

**TOWNSHIP OF BRUCE
MACOMB COUNTY, MICHIGAN**

REPORT ON FINANCIAL STATEMENTS
(with required and other supplementary information)

YEAR ENDED MARCH 31, 2021

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-9
BASIC FINANCIAL STATEMENTS	10
Government-wide Financial Statements	
Statement of Net Position.....	11
Statement of Activities	12
Fund Financial Statements	
Governmental Funds	
Balance Sheet.....	13-14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of	
Net Position.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	16-17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances of the Governmental Funds to the Statement of Activities.....	18
Proprietary Funds	
Statement of Net Position	19
Statement of Revenues, Expenses, and Changes in Fund Net Position	20
Statement of Cash Flows	21-22
Fiduciary Funds	
Statement of Fiduciary Net Position.....	23
Statement of Changes in Fiduciary Net Position.....	24
Notes to Financial Statements	25-48
REQUIRED SUPPLEMENTARY INFORMATION.....	49
General Fund	
Budgetary Comparison Schedule (Non-GAAP Basis)	50-51
Fire Fund	
Budgetary Comparison Schedule.....	52
Advanced Life Support Fund	
Budgetary Comparison Schedule	53
Other Post-Employment Benefits	
Schedule of Changes in Employer's Total Net Liability and Related Ratios	54
Schedule of Employer Contributions.....	55
Notes to Required Supplementary Information.....	56-57

TABLE OF CONTENTS

	<u>Page</u>
OTHER SUPPLEMENTARY INFORMATION	58
Nonmajor Governmental Funds	
Combining Balance Sheet.....	59
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	60
Fiduciary Funds	
Combining Statement of Fiduciary Net Position	61
Combining Statement of Changes in Fiduciary Net Position	62
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	63-65

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bruce, Michigan (the Township), as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Change in Accounting Principle

As discussed in Note 12 to the financial statements, the Township implemented GASB Statement No. 84, *Fiduciary Activities*, during the year. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and the schedules for other post-employment benefits, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining and individual nonmajor and fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor and fiduciary fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the combining nonmajor and fiduciary fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2021 on our consideration of the Township of Bruce's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Bruce's internal control over financial reporting and compliance.

Maney Costeiran PC

August 18, 2021

TOWNSHIP OF BRUCE MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Reporting

This discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2021. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this analysis, the following represents the most significant financial issues for the year ended March 31, 2021:

- The Township's net position in the governmental activities increased by \$849,206 during the 2020-2021 fiscal year.
- State shared revenue in the governmental activities decreased by \$3,371 during the 2020-2021 fiscal year.
- The Township's net position in the business-type activities decreased by \$185,481 during the 2020-2021 fiscal year.

Using this Annual Report

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise 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 statement of net position and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

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).

Fund Financial Statements. The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Township in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

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.

TOWNSHIP OF BRUCE MANAGEMENT'S DISCUSSION AND ANALYSIS

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 five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Fire, and Advanced Life Support funds, all of which are considered to be major funds. The Improvement Revolving and Special Assessment District funds are nonmajor governmental funds and are detailed in the Nonmajor Governmental Funds Combining Balance Sheet in the Other Supplementary Information section of the audit report.

The Township adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund and each major Special Revenue Fund to demonstrate compliance with this budget.

Proprietary Funds. The Township maintains two 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 sewer system and water system activity.

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.

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. The notes to the financial statements can be found on pages 25-48 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, such as this Management's Discussion and Analysis and the budgetary comparison schedules. Combining statements referred to earlier in connection with nonmajor governmental funds are presented as other supplementary information.

TOWNSHIP OF BRUCE MANAGEMENT'S DISCUSSION AND ANALYSIS

The Township as a Whole

The following table shows, in a condensed format, a comparative analysis of the net position as of March 31, 2021 and March 31, 2020.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current and other assets	\$ 6,433,590	\$ 6,416,690	\$ (1,054,304)	\$ (694,380)	\$ 5,379,286	\$ 5,722,310
Capital assets	2,676,732	2,910,268	6,348,950	6,510,404	9,025,682	9,420,672
TOTAL ASSETS	9,110,322	9,326,958	5,294,646	5,816,024	14,404,968	15,142,982
DEFERRED OUTFLOWS OF RESOURCES	273,328	414,949	191,904	206,666	465,232	621,615
LIABILITIES						
Current liabilities	651,083	795,515	356,267	455,442	1,007,350	1,250,957
Noncurrent liabilities	5,140,709	10,174,791	2,705,202	2,956,686	7,845,911	13,131,477
TOTAL LIABILITIES	5,791,792	10,970,306	3,061,469	3,412,128	8,853,261	14,382,434
DEFERRED INFLOWS OF RESOURCES	3,981,477	10,426	-	-	3,981,477	10,426
NET POSITION						
Net investment in capital assets	1,828,599	1,950,142	3,392,264	3,307,234	5,220,863	5,257,376
Restricted	2,656,557	2,705,672	-	-	2,656,557	2,705,672
Unrestricted	(4,874,775)	(5,894,639)	(967,183)	(696,672)	(5,841,958)	(6,591,311)
TOTAL NET POSITION	\$ (389,619)	\$ (1,238,825)	\$ 2,425,081	\$ 2,610,562	\$ 2,035,462	\$ 1,371,737

Net position may serve over time as a useful indicator of a government's financial position. The Township's governmental activities liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$389,619 as of March 31, 2021. The Township's business-type activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,425,081 as of March 31, 2021. A portion of the Township's net position reflects its balance of unrestricted net position. These funds, if available, may be used to meet the Township's ongoing obligations to citizens and creditors.

An additional portion of the Township's net position reflects its net investment in capital assets (e.g., land, buildings, equipment), less any related debt used to acquire those assets that are still outstanding. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's 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 represents resources that are subject to external restrictions on how they may be used.

TOWNSHIP OF BRUCE MANAGEMENT'S DISCUSSION AND ANALYSIS

The Township's total change in net position was an increase of \$663,725 during the current year as indicated below.

	Governmental Activities		Business-type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program revenue						
Charges for services	\$ 1,577,444	\$ 1,557,604	\$ 788,125	\$ 807,958	\$ 2,365,569	\$ 2,365,562
Operating grants and contributions	55,011	6,677	-	-	55,011	6,677
Capital grants and contributions	21,809	22,514	-	209,226	21,809	231,740
General revenue						
Property taxes	2,548,126	2,413,520	-	-	2,548,126	2,413,520
State shared revenue	619,151	622,522	-	-	619,151	622,522
Local community stabilization	95,779	83,349	-	-	95,779	83,349
Investment earnings	3,768	18,689	13,563	16,225	17,331	34,914
Change in equity interest in joint ventures	157,203	-	-	-	157,203	-
Gain on sale of capital assets	-	31,110	-	-	-	31,110
Miscellaneous	35,826	12,014	-	-	35,826	12,014
Special item	-	66,032	-	-	-	66,032
TOTAL REVENUE	5,114,117	4,834,031	801,688	1,033,409	5,915,805	5,867,440
PROGRAM EXPENSES						
General government	498,300	884,362	-	-	498,300	884,362
Public safety	1,477,248	1,365,641	-	-	1,477,248	1,365,641
Public works	180,536	177,021	-	-	180,536	177,021
Health and welfare	2,034,688	2,574,059	-	-	2,034,688	2,574,059
Community and econ. development	45,659	72,229	-	-	45,659	72,229
Sewer system	-	-	513,561	781,518	513,561	781,518
Water system	-	-	473,608	402,253	473,608	402,253
Interest on long-term debt	28,480	41,008	-	-	28,480	41,008
TOTAL PROGRAM EXPENSES	4,264,911	5,114,320	987,169	1,183,771	5,252,080	6,298,091
Change in Net Position	\$ 849,206	\$ (280,289)	\$ (185,481)	\$ (150,362)	\$ 663,725	\$ (430,651)

Governmental Activities

The net position of the Township's governmental activities increased \$849,206 during fiscal year 2021. Although the Township's revenues increased approximately 6% and the expenses decreased approximately 17% from fiscal year 2020, the Township continues to analyze ways to obtain revenue or cut expenses without losing service as a result of the continued loss in net position. A key element related to the change in net position is the public safety and health and welfare expenses which are approximately 82% of the total expenses and includes fire and ambulance services. The primary factors resulting in the increase in net position were the addition in change in equity interest in joint ventures, increase in charges for services due to new developments in progress within the industrial corridor, building bond forfeitures that offset the decline in permits issued due to COVID-19 and no capital asset purchases during the fiscal year.

TOWNSHIP OF BRUCE MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-Type Activities

The net position of the Township's business-type activities decreased by \$185,481 during fiscal year 2021. Although the total expenses decreased approximately 17%, revenues also decreased approximately 22%, which resulted in the business-type activities decreasing overall as the expenses continue to be more than the revenue. The majority of the revenue is generated through charges for services, which makes up approximately 98% of the total business-type activities revenue. While water rates were increased and there was additional usage during the current year, the increase did not keep up with required expenses. The Township plans to perform a rate study for both the Sewer Fund and the Water Fund and increase the rates until the systems are self-sufficient as intended for the Enterprise Funds. The Township has several new building developments near completion that will add additional users and revenues to the Enterprise Funds.

The Township's Funds

Governmental Funds. The 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 governmental funds, not the Township as a whole. The Township's Board of Trustees creates funds to help manage money for specific purposes. The Township's major governmental funds for the fiscal year ended March 31, 2021, were the General Fund, Fire Fund, and Advanced Life Support Fund. The General Fund pays for most of the Township's governmental operating services. The most significant service provided within the General Fund during the fiscal year was for general government, which incurred expenditures of \$620,895 for the fiscal year.

The Fire Fund and Advanced Life Support Fund are used to account for fire and ambulance services and are funded with special millages, insurance recoveries, and revenue from the Village of Romeo. The funds incurred total expenditures of \$1,131,116 and \$2,143,466 respectively, of which \$3,217,269 were for fire and ambulance services. The remaining expenditures were for capital outlay and debt service.

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

Unrestricted net position of the Sewer System and the Water System at the end of the year amounted to deficits of \$390,185 and \$576,998, respectively. The increase in net position for the Sewer System was \$131,975; while the decrease in net position for the Water System was \$317,456. Other significant factors concerning the finances of these two funds have already been addressed in the discussion of the Township's business-type activities.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township's Board of Trustees revised the General Fund's budget several times. The Township began the year expecting no usage of fund balance. Even after all budget adjustments were made, the Township continued to anticipate no usage of fund balance although both the General Fund's budgeted revenues and expenditures were increased by \$149,050 and \$299,051, respectively, throughout the year. Actual expenditures came in approximately \$155,757 under the final budgeted amount adopted by the Township's Board of Trustees. Actual revenues were \$57,308 more than the final anticipated amount with the actual net change in fund balance being an increase of \$50,364, before GAAP-basis adjustments. This increase in fund balance, before GAAP-basis adjustments, was the result of higher than anticipated local community stabilization funds and reduced spending/projects due to COVID-19.

TOWNSHIP OF BRUCE MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital Assets. At the end of the fiscal year, the Township had approximately \$9,025,682 invested in a broad range of governmental and business-type capital assets, including infrastructure, buildings, land, vehicles, equipment, and utilities, net of accumulated depreciation. During the fiscal year 2021, the net capital assets decreased \$394,990 due to annual depreciation and no new capital asset additions. Further details related to the Township's capital assets can be found in Note 5 to the financial statements.

Long-Term Debt. The Township's long-term obligations, of governmental and business-type, decreased by approximately \$308,000 during fiscal year 2021 due to required annual payments. The carrying amount of the Township's obligation for compensated absences, included in the long-term debt, was \$259,182 at fiscal year-end. Further details related to the Township's long-term obligations can be found in Note 6 to the financial statements.

Current Economic Factors

Property taxes represents the largest revenue source for the Township which increased approximately 6% during fiscal year 2021. As property values increase on existing parcels and new construction in both residential and industrial sectors rise, tax revenues are also expected to increase.

State shared revenue has decreased slightly from the previous fiscal year. The COVID-19 pandemic has strained State resources which then decreases funding to the local levels. With the uncertainty surrounding COVID infections/status in the future, the Township is not expecting any increase in State shared revenue for the upcoming fiscal year.

The Township is currently researching the possible impact that future Coronavirus State and Local Fiscal Recovery Funds and the American Rescue Plan Act will have on the financial statements moving forward. As with most local governmental units, the Township has experienced increased spending to protect the health of Township's employees and residents along with decreased revenues within Charges for Services, specifically building related permits and ambulance related services.

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 demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township at 223 East Gates Street, Romeo, Michigan 48065.

BASIC FINANCIAL STATEMENTS

**TOWNSHIP OF BRUCE
STATEMENT OF NET POSITION
MARCH 31, 2021**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,896,955	\$ 337,079	\$ 3,234,034
Current portion of receivables	120,657	136,214	256,871
Due from other governmental units	163,247	-	163,247
Internal balances	1,630,056	(1,630,056)	-
Prepays	24,381	1,381	25,762
Total current assets	4,835,296	(1,155,382)	3,679,914
Noncurrent assets			
Internal balances	77,869	(77,869)	-
Noncurrent portion of receivables	78,462	178,947	257,409
Investment in Romeo, Washington, Bruce Parks and Recreation Commission	1,005,161	-	1,005,161
Investment in Washington and Bruce Senior Transportation through Advanced Reservation Commission	436,802	-	436,802
Capital assets not being depreciated	636,770	11,760	648,530
Capital assets being depreciated, net	2,039,962	6,337,190	8,377,152
Total noncurrent assets	4,275,026	6,450,028	10,725,054
TOTAL ASSETS	9,110,322	5,294,646	14,404,968
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges, net of amortization	-	191,904	191,904
Deferred outflows related to other post-employment benefits	273,328	-	273,328
TOTAL DEFERRED OUTFLOWS OF RESOURCES	273,328	191,904	465,232
LIABILITIES			
Current liabilities			
Accounts payable	53,189	104,783	157,972
Accrued liabilities	130,970	-	130,970
Due to other governmental units	42,976	-	42,976
Unearned revenue	129,250	-	129,250
Current portion of compensated absences	178,887	-	178,887
Current portion of long-term debt	115,811	251,484	367,295
Total current liabilities	651,083	356,267	1,007,350
Noncurrent liabilities			
Noncurrent portion of compensated absences	80,295	-	80,295
Noncurrent portion of long-term debt	732,322	2,705,202	3,437,524
Net other post-employment benefits liability	4,328,092	-	4,328,092
Total noncurrent liabilities	5,140,709	2,705,202	7,845,911
TOTAL LIABILITIES	5,791,792	3,061,469	8,853,261
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to other post-employment benefits	3,981,477	-	3,981,477
NET POSITION			
Net investment in capital assets	1,828,599	3,392,264	5,220,863
Restricted			
Public safety	1,129,390	-	1,129,390
Health and welfare	1,339,380	-	1,339,380
Capital projects	187,787	-	187,787
Unrestricted	(4,874,775)	(967,183)	(5,841,958)
TOTAL NET POSITION	\$ (389,619)	\$ 2,425,081	\$ 2,035,462

See accompanying notes to financial statements.

**TOWNSHIP OF BRUCE
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 498,300	\$ 414,324	\$ -	\$ -	\$ (83,976)	\$ -	\$ (83,976)
Public safety	1,477,248	131,680	47,643	-	(1,297,925)	-	(1,297,925)
Public works	180,536	133,936	7,368	21,809	(17,423)	-	(17,423)
Health and welfare	2,034,688	897,504	-	-	(1,137,184)	-	(1,137,184)
Community and economic development	45,659	-	-	-	(45,659)	-	(45,659)
Interest on long-term debt	28,480	-	-	-	(28,480)	-	(28,480)
Total governmental activities	4,264,911	1,577,444	55,011	21,809	(2,610,647)	-	(2,610,647)
Business-type activities							
Sewer system	513,561	643,507	-	-	-	129,946	129,946
Water system	473,608	144,618	-	-	-	(328,990)	(328,990)
Total business-type activities	987,169	788,125	-	-	-	(199,044)	(199,044)
Total government	\$ 5,252,080	\$ 2,365,569	\$ 55,011	\$ 21,809	(2,610,647)	(199,044)	(2,809,691)
General revenues							
Property taxes					2,548,126	-	2,548,126
State shared revenues					619,151	-	619,151
Local community stabilization					95,779	-	95,779
Investment earnings					3,768	13,563	17,331
Change in equity interest related to joint ventures					157,203	-	157,203
Miscellaneous					35,826	-	35,826
Total general revenues					3,459,853	13,563	3,473,416
Change in net position					849,206	(185,481)	663,725
Net position, beginning of the year					(1,238,825)	2,610,562	1,371,737
Net position, end of the year					\$ (389,619)	\$ 2,425,081	\$ 2,035,462

See accompanying notes to financial statements.

**TOWNSHIP OF BRUCE
GOVERNMENTAL FUNDS
BALANCE SHEET
MARCH 31, 2021**

	General Fund	Fire Fund	Advanced Life Support Fund
ASSETS			
Cash and cash equivalents	\$ 134,583	\$ 1,134,075	\$ 1,472,307
Receivables			
Accounts	28,991	19,994	60,875
Taxes	2,187	-	-
Special assessments	-	-	-
Long-term receivable	33,000	-	-
Due from other governmental units	163,247	-	-
Due from other funds	1,348,879	50,258	-
Advances to other funds	77,869	-	-
Prepays	6,484	12,056	5,841
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,795,240</u>	<u>\$ 1,216,383</u>	<u>\$ 1,539,023</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ 41,540	\$ 6,448	\$ 5,201
Accrued liabilities	22,849	57,429	50,692
Due to other funds	124,451	23,116	20,000
Due to other governmental units	42,976	-	-
Unearned revenue	5,500	-	123,750
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>237,316</u>	<u>86,993</u>	<u>199,643</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	70,180	-	-
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES (DEFICITS)			
Nonspendable	117,353	12,056	5,841
Restricted	-	1,117,334	1,333,539
Assigned	109,581	-	-
Unassigned	1,260,810	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>1,487,744</u>	<u>1,129,390</u>	<u>1,339,380</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	<u>\$ 1,795,240</u>	<u>\$ 1,216,383</u>	<u>\$ 1,539,023</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total
\$ 155,990	\$ 2,896,955
-	109,860
-	2,187
54,072	54,072
-	33,000
-	163,247
452,567	1,851,704
-	77,869
-	24,381
<u>\$ 662,629</u>	<u>\$ 5,213,275</u>

\$ -	\$ 53,189
-	130,970
54,081	221,648
-	42,976
-	129,250
<u>54,081</u>	<u>578,033</u>

<u>54,072</u>	<u>124,252</u>
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-	135,250
187,787	2,638,660
402,653	512,234
(35,964)	1,224,846
<u>554,476</u>	<u>4,510,990</u>

<u>\$ 662,629</u>	<u>\$ 5,213,275</u>
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**TOWNSHIP OF BRUCE
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
MARCH 31, 2021**

Total Fund Balances - Governmental Funds \$ 4,510,990

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

Investments in joint ventures are not financial resources and are not reported in the governmental funds.

Romeo, Washington, and Bruce Parks and Recreation Commission	\$ 1,005,161	
Washington and Bruce Townships Senior Transportation through Advanced Reservation Commission (S.T.A.R.)	<u>436,802</u>	
		1,441,963

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	8,661,764	
Accumulated depreciation is	<u>(5,985,032)</u>	
Capital assets, net		2,676,732

Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:

Unavailable revenue		124,252
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Governmental funds report actual OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the OPEB liability as of the measurement date. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual OPEB plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to OPEB	273,328	
Deferred inflows of resources related to OPEB	<u>(3,981,477)</u>	
		(3,708,149)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities at year-end consist of:

Compensated absences	(259,182)	
Direct obligations	(848,133)	
Net other post-employment benefits liability	<u>(4,328,092)</u>	
		<u>(5,435,407)</u>

Net Position of Governmental Activities		<u><u>\$ (389,619)</u></u>
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**TOWNSHIP OF BRUCE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2021**

	General Fund	Fire Fund	Advanced Life Support Fund
REVENUES			
Taxes	\$ 526,081	\$ 871,299	\$ 1,276,642
Special assessments	-	-	-
Licenses and permits	193,108	-	-
Intergovernmental	722,298	47,643	-
Charges for services	235,962	116,022	897,504
Interest	980	2,275	513
Other	11,000	2,380	17,940
	<u>1,689,429</u>	<u>1,039,619</u>	<u>2,192,599</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General government	620,895	-	-
Public safety	210,592	1,073,803	-
Public works	147,080	-	-
Health and welfare	-	-	2,143,466
Community and economic development	39,624	-	-
Other	532,169	-	-
Debt service	83,160	57,313	-
	<u>1,633,520</u>	<u>1,131,116</u>	<u>2,143,466</u>
TOTAL EXPENDITURES			
NET CHANGE IN FUND BALANCES	55,909	(91,497)	49,133
Fund balances, beginning of year	<u>1,431,835</u>	<u>1,220,887</u>	<u>1,290,247</u>
Fund balances, end of year	<u>\$ 1,487,744</u>	<u>\$ 1,129,390</u>	<u>\$ 1,339,380</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total
\$ -	\$ 2,674,022
18,223	18,223
-	193,108
-	769,941
-	1,249,488
3,586	7,354
-	31,320
<u>21,809</u>	<u>4,943,456</u>
-	620,895
-	1,284,395
6,751	153,831
-	2,143,466
-	39,624
-	532,169
-	140,473
<u>6,751</u>	<u>4,914,853</u>
15,058	28,603
<u>539,418</u>	<u>4,482,387</u>
<u>\$ 554,476</u>	<u>\$ 4,510,990</u>

TOWNSHIP OF BRUCE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2021

Net Change in Fund Balances - Total Governmental Funds **\$ 28,603**

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

Changes in equity interest in joint ventures are not reported in the governmental funds:

Romeo, Washington, and Bruce Parks and Recreation Commission	\$	65,070	
Washington and Bruce Townships Senior Transportation through			
Advanced Reservation Commission (S.T.A.R.)		92,133	
			157,203

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation		(233,536)	
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period these amounts consist of:

Change in unavailable revenue		13,458	
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Certain transactions related to long-term debt are reported as expenditures or other financing sources/uses in governmental funds, but are reflected as increases or decreases of the applicable liability in the statement of net position. In the current year, these amounts consist of:

Debt principal retirement		111,993	
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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	(50,564)		
Decrease in net other post-employment benefits liability	4,934,721		
(Decrease) in deferred outflows of resources related to OPEB	(141,621)		
(Increase) in deferred inflows of resources related to OPEB	(3,971,051)		
			771,485

Change in Net Position of Governmental Activities	\$	849,206	
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**TOWNSHIP OF BRUCE
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
MARCH 31, 2021**

	Sewer System Fund	Water System Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 223,314	\$ 113,765	\$ 337,079
Receivables			
Customers	95,862	1,043	96,905
Current portion of special assessments	17,274	22,035	39,309
Due from other funds	47,511	-	47,511
Prepays	1,381	-	1,381
Total current assets	<u>385,342</u>	<u>136,843</u>	<u>522,185</u>
Noncurrent assets			
Noncurrent portion of special assessments receivable	-	178,947	178,947
Capital assets, not being depreciated	-	11,760	11,760
Capital assets, net of accumulated depreciation	5,544,527	792,663	6,337,190
Total noncurrent assets	<u>5,544,527</u>	<u>983,370</u>	<u>6,527,897</u>
TOTAL ASSETS	<u>5,929,869</u>	<u>1,120,213</u>	<u>7,050,082</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges, net of amortization	191,904	-	191,904
LIABILITIES			
Current liabilities			
Accounts payable	54,205	50,578	104,783
Due to other funds	835,357	842,210	1,677,567
Current portion of long-term debt	217,284	34,200	251,484
Total current liabilities	<u>1,106,846</u>	<u>926,988</u>	<u>2,033,834</u>
Noncurrent liabilities			
Advances from other funds	77,869	-	77,869
Noncurrent portion of long-term debt	2,432,402	272,800	2,705,202
Total noncurrent liabilities	<u>2,510,271</u>	<u>272,800</u>	<u>2,783,071</u>
TOTAL LIABILITIES	<u>3,617,117</u>	<u>1,199,788</u>	<u>4,816,905</u>
NET POSITION			
Net investment in capital assets	2,894,841	497,423	3,392,264
Unrestricted	(390,185)	(576,998)	(967,183)
TOTAL NET POSITION	<u>\$ 2,504,656</u>	<u>\$ (79,575)</u>	<u>\$ 2,425,081</u>

See accompanying notes to financial statements.

**TOWNSHIP OF BRUCE
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED MARCH 31, 2021**

	Sewer System Fund	Water System Fund	Total
OPERATING REVENUES			
Charges for services	\$ 643,507	\$ 144,618	\$ 788,125
OPERATING EXPENSES			
Cost of sewage disposal	263,358	-	263,358
Operation and maintenance	12,776	438,741	451,517
General and administrative	-	475	475
Depreciation and amortization	158,540	16,192	174,732
TOTAL OPERATING EXPENSES	434,674	455,408	890,082
OPERATING INCOME (LOSS)	208,833	(310,790)	(101,957)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	2,029	11,534	13,563
Interest and fees expense	(78,887)	(18,200)	(97,087)
NONOPERATING REVENUES (EXPENSES)	(76,858)	(6,666)	(83,524)
CHANGE IN NET POSITION	131,975	(317,456)	(185,481)
Net position, beginning of year	2,372,681	237,881	2,610,562
Net position, end of year	\$ 2,504,656	\$ (79,575)	\$ 2,425,081

See accompanying notes to financial statements.

**TOWNSHIP OF BRUCE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2021**

	Sewer System Fund	Water System Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 680,598	\$ 135,425	\$ 816,023
Cash paid to suppliers	(428,128)	(390,391)	(818,519)
Cash paid to employees	(850)	(475)	(1,325)
	<u>251,620</u>	<u>(255,441)</u>	<u>(3,821)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
	<u>251,620</u>	<u>(255,441)</u>	<u>(3,821)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipt of interfund balances	<u>126,000</u>	<u>261,900</u>	<u>387,900</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments on borrowings	(210,000)	(35,000)	(245,000)
Special assessments received	20,005	21,876	41,881
Interest and fees paid	(78,887)	(18,200)	(97,087)
	<u>(268,882)</u>	<u>(31,324)</u>	<u>(300,206)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES			
	<u>(268,882)</u>	<u>(31,324)</u>	<u>(300,206)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>2,029</u>	<u>11,534</u>	<u>13,563</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	110,767	(13,331)	97,436
Cash and cash equivalents, beginning of year	<u>112,547</u>	<u>127,096</u>	<u>239,643</u>
Cash and cash equivalents, end of year	<u><u>\$ 223,314</u></u>	<u><u>\$ 113,765</u></u>	<u><u>\$ 337,079</u></u>

See accompanying notes to financial statements.

**TOWNSHIP OF BRUCE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (continued)
YEAR ENDED MARCH 31, 2021**

	<u>Sewer System Fund</u>	<u>Water System Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 208,833	\$ (310,790)	\$ (101,957)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	158,540	16,192	174,732
(Increase) decrease in:			
Receivables	25,966	(21,582)	4,384
Due from other governmental units	11,125	12,389	23,514
Prepays	(319)	-	(319)
Increase (decrease) in:			
Accounts payable	(151,675)	48,350	(103,325)
Accrued wages	<u>(850)</u>	<u>-</u>	<u>(850)</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 251,620</u>	 <u>\$ (255,441)</u>	 <u>\$ (3,821)</u>

See accompanying notes to financial statements.

**TOWNSHIP OF BRUCE
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
MARCH 31, 2021**

	Other Post - Employment Benefits Trust Fund	Custodial Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 246,522
Investments	347,636	-
Due from others	-	182,074
	<u>347,636</u>	<u>428,596</u>
TOTAL ASSETS		
	<u>347,636</u>	<u>428,596</u>
LIABILITIES		
Due to others	-	39,093
Due to other governmental units	-	281,026
	<u>-</u>	<u>320,119</u>
TOTAL LIABILITIES		
	<u>-</u>	<u>320,119</u>
NET POSITION		
Restricted for individuals, organizations, and other governmental units	-	108,477
Other post-employment benefits (health insurance)	347,636	-
	<u>347,636</u>	<u>-</u>
TOTAL NET POSITION	<u>\$ 347,636</u>	<u>\$ 108,477</u>

**TOWNSHIP OF BRUCE
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED MARCH 31, 2021**

	Other Post - Employment Benefits Trust Fund	Custodial Funds
ADDITIONS		
Contributions		
Employer	\$ 525,494	\$ -
Investment earnings	17,967	-
Property tax collections for other governmental units	-	16,576,676
Collections for others	-	4,040,503
	<u>543,461</u>	<u>20,617,179</u>
TOTAL ADDITIONS		
	<u>543,461</u>	<u>20,617,179</u>
DEDUCTIONS		
Benefit payments	195,650	-
Administrative expenses	175	-
Property tax distributions to other governmental units	-	16,576,676
Distributions to others	-	3,932,026
	<u>195,825</u>	<u>20,508,702</u>
TOTAL DEDUCTIONS		
	<u>195,825</u>	<u>20,508,702</u>
NET INCREASE IN FIDUCIARY NET POSITION	347,636	108,477
Net position, beginning of year	<u>-</u>	<u>-</u>
Net position, end of year	<u><u>\$ 347,636</u></u>	<u><u>\$ 108,477</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF BRUCE NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Bruce (the Township) was organized as a township under provisions of the constitution and general law of the State of Michigan. The Township is one of eleven townships in Macomb County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two Trustees and provides services to its residents in many areas including general government, highways and streets, fire protection, and sewer utility services.

The financial statements of the Township have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to township governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township's more significant accounting policies are described below.

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the Township. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township contain all the funds controlled by the Township Board.

Joint Ventures

The Township is a member of the Romeo, Washington, Bruce Parks and Recreation Commission, and the Washington and Bruce Townships Senior Transportation thru Advanced Reservation Commission (S.T.A.R.). The Township appoints one member to each joint venture's governing board, which then approves the annual budget. The Romeo, Washington, Bruce Parks and Recreation Commission is funded primarily from property taxes and program fees. S.T.A.R. is funded primarily from property taxes and operating grants. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The Township's equity interest of \$1,005,161 and \$436,802 in the Romeo, Washington, Bruce Parks and Recreation Commission, and the Washington and Bruce Townships Senior Transportation thru Advanced Reservation Commission, respectively, was calculated as of March 31, 2020, the most recent financial statements available, and recorded within the governmental activities of the statement of net position. Complete financial statements for the joint ventures can be obtained from the respective administrative offices.

TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint Ventures (continued)

The Township is a member of Romeo District Library, which provides library services to the residents of the Village of Romeo, Washington Township, and Bruce Township. The Library is funded primarily from property taxes and user fees. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The Township appoints two members to the Romeo District Library board, which approves the library's annual budget. During the current year, no contribution was made to the Library by the Township. Complete financial statements for the Romeo District Library can be obtained from the Library's administrative office.

Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the Township as a whole. All nonfiduciary activities of the Township are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of 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 services.

The statement of activities presents the direct functional expenses of the Township and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all property taxes, interest, unrestricted State revenue sharing payments, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated nonmajor funds. 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 the major individual enterprise funds are reported as support columns in the fund financial statements.

The Township reports the following major governmental funds:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Fire Fund is used to account for fire safety and protection services/activities within the Township. Funding is provided primarily through a local property tax levy.

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS (continued)

- c. The Advanced Life Support Fund is used to account for emergency medical response service/activities within the Township. Funding is provided primarily through a local property tax levy and a user charge for ambulance services.

The Township reports the following major enterprise funds:

- a. The Sewer System Fund is used to account for the activities of the sewage and storm water collection system. Funding is primarily raised through user charges.
- b. The Water System Fund is used to account for the activities of the construction and establishment of a water utility system. Funding is primarily raised through user charges.

Additionally, the Township reports the following fund types:

- a. Custodial funds account for assets held by the County as a custodian for other governments, private organizations, or individuals. The Township's custodial funds are the General Custodial Fund and current Tax Collection Fund.
- b. Component unit fiduciary funds are used to account for the assets held in a trustee capacity. The Other Post-Employment Benefits Trust fund accounts for assets held by MERS to fund future medical, dental, vision, and life insurance for eligible retirees and their beneficiaries.

Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both “measurable” and “available to finance expenditures of the current period”). The length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and unavailable revenue. Significant revenues susceptible to accrual are special assessments, certain intergovernmental revenues, and certain charges for services. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

The proprietary and fiduciary funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred.

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 funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

If/when both restricted and unrestricted resources are available for use, it is the Township’s policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect results in the required supplementary information. The Township employs the following budgetary data reflected in the financial statements.

- a. Prior to March 1, the Township Supervisor submits a proposed operating budget for the fiscal year commencing the following April 1 to the Township Board. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to March 31, the budget is adopted through passage of a Board resolution. After the budget is adopted all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity, as applicable, must be approved by the Township Board.
- d. Formal budgetary integration is employed as a management control device during the year.
- e. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused by March 31 are not carried forward to the following fiscal year.

TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued)

- f. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year.

Cash and Investments

Cash and cash equivalents consist of checking and savings accounts. Investments consist of the MERS Total Market Portfolio. Only the participants in a MERS Plan can invest in MERS Funds, which are managed in a separate account in a collective trust, specifically for MERS Plans. Investments are recorded at fair value.

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services, amounts owed to the Township from special assessments, and taxes levied that have not been collected.

Due from Other Governmental Units

Due from other governmental units consist of amounts due from the State of Michigan and other governments for various payments and grants.

Prepays

Prepaid expenditures in the governmental funds and prepaid expenses in the government-wide financial statements, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by nonspendable fund balance which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental and business-type activities columns. Capital assets are those with an initial cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition cost on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Vehicles	5 - 25 years
Sewer system	60 years
Water system	60 years

TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Township has several items that qualify for reporting in these categories and are reported in the government-wide financial statement of net position, proprietary funds statement of net position, or in the governmental funds balance sheet.

The Township reports deferred amounts which correspond to the Township's OPEB benefits and are related to differences between expected and actual experience, changes in assumptions, and differences between projected and actual OPEB plan investment earnings made subsequent to the measurement date. These amounts are deferred in the government-wide and proprietary fund financial statements and are recognized as an outflow or inflow of resources in the period in which they apply.

The Township reports deferred outflows of resources for the deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The Township also reports deferred inflows of resources which arises only under a modified accrual basis of accounting and qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from revenues collected subsequent to 60 days after year end and from long-term special assessment receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

In accordance with the Township personnel policies and/or 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 respective personnel policies and/or contracts.

Vested vacation and sick leave earned as of March 31, 2021, including related payroll taxes, is recorded entirely in the government-wide financial statements.

Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Obligations (continued)

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Net Other Post-Employment Benefits Liability

The net other post-employment benefits liability is deemed to be a noncurrent liability and is recognized in the government-wide financial statements.

Property Tax

The Township bills and collects its own property taxes and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied on December 1. The tax levy is due February 28. All taxes not paid by their due date are deemed delinquent. Delinquent real and personal property taxes are turned over to the Macomb County Treasurer on March 1 of the year following the levy. The Macomb County Treasurer remits payment to all taxing units on all delinquent real property taxes. Personal property payments are remitted to the Township when the County collects the delinquent property taxes still outstanding after March 1.

The Township is permitted to levy up to \$1 per \$1,000 of taxable valuation for general governmental service and additional amounts for special and debt services. For the year ended March 31, 2021, the Township levied 0.7582 mills for general governmental services, 2.2400 mills for fire services, and 3.2900 mills for advanced life support services. The total taxable value for the 2020 levy for the property within the Township was \$520,872,090.

Tax Abatements

The Township's tax revenues have been reduced by tax abatements throughout the Township. Management has determined these amounts to be immaterial to the financial statements.

Interfund Transactions

During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services and construct assets. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Restricted Net Position

Restrictions of net position shown in the government-wide financial statements indicate restrictions that have been imposed by outside sources which preclude a portion of net position from their use for unrestricted purposes.

TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classifications

Fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision-making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the Township's highest level of decision-making authority is the Township Board. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution by the Township Board.

For assigned fund balance, the Township has not adopted a policy indicating who is to assign amounts to a specific purpose. As a result, this authority is retained by the Township Board.

The Township has not formally adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy, the Township considers restricted amounts to have been spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Also, for the classification of fund balances, the Township considers committed, then assigned, and finally unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS

As of March 31, 2021, the Township had deposits subject to the following risk:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2021, \$2,877,242 of the Township's bank balance of \$3,476,010 was exposed to custodial credit risk because it was uninsured and uncollateralized. The balance of \$3,479,706 is reported on the financial statements as of March 31, 2021. The financial statements report \$850 of imprest cash on hand.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issue or backer, by; limiting investments to the types of securities allowed by law; and investing through pre-approved third-party custodians.

Interest Rate Risk

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics.

Concentration of Credit Risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio by security type to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Foreign Currency Risk

The Township is not authorized to invest in investments which have this type of risk.

Investments in Entities that Calculate Net Asset Value Per Share

The Township holds shares or interest in the MERS total market fund 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. MERS invests assets in a manner which will seek the highest investment return consistent with the preservation of principal and meet the daily liquidity needs of participants.

TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS (continued)

Investments in Entities that Calculate Net Asset Value per Share (continued)

At the year ended March 31, 2021, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
PRIMARY GOVERNMENT				
MERS Total Market Portfolio	\$ 347,636	\$ -	No restrictions	None

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1. The following summarizes the categorization of these amounts as of March 31, 2021:

	Primary Government	Fiduciary Funds	Reporting Entity
Cash and cash equivalents	\$ 3,234,034	\$ 246,522	\$ 3,480,556
Investments - current	-	347,636	347,636
	<u>\$ 3,234,034</u>	<u>\$ 594,158</u>	<u>\$ 3,828,192</u>

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of the uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at March 31, 2021, are as follows:

Due to General Fund from:	
Fire Fund	\$ 5,000
Adance Life Support Fund	5,000
Sewer System Fund	525,357
Water System Fund	794,699
Nonmajor governmental funds	18,823
	<u>\$ 1,348,879</u>

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES (continued)

Due to Fire Fund from:	
Advanced Life Support	\$ 15,000
Nonmajor governmental funds	<u>35,258</u>
	<u><u>\$ 50,258</u></u>
Due to nonmajor governmental funds from:	
General Fund	\$ 124,451
Fire Fund	18,116
Sewer System Fund	<u>310,000</u>
	<u><u>\$ 452,567</u></u>
Due to Sewer System Fund from:	
Water System Fund	<u><u>\$ 47,511</u></u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not yet cleared as of the balance sheet date.

NOTE 4 - ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable between funds of the primary government at March 31, 2021:

Advances from General Fund to:	
Sewer System Fund	<u><u>\$ 77,869</u></u>

Advances from the General Fund to the Sewer System Fund were to cover debt payments related to the 2007 Special Assessment Bonds.

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2021, was as follows:

Governmental Activities

	Balance Apr. 1, 2020	Additions	Deletions	Balance Mar. 31, 2021
Capital assets not being depreciated				
Land	\$ 636,770	\$ -	\$ -	\$ 636,770
Capital assets being depreciated				
Buildings and improvements	3,789,633	-	-	3,789,633
Machinery and equipment	1,324,885	-	(6,401)	1,318,484
Vehicles	2,916,877	-	-	2,916,877
Subtotal	8,031,395	-	(6,401)	8,024,994
Less accumulated depreciation for:				
Buildings and improvements	(2,720,026)	(55,488)	-	(2,775,514)
Machinery and equipment	(984,344)	(68,880)	6,401	(1,046,823)
Vehicles	(2,053,527)	(109,168)	-	(2,162,695)
Subtotal	(5,757,897)	(233,536)	6,401	(5,985,032)
Net capital assets being depreciated	2,273,498	(233,536)	-	2,039,962
Capital assets, net	<u>\$ 2,910,268</u>	<u>\$ (233,536)</u>	<u>\$ -</u>	<u>\$ 2,676,732</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 47,637
Public safety	96,857
Public works	3,464
Health and welfare	85,578
	<u>\$ 233,536</u>

TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS (continued)

Business-type Activities

	Balance Apr. 1, 2020	Additions	Deletions	Balance Mar. 31, 2021
Capital assets not being depreciated				
Construction in progress - water system	\$ 11,760	\$ -	\$ -	\$ 11,760
Capital assets being depreciated				
Sewer system	8,763,619	-	-	8,763,619
Water system	923,491	-	-	923,491
Subtotal	9,687,110	-	-	9,687,110
Less accumulated depreciation for:				
Sewer system	(3,073,030)	(146,062)	-	(3,219,092)
Water system	(115,436)	(15,392)	-	(130,828)
Subtotal	(3,188,466)	(161,454)	-	(3,349,920)
Net capital assets being depreciated	6,498,644	(161,454)	-	6,337,190
Capital assets, net	\$ 6,510,404	\$ (161,454)	\$ -	\$ 6,348,950

Depreciation expense was charged to the following business-type activities:

Sewer system	\$ 146,062
Water system	15,392
	<u>\$ 161,454</u>

TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations (including current portion) of the Township for the year ended March 31, 2021:

	Balance Apr. 1, 2020	Additions	Deletions	Balance Mar. 31, 2021	Amounts Due Within One Year
Governmental Activities					
Notes from direct borrowings and direct placements					
2014 State Infrastructure Bank Loan	\$ 233,363	\$ -	\$ (29,872)	\$ 203,491	\$ 31,369
2017 State Infrastructure Bank Loan	327,700	-	(37,551)	290,149	38,449
Capital lease	399,063	-	(44,570)	354,493	45,993
Compensated absences	208,618	194,552	(143,988)	259,182	178,887
Total governmental activities	1,168,744	194,552	(255,981)	1,107,315	294,698
Business-type Activities					
General Obligation Bonds					
2007 Special Assessment Bonds	90,000	-	(40,000)	50,000	50,000
2010 Special Assessment Bonds	350,000	-	(35,000)	315,000	35,000
Discount	(8,800)	-	800	(8,000)	(800)
2012 Refunding Bonds	2,460,000	-	(155,000)	2,305,000	150,000
Premium	31,971	-	(2,284)	29,687	2,284
Notes from direct borrowings and direct placements					
2015 State Clean Water Revolving Fund Loan	279,999	-	(15,000)	264,999	15,000
	3,203,170	-	(246,484)	2,956,686	251,484
TOTAL	\$ 4,371,914	\$ 194,552	\$ (502,465)	\$ 4,064,001	\$ 546,182

Significant details regarding outstanding long-term obligations (including current portion) are presented below:

Governmental Activities

Governmental Activities Obligations

\$472,500 2014 State Infrastructure Bank (SIB) Loan, dated June 23, 2014, due in annual payments of \$37,456 through July 1, 2026, including interest of 3.00%, payable annually. \$ 203,491

\$400,000 2017 State Infrastructure Bank (SIB) Loan, dated November 9, 2017, due in annual payments of \$45,704 through November 9, 2027, including interest of 2.50%, payable annually. 290,149

\$ 493,640

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Governmental Activities (continued)

Capital Lease

\$484,108 Lease purchase agreement dated November 1, 2017, consisted of an obligation for a fire truck tanker. Annual payments of \$57,314 are due through November 1, 2027, including interest of 3.19%. The cost of the tanker under the lease purchase agreement amounted to \$484,108. The lease purchase agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum payments as of the date of inception.

\$ 354,493

Compensated Absences

In accordance with the Township personnel policies and/or 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 respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$259,182 for vacation and sick at March 31, 2021. The amounts of \$178,887 and \$80,295 have been reported as current and noncurrent liabilities, respectively. These liabilities are expected to be liquidated by the General, Fire, and Advance Life Support funds, as applicable.

Business-Type Activities

Business-Type Activities Obligations

\$3,185,000 2012 Refunding Bonds, dated November 30, 2012, due in annual installments ranging from \$150,000 to \$195,000 through October 1, 2033, with interest ranging from 2.25% to 3.00%, payable semi-annually.

\$ 2,305,000

Special Assessment Bonds

\$520,000 2007 Special Assessment Bonds, dated August 1, 2007, due in an installment of \$50,000 on April 1, 2022, with interest of 4.50%, payable semi-annually.

\$ 50,000

\$640,000 2010 Special Assessment Bonds, dated November 3, 2010, due in annual installments of \$35,000 through April 1, 2030, with interest of 5.20%, payable semi-annually.

315,000

\$ 365,000

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Business-type Activities (continued)

Revolving Fund Loan

\$340,000 State Clean Water Revolving Fund Loan, dated September 17, 2015, due in annual installments ranging from \$15,000 to \$20,000 through April 1, 2036, with interest of 2.50%, payable semi-annually.

\$ 264,999

The annual requirements to pay the debt principal and interest outstanding for the bonds, loans, and capital lease are as follows:

Year Ending March 31,	General Obligation Bonds			
	Refunding Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 150,000	\$ 65,413	\$ 85,000	\$ 17,720
2023	175,000	62,038	35,000	13,650
2024	170,000	57,663	35,000	11,830
2025	170,000	52,988	35,000	10,010
2026	165,000	48,313	35,000	8,190
2027-2031	905,000	165,275	140,000	14,560
2032-2035	570,000	33,900	-	-
	<u>\$ 2,305,000</u>	<u>\$ 485,590</u>	<u>\$ 365,000</u>	<u>\$ 75,960</u>

Year Ending March 31,	Notes from Direct Borrowings and Direct Placements					
	General Obligation Loans		Capital Lease		Revolving Fund Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 69,818	\$ 13,342	\$ 45,993	\$ 11,320	\$ 15,000	\$ 6,437
2023	71,720	11,440	47,462	9,851	15,000	6,062
2024	73,674	9,486	48,978	8,336	15,000	5,687
2025	75,683	7,477	50,542	6,772	15,000	5,312
2026	77,746	5,414	52,156	5,158	15,000	4,937
2027-2031	124,999	4,409	109,362	5,266	90,000	18,499
2032-2036	-	-	-	-	99,999	6,250
	<u>\$ 493,640</u>	<u>\$ 51,568</u>	<u>\$ 354,493</u>	<u>\$ 46,703</u>	<u>\$ 264,999</u>	<u>\$ 53,184</u>

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Advanced Refunding - Prior

On November 30, 2012, the Township defeased a portion of the 2004 General Obligation Capital Improvement Bonds, which are due and payable October 1, 2015 through October 1, 2033. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The Township issued 2012 Refunding Bonds in the amount of \$3,185,000. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the Township's financial statements. On March 31, 2021, bonds due and payable October 1, 2021 through October 1, 2033, for the 2004 General Obligation Capital Improvement Bonds in the amount of \$2,200,000 are considered defeased.

NOTE 7 - RISK MANAGEMENT

The Township participates in the Michigan Township Participating Plan for auto, property, general, wrongful acts, electronic data processing (EDP), crime, inland marine, law enforcement, employee benefits, public officials, and boiler and machinery. Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Township carries commercial insurance for the risk of loss due to workers' compensation claims. Settled claims relating to commercial insurance do not exceed the amount of insurance coverage in any of the past three fiscal years.

NOTE 8 - DEFINED CONTRIBUTION RETIREMENT PLAN

The Township of Bruce Group Pension Plan is a defined contribution retirement plan administered by the OneAmerica Financial Services and available to all of the Township's full-time employees and part-time firefighters. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township's board, the Township contributes 16% of full-time employees' and 10% or 5% of part-time employees' base earnings depending on job position. In accordance with these requirements, the Township contributed \$287,118 during the current year.

The plan does not issue separate stand-alone financial statements.

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Bruce Township Other Post-Employment Benefits (OPEB) Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Township. The Plan was established and is being funded under the authority of the Township. The Plan can be amended at the discretion of the Township. The Plan does not issue separate stand-alone financial statements.

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Benefits

Benefits Eligibility

Elected Officials	Serving one elected term
IAFF members	Age 50 with at least 70 points
TPOAM	Age 50 with at least 70 points

Benefits Provided

Hired prior to July 1, 2017

Elected Officials	Payment of Life Insurance premiums for life.
IAFF members	Payment of Medical, Dental, Vision, for the retiree and spouse for life. In addition, payment of Life Insurance premiums for life of the retiree.

Hired on or after July 1, 2017

Elected Officials	Payment of Life Insurance premiums for life.
IAFF members	Payment of Medical, Dental, and Vision, Insurance premiums for the retiree and spouse until the retiree reaches Medicare eligibility. Supplemental insurance coverage is provided once retiree reaches Medicare eligibility. In addition, payment of Life Insurance Premiums for the life of the retiree.

Hired on or before April 1, 2020

TPOAM	Payment of Medical, Dental, and Vision, premiums for the retiree and spouse for life. In additions, payment of Life Insurance premiums for life of the retiree.
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Hired after April 1, 2020

TPOAM	Neither member nor spouse are eligible for retiree Medical, Dental, and Vision premiums.
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Summary of Plan Participants

At the March 31, 2021 valuation date, the following employees were covered by the benefit terms:

Retired members	16
Active employees covered by the plan	<u>23</u>
	<u><u>39</u></u>

Contributions

The Township has no obligations to make contributions in advance of when the premiums are due for payments (i.e., may be financed on a “pay-as-you-go” basis) except for the normal cost of employees first hired after June 30, 2018, in accordance with Public Act 202 of 2017. The Township is currently only paying premiums of retirees from current, available financial resources. For the year ended March 31, 2021, the Township contributed \$329,844 in addition to its portion of premium payments.

Net OPEB Liability

The net OPEB liability of the Township was measured as of March 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined through an actuarial valuation as of that date.

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Actuarial Assumption

The total OPEB liability in the March 31, 2021 valuation was determined using the following assumptions applied to all periods included in the measurement:

Salary increases	2.50% (for purpose of allocating liability)
Investment rate of return	7.35% (including inflation)
20-year Aa municipal bond rate	1.74% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	2010 Public General Employees and Healthy Retirees, Headcount weighted with MP-2020 improvement scale.

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of retirement 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 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
Global Equity	60.00%	5.25%
Global Fixed Income	20.00%	1.25%
Private assets	20.00%	7.25%

The sum of each target allocation times its long-term expected rate, plus inflation, is 7.35%.

Changes in Assumptions

The actuarial assumptions were changed during the year as follows:

- Mortality improvement scale updated from MP-2019 to MP-2020.
- Trend rates updated to that prescribed under PA 202 for 2021.
- Salary scale updated from 3.5% to 2.5%.
- Discount rate updated from 2.94% to 7.35%.

**TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 7.35%. The projection of cash flows used to determine the discount rate assumed that the Township will contribute \$70,000 per year into the OPEB Trust as well as continue to pay benefits from general operating funds until the plan is expected to be fully funded. Based on this assumption, the retirement plan's fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members. There is no cross-over point or depletion date. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. A single equivalent discount rate is equal to the Long-Term Expected Rate of Return, plus inflation. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability.

Change in Total OPEB Liability

The change in the total OPEB liability for the year ended March 31, 2021, is as follows:

Calculating the Net OPEB Liability			
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at March 31, 2020	\$ 9,262,813	\$ -	\$ 9,262,813
Changes for the year			
Service cost	370,357	-	370,357
Interest on total OPEB liability	280,340	-	280,340
Difference between expected and actual experience	(649,383)	-	(649,383)
Changes in benefits	113,662	-	113,662
Changes in assumptions	(4,506,411)	-	(4,506,411)
Contributions to OPEB Trust	-	329,844	(329,844)
Contributions/benefit paid from general operating	-	195,650	(195,650)
Net investment income	-	17,967	(17,967)
Benefit payments	(195,650)	(195,650)	-
Administrative expense	-	(175)	175
Net changes	(4,587,085)	347,636	(4,934,721)
Balances as of March 31, 2021	\$ 4,675,728	\$ 347,636	\$ 4,328,092

Summary of Significant Accounting Policies

For purposes of measuring the total other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the Township's fiduciary net position have been determined on the same basis as they are reported for the Township. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments, if there were any, would be reported at fair value.

TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (continued)

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

For the year ended March 31, 2021, the Township recognized OPEB expense of (\$296,556). At March 31, 2021, 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
Differences between expected and actual experience	\$ -	\$ 506,278
Changes in assumptions	273,328	3,465,669
Net difference between projected and actual earnings on pension plan investments	-	9,530
	<u>\$ 273,328</u>	<u>\$ 3,981,477</u>

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

Year Ending March 31,	OPEB Expense
2022	\$ (1,055,034)
2023	(1,064,700)
2024	(1,193,097)
2025	(395,318)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using a discount rate and health care cost trend rate that is 1-percentage-point lower (6.35%) or 1-percentage-point higher (8.35%) than the current discount rate:

	1% Decrease	Current Rate	1% Increase
Net OPEB liability	<u>\$ 4,970,621</u>	<u>\$ 4,328,092</u>	<u>\$ 3,805,972</u>

TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using healthcare cost trends rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 3,771,715</u>	<u>\$ 4,328,092</u>	<u>\$ 5,020,669</u>

NOTE 10 - FUND EQUITY DEFICITS

The Special Assessment District Fund had a deficit balance at March 31, 2021, of \$35,964. The Special Assessment District Fund deficit fund balance was a planned deficit as eligible expenditures were incurred in advance of special assessment revenues. The Township plans to eliminate this deficit through future special assessment collections.

The Sewer System Fund had a deficit unrestricted net position at March 31, 2021, of \$390,185. The Township plans to eliminate this deficit through future charges for services.

The Water System Fund had a deficit unrestricted net position at March 31, 2021, of \$576,998. The Township plans to eliminate this deficit through future charges for services.

NOTE 11 - DETAILS OF FUND BALANCE CLASSIFICATIONS

The fund balance constraints as of March 31, 2021, are as follows:

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Advance Life Support Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund Balances					
Nonspendable					
Prepays	\$ 6,484	\$ 12,056	\$ 5,841	\$ -	\$ 24,381
Advances	77,869	-	-	-	77,869
Long-term receivables	33,000	-	-	-	33,000
Restricted					
Public safety	-	1,117,334	-	-	1,117,334
Health and welfare	-	-	1,333,539	-	1,333,539
Capital projects	-	-	-	187,787	187,787
Assigned					
Cable expenditures	109,581	-	-	-	109,581
Capital projects	-	-	-	402,653	402,653
Unassigned	1,260,810	-	-	(35,964)	1,224,846
	<u>\$ 1,487,744</u>	<u>\$ 1,129,390</u>	<u>\$ 1,339,380</u>	<u>\$ 554,476</u>	<u>\$ 4,510,990</u>

TOWNSHIP OF BRUCE
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 84, *Fiduciary Activities*, establishes specific criteria for identifying activities that should be reported as fiduciary activities. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The Township has two funds that meet the criteria, general custodial fund and current tax collection fund.

NOTE 13 - UNCERTAINTIES

The extent of the impact of COVID-19 on the Township's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on services, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition and results of operations is uncertain.

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement will increase the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a 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 note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

NOTE 15 - SUBSEQUENT EVENTS

The American Rescue Plan (ARP) Act was signed into law on March 11, 2021, and it guaranteed financial relief to local municipalities. The Township is estimated to receive approximately \$791,818 in ARP funding as a non entitlement unit. Funding will be released by the U.S. Department of Treasury, and subsequently by the Michigan Department of Treasury, in two tranches. Half of the funding the Township may apply to receive became available in July 2021 and the second half of the funding will be released under the second tranche one year after the disbursement of the first tranche. The Township will have until 2024 to obligate the federal funds received and until 2026 to spend the funds on allowable expenditures.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWNSHIP OF BRUCE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
YEAR ENDED MARCH 31, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 514,460	\$ 521,160	\$ 526,081	\$ 4,921
Licenses and permits	147,000	192,400	193,108	708
Intergovernmental				
State shared revenue	618,000	618,000	619,151	1,151
Local community stabilization	44,000	44,000	95,779	51,779
Metro act	6,600	7,300	7,368	68
Charges for services	38,900	123,750	125,051	1,301
Interest	3,000	3,700	980	(2,720)
Other	200	10,900	11,000	100
TOTAL REVENUES	1,372,160	1,521,210	1,578,518	57,308
EXPENDITURES				
Current				
General government				
Township board	30,843	33,143	33,965	(822)
Supervisor	56,407	56,407	56,407	-
Elections	17,350	28,250	27,272	978
Assessor	134,270	134,270	105,262	29,008
Legal fees	12,000	20,250	19,883	367
Clerk	109,407	109,807	109,747	60
General office	57,500	58,500	56,494	2,006
Accounting and audit	64,973	75,373	72,644	2,729
Board of Review	1,400	2,500	2,319	181
Tax roll preparation	5,900	6,256	6,255	1
Treasurer	82,282	85,282	84,800	482
Building and grounds	51,415	51,415	45,847	5,568
Total general government	623,747	661,453	620,895	40,558
Public safety				
Inspections	169,650	204,150	203,831	319
Ordinance enforcement	6,900	6,900	6,761	139
Total public safety	176,550	211,050	210,592	458
Public works				
Street lighting	13,500	21,500	20,397	1,103
Engineering	1,500	1,500	-	1,500
Road chloride and paving	25,600	25,600	4,610	20,990
Cemeteries	20,000	20,000	16,707	3,293
Total public works	60,600	68,600	41,714	26,886

**TOWNSHIP OF BRUCE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) (continued)
YEAR ENDED MARCH 31, 2021**

	Budgeted Amounts			Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES (continued)				
Current (continued)				
Community and economic development				
Zoning board of appeals	\$ 2,300	\$ 2,300	\$ 505	\$ 1,795
Zoning	10,000	10,000	-	10,000
Planning	25,700	38,300	39,119	(819)
Total community and economic development	38,000	50,600	39,624	10,976
Other				
Insurance and other	242,156	400,856	400,503	353
Pension plan	77,900	90,350	86,414	3,936
Employer payroll taxes	42,000	45,700	45,252	448
Total other	362,056	536,906	532,169	4,737
Capital outlay	22,070	53,464	-	53,464
Debt service	101,837	101,837	83,160	18,677
TOTAL EXPENDITURES	1,384,860	1,683,910	1,528,154	155,756
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(12,700)	(162,700)	50,364	213,064
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	170,000	-	(170,000)
Transfers out	(7,300)	(7,300)	-	7,300
TOTAL OTHER FINANCING SOURCES (USES)	12,700	162,700	-	(162,700)
NET CHANGE IN FUND BALANCE (prior to adjustments for GASB Statement No. 54)	\$ -	\$ -	50,364	\$ 50,364
Net adjustments for GASB Statement No. 54			5,545	
Net change in fund balance, end of year			\$ 55,909	

**TOWNSHIP OF BRUCE
FIRE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED MARCH 31, 2021**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 845,000	\$ 866,850	\$ 871,299	\$ 4,449
Intergovernmental	-	47,500	47,643	143
Charges for services	152,000	131,050	116,022	(15,028)
Interest	7,300	7,300	2,275	(5,025)
Other	11,000	11,250	2,380	(8,870)
TOTAL REVENUES	<u>1,015,300</u>	<u>1,063,950</u>	<u>1,039,619</u>	<u>(24,331)</u>
EXPENDITURES				
Current				
Public safety	926,458	1,077,974	1,073,803	4,171
Capital outlay	31,529	227	-	227
Debt service	57,314	57,313	57,313	-
TOTAL EXPENDITURES	<u>1,015,301</u>	<u>1,135,514</u>	<u>1,131,116</u>	<u>4,398</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1)	(71,564)	(91,497)	(19,933)
OTHER FINANCING SOURCES				
Transfers in	-	71,564	-	(71,564)
NET CHANGE IN FUND BALANCE	(1)	-	(91,497)	(91,497)
Fund balance, beginning of year	<u>1,220,887</u>	<u>1,220,887</u>	<u>1,220,887</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,220,886</u>	<u>\$ 1,149,323</u>	<u>\$ 1,129,390</u>	<u>\$ (19,933)</u>

**TOWNSHIP OF BRUCE
ADVANCED LIFE SUPPORT FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED MARCH 31, 2021**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 1,240,500	\$ 1,276,500	\$ 1,276,642	\$ 142
Charges for services	1,045,000	879,000	897,504	18,504
Interest	5,500	5,500	513	(4,987)
Other	1,000	17,400	17,940	540
TOTAL REVENUES	<u>2,292,000</u>	<u>2,178,400</u>	<u>2,192,599</u>	<u>14,199</u>
EXPENDITURES				
Current				
Health and welfare	2,151,650	2,235,570	2,143,466	92,104
Capital outlay	<u>140,350</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>2,292,000</u>	<u>2,235,570</u>	<u>2,143,466</u>	<u>92,104</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(57,170)	49,133	106,303
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>57,170</u>	<u>-</u>	<u>(57,170)</u>
NET CHANGE IN FUND BALANCE	-	-	49,133	49,133
Fund balance, beginning of year	<u>1,290,247</u>	<u>1,290,247</u>	<u>1,290,247</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,290,247</u>	<u>\$ 1,290,247</u>	<u>\$ 1,339,380</u>	<u>\$ 49,133</u>

TOWNSHIP OF BRUCE
SCHEDULE OF CHANGES IN EMPLOYER'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST THREE MEASUREMENT DATES (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 3/31 OF EACH YEAR)

	2021	2020	2019
Total OPEB Liability			
Service cost	\$ 370,357	\$ 326,146	\$ 315,758
Interest	280,340	280,490	266,167
Changes in actuarial assumptions	(4,506,411)	556,570	-
Difference between actual and expected experience	(649,383)	(13,984)	-
Changes in benefit terms	113,662	-	-
Benefit payments, including employee refunds	<u>(195,650)</u>	<u>(171,577)</u>	<u>(142,420)</u>
Net Change in Total OPEB Liability	(4,587,085)	977,645	439,505
Total OPEB Liability, beginning	<u>9,262,813</u>	<u>8,285,168</u>	<u>7,845,663</u>
Total OPEB Liability, ending	<u><u>\$ 4,675,728</u></u>	<u><u>\$ 9,262,813</u></u>	<u><u>\$ 8,285,168</u></u>
Plan Fiduciary Net Position			
Contributions/benefit payments from general operating	\$ 525,494	\$ 171,577	\$ 142,420
Net Investment income	17,967	-	-
Benefit payments including employee refunds	(195,650)	(171,577)	(142,420)
Administrative expense	<u>(175)</u>	<u>-</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	347,636	-	-
Plan Fiduciary Net Position, beginning	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position, ending	<u><u>\$ 347,636</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Township's Net OPEB Liability	<u><u>\$ 4,328,092</u></u>	<u><u>\$ 9,262,813</u></u>	<u><u>\$ 8,285,168</u></u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	7%	0%	0%
Covered employee payroll	\$ 1,703,948	\$ 1,548,096	\$ 1,304,888
Township's Net OPEB Liability as a percentage of covered employee payroll	254%	598%	635%

**TOWNSHIP OF BRUCE
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST THREE FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 3/31 OF EACH YEAR)**

	2021	2020	2019
Actuarially determined employer contribution	\$ 1,458,949	\$ 1,755,935	\$ 588,392
Employer contribution (benefit payment)	525,494	171,577	142,420
Contribution deficiency/(excess)	<u>\$ 933,455</u>	<u>\$ 1,584,358</u>	<u>\$ 445,972</u>
Covered employee payroll	\$ 1,703,948	\$ 1,548,096	\$ 1,304,888
Contribution as a percentage of payroll	31%	11%	11%

Actuarial valuation information relative to the determination of contributions:

Valuation date March 31, 2021

Measurement date March 31, 2021

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of pay
Remaining amortization period	9 years
Investment rate of return	7.35% (including inflation)
20-year Aa Municipal Bond Rate	1.74%, (S&P Municipal Bond 20-Year High Grade Rate Index)
Salary increases	2.50% (for purpose of allocating liability)
Inflation rate	2.50%
Healthcare cost trend rates	Pre-Medicare 7.5% graded down to 4.5% by 0.25% per year Post-Medicare, 5.75% graded down to 4.5% by 0.25% per year
Mortality	2010 Public General Employees and Healthy Retirees, Headcount weighted with MP-2020 improvement scale.

TOWNSHIP OF BRUCE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED MARCH 31, 2021

NOTE 1 - BUDGET/GAAP RECONCILIATION

The Township budgets the activities of the Cable Franchise Fund separately from the General Fund. For financial reporting purposes and the GAAP-basis basic financial statements, however, the activity of the Cable Franchise Fund is combined with the General Fund as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The budgetary perspective difference shown on the General Fund Budgetary Comparison Schedule (Non-GAAP basis) reconciles the change in fund balance to the GAAP basis basic financial statements and the details related to these amounts are as follows:

Net change in fund balance (budgetary basis)	\$ 50,364
To adjust charges for services pertaining to Cable Franchise Fund	110,911
To adjust public works expenditures pertaining to Cable Franchise Fund	<u>(105,366)</u>
Net change in fund balance (GAAP basis)	<u><u>\$ 55,909</u></u>

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The Township's budgeted expenditures in the General and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds.

During the year ended March 31, 2021, the Township incurred expenditures in various General Fund activities more than the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Current			
General government			
Township board	\$ 33,143	\$ 33,965	\$ 822
Community and economic development			
Planning	38,300	39,119	819

**TOWNSHIP OF BRUCE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED MARCH 31, 2021**

NOTE 3 - OTHER POST-EMPLOYMENT BENEFITS PLAN

Changes of benefit terms: TPOAM: For those members hired after April 1, 2020, members/spouses are not eligible for retiree medical, dental and vision coverage. Last year, and under the previous contract, members hired on or before April 1, 2020 became eligible at the earlier of age 60 with 15 years of service, or age 55 and 20 years of service, or age 50 with 25 years of service. However, under the new contract, TPOAM members hired on or before April 1, 2020 become eligible for payment of Medical, Dental, and Vision premiums for the retiree and spouse for life once the member attains Age 50 with at least 70 points.

Changes in assumptions: Mortality improvement scale updated from MP-2019 to MP-2020
Trend rates updated to that prescribed under PA 202 for 2021
Salary scale updated from 3.5% to 2.5%
Discount rate updated from 2.94% to 7.35%

OTHER SUPPLEMENTARY INFORMATION

**TOWNSHIP OF BRUCE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2021**

	Capital Projects Funds		
	Improvement Revolving	Special Assessment District	Total
ASSETS			
Cash and cash equivalents	\$ 155,990	\$ -	\$ 155,990
Special assessments receivable	-	54,072	54,072
Due from other funds	434,451	18,116	452,567
TOTAL ASSETS	\$ 590,441	\$ 72,188	\$ 662,629
LIABILITIES			
Due to other funds	\$ 1	\$ 54,080	\$ 54,081
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	54,072	54,072
FUND BALANCES (DEFICITS)			
Restricted	187,787	-	187,787
Assigned	402,653	-	402,653
Unassigned	-	(35,964)	(35,964)
TOTAL FUND BALANCES (DEFICITS)	590,440	(35,964)	554,476
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	\$ 590,441	\$ 72,188	\$ 662,629

**TOWNSHIP OF BRUCE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2021**

	<u>Capital Projects Funds</u>		
	<u>Improvement Revolving</u>	<u>Special Assessment District</u>	<u>Total</u>
REVENUES			
Special assessments	\$ -	\$ 18,223	\$ 18,223
Interest	-	3,586	3,586
TOTAL REVENUES	-	21,809	21,809
EXPENDITURES			
Current			
Public works	6,751	-	6,751
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,751)	21,809	15,058
Fund balances (deficits), beginning of year	597,191	(57,773)	539,418
Fund balances (deficits), end of year	<u>\$ 590,440</u>	<u>\$ (35,964)</u>	<u>\$ 554,476</u>

**TOWNSHIP OF BRUCE
CUSTODIAL FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
MARCH 31, 2021**

	<u>General Custodial</u>	<u>Current Tax Collection</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 147,120	\$ 99,402	\$ 246,522
Due from others	<u>450</u>	<u>181,624</u>	<u>182,074</u>
TOTAL ASSETS	<u>147,570</u>	<u>281,026</u>	<u>428,596</u>
LIABILITIES			
Due to others	39,093	-	39,093
Due to other governmental units	<u>-</u>	<u>281,026</u>	<u>281,026</u>
TOTAL LIABILTIIES	<u>39,093</u>	<u>281,026</u>	<u>320,119</u>
NET POSITION			
Restricted for individuals, organizations, and other governmental units	<u>\$ 108,477</u>	<u>\$ -</u>	<u>\$ 108,477</u>

**TOWNSHIP OF BRUCE
CUSTODIAL FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED MARCH 31, 2021**

	<u>General Custodial</u>	<u>Current Tax Collection</u>	<u>Total</u>
ADDITIONS			
Property tax collections for other governmental units	\$ -	\$ 16,576,676	\$ 16,576,676
Collections for others	<u>4,040,503</u>	<u>-</u>	<u>4,040,503</u>
TOTAL ADDITIONS	<u>4,040,503</u>	<u>16,576,676</u>	<u>20,617,179</u>
DEDUCTIONS			
Property tax distributions to other governmental units	-	16,576,676	16,576,676
Distributions to others	<u>3,932,026</u>	<u>-</u>	<u>3,932,026</u>
TOTAL DEDUCTIONS	<u>3,932,026</u>	<u>16,576,676</u>	<u>20,508,702</u>
NET INCREASE IN FIDUCIARY NET POSITION	108,477	-	108,477
Net position, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Net position, end of year	<u><u>\$ 108,477</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 108,477</u></u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bruce (the Township), Michigan, as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated August 18, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*.

2021-001 FUND EQUITY DEFICITS

Condition: At the end of the fiscal year, the Special Assessment District Fund report a fund balance deficit and the Sewer System and Water System Funds reported deficit unrestricted net position.

Criteria: Michigan Public Act 275 of 1980 provides that the Township shall not have deficits in one or more of the Township's unrestricted fund balances/unrestricted net position. Michigan Public Act 140 of 1971 provides that a Township ending its fiscal year with funds in a deficit condition shall formulate a deficit elimination plan. The Township submitted an original deficit elimination plan for the Special Assessment District Fund to the Michigan Department of Treasury subsequent to the end of the 2013 fiscal year. The Township is required to update the plan on an annual basis until the deficit is eliminated.

Cause: The Special Assessment District Fund was a planned deficit caused by the outlay of expenditures prior to the collection of the special assessments. In the Sewer System Fund and the Water System Fund, the Township has not raised rates significantly enough to ensure the operating revenue in the Sewer System Fund and the Water System Fund are sufficient to cover all expenses (including depreciation).

Effect: The Township is not in compliance with Public Act 275 of 1980. As a result, the Township will be required to continue to prepare and submit a Deficit Elimination Plan to the State of Michigan.

Recommendation: We recommend that the Township update the Special Assessment District Fund deficit elimination plan. We also recommend the Township utilize budgetary controls to limit expenditures and/or transfer funds as needed to alleviate deficits. We also recommend the Township complete a rate study for the Sewer System Fund and the Water System Fund to determine the proper rate to charge in order to sustain operations and save for future capital improvements.

Corrective Action Response: While the Special Assessment District Fund was a planned deficit, the Township has been working to eliminate the deficits in the Sewer and Water systems through incremental increases to the utility rates and careful, planned expansion of the system.

Township of Bruce's Response to Finding

The Township's response to the finding identified in our audit is described above. The Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maney Costeiran PC

August 18, 2021