	\$1,261,919	17,384,328	-	(495,244)	16,889,084	519,055
Unamortized premium on refunding			2,755,147	-	(131,197)	2,623,950	-
2017A MID Drainage District Refunding:							
Amount of issue - \$18,532,248	3.00% -	\$687,570 -					
Maturing through 2035	5.00%	\$1,492,530	15,579,329	-	(796,575)	14,782,754	837,103
Unamortized premium on refunding			2,633,422	-	(188,101)	2,445,321	-
2019 OMID Drainage District Refunding:							
Amount of issue - \$743,703		\$45,348 -					
Maturing through 2030	1.85%	\$82,451	639,816	-	(60,188)	579,628	62,663
2019 OMID Drainage District Bonds:							
Amount of issue - \$2,502,606		\$230,787 -					
Maturing through 2025	1.55%	\$1,060,182	1,442,427	-	(495,231)	947,196	230,789
2020 MID Drainage District Refunding (Clintondale Pump Station):							
Amount of issue - \$4,942,287		\$336,210 -					
Maturing through 2031	5.00%	\$600,375	4,606,081	-	(360,225)	4,245,856	369,832
Unamortized premium on refunding			1,055,425	-	(105,542)	949,883	-
2020A Oakland-Macomb Interceptor Drain Drainage District LTGO:							
Amount of issue - \$15,432,144	2.00% -	\$262,979 -					
Maturing through 2040	5.00%	\$1,082,934	15,169,165	-	(376,261)	14,792,904	393,795
Unamortized premium on refunding			814,011	-	(40,701)	773,310	-
2021 LTGO Capital Improvement Bonds:							
Amount of issue - \$15,000,000	2.00% -	\$615,000 -					
Maturing through 2041	2.125%	\$900,000	15,000,000	-	(615,000)	14,385,000	630,000
Unamortized premium on refunding			371,660	-	(18,583)	353,077	-
2022 Capital Improvement Bonds:							
Amount of issue - \$12,270,000	3.75% -	\$400,000 -					
Maturing through 2042	5.00%	\$875,000	-	12,270,000	-	12,270,000	445,000
Unamortized premium on refunding			-	630,280	-	630,280	-
Total county drain contract obligations			80,539,356	12,900,280	(3,895,242)	89,544,394	3,691,236
Total direct borrowings and direct placements principal outstanding			99,025,052	12,900,280	(5,060,712)	106,864,620	5,257,349
Compensated absences			253,037	105,324	(107,703)	250,658	74,164
Total business-type activities long-term debt			\$ 99,278,089	\$ 13,005,604	\$ (5,168,415)	\$ 107,115,278	\$ 5,331,513

Note 9 - Long-term Debt (Continued)**General Obligation Bonds and Contracts**

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

Special Assessment Bonds

Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the City) are received.

Other Long-term Liabilities

Compensated absences attributable to the governmental activities will be liquidated primarily by the General and Water and Sewer funds. The claims and judgments liability will generally be liquidated through the City's internal service fund. That fund will finance the payment of those claims by charging the other funds based on management's assessment of the relative insurance risk that should be assumed by individual funds. The net pension liability and the net OPEB liability will be liquidated from the funds from which the individual employee salaries are paid, generally the General Fund and the Water and Sewer Fund.

Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities					Business-type Activities		
	Direct Borrowings and Direct Placements		Other Debt			Direct Borrowings and Direct Placements		
	Principal	Interest	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 575,000	\$ 11,500	\$ 6,889,000	\$ 4,151,442	\$ 11,626,942	\$ 5,257,349	\$ 3,475,420	\$ 8,732,769
2024	-	-	7,045,000	3,968,021	11,013,021	5,379,454	3,356,123	8,735,577
2025	-	-	7,305,000	3,679,532	10,984,532	5,197,926	3,163,188	8,361,114
2026	-	-	7,586,000	3,379,043	10,965,043	5,601,799	2,969,415	8,571,214
2027	-	-	7,690,000	3,066,315	10,756,315	5,551,716	2,757,824	8,309,540
2028-2032	-	-	41,470,000	10,872,963	52,342,963	30,242,726	10,333,193	40,575,919
2033-2037	-	-	39,355,000	4,350,274	43,705,274	25,254,484	4,912,980	30,167,464
2038-2042	-	-	4,350,000	183,050	4,533,050	16,478,344	1,669,205	18,147,549
Total	\$ 575,000	\$ 11,500	\$ 121,690,000	\$ 33,650,640	\$ 155,927,140	\$ 98,963,798	\$ 32,637,348	\$ 131,601,146

The Oakland-Macomb Interceptor Drainage District is a construction and rehabilitation project that began in 2010 and is projected to continue through 2022. The OMID Series 2010B bonds were issued as Federally Taxable Recovery Zone Economic Development Bonds and are eligible to recover tax credit payments from the United States Treasury equal to 45 percent of the interest payable on the bonds.

OMID was also approved for \$139 million of loans, of which debt \$16 million was federally forgiven and \$125 million will be loans from the Michigan State Revolving Fund Loan (SRF) (OMID Series 2010A \$26 million, OMID Series 2011A \$25 million, OMID Series 2013 \$65 million, and OMID Series 2014 \$9 million). During the year, the City had no SRF draws on this debt.

The OMID Series 2020A bonds were issued to fund construction and maintenance of the local drain system administered by the Oakland-Macomb Interceptor Drainage District.

Note 9 - Long-term Debt (Continued)

During 2016, the Macomb Interceptor Drain Drainage District (MIDD) was approved for \$3,675,000 of loans through the Michigan State Revolving Fund Loan Program, of which approximately \$1,151,500 was anticipated as the City's share. On this loan, \$917,293 of the City's share has been drawn to date, and no further draws are anticipated. The City's share of SRF funds drawn and payable at June 30, 2022 is \$639,983.

During 2020, the Macomb Interceptor Drain Drainage District was approved for \$26,000,000 of loans through the Michigan State Revolving Fund Loan Program (SRF), of which approximately \$8,036,105 was anticipated as the City's share. The City's share of the SRF funds drawn and payable at June 30, 2022 is \$774,555. In addition, a portion of construction costs was paid from advance funding received from other communities. The City has recognized its portion of those construction costs, in the amount of \$342,422, as funds due to other governmental units.

Bond Issuance

During 2022, the City issued \$16,850,000 in Michigan Transportation Bonds. The proceeds of these bonds were received to fund the construction and reconstruction of roads throughout the City.

During 2022, the City issued \$12,270,000 in Capital Improvement Bonds. The proceeds of these bonds were received to fund the replacement of water infrastructure, critical drain system repairs, and water meter replacements.

Note 10 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees.

The City participates in the Michigan Municipal Risk Management Authority (the "Authority") risk pool program for claims relating to liability, auto, and property loss. The program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that it uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City is self-funded for medical benefits and workers' compensation up to a retention amount at which the City's reinsurance coverage begins.

Property and Liability

Prior to participating in the Authority, the City purchased reinsurance through Arthur J. Gallagher and Company, an international insurance brokerage firm.

The City estimates, based on past experience, that \$760,704 will be paid for all claims reported to date and \$366,899 will be paid for claims incurred but not reported. The estimated liability for reported and incurred but not reported claims has been recorded in the self-insurance internal service fund. Changes in the estimated liability for the past two fiscal years are shown in table below.

Medical Claims and Short-term Disability

As of April 1, 1989, the City became self-insured for Blue Cross/Blue Shield-equivalent health care coverage. Under the program, the City was liable for claims up to a retention amount of \$250,000 per active and retired employee (including dependents) for the contract year ended June 30, 2022. At January 1, 1990, the City became self-insured for short-term disability.

June 30, 2022

Note 10 - Risk Management (Continued)

It is estimated, based on past experience, that \$8,566 will be paid for all claims reported to date and \$761,439 will be paid for claims incurred but not reported. This amount and all other transactions with respect to active employee medical and short-term disability claims are reflected in the self-insurance internal service fund. Retired employee medical claims are reflected in the Retiree Medical Benefits Trust. Changes in the estimated liability for the past two fiscal years are shown in table below.

Workers' Compensation

On July 1, 1992, the City became self-insured for workers' compensation claims. Under the program, the City was liable for the first \$400,000 of any occurrence for the contract year ended June 30, 2022. The City has purchased excess insurance to cover claims greater than \$400,000. At June 30, 2022, it was estimated, based on past experience, that \$131,195 will be paid in total for both claims reported to date and claims incurred but not reported. This estimated liability for claims reported to date has been recorded in the self-insurance internal service fund. Changes in the estimated liability for the past two fiscal years are shown in table below.

Changes in the estimated liabilities for the past two fiscal years were as follows:

	Property and Liability		Workers' Compensation		Self-insurance Internal Service Fund		Retiree Medical Benefits Trust	
	2022	2021	2022	2021	2022	2021	2022	2021
Estimated liability - Beginning of year	\$ 461,286	\$ 871,712	\$ 44,637	\$ 101,340	\$ 779,632	\$ 647,202	\$ 567,505	\$ 566,256
Estimated claims incurred, including changes in estimates	1,680,310	390,562	365,103	202,381	5,579,249	5,610,831	8,781,156	8,462,995
Claim payments	(1,013,993)	(800,988)	(278,545)	(259,084)	(5,588,876)	(5,478,401)	(8,717,697)	(8,461,746)
Estimated liability - End of year	<u>\$ 1,127,603</u>	<u>\$ 461,286</u>	<u>\$ 131,195</u>	<u>\$ 44,637</u>	<u>\$ 770,005</u>	<u>\$ 779,632</u>	<u>\$ 630,964</u>	<u>\$ 567,505</u>

Note 11 - Pension Plans**Plan Description**

The City of Sterling Heights, Michigan provides retirement benefits to employees who meet the eligibility requirements, including age and years of service. The benefits are provided through the General Employees' Retirement System, a single-employer plan administered by the General Employees' Pension Board, and Police and Fire Retirement System, a single-employer plan administered by the Police and Fire Pension Board.

General Employees' Retirement System

ERS provides pensions for certain active permanent full-time general employees of the City. Benefit terms have been established by contractual agreements between the City and the various employee union representation; amendments are subject to the same process. The plan is closed to new members.

Management of ERS is vested in the pension board, which consists of five members: two elected by plan members, one appointed by the City, the city treasurer, and the city finance director, who serves as an ex officio member.

Police and Fire Retirement System

PFRS provides pensions for all permanent full-time public safety employees of the City. Benefit terms under Act 345 have been established by contractual agreements between the City and the various employee union representation, and amendments are subject to the same process.

Management of PFRS is vested in the pension board, which consists of five members: two elected by plan members, two appointed by the City, and the city treasurer, who serves as an ex officio member.

June 30, 2022

Note 11 - Pension Plans (Continued)

The financial statements of each pension system are included in these financial statements as pension and other employee benefit trust funds (fiduciary funds). Separate statements are not available for these plans.

Benefits Provided

The General Employees' Retirement System and the Police and Fire Retirement System provide retirement, disability, and death benefits. Benefit terms are established by contractual agreements between the City and the various employee union representations and may be amended by the same process.

General Employees' Retirement System

Retirement benefits for general plan members are calculated in a range of 2.0 to 2.3 percent of the member's final best three of the last 10 years' average salary times the member's years of service. Under the point system (age plus years of service), members are eligible under 70, 75, or 80 points. Some members with 10 years of service are eligible to retire at age 60. Members may retire at any age after 30 years of service or at age 55 with 25 years of service.

All plan members are eligible for nonduty disability benefits after 10 years (5 for court ordinance and court clerical AFSCME employees) of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Workers' compensation claims offset benefits. Duty death before benefit eligibility for normal retirement provides 75.0 percent of the member's regular retirement benefit to the spouse with service credited from the date of death to age 60. Nonduty death provides the same benefit as regular retirement but is actuarially reduced in accordance with a 100.0 percent joint and survivor election. A member who leaves city service may withdraw his or her employee required contributions, plus any accumulated interest. General plan members are not eligible for annual cost of living increases subsequent to their retirement.

Police and Fire Retirement System

Retirement benefits for police and fire plan members are calculated in a range of 2.0 to 2.8 percent of the member's final best three of the last 10 years' average salary times the member's first 25 years of service plus 1.0 percent of average salary times the years of service exceeding 25. The maximum benefit is 75.0 percent of annual final compensation for police members and 70 points for fire members. Eligibility for normal retirement is 25 years of service, regardless of age.

All plan members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire or after 10 years of service for fire members hired after July 1, 1985. Duty disability retirement benefits are determined at 50.0 percent of average salary until service retirement conversion occurs at the earlier of age 55 or the date the member would have had at least 25 years of service. Workers' compensation claims offset benefits with the exception of lump-sum settlements. Nonduty disability prior to age 55 is 1.5 percent of annual final compensation times years of service until attaining age 55. Duty death before benefit eligibility for normal retirement provides a pension that is the greater of the amount paid by workers' compensation or the member's regular retirement benefit actuarially reduced with a 100.0 percent joint and survivor pension. Nonduty death provides the same benefit as regular retirement but is actuarially reduced with a 100.0 percent joint and survivor election. A member who leaves city service may withdraw his or her employee required contributions, plus any accumulated interest. Certain members hired prior to 1994 are eligible to receive annual cost of living increases subsequent to their retirement, which is payable annually on January 1 in the range of \$500 - \$800 per applicable member.

June 30, 2022

Note 11 - Pension Plans (Continued)**Employees Covered by Benefit Terms**

At the June 30, 2022 measurement date, the following members were covered by the benefit terms:

	General Employees' Retirement System	Police and Fire Retirement System
Inactive plan members or beneficiaries currently receiving benefits	361	405
Inactive plan members entitled to but not yet receiving benefits	18	32
Active plan members	64	239
Total employees covered by the plan	443	676

The General Employees' Retirement System remains closed to new members.

Contributions

State law requires public employers to make pension contributions in accordance with an actuarial valuation. The City hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the city charter, union contracts, and plan provisions. For the plan year ended June 30, 2022, the average active member contribution was approximately 8.4 percent of covered payroll for GERS and 9.4 percent for PFRS. The City's average contribution rate was 82.5 and 57.4 percent of covered payroll for GERS and PFRS, respectively.

Net Pension Liability

The City chooses a date for each pension plan to measure its net pension liability. This is based on the measurement date of each pension plan, which may be based on a comprehensive valuation as of that date or based on an earlier valuation that has used procedures to roll the information forward to the measurement date.

	General Employees' Retirement System	Police and Fire Retirement System
Measurement date used for the City's net pension liability	June 30, 2022	June 30, 2022
Based on a comprehensive actuarial valuation as of	June 30, 2022	June 30, 2022

June 30, 2022

Note 11 - Pension Plans (Continued)

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

General Employees' Retirement System

	Increase (Decrease)		
Changes in Net Pension Liability	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at July 1, 2021	\$ 146,105,246	\$ 125,747,503	\$ 20,357,743
Changes for the year:			
Service cost	857,788	-	857,788
Interest	10,192,021	-	10,192,021
Differences between expected and actual experience	1,750,581	-	1,750,581
Changes in assumptions	4,717,863	-	4,717,863
Contributions - Employer	-	4,533,280	(4,533,280)
Contributions - Employee	-	460,224	(460,224)
Net investment income	-	(17,574,042)	17,574,042
Benefit payments, including refunds	(11,909,081)	(11,909,081)	-
Net changes	5,609,172	(24,489,619)	30,098,791
Balance at June 30, 2022	\$ 151,714,418	\$ 101,257,884	\$ 50,456,534

The plan's fiduciary net position represents 66.7 percent of the total pension liability.

Police and Fire Retirement System

	Increase (Decrease)		
Changes in Net Pension Liability	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at July 1, 2021	\$ 372,059,121	\$ 267,892,453	\$ 104,166,668
Changes for the year:			
Service cost	5,249,370	-	5,249,370
Interest	26,322,454	-	26,322,454
Differences between expected and actual experience	(1,240,342)	-	(1,240,342)
Contributions - Employer	-	13,738,932	(13,738,932)
Contributions - Employee	-	2,244,516	(2,244,516)
Net investment income	-	(40,828,197)	40,828,197
Benefit payments, including refunds	(23,230,948)	(23,230,948)	-
Administrative expenses	-	(106,405)	106,405
Net changes	7,100,534	(48,182,102)	55,282,636
Balance at June 30, 2022	\$ 379,159,655	\$ 219,710,351	\$ 159,449,304

The plan's fiduciary net position represents 57.9 percent of the total pension liability.

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

For the year ended June 30, 2022, the City recognized pension expense of \$10,838,552 related to GERS and \$20,395,458 related to PFRS.

June 30, 2022

Note 11 - Pension Plans (Continued)

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	GERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 92,049	\$ -
Changes in assumptions	248,073	-
Net difference between projected and actual earnings on pension plan investments	10,542,052	-
Total	<u>\$ 10,882,174</u>	<u>\$ -</u>
	PFRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,665,392	\$ (1,593,245)
Changes in assumptions	1,809,379	(383,718)
Net difference between projected and actual earnings on pension plan investments	17,504,251	-
Total	<u>\$ 20,979,022</u>	<u>\$ (1,976,963)</u>

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

Years Ending June 30	GERS	PFRS	Total
2023	\$ 2,816,188	\$ 3,905,896	\$ 6,722,084
2024	2,037,816	2,382,783	4,420,599
2025	740,160	822,412	1,562,572
2026	5,288,010	11,890,968	17,178,978
Total	<u>\$ 10,882,174</u>	<u>\$ 19,002,059</u>	<u>\$ 29,884,233</u>

Actuarial Assumptions

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

	General Employees' Retirement System	Police and Fire Retirement System
Inflation	2.50%	2.25%
Salary increases (including inflation)	3.00 to 10.75%	3.00 to 20.10%
Investment rate of return (net of investment expenses)	7.15%	7.25%
Mortality rates	Pub-2010 Tables with MP-2021	Pub-2010 Tables with MP-2019

The actuarial assumptions used in the actuarial valuations are generally based on the results of periodic actuarial experience studies that encompass a five-year look-back window.

June 30, 2022

Note 11 - Pension Plans (Continued)**Discount Rate**

As shown below, the discount rate used to measure the total pension liability was determined after considering a projection of the cash flows to determine whether the future contributions (made at the current contribution rates) will be sufficient to allow the pension plans' fiduciary net position to make all projected future benefit payments of current active and inactive employees.

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

	General Employees' Retirement System	Police and Fire Retirement System
Assumed investment rate of return	7.15%	7.25%
Are contributions expected to be sufficient to allow fiduciary net position to pay future benefits?	Yes	Yes
Discount rate used to measure the total pension liability	7.15%	7.25%

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

The following presents the net pension liability of GERS and PFRS, calculated using the discount rate of 7.15 and 7.25 percent, respectively, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Discount Rate	1 Percentage Point Increase
Net pension liability of the General Employees' Retirement System (current discount rate - 7.15%)	\$ 65,839,244	\$ 50,456,534	\$ 37,380,887
Net pension liability of the Police and Fire Retirement System (current discount rate - 7.25%)	199,493,891	159,449,304	126,078,515

Assumption Changes

With respect to GERS, both the discount rate and investment rate of return decreased from 7.25 to 7.15 percent for the year ended June 30, 2022. The valuation also changed from using the RP-2014 tables (projected with scale MP-2016) to using the Pub-2010 tables (projected with scale MP-2021).

With respect to PFRS, there were no significant assumption changes for the year ended June 30, 2022.

Benefit Changes

With respect to GERS and PFRS, there were no significant benefit changes for the year ended June 30, 2022.

June 30, 2022

Note 11 - Pension Plans (Continued)**Investment Policy and Long-term Expected Real Investment Rate of Return**

The pension plans' policies in regard to the allocation of invested assets are established and may be amended by the pension boards by a majority vote of their members. It is the policy of the pension boards to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plans' investment policies discourage the use of cash equivalents, except for liquidity purposes, and aim to refrain from dramatically shifting asset class allocations over short time spans. The pension boards' adopted asset allocation policies as of June 30, 2022 and best estimates of arithmetic real rates of return as of the June 30, 2022 measurement date for each major asset class included in the pension plans' target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation - GERS	Long-term Expected Real Rate of Return - GERS	Target Allocation - PFRS	Long-term Expected Real Rate of Return - PFRS
Large-capitalization growth equities	7.70 %	5.29 %	8.40 %	5.29 %
Large-capitalization value equities	7.70	5.69	8.40	5.69
Large-capitalization core equities	7.60	5.49	8.20	5.49
Small-/Middle-capitalization equities	10.50	6.17	8.00	6.17
International equities	20.00	5.12	19.00	5.12
Emerging markets	7.50	7.21	9.00	7.21
Fixed income	3.00	0.79	15.00	0.79
Alternative investments	16.00	3.52	17.00	3.52
Real estate	20.00	4.17	7.00	4.17

Annual Money-weighted Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (14.34) and (15.29) percent for the General Employees' Retirement System and Police and Fire Retirement System, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Plan Reserves

In accordance with the city charter and code of ordinances, the following reserves are required to be set aside within the pension plans:

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

The employee reserves are credited as employee contributions are received throughout the year; the plans maintain a record of the amount contributed by each employee and credit interest annually at a rate of 2.0 percent. For any employee who terminates before vesting in the pension plans, his or her balance is returned to him or her; for those who stay until retirement, the balance is transferred into the retiree reserve.

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

June 30, 2022

Note 11 - Pension Plans (Continued)

The balances of the reserve accounts at June 30, 2022 are as follows:

	Required Reserve	Amount Funded
GERS		
Retiree reserve	\$ 122,431,316	\$ 94,703,681
Employee reserve	6,554,203	6,554,203
PFRS		
Retiree reserve	263,531,243	196,846,785
Employee reserve	22,863,566	22,863,566

Deferred Retirement Option Program (DROP)

The City offers certain employees the ability to continue services and be paid a salary after they are fully vested; this program credits the employee for benefit payments that would have been paid and pays them out with interest at 4.00 percent after the employee has fully retired (discontinued providing employee services to the City). At June 30, 2022, the plan has \$26,105,000 accumulated in DROP accounts.

Note 12 - Other Postemployment Benefit Plan**Plan Description**

The City provides OPEB for all employees who are members of the GERS and PFRS pension plans who meet eligibility requirements. The benefits are provided through the City of Sterling Heights Retiree Health Care Plan (the "Plan"), a single-employer defined benefit plan under Public Act 149 of 1999 administered by the City Investment Council. The plan is closed to new members.

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

Management of the Plan is vested in the investment committee, which consists of three members: the city treasurer, city finance director, and city clerk.

Benefits Provided

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

Benefit terms provide for annual cost of living adjustments to each employee's OPEB benefits subsequent to the employee's retirement date. The annual adjustments are one-half of the change in the Consumer Price Index, limited to a maximum increase in OPEB benefits of 2 percent for general employees and 3 percent for public safety employees.

The City Council has the sole authority to establish and amend the benefit terms.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	City of Sterling Heights Retiree Health Care Plan
Date of member count	December 31, 2020
Retirees and beneficiaries	648
Active and DROP members	465
Total members	1,113

June 30, 2022

Note 12 - Other Postemployment Benefit Plan (Continued)**Contributions**

A July 2000 City Council resolution grants the authority to establish and amend the contribution requirements of the City and plan members to the investment committee. The investment committee establishes contribution rates based on an actuarially determined rate per a funding valuation. For the year ended June 30, 2022, the City's contribution was \$9,299,990. DROP plan members are required to contribute 5 percent of gross wages.

Net OPEB Liability

The City has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability. The June 30, 2022 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2022 measurement date. The June 30, 2022 measurement date total OPEB liability was determined by an actuarial valuation performed as of December 31, 2020.

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2021	\$ 211,524,073	\$ 165,342,378	\$ 46,181,695
Changes for the year:			
Service cost	1,556,117	-	1,556,117
Interest	14,907,440	-	14,907,440
Differences between expected and actual experience	(2,936,786)	-	(2,936,786)
Changes in assumptions	2,921,151	-	2,921,151
Contributions - Employer	-	9,299,990	(9,299,990)
Contributions - Employee	-	279,572	(279,572)
Net investment income	-	(25,160,896)	25,160,896
Benefit payments, including refunds	(10,343,761)	(10,343,761)	-
Other	-	(110,844)	110,844
Net changes	6,104,161	(26,035,939)	32,140,100
Balance at June 30, 2022	\$ 217,628,234	\$ 139,306,439	\$ 78,321,795

The Plan's fiduciary net position represents 64.01 percent of the total OPEB liability.

June 30, 2022

Note 12 - Other Postemployment Benefit Plan (Continued)**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2022, the City recognized OPEB expense of \$3,822,114.

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (19,339,213)
Changes in assumptions	11,115,451	-
Net difference between projected and actual earnings on OPEB plan investments	13,988,706	-
Total	\$ 25,104,157	\$ (19,339,213)

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

Years Ending June 30	Amount
2023	\$ (129,287)
2024	(717,754)
2025	(810,380)
2026	7,422,365
Total	\$ 5,764,944

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using an inflation assumption of 2.60 percent; assumed salary increases (including inflation) of 3.00 to 20.10 percent; an investment rate of return (net of investment expenses) of 7.25 percent; a health care cost trend rate of 7.25 percent for 2022, decreasing 0.25 to 0.50 percent per year to an ultimate rate of 3.50 percent for 2032 and later years; and the Pub-2010 mortality tables with the MP-2021 improvement scale for general members and the Pub-2010 mortality tables with the MP-2019 improvement scale for police and fire members. These assumptions were applied to all periods included in the measurement.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the five-year period ended April 30, 2022 for general members and an experience study for the four-year period ended June 30, 2019 for police and fire members.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

June 30, 2022

Note 12 - Other Postemployment Benefit Plan (Continued)

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 7.25 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net OPEB liability of the City of Sterling Heights Retiree Health Care Plan	\$ 102,956,615	\$ 78,321,795	\$ 56,931,943

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

The following presents the net OPEB liability of the City, calculated using the health care cost trend rate of 7.25 percent to 3.50 percent, as well as what the City's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.25% to 2.50%)	Current Health Care Cost Trend Rate (7.25% to 3.50%)	1 Percentage Point Increase (8.25% to 4.50%)
Net OPEB liability of the City of Sterling Heights Retiree Health Care Plan	\$ 53,793,788	\$ 78,321,795	\$ 106,706,546

Assumption Changes

Changes in assumptions in 2022 reflect the effects of changes in the health care cost trend rates and mortality assumptions used. Health care cost trend rates were adjusted from an initial trend of 7.50 percent gradually decreasing to an ultimate trend rate of 3.50 percent to an initial trend of 7.25 percent gradually decreasing to an ultimate trend rate of 3.50 percent. For general members, the valuation changed from using the RP-2014 tables (projected with scale MP-2016) to using the Pub-2010 tables (projected with scale MP-2021). Mortality assumptions remained the same for police and fire members.

Investment Policy and Long-term Expected Real Investment Rate of Return

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the investment committee by a majority vote of its members. It is the policy of the investment committee to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The OPEB plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

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

June 30, 2022

Note 12 - Other Postemployment Benefit Plan (Continued)

The OPEB board's adopted asset allocation policies as of June 30, 2022 and best estimates of arithmetic real rates of return as of the June 30, 2022 measurement date for each major asset class included in the OPEB plans' target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large-capitalization equities	23.00 %	5.24 %
Small/Middle-capitalization equities	10.50	6.37
International equities	20.00	6.07
Emerging markets	7.50	8.02
Real estate	7.00	4.75
Fixed income	20.00	1.32
Hedge funds	3.00	3.31
Infrastructure	5.00	5.59
Private equity	4.00	9.81

Annual Money-weighted Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was (15.24) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 13 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	\$ 60,273

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Nonmajor governmental funds	\$ 12,994,780
Nonmajor governmental funds	Nonmajor governmental funds	4,017,904
	Total	<u>\$ 17,012,684</u>

June 30, 2022

Note 13 - Interfund Receivables, Payables, and Transfers (Continued)

The transfers from the General Fund to the nonmajor governmental funds represent unrestricted resources for operations and capital projects, restricted resources for debt service payments, and repair and replacement of roads. The transfers between the nonmajor governmental funds represent restricted resources for debt service payments.

Note 14 - Defined Contribution Pension Plan

The City provides pension benefits to all new general employees through a defined contribution plan administered by the City. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by City Council resolution, the City contributes 4.0 to 5.0 percent of employees' base wages, based on employee group, while the employees contribute a minimum of 5.0 percent of eligible wages to the employees' individual accounts. The City's contributions to the employees' accounts, including investment earnings, are fully vested after five years of service. In accordance with these requirements, the City contributed \$448,777 during the current year, and employees contributed \$614,022.

Note 15 - Contingent Liabilities

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

Note 16 - Tax Abatements

The City uses the industrial facilities tax exemption (PA 198 of 1974) to enter into agreements with local businesses to construct new industrial facilities or rehabilitate historical facilities. Under the program, the City grants reductions of 50 percent of the property tax bill for new property for up to 12 years.

For the fiscal year ended June 30, 2022, the City abated \$855,404 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

There are no significant abatements made by other governments that reduce the City's tax revenue.

Note 17 - Unrestricted Net Position

The following is a summary of the unrestricted net position of the water and sewer fund with management's designation:

	Enterprise Fund - Water and Sewer
Capital improvement	\$ 2,540,000
Undesignated	3,505,931
Total unrestricted net position	<u>\$ 6,045,931</u>

June 30, 2022

Note 18 - Pension and Other Employee Benefit Trust Funds

The following are financial statements for the individual pension plans and postemployment health care plan:

	General Employees' Retirement System	Police and Fire Retirement System	Retiree Medical Benefits	Total
Statement of Net Position				
Assets:				
Cash and cash equivalents	\$ 4,005,851	\$ 5,234,719	\$ 4,697,470	\$ 13,938,040
Investments:				
Government securities	8,253,550	16,345,124	10,353,864	34,952,538
Mutual funds	12,293,927	32,312,655	14,253,222	58,859,804
Common and preferred stocks	68,428,441	140,838,036	99,988,143	309,254,620
Corporate bonds	6,203,296	10,368,002	7,838,642	24,409,940
Private real estate	-	10,164,047	-	10,164,047
Hedge funds	2,178,087	4,737,340	2,885,966	9,801,393
Receivables - Other	11,690	-	495,122	506,812
Total assets	101,374,842	219,999,923	140,512,429	461,887,194
Liabilities:				
Accounts payable	(116,958)	(289,572)	(530,113)	(936,643)
Accrued and other liabilities	-	-	(44,913)	(44,913)
Provision for claims	-	-	(630,964)	(630,964)
Total liabilities	(116,958)	(289,572)	(1,205,990)	(1,612,520)
Net position - Restricted for pension and OPEB	<u>\$ 101,257,884</u>	<u>\$ 219,710,351</u>	<u>\$ 139,306,439</u>	<u>\$ 460,274,674</u>
Statement of Changes in Net Position				
Additions:				
Investment income (expense):				
Interest and dividends	\$ 3,591,643	\$ 6,885,205	\$ 4,161,105	\$ 14,637,953
Net decrease in fair value of investments	(20,473,374)	(46,028,705)	(28,382,999)	(94,885,078)
Investment-related expenses	(692,311)	(1,791,096)	(939,002)	(3,422,409)
Contributions:				
Employer contributions	4,533,280	13,738,932	9,299,990	27,572,202
Employee contributions	460,224	2,224,782	279,572	2,964,578
Purchase of prior year's service credits	-	19,734	-	19,734
Deductions:				
Benefit payments	(11,443,237)	(22,191,888)	(10,454,605)	(44,089,730)
Refunds of contributions	(465,844)	(1,039,060)	-	(1,504,904)
Net increase in net position	(24,489,619)	(48,182,096)	(26,035,939)	(98,707,654)
Net position - Restricted for pension and OPEB - Beginning of year	<u>125,747,503</u>	<u>267,892,447</u>	<u>165,342,378</u>	<u>558,982,328</u>
Net position - Restricted for pension and OPEB - End of year	<u>\$ 101,257,884</u>	<u>\$ 219,710,351</u>	<u>\$ 139,306,439</u>	<u>\$ 460,274,674</u>

Note 19 - Leases

The City leases certain assets to various third parties. The assets leased include land for the use of cell towers. Payments are generally adjusted annually for periodic escalation clauses.

Note 19 - Leases (Continued)

During the year ended June 30, 2022, the City recognized the following related to its lessor agreements:

Lease revenue	\$	275,336
Interest income related to its leases		62,804

APPENDIX I

CHARTER TOWNSHIP OF HARRISON ANNUAL FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2022

This Appendix contains the basic financial statements (excluding supplemental financial information) and related notes for the Township's fiscal year ended December 31, 2022. The auditor was not requested to examine or review and therefore has not examined or reviewed any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Bonds and, accordingly, has not conducted any post-audit review procedures and will not express any opinion with respect to the accuracy or completeness of such financial documents, statements or materials.

The supplemental financial information for the fiscal year ended December 31, 2022, is available on the State of Michigan Local Government Document Search Site by searching for the Township at:

<https://treas-secure.state.mi.us/DocumentSearch>

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Management's Discussion and Analysis

As management of the Charter Township of Harrison, Michigan (the "Township"), 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, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

· Primary government total net position	\$ 5,130,849
· Change in primary government total net position	6,371,284
· Fund balances, governmental funds	5,523,690
· Change in fund balances, governmental funds	1,350,700
· Unassigned fund balance, general fund	3,602,256
· Change in fund balance, general fund	464,873
· Installment debt outstanding	16,975,022
· Change in installment debt	(63,317)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to 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 information on all of the Township's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the remaining amount 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 government'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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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, planning and zoning, community and economic development, and culture and recreation. The business-type activities of the Township are water and sewer and refuse collection.

The government-wide financial statements include not only the Township itself (known as the primary government), but also legally separate entities for which the Township is financially accountable. Financial information for the discretely presented component units is reported separately from the financial information presented for the primary government itself.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Management's Discussion and Analysis

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, proprietary, 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 evaluating 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 numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, the fire special revenue fund, the police special revenue fund, the ARPA local fiscal recovery special revenue fund, and the special assessments revolving capital projects fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. The combining statements referred to earlier in connection with nonmajor funds are presented immediately following the required supplementary information.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements or schedules have been provided for these funds to demonstrate compliance with the budgets.

Proprietary Funds. The Township has only one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The Township uses an enterprise fund to account for its combined water and sewer operations, which is considered to be a major fund of the Township. The Township also reports its refuse operations in a nonmajor enterprise fund.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected 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.

Notes to the Financial Statements. The notes provide additional information that is essential to 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 certain *required supplementary information*. This is limited to the management's discussion and analysis and schedules concerning the Township's progress in funding its obligation to provide pension and other postemployment benefits to certain employees.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Management's Discussion and Analysis

Government-wide Financial Analysis

As previously stated, net position may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5.1 million at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 20,512,645	\$ 17,139,504	\$ 10,198,449	\$ 9,682,769	\$ 30,711,094	\$ 26,822,273
Capital assets, net	16,246,147	15,094,452	34,198,752	34,714,577	50,444,899	49,809,029
Total assets	<u>36,758,792</u>	<u>32,233,956</u>	<u>44,397,201</u>	<u>44,397,346</u>	<u>81,155,993</u>	<u>76,631,302</u>
Deferred outflows of resources	<u>4,943,484</u>	<u>1,297,678</u>	<u>698,629</u>	<u>389,241</u>	<u>5,642,113</u>	<u>1,686,919</u>
Liabilities						
Current liabilities	3,451,970	2,458,123	1,335,762	1,067,959	4,787,732	3,526,082
Long-term debt	4,321,640	3,892,923	14,377,236	15,047,775	18,698,876	18,940,698
Other noncurrent liabilities	36,635,016	33,854,149	9,088,209	8,651,873	45,723,225	42,506,022
Total liabilities	<u>44,408,626</u>	<u>40,205,195</u>	<u>24,801,207</u>	<u>24,767,607</u>	<u>69,209,833</u>	<u>64,972,802</u>
Deferred inflows of resources	<u>11,483,740</u>	<u>13,139,926</u>	<u>973,684</u>	<u>1,445,928</u>	<u>12,457,424</u>	<u>14,585,854</u>
Net position						
Net investment in capital assets	12,859,021	12,554,542	19,838,140	19,549,663	32,697,161	32,104,205
Restricted	1,677,705	606,015	-	-	1,677,705	606,015
Unrestricted (deficit)	<u>(28,726,816)</u>	<u>(32,974,044)</u>	<u>(517,201)</u>	<u>(976,611)</u>	<u>(29,244,017)</u>	<u>(33,950,655)</u>
Total net position	<u>\$ (14,190,090)</u>	<u>\$ (19,813,487)</u>	<u>\$ 19,320,939</u>	<u>\$ 18,573,052</u>	<u>\$ 5,130,849</u>	<u>\$ (1,240,435)</u>

The largest portion of the Township's net position (\$32.7 million) reflects its investment in capital assets (e.g., land and easements, construction in progress, buildings and improvements, infrastructure including water and sewer lines, and machinery and equipment) less any related debt used to acquire those assets that are still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net position (\$1.7 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (deficit of \$29.2 million) may be used to meet the government's ongoing obligations.

Governmental activities revenues increased by approximately 16.7% from the prior year, largely due to an increase in taxable value tax collection, grant revenue from the fiscal recovery fund and community development block grants, and an increase in state revenue sharing funds.

Governmental activities expenses increased by approximately 9.6% from the prior year. The Township's routine operating expenditures actually increased during the year largely due to resuming back to normal operations from prior year. An increase in labor, fringe benefits, contractual services, supplies and materials have all contributed in the escalation of expenses. Governmental activities expense also included an increase in the Township's net pension and OPEB liabilities which are recorded in operating expense.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Management's Discussion and Analysis

Business-type activities revenues were consistent year to year increasing only 0.7% from the prior year. The increase was primarily driven by a slight increase in charges for services in the water and sewer fund.

Business-type activities expenses decreased by approximately 2.2% from the prior year, largely due to increased cost related to water and sewer and the Township's discretionary contribution to the retiree health care and life insurance fund in 2022 .

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues:						
Charges for services	\$ 2,467,722	\$ 2,681,382	\$ 10,774,200	\$ 10,740,342	\$ 13,241,922	\$ 13,421,724
Grants/contributions:						
Operating	1,239,918	280,840	-	-	1,239,918	280,840
Capital	-	-	1,423,216	1,385,221	1,423,216	1,385,221
General revenues:						
Property taxes	10,223,858	8,709,738	-	-	10,223,858	8,709,738
State shared revenue	2,813,987	2,654,380	-	-	2,813,987	2,654,380
Unrestricted investment earnings	98,437	135,451	52,218	62,706	150,655	198,157
Miscellaneous	311,974	221,536	15,000	-	326,974	221,536
Gain on sale of capital assets	2,553	23,015	-	2,455	2,553	25,470
Total revenues	17,158,449	14,706,342	12,264,634	12,190,724	29,423,083	26,897,066
Expenses						
General government	448,725	1,563,994	-	-	448,725	1,563,994
Public safety	8,849,402	7,975,715	-	-	8,849,402	7,975,715
Public works	842,272	425,815	-	-	842,272	425,815
Planning and zoning	485,030	-	-	-	485,030	-
Community and econ dev	593,109	487,346	-	-	593,109	487,346
Culture and recreation	259,051	15,560	-	-	259,051	15,560
Interest on long-term debt	57,463	53,266	-	-	57,463	53,266
Water and sewer	-	-	10,322,677	10,609,162	10,322,677	10,609,162
Refuse collection	-	-	1,194,070	1,162,392	1,194,070	1,162,392
Total expenses	11,535,052	10,521,696	11,516,747	11,771,554	23,051,799	22,293,250
Change in net position, before transfers	5,623,397	4,184,646	747,887	419,170	6,371,284	4,603,816
Transfers	-	(100,000)	-	100,000	-	-
Change in net position	5,623,397	4,084,646	747,887	519,170	6,371,284	4,603,816
Net position - Beginning of year	(19,813,487)	(23,898,133)	18,573,052	18,053,882	(1,240,435)	(5,844,251)
End of year	\$ (14,190,090)	\$ (19,813,487)	\$ 19,320,939	\$ 18,573,052	\$ 5,130,849	\$ (1,240,435)

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Management's Discussion and Analysis

Financial Analysis of the Township's 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 spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$5.5 million, an increase of \$1.4 million from the prior year. Approximately 54.2% of this total amount (or \$3.0 million) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted, or committed to indicate that it is not available for new spending.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, the total fund balance of the general fund was \$3.6 million, of which 98.7% was unassigned. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents 97.2% of total general fund expenditures and transfers out. Overall, the fund balance of the general fund increased by \$464,873 for the year, resulting in the actual increase in fund balance exceeding the budgeted change by \$192,255.

Other factors affecting the general fund financial results for the year include:

- Total general fund revenues increased approximately 13.2% compared to the prior year. This is largely due to an increase in State Revenue Sharing, earned interest due to rising interest rates, and the sale of Township property that was previously redeemed from the County.
- Total general fund expenditures increased approximately 8.9% compared to the prior year. This is largely due to an increase in overall labor and fringe cost and the Township's discretionary contribution to the Retiree Health Care fund in 2022.
- The Township transferred \$316,337 to the other funds to support government operations.

The fire special revenue fund had an ending fund balance of \$660,334. This balance is an increase from the previous year of \$29,589. This increase is largely due to the decrease in capital expenditures in 2022.

The police special revenue fund had an ending fund balance of \$361,219. This balance is an increase from the previous year of \$51,984. This increase is largely due to an increase the total amount of taxes collected in 2022.

The ARPA local fiscal recovery fund had an ending fund balance of \$13,834. This balance is an increase from the previous year of \$13,761. This increase is largely due to interest and investment earnings on the Township's investment of the unexpended fiscal recovery fund allocation.

The special assessments revolving capital projects fund had an ending fund balance deficit of \$167,832. This balance is an increase from the previous year deficit of \$1,233,054. This increase is largely due to bond proceeds from the issuance of new debt.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Management's Discussion and Analysis

General Fund Budgetary Highlights

The Township takes an active role in monitoring all departmental needs and budget requests throughout the fiscal year. The Township will continue to find ways to reduce costs and still provide the essential services to constituents.

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget	Percentage Over (Under) Final Budget
Revenues	\$ 3,786,611	\$ 4,187,190	\$ 4,169,501	\$ (17,689)	-0.42%
Expenditures	3,484,083	3,604,601	3,388,291	(216,310)	-6.00%
Other financing uses	(302,528)	(309,971)	(316,337)	6,366	2.05%

Budget amendments of \$400,579 were made to increase revenues. These amendments were made as a result of larger than expected State of Michigan Revenue Sharing Payments.

Budget amendments of \$120,518 were made to increase expenditures. These amendments were made primarily due to increases in cost related to one time OPEB contribution.

Budget amendments of \$7,443 were made to increase transfers out. These amendments were made primarily due to transfers required to cover deficits in the building inspection and grants funds.

Actual revenues were less than the final budgeted amount by \$17,689. This represents a variance of less than 1% against the final budgeted amounts and is the result of careful budgeting by Township management.

Actual expenditures were less than budgeted amounts by \$216,310. This was the result of careful budgeting and expenditure control by Township management.

Actual transfers out were fairly consistent with the final budgeted amount, with actual more than budgeted amounts by \$6,366 or approximately 2% of the final budget.

Capital Asset and Debt Administration

Capital Assets. At the end of 2022, the Township had \$50.4 million invested in a broad range of net capital assets including land and easements, construction in progress, buildings and improvements, infrastructure, machinery and equipment, and leased assets.

	Capital Assets (Net of Depreciation/Amortization)					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land and easements	\$ 2,661,950	\$ 2,668,058	\$ 518,455	\$ 518,455	\$ 3,180,405	\$ 3,186,513
Construction in progress	1,265,343	689,999	3,836,248	3,734,384	5,101,591	4,424,383
Buildings/improvements	2,742,251	2,899,428	173,924	187,446	2,916,175	3,086,874
Water mains and lines	-	-	6,693,407	6,957,919	6,693,407	6,957,919
Sewer mains and lines	-	-	8,106,188	7,906,500	8,106,188	7,906,500
Infrastructure	6,692,677	6,334,183	14,180,104	14,625,860	20,872,781	20,960,043
Machinery and equipment	2,786,010	2,408,836	586,393	645,303	3,372,403	3,054,139
Leased assets - vehicles	97,916	93,948	104,033	138,710	201,949	232,658
Total capital assets, net	\$ 16,246,147	\$ 15,094,452	\$ 34,198,752	\$ 34,714,577	\$ 50,444,899	\$ 49,809,029

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Management's Discussion and Analysis

Major capital asset purchases during the current fiscal year included:

- Two fire trucks
- Fire rescue raft boat
- Cable TV equipment

Additional information on the Township's capital asset activity may be found in Note 5 of the notes to the financial statements.

Long-term Debt. At the end of the current year, the Township had total long-term debt (excluding compensated absences, leases payable and unamortized premiums) outstanding of \$17,079,393 which is backed by the full faith and credit of the government.

	Outstanding Debt					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
General obligation bonds	\$ 3,694,878	\$ 3,072,482	\$ -	\$ -	\$ 3,694,878	\$ 3,072,482
Financed purchase agreements	104,371	147,885	-	-	104,371	147,885
Revenue bonds	-	-	13,280,144	13,965,857	13,280,144	13,965,857
Total outstanding debt	\$ 3,799,249	\$ 3,220,367	\$ 13,280,144	\$ 13,965,857	\$ 17,079,393	\$ 17,186,224

Additional information on the Township's long-term debt activity can be found in Note 8 of the notes to the financial statements.

Economic Factors and Next Year's Budget and Rates

The Township's expenditure budget for next fiscal year is \$3.7 million. Revenues are budgeted to be \$3.9 million. Significant factors considered while developing the 2023 fiscal year budget include:

- State revenue sharing increases.
- Planned capital projects by the Township.
- The general economic outlook and condition of the Township's finances.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. Questions concerning any of the information should be addressed to the Township Accounting Department, 38151 L'Anse Creuse, Harrison Township, MI 48045.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Statement of Net Position December 31, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 8,085,483	\$ 6,210,780	\$ 14,296,263	\$ 1,678,995
Receivables	11,838,419	3,836,679	15,675,098	819,060
Internal balances	52,481	(52,481)	-	-
Other assets	536,262	203,471	739,733	10,750
Capital assets not being depreciated	3,927,293	4,354,703	8,281,996	-
Capital assets being depreciated/amortized, net	12,318,854	29,844,049	42,162,903	109,284
Total assets	36,758,792	44,397,201	81,155,993	2,618,089
Deferred outflows of resources				
Deferred pension amounts	4,170,827	312,300	4,483,127	-
Deferred other postemployment benefit amounts	772,657	386,329	1,158,986	-
Total deferred outflows of resources	4,943,484	698,629	5,642,113	-
Liabilities				
Accounts payable and accrued liabilities	1,361,791	1,268,601	2,630,392	18,365
Unearned revenue	2,090,179	67,161	2,157,340	-
Bonds, notes and other long-term liabilities:				
Due within one year	407,801	909,863	1,317,664	-
Due in more than one year	3,913,839	13,467,373	17,381,212	-
Other liabilities, due in more than one year:				
Net pension liability	21,873,925	1,707,664	23,581,589	-
Net other postemployment benefit liability	14,761,091	7,380,545	22,141,636	-
Total liabilities	44,408,626	24,801,207	69,209,833	18,365
Deferred inflows of resources				
Deferred pension amounts	42,935	10,039	52,974	-
Deferred other postemployment benefit amounts	1,927,289	963,645	2,890,934	-
Taxes levied but intended for subsequent period	9,513,516	-	9,513,516	926,685
Total deferred inflows of resources	11,483,740	973,684	12,457,424	926,685
Net position				
Net investment in capital assets	12,859,021	19,838,140	32,697,161	109,284
Restricted for:				
Public safety	1,065,168	-	1,065,168	-
Grants	56,959	-	56,959	-
Debt service	244,509	-	244,509	-
Opioid	311,069	-	-	-
Special assessments	1,699,860	-	-	-
Unrestricted (deficit)	(30,426,676)	(517,201)	(28,932,948)	1,563,755
Total net position	\$ (14,190,090)	\$ 19,320,939	\$ 5,130,849	\$ 1,673,039

The accompanying notes are an integral part of these basic financial statements.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Statement of Activities For the Year Ended December 31, 2022

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 448,725	\$ 662,389	\$ 703,847	\$ -	\$ 917,511
Public safety	8,849,402	1,432,782	114,718	-	(7,301,902)
Public works	842,272	280,156	-	-	(562,116)
Planning and zoning	485,030	56,603	-	-	(428,427)
Community and economic development	593,109	-	403,585	-	(189,524)
Culture and recreation	259,051	35,792	17,768	-	(205,491)
Interest on long-term debt	57,463	-	-	-	(57,463)
Total governmental activities	11,535,052	2,467,722	1,239,918	-	(7,827,412)
Business-type activities:					
Water and sewer	10,322,677	9,514,151	-	1,423,216	614,690
Refuse collection	1,194,070	1,260,049	-	-	65,979
Total business-type activities	11,516,747	10,774,200	-	1,423,216	680,669
Total primary government	\$ 23,051,799	\$ 13,241,922	\$ 1,239,918	\$ 1,423,216	\$ (7,146,743)
Component units					
Downtown Development Authority	\$ 6,094	-	-	-	(6,094)
Economic Development Corporation	14,172	-	23,021	-	8,849
Library	424,461	4,021	28,942	-	(391,498)
Total Component Units	\$ 444,727	\$ 4,021	\$ 51,963	\$ -	\$ (388,743)

continued...

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Statement of Activities For the Year Ended December 31, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net expense	\$ (7,827,412)	\$ 680,669	\$ (7,146,743)	\$ (388,743)
General revenues:				
Property taxes	10,223,858	-	10,223,858	559,080
Unrestricted state shared revenue	2,813,987	-	2,813,987	-
Unrestricted investment earnings	98,437	52,218	150,655	9,451
Miscellaneous	311,974	15,000	326,974	16,823
Gain on sale of capital assets	2,553	-	2,553	-
Total general revenues	13,450,809	67,218	13,518,027	585,354
Change in net position	5,623,397	747,887	6,371,284	196,611
Net position, beginning of year	(19,813,487)	18,573,052	(1,240,435)	1,476,428
Net position, end of year	\$ (14,190,090)	\$ 19,320,939	\$ 5,130,849	\$ 1,673,039

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The accompanying notes are an integral part of these basic financial statements.

FUND FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Balance Sheet Governmental Funds December 31, 2022

	Special Revenue				Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
	General	Fire	Police	ARPA Local Fiscal Recovery	Special Assessments Revolving		
Assets							
Cash and cash equivalents	\$ 2,451,307	\$ 1,619,273	\$ 669,796	\$ 2,219,170	\$ 330,554	\$ 1,397,669	\$ 8,687,769
Receivables:							
Accounts	187,334	112,006	-	-	-	311,069	610,409
Special assessments	-	-	-	-	2,019,308	-	2,019,308
Taxes	-	6,087,313	2,252,759	-	-	-	8,340,072
Due from other governments	461,646	23,932	8,849	-	-	374,203	868,630
Advances to other funds	574,641	-	-	-	-	-	574,641
Due from other funds	153,848	-	-	-	-	583,472	737,320
Prepaid items	47,006	42,504	-	-	441,646	5,106	536,262
Total assets	\$ 3,875,782	\$ 7,885,028	\$ 2,931,404	\$ 2,219,170	\$ 2,791,508	\$ 2,671,519	\$ 22,374,411
Liabilities							
Accounts payable	\$ 62,143	\$ 48,282	\$ -	\$ 173,569	\$ -	\$ 310,176	\$ 594,170
Negative equity in pooled cash	-	-	-	-	-	602,286	602,286
Accrued liabilities	69,177	192,374	-	-	-	26,575	288,126
Due to other funds	-	-	-	-	684,839	-	684,839
Advances from other funds	-	-	-	-	574,641	-	574,641
Escrow payable	95,200	38,851	-	-	-	327,016	461,067
Unearned revenue	-	134	-	2,031,767	-	58,278	2,090,179
Total liabilities	226,520	279,641	-	2,205,336	1,259,480	1,324,331	5,295,308
Deferred inflows of resources							
Unavailable revenue -							
Special assessments	-	-	-	-	1,699,860	-	1,699,860
Opioid settlement	-	-	-	-	-	311,069	311,069
Other	-	-	1,722	-	-	29,246	30,968
Taxes levied but intended for subsequent period	-	6,945,053	2,568,463	-	-	-	9,513,516
Total deferred inflows of resources	-	6,945,053	2,570,185	-	1,699,860	340,315	11,555,413
Fund balances							
Nonspendable - prepaid items	47,006	42,504	-	-	441,646	5,106	536,262
Restricted for:							
Public safety	-	617,830	361,219	-	-	39,164	1,018,213
Grants	-	-	-	13,834	-	11,502	25,336
Debt service	-	-	-	-	-	262,937	262,937
Capital improvements	-	-	-	-	-	509,975	509,975
Committed for:							
Capital projects	-	-	-	-	-	158,004	158,004
Culture and recreation	-	-	-	-	-	20,185	20,185
Unassigned (deficit)	3,602,256	-	-	-	(609,478)	-	2,992,778
Total fund balances	3,649,262	660,334	361,219	13,834	(167,832)	1,006,873	5,523,690
Total liabilities, deferred inflows of resources and fund balances	\$ 3,875,782	\$ 7,885,028	\$ 2,931,404	\$ 2,219,170	\$ 2,791,508	\$ 2,671,519	\$ 22,374,411

The accompanying notes are an integral part of these basic financial statements.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds to Net Position of
Governmental Activities
December 31, 2022

Fund balances - total governmental funds \$ 5,523,690

Amounts reported for *governmental activities* in the statement of
net position are different because:

Capital assets used in governmental activities are not financial resources,
and therefore are not reported in the fund statement.

Capital assets not being depreciated 3,927,293
Capital assets being depreciated/amortized, net 12,318,854

The focus of governmental funds is on short-term financing. Accordingly, some
assets will not be available to pay for current-period expenditures. Those
assets (such as certain receivables) are offset by deferred inflows of resources
in the governmental funds, and thus are not included in fund balance.

Special assessments 1,699,860
Opioid settlement 311,069
Other revenue 30,968

Certain liabilities, such as bonds payable, are not due and payable
in the current period, and therefore are not reported in the funds.

General obligation bonds, financed purchase agreements and lease payable (3,897,101)
Accrued interest on bond and financed purchase agreements (18,428)
Compensated absences (424,539)

Certain pension and other postemployment benefit-related amounts, such as the
net pension and other postemployment benefit liabilities and deferred amounts
are not due and payable in the current period or do not represent current financial
resources and therefore are not reported in the funds.

Net pension liability (21,873,925)
Deferred outflows related to the net pension liability 4,170,827
Deferred inflows related to the net pension liability (42,935)
Net other postemployment benefit liability (14,761,091)
Deferred outflows related to the net other postemployment benefit liability 772,657
Deferred inflows related to the net other postemployment benefit liability (1,927,289)

Net position of governmental activities \$ (14,190,090)

The accompanying notes are an integral part of these basic financial statements.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds
For the Year Ended December 31, 2022

	Special Revenue				Capital Projects		
	General	Fire	Police	ARPA Local Fiscal Recovery	Special Assessments Revolving	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Taxes and special assessments	\$ -	\$ 6,526,138	\$ 2,394,947	\$ -	\$ 991,180	\$ 186	\$ 9,912,451
Licenses and permits	207,942	63,310	-	-	-	516,324	787,576
Intergovernmental	2,832,098	43,803	7,127	593,034	-	414,149	3,890,211
Charges for services	522,600	544,040	-	-	-	166,243	1,232,883
Fines and forfeitures	1,850	-	-	-	-	-	1,850
Franchise fees	444,696	-	-	-	-	-	444,696
Investment income	142	-	39	-	-	-	181
Interest income	78,025	-	1,077	13,760	-	5,208	98,070
Other	82,148	32,819	-	-	-	19,381	134,348
Total revenues	<u>4,169,501</u>	<u>7,210,110</u>	<u>2,403,190</u>	<u>606,794</u>	<u>991,180</u>	<u>1,121,491</u>	<u>16,502,266</u>
Expenditures							
Current:							
General government	2,967,220	-	-	108,726	-	915	3,076,861
Public safety	-	6,919,952	2,351,098	-	-	780,837	10,051,887
Public works	27,714	-	-	-	24,970	-	52,684
Planning and zoning	304,822	-	-	-	-	-	304,822
Community and economic development	-	-	-	-	-	534,755	534,755
Culture and recreation	52,237	-	-	-	-	9,323	61,560
Debt service:							
Principal	2,687	58,750	-	-	-	276,771	338,208
Interest and fiscal charges	4,603	2,866	-	-	-	49,994	57,463
Bond issuance costs	-	-	-	-	20,978	-	20,978
Capital outlay	29,008	31,738	108	484,307	768,610	268,232	1,582,003
Total expenditures	<u>3,388,291</u>	<u>7,013,306</u>	<u>2,351,206</u>	<u>593,033</u>	<u>814,558</u>	<u>1,920,827</u>	<u>16,081,221</u>
Revenues over (under) expenditures	<u>781,210</u>	<u>196,804</u>	<u>51,984</u>	<u>13,761</u>	<u>176,622</u>	<u>(799,336)</u>	<u>421,045</u>
Other financing sources (uses)							
Proceeds from sale of capital assets	-	8,661	-	-	-	-	8,661
Proceeds from issuance of bonds and leases	-	32,394	-	-	888,600	-	920,994
Transfers in	-	-	-	-	-	524,607	524,607
Transfers out	(316,337)	(208,270)	-	-	-	-	(524,607)
Total other financing sources (uses)	<u>(316,337)</u>	<u>(167,215)</u>	<u>-</u>	<u>-</u>	<u>888,600</u>	<u>524,607</u>	<u>929,655</u>
Net change in fund balances	<u>464,873</u>	<u>29,589</u>	<u>51,984</u>	<u>13,761</u>	<u>1,065,222</u>	<u>(274,729)</u>	<u>1,350,700</u>
Fund balances (deficit), beginning of year	<u>3,184,389</u>	<u>630,745</u>	<u>309,235</u>	<u>73</u>	<u>(1,233,054)</u>	<u>1,281,602</u>	<u>4,172,990</u>
Fund balances (deficit), end of year	<u>\$ 3,649,262</u>	<u>\$ 660,334</u>	<u>\$ 361,219</u>	<u>\$ 13,834</u>	<u>\$ (167,832)</u>	<u>\$ 1,006,873</u>	<u>\$ 5,523,690</u>

The accompanying notes are an integral part of these basic financial statements.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Reconciliation

Net Change in Fund Balances of Governmental Funds to
Change in Net Position of Governmental Activities
For the Year Ended December 31, 2022

Net change in fund balances - total governmental funds \$ 1,350,700

Amounts reported for *governmental activities* in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Change in special assessments receivable	311,593
Change in unavailable revenue for opioid settlement and other sources	342,037

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets purchased/constructed and reclassified	1,723,513
Depreciation/amortization expense	(775,828)
Proceeds from sale of capital assets	(8,661)
Gain on sale of capital assets	2,553

Bond and other debt proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds and other debt increases long-term liabilities in the statement of net position. Repayment of bond and other debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Issuance of long-term debt and other liabilities	(920,994)
Principal payments on long-term debt, notes and other long-term liabilities	338,208

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 governmental funds.

Change in accrued interest payable on bond and other debt	(9,932)
Change in the net pension liability and related deferred amounts	(2,408,052)
Change in net other postemployment benefit liability and related deferred amounts	5,430,245
Change in the accrual for compensated absences	248,015

Change in net position of governmental activities \$ 5,623,397

The accompanying notes are an integral part of these basic financial statements.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund
For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Licenses and permits	\$ 318,000	\$ 204,800	\$ 207,942	\$ 3,142
Intergovernmental	2,375,418	2,781,734	2,832,098	50,364
Charges for services	514,635	517,970	522,600	4,630
Fines and forfeitures	2,000	1,750	1,850	100
Franchise fees	480,043	443,342	444,696	1,354
Investment income	-	663	142	(521)
Interest income	26,148	63,101	78,025	14,924
Other	70,367	173,830	82,148	(91,682)
Total revenues	<u>3,786,611</u>	<u>4,187,190</u>	<u>4,169,501</u>	<u>(17,689)</u>
Expenditures				
Current:				
General government:				
Township board	43,907	40,907	40,907	-
Township supervisor	210,751	212,221	211,778	(443)
Elections	171,034	160,149	151,150	(8,999)
Finance	369,554	370,247	360,631	(9,616)
Assessor	316,770	317,870	316,627	(1,243)
Township clerk	280,335	284,835	284,384	(451)
Cable TV committee	15,771	10,371	9,288	(1,083)
Administration	790,519	932,402	814,943	(117,459)
Township treasurer	424,340	430,590	425,108	(5,482)
Building and grounds	332,838	358,938	352,404	(6,534)
Total general government	<u>2,955,819</u>	<u>3,118,530</u>	<u>2,967,220</u>	<u>(151,310)</u>
Public works	<u>51,000</u>	<u>36,206</u>	<u>27,714</u>	<u>(8,492)</u>

continued...

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund
For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Planning and zoning:				
Planning commission	\$ 101,611	\$ 97,011	\$ 96,096	\$ (915)
Zoning board of appeals	76,509	76,281	72,500	(3,781)
Ordinances	165,308	162,308	136,226	(26,082)
Total planning and zoning	343,428	335,600	304,822	(30,778)
Culture and recreation:				
Parks and recreation	40,546	44,546	39,858	(4,688)
Beautification committee	14,000	14,000	12,379	(1,621)
Total culture and recreation	54,546	58,546	52,237	(6,309)
Debt service:				
Principal	2,687	2,687	2,687	-
Interest and fiscal charges	4,603	4,603	4,603	-
Total debt service	7,290	7,290	7,290	-
Capital outlay	72,000	48,429	29,008	(19,421)
Total expenditures	3,484,083	3,604,601	3,388,291	(216,310)
Revenues over expenditures	302,528	582,589	781,210	198,621
Other financing uses				
Transfers out	(302,528)	(309,971)	(316,337)	6,366
Net change in fund balance	-	272,618	464,873	192,255
Fund balance, beginning of year	3,184,389	3,184,389	3,184,389	-
Fund balance, end of year	\$ 3,184,389	\$ 3,457,007	\$ 3,649,262	\$ 192,255

concluded.

The accompanying notes are an integral part of these basic financial statements.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Fire Special Revenue Fund
For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes and special assessments	\$ 6,541,687	\$ 6,526,114	\$ 6,526,138	\$ 24
Licenses and permits	32,000	66,000	63,310	(2,690)
Intergovernmental	28,000	23,283	43,803	20,520
Charges for services	590,000	550,181	544,040	(6,141)
Other	100	29,509	32,819	3,310
Total revenues	7,191,787	7,195,087	7,210,110	15,023
Expenditures				
Current -				
Public safety	6,700,895	6,764,994	6,919,952	154,958
Debt service -				
Principal	-	-	58,750	58,750
Interest	-	-	2,866	2,866
Capital outlay	312,622	78,083	31,738	(46,345)
Total expenditures	7,013,517	6,843,077	7,013,306	170,229
Revenues over expenditures	178,270	352,010	196,804	(155,206)
Other financing sources (uses)				
Proceeds from sale of capital assets	30,000	8,661	8,661	-
Proceeds from issuance	-	-	32,394	32,394
Transfers out	(208,270)	(360,672)	(208,270)	(152,402)
Total other financing sources (uses)	(178,270)	(352,011)	(167,215)	184,796
Net change in fund balance	-	(1)	29,589	29,590
Fund balance, beginning of year	630,745	630,745	630,745	-
Fund balance, end of year	\$ 630,745	\$ 630,744	\$ 660,334	\$ 29,590

The accompanying notes are an integral part of these basic financial statements.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Police Special Revenue Fund
For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes and special assessments	\$ 2,400,222	\$ 2,394,939	\$ 2,394,947	\$ 8
Intergovernmental	-	-	7,127	7,127
Investment income	-	-	39	39
Interest income	-	500	1,077	577
Total revenues	2,400,222	2,395,439	2,403,190	7,751
Expenditures				
Current -				
Public safety	2,390,222	2,394,289	2,351,098	(43,191)
Capital outlay	10,000	1,150	108	(1,042)
Total expenditures	2,400,222	2,395,439	2,351,206	(44,233)
Net change in fund balance	-	-	51,984	51,984
Fund balance, beginning of year	309,235	309,235	309,235	-
Fund balance, end of year	\$ 309,235	\$ 309,235	\$ 361,219	\$ 51,984

The accompanying notes are an integral part of these basic financial statements.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - ARPA Local Fiscal Recovery
For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 2,614,306	\$ 404,990	\$ 593,034	\$ 188,044
Interest income	-	3,186	13,760	10,574
Total revenues	2,614,306	408,176	606,794	198,618
Expenditures				
Current -				
General government	-	108,726	108,726	-
Capital outlay	2,614,306	296,263	484,307	188,044
Total expenditures	2,614,306	404,989	593,033	188,044
Net change in fund balance	-	3,187	13,761	10,574
Fund balance, beginning of year	73	73	73	-
Fund balance, end of year	\$ 73	\$ 3,260	\$ 13,834	\$ 10,574

The accompanying notes are an integral part of these basic financial statements.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Statement of Net Position

Proprietary Funds - Enterprise Funds
December 31, 2022

		Non-Major	
	Water and Sewer	Refuse Collection	Total Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 6,052,400	\$ 158,380	\$ 6,210,780
Accounts receivable	3,413,399	423,280	3,836,679
Due from other funds	160,000	22,772	182,772
Inventory	180,777	-	180,777
Prepaid items	21,100	-	21,100
Other assets	1,594	-	1,594
Total current assets	9,829,270	604,432	10,433,702
Noncurrent assets:			
Capital assets not being depreciated	4,354,703	-	4,354,703
Capital assets being depreciated/amortized, net	29,844,049	-	29,844,049
Total noncurrent assets	34,198,752	-	34,198,752
Total assets	44,028,022	604,432	44,632,454
Deferred outflows of resources			
Deferred pension amounts	312,300	-	312,300
Deferred other postemployment benefit amounts	386,329	-	386,329
Total deferred outflows of resources	698,629	-	698,629
Liabilities			
Current liabilities:			
Accounts payable	1,130,637	-	1,130,637
Accrued liabilities	62,769	-	62,769
Accrued interest	75,195	-	75,195
Unearned revenue	67,161	-	67,161
Due to other funds	75,253	160,000	235,253
Compensated absences, current portion	831	-	831
Bonds, notes and other long-term liabilities, current portion	909,032	-	909,032
Total current liabilities	2,320,878	160,000	2,480,878
Noncurrent liabilities:			
Net pension liability	1,707,664	-	1,707,664
Net other postemployment benefit liability	7,380,545	-	7,380,545
Compensated absences, net of current portion	15,793	-	15,793
Bonds, notes and other long-term liabilities, net of current portion	13,451,580	-	13,451,580
Total noncurrent liabilities	22,555,582	-	22,555,582
Total liabilities	24,876,460	160,000	25,036,460
Deferred inflows of resources			
Deferred pension amounts	10,039	-	10,039
Deferred other postemployment benefit amounts	963,645	-	963,645
Total deferred inflows of resources	973,684	-	973,684
Net position			
Net investment in capital assets	19,838,140	-	19,838,140
Unrestricted (deficit)	(961,633)	444,432	(517,201)
Total net position	\$ 18,876,507	\$ 444,432	\$ 19,320,939

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The accompanying notes are an integral part of these basic financial statements.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds - Enterprise Funds
For the Year Ended December 31, 2022

		Non-Major	
	Water and Sewer	Refuse Collection	Total Enterprise Funds
Operating revenues			
Charges for services	\$ 9,393,388	\$ 1,241,611	\$ 10,634,999
Penalties	110,736	18,438	129,174
Other	10,027	-	10,027
Total operating revenues	9,514,151	1,260,049	10,774,200
Operating expenses			
Personnel services	1,812,812	-	1,812,812
Materials and supplies	6,528,534	-	6,528,534
Contractual	120,652	-	120,652
Refuse collection	-	1,194,070	1,194,070
Other	288,087	-	288,087
Depreciation/amortization	1,135,890	-	1,135,890
Total operating expenses	9,885,975	1,194,070	11,080,045
Operating income (loss)	(371,824)	65,979	(305,845)
Nonoperating revenues (expenses)			
Debt services charges	1,374,166	-	1,374,166
Investment income	1,802	-	1,802
Interest income	50,416	-	50,416
Proceeds from sale of capital assets	15,000	-	15,000
Interest expense and fees	(436,702)	-	(436,702)
Total nonoperating revenues (expenses)	1,004,682	-	1,004,682
Income before capital contributions	632,858	65,979	698,837
Capital contributions - tap fees and other	49,050	-	49,050
Change in net position	681,908	65,979	747,887
Net position, beginning of year	18,194,599	378,453	18,573,052
Net position, end of year	\$ 18,876,507	\$ 444,432	\$ 19,320,939

The accompanying notes are an integral part of these basic financial statements.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Statement of Cash Flows

Proprietary Funds - Enterprise Funds
For the Year Ended December 31, 2022

		Non-Major	
	Water and Sewer	Refuse Collection	Total Enterprise Funds
Cash flows from operating activities			
Receipts from customers and users	\$ 9,322,326	\$ 1,226,785	\$ 10,549,111
Payments to suppliers	(6,455,797)	(1,184,868)	(7,640,665)
Payments to employees	(2,059,721)	-	(2,059,721)
Net cash provided by (used in) operating activities	806,808	41,917	848,725
Cash flows from capital and related financing activities			
Principal paid on debt	(721,619)	-	(721,619)
Interest paid on debt	(515,797)	-	(515,797)
Purchase of capital assets	(620,065)	-	(620,065)
Sale of capital assets	15,000	-	15,000
Receipt of debt service fees	1,374,166	-	1,374,166
Receipt of tap fees	49,050	-	49,050
Net cash used in capital and related financing activities	(419,265)	-	(419,265)
Cash flows from investing activities			
Investment income received	1,802	-	1,802
Interest income received	50,416	-	50,416
Net cash provided by investing activities	52,218	-	52,218
Net change in cash and cash equivalents	439,761	41,917	481,678
Cash and cash equivalents, beginning of year	5,612,639	116,463	5,729,102
Cash and cash equivalents, end of year	\$ 6,052,400	\$ 158,380	\$ 6,210,780

continued...

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Statement of Cash Flows

Proprietary Funds - Enterprise Funds
For the Year Ended December 31, 2022

		Non-Major	
	Water and Sewer	Refuse Collection	Total Enterprise Funds
Cash flows from operating activities			
Operating income	\$ (371,824)	\$ 65,979	\$ (305,845)
Adjustments to reconcile operating income: to net cash provided by (used in) operating activities:			
Depreciation/amortization expense	1,135,890	-	1,135,890
Change in:			
Accounts receivable	(191,825)	(29,016)	(220,841)
Due from other funds	140,000	(4,248)	135,752
Inventory	(5,534)	-	(5,534)
Prepaid items and other assets	(9,506)	-	(9,506)
Deferred outflows of resources:			
Pension amounts	(31,687)	-	(31,687)
Other postemployment benefit amounts	(277,701)	-	(277,701)
Accounts payable	298,620	(196)	298,424
Accrued liabilities	(36,970)	-	(36,970)
Unearned revenue	1,167	-	1,167
Due to other funds	56,729	9,398	66,127
Net pension liability	(1,044,890)	-	(1,044,890)
Net other postemployment benefit liability	1,619,936	-	1,619,936
Deferred inflows of resources:			
Pension amounts	(994,100)	-	(994,100)
Other postemployment benefit amounts	521,856	-	521,856
Compensated absences	(3,353)	-	(3,353)
Net cash provided by (used in) operating activities	\$ 806,808	\$ 41,917	\$ 848,725

concluded.

The accompanying notes are an integral part of these basic financial statements.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds
December 31, 2022

	Pension and Retiree Healthcare and Life Insurance Trust Funds	Custodial Funds
Assets		
Cash and cash equivalents	\$ 69,581	\$ 1,565,213
Investments, at fair value:		
Mutual funds:		
Equities	11,534,947	-
Fixed income	6,488,297	-
Equities	9,189,756	-
Fixed income	3,691,478	-
Hedge funds	886,917	-
Money market funds	3,149,378	-
Accounts receivable	436	-
Prepaid items	7,677	-
Total assets	35,018,467	1,565,213
Liabilities		
Accounts payable	15,222	-
Undistributed receipts	-	1,565,213
Total liabilities	15,222	1,565,213
Net position		
Restricted for:		
Pension	29,488,300	-
Other postemployment benefits	5,514,945	-
Total net position	\$ 35,003,245	\$ -

The accompanying notes are an integral part of these basic financial statements.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Statement of Changes in Fiduciary Net Position

Fiduciary Funds
For the Year Ended December 31, 2022

	Pension and Retiree Healthcare Trust Funds	Custodial Funds
Additions		
Investment income -		
Net depreciation in fair value of investments	\$ (6,895,485)	\$ -
Interest and dividends	1,001,083	-
Investment management fees	(142,971)	-
Net investment loss from investing activities	(6,037,373)	-
Employer contributions	2,727,870	-
Employee contributions	395,243	-
Taxes collected for other governments	-	27,880,796
Total additions, net of investment loss	(2,914,260)	27,880,796
Deductions		
Benefit payments	3,532,655	-
Employee refunds	26,816	-
Administrative expenses	89,021	-
Payments of taxes to other governments	-	27,880,796
Total deductions	3,648,492	27,880,796
Total net change in net position	(6,562,752)	-
Net position, beginning of year	41,565,997	-
Net position, end of year	\$ 35,003,245	\$ -

The accompanying notes are an integral part of these basic financial statements.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Combining Statement of Net Position

Discretely Presented Component Units
December 31, 2022

	Downtown Development Authority	Economic Development Corporation	Library	Totals
Assets				
Cash and cash equivalents	\$ 233,641	\$ 50,608	\$ 1,394,746	\$ 1,678,995
Taxes receivable	44,971	-	771,044	816,015
Due from other governments	-	-	3,045	3,045
Prepaid items	-	-	10,750	10,750
Capital assets being depreciated, net	-	-	109,284	109,284
Total assets	278,612	50,608	2,288,869	2,618,089
Liabilities				
Accounts payable	150	-	7,804	7,954
Accrued liabilities	-	-	10,411	10,411
Total liabilities	150	-	18,215	18,365
Deferred inflows				
Taxes levied but intended for subsequent period	47,935	-	878,750	926,685
Net position				
Investment in capital assets	-	-	109,284	109,284
Unrestricted	230,527	50,608	1,282,620	1,563,755
Total net position	\$ 230,527	\$ 50,608	\$ 1,391,904	\$ 1,673,039

The accompanying notes are an integral part of these basic financial statements.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Combining Statement of Activities

Discretely Presented Component Units
For the Year Ended December 31, 2022

	Downtown Development Authority	Economic Development Corporation	Library	Totals
Expenses				
Community development	\$ 6,094	\$ 14,172	\$ -	\$ 20,266
Recreation and culture	-	-	355,599	355,599
Depreciation	-	-	68,862	68,862
Total expenses	<u>6,094</u>	<u>14,172</u>	<u>424,461</u>	<u>444,727</u>
Program revenues				
Charges for services	-	-	4,021	4,021
Operating grants and contributions	-	23,021	28,942	51,963
Total program revenues	<u>-</u>	<u>23,021</u>	<u>32,963</u>	<u>55,984</u>
Net revenues (expenses)	<u>(6,094)</u>	<u>8,849</u>	<u>(391,498)</u>	<u>(388,743)</u>
General revenues				
Property taxes	72,047	-	487,033	559,080
Investment income	-	-	9,451	9,451
Miscellaneous	-	-	16,823	16,823
Total general revenues	<u>72,047</u>	<u>-</u>	<u>513,307</u>	<u>585,354</u>
Change in net position	<u>65,953</u>	<u>8,849</u>	<u>121,809</u>	<u>196,611</u>
Net position, beginning of year	<u>164,574</u>	<u>41,759</u>	<u>1,270,095</u>	<u>1,476,428</u>
Net position, end of year	<u>\$ 230,527</u>	<u>\$ 50,608</u>	<u>\$ 1,391,904</u>	<u>\$ 1,673,039</u>

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The accompanying notes are an integral part of these basic financial statements.

NOTES TO FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Charter Township of Harrison, Macomb County, Michigan (the “Township”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township’s accounting policies are described below.

Reporting Entity

As required by generally accepted accounting principles, these financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. Blended component units, if any, although legally separate entities, are, in substance, part of the government’s operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

Blended component unit

Harrison Township Building Authority – The Building Authority is governed by the Board of Trustees (the “Board”). Although it is legally separate from the Township, it is reported as if it were part of the primary government because its sole purpose is to finance and construct the Township’s public buildings. The Building Authority was inactive during 2022 and has no assets or liabilities.

Discretely Presented Component Units

Harrison Township Downtown Development Authority (the “DDA”) – The DDA was created to halt property value deterioration, eliminate the cause of the deterioration, increase property tax valuation, and promote economic growth. The DDA is under the supervision of the Board, with the nine-member Board appointed by the Supervisor. The DDA is required to annually prepare and submit a budget to the Township Board.

Harrison Township Economic Development Corporation (the “EDC”) – The EDC was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township so as to provide needed services and facilities of such enterprises to the residents of the Township. The EDC’s governing body is selected by the Township Board of Trustees.

Harrison Township Library (the “Library”) – The Library operates under the authority of PA 164 of the Michigan Public Acts of 1877. The Library is governed by a publicly elected Board of Trustees. However, because the activities are so interrelated with the Township, all employees are Township employees, employees are part of the Township retirement plan, the Library building is owned by the Township, etc., the activities have been shown as a discretely presented component unit.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Fiduciary Component Units

The Harrison Township Employees' Retirement System (the "ERS") is a single-employer defined benefit pension plan established and administered by the Township to provide pension benefits to eligible retirees and their beneficiaries. The ERS is administered through the Employees' Retirement System Trust. The Township is financially accountable for the system, as it is obligated to make employer contributions. Plan provisions are established and may be amended by the Township Board of Trustees, subject to the Township's various collective bargaining agreements.

The Harrison Township Firemen's Pension System (the "FPS") is a single-employer defined benefit pension plan established and administered by the Township to provide pension benefits to eligible retirees and their beneficiaries. The FPS is administered through the Firemen's Pension System Trust. The Township is financially accountable for the system, as it is obligated to make employer contributions. Plan provisions are established and may be amended by the Township Board of Trustees, subject to the Township's various collective bargaining agreements.

The Harrison Township Other Postemployment Benefit Plan (the "OPEB Plan") is a single-employer defined benefit postemployment healthcare plan established and administered by the Township to provide healthcare and life insurance benefits to eligible retirees and their beneficiaries. The OPEB Plan is administered through the Retiree Healthcare Trust. The Township is financially accountable for the OPEB Plan, as it is obligated to make employer contributions. Plan provisions are established and may be amended by the Township Board of Trustees, subject to the Township's various collective bargaining agreements.

Joint Venture

The Charter Townships of Harrison and Clinton and the City of Mount Clemens entered into a joint venture for the management and operation of the 41-B Judicial District Court. A committee of one representative from each community oversees the administration and management of the Court. Revenues generated from fines, fees, costs, etc. from the boundaries of each unit are deposited directly with the Court but maintained by the unit. Expenditures for the Court, including operations and maintenance, debt retirement and improvements are allocated to each unit based on the number of cases for each municipality with any surplus or shortage the responsibility of the individual municipality. In connection, the Charter Township of Clinton has issued \$13.5 million of General Obligation Limited Tax Capital Improvement Bonds for the purpose of constructing, equipping, and furnishing a new Court facility. The full faith and credit of each member is pledged for the repayment of bonds. The financial statements for the Court can be obtained at 41-B District Court, 22380 Starks, Clinton Township, Michigan, 48036.

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 and its component units. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

The statement of activities demonstrates the degree to which the *direct expenses* of given functions or segments are 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, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the respective 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 and fiduciary fund financial statements. 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 reimbursement based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state shared revenue, licenses, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

The *fire special revenue fund* accounts for the fire millage revenue and related expenditures.

The *police special revenue fund* accounts for the police millage revenue and related expenditures.

The *ARPA local fiscal recovery special revenue fund* accounts for funds received as part of the American Rescue Plan Act and related expenditures.

The *special assessments revolving capital projects fund* is used to account for special assessment and other financial resources that are restricted for the construction of capital assets.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

The government reports the following major proprietary fund -

The *water and sewer enterprise fund* accounts for the activities of the water distribution and the sewage disposal and treatment system, which are financed primarily by user charges.

Additionally, the government reports the following fund types:

The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The *debt service funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The *capital projects funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *custodial funds* account for assets held by the Township in a custodial capacity for other governments and entities such as property taxes collected for other governments.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 of the enterprise fund are charges to customers for sales and services. Operating expenses 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.

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

Deposits and Investments

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 are stated at fair value.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the United States, certain commercial paper, repurchase agreements, banker acceptances and mutual funds composed of otherwise legal investments.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non current portion of interfund loans). All other outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statements as *internal balances*. Advances between funds, if any, are offset by a nonspendable fund balance account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Amounts received in advance of project costs being incurred are reported as unearned revenue.

Prepays Items and Inventory

Inventory is valued at cost, which approximates market, using the first in/first out method. The costs of governmental fund type inventory is primarily recorded as expenditures when purchased rather than when consumed.

Payments made to vendors for services that will benefit future periods are recorded as prepaid items, using the consumption method, in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include land, buildings, equipment, vehicles and infrastructure assets (e.g., roads, bridges, drains and similar items), with an initial cost greater than \$5,000 (\$35,000 for infrastructure) and an estimated useful life of greater than one year, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government are depreciated using the straight-line method over the useful lives of the assets as follows:

Asset	Years
Storm drains	50
Buildings and improvements	10-45
Machinery and equipment	5-20
Water and sewer lines and mains	27-50
Infrastructure	40
Library books / audio visual	5

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Deferred Outflows 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 assets that applies to future periods and so will not be recognized as an outflow of resources until then. The Township reports deferred outflows of resources related to its pension and other postemployment benefit plans.

Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund receivables/payables (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as internal balances.

Compensated Absences

In accordance with contracts negotiated with the various employee groups of the Township, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only when they have matured or come due. The compensated absences balance related to the governmental funds is a liability recorded in the statement of net position.

Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

Leases

The Township is a lessee for noncancellable leases of vehicles. The Township recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide statements. The Township recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the Township initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Key estimates and judgments related to leases include how the Township determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The Township uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Township generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price (if applicable) that the Township is reasonably certain to exercise.

The Township monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and governmental funds 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 assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, from long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, deferred inflows of resources are reported in the government-wide and governmental fund financial statements for property taxes levied during the year that were intended to finance future periods. In the government-wide and proprietary fund statements, the Township also reports deferred inflows of resources related to its net pension and other postemployment benefits liabilities.

Fund Equity and Net Position

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 grantors, contributors, or laws or regulations of other governments. *Committed* fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees (the government's highest level of decision-making authority). A formal resolution of the Board of Trustees is required to establish, modify, or rescind a fund balance commitment. The Township may report *assigned* fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed; however, the Board of Trustees has not yet authorized anyone to assign fund balance. *Unassigned* fund balance is the residual classification for the general fund or deficit fund balances in other funds, of which there are none.

The Board has established that the general fund maintain a minimum unassigned fund balance of 25% of total general fund revenues, which it is in compliance with as of December 31, 2022.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

2. BUDGETARY INFORMATION

Annual appropriated budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at year-end. Public hearings are conducted to obtain citizen comment. Prior to December 31 of each year, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. A budget is legally enacted by the Township Board through the passage of a budget resolution on or before December 31. The general fund budget was approved at the activity (department) level and total expenditure level for the special revenue funds. Expenditures at these levels in excess of amounts budgeted are a violation of Michigan law. However, for control purposes all budgets are maintained at the account level. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds.

During the year ended December 31, 2022, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts budgeted, as follows:

	Final Budget	Actual	Actual Over Final Budget
General Fund -			
Transfers out	\$ 309,971	\$ 316,337	\$ 6,366
Fire Fund	6,843,077	7,013,306	170,229
ARPA Local Fiscal Recovery Fund	404,989	593,033	188,044
Building Inspection Fund	784,723	785,531	808
CARES Act Fund	-	12,072	12,072

Deficit Fund Balances

The special assessments revolving capital projects fund had a deficit fund balance at December 31, 2022 of \$167,832. As special assessments are assessed and collected, the deficit will be eliminated.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

3. DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposits and investments as of December 31, 2022:

	Primary Government	Component Unit	Totals
Statement of Net Position			
Cash and cash equivalents	\$ 14,296,263	\$ 1,678,995	\$ 15,975,258
Statement of Fiduciary Net Position			
Cash and cash equivalents	1,634,794	-	1,634,794
Investments	34,940,773	-	34,940,773
Total	<u>\$ 50,871,830</u>	<u>\$ 1,678,995</u>	<u>\$ 52,550,825</u>

Deposits and investments

Bank deposits (checking, savings, and insured cash sweep)	\$ 12,089,357
Certificates of deposit (maturing in less than one year)	245,000
Petty cash	1,259
Investments in securities, mutual funds and similar vehicles:	
Treasurer's investment pool	5,274,436
Employee's retirement system	14,362,967
Firemen's pension system	15,081,094
Retiree healthcare trust	5,496,712

Total	<u>\$ 52,550,825</u>
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Bank Deposits and Treasurer's Investment Pool

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. 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. The Township is not exposed to interest rate risk.

Custodial Credit Risk - Deposits. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Township's deposits may not be returned. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. State law does not require and the Township does not have a policy for deposit custodial credit risk.

At year-end, \$1,460,348 of the combined bank balance of \$10,585,858 of deposits and collateralized sweep accounts (total book balance of \$12,344,357) was exposed to custodial credit risk as it was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable level are used as depositories.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified under "statutory authority" above. The Township's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Custodial Credit Risk - Investments. Following is a summary of the Treasurer's investment pool as of December 31, 2022:

Money market accounts	\$ 875
MI Class	318,388
U.S. treasuries	3,833,561
Commercial paper	<u>1,121,612</u>
	<u>\$ 5,274,436</u>

Custodial Credit Risk - Investments. Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agent but not in the government's name. In accordance with the Township's investment policy, all investments are held in the name of the Township and are evidenced by a safekeeping receipt confirmation, and thus not exposed to custodial credit risk.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Township's investment policy and State law require that commercial paper be rated in the top two ratings by at least two nationally recognized statistical rating organizations. Ratings are not required for money market funds or U.S. treasuries. The Township's investments in Commercial paper are rated A2 by S&P.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified under "statutory authority" above. The Township's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of investments. The Township's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Township's investments in commercial paper and U.S. treasuries all mature within one year from December 31, 2022.

Fair Value Measurements. The Township categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs – other than quoted prices included within Level 1- that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. These levels are determined by the management's review of the type and substance of investments held by the Township.

The Township's recurring fair value measurement as of December 31, 2022 were related to its investments in commercial paper and U.S. treasuries. These investments are valued using significant other observable inputs of the underlying securities and bonds (Level 2 inputs).

Employees' Retirement System Investments

The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the Employee's Retirement System (the "ERS") to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The ERS's governing body has the responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to assist in managing the ERS's investments; all investment decisions are subject to Michigan law and the investment policy established by the governing body.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Investment holdings. The ERS's investments are held by an independent trust company. Following is a summary of the ERS's investments as of December 31, 2022: (investments at fair value, as determined by quoted market price).

Equities	
Common stock and exchange traded funds	<u>\$ 9,189,756</u>
Fixed income	
U.S. Treasuries	2,002,477
Corporate bonds	1,666,235
Asset backed	<u>22,766</u>
	<u>3,691,478</u>
Other	
Managed futures/hedge funds	886,917
Money market funds	594,816
Total investments	<u>\$ 14,362,967</u>

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the ERS will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The ERS's investment policy requires that securities be held in trust by a third-party institution in the ERS's name. As such, although uninsured and unregistered, the ERS's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the ERS's name. Short-term investments in money market funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments in any particular asset class may or may not be consistent with the objectives of the ERS. The investment policy statement specifically indicates permissible asset classes, including high yield fixed income and alternatives, in appropriate target percentages.

The ERS's investments in U.S. Treasuries are not rated.

The ERS's fixed income securities consisted of the following at December 31, 2022:

	Rating (S&P) BBB	Rating (S&P) A	Rating (S&P) AA	Rating (S&P) AAA	Total
Corporate bonds	\$ 202,649	\$ 1,345,082	\$ 51,737	\$ 66,767	\$ 1,666,235
Asset backed	-	-	-	22,766	<u>22,766</u>
Total fixed income					<u>\$ 1,689,001</u>

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the ERS's investment in a single issuer. The ERS's investment policy specifies that in order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency should not exceed 5% of the total fund, no more than 90% of the total fund may be invested in equity securities, and no more than 15% of the total fund may be invested in "below investment grade" bonds.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The ERS's investment policy requires a maximum term to maturity of 30 years for any single fixed income security. The ERS's investment policy does not address weighted average portfolio maturities.

	Fair Value	Investments Maturities (fair value by years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Treasuries	\$ 2,002,477	\$ 358,413	\$ 1,577,521	\$ 66,543	\$ -
Corporate bonds	1,666,235	103,529	726,614	836,092	-
Asset backed	22,766	-	-	-	22,766
Total fixed income	\$ 3,691,478	\$ 461,942	\$ 2,304,135	\$ 902,635	\$ 22,766

Rate of Return. For the year ended December 31, 2022, the annual money-weighted rate of return on plan investments, net of investment expenses, was negative 12.79%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Fair Value Measurements. The ERS categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs – other than quoted prices – included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. These levels are determined by the ERS's investment manager at the fund level based on a review of the investment's class, structure, and what kind of securities are held in funds. The investment manager will request the information from the fund manager, if necessary.

The ERS had the following recurring fair value measurements as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Equities				
Common stock and ETFs	\$ 9,189,756	\$ -	\$ -	\$ 9,189,756
Fixed income				
U.S. Treasuries	-	2,002,477	-	2,002,477
Asset backed	-	22,766	-	22,766
Corporate bonds	-	1,666,235	-	1,666,235
	-	3,691,478	-	3,691,478
Other				
Managed futures/hedge funds	-	-	575,052	575,052
Money market funds	-	594,816	-	594,816
	-	594,816	575,052	1,169,868
Total investments at fair value	\$ 9,189,756	\$ 4,286,294	\$ 575,052	14,051,102
Investments measured at net asset value (NAV)				
Managed futures/hedge funds				311,865
Total investments				\$ 14,362,967

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Firemen's Pension System Investments

The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the Firemen's Pension System (the "FPS") to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The FPS's governing body has the responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to assist in managing the FPS's investments; all investment decisions are subject to Michigan law and the investment policy established by the governing body.

Investment holdings. The FPS's investments are held by an independent trust company. Following is a summary of the FPS's investments as of December 31, 2022: (investments at fair value, as determined by quoted market price).

Mutual Funds	
Equities:	
Large cap domestic	\$ 2,687,797
Small cap value	2,810,719
International	1,712,014
Emerging markets	534,395
Fixed income -	
Domestic fixed income	5,088,673
	<u>12,833,598</u>
Other	
Money market funds	2,247,496
Total investments	<u>\$ 15,081,094</u>

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the FPS will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The FPS's investment policy requires that securities be held in trust by a third-party institution in the FPS's name. As such, although uninsured and unregistered, the FPS's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the FPS's name. Short-term investments in money market funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments in any particular asset class may or may not be consistent with the objectives of the FPS. The investment policy statement specifically indicates permissible asset classes, including high yield fixed income and alternatives, in appropriate target percentages.

The FPS's investments in fixed income mutual funds are not rated.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the FPS's investment in a single issuer. The FPS's investment policy specifies that in order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency should not exceed 5% of the total fund, no more than 90% of the total fund may be invested in equity securities, and no more than 15% of the total fund may be invested in "below investment grade" bonds.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The FPS's investment policy requires a maximum term to maturity of 30 years for any single fixed income security. The FPS's investment policy does not address weighted average portfolio maturities.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Rate of Return. For the year ended December 31, 2022, the annual money-weighted rate of return on plan investments, net of investment expenses, was negative 15.99%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Fair Value Measurements. The FPS categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs – other than quoted prices – included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. These levels are determined by the FPS's investment manager at the fund level based on a review of the investment's class, structure, and what kind of securities are held in funds. The investment manager will request the information from the fund manager, if necessary.

The FPS's investments subject to fair value measurement consist of mutual funds and are within the fair value Level 1 category at December 31, 2022.

Retiree Healthcare Trust Investments

The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the Retiree Healthcare Trust (the "OPEB Plan") to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The OPEB Plan's governing body has the responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to assist in managing the OPEB Plan's investments; all investment decisions are subject to Michigan law and the investment policy established by the governing body.

Following is a summary of the OPEB Plan's investments as of December 31, 2022:

Investments at fair value, as determined by the quoted market price:

Mutual funds	
Fixed income	\$ 1,399,624
Equities	3,790,022
Money market funds	<u>307,066</u>
Total investments	<u>\$ 5,496,712</u>

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the OPEB Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The OPEB Plan's investment policy requires that securities be held in trust by a third-party institution in the OPEB Plan's name. As such, although uninsured and unregistered, the OPEB Plan's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the OPEB Plan's name. Short-term investments in money market funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The OPEB Plan's investment policy emphasizes appropriate risk/return parameters and compliance with Public Act 314, and gives discretionary authority to its investment managers as opposed to establishing specific credit rating benchmarks. As of December 31, 2022, the OPEB Plan's investments in fixed income mutual funds were not rated.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. The OPEB Plan's investment policy specifies that in order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency should not exceed 5% of the total fund, no more than 90% of the total fund may be invested in equity securities, and no more than 15% of the total fund may be invested in "below investment grade" bonds.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The OPEB Plan's investment policy requires a maximum term to maturity of 30 years for any single fixed income security. The OPEB Plan's investment policy does not address weighted average portfolio maturities.

Rate of Return. For the year ended December 31, 2022, the annual money-weighted rate of return on plan investments, net of investment expenses, was negative 12.65%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Fair Value Measurements. The OPEB Plan categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs – other than quoted prices – included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. These levels are determined by the OPEB Plan's investment manager at the fund level based on a review of the investment's class, structure, and what kind of securities are held in funds. The investment manager will request the information from the fund manager, if necessary.

The OPEB Plan's investments subject to fair value measurement consist of money market and mutual funds. Mutual funds are within the fair value Level 1 category at December 31, 2022. The OPEB Plan's investments in money market accounts are categorized as Level 2 investments within the fair value hierarchy.

4. RECEIVABLES

Receivables of the primary government are comprised of the following at year end:

	Governmental Activities	Business-type Activities	Component Units
Accounts receivable	\$ 610,409	\$ 3,836,679	\$ -
Special assessments	2,019,308	-	-
Taxes receivable	8,340,072	-	816,015
Due from other governments	<u>868,630</u>	<u>-</u>	<u>3,045</u>
	<u>\$ 11,838,419</u>	<u>\$ 3,836,679</u>	<u>\$ 819,060</u>
Special assessments not expected to be collected within one year	<u>\$ 1,699,860</u>	<u>\$ -</u>	<u>\$ -</u>

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

5. CAPITAL ASSETS

Primary government

Capital asset activity for the primary government for the year ended December 31, 2022, was as follows:

	Beginning Balance*	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets not being depreciated:					
Land and easements	\$ 2,668,058	\$ -	\$ (6,108)	\$ -	\$ 2,661,950
Construction in progress	689,999	1,173,398	-	(598,054)	1,265,343
	<u>3,358,057</u>	<u>1,173,398</u>	<u>(6,108)</u>	<u>(598,054)</u>	<u>3,927,293</u>
Capital assets being depreciated/ amortized:					
Buildings and improvements	5,720,945	28,982	-	(50,000)	5,699,927
Machinery and equipment	5,374,657	642,489	(21,182)	50,000	6,045,964
Infrastructure	8,459,982	56,368	-	598,054	9,114,404
Leased assets - vehicles	93,948	32,394	-	-	126,342
	<u>19,649,532</u>	<u>760,233</u>	<u>(21,182)</u>	<u>598,054</u>	<u>20,986,637</u>
Less accumulated depreciation/ amortization for:					
Buildings and improvements	(2,821,517)	(137,157)	-	998	(2,957,676)
Machinery and equipment	(2,965,821)	(314,315)	-	20,182	(3,259,954)
Infrastructure	(2,125,799)	(295,930)	21,182	(21,180)	(2,421,727)
Leased assets - vehicles	-	(28,426)	-	-	(28,426)
	<u>(7,913,137)</u>	<u>(775,828)</u>	<u>21,182</u>	<u>-</u>	<u>(8,667,783)</u>
Total capital assets being depreciated/amortized, net	<u>11,736,395</u>	<u>(15,595)</u>	<u>-</u>	<u>598,054</u>	<u>12,318,854</u>
Governmental activities capital assets, net					
	<u>\$ 15,094,452</u>	<u>\$ 1,157,803</u>	<u>\$ (6,108)</u>	<u>\$ -</u>	<u>\$ 16,246,147</u>

* The Township implemented the provisions of GASB Statement No. 87, *Leases*, in the current year. In accordance with this Statement, leased assets have been added to the beginning balances shown above and a corresponding lease payable has been recorded for the same amount.

Depreciation/amortization expense was charged to functions of the primary government as follows:

General government	\$ 368,520
Public safety	368,247
Recreation and culture	<u>39,061</u>
Total depreciation/amortization expense	<u>\$ 775,828</u>

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

	Beginning Balance*	Additions	Disposals	Transfers	Ending Balance
Business-type activities					
Capital assets not being depreciated:					
Land	\$ 518,455	\$ -	\$ -	\$ -	\$ 518,455
Construction in progress	491,482	556,970	-	(455,106)	593,346
Macomb/Oakland interceptor construction in progress**	3,242,902	-	-	-	3,242,902
	<u>4,252,839</u>	<u>556,970</u>	<u>-</u>	<u>(455,106)</u>	<u>4,354,703</u>
Capital assets being depreciated/ amortized:					
Buildings	701,254	-	-	-	701,254
Water mains and lines	15,353,464	-	-	-	15,353,464
Sewer mains and lines	26,776,411	33,721	-	455,106	27,265,238
Macomb/Oakland interceptor infrastructure**	17,830,241	-	-	-	17,830,241
Machinery and equipment	3,278,016	29,374	(169,801)	-	3,137,589
Leased assets - vehicles	138,710	-	-	-	138,710
	<u>64,078,096</u>	<u>63,095</u>	<u>(169,801)</u>	<u>455,106</u>	<u>64,426,496</u>
Less accumulated depreciation/ amortization for:					
Buildings	(513,808)	(13,522)	-	-	(527,330)
Water mains and lines	(8,395,545)	(265,922)	-	1,410	(8,660,057)
Sewer mains and lines	(18,869,911)	(287,729)	-	(1,410)	(19,159,050)
Macomb/Oakland interceptor infrastructure**	(3,204,381)	(445,756)	-	-	(3,650,137)
Machinery and equipment	(2,632,713)	(88,284)	169,801	-	(2,551,196)
Leased assets - vehicles	-	(34,677)	-	-	(34,677)
	<u>(33,616,358)</u>	<u>(1,135,890)</u>	<u>169,801</u>	<u>-</u>	<u>(34,582,447)</u>
Total capital assets being depreciated, net	<u>30,461,738</u>	<u>(1,072,795)</u>	<u>-</u>	<u>455,106</u>	<u>29,844,049</u>
Business-type activities capital assets, net					
	<u>\$ 34,714,577</u>	<u>\$ (515,825)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,198,752</u>

**The Township has been apportioned a percentage of various Interceptor/Drain projects undertaken by Macomb and Oakland Counties. The assets classified above are a "right of use" as opposed to a specified portion of the capital improvements which lie within the municipality.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Library component unit					
Capital assets being depreciated -					
Library books / audio visual	\$ 260,703	\$ 85,483	\$ -	\$ -	\$ 346,186
Less accumulated depreciation for -					
Library books / audio visual	(168,040)	(68,862)	-	-	(236,902)
Library component unit capital assets, net	<u>\$ 92,663</u>	<u>\$ 16,621</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,284</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables are comprised of the following at year end:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 594,170	\$ 1,130,637	\$ 7,954
Accrued liabilities	288,126	62,769	10,411
Interest payable	18,428	75,195	-
Escrow payable	461,067	-	-
	<u>\$ 1,361,791</u>	<u>\$ 1,268,601</u>	<u>\$ 18,365</u>

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At December 31, 2022, amounts due from and due to other funds were as follows:

	Payable Funds			
	Special Assessments Revolving	Water and Sewer	Nonmajor Enterprise Fund	Totals
Receivable funds				
General	\$ 153,848	\$ -	\$ -	\$ 153,848
Nonmajor governmental funds	530,991	52,481	-	583,472
Water and sewer	-	-	160,000	160,000
Nonmajor enterprise fund	-	22,772	-	22,772
	<u>\$ 684,839</u>	<u>\$ 75,253</u>	<u>\$ 160,000</u>	<u>\$ 920,092</u>

Due to/from balances result primarily from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and/or payments between funds are made. Interfund receivables and payables represent routine and temporary cash flow assistance. The amounts outstanding at year end consisted primarily of the following: (1) The special assessments revolving fund owes the general fund and the building and site fund for projects related to prior years, (2) The water and sewer fund owes the rubbish fund for use of working capital, (3) the water and sewer fund owes the grants fund for use of working capital.

For the year ended December 31, 2022, interfund transfers consisted of the following:

	Transfers In Nonmajor Governmental Funds
Transfers Out	
General	\$ 316,337
Fire fund	208,270
	<u>\$ 524,607</u>

Transfers are used to: (1) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations or (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them and (3) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due.

During the year ended December 31, 2022, the Township transferred resources from the general fund and the fire special revenue fund to the debt service fund to fund debt service payments on bonds.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

8. LONG-TERM DEBT

Primary government

General obligation bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the Township. These bonds are typically issued as 10-20 year serial bonds with varying amounts of principal maturing each year.

General obligation bonds and installment purchase agreements outstanding at December 31, 2022 are as follows:

Governmental Activities

Bonds	Interest Rate	Year of Maturity	Original Amount	Outstanding Amount
Limited Tax Bonds - Series 2020	1.650%	2035	3,333,117	2,806,278
Limited Tax Bonds - Series 2022	3.170%	2032	888,600	888,600
Total General Obligation Bonds			\$ 4,221,717	\$ 3,694,878

Financed Purchase Agreements	Interest Rate	Year of Maturity	Original Amount	Outstanding Amount
Bridgeview bridge	5.000%	2041	\$ 218,686	\$ 87,360
2021 medical equipment	2.500%	2023	81,654	17,011
Total Financed Purchase Agreements			\$ 300,340	\$ 104,371

Annual debt service requirements to maturity for general obligation bonds and financed purchase agreements are as follows:

Year Ended December 31,	Governmental Activities			
	General Obligation Bonds		Financed Purchase Agreements	
	Principal	Interest	Principal	Interest
2023	\$ 337,132	\$ 68,683	\$ 19,836	\$ 4,465
2024	366,535	61,282	2,969	4,321
2025	371,112	53,989	3,121	4,169
2026	375,766	46,153	3,281	4,009
2027	380,497	38,579	3,449	3,841
2028-2032	1,552,275	84,385	20,079	16,371
2033-2037	311,561	7,772	25,769	10,682
2038-2041	-	-	25,867	3,380
	\$ 3,694,878	\$ 360,843	\$ 104,371	\$ 51,238

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Revenue Bonds. The Township, in conjunction with Macomb and Oakland Counties, also issues bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. The original amount of revenue bonds for the issues outstanding as of December 31, 2022 was \$18,475,506. No new or refunding revenue bonds were issued during the current year.

Revenue bonds outstanding at December 31, 2022 are as follows:

Business-type Activities

Revenue Bonds	Interest Rate	Year of Maturity	Original Amount	Outstanding Amount
2010 North Gratiot Interceptor Drain	1.00%-6.35%	2035	\$ 46,005	\$ 28,283
2010A Oakland Macomb Interceptor Drain	2.50%	2031	782,664	400,842
2011A Oakland Macomb Interceptor Drain	2.50%	2033	940,812	574,141
2013A Oakland Macomb Interceptor	2.00%	2034	2,052,984	1,327,789
2014A Oakland Macomb Interceptor	2.00% - 3.50%	2034	300,170	199,560
2015 North Gratiot Interceptor (Drain District Refunding)	3.625%-5.00%	2033	376,266	259,222
2015A Oakland Macomb Interceptor (Drain District SAW Loan)	2.50%	2036	600,430	450,499
2015A Macomb Interceptor	2.50%	2035	210,107	109,339
2017A MID District	3.00%-5.00%	2042	6,879,940	5,793,832
2019A Refunding Bonds	1.85%	2030	135,368	105,504
2019B Oakland Macomb Interceptor	1.55%	2025	499,795	143,072
2020 Refunding MID	5.00%	2031	899,583	772,821
2020A Oakland Macomb Interceptor	2.00%-5.00%	2040	3,082,000	2,954,336
2020 MID District	2.00%	2040	1,669,382	160,904
			\$ 18,475,506	\$ 13,280,144

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ended December 31,	Business-type activities	
	Principal	Interest
2023	\$ 787,437	\$ 492,343
2024	816,575	463,371
2025	768,121	433,926
2026	790,470	403,905
2027	819,464	371,201
2028-2032	4,457,019	1,319,080
2033-2037	3,150,621	540,613
2038-2042	1,690,437	162,508
	\$ 13,280,144	\$ 4,186,947

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Changes in long-term debt. Long-term debt activity for the year ended December 31, 2022 was as follows:

	Beginning Balance*	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 3,072,482	\$ 888,600	\$ (266,204)	\$ 3,694,878	\$ 337,132
Financed purchase agreements	147,885	-	(43,514)	104,371	19,836
Lease payable (Note 9)	93,948	32,394	(28,490)	97,852	29,606
Compensated absences	672,554	14,772	(262,787)	424,539	21,227
Total governmental activities	3,986,869	935,766	(600,995)	4,321,640	407,801
Business-type activities					
Revenue bonds	13,965,857	-	(685,713)	13,280,144	787,437
Lease payable (Note 9)	138,710	-	(35,906)	102,804	37,318
Unamortized premium	1,061,941	-	(84,277)	977,664	84,277
Compensated absences	19,977	7,008	(10,361)	16,624	831
Total business-type activities	15,186,485	7,008	(816,257)	14,377,236	909,863
Total primary government	\$ 19,173,354	\$ 942,774	\$ (1,417,252)	\$ 18,698,876	\$ 1,317,664

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

* The Township implemented the provisions of GASB Statement No. 87, *Leases*, in the current year. In accordance with this Statement, leases payable have been added to the beginning balances shown above and a corresponding lease asset has been recorded for the same amount.

9. LEASES

Lessee - The Township is involved in one agreement as a lessee that qualifies as a long-term lease agreement. Below is a summary of the nature of this agreement. This agreement qualifies as an intangible, right-to-use asset and not a financed purchase, as the Township will not own the asset at the end of the contract term and the noncancelable term of the agreement surpasses one year.

Asset Type	Remaining Term of Agreements
Vehicles	1-5 years

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

The assets acquired through the lease are summarized as follows:

	Governmental Activities	Business-type Activities
Vehicles	\$ 126,342	\$ 138,710
Less accumulated amortization	(28,426)	(34,677)
Net book value	\$ 97,916	\$ 104,033

The net present value of future minimum payments as of December 31, 2022, were as follows:

Year Ended December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2023	\$ 29,606	\$ 3,233	\$ 37,318	\$ 3,315
2024	30,765	2,073	38,785	1,848
2025	25,765	899	26,701	388
2026	11,716	214	-	-
Total	\$ 97,852	\$ 6,419	\$ 102,804	\$ 5,551

Lease liability activity for the year ended December 31, 2022, was as follows:

	Beginning Balance *	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
Leases payable	\$ 93,948	\$ 32,394	\$ (28,490)	\$ 97,852	\$ 29,606
Business-type activities					
Leases payable	\$ 138,710	\$ -	\$ (35,906)	\$ 102,804	\$ 37,318

* The Township implemented the provisions of GASB Statement No. 87, *Leases*, in the current year. In accordance with this Statement, leases payable have been added to the beginning balances shown above and a corresponding lease asset has been recorded for the same amount.

10. 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. During the year ended December 31, 2022, the government carried commercial insurance to cover all risks of losses. The Township has had no settled claims from these risks that exceeded its commercial coverage.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

11. CONTINGENT LIABILITIES

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

The government and its component units, individually or jointly, are the defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government and component units counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

12. PROPERTY TAXES

Property taxes become an enforceable lien on the property as of December 31. Taxes are levied on December 1 and are due in February of the following year. The Township bills and collects its own property taxes along with collecting taxes for various other taxing jurisdictions. Township tax revenues are recognized in the fiscal year following the December 1 levy date. Taxes are considered delinquent on March 1, at which time the applicable property is subject to lien and penalty and interest is assessed.

Assessed values, as established annually by the government, are subject to acceptance by the County and equalized by the State at an estimated 50% of current market value. For the December 31, 2021 levy, the taxable value of real and personal property in the Township totaled \$1,035,263,121. The government's general operating tax rate for the December 1, 2021 levy, which is considered revenue for fiscal year 2022 was 9.1020 mills. That operating levy is allocated 6.3150 mills to the fire fund, 2.3175 mills to the police fund, and the remaining 0.4695 mills to the library.

13. PENSION PLANS

Employees' Retirement System

Plan administration. The Charter Township of Harrison Employees' Retirement System (the "ERS") is a single employer defined benefit retirement plan established and administered by the Charter Township of Harrison (the "Township") which provides pension benefits to substantially all full-time employees (except firemen) and their beneficiaries. Under the Township Charter, the authority to establish and amend benefit provisions of the system resides with the Township Board of Trustees. The financial statements of the ERS are included as a pension trust fund in the Township's financial statements.

Management of the ERS is vested in the Charter Township of Harrison Employees' Retirement System Committee (the "Committee"). The Committee is a quasi-judicial body consisting of five (5) members, two (2) members from the Township Board, one (1) citizen and two (2) members of the retirement system.

Benefits provided. The ERS provides retirement, disability, and death benefits to plan members and their beneficiaries in accordance with the Township's pension ordinance. All participants eligible for regular retirement at age 55 with 8 years (15 years for AFSCME members hired on or after January 1, 2012) of service or completion of 25 or more years of service, whichever is earliest. Supervisors hired on or after January 1, 2010 are not covered under the ERS.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

AFSCME members hired prior to January 1, 2012 are entitled to an annual retirement benefit, payable monthly in an amount equal to 2.5% of final average compensation (FAC) times all years of service accrued before January 1, 2013, plus 2.2% of FAC times all remaining years up to 25, plus 1% of FAC times years of service in excess of 25 years. AFSCME members hired on or after January 1, 2012 receive an annual retirement benefit equal to 1.8% of FAC times the first 25 years of service plus 0.8% of FAC times years of service in excess of 25 years. Supervisory members receive an annual retirement benefit equal to 2.5% of FAC times years of service up to 25 years plus 1% of FAC times years of service in excess of 25 years.

In addition to the regular retirement provisions, the ERS allows for the following retirement provisions at regular or reduced benefits:

- Deferred Retirement - eight or more years of service (15 years of AFSCME members hired on or after January 1, 2012), benefits begin at age 55 for supervisors and age 60 for AFSCME members.
- Death In-Service - eight or more years of service.
- Duty Disability - No age or service requirements.
- Non-Duty Disability - eight or more years of service (15 years for AFSCME members hired on or after January 1, 2012).

Plan membership. Membership of the ERS consisted of the following at December 31, 2021, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefits	62
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>26</u>
Total membership	<u>91</u>

Contributions. Member contributions are established by negotiation with the Township's collective bargaining units and currently requires a contribution from the employees of 9.00% of payroll for employees entering the bargaining units prior to January 1, 2012 and 7.00% of payroll for employees after that date. The employer's actuarially determined contribution rate for 2022 was 57.76%. For the year ended December 31, 2022, the employer contributed \$958,881 and the employees contributed \$127,401.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2021 (and rolled forward to December 31, 2022), using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	2.75 percent, average, including inflation
Investment rate of return	6.75 percent, net of pension plan investment expense, including inflation
Investment rate of return	The fully generational Pub-2010 Amount-Weighted, General Employee, Male and Female tables, with a base year of 2010 and future mortality improvements projected using scale MP-2020.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study performed in conjunction with the December 31, 2020 actuarial valuation.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Long-term Expected Rate of Return. The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Equities			
U.S. Large Cap	20.00%	7.10%	1.42%
U.S. Mid Cap	20.00%	7.80%	1.56%
U.S. Small Cap	15.00%	8.00%	1.20%
Developed foreign equities	6.00%	6.40%	0.38%
International emerging markets	2.00%	7.90%	0.16%
Fixed income			
Intermediate term tax exempt	26.00%	3.10%	0.81%
Other investments			
Global hedge funds	9.00%	5.20%	0.47%
Cash alternatives	2.00%	1.50%	0.03%
	<u>100.00%</u>		
Inflation expectation			2.25%
Risk adjustment			<u>-1.53%</u>
Investment rate of return			<u>6.75%</u>

Discount Rate. The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Township contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Changes in Net Pension Liability. The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2021	\$ 22,901,421	\$ 17,430,234	\$ 5,471,187
Changes for the year:			
Service cost	230,327	-	230,327
Interest	1,492,873	-	1,492,873
Difference between expected and actual experience	19,203	-	19,203
Changes in assumptions	-	-	-
Employer contributions	-	958,881	(958,881)
Employee contributions	-	127,401	(127,401)
Net investment loss	-	(2,314,292)	2,314,292
Benefit payments, including refunds of employee contributions	(1,799,908)	(1,799,908)	-
Administrative expense	-	(22,954)	22,954
Net changes	<u>(57,505)</u>	<u>(3,050,872)</u>	<u>2,993,367</u>
Balances at December 31, 2022	<u>\$ 22,843,916</u>	<u>\$ 14,379,362</u>	<u>\$ 8,464,554</u>

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 6.75%, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is 1% lower (5.75%) or 1% higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Township's net pension liability	\$ 10,843,488	\$ 8,464,554	\$ 6,449,468

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

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

For the year ended December 31, 2022, the Township recognized pension expense of \$1,015,861. The Township reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 15,655	\$ 49,760	\$ (34,105)
Changes in assumptions	310,884	-	310,884
Net difference between projected and actual earnings on pension plan investments	1,221,472	-	1,221,472
	<u>\$ 1,548,011</u>	<u>\$ 49,760</u>	<u>\$ 1,498,251</u>

Amounts reported as pension-related deferred outflows/inflows of resources will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2023	\$ 98,420
2024	358,942
2025	347,696
2026	<u>693,193</u>
Total	<u>\$ 1,498,251</u>

Payable to the Pension Plan. At December 31, 2022, the Township had outstanding payables to the ERS of \$122,491.

The governmental activities net pension liability related to the ERS is generally liquidated by the general fund.

Firemen's Pension System

Plan administration. The Charter Township of Harrison Firemen's Pension System (the "FPS") is a single employer defined benefit retirement plan established and administered by the Charter Township of Harrison (the "Township") which provides pension benefits to substantially all full-time employees of the Township Fire Department and their beneficiaries. Under the Township Charter, the authority to establish and amend benefit provisions of the system resides with the Township Board of Trustees. The financial statements of the FPS are included as a pension trust fund in the Township's financial statements.

Management of the FPS is vested in the Charter Township of Harrison Firemen's Pension Board (the "Board"), The Board is a quasi-judicial body consisting of five (5) members, the Township Treasurer, two (2) active members of the fire department, and two (2) members appointed by the Township Board.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Benefits provided. The FPS provides retirement, disability and death benefits to members and their beneficiaries in accordance with the Township's pension ordinance. For members hired prior to July 1, 2011, retirement benefits fully vest after 20 years of credited service regardless of age or when the sum of age and credited services meet or exceed 70. For members hired on or after July 1, 2011, retirement benefits fully vest after 25 or more years of service regardless of age or when the sum of age and credited service meet or exceed 75.

Employees hired before December 19, 2014 who retire with full benefits are entitled to an annual retirement benefit, payable monthly in an amount equal to 2.8% of 3-year average final compensation (AFC) times the first 20 years of service plus 1.8% of AFC times years of service in excess of 20 years up to 25 years, plus 1% of AFC times years of service in excess of 25 years up to 30 years with maximum benefits of 70.0% times AFC. For employees hired after December 19, 2014, the retirement benefit formula is equal to 2.0% of AFC times the first 25 years of service plus 1.0% of AFC for all years in excess of 25 years with maximum benefits of 70.0% times AFC.

In addition to the regular retirement provisions, the FPS allows for the following retirement provisions at regular or reduced benefits:

- Deferred Retirement - 10 or more years of service, benefits begin at the date retirement would have occurred had member remained in employment.
- Death In-Service - payable upon expiration of workers' compensation.
- Duty Disability - No age or service requirements.
- Non-Duty Disability - five or more years of service.

Plan membership. Membership of the FPS consisted of the following at December 31, 2021, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefits	39
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>28</u>
Total membership	<u>68</u>

Contributions. Member contributions are established by negotiation with the Township's collective bargaining units and currently require a contribution from the employees of 11.00%. The employer's actuarially determined contribution rate for 2022 was 60.33%. For the year ended December 31, 2022, the employer contributed \$1,468,989 and the employees contributed \$267,842.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2021 (and rolled forward to December 31, 2022), using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	3.00 percent, average, including inflation
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation
Investment rate of return	The fully generational Pub-2010 Amount-Weighted, General Employee, Male and Female tables, with a base year of 2010 and future mortality improvements projected using scale MP-2021.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study performed in conjunction with the December 31, 2017 actuarial valuation.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Long-term Expected Rate of Return. The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Equities			
Domestic equities	50.00%	7.50%	3.75%
International equities	15.00%	8.50%	1.28%
Fixed income			
Domestic bonds	30.00%	2.50%	0.75%
Other investments			
Real estate	5.00%	4.50%	0.23%
	<u>100.00%</u>		
Inflation expectation			2.25%
Risk adjustments			<u>-1.76%</u>
Investment rate of return			<u>6.50%</u>

Discount Rate. The discount rate used to measure the total pension liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Township contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Changes in Net Pension Liability. The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2021	\$ 29,054,080	\$ 18,164,689	\$ 10,889,391
Changes for the year:			
Service cost	549,826	-	549,826
Interest	1,849,199	-	1,849,199
Difference between expected and actual experience	(3,876)	-	(3,876)
Changes in assumptions	536,308	-	536,308
Employer contributions	-	1,468,989	(1,468,989)
Employee contributions	-	267,842	(267,842)
Net investment loss	-	(3,003,562)	3,003,562
Benefit payments, including refunds of employee contributions	(1,759,564)	(1,759,564)	-
Administrative expense	-	(29,456)	29,456
Net changes	<u>1,171,893</u>	<u>(3,055,751)</u>	<u>4,227,644</u>
Balances at December 31, 2022	<u>\$ 30,225,973</u>	<u>\$ 15,108,938</u>	<u>\$ 15,117,035</u>

Changes in Assumptions. The significant changes in assumptions for the fiscal year ended December 31, 2022, were primarily related to updates to mortality tables.

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 6.5%, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is 1% lower (5.5%) or 1% higher (7.5%) than the current rate:

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Township's net pension liability	\$ 18,749,150	\$ 15,117,035	\$ 12,104,236

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

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

For the year ended December 31, 2022, the Township recognized pension expense of \$1,749,384. The Township reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 389,302	\$ 3,214	\$ 386,088
Changes in assumptions	444,757	-	444,757
Net difference between projected and actual earnings on pension plan investments	2,101,057	-	2,101,057
	<u>\$ 2,935,116</u>	<u>\$ 3,214</u>	<u>\$ 2,931,902</u>

Amounts reported as pension-related deferred outflows/inflows of resources will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2023	\$ 362,009
2024	656,619
2025	847,378
2026	987,908
2027	<u>77,988</u>
Total	<u>\$ 2,931,902</u>

Payable to the Pension Plan. At December 31, 2022, the Township had outstanding payables to the FPS of \$123,553.

The governmental activities net pension liability related to the FPS is generally liquidated by the general fund.

14. OTHER POSTEMPLOYMENT BENEFITS PLAN

General Information About the Plan

Plan Description. The Township participates in a single-employer other postemployment benefit plan (the "OPEB Plan") that provides healthcare benefits to eligible retirees and their beneficiaries. The OPEB Plan was adopted and established by the Township Board of Trustees.

The OPEB Plan does not issue a publicly available financial report as it is audited within the financial report of the Township.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Benefits Provided. The Townships provides other postemployment benefits, as follows:

Employee Type	Benefits Provided		
AFSCME	Normal retirement age is 55 after completion of 8 years of credited services or 25 years of service, whichever is earliest. Premium costs are split as follows:		
	Service Years	Employee	Township
	8 to 10 years	75%	25%
	11 to 14 years	50%	50%
	15 years or more	0%	100%

Members hired after January 1, 2012 are not eligible to receive healthcare benefits. The Township deposits \$170 in an H.S.A. account for each month they are employed by the Township. Vesting is 5 years: 50%, 7 years: 75%, and 10 years: 100%. The account is to be used to purchase healthcare after separation from the Township.

Supervisors
Normal retirement age is 55 after completion of 8 years of credited services or when the age and service equal a total of 80 points. The Township pays 100% of premium costs. Members hired after January 1, 2010 are not eligible for healthcare benefits. For any employee hired after January 1, 2010, the Township deposits \$230 in an H.S.A. account for each month they are employed by the Township.

Firemen
Normal retirement age is 20 years of service (25 years for members hired on or after July 1, 2011) or when their age and service equal a total of 70 points (75 points for members hired on or after July 1, 2011). The Township pays 100% of the premium costs. (Members of IAFF 1737 hired after December 19, 2014 shall, in lieu of retiree health insurance, receive a monthly contribution of \$270 in an account established by the Township. Vesting is 5 years: 50%, 7 years: 75%, and 10 years: 100%. Such members may also contribute to the fund each year subject to IRS regulations.)

Employees Covered by Benefit Terms. During the year ended December 31, 2022, the actuarially determined contribution, based on a valuation dated December 31, 2021 and including both the retiree healthcare benefit and life insurance, was \$1,765,823 and actual contributions of \$1,385,477 were made.

Employees Covered by Benefit Terms. At December 31, 2021, the date of the most recent actuarial valuation, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	79
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>21</u>
Total membership	<u>101</u>

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Net Other Postemployment Benefits Liability. The Township's net other postemployment benefits liability was measured as of December 31, 2022, and the total other postemployment benefits liability used to calculate the net other postemployment benefits liability was determined by an actuarial valuation as of December 31, 2021 (rolled forward to December 31, 2022).

Actuarial Assumptions. The total other postemployment benefits liability was determined by an actuarial valuation as of December 31, 2021 (and rolled forward to December 31, 2022, the measurement date), using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25% per year
Salary Increases	2.75%-9.75% (General) and 3.00%-6.75% (Fire)
Investment rate of return	6.00%
Healthcare trend rate	7.50% graded down to 3.50%

Pre-Retirement Mortality: The fully generational PubG-2010 and PubS-2010 Amount-Weighted, General (Safety for Firemen), Employee, Male and Female tables, with a base year of 2010 and future mortality improvements projected using scale MP-2021. This assumption was used to measure the probabilities of members dying before retirement. Fifty percent (50%) of pre-retirement Firemen deaths were assumed to be non-duty related; 100% of pre-retirement AFSCME and Supervisory deaths were assumed to be non-duty related.

Non-disabled retired plan members and beneficiaries: The fully generational PubG-2010 and PubS-2010 Amount-Weighted, General (Safety for Firemen), Healthy Retiree, Male and Female tables, with a base year of 2010 and future mortality improvements projected using scale MP-2021. This assumption is used to measure the probabilities of each benefit payment being made after retirement.

Disabled retired plan members: The fully generational PubG-2010 and PubS-2010 Amount-Weighted, General (Safety for Firemen), Disabled Retiree, Male and Female tables, with a base year of 2010 and future mortality improvements projected using scale MP-2021. This assumption was used to measure the probabilities of each benefit payment being made after disability retirements.

Investment Policy. The OPEB Plan's policy in regard to the allocation of invested assets is established and may be amended by the Township Board of Trustees. The investment policy has been formulated based on consideration of a wide range of policies and describes the prudent investment processes that the Township Board of Trustees deems appropriate. The OPEB Plan's asset allocation policy is shown on the following pages.

Rate of Return. For the year ended December 31, 2022, the annual money-weighted rate of return on investments, net of investment expense, was negative 12.65 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Long-term Expected Rate of Return. The long-term expected rate of return on other postemployment benefits plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Equities			
Domestic equities	50.00%	7.50%	3.75%
International equities	15.00%	8.50%	1.28%
Fixed income			
Domestic bonds	30.00%	2.50%	0.75%
Other investments			
Real estate	5.00%	4.50%	0.23%
	<u>100.00%</u>		
Inflation assumption			2.25%
Risk adjustments			<u>-2.26%</u>
Investment rate of return			<u>6.00%</u>

Discount Rate. The discount rate used to measure the total other postemployment benefits liability is 6.0% for 2022. 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 other postemployment benefits 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 other postemployment benefits plan investments was applied to all periods of projected benefit payments to determine the total other postemployment benefits liability.

Net OPEB Liability of the Township. The components of the net OPEB liability of the Township at December 31, 2022, were as follows:

Total OPEB liability	\$ 27,656,581
Plan fiduciary net position	<u>5,514,945</u>
Township's net OPEB liability	<u>\$ 22,141,636</u>
Plan fiduciary net position as a percentage of the total OPEB liability	19.9%

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Changes in Net Other Postemployment Benefits Liability. The components of the change in the net other postemployment benefits (OPEB) liability are summarized as follows:

Retiree Healthcare and Life Insurance	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at December 31, 2021	\$ 31,029,631	\$ 5,971,074	\$ 25,058,557
Changes for the year:			
Service cost	206,221	-	206,221
Interest	1,835,400	-	1,835,400
Changes in benefit terms	404,131	-	404,131
Differences between expected and actual experience	(6,400,201)	-	(6,400,201)
Changes of assumptions	1,666,876	-	1,666,876
Employer contributions	-	1,385,477	(1,385,477)
Net investment loss	-	(755,138)	755,138
Benefit payments, including refunds of employee contributions	(1,085,477)	(1,085,477)	-
Administrative expense	-	(991)	991
Net changes	(3,373,050)	(456,129)	(2,916,921)
Balances at December 31, 2022	\$ 27,656,581	\$ 5,514,945	\$ 22,141,636

Changes in assumptions. The significant changes in assumptions for the fiscal year ended December 31, 2022, were primarily related to updates to mortality tables, resetting the healthcare trend rates, and adjusting retirement, wage, and merit rates to align with pension plan assumptions.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Changes in benefit terms. During the year ended December 31, 2022, the Township formally amended their OPEB trust to combine the Retiree Healthcare and Life Insurance benefits into a single OPEB trust fund. A schedule reconciling the balance of the Total OPEB Liability for Life Insurance benefits as of December 31, 2021 (as reported in the Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios for Life Insurance Benefits) to the amount reported as a revised plan provision for the year ended December 31, 2022 is included below:

Life Insurance	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at December 31, 2021	\$ 854,229	\$ -	\$ 854,229
Changes for the year:			
Service cost	6,798	-	6,798
Interest	15,704	-	15,704
Changes in benefit terms	(404,131)	-	(404,131)
Differences between expected and actual experience	(55,701)	-	(55,701)
Changes of assumptions	(408,583)	-	(408,583)
Employer contributions	-	8,316	(8,316)
Benefit payments, including refunds of employee contributions	(8,316)	(8,316)	-
Net changes	(854,229)	-	(854,229)
Balances at December 31, 2022	\$ -	\$ -	\$ -

Sensitivity of the Net Other Postemployment Benefits Liability to Changes in the Discount Rate. The following presents the net other postemployment benefits liability of the Township, calculated using the discount rate of 6.00%, as well as what the Township's net other postemployment benefits liability would be if it were calculated using a discount rate that is 1% lower (5.00%) or 1% higher (7.00%) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Township's net other postemployment benefits liability	\$ 26,008,183	\$ 22,141,636	\$ 18,995,847

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Sensitivity of the Net Other Postemployment Benefits Liability to Changes in the Healthcare Cost Trend Rates. The following presents the net other postemployment benefits liability of the Township, calculated using the healthcare cost trend rate of 7.5%, as well as what the Township's net other postemployment benefits liability would be if it were calculated using a healthcare cost trend rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate:

1% Decrease (6.5% graded down to 2.5%)	Current Healthcare Cost Trend Rate (7.5% graded down to 3.5%)	1% Increase (8.5% graded down to 4.5%)
\$ 18,734,286	\$ 22,141,636	\$ 26,327,790

Other Postemployment Benefit Expense and Deferred Outflows/Inflows of Resources Related to Other Postemployment Benefits

For the year ended December 31, 2022, the Township recognized other postemployment benefits expense of (\$1,365,997). The Township reported deferred outflows/inflows of resources related to other postemployment benefits as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ 2,890,934	\$ (2,890,934)
Changes in assumptions	752,918	-	752,918
Net difference between projected and actual earnings on other postemployment benefits plan investments	406,068	-	406,068
	<u>\$ 1,158,986</u>	<u>\$ 2,890,934</u>	<u>\$ (1,731,948)</u>

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Amounts reported as other postemployment benefits-related deferred outflows/inflows of resources will be recognized in other postemployment benefits expense as follows:

Year Ended December 31,	Amount
2023	\$ (2,172,417)
2024	78,134
2025	137,859
2026	224,476
Total	\$ (1,731,948)

Payable to the Other Postemployment Benefits Plan. At December 31, 2022, the Township reported no amount payable to the OPEB plan.

Governmental activities net other postemployment benefits liability is generally liquidated by the general fund.

15. COMBINING FINANCIAL INFORMATION - PENSION AND OTHER POSTEMPLOYMENT TRUST FUNDS

Statements of Fiduciary Net Position

	Employee Retirement System	Fireman's Pension System	Retiree Healthcare and Life Insurance Trust	Total
Assets				
Cash and cash equivalents	\$ 15,788	\$ 32,714	\$ 21,079	\$ 69,581
Investments, at fair value:				
Mutual funds:				
Equities	9,189,756	7,744,925	3,790,022	20,724,703
Fixed income	3,691,478	5,088,673	1,399,624	10,179,775
Hedge funds	886,917	-	307,066	1,193,983
Money market funds	594,816	2,247,496	-	2,842,312
Accounts receivable	-	436	-	436
Prepaid items	3,219	3,355	1,103	7,677
Total assets	14,381,974	15,117,599	5,518,894	35,018,467
Liabilities				
Accounts payable	2,612	8,661	3,949	15,222
Net position				
Restricted for:				
Pension benefits	14,379,362	15,108,938	-	29,488,300
Other postemployment benefits	-	-	5,514,945	5,514,945
Total net position	\$ 14,379,362	\$ 15,108,938	\$ 5,514,945	\$ 35,003,245

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Statements of Changes in Fiduciary Net Position

	Employee Retirement System	Fireman's Pension System	Retiree Healthcare and Life Insurance Trust	Total
Additions				
Contributions:				
Employer	\$ 958,881	\$ 1,468,989	\$ 300,000	\$ 2,727,870
Plan members	127,401	267,842	-	395,243
Total contributions	1,086,282	1,736,831	300,000	3,123,113
Investment earnings (loss):				
Interest and dividends	247,554	647,697	105,832	1,001,083
Net adjustment in fair value of investments	(2,457,675)	(3,612,460)	(825,350)	(6,895,485)
Investment expense	(104,171)	(38,800)	-	(142,971)
Net investment loss	(2,314,292)	(3,003,563)	(719,518)	(6,037,373)
Total additions, net of investment loss	(1,228,010)	(1,266,732)	(419,518)	(2,914,260)
Deductions				
Benefits - pension	1,773,092	1,759,563	-	3,532,655
Employee refunds	26,816	-	-	26,816
Administrative expenses	22,954	29,456	36,611	89,021
Total deductions	1,822,862	1,789,019	36,611	3,648,492
Change in net position	(3,050,872)	(3,055,751)	(456,129)	(6,562,752)
Restricted net position, beginning				
Pension benefits	17,430,234	18,164,689	-	35,594,923
Other postemployment benefits	-	-	5,971,074	5,971,074
Total restricted net position, beginning	17,430,234	18,164,689	5,971,074	41,565,997
Restricted net position, ending				
Pension benefits	14,379,362	15,108,938	-	29,488,300
Other postemployment benefits	-	-	5,514,945	5,514,945
Total restricted net position, ending	\$ 14,379,362	\$ 15,108,938	\$ 5,514,945	\$ 35,003,245

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

16. DEFINED CONTRIBUTION PLANS

The Township provides pension and retiree healthcare savings benefits for all of its permanent employees through defined contribution plans. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. The Township offers pension benefits through a 401(a) plan and retiree healthcare savings options through a 457 plan.

For the year ended December 31, 2022, the Township made contributions to the 401(a) plan of \$126,663. Currently, there are 49 employees making active contributions to the Plan. Township employees made contributions to the 457 plan of \$221,419. Currently, there are 64 employees making active contributions to the Plan.

17. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of December 31, 2022, was as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 3,927,293	\$ 4,354,703
Capital assets being depreciated/amortized, net	12,318,854	29,844,049
	<u>16,246,147</u>	<u>34,198,752</u>
Less related debt:		
Bonds payable and other liabilities	3,897,101	14,360,612
Less: unspent bond proceeds	(509,975)	-
	<u>3,387,126</u>	<u>14,360,612</u>
Net investment in capital assets	\$ 12,859,021	\$ 19,838,140

18. OPIOID SETTLEMENT

The Township is part of a \$21 billion nationwide settlement reached in July 2021 to resolve all Opioids litigation brought by states and local political subdivisions against the three largest pharmaceutical distributors: McKesson, Cardinal Health, and AmerisourceBergen (Distributors), and a \$5 billion nationwide settlement with manufacturer Janssen Pharmaceuticals, Inc. and its parent company Johnson & Johnson (Janssen). The term of the settlement varies by entity; however, the Township expects to receive eighteen (18) installments from the Distributors with the first two installments being paid early in 2023 in the amount of \$18,056 and the remaining 16 installments expected to be made annually beginning in 2024. Additionally, the Township expects to receive eleven (11) installments from Janssen with the first five installments being paid early in 2023 in the amount of \$53,574 and the remaining installments expected to be made annually beginning in 2026. The Township is currently allocated approximately 0.12% of the total State of Michigan local unit settlement and the total amount of the settlement is expected to be \$311,389 and \$71,572 from the Distributors and Janssen, respectively.

As a result of the payment terms issued to the Directing Administrator of the National Opioid Settlements, the receivable for the Distributor and Janssen settlement agreements was recorded at the net present value, using a discount rate for payments to be received subsequent to 2023 of 3%. The net present value of the combined settlement payments to be received as of December 31, 2022 is \$311,069.

CHARTER TOWNSHIP OF HARRISON, MICHIGAN

Notes To Financial Statements

Additional settlements with pharmacies and manufacturers were entered into during 2022, including CVS, Walgreens, Walmart, Allergan and Teva. However, as of December 31, 2022, the amounts to be allocated to and collected by the Township were not able to be determined, and as such, no amounts have been reported related to these settlements in the financial statements.

19. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. While the pandemic has resulted in an increase in the demands on the Township for providing emergency services to its citizens, the Federal Government has also provided significant resources to help mitigate the impacts of COVID-19. The Township directly received over \$2.6 million (of which, \$2.0 million is unearned) during 2021 and 2022 to be used to respond to the impacts of the COVID-19 pandemic through the State and Local Fiscal Recovery Fund. To date, this funding was used to provide relief in multiple areas including hazard pay and public safety equipment.

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APPENDIX J

CHARTER TOWNSHIP OF CHESTERFIELD ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR FISCAL YEAR ENDED DECEMBER 31, 2022

This Appendix contains the basic financial statements (excluding supplemental financial information) and related notes for the Township's fiscal year ended December 31, 2022. The auditor was not requested to examine or review and therefore has not examined or reviewed any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Bonds and, accordingly, has not conducted any post-audit review procedures and will not express any opinion with respect to the accuracy or completeness of such financial documents, statements or materials.

The supplemental financial information for the fiscal year ended December 31, 2022, is available on the State of Michigan Local Government Document Search Site by searching for the Township at:

<https://treas-secure.state.mi.us/DocumentSearch>

Charter Township of Chesterfield

Management's Discussion and Analysis

The Charter Township of Chesterfield's (the "Township") management's discussion and analysis (MD&A) is designed to provide an objective and easy to read analysis of the Township's financial activities based on current information and facts. The MD&A is intended to serve as an introduction to the Township's basic financial statements. Specifically, this information is designed to assist the reader in focusing on significant financial issues, provide an overview of the Township's financial activity, identify changes in the Township's financial position (its ability to address the next and subsequent years' challenges), identify significant variances from the approved budget, and identify fund issues.

The MD&A should be considered in conjunction with the additional information presented in the letter of transmittal found on pages i-vi and is intended to serve as an introduction to the Charter Township of Chesterfield's basic financial statements that begin on page 10.

Overview of the Financial Statements

In addition to the MD&A (this section), the Township's annual report consists of three other parts: (1) basic financial statements, (2) required supplementary information, and (3) an optional section that presents combining statements for nonmajor governmental and fiduciary funds and the component unit. The basic financial statements include two kinds of statements that present different views of the Township:

Government-wide Statements

These statements provide readers with a broad overview of the Township's finances in a manner similar to a private sector business and, therefore, are prepared using the accrual basis of accounting. These statements provide a longer-term view of the Township's finances and whether taxpayers have funded the full cost of providing governmental services. The first two statements are government-wide financial statements and include the following:

- The statement of net position presents information pertaining to all of the Township's assets and liabilities, with the difference between the two 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 accounts for all of the current year's revenue and expenses regardless of when cash is received or paid. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenue (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, building inspection, and leisure services. The business-type activities of the Township include water and sewer and Brandenburg Park.

The government-wide financial statements include not only the Township itself (known as the primary government) but also the legally separate Chesterfield Township Library and the Economic Development Corporation. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The Building Authority, although also legally separate, functions for all practical purposes as a department of the Township and, therefore, has been included as part of the primary government.

Charter Township of Chesterfield

Management's Discussion and Analysis (Continued)

Fund Financial Statements

The remaining statements are fund financial statements. The Charter Township of Chesterfield, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report the Township's operations in more detail than the government-wide financial statements. These statements present a short-term view and tell how taxpayer resources were spent during the year. The Township's three fund financial statements include the following:

- **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, the governmental fund statements tell how general government services like public safety were financed in the short term, as well as what remains for future spending. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.
- **Proprietary funds** - The Township maintains two different types of proprietary 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 water and sewer activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Township's various functions. The Township uses internal service funds to account for the Township's Health Care Fund. Because these services predominantly benefit governmental rather than business-type functions, they have been included with governmental activities in the government-wide financial statements.
- **Fiduciary funds** - Fiduciary funds provide information about resources held for the benefit of parties outside the government - like other postemployment benefits for the Township's employees - in which the Township acts solely as a trustee or agent. Fiduciary funds are not reflected 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 similar to that used for proprietary funds.

Notes and Other Information

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. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This information includes a budgetary comparison for the Township's General Fund, along with other required schedules. The other supplementary information section contains the combining statements for the Township's nonmajor governmental funds, fiduciary funds, and component unit. Immediately following the supplementary information is a statistical section, which provides certain information pertaining to general government revenue, expenditures, tax revenue and collections, and demographic and other statistical data.

Charter Township of Chesterfield

Management's Discussion and Analysis (Continued)

The Township's Net Position

The following table shows, in a condensed format, the net position as of the current date and compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets:						
Cash and investments	\$ 28,790,822	\$ 31,399,072	\$ 10,088,809	\$ 9,617,744	\$ 38,879,631	\$ 41,016,816
Receivables	14,616,943	8,287,056	3,509,438	3,237,626	18,126,381	11,524,682
Other assets	2,827,777	6,899,191	3,407,725	4,484,550	6,235,502	11,383,741
Capital assets	21,025,366	21,238,193	77,224,279	79,349,440	98,249,645	100,587,633
Total assets	67,260,908	67,823,512	94,230,251	96,689,360	161,491,159	164,512,872
Deferred Outflows of Resources	8,980,299	5,772,798	1,180,587	790,423	10,160,886	6,563,221
Liabilities						
Current liabilities	8,291,540	5,678,016	2,604,739	2,999,843	10,896,279	8,677,859
Noncurrent liabilities	13,192,290	13,956,167	26,361,859	28,622,169	39,554,149	42,578,336
Total liabilities	21,483,830	19,634,183	28,966,598	31,622,012	50,450,428	51,256,195
Deferred Inflows of Resources	26,633,744	28,136,235	1,476,536	1,936,795	28,110,280	30,073,030
Net Position						
Net investment in capital assets	20,243,212	20,049,388	52,287,818	52,332,356	72,531,030	72,381,744
Restricted	6,077,534	6,663,247	2,670,193	3,164,445	8,747,727	9,827,692
Unrestricted	1,802,887	(886,743)	10,009,693	8,424,175	11,812,580	7,537,432
Total net position	<u>\$ 28,123,633</u>	<u>\$ 25,825,892</u>	<u>\$ 64,967,704</u>	<u>\$ 63,920,976</u>	<u>\$ 93,091,337</u>	<u>\$ 89,746,868</u>

The Township's combined net position increased by \$3,344,469 from a year ago, resulting in a total net position of \$93,091,337 at December 31, 2022. As we look at the governmental activities separately from the business-type activities, we can see that unrestricted net position, the part of net position that can be used to finance day-to-day operations, increased by \$2,689,630 for the governmental activities. This represents an increase of approximately 303.3 percent. The current level of unrestricted net position for our governmental activities stands at \$1,802,887, or about 7.9 percent of expenses. Taking a look at the business-type activities, unrestricted net position increased by \$1,585,518. This represents an increase of approximately 18.8 percent.

Charter Township of Chesterfield

Management's Discussion and Analysis (Continued)

The Township's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenue						
Program revenue:						
Charges for services	\$ 2,785,337	\$ 2,806,639	\$ 16,741,479	\$ 16,300,084	\$ 19,526,816	\$ 19,106,723
Operating grants	192,758	519,350	-	-	192,758	519,350
Capital grants	190,228	956,987	1,773,546	1,953,695	1,963,774	2,910,682
General revenue:						
Property taxes	15,730,883	15,171,989	-	-	15,730,883	15,171,989
State-shared revenue	5,339,950	4,616,193	-	-	5,339,950	4,616,193
Investment (loss) income	(199,613)	56,399	(29,255)	13,345	(228,868)	69,744
Other revenue	1,198,734	1,159,587	-	-	1,198,734	1,159,587
Total revenue	25,238,277	25,287,144	18,485,770	18,267,124	43,724,047	43,554,268
Expenses						
General government	4,661,486	4,316,023	-	-	4,661,486	4,316,023
Public safety	15,702,255	15,520,676	-	-	15,702,255	15,520,676
Public works	1,417,631	1,932,736	-	-	1,417,631	1,932,736
Community and economic development	9,812	16,510	-	-	9,812	16,510
Recreation and culture	1,130,465	1,041,716	-	-	1,130,465	1,041,716
Debt service	18,887	31,468	-	-	18,887	31,468
Water and sewer	-	-	17,096,828	16,858,920	17,096,828	16,858,920
Brandenburg Park	-	-	342,214	279,625	342,214	279,625
Total expenses	22,940,536	22,859,129	17,439,042	17,138,545	40,379,578	39,997,674
Change in Net Position	2,297,741	2,428,015	1,046,728	1,128,579	3,344,469	3,556,594
Net Position - Beginning of year	25,825,892	23,397,877	63,920,976	62,792,397	89,746,868	86,190,274
Net Position - End of year	<u>\$28,123,633</u>	<u>\$ 25,825,892</u>	<u>\$ 64,967,704</u>	<u>\$ 63,920,976</u>	<u>\$ 93,091,337</u>	<u>\$ 89,746,868</u>

Property taxes are the primary source of revenue for the governmental activities, providing approximately 62.3 percent of total revenue. State-shared revenue provides another 21.2 percent, and charges for services provided 11.0 percent, leaving just 5.5 percent being provided by all other sources. Charges for services are the primary source of revenue for the business-type activities. This activity accounts for 90.6 percent of total revenue.

The Township's Funds

Our analysis of the Township's major funds begins on page 13, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township's board creates funds to help manage money for specific purposes and to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2022 include the General Fund and the Public Safety Fund.

The General Fund pays for a majority of the Township's governmental services. The General Fund ended 2022 with a fund balance of \$10,003,032. Revenue and expenditures for 2022 were \$8,447,697 and \$7,865,088, respectively.

The Public Safety Fund is funded by a special assessment. These funds are expended exclusively for the operations of the police and fire departments. The Public Safety Fund ended 2022 with a fund balance of \$5,994,000. Revenue and expenditures for 2022 were \$15,018,407 and \$15,797,787, respectively.

Charter Township of Chesterfield

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account unanticipated events during the year. Actual revenue was above budgeted revenue by 12.2 percent. Actual expenditures were 28.5 percent below budget. The Township completed the year with actual revenue over expenditures in the General Fund of \$582,609 as compared to the amended budgeted amount of \$(3,469,776), a positive variance of \$4,052,385.

Capital Assets and Debt Administration

At the end of 2022, the Township's governmental and business-type activities combined had approximately \$98.2 million in historical cost invested in a wide range of capital assets, including land, buildings, public safety equipment, computer equipment, water and sewer lines, and township infrastructure, such as roads and bridges. The infrastructure represents a usage right to these assets. The value of the infrastructure assets for governmental activities, net of depreciation contained in this report, is \$8.5 million and \$8.9 million for 2022 and 2021, respectively. The business-type activities' infrastructure for 2022 and 2021 (including construction in progress), net of depreciation, is \$71.2 million and \$74.0 million, respectively. Additionally, the value of buildings and improvements for the governmental activities, net of depreciation, is \$5.7 million and \$6.3 million (including construction in progress) for 2022 and 2021, respectively. The business-type activities' buildings and improvements, net of depreciation, are \$4.0 million for 2022 and \$3.2 million for 2021. See Note 4 for additional information.

The majority of the debt reported in these financial statements is related to the construction of the above-mentioned infrastructure and is reported as a liability on the statement of net position (see Note 6 for additional information). The debt is scheduled to be paid through 2042 and has approximately \$24.9 million outstanding as of the end of 2022.

Economic Factors and Next Year's Budgets and Rates

The Township has successfully approached challenging financial times in a comprehensive, long-term manner and was able to weather unexpected economic challenges due to COVID-19. As such, we are able to continue to focus on the future by continuing to update and implement the Township's master plan. Despite the challenges faced, the Township continues to invest in quality of life services and infrastructure. The Township is investing in numerous parks and recreation improvements across the Township, as highlighted with the work done at Brandenburg Park and Chesterfield Community Center.

Economic development also continues in the commercial, industrial, and manufacturing sectors. Although the Township continues to see commercial and residential growth, there still remains a structural funding problem facing communities in Michigan. Due to the passage of Proposal A in 1993, the Township will only see an inflationary adjustment from property tax revenue going forward. Additional tax revenue from economic development is also limited due to Headlee rollbacks, which reduce the overall millage rate, and the elimination of property taxes on eligible manufacturing personal property. State revenue sharing, the Township's largest revenue source, is tied to sales tax receipts and is always at risk of further cuts.

American Rescue Plan Act Fund

The American Rescue Plan Act (ARPA), passed by the federal government in 2021, provides relief to local governments to combat the continued impact of the COVID-19 pandemic. The Township received a total of \$4.9 million over two years, and eligible expenditures must be incurred by 2026. The Township received the first half of the grant in 2021 and the second half of the grant in 2022 but as of 2022 has only incurred \$24,500 in expenditures; therefore, the remaining grant amount is recorded as unearned revenue. So far, the Township has allocated to use ARPA funds for the following: \$702,671.96 to Brandenburg Boat Launch, \$392,409 to Water Advanced Meter Reading (AMI) System, \$116,333 to Jefferson Avenue Pathway, and \$100,000 to Brandenburg Park Purchase.

Charter Township of Chesterfield

Management's Discussion and Analysis (Continued)

Contacting the Township's Management

This financial report is intended to provide a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Chesterfield Township Finance Department or the clerk's office at 47275 Sugarbush, Chesterfield Township, MI 48047. This report, township budgets, and other financial information are available on the Township's website at www.chesterfieldtpw.org.

Charter Township of Chesterfield

Statement of Net Position

December 31, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
Assets				
Cash and investments (Note 3)	\$ 28,790,822	\$ 10,088,809	\$ 38,879,631	\$ -
Receivables - Net:				
Property taxes receivable	12,725,977	-	12,725,977	-
Special assessments receivable	594,131	-	594,131	-
Receivables from sales to customers on account	-	3,423,736	3,423,736	-
Accrued interest receivable	59,139	39,065	98,204	-
Other receivables	139,868	-	139,868	-
Due from other governmental units	1,108,702	35,763	1,144,465	-
Internal balances (Note 5)	(10,874)	10,874	-	-
Inventory	-	305,443	305,443	-
Prepaid expenses and deposits	391,588	68,066	459,654	-
Restricted assets (Note 7)	-	2,670,193	2,670,193	-
Net OPEB asset (Note 10)	2,436,189	364,023	2,800,212	-
Capital assets: (Note 4)				
Assets not subject to depreciation	4,530,623	1,105,234	5,635,857	-
Assets subject to depreciation - Net	16,494,743	76,119,045	92,613,788	-
Total assets	67,260,908	94,230,251	161,491,159	-
Deferred Outflows of Resources				
Deferred pension costs (Note 9)	5,955,375	728,587	6,683,962	-
Deferred OPEB costs (Note 10)	3,024,924	452,000	3,476,924	-
Total deferred outflows of resources	8,980,299	1,180,587	10,160,886	-
Liabilities				
Accounts payable	1,085,981	1,468,978	2,554,959	-
Due to other governmental units	1,243,365	-	1,243,365	-
Refundable deposits and bonds	1,067,705	-	1,067,705	-
Accrued liabilities and other	13,448	205,853	219,301	-
Unearned revenue	4,881,041	929,908	5,810,949	-
Noncurrent liabilities:				
Due within one year: (Note 6)				
Current portion of long-term debt payable from restricted assets	-	2,057,151	2,057,151	-
Compensated absences	975,618	99,462	1,075,080	-
Current portion of long-term debt	382,154	-	382,154	-
Due in more than one year:				
Net pension liability (Note 9)	11,434,518	1,396,432	12,830,950	-
Long-term debt (Note 6)	400,000	22,808,814	23,208,814	-
Total liabilities	21,483,830	28,966,598	50,450,428	-
Deferred Inflows of Resources				
Deferred benefit on bond refunding	-	70,496	70,496	-
Property taxes levied for the following year	16,680,887	-	16,680,887	-
Deferred pension cost reductions (Note 9)	2,993,324	366,118	3,359,442	-
Deferred OPEB cost reductions (Note 10)	6,959,533	1,039,922	7,999,455	-
Total deferred inflows of resources	26,633,744	1,476,536	28,110,280	-
Net Position				
Net investment in capital assets	20,243,212	52,287,818	72,531,030	-
Restricted:				
Public safety	5,994,000	-	5,994,000	-
Debt service	-	2,333,828	2,333,828	-
Water and sewer construction and maintenance	-	336,365	336,365	-
Building inspection	83,534	-	83,534	-
Unrestricted	1,802,887	10,009,693	11,812,580	-
Total net position	\$ 28,123,633	\$ 64,967,704	\$ 93,091,337	\$ -

See notes to financial statements.

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Charter Township of Chesterfield

Functions/Programs

Primary government:

Governmental activities:

General government	\$ 4,661,486	\$ 367,516	\$ 10,875	\$ -
Public safety	15,702,255	1,972,503	169,759	-
Public works	1,417,631	86,359	-	190,228
Community and economic development	9,812	-	-	-
Recreation and culture	1,130,465	358,959	12,124	-
Interest on long-term debt	18,887	-	-	-

Total governmental activities

Business-type activities:

Water and Sewer Operations Fund	17,096,828	16,602,932	-	1,749,046
Brandenburg Park Fund	342,214	138,547	-	24,500

Total business-type activities

Total primary government

Component units - Economic Development Corporation

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 4,661,486	\$ 367,516	\$ 10,875	\$ -
Public safety	15,702,255	1,972,503	169,759	-
Public works	1,417,631	86,359	-	190,228
Community and economic development	9,812	-	-	-
Recreation and culture	1,130,465	358,959	12,124	-
Interest on long-term debt	18,887	-	-	-
Total governmental activities	22,940,536	2,785,337	192,758	190,228
Business-type activities:				
Water and Sewer Operations Fund	17,096,828	16,602,932	-	1,749,046
Brandenburg Park Fund	342,214	138,547	-	24,500
Total business-type activities	17,439,042	16,741,479	-	1,773,546
Total primary government	\$ 40,379,578	\$ 19,526,816	\$ 192,758	\$ 1,963,774
Component units - Economic Development Corporation	\$ 1,271	\$ -	\$ -	\$ -

General revenue:

Property taxes
Unrestricted state-shared revenue
Unrestricted investment loss
Unrestricted cable franchise fees
Gain on sale of capital assets
Other miscellaneous income

Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

See notes to financial statements.

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Statement of Activities

Year Ended December 31, 2022

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Corporation
\$ (4,283,095)	\$ -	\$ (4,283,095)	\$ -
(13,559,993)	-	(13,559,993)	-
(1,141,044)	-	(1,141,044)	-
(9,812)	-	(9,812)	-
(759,382)	-	(759,382)	-
(18,887)	-	(18,887)	-
(19,772,213)	-	(19,772,213)	-
-	1,255,150	1,255,150	-
-	(179,167)	(179,167)	-
-	1,075,983	1,075,983	-
(19,772,213)	1,075,983	(18,696,230)	-
-	-	-	(1,271)
15,730,883	-	15,730,883	-
5,339,950	-	5,339,950	-
(199,613)	(29,255)	(228,868)	-
747,212	-	747,212	-
190,201	-	190,201	-
261,321	-	261,321	-
22,069,954	(29,255)	22,040,699	-
2,297,741	1,046,728	3,344,469	(1,271)
25,825,892	63,920,976	89,746,868	1,271
\$ 28,123,633	\$ 64,967,704	\$ 93,091,337	\$ -

Charter Township of Chesterfield

Governmental Funds
Balance Sheet

December 31, 2022

	General Fund	Public Safety Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 3)	\$ 16,661,905	\$ 9,784,945	\$ 689,614	\$ 27,136,464
Receivables - Net:				
Property taxes receivable	1,105,104	11,620,873	-	12,725,977
Special assessments receivable	594,131	-	-	594,131
Accrued interest receivable	35,172	23,967	-	59,139
Other receivables	36,548	103,320	-	139,868
Due from other governmental units	1,056,706	51,996	-	1,108,702
Due from other funds (Note 5)	32,051	-	134,227	166,278
Prepaid expenses and deposits	133,430	253,304	4,854	391,588
Total assets	\$ 19,655,047	\$ 21,838,405	\$ 828,695	\$ 42,322,147
Liabilities				
Accounts payable	\$ 307,429	\$ 669,197	\$ 93,499	\$ 1,070,125
Due to other governmental units	1,137,103	-	-	1,137,103
Due to other funds (Note 5)	158,927	-	4,225	163,152
Refundable deposits and bonds	1,067,705	-	-	1,067,705
Unearned revenue	4,881,041	-	-	4,881,041
Total liabilities	7,552,205	669,197	97,724	8,319,126
Deferred Inflows of Resources				
Unavailable revenue	594,131	-	-	594,131
Property taxes levied for the following year	1,505,679	15,175,208	-	16,680,887
Total deferred inflows of resources	2,099,810	15,175,208	-	17,275,018
Total liabilities and deferred inflows of resources	9,652,015	15,844,405	97,724	25,594,144
Fund Balances				
Nonspendable - Prepaid expenses and deposits	133,430	253,304	4,854	391,588
Restricted:				
Public safety	-	5,740,696	-	5,740,696
Building inspection	-	-	78,880	78,880
Committed - Leisure services	-	-	647,237	647,237
Assigned - Subsequent year's budget	1,668,308	-	-	1,668,308
Unassigned	8,201,294	-	-	8,201,294
Total fund balances	10,003,032	5,994,000	730,971	16,728,003
Total liabilities, deferred inflows of resources, and fund balances	\$ 19,655,047	\$ 21,838,405	\$ 828,695	\$ 42,322,147

Charter Township of Chesterfield

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

December 31, 2022

Fund Balances Reported in Governmental Funds	\$ 16,728,003
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	21,025,366
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	594,131
Bonds payables that are not due and payable in the current period and are not reported in the funds	(782,154)
Accrued interest is not due and payable in the current period and is not reported in the funds	(13,448)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(975,618)
Pension benefits including deferrals	(8,472,467)
Retiree health care benefits, including deferrals	(1,498,420)
Internal service funds are included as part of governmental activities	1,518,240
Net Position of Governmental Activities	<u>\$ 28,123,633</u>

See notes to financial statements.

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Charter Township of Chesterfield

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2022

	General Fund	Public Safety Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Taxes	\$ 1,523,865	\$ 14,207,018	\$ -	\$ 15,730,883
Special assessments	159,740	-	-	159,740
Intergovernmental:				
Federal grants	12,124	-	-	12,124
State-shared revenue and grants	5,350,825	-	-	5,350,825
Charges for services	175,745	556,644	346,774	1,079,163
Fines and forfeitures	-	118,628	-	118,628
Licenses and permits	-	-	1,194,412	1,194,412
Investment income:				
Investment income (loss)	2,683	(203,799)	1,503	(199,613)
Rental income	265,627	-	-	265,627
Other revenue:				
Other miscellaneous income	209,876	339,916	8,795	558,587
Cable franchise fees	747,212	-	-	747,212
Total revenue	8,447,697	15,018,407	1,551,484	25,017,588
Expenditures				
Current services:				
General government	5,761,612	-	-	5,761,612
Public safety	278,390	15,494,949	1,125,166	16,898,505
Public works	842,984	-	-	842,984
Community and economic development	9,812	-	-	9,812
Recreation and culture	719,288	-	301,600	1,020,888
Capital outlay	130,302	-	21,119	151,421
Debt service:				
Principal	100,000	290,500	-	390,500
Interest on long-term debt	22,700	12,338	-	35,038
Total expenditures	7,865,088	15,797,787	1,447,885	25,110,760
Excess of Revenue Over (Under) Expenditures	582,609	(779,380)	103,599	(93,172)
Other Financing Sources (Uses)				
Transfers in (Note 5)	55,000	-	-	55,000
Transfers out (Note 5)	-	-	(55,000)	(55,000)
Sale of capital assets	26,000	170,515	1,330	197,845
Total other financing sources (uses)	81,000	170,515	(53,670)	197,845
Net Change in Fund Balances	663,609	(608,865)	49,929	104,673
Fund Balances - Beginning of year	9,339,423	6,602,865	681,042	16,623,330
Fund Balances - End of year	<u>\$ 10,003,032</u>	<u>\$ 5,994,000</u>	<u>\$ 730,971</u>	<u>\$ 16,728,003</u>

See notes to financial statements.

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Charter Township of Chesterfield

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

Year Ended December 31, 2022

Net Change in Fund Balances Reported in Governmental Funds \$ 104,673

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	1,688,844
Depreciation expense	(1,927,204)
Loss on disposal of assets	(7,644)
Donated capital assets	33,177

Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available (2,689)

Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt) 406,651

Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds 1,886,644

Internal service funds are included as part of governmental activities 115,289

Change in Net Position of Governmental Activities \$ 2,297,741

See notes to financial statements.

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Charter Township of Chesterfield

Proprietary Funds Statement of Net Position

December 31, 2022

	Enterprise Funds			Governmental Activities
	Major Enterprise Fund - Water and Sewer Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	Total Enterprise Funds	Internal Service Fund - Health Care Fund
Assets				
Current assets:				
Cash and investments (Note 3)	\$ 9,797,443	\$ 291,366	\$ 10,088,809	\$ 1,654,358
Receivables - Net:				
Receivables from sales to customers on account	3,423,736	-	3,423,736	-
Accrued interest receivable	39,065	-	39,065	-
Due from other governmental units	35,763	-	35,763	-
Due from other funds (Note 5)	-	24,700	24,700	-
Inventory	305,443	-	305,443	-
Prepaid expenses and deposits	68,066	-	68,066	-
Total current assets	13,669,516	316,066	13,985,582	1,654,358
Noncurrent assets:				
Restricted assets (Note 7)	2,670,193	-	2,670,193	-
Net OPEB asset	364,023	-	364,023	-
Capital assets: (Note 4)				
Assets not subject to depreciation	1,080,734	24,500	1,105,234	-
Assets subject to depreciation - Net	72,844,892	3,274,153	76,119,045	-
Total noncurrent assets	76,959,842	3,298,653	80,258,495	-
Total assets	90,629,358	3,614,719	94,244,077	1,654,358
Deferred Outflows of Resources				
Deferred pension costs (Note 9)	728,587	-	728,587	-
Deferred OPEB costs (Note 10)	452,000	-	452,000	-
Total deferred outflows of resources	1,180,587	-	1,180,587	-
Liabilities				
Current liabilities:				
Accounts payable	1,440,913	28,065	1,468,978	15,856
Due to other governmental units	-	-	-	106,262
Due to other funds (Note 5)	13,826	-	13,826	14,000
Accrued liabilities and other	205,853	-	205,853	-
Unearned revenue	929,908	-	929,908	-
Compensated absences (Note 6)	99,462	-	99,462	-
Total current liabilities	2,689,962	28,065	2,718,027	136,118
Noncurrent liabilities:				
Current portion of long-term debt payable from restricted assets	2,057,151	-	2,057,151	-
Net pension liability (Note 9)	1,396,432	-	1,396,432	-
Long-term debt (Note 6)	22,808,814	-	22,808,814	-
Total noncurrent liabilities	26,262,397	-	26,262,397	-
Total liabilities	28,952,359	28,065	28,980,424	136,118
Deferred Inflows of Resources				
Deferred benefit on bond refunding	70,496	-	70,496	-
Deferred pension cost reductions (Note 9)	366,118	-	366,118	-
Deferred OPEB cost reductions (Note 10)	1,039,922	-	1,039,922	-
Total deferred inflows of resources	1,476,536	-	1,476,536	-
Net Position				
Net investment in capital assets	48,989,165	3,298,653	52,287,818	-
Restricted:				
Debt service	2,333,828	-	2,333,828	-
Water and sewer construction and maintenance	336,365	-	336,365	-
Unrestricted	9,721,692	288,001	10,009,693	1,518,240
Total net position	\$ 61,381,050	\$ 3,586,654	\$ 64,967,704	\$ 1,518,240

See notes to financial statements.

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Charter Township of Chesterfield

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

Year Ended December 31, 2022

	Enterprise Funds			Governmental Activities
	Major Enterprise Fund - Water and Sewer Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	Total Enterprise Funds	Internal Service Fund - Health Care Fund
Operating Revenue				
Sale of water	\$ 8,011,903	\$ -	\$ 8,011,903	\$ -
Sewage disposal charges	8,489,115	-	8,489,115	-
Fees	-	138,137	138,137	-
Other	101,914	410	102,324	-
Charges to other funds	-	-	-	2,767,393
Total operating revenue	16,602,932	138,547	16,741,479	2,767,393
Operating Expenses				
Cost of water	4,678,643	-	4,678,643	-
Cost of sewage treatment	5,230,536	-	5,230,536	-
Cost of insurance claims	-	-	-	2,652,104
Repairs and maintenance	166,654	2,149	168,803	-
Billing and administrative costs	282,351	-	282,351	-
Personnel services	1,911,495	48,172	1,959,667	-
Supplies	214,532	7,060	221,592	-
Other services and charges	567,178	77,255	644,433	-
Contractual services	405,707	-	405,707	-
Depreciation	2,872,757	207,578	3,080,335	-
Total operating expenses	16,329,853	342,214	16,672,067	2,652,104
Operating Income (Loss)	273,079	(203,667)	69,412	115,289
Nonoperating (Expense) Revenue				
Investment (loss) income - Net	(29,593)	338	(29,255)	-
Interest expense	(766,975)	-	(766,975)	-
Total nonoperating (expense) revenue	(796,568)	338	(796,230)	-
(Loss) Income - Before capital contributions	(523,489)	(203,329)	(726,818)	115,289
Capital Contributions				
Capital contributed by grants and donations	-	24,500	24,500	-
Tap fees	554,305	-	554,305	-
Benefit fees	764,430	-	764,430	-
Lines donated by developers	430,311	-	430,311	-
Total capital contributions	1,749,046	24,500	1,773,546	-
Change in Net Position	1,225,557	(178,829)	1,046,728	115,289
Net Position - Beginning of year	60,155,493	3,765,483	63,920,976	1,402,951
Net Position - End of year	<u>\$ 61,381,050</u>	<u>\$ 3,586,654</u>	<u>\$ 64,967,704</u>	<u>\$ 1,518,240</u>

See notes to financial statements.

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Charter Township of Chesterfield

Proprietary Funds Statement of Cash Flows

Year Ended December 31, 2022

	Enterprise Funds			Governmental Activities
	Major Enterprise Fund - Water and Sewer Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	Total Enterprise Funds	Internal Service Fund - Health Care Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 16,360,341	\$ 138,547	\$ 16,498,888	\$ -
Internal activity - Payments from other funds	11,542	-	11,542	2,781,393
Payments to suppliers	(10,866,968)	(127,156)	(10,994,124)	106,262
Payments to employees and fringes	(3,421,332)	(50,417)	(3,471,749)	-
Claims paid	-	-	-	(2,967,289)
Other receipts	1,952	-	1,952	-
Net cash and cash equivalents provided by (used in) operating activities	2,085,535	(39,026)	2,046,509	(79,634)
Cash Flows from Capital and Related Financing Activities				
Receipt of capital grants	-	36,640	36,640	-
Tap fees	554,305	-	554,305	-
Benefit fees	764,430	-	764,430	-
Purchase of capital assets	(487,169)	(37,694)	(524,863)	-
Principal and interest paid on capital debt	(2,839,765)	-	(2,839,765)	-
Net cash and cash equivalents used in capital and related financing activities	(2,008,199)	(1,054)	(2,009,253)	-
Cash Flows (Used in) Provided by Investing Activities - Interest paid on investments	(60,781)	338	(60,443)	-
Net Increase (Decrease) in Cash and Cash Equivalents	16,555	(39,742)	(23,187)	(79,634)
Cash and Cash Equivalents - Beginning of year	12,451,081	331,108	12,782,189	1,733,992
Cash and Cash Equivalents - End of year	<u>\$ 12,467,636</u>	<u>\$ 291,366</u>	<u>\$ 12,759,002</u>	<u>\$ 1,654,358</u>
Classification of Cash and Cash Equivalents				
Cash and investments	\$ 9,797,443	\$ 291,366	\$ 10,088,809	\$ 1,654,358
Restricted cash	2,670,193	-	2,670,193	-
Total cash and cash equivalents	<u>\$ 12,467,636</u>	<u>\$ 291,366</u>	<u>\$ 12,759,002</u>	<u>\$ 1,654,358</u>

See notes to financial statements.

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Charter Township of Chesterfield

Proprietary Funds Statement of Cash Flows (Continued)

Year Ended December 31, 2022

	Enterprise Funds			Governmental Activities	
	Major Enterprise Fund - Water and Sewer Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	Total Enterprise Funds	Internal Service Fund - Health Care Fund	
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 273,079	\$ (203,667)	\$ 69,412	\$ 115,289	
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	2,872,757	207,578	3,080,335	-	
Changes in assets and liabilities:					
Receivables	(240,639)	-	(240,639)	-	
Due to and from other funds	11,542	(23,667)	(12,125)	14,000	
Inventories	(56,986)	-	(56,986)	-	
Net OPEB asset	5,540	-	5,540	-	
Net pension or OPEB asset	19,439	-	19,439	-	
Accounts payable	179,751	(19,270)	160,481	106,262	
Net pension liability	-	-	-	(315,185)	
Net pension or OPEB liability	(155,116)	-	(155,116)	-	
Deferrals related to pension or OPEB	(228,010)	-	(228,010)	-	
Accrued and other liabilities	(595,822)	-	(595,822)	-	
Net cash and cash equivalents provided by (used in) operating activities	<u>\$ 2,085,535</u>	<u>\$ (39,026)</u>	<u>\$ 2,046,509</u>	<u>\$ (79,634)</u>	
Significant Noncash Transactions	\$ 430,311	\$ -	\$ 430,311	\$ -	

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2022, water and sewer line infrastructure totaling \$430,311 was donated to the Township by outside developers.

Charter Township of Chesterfield

Fiduciary Funds Statement of Fiduciary Net Position

December 31, 2022

	Other	
	Postemployment Benefits Fund	Custodial Funds
Assets		
Cash and investments	\$ -	\$ 6,218,459
Investments - Interest in pooled investments	31,671,075	-
Receivables - Property taxes	-	1,024,293
Total assets	31,671,075	7,242,752
Liabilities - Unremitted tax collections	-	3,810,067
Deferred Inflows of Resources - Property taxes levied for the following year	-	1,024,293
Total liabilities and deferred inflows of resources	-	4,834,360
Net Position		
Postemployment benefits other than pension	31,671,075	-
Individuals, organizations, and other governments	-	2,408,392
Total net position	<u>\$ 31,671,075</u>	<u>\$ 2,408,392</u>

Charter Township of Chesterfield

Fiduciary Funds Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2022

	Other Postemployment Benefits Fund	Custodial Funds
Additions		
Investment income (loss):		
Interest and dividends	\$ -	\$ 232
Net decrease in fair value of investments	(3,688,168)	-
Net investment (loss) income	(3,688,168)	232
Contributions:		
Employer contributions	1,214,942	-
Library	-	2,335,199
Total contributions	1,214,942	2,335,199
Property tax collections for other governments	-	62,448,296
Total additions	(2,473,226)	64,783,727
Deductions		
Benefit payments	1,214,942	-
Administrative expenses	58,208	3,140,277
Tax disbursements to other governments	-	62,448,296
Total deductions	1,273,150	65,588,573
Net Decrease in Fiduciary Net Position	(3,746,376)	(804,846)
Net Position - Beginning of year	35,417,451	3,213,238
Net Position - End of year	\$ 31,671,075	\$ 2,408,392

Charter Township of Chesterfield

Notes to Financial Statements

December 31, 2022

Note 1 - Nature of Business

Charter Township of Chesterfield (the "Township") is a municipality in the state of Michigan. Originally established as a general law township in 1842, the Township later became a charter township in 1989.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

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

Reporting Entity

The Township is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township (see discussion below for description).

Discretely Presented Component Unit

Economic Development Corporation

The Economic Development Corporation (EDC) was formed to alleviate and prevent conditions of unemployment and to assist and retain local industries and commercial enterprises in order to strengthen and revitalize the economy of the Charter Township of Chesterfield. The EDC board is composed of nine members, of which no more than three can be members of the township board. The EDC is fiscally dependent upon the Township and, thus, meets the discretely presented component unit criteria. The EDC does not issue separate financial statements. As of December 31, 2022, the EDC was dissolved and no longer active.

Fiduciary Component Unit

Other Postemployment Benefits Fund

The Other Postemployment Benefits Fund is governed by the township board. Although it is legally separate from the Township, it is reported as a fiduciary component unit because the Township appoints a voting majority to the board and the plan imposes a financial burden on the Township. The Other Postemployment Benefits Fund does not issue separate financial statements.

Report Presentation

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

Note 2 - Significant Accounting Policies (Continued)

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

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

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

Fund Accounting

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

Governmental Funds

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Public Safety Fund is a full-service department that provides public safety needs for the Township and its residents. The main source of revenue for the public safety department is a voter-approved special assessment on all real property.

Proprietary Funds

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

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

The Township's Internal Service Fund is used to allocate insurance costs to the various funds on a full accrual basis so that the full costs are recognized and allocated to the various funds in the year that the costs are incurred.

Note 2 - Significant Accounting Policies (Continued)

Fiduciary Funds

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

- The Other Postemployment Benefits Fund accumulates resources for future retiree health care payments to retirees.
- The Current Tax Account collects taxes on behalf of all the taxing authorities (state, county, school district, township, and the various smaller authorities).
- The Trust and Agency Fund reports resources for the library for which the Township has no administrative involvement.

Interfund Activity

During the course of operations, the Township has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

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

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

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

Note 2 - Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments

Investments are reported at fair value or estimated fair value.

Receivables and Payables

In general, outstanding balances between funds are reported as due to/from other funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances. No provision has been made in the financial statements for noncollection.

Inventories and Prepaid Items

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

Restricted Assets

A township ordinance requires amounts to be set aside in the Water and Sewer Operations Fund for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the Township's sewer lines.

Capital Assets

Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

	Depreciable Life - Years
Machinery and equipment	5-20
Buildings and improvements	20
Infrastructure	20-100

Note 2 - Significant Accounting Policies (Continued)

Unearned Revenue

Unearned revenue consists of grant proceeds, which are not considered earned until they have been spent on eligible expenditures in the governmental funds and governmental activities. Unearned revenue in the Water and Sewer Operations Fund represents prepaid tap-in fees, which are recognized as services are performed.

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as other financing sources, as well as bond premiums and discounts. The General Fund, Water and Sewer Operations Fund, and debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The Township reports the following deferred outflows related to pensions and OPEB, as detailed in Notes 9 and 10, respectively.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Township reports deferred inflows related to receivables collected beyond the Township's period of availability, which are reported only in the governmental funds. The Township reports a deferred inflow on the statement of net position related to bond refunding. The Township also reports deferred inflows related to property taxes levied for the following year, along with pensions and OPEB, as detailed in Notes 9 and 10, respectively.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Note 2 - Significant Accounting Policies (Continued)**Fund Balance Policies**

In the fund financial statements, governmental funds report the following components of fund balance:

Nonspendable - Amounts that are not in spendable form or are legally or contractually required to be maintained intact

Restricted - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation to be used for a specific purpose

Committed - Amounts that have been formally set aside by the board to be used for specific purposes. Commitments are made and can be rescinded only via resolution of the board of trustees.

Assigned - Intent to spend resources on specific purposes expressed by the governing body or the finance director in conjunction with the Township's supervisor, who is authorized by resolution approved by the governing body to make assignments.

Unassigned - Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

The fund balance policy prescribes the minimum fund balance as 20 percent of operations in the General Fund. This is deemed to be the prudent amount to maintain the Township's ability to meet obligations as they come due throughout the year.

Property Tax Revenue

Property taxes are levied on each December 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2022 property tax revenue was levied and collectible on December 1, 2021 and is recognized as revenue in the year ended December 31, 2022 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2021 taxable valuation of the Township totaled \$1.864 billion, on which ad valorem taxes levied consisted of 0.7624 mills for operating purposes and 7.95 mills for public safety purposes. This resulted in \$1.5 million for operating and \$14.2 million for public safety purposes. These amounts are recognized in the respective General Fund and special revenue fund financial statements as tax revenue. A provision has been recorded for potential refunds related to disputed taxable values.

Pension

The Township offers a defined benefit pension plan to its employees through the Municipal Employees' Retirement System of Michigan (MERS). The Township records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Township's pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General, Public Safety, and Water and Sewer Operations funds will be used to liquidate the net pension liability based on whichever fund an employee or retiree is assigned and to which fund the employee's pension costs are charged.

Note 2 - Significant Accounting Policies (Continued)**Other Postemployment Benefit Costs**

The Township offers retiree health care benefits to retirees. The Township records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General, Public Safety, and Water and Sewer Operations funds will be used to liquidate the net OPEB liability, based on whichever fund an employee or retiree is assigned and to which fund the employee's pension costs are charged.

Compensated Absences (Vacation and Sick Leave)

It is the Township's policy to permit employees to accumulate earned but unused sick, vacation pay, and compensatory time benefits. A liability for unused sick leave is reported in the governmental funds because the Township has a policy to pay employees for unused sick time at the beginning of each year. All unused sick, vacation pay, and compensatory time are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations and unused sick leave as of year end. The liability in the proprietary fund financial statements is reported in the accrued liabilities and other category, as it is all current. Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund and the Water and Sewer Operations Fund.

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Operations Fund and Internal Service Fund is charges to customers for sales and services. The Water and Sewer Operations Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

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

Upcoming Accounting Pronouncements

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2023.

Note 2 - Significant Accounting Policies (Continued)

In April 2022, the Governmental Accounting Standards Board issued Statement No. 99, *Omnibus 2022*, which establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements, the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP), nonmonetary transactions, pledges of future revenue, the focus of government-wide financial statements, and terminology. The standard has various effective dates. The Township does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, *Accounting Changes and Error Corrections*, which enhances the accounting and financial reporting requirements for accounting changes and error corrections. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2024.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Township's financial statements for the year ending December 31, 2024.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The Township is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated three banks for the deposit of its funds. The investment policy adopted by the township board in accordance with Public Act 196 of 1997 has authorized investment in U.S. Treasuries, U.S. agencies, instrumentalities, certificates of deposit, commercial paper (meeting certain rating and maturity requirements), investment pools, and mutual funds. The Township's deposits and investment policies comply with all required laws and regulations.

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had bank deposits of \$22,876,673 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Township believes that, due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation (FDIC) insurance, it is impractical to insure all deposits.

Note 3 - Deposits and Investments (Continued)

Credit Risk

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

Investment	Fair Value	Rating	Rating Organization
Primary government - Bank investment pool	\$ 2,178,620	P1	Standard & Poor's

Fair Value Measurements

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. The Township did not have any investments that were subject to the fair value hierarchy at December 31, 2022.

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

Investments in Entities that Calculate Net Asset Value per Share

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

At December 31, 2022, the fair value of the Comerica J Fund Investment Pool was \$2,178,620, and the fair value of the MERS Total Market Portfolio was \$31,671,075. There were no unfunded commitments, no restrictions on redemption frequency, and no redemption notice period.

The Comerica J Fund Investment Pool invests assets in a manner that will seek the highest investment return consistent with the preservation of principal and meet the daily liquidity needs of participants.

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

Charter Township of Chesterfield

Notes to Financial Statements

December 31, 2022

Note 4 - Capital Assets

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

Governmental Activities

	Balance January 1, 2022	Reclassifications and Adjustments	Additions	Disposals	Balance December 31, 2022
Capital assets not being depreciated:					
Land	\$ 3,997,578	\$ -	\$ -	\$ -	\$ 3,997,578
Construction in progress	943,695	(943,695)	533,045	-	533,045
Subtotal	4,941,273	(943,695)	533,045	-	4,530,623
Infrastructure:					
Infrastructure	17,832,100	11,951	33,177	-	17,877,228
Buildings and improvements	20,766,440	931,744	54,167	-	21,752,351
Machinery and equipment	10,144,142	-	1,101,632	(1,147,477)	10,098,297
Subtotal	48,742,682	943,695	1,188,976	(1,147,477)	49,727,876
Accumulated depreciation:					
Infrastructure	8,940,134	-	417,429	-	9,357,563
Buildings and improvements	15,391,246	-	635,568	-	16,026,814
Machinery and equipment	8,114,382	-	874,207	(1,139,833)	7,848,756
Subtotal	32,445,762	-	1,927,204	(1,139,833)	33,233,133
Net capital assets being depreciated	16,296,920	943,695	(738,228)	(7,644)	16,494,743
Net governmental activities capital assets	\$ 21,238,193	\$ -	\$ (205,183)	\$ (7,644)	\$ 21,025,366

Charter Township of Chesterfield

Notes to Financial Statements

December 31, 2022

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance January 1, 2022	Reclassifications and Adjustments	Additions	Disposals and Adjustments	Balance December 31, 2022
Capital assets not being depreciated:					
Land	\$ 409,484	\$ -	\$ -	\$ -	\$ 409,484
Construction in progress	3,839,594	(3,506,406)	362,562	-	695,750
Subtotal	4,249,078	(3,506,406)	362,562	-	1,105,234
Capital assets being depreciated:					
Buildings and improvements	11,453,709	1,362,550	13,193	(93,435)	12,736,017
Machinery and equipment	2,862,341	-	145,920	(252,763)	2,755,498
Infrastructure	104,961,295	2,143,856	433,499	-	107,538,650
Subtotal	119,277,345	3,506,406	592,612	(346,198)	123,030,165
Accumulated depreciation:					
Buildings and improvements	8,216,045	-	568,734	(93,435)	8,691,344
Machinery and equipment	1,176,337	-	241,395	(252,763)	1,164,969
Infrastructure	34,784,601	-	2,270,206	-	37,054,807
Subtotal	44,176,983	-	3,080,335	(346,198)	46,911,120
Net capital assets being depreciated	75,100,362	3,506,406	(2,487,723)	-	76,119,045
Net business-type activity capital assets	\$ 79,349,440	\$ -	\$ (2,125,161)	\$ -	\$ 77,224,279

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

Governmental activities:	
General government	\$ 412,063
Public safety	1,056,179
Public works	422,546
Recreation and culture	36,416
Total governmental activities	\$ 1,927,204
Business-type activities:	
Water and Sewer Operations Fund	\$ 2,872,757
Brandenburg Park Fund	207,578
Total business-type activities	\$ 3,080,335

Charter Township of Chesterfield

Notes to Financial Statements

December 31, 2022

Note 4 - Capital Assets (Continued)

Construction Commitments

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

	Spent to Date	Remaining Commitment
Jefferson Avenue Pathway	\$ 284,071	\$ 18,144
Brandenburg Sports Courts Rehabilitation	194,024	26,325
Civic Center Bridge & Paving (Blaze)	965,900	58,993
23 Mile Rd. Water Main - Phase 1	1,572,964	474,554
2021 Sidewalk Replacement Program	292,225	165,624
New Haven Water Main (FDM)	237,530	27,470
Sanitary Sewer Rehabilitation	403,005	123,735
Peggy Lane Water Main	99,255	11,745
Jefferson Avenue Water Main - Phase 1	111,715	9,785
2022 Sidewalk Gap Program - Zone 1	72,060	315,181
2022 Sidewalk Replacement Program	232,972	4,993
2022 Sanitary Sewer CCTV Investigation	47,492	11,832
2022 Sanitary Sewer Open Cut Repairs	13,100	219,711
Telstar Lift Station Decommission	34,950	9,710
Maurice DeMuynck Anchor Bay Pump Station	93,448	1,356,552
Total	<u>\$ 4,654,711</u>	<u>\$ 2,834,354</u>

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Operations Fund	\$ 13,826
	Internal Service Fund - Health Care Fund	14,000
	Nonmajor governmental funds	4,225
	Total General Fund	32,051
Nonmajor governmental funds	General Fund	134,227
Nonmajor business-type activities funds	General Fund	24,700
	Total	<u>\$ 190,978</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
Nonmajor governmental funds	General Fund	\$ 55,000

Charter Township of Chesterfield

Notes to Financial Statements

December 31, 2022

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

The transfer from the nonmajor governmental funds to General Fund represents the repayment of amounts transferred in prior years.

Note 6 - Long-term Debt

Long-term debt activity for the year ended December 31, 2022 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -							
Other debt -							
General Obligation Bonds:							
Refunding Fire Station	2.00% -	\$264,250-					
Building Bonds	3.00%	\$290,000	\$ 556,500	\$ -	\$ (290,500)	\$ 266,000	\$ 266,000
	2.00% -						
Bond Refunding Premium	3.00%	\$16,151	32,305	-	(16,151)	16,154	16,154
2007 Capital Improvement	4.00% -						
Bonds	4.15%	\$100,000	600,000	-	(100,000)	500,000	100,000
Total bonds and contracts payable - Other debt			1,188,805	-	(406,651)	782,154	382,154
Compensated absences			1,001,979	975,618	(1,001,979)	975,618	975,618
Total governmental activities long-term debt			<u>\$ 2,190,784</u>	<u>\$ 975,618</u>	<u>\$ (1,408,630)</u>	<u>\$ 1,757,772</u>	<u>\$ 1,357,772</u>

Charter Township of Chesterfield

Notes to Financial Statements

December 31, 2022

Note 6 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowings and direct placements:							
North Gratiot Drain Refunding Bonds - 2015	3.625% - 5.00%	\$379,495 - \$456,568	\$ 5,012,366	\$ -	\$ (385,415)	\$ 4,626,951	\$ 383,438
North Gratiot Drain Refunding Bonds - Series 1 - 2015	3.625% - 5.00%	\$27,932 - \$33,606	368,937	-	(28,369)	340,568	28,223
NG Bond Refunding Premium	3.625% - 5.00%	\$14,382	172,586	-	(14,382)	158,204	14,382
North Gratiot Interceptor - Series 2010 2, 3, and 4	3.25% - 4.75%	\$143,195 - \$238,659	2,708,469	-	(155,434)	2,553,035	160,330
North Gratiot Interceptor - Series 2010	3.25% - 4.75%	\$2,084 - \$3,474	39,421	-	(2,262)	37,159	2,334
Oakland-Macomb Interceptor - Series 2010A	2.5%	\$77,715 - \$64,475	578,103	-	(51,461)	526,642	52,842
Oakland Macomb Int. Dist. Series 2019 Refunding	1.85%	\$13,999 - \$19,717	153,004	-	(14,393)	138,611	14,985
Oakland-Macomb Interceptor - Series 2011	2.5%	\$54,710 - \$77,223	813,139	-	(58,825)	754,314	60,519
Oakland-Macomb Interceptor - Series 2013	2.00%	\$120,079 - \$161,693	1,871,997	-	(127,532)	1,744,465	130,017
Oakland-Macomb Interceptor - Series 2014A	2.00% - 3.125%	\$16,625 - \$25,891	280,171	-	(17,988)	262,183	18,532
Macomb Interceptor Drainage District - Series 2015	2.5%	\$9,509 - \$11,882	149,391	-	(9,509)	139,882	9,509
Macomb Interceptor Drainage District - Series 2017 Refunding	3.45% - 5.50%	\$164,421 - \$356,915	3,725,550	-	(190,488)	3,535,062	200,180
Macomb Interceptor Drainage District - Series 2017A	3.45% - 5.50%	\$95,079 - \$280,997	3,871,039	-	(110,278)	3,760,761	115,580
MID Bond Refunding Premium	1.25% - 5.90%	\$85,558	1,197,805	-	(85,558)	1,112,247	85,558
2020 Clintondale Pump Station Refunding	2.00% - 4.5%	\$80,399 - \$143,569	1,101,459	-	(86,141)	1,015,318	88,438
Clintondale Premium	2.00% - 4.5%	\$25,248	252,485	-	(25,248)	227,237	25,248
State Revolving Fund Loan 2012	2.5%	\$70,000 - \$98,389	928,389	-	(75,000)	853,389	75,000
Oakland Macomb Int. Dis. Series 2020 A	2.00% - 5.00%	\$45,438 - \$187,111	2,620,953	-	(65,012)	2,555,941	68,040
Total direct borrowings and direct placements principal outstanding			25,845,264	-	(1,503,295)	24,341,969	1,533,155
Other debt:							
Refunding D.P.W. Building Bonds	2.00% - 3.00%	\$432,250 - \$539,500	1,033,500	-	(539,500)	494,000	494,000
D.P.W Bond Refunding Premium	2.00% - 3.00%	\$29,996	59,991	-	(29,995)	29,996	29,996
Total other debt principal outstanding			1,093,491	-	(569,495)	523,996	523,996
Total bonds and contracts payable			26,938,755	-	(2,072,790)	24,865,965	2,057,151
Compensated absences			131,866	99,462	(131,866)	99,462	99,462
Total business-type activities long-term debt			\$ 27,070,621	\$ 99,462	\$ (2,204,656)	\$ 24,965,427	\$ 2,156,613

General Obligation Bonds and Contracts

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

Charter Township of Chesterfield

Notes to Financial Statements

December 31, 2022

Note 6 - Long-term Debt (Continued)

County Contractual Obligations

The above contractual obligations to the county are the result of the county issuance of bonds on the Township's behalf. The Township has pledged substantially all revenue of the Water and Sewer Operations Fund, net of operating expenses, to repay the obligations. In addition, it has pledged to raise property taxes, to the extent permitted by law, if necessary to fund the obligation to repay the county. Proceeds from the county bonds provided financing for the construction of multiple drainage projects. The remaining principal and interest to be paid on the bonds total \$29,457,703. During the current year, net revenue of the system was \$3,145,836 compared to the annual debt requirements of \$2,273,577.

Debt Service Requirements to Maturity

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

Years Ending December 31	Governmental Activities			Business-type Activities				
	Other Debt			Direct Borrowings and Direct Placements		Other Debt		
	Principal	Interest	Total	Principal	Interest	Principal	Interest	Total
2023	\$ 366,000	\$ 22,590	\$ 388,590	\$ 1,407,968	\$ 865,610	\$ 494,000	\$ 7,410	\$ 2,774,988
2024	100,000	14,500	114,500	1,450,170	807,463	-	-	2,257,633
2025	100,000	10,375	110,375	1,487,167	747,538	-	-	2,234,705
2026	100,000	6,225	106,225	1,609,313	684,566	-	-	2,293,879
2027	100,000	2,075	102,075	1,654,008	616,772	-	-	2,270,780
2028-2032	-	-	-	8,848,750	2,048,503	-	-	10,897,253
2033-2037	-	-	-	4,558,907	654,904	-	-	5,213,811
2038-2042	-	-	-	1,827,998	188,063	-	-	2,016,061
Total	\$ 766,000	\$ 55,765	\$ 821,765	\$ 22,844,281	\$ 6,613,419	\$ 494,000	\$ 7,410	\$ 29,959,110

Note 7 - Restricted Assets

The Township's bond ordinances require the bond proceeds to be spent solely for the project expenditures; any unspent proceeds are reported as restricted investments. In addition, the Township's revenue bond ordinance requires revenue to be set aside for two months of operation and maintenance and future bond debt service. The Macomb County Drain Commissioner is holding cash to be used on our behalf for construction of water and sewer projects.

At December 31, 2022, restricted assets are composed of the following:

Cash and cash equivalents - Debt service	\$ 2,333,828
Cash held at the county for construction and maintenance	336,365
Total	<u>\$ 2,670,193</u>

Note 8 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township is partially self-insured for medical, dental, and vision benefits and has purchased commercial insurance for life, disability, workers' compensation, and general liability insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 - Risk Management (Continued)

The Township estimates the liability for medical claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. The liability is included with accounts payable and accrued liabilities and other in the statement of net position. Changes in the estimated liability for the past two fiscal years were as follows:

	Medical Claims	
	2022	2021
Estimated liability - Beginning of year	\$ 331,041	\$ 153,814
Estimated claims incurred, including changes in estimates	2,390,899	2,780,690
Claim payments	(2,601,678)	(2,603,463)
Estimated liability - End of year	<u>\$ 120,262</u>	<u>\$ 331,041</u>

Note 9 - Pension Plan

Plan Description

The Township participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan that covers all full-time employees of the Township. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report that includes the financial statements and required supplementary information of this defined benefit plan. This report can be obtained at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Benefits Provided

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers all union and nonunion full-time employees segregated by the groups, as outlined below.

Retirement benefits for general employees are calculated as 2.00 percent of the employee's final 5-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 50 with 25 years of service. The vesting period is 6 years for employees hired prior to January 1, 2014 and 10 years for those hired after January 1, 2014. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Retirement benefits for police patrol employees are calculated as 2.25 percent of the employee's final 3-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 50 with 25 years of service. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Note 9 - Pension Plan (Continued)

Retirement benefits for police command employees are calculated as 2.25 percent of the employee's final 3-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 50 with 25 years of service. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Retirement benefits for firefighter employees are calculated as 2.00 percent of the employee's final 5-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 50 with 25 years of service. The vesting period is 6 years for employees hired prior to January 1, 2018 and 10 years for those hired after. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. An employee who leaves service may withdraw his or her contributions plus any accumulated interest.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	December 31, 2021
Inactive plan members or beneficiaries currently receiving benefits	95
Inactive plan members entitled to but not yet receiving benefits	60
Active plan members	<u>154</u>
Total employees covered by the plan	<u><u>309</u></u>

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. 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 costs of benefits earned by plan members 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 general employees, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. Employees are required to contribute 2.00 percent of compensation. The Township makes employer contributions in accordance with funding requirements determined by the system's actuary. The Township's current rate is 7.45 percent of annual covered payroll.

For police patrol employees, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. Employees are required to contribute 4.50 percent of compensation. The Township makes employer contributions in accordance with funding requirements determined by the system's actuary. The Township's current rate is 9.68 percent of annual covered payroll.

For police command employees, the plan provides that the employer and employees contribute amounts necessary to fund the actuarially determined benefits. Employees are required to contribute 4.50 percent of compensation. The Township makes employer contributions in accordance with funding requirements determined by the system's actuary. The Township's current rate is 35.93 percent of annual covered payroll.

Note 9 - Pension Plan (Continued)

For firefighter employees, the plan provides that the employees contribute amounts necessary to fund the actuarially determined benefits. Employees are required to contribute 2.00 percent of compensation. The Township makes employer contributions in accordance with funding requirements determined by the system's actuary. The Township's current rate is 6.90 percent of annual covered payroll.

Net Pension Liability

The December 31, 2022 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2021 measurement date. The December 31, 2021 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2020	\$ 50,702,806	\$ 37,385,875	\$ 13,316,931
Changes for the year:			
Service cost	978,594	-	978,594
Interest	3,802,595	-	3,802,595
Differences between expected and actual experience	(354,660)	-	(354,660)
Changes in assumptions	2,213,696	-	2,213,696
Contributions - Employer	-	1,778,554	(1,778,554)
Contributions - Employee	-	357,681	(357,681)
Net investment income	-	5,049,725	(5,049,725)
Benefit payments, including refunds	(2,315,907)	(2,315,907)	-
Administrative expenses	-	(59,754)	59,754
Net changes	4,324,318	4,810,299	(485,981)
Balance at December 31, 2021	<u>\$ 55,027,124</u>	<u>\$ 42,196,174</u>	<u>\$ 12,830,950</u>

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

For the year ended December 31, 2022, the Township recognized pension expense of \$2,262,065.

At December 31, 2022, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 956,143	\$ (329,660)
Changes in assumptions	3,583,909	-
Net difference between projected and actual earnings on pension plan investments	-	(3,029,782)
Employer contributions to the plan subsequent to the measurement date	2,143,910	-
Total	<u>\$ 6,683,962</u>	<u>\$ (3,359,442)</u>

Note 9 - Pension Plan (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date of \$2,143,910 will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending December 31	Amount
2023	\$ 580,191
2024	(123,552)
2025	110,160
2026	303,971
2027	309,840
Total	<u>\$ 1,180,610</u>

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.00 percent, an investment rate of return (net of investment expenses) of 7.25 percent, and the Pub-2010 mortality tables.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that township contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2021, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	4.50 %
Global fixed income	20.00	2.00
Private investments	20.00	7.00

Note 9 - Pension Plan (Continued)

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

The following presents the net pension liability of the Township, calculated using the discount rate of 7.25 percent, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net pension liability of the plan	\$ 20,022,450	\$ 12,830,950	\$ 6,871,959

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued financial report found at www.mersofmich.com. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Assumption Changes

The assumed rate of return decreased from 7.60 percent to 7.25 percent in the December 31, 2021 actuarial valuation.

Note 10 - Other Postemployment Benefit Plan

Plan Description

The Township provides postretirement benefits other than pension benefits to all full-time employees of the Township through the Chesterfield Township Retiree Health Care Plan. These benefits include certain health care and life insurance benefits. All employees with 15 years of service and who are at least 55 years old at retirement are eligible to receive these benefits. This plan is a single-employer plan administered by the Township.

Benefits Provided

The Chesterfield Township Retiree Health Care Plan provides health care, prescription drug, vision, dental, and life insurance benefits. Member coverage is dependent upon the hire date and employee group of the member. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan. As of January 1, 2018, the plan was closed to new entrants.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	December 31, 2020
Inactive plan members or beneficiaries currently receiving benefits	78
Active plan members	102
Total plan members	180

Note 10 - Other Postemployment Benefit Plan (Continued)

Contributions

Act 359 of 1947, as amended, grants the authority to establish and amend the contribution requirements of the Township and employees to the board. The board establishes contribution rates based on an actuarially determined rate per a funding valuation. For the year ended December 31, 2022, the Township's average contribution rate was 15.93 percent of covered-employee payroll. Employees are not required to contribute to the plan.

Net OPEB Asset

The Township has chosen to use the December 31 measurement date as its measurement date for the net OPEB asset. The December 31, 2022 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2020, which used update procedures to roll forward the estimated liability to December 31, 2022.

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

Changes in Net OPEB Asset	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Asset
Balance at December 31, 2021	\$ 27,740,201	\$ 35,417,451	\$ (7,677,250)
Changes for the year:			
Service cost	376,947	-	376,947
Interest	1,912,484	-	1,912,484
Differences between expected and actual experience	56,173	-	56,173
Contributions - Employer	-	1,214,942	(1,214,942)
Net investment loss	-	(3,688,168)	3,688,168
Benefit payments, including refunds	(1,214,942)	(1,214,942)	-
Administrative expenses	-	(58,208)	58,208
Net changes	1,130,662	(3,746,376)	4,877,038
Balance at December 31, 2022	<u>\$ 28,870,863</u>	<u>\$ 31,671,075</u>	<u>\$ (2,800,212)</u>

The plan's fiduciary net position represents 109.7 percent of the total OPEB liability.

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

For the year ended December 31, 2022, the Township recognized OPEB recovery of \$1,127,183.

At December 31, 2022, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 54,104	\$ (7,459,387)
Changes in assumptions	757,849	(540,068)
Net difference between projected and actual earnings on OPEB plan investments	2,664,971	-
Total	<u>\$ 3,476,924</u>	<u>\$ (7,999,455)</u>

December 31, 2022

Note 10 - Other Postemployment Benefit Plan (Continued)

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

Years Ending December 31	Amount
2023	\$ (1,520,917)
2024	(1,242,076)
2025	(901,688)
2026	(36,155)
2027	(826,809)
Thereafter	5,114
Total	<u>\$ (4,522,531)</u>

Actuarial Assumptions

The total OPEB liability in the December 31, 2022 roll-forward actuarial valuation was determined using an inflation assumption of 2.50 percent; assumed salary increases (including inflation) of 3.00 - 9.70 percent; an investment rate of return (net of investment expenses) of 7.00 percent; a health care cost trend rate of 7.50 percent for 2022, decreasing to a 3.50 percent long-term rate over 12 years; and the Pub-2010 mortality tables using Scale MP-2019. These assumptions were applied to all periods included in the measurement.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period from 2014-2018.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that township contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2022 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	4.50 %
Global fixed income	20.00	2.00
Private investments	20.00	7.00

December 31, 2022

Note 10 - Other Postemployment Benefit Plan (Continued)**Sensitivity of the Net OPEB Asset to Changes in the Discount Rate**

The following presents the net OPEB asset of the Township, calculated using the discount rate of 7.00 percent, as well as what the Township's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.00%)	Current Discount Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net OPEB liability (asset) of the Chesterfield Township Retiree Health Care Plan	\$ 961,093	\$ (2,800,212)	\$ (5,908,846)

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

The following presents the net OPEB asset of the Township, calculated using the health care cost trend rate of 7.50 percent, decreasing to a 3.50 percent long-term rate over 12 years, as well as what the Township's net OPEB (asset) liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.50%)	Current Health Care Cost Trend Rate (7.50%)	1 Percentage Point Increase (8.50%)
Net OPEB (asset) liability of the Chesterfield Township Retiree Health Care Plan	\$ (6,554,245)	\$ (2,800,212)	\$ 1,838,469

Investment Policy

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

Rate of Return

For the year ended December 31, 2022, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was (10.42) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued financial report. 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 plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

APPENDIX K

FORM OF LEGAL OPINION

September 19, 2023

Oakland-Macomb Interceptor Drain Drainage District
Waterford, Michigan

We have examined the transcript of proceedings for the issue by the Oakland-Macomb Interceptor Drain Drainage District, Counties of Macomb and Oakland, State of Michigan (the “Issuer”) of its bonds in the principal amount of \$5,730,000 which are designated Oakland-Macomb Interceptor Drain Drainage District Bonds (Limited Tax General Obligation) Series 2020B (2023 Issue), (the “Bonds”), for the purposes described in the Bonds. The Bonds are dated September 19, 2023, payable in principal installments, payable as to interest, and subject to redemption prior to maturity, all as specified on the face of the Bonds.

As to questions of fact material to our opinion we have relied upon certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Bonds are a valid and legally binding obligation of the Issuer, and the following are pledged for the payment of the principal of and interest on the Bonds:

(a) The Bonds are issued in anticipation of the collection of Oakland-Macomb Interceptor Drain Series 2020B (2023 Issue) Special Assessments (the “Special Assessments”), under the provisions of Chapter 21 of Act 40, Public Acts of Michigan, 1956, as amended (the “Drain Code” or “Act 40”), against the following public corporations (the “Public Corporations”), the City of Lake Angelus, the City of Rochester, Oakland Township, the Village of Lake Orion, and West Bloomfield Township, in Oakland County, Michigan; and Chesterfield Township, the City of Fraser, the City of Sterling Heights, and Harrison Township, in Macomb County, Michigan, under the applicable provisions of the Drain Code with respect to the Project, on the applicable Special Assessment Roll No. 1 for the Drainage District, for the purpose of paying the costs of performing certain drainage projects and the costs of issuance of the Bonds. The special assessments are a general obligation of the Public Corporations and are payable from the respective Public Corporations’ general funds or from ad valorem taxes which may be levied on all taxable property in the Public Corporation, subject to constitutional, statutory and charter limitations.

(b) Pursuant to authorization provided in the Drain Code and resolutions of Oakland County and Macomb County duly adopted by two-thirds (2/3) vote of the members of the Board of Commissioners of Oakland County and Macomb County, the full faith and credit of Oakland County and Macomb County have been pledged as a condition precedent to the issuance of the

Bonds for the prompt payment of the principal of, and interest on the Bonds as the same shall become due in accordance with such resolutions.

2. The Bonds and the interest thereon are exempt from all taxation by the State of Michigan or a political subdivision thereof, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

3. Under existing Federal Statutes Regulations, and Rules as enacted and construed on the date of the initial delivery of the Bonds, the interest on the Bonds is (a) excluded from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. However, we observe that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax.

We are also of the opinion that, based on its examination of the documents described in our opinion, under existing law as enacted and construed on the date of the initial delivery of the Bonds, the Bonds and the interest thereon are exempt from all taxation by the State of Michigan or a political subdivision thereof, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. We express no opinion regarding any other federal or state tax consequences arising with respect to the Bonds and interest thereon.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Final Official Statement relating to the Bonds.

It is understood that the rights of the holder of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement also may be subject to the exercise of judicial discretion in appropriate cases.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully Submitted,
Clark Hill PLC

By: _____
John R. Axe

APPENDIX L

FORMS OF CONTINUING DISCLOSURE CERTIFICATES

CONTINUING DISCLOSURE UNDERTAKING

COUNTY OF OAKLAND State of Michigan

\$5,730,000

OAKLAND-MACOMB INTERCEPTOR DRAIN DRAINAGE DISTRICT COUNTIES OF OAKLAND AND MACOMB, STATE OF MICHIGAN BONDS (LIMITED TAX GENERAL OBLIGATION), SERIES 2020B (2023 Issue)

September 19, 2023

This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by County of Oakland, State of Michigan (the “County”), in connection with the issuance by the its Oakland-Macomb Interceptor Drain Drainage District, Counties of Oakland and Macomb, State of Michigan, Bonds Series 2020B (2023 Issue) (the “Bonds”) being dated and delivered on the date hereof. The County is an “obligated person” with respect to the Bonds within the meaning of Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended.

The County covenants and agrees for the benefit of the Bondholders, as hereinafter defined, as follows:

(a) The following terms used herein shall have the following meanings Definitions:

“Audited Financial Statements” means the annual audited financial statements pertaining to the County prepared by an individual or firm of independent certified public accountants as required by Act 2, Public Acts of Michigan, 1968, as amended, which presently requires preparation in accordance with generally accepted accounting principles.

“Bondholders” shall mean the registered owner of any Bond or any person (a) with the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including any person holding a Bond through a nominee, depository or other intermediary) or (b) treated as the owner of any Bond for federal income tax purposes.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access District, or such other District, Internet Web site, or repository hereafter prescribed by the MSRB for the submission of electronic filings pursuant to the Rule.

“Financial Obligation” means “financial obligation” as such term is defined in the Rule.

“MSRB” means the Municipal Securities Rulemaking Board.

“Rule” means Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended, as in effect on the date of this Undertaking, including any official interpretations thereof issued either before or after the date of this Undertaking which are applicable to this Undertaking.

“SEC” means the United States Securities and Exchange Commission.

(b) *Continuing Disclosure.* The County hereby agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to the MSRB through EMMA, on or before the last day of the 9th month after the end of the fiscal year of the County, the following annual financial information and operating data or data of substantially the same nature, commencing with the fiscal year ended December 31, 2023, in an electronic format as prescribed by the MSRB:

(1) Updates of the numerical financial information and operating data included in the official statement for the Bonds (the “Official Statement”) appearing in the Tables in the Official Statement as described below:

- a. HISTORY OF PROPERTY VALUATIONS;
- b. MAJOR TAXPAYERS;
- c. TAX RATES (Per \$1,000 of Taxable Value);
- d. TAX LEVIES AND COLLECTIONS;
- e. REVENUES FROM THE STATE OF MICHIGAN;
- f. DEBT STATEMENT – DIRECT DEBT; and
- g. GENERAL FUND AND BALANCE SHEET.

(2) The Audited Financial Statements. Provided, however, that if the Audited Financial Statements are not available by the date specified above, they shall be provided when available, and unaudited financial statements will be filed by such date. Such additional financial information or operating data as may be determined by the County and its advisors as desirable or necessary to comply with the Rule.

Such annual financial information and operating data described above are expected to be provided directly by the County or by specific reference to documents available to the public through EMMA or filed with the SEC including official statements of debt issues of the County or related public entities.

If the fiscal year of the County is changed, the County shall send a notice of such change to the MSRB through EMMA, prior to the earlier of the ending date of the fiscal year prior to such change or the ending date of the fiscal year as changed.

- (c) *Notice of Failure to Disclose.* The County agrees to provide or cause to be provided, in a timely manner, to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, notice of a failure by the County to provide the annual financial information with respect to the County described in subsection (b) above on or prior to the dates set forth in subsection (b) above.
- (d) *Occurrence of Events.* The County agrees to provide or cause to be provided to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events listed in (b)(5)(i)(C) of the Rule with respect to the Bonds:
- (1) principal and interest payment delinquencies;
 - (2) non-payment related defaults, if material;
 - (3) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (4) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (5) substitution of credit or liquidity providers, or their failure to perform;
 - (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
 - (7) modifications to rights of holders of the Bonds, if material;
 - (8) bond calls, if material, and tender offers;
 - (9) defeasances;
 - (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
 - (11) rating changes;
 - (12) bankruptcy, insolvency, receivership or similar event of the County, which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of

an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County;

(13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) incurrence of a Financial Obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the County, any of which affect security holders, if material; or

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the County, any of which reflect financial difficulties.

(e) *Materiality Determined Under Federal Securities Laws.* The County agrees that its determination of whether any event listed in subsection (d) is material shall be made in accordance with federal securities laws.

(f) *Identifying Information.* All documents provided to the MSRB through EMMA shall be accompanied by the identifying information prescribed by the MSRB.

(g) *Termination of Reporting Obligation.* The obligation of the County to provide annual financial information and notices of material events, as set forth above, shall be terminated if and when the County no longer remains an “obligated person” with respect to the Bonds within the meaning of the Rule, including upon legal defeasance of all Bonds.

(h) *Benefit of Bondholders.* The County agrees that its undertaking pursuant to the Rule set forth in this Undertaking is intended to be for the benefit of the Bondholders and shall be enforceable by any Bondholder; provided that, the right to enforce the provisions of this Undertaking shall be limited to a right to obtain specific enforcement of the County’s obligations hereunder and any failure by the County to comply with the provisions of this Undertaking shall not constitute a default or an event of default with respect to the Bonds.

(i) *Amendments to the Undertaking.* Amendments may be made in the specific types of information provided or the format of the presentation of such information to the extent deemed necessary or appropriate in the judgment of the County, provided

that the County agrees that any such amendment will be adopted procedurally and substantively in a manner consistent with the Rule, including any interpretations thereof by the SEC, which, to the extent applicable, are incorporated herein by reference. Such interpretations currently include the requirements that (a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County or the type of activities conducted thereby, (b) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) the amendment does not materially impair the interests of Bondholders, as determined by parties unaffiliated with the County (such as independent legal counsel), but such interpretations may be changed in the future. If the accounting principles to be followed by the County in the preparing of the Audited Financial Statements are modified, the annual financial information for the year in which the change is made shall present a comparison between the financial statements as prepared on the prior basis and the statements as prepared on the new basis, and otherwise shall comply with the requirements of the Rule, in order to provide information to investors to enable them to evaluate the ability of the County to meet its obligations. A notice of the change in accounting principles shall be sent to the MSRB through EMMA.

IN WITNESS WHEREOF, the County has caused this Undertaking to be executed by its Authorized Officer.

COUNTY OF OAKLAND
State of Michigan

By: _____

Its: _____

CONTINUING DISCLOSURE UNDERTAKING

COUNTY OF MACOMB State of Michigan

\$5,730,000

OAKLAND-MACOMB INTERCEPTOR DRAIN DRAINAGE DISTRICT COUNTIES OF OAKLAND AND MACOMB, STATE OF MICHIGAN BONDS (LIMITED TAX GENERAL OBLIGATION), SERIES 2020B (2023 Issue)

September 19, 2023

This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by County of Macomb, State of Michigan (the “County”), in connection with the issuance by the its Oakland-Macomb Interceptor Drain Drainage District, Counties of Oakland and Macomb, State of Michigan, Bonds Series 2020B (2023 Issue) (the “Bonds”) being dated and delivered on the date hereof. The County is an “obligated person” with respect to the Bonds within the meaning of Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended.

The County covenants and agrees for the benefit of the Bondholders, as hereinafter defined, as follows:

(a) The following terms used herein shall have the following meanings Definitions:

“Audited Financial Statements” means the annual audited financial statements pertaining to the County prepared by an individual or firm of independent certified public accountants as required by Act 2, Public Acts of Michigan, 1968, as amended, which presently requires preparation in accordance with generally accepted accounting principles.

“Bondholders” shall mean the registered owner of any Bond or any person (a) with the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including any person holding a Bond through a nominee, depository or other intermediary) or (b) treated as the owner of any Bond for federal income tax purposes.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access District, or such other District, Internet Web site, or repository hereafter prescribed by the MSRB for the submission of electronic filings pursuant to the Rule.

“Financial Obligation” means “financial obligation” as such term is defined in the Rule.

“MSRB” means the Municipal Securities Rulemaking Board.

“Rule” means Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended, as in effect on the date of this Undertaking, including any official interpretations thereof issued either before or after the date of this Undertaking which are applicable to this Undertaking.

“SEC” means the United States Securities and Exchange Commission.

(b) *Continuing Disclosure.* The County hereby agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to the MSRB through EMMA, on or before the last day of the 9th month after the end of the fiscal year of the County, the following annual financial information and operating data or data of substantially the same nature, commencing with the fiscal year ended December 31, 2023, in an electronic format as prescribed by the MSRB:

(1) Updates of the numerical financial information and operating data included in the official statement for the Bonds (the “Official Statement”) appearing in the Tables in the Official Statement as described below:

- a. HISTORY OF PROPERTY VALUATIONS;
- b. MAJOR TAXPAYERS;
- c. TAX RATES (Per \$1,000 of Taxable Value);
- d. TAX LEVIES AND COLLECTIONS;
- e. REVENUES FROM THE STATE OF MICHIGAN;
- f. DEBT STATEMENT – DIRECT DEBT; and
- g. GENERAL FUND AND BALANCE SHEET.

(2) The Audited Financial Statements. Provided, however, that if the Audited Financial Statements are not available by the date specified above, they shall be provided when available, and unaudited financial statements will be filed by such date. Such additional financial information or operating data as may be determined by the County and its advisors as desirable or necessary to comply with the Rule.

Such annual financial information and operating data described above are expected to be provided directly by the County or by specific reference to documents available to the public through EMMA or filed with the SEC including official statements of debt issues of the County or related public entities.

If the fiscal year of the County is changed, the County shall send a notice of such change to the MSRB through EMMA, prior to the earlier of the ending date of the fiscal year prior to such change or the ending date of the fiscal year as changed.

- (c) *Notice of Failure to Disclose.* The County agrees to provide or cause to be provided, in a timely manner, to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, notice of a failure by the County to provide the annual financial information with respect to the County described in subsection (b) above on or prior to the dates set forth in subsection (b) above.
- (d) *Occurrence of Events.* The County agrees to provide or cause to be provided to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events listed in (b)(5)(i)(C) of the Rule with respect to the Bonds:
- (1) principal and interest payment delinquencies;
 - (2) non-payment related defaults, if material;
 - (3) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (4) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (5) substitution of credit or liquidity providers, or their failure to perform;
 - (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
 - (7) modifications to rights of holders of the Bonds, if material;
 - (8) bond calls, if material, and tender offers;
 - (9) defeasances;
 - (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
 - (11) rating changes;
 - (12) bankruptcy, insolvency, receivership or similar event of the County, which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of

an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County;

(13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) incurrence of a Financial Obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the County, any of which affect security holders, if material; or

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the County, any of which reflect financial difficulties.

(e) *Materiality Determined Under Federal Securities Laws.* The County agrees that its determination of whether any event listed in subsection (d) is material shall be made in accordance with federal securities laws.

(f) *Identifying Information.* All documents provided to the MSRB through EMMA shall be accompanied by the identifying information prescribed by the MSRB.

(g) *Termination of Reporting Obligation.* The obligation of the County to provide annual financial information and notices of material events, as set forth above, shall be terminated if and when the County no longer remains an “obligated person” with respect to the Bonds within the meaning of the Rule, including upon legal defeasance of all Bonds.

(h) *Benefit of Bondholders.* The County agrees that its undertaking pursuant to the Rule set forth in this Undertaking is intended to be for the benefit of the Bondholders and shall be enforceable by any Bondholder; provided that, the right to enforce the provisions of this Undertaking shall be limited to a right to obtain specific enforcement of the County’s obligations hereunder and any failure by the County to comply with the provisions of this Undertaking shall not constitute a default or an event of default with respect to the Bonds.

(i) *Amendments to the Undertaking.* Amendments may be made in the specific types of information provided or the format of the presentation of such information to the extent deemed necessary or appropriate in the judgment of the County, provided

that the County agrees that any such amendment will be adopted procedurally and substantively in a manner consistent with the Rule, including any interpretations thereof by the SEC, which, to the extent applicable, are incorporated herein by reference. Such interpretations currently include the requirements that (a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County or the type of activities conducted thereby, (b) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) the amendment does not materially impair the interests of Bondholders, as determined by parties unaffiliated with the County (such as independent legal counsel), but such interpretations may be changed in the future. If the accounting principles to be followed by the County in the preparing of the Audited Financial Statements are modified, the annual financial information for the year in which the change is made shall present a comparison between the financial statements as prepared on the prior basis and the statements as prepared on the new basis, and otherwise shall comply with the requirements of the Rule, in order to provide information to investors to enable them to evaluate the ability of the County to meet its obligations. A notice of the change in accounting principles shall be sent to the MSRB through EMMA.

IN WITNESS WHEREOF, the County has caused this Undertaking to be executed by its Authorized Officer.

COUNTY OF MACOMB
State of Michigan

By: Larry Rocca

Its: County Treasurer

CONTINUING DISCLOSURE UNDERTAKING

**CITY OF STERLING HEIGHTS
County of Macomb, State of Michigan**

\$5,730,000

**OAKLAND-MACOMB INTERCEPTOR DRAIN DRAINAGE DISTRICT
COUNTIES OF OAKLAND AND MACOMB, STATE OF MICHIGAN
BONDS (LIMITED TAX GENERAL OBLIGATION), SERIES 2020B (2023 Issue)**

September 19, 2023

This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by City of Sterling Heights, County of Macomb, State of Michigan (the “City”), in connection with the issuance by the its Oakland-Macomb Interceptor Drain Drainage District, Counties of Oakland and Macomb, State of Michigan, Bonds Series 2020B (2023 Issue) (the “Bonds”) being dated and delivered on the date hereof. The City is an “obligated person” with respect to the Bonds within the meaning of Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended.

The City covenants and agrees for the benefit of the Bondholders, as hereinafter defined, as follows:

(a) The following terms used herein shall have the following meanings Definitions:

“Audited Financial Statements” means the annual audited financial statements pertaining to the City prepared by an individual or firm of independent certified public accountants as required by Act 2, Public Acts of Michigan, 1968, as amended, which presently requires preparation in accordance with generally accepted accounting principles.

“Bondholders” shall mean the registered owner of any Bond or any person (a) with the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including any person holding a Bond through a nominee, depository or other intermediary) or (b) treated as the owner of any Bond for federal income tax purposes.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access District, or such other District, Internet Web site, or repository hereafter prescribed by the MSRB for the submission of electronic filings pursuant to the Rule.

“Financial Obligation” means “financial obligation” as such term is defined in the Rule.

“MSRB” means the Municipal Securities Rulemaking Board.

“Rule” means Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended, as in effect on the date of this Undertaking, including any official interpretations thereof issued either before or after the date of this Undertaking which are applicable to this Undertaking.

“SEC” means the United States Securities and Exchange Commission.

(b) *Continuing Disclosure.* The City hereby agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to the MSRB through EMMA, on or before the last day of the 9th month after the end of the fiscal year of the City, the following annual financial information and operating data or data of substantially the same nature, commencing with the fiscal year ended June 30, 2023, in an electronic format as prescribed by the MSRB:

(1) Updates of the numerical financial information and operating data included in the official statement for the Bonds (the “Official Statement”) appearing in the Tables in the Official Statement as described below:

- a. HISTORY OF PROPERTY VALUATIONS;
- b. MAJOR TAXPAYERS;
- c. TAX RATES (Per \$1,000 of Taxable Value);
- d. TAX LEVIES AND COLLECTIONS;
- e. REVENUES FROM THE STATE OF MICHIGAN;
- f. DEBT STATEMENT – DIRECT DEBT; and
- g. GENERAL FUND AND BALANCE SHEET.

(2) The Audited Financial Statements. Provided, however, that if the Audited Financial Statements are not available by the date specified above, they shall be provided when available, and unaudited financial statements will be filed by such date. Such additional financial information or operating data as may be determined by the City and its advisors as desirable or necessary to comply with the Rule.

Such annual financial information and operating data described above are expected to be provided directly by the City or by specific reference to documents available to the public through EMMA or filed with the SEC including official statements of debt issues of the City or related public entities.

If the fiscal year of the City is changed, the City shall send a notice of such change to the MSRB through EMMA, prior to the earlier of the ending date of the fiscal year prior to such change or the ending date of the fiscal year as changed.

(c) *Notice of Failure to Disclose.* The City agrees to provide or cause to be provided, in a timely manner, to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, notice of a failure by the City to provide the annual

financial information with respect to the City described in subsection (b) above on or prior to the dates set forth in subsection (b) above.

(d) *Occurrence of Events.* The City agrees to provide or cause to be provided to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events listed in (b)(5)(i)(C) of the Rule with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of holders of the Bonds, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the City, which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City;
- (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a

definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; or

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(e) *Materiality Determined Under Federal Securities Laws.* The City agrees that its determination of whether any event listed in subsection (d) is material shall be made in accordance with federal securities laws.

(f) *Identifying Information.* All documents provided to the MSRB through EMMA shall be accompanied by the identifying information prescribed by the MSRB.

(g) *Termination of Reporting Obligation.* The obligation of the City to provide annual financial information and notices of material events, as set forth above, shall be terminated if and when the City no longer remains an “obligated person” with respect to the Bonds within the meaning of the Rule, including upon legal defeasance of all Bonds.

(h) *Benefit of Bondholders.* The City agrees that its undertaking pursuant to the Rule set forth in this Undertaking is intended to be for the benefit of the Bondholders and shall be enforceable by any Bondholder; provided that, the right to enforce the provisions of this Undertaking shall be limited to a right to obtain specific enforcement of the City’s obligations hereunder and any failure by the City to comply with the provisions of this Undertaking shall not constitute a default or an event of default with respect to the Bonds.

(i) *Amendments to the Undertaking.* Amendments may be made in the specific types of information provided or the format of the presentation of such information to the extent deemed necessary or appropriate in the judgment of the City, provided that the City agrees that any such amendment will be adopted procedurally and substantively in a manner consistent with the Rule, including any interpretations thereof by the SEC, which, to the extent applicable, are incorporated herein by reference. Such interpretations currently include the requirements that (a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City or the type of activities conducted thereby, (b) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) the amendment does not materially impair the interests of

Bondholders, as determined by parties unaffiliated with the City (such as independent legal counsel), but such interpretations may be changed in the future. If the accounting principles to be followed by the City in the preparing of the Audited Financial Statements are modified, the annual financial information for the year in which the change is made shall present a comparison between the financial statements as prepared on the prior basis and the statements as prepared on the new basis, and otherwise shall comply with the requirements of the Rule, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. A notice of the change in accounting principles shall be sent to the MSRB through EMMA.

IN WITNESS WHEREOF, the City has caused this Undertaking to be executed by its Authorized Officer.

CITY OF STERLING HEIGHTS
County of Macomb, State of Michigan

By: _____

Its: Budget and Finance Director

CONTINUING DISCLOSURE UNDERTAKING

HARRISON CHARTER TOWNSHIP
County of Macomb, State of Michigan

\$5,730,000

**OAKLAND-MACOMB INTERCEPTOR DRAIN DRAINAGE DISTRICT
COUNTIES OF OAKLAND AND MACOMB, STATE OF MICHIGAN
BONDS (LIMITED TAX GENERAL OBLIGATION), SERIES 2020B (2023 Issue)**

September 19, 2023

This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by Harrison Charter Township, County of Macomb, State of Michigan (the “Township”), in connection with the issuance by the its Oakland-Macomb Interceptor Drain Drainage District, Counties of Oakland and Macomb, State of Michigan, Bonds Series 2020B (2023 Issue) (the “Bonds”) being dated and delivered on the date hereof. The Township is an “obligated person” with respect to the Bonds within the meaning of Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended.

The Township covenants and agrees for the benefit of the Bondholders, as hereinafter defined, as follows:

(a) The following terms used herein shall have the following meanings Definitions:

“Audited Financial Statements” means the annual audited financial statements pertaining to the Township prepared by an individual or firm of independent certified public accountants as required by Act 2, Public Acts of Michigan, 1968, as amended, which presently requires preparation in accordance with generally accepted accounting principles.

“Bondholders” shall mean the registered owner of any Bond or any person (a) with the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including any person holding a Bond through a nominee, depository or other intermediary) or (b) treated as the owner of any Bond for federal income tax purposes.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access District, or such other District, Internet Web site, or repository hereafter prescribed by the MSRB for the submission of electronic filings pursuant to the Rule.

“Financial Obligation” means “financial obligation” as such term is defined in the Rule.

“MSRB” means the Municipal Securities Rulemaking Board.

“Rule” means Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended, as in effect on the date of this Undertaking, including any official interpretations thereof issued either before or after the date of this Undertaking which are applicable to this Undertaking.

“SEC” means the United States Securities and Exchange Commission.

(b) *Continuing Disclosure.* The Township hereby agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to the MSRB through EMMA, on or before the last day of the 9th month after the end of the fiscal year of the Township, the following annual financial information and operating data or data of substantially the same nature, commencing with the fiscal year ended December 31, 2023, in an electronic format as prescribed by the MSRB:

(1) Updates of the numerical financial information and operating data included in the official statement for the Bonds (the “Official Statement”) appearing in the Tables in the Official Statement as described below:

- a. HISTORY OF PROPERTY VALUATIONS;
- b. MAJOR TAXPAYERS;
- c. TAX RATES (Per \$1,000 of Taxable Value);
- d. TAX LEVIES AND COLLECTIONS;
- e. REVENUES FROM THE STATE OF MICHIGAN;
- f. DEBT STATEMENT – DIRECT DEBT; and
- g. GENERAL FUND AND BALANCE SHEET.

(2) The Audited Financial Statements. Provided, however, that if the Audited Financial Statements are not available by the date specified above, they shall be provided when available, and unaudited financial statements will be filed by such date. Such additional financial information or operating data as may be determined by the Township and its advisors as desirable or necessary to comply with the Rule.

Such annual financial information and operating data described above are expected to be provided directly by the Township or by specific reference to documents available to the public through EMMA or filed with the SEC including official statements of debt issues of the Township or related public entities.

If the fiscal year of the Township is changed, the Township shall send a notice of such change to the MSRB through EMMA, prior to the earlier of the ending date of the fiscal year prior to such change or the ending date of the fiscal year as changed.

(c) *Notice of Failure to Disclose.* The Township agrees to provide or cause to be provided, in a timely manner, to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, notice of a failure by the Township to provide the annual financial information with respect to the Township described in subsection (b) above on or prior to the dates set forth in subsection (b) above.

(d) *Occurrence of Events.* The Township agrees to provide or cause to be provided to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events listed in (b)(5)(i)(C) of the Rule with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of holders of the Bonds, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Township, which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Township in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Township, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by

a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Township;

(13) the consummation of a merger, consolidation, or acquisition involving the Township or the sale of all or substantially all of the assets of the Township, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) incurrence of a Financial Obligation of the Township, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Township, any of which affect security holders, if material; or

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Township, any of which reflect financial difficulties.

(e) *Materiality Determined Under Federal Securities Laws.* The Township agrees that its determination of whether any event listed in subsection (d) is material shall be made in accordance with federal securities laws.

(f) *Identifying Information.* All documents provided to the MSRB through EMMA shall be accompanied by the identifying information prescribed by the MSRB.

(g) *Termination of Reporting Obligation.* The obligation of the Township to provide annual financial information and notices of material events, as set forth above, shall be terminated if and when the Township no longer remains an “obligated person” with respect to the Bonds within the meaning of the Rule, including upon legal defeasance of all Bonds.

(h) *Benefit of Bondholders.* The Township agrees that its undertaking pursuant to the Rule set forth in this Undertaking is intended to be for the benefit of the Bondholders and shall be enforceable by any Bondholder; provided that, the right to enforce the provisions of this Undertaking shall be limited to a right to obtain specific enforcement of the Township’s obligations hereunder and any failure by the Township to comply with the provisions of this Undertaking shall not constitute a default or an event of default with respect to the Bonds.

(i) *Amendments to the Undertaking.* Amendments may be made in the specific types of information provided or the format of the presentation of such information to the extent deemed necessary or appropriate in the judgment of the Township, provided that the Township agrees that any such amendment will be adopted procedurally and substantively in a manner consistent with the Rule, including any

interpretations thereof by the SEC, which, to the extent applicable, are incorporated herein by reference. Such interpretations currently include the requirements that (a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Township or the type of activities conducted thereby, (b) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) the amendment does not materially impair the interests of Bondholders, as determined by parties unaffiliated with the Township (such as independent legal counsel), but such interpretations may be changed in the future. If the accounting principles to be followed by the Township in the preparing of the Audited Financial Statements are modified, the annual financial information for the year in which the change is made shall present a comparison between the financial statements as prepared on the prior basis and the statements as prepared on the new basis, and otherwise shall comply with the requirements of the Rule, in order to provide information to investors to enable them to evaluate the ability of the Township to meet its obligations. A notice of the change in accounting principles shall be sent to the MSRB through EMMA.

IN WITNESS WHEREOF, the Township has caused this Undertaking to be executed by its Authorized Officer.

HARRISON CHARTER TOWNSHIP
County of Macomb, State of Michigan

By: _____

Its: _____

CONTINUING DISCLOSURE UNDERTAKING

CHESTERFIELD CHARTER TOWNSHIP County of Macomb, State of Michigan

\$5,730,000

OAKLAND-MACOMB INTERCEPTOR DRAIN DRAINAGE DISTRICT COUNTIES OF OAKLAND AND MACOMB, STATE OF MICHIGAN BONDS (LIMITED TAX GENERAL OBLIGATION), SERIES 2020B (2023 Issue)

September 19, 2023

This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by Chesterfield Charter Township, County of Macomb, State of Michigan (the “Township”), in connection with the issuance by the its Oakland-Macomb Interceptor Drain Drainage District, Counties of Oakland and Macomb, State of Michigan, Bonds Series 2020B (the “Bonds”) being dated and delivered on the date hereof. The Township is an “obligated person” with respect to the Bonds within the meaning of Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended.

The Township covenants and agrees for the benefit of the Bondholders, as hereinafter defined, as follows:

(a) The following terms used herein shall have the following meanings Definitions:

“Audited Financial Statements” means the annual audited financial statements pertaining to the Township prepared by an individual or firm of independent certified public accountants as required by Act 2, Public Acts of Michigan, 1968, as amended, which presently requires preparation in accordance with generally accepted accounting principles.

“Bondholders” shall mean the registered owner of any Bond or any person (a) with the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including any person holding a Bond through a nominee, depository or other intermediary) or (b) treated as the owner of any Bond for federal income tax purposes.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access District, or such other District, Internet Web site, or repository hereafter prescribed by the MSRB for the submission of electronic filings pursuant to the Rule.

“Financial Obligation” means “financial obligation” as such term is defined in the Rule.

“MSRB” means the Municipal Securities Rulemaking Board.

“Rule” means Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended, as in effect on the date of this Undertaking, including any official interpretations thereof issued either before or after the date of this Undertaking which are applicable to this Undertaking.

“SEC” means the United States Securities and Exchange Commission.

(b) *Continuing Disclosure.* The Township hereby agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to the MSRB through EMMA, on or before the last day of the 9th month after the end of the fiscal year of the Township, the following annual financial information and operating data or data of substantially the same nature, commencing with the fiscal year ended December 31, 2023, in an electronic format as prescribed by the MSRB:

(1) Updates of the numerical financial information and operating data included in the official statement for the Bonds (the “Official Statement”) appearing in the Tables in the Official Statement as described below:

- a. HISTORY OF PROPERTY VALUATIONS;
- b. MAJOR TAXPAYERS;
- c. TAX RATES (Per \$1,000 of Taxable Value);
- d. TAX LEVIES AND COLLECTIONS;
- e. REVENUES FROM THE STATE OF MICHIGAN;
- f. DEBT STATEMENT – DIRECT DEBT; and
- g. GENERAL FUND AND BALANCE SHEET.

(2) The Audited Financial Statements. Provided, however, that if the Audited Financial Statements are not available by the date specified above, they shall be provided when available, and unaudited financial statements will be filed by such date. Such additional financial information or operating data as may be determined by the Township and its advisors as desirable or necessary to comply with the Rule.

Such annual financial information and operating data described above are expected to be provided directly by the Township or by specific reference to documents available to the public through EMMA or filed with the SEC including official statements of debt issues of the Township or related public entities.

If the fiscal year of the Township is changed, the Township shall send a notice of such change to the MSRB through EMMA, prior to the earlier of the ending date of the fiscal year prior to such change or the ending date of the fiscal year as changed.

(c) *Notice of Failure to Disclose.* The Township agrees to provide or cause to be provided, in a timely manner, to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, notice of a failure by the Township to provide the

annual financial information with respect to the Township described in subsection (b) above on or prior to the dates set forth in subsection (b) above.

(d) *Occurrence of Events.* The Township agrees to provide or cause to be provided to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events listed in (b)(5)(i)(C) of the Rule with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of holders of the Bonds, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Township, which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Township in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Township, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Township;
- (13) the consummation of a merger, consolidation, or acquisition involving the Township or the sale of all or substantially all of the assets of the Township, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a

definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) incurrence of a Financial Obligation of the Township, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Township, any of which affect security holders, if material; or

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Township, any of which reflect financial difficulties.

(e) *Materiality Determined Under Federal Securities Laws.* The Township agrees that its determination of whether any event listed in subsection (d) is material shall be made in accordance with federal securities laws.

(f) *Identifying Information.* All documents provided to the MSRB through EMMA shall be accompanied by the identifying information prescribed by the MSRB.

(g) *Termination of Reporting Obligation.* The obligation of the Township to provide annual financial information and notices of material events, as set forth above, shall be terminated if and when the Township no longer remains an “obligated person” with respect to the Bonds within the meaning of the Rule, including upon legal defeasance of all Bonds.

(h) *Benefit of Bondholders.* The Township agrees that its undertaking pursuant to the Rule set forth in this Undertaking is intended to be for the benefit of the Bondholders and shall be enforceable by any Bondholder; provided that, the right to enforce the provisions of this Undertaking shall be limited to a right to obtain specific enforcement of the Township’s obligations hereunder and any failure by the Township to comply with the provisions of this Undertaking shall not constitute a default or an event of default with respect to the Bonds.

(i) *Amendments to the Undertaking.* Amendments may be made in the specific types of information provided or the format of the presentation of such information to the extent deemed necessary or appropriate in the judgment of the Township, provided that the Township agrees that any such amendment will be adopted procedurally and substantively in a manner consistent with the Rule, including any interpretations thereof by the SEC, which, to the extent applicable, are incorporated herein by reference. Such interpretations currently include the requirements that (a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Township or the type of activities conducted thereby, (b) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) the amendment does not

materially impair the interests of Bondholders, as determined by parties unaffiliated with the Township (such as independent legal counsel), but such interpretations may be changed in the future. If the accounting principles to be followed by the Township in the preparing of the Audited Financial Statements are modified, the annual financial information for the year in which the change is made shall present a comparison between the financial statements as prepared on the prior basis and the statements as prepared on the new basis, and otherwise shall comply with the requirements of the Rule, in order to provide information to investors to enable them to evaluate the ability of the Township to meet its obligations. A notice of the change in accounting principles shall be sent to the MSRB through EMMA.

IN WITNESS WHEREOF, the Township has caused this Undertaking to be executed by its Authorized Officer.

CHESTERFIELD CHARTER TOWNSHIP
County of Macomb, State of Michigan

By: _____

Its: _____

\$5,730,000
OAKLAND-MACOMB INTERCEPTOR DRAIN DRAINAGE DISTRICT
COUNTIES OF OAKLAND AND MACOMB, STATE OF MICHIGAN
BONDS (LIMITED TAX GENERAL OBLIGATION), SERIES 2020B (2023 ISSUE)

