

**SOUTHFIELD TOWNSHIP
Oakland County, Michigan**

AUDITED FINANCIAL REPORT

**For the Fiscal Year Ended
March 31, 2021**

SOUTHFIELD TOWNSHIP
For the Year Ended March 31, 2021

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FINANCIAL SECTION

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Independent Auditor's Report

September 2, 2021

To the Board of Trustees
Southfield Township
Oakland County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southfield 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Trustees
Southfield Township, Michigan
September 2, 2021

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 Southfield Township's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully,



PSLZ PLLC
Certified Public Accountants

Management's Discussion and Analysis

As management of Southfield Township, we offer readers of Southfield Township's financial statements this narrative overview and analysis of the financial activities of Southfield Township for the fiscal year ended March 31, 2021. Please read it in conjunction with the Township's financial statements.

Financial Highlights

- The assets of Southfield Township exceeded its liabilities at the close of the most recent fiscal year by \$1,403,804 (*net position*). Of this amount, \$1,253,930 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net position increased by \$95,593 as compared to an increase of \$87,672 in the prior year.
- As of the close of the current fiscal year, Southfield Township's governmental funds reported combined ending fund balances of \$1,294,704, an increase of \$70,153 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Southfield Township's basic financial statements. Southfield Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

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

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

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

Southfield Township maintains 4 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 Fund, which is considered to be a major fund. Data from the other governmental funds are combined into aggregated presentations. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the annual appropriated budget.

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 statement because the resources of those funds are *not* available to support Southfield Township's own programs.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Southfield Township, assets exceeded liabilities by \$1,403,804 at the close of the most recent fiscal year.

A portion of Southfield Township's net position (7 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. Southfield Township used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. An additional portion (4%) of the Township's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$1,253,930) may be used to meet the government's ongoing obligations to citizens and creditors.

Southfield Township's Net Position

	2021	2020
Current and Other Assets	\$ 1,364,248	\$ 1,240,048
Capital Assets	97,139	112,847
Total Assets	<u>1,461,387</u>	<u>1,352,895</u>
Long-term Liabilities	-	29,187
Other Liabilities	26,261	15,497
Total Liabilities	<u>26,261</u>	<u>44,684</u>
Deferred Inflows	<u>31,322</u>	<u>-</u>
Net Position:		
Net Investment in Capital Assets	97,139	112,847
Restricted	52,735	52,558
Unrestricted	1,253,930	1,142,806
Total Net Position	<u>\$ 1,403,804</u>	<u>\$ 1,308,211</u>
	2021	2020
Program Revenues:		
Charges for Services	\$ 58,131	\$ 94,378
Capital Grants and Contributions	-	-
General Revenues:		
Property Taxes	715,540	690,690
State Shared Revenue	2,215	1,679
Unrestricted Investment Earnings	8,126	20,716
Total Revenues	<u>784,012</u>	<u>807,463</u>
Program Expenses:		
General Government	<u>688,419</u>	<u>719,791</u>
Change in Net Position	<u>\$ 95,593</u>	<u>\$ 87,672</u>

Financial Analysis of the Government's Funds

Governmental funds. The focus of Southfield Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Southfield Township's financing requirements. In particular, *unrestricted fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Southfield Township's governmental funds reported combined ending fund balances of \$1,294,704 an increase of \$70,153 in comparison with the prior year. Governmental funds also reflect a \$24,850 increase in property tax revenues and a \$12,590 decrease in investment earnings due to current economic conditions.

The general fund is the chief operating fund of Southfield Township. At the end of the current fiscal year, total fund balance was \$1,185,750, all of which is unrestricted. The fund balance of Southfield Township's general fund increased by \$69,788 during the current fiscal year.

General Fund Budgetary Highlights

There was no change between the total beginning and final budgets in the General Fund revenues for fiscal year 2021.

Property tax revenues increased \$24,850. Taxable values increased 3.5% over the prior year, and the operating millage rate remained unchanged. Also, the Township received \$3,428 of revenues received from the State of Michigan for reimbursement of personal property taxes being phased out under current State law.

Capital assets. Southfield Township's investment in capital assets for its governmental activities as of March 31, 2021, amounts to \$97,139 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The investment in fixed assets decreased by \$15,708 due primarily to capital outlay purchases less annual depreciation expense. Current year capital outlay purchases totaled \$3,951 for office and computer equipment.

Economic Factors and Next Year's Budgets and Rates

Southfield Township has adopted a balanced budget for fiscal year 2022, and the millage rate has remained unchanged. The Township is anticipating a modest increase in property tax revenues.

Requests for Information

This financial report is designed to provide a general overview of Southfield Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Clerk, Southfield Township, 18550 W. Thirteen Mile Road, Southfield Township, Michigan 48025-5262.

BASIC FINANCIAL STATEMENTS

SOUTHFIELD TOWNSHIP
Statement of Net Position
March 31, 2021

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 1,284,180
Taxes Receivable	17,942
Due from Other Governmental Units	18,843
Net Other Postemployment Benefit Asset	43,283
Capital Assets (net of accumulated depreciation)	<u>97,139</u>
Total Assets	<u>1,461,387</u>
 <u>LIABILITIES</u>	
Accounts Payable	8,870
Accrued Liabilities	<u>17,391</u>
Total Liabilities	<u>26,261</u>
 <u>DEFERRED INFLOWS</u>	
Deferred Inflows related to OPEB	<u>31,322</u>
 <u>NET POSITION</u>	
Net Investment in Capital Assets	97,139
Restricted	52,735
Unrestricted	<u>1,253,930</u>
Total Net Position	<u>\$ 1,403,804</u>

SOUTHFIELD TOWNSHIP
Statement of Activities
For the Year Ended March 31, 2021

<u>Functions/Programs</u>	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position <u>Governmental Activities</u>
		Charges for Services	Operating Grants and Contributions		
Primary Government:					
Governmental Activities:					
General Government	\$ 688,419	\$ 58,131	\$ -	\$ -	\$ (630,288)
General Revenues:					
Property Taxes					715,540
State Shared Revenue					2,215
Interest					8,126
Total General Revenues					725,881
					Change in Net Position 95,593
					Net Position - Beginning 1,308,211
					Net Position - Ending \$ 1,403,804

SOUTHFIELD TOWNSHIP
Balance Sheet
Governmental Funds
March 31, 2021

	General	Nonmajor Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,175,226	\$ 108,954	\$ 1,284,180
Receivables (net of allowance for uncollectibles):			
Taxes	17,942	-	17,942
Due from Other Governmental Units	18,843	-	18,843
Total Assets	\$ 1,212,011	\$ 108,954	\$ 1,320,965
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts Payable	\$ 8,870	\$ -	\$ 8,870
Accrued and Other Liabilities	17,391	-	17,391
Total Liabilities	26,261	-	26,261
Fund Balances:			
Restricted for Capital Projects	-	52,735	52,735
Unrestricted:			
Committed for Unemployment Claims	-	56,219	56,219
Assigned for Subsequent Years			
Expenditures	5,000	-	5,000
Unassigned	1,180,750	-	1,180,750
Total Fund Balances	1,185,750	108,954	1,294,704
Total Liabilities and Fund Balances	\$ 1,212,011	\$ 108,954	

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

Capital Assets used in governmental activities are not financial resources and are not reported in the funds.	97,139
Net Other Post Employment Benefit Liability (Asset)	43,283
Deferred Inflows related to OPEB	(31,322)
Net Position of Governmental Activities	\$ 1,403,804

SOUTHFIELD TOWNSHIP
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended March 31, 2021

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
Property Taxes	\$ 715,540	\$ -	\$ 715,540
Licenses and Permits	4,644	-	4,644
Intergovernmental:			
Federal, State and Local	2,215	-	2,215
Charges for Services	43,031	-	43,031
Interest	7,761	365	8,126
Other	10,456	-	10,456
Total Revenues	<u>783,647</u>	<u>365</u>	<u>784,012</u>
<u>Expenditures</u>			
General Government:			
Township Board	12,578	-	12,578
Supervisor	32,460	-	32,460
Elections	46,714	-	46,714
Assessor	107,860	-	107,860
Clerk	188,709	-	188,709
Treasurer	195,346	-	195,346
Township Hall and Grounds	24,679	-	24,679
Animal Control	75,828	-	75,828
Other	24,685	5,000	29,685
Total Expenditures	<u>708,859</u>	<u>5,000</u>	<u>713,859</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>74,788</u>	<u>(4,635)</u>	<u>70,153</u>
Other Financing Sources (Uses):			
Operating Transfers In	-	5,000	5,000
Operating Transfers Out	(5,000)	-	(5,000)
Total Other Financing Sources (Uses)	<u>(5,000)</u>	<u>5,000</u>	<u>-</u>
Change in Fund Balance	69,788	365	70,153
Fund Balances - Beginning	<u>1,115,962</u>	<u>108,589</u>	<u>1,224,551</u>
Fund Balances - Ending	<u>\$ 1,185,750</u>	<u>\$ 108,954</u>	<u>\$ 1,294,704</u>

SOUTHFIELD TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2021

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

Net change in fund balances - total governmental funds	\$	70,153
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital Outlay		3,951
Depreciation Expense		(19,659)
Change in Deferred Inflows related to OPEB		(31,322)
Change in Net Other Postemployment Benefit Asset		<u>72,470</u>
Change in net position of governmental activities	\$	<u><u>95,593</u></u>

SOUTHFIELD TOWNSHIP
Statement of Fiduciary Net Position
March 31, 2021

		<u>Custodial Fund</u>
ASSETS:		
Cash	\$	13,488
LIABILITIES:		
Due to Other		<u>13,488</u>
NET POSITION	\$	<u><u>-</u></u>

SOUTHFIELD TOWNSHIP
Statement of Changes in Fiduciary Net Position
For the Year Ended March 31, 2021

		<u>Custodial Fund</u>
Additions:		
Taxes Collected for Other Governments	\$	41,767,107
Deductions:		
Payments of Taxes to Other Governments		<u>41,767,107</u>
Change in Net Position	\$	<u><u>-</u></u>

SOUTHFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accounting policies of Southfield Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Township is operated under an elected Board of Trustees form of government. Southfield Township does not have any component units that would be required to be reported in its financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

SOUTHFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Governmental Funds

The Township reports the following major governmental fund:

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

In addition, the Township reports on the following fund types:

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes.

Fiduciary Funds

Fiduciary Funds account for assets held by the government in a trustee capacity by the Township or as an agent on behalf of others. Fiduciary funds include the custodial fund types, which includes the Tax Collection Fund.

SOUTHFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

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

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans).

All trade receivables are shown net of allowances for uncollectible accounts, which are recorded as follows:

	<u>Taxes</u>
Taxes Receivable	\$ 17,942
Less Allowance for Doubtful Accounts	-
Net Realizable Value	<u>\$ 17,942</u>

SOUTHFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Position or Equity – Continued

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drains and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	39
Building improvements	10-30
Office Equipment	5-7
Computer Equipment	5

4. Fund Equity

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

Nonspendable – Amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

Committed – Amounts that have been formally set aside by the Board for use for a specific purpose. Commitments are made and can be rescinded only via resolution of the Township Board.

Assigned – Intent to spend resources on specific purposes expressed by the Township Board.

Unassigned – This is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

SOUTHFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Position or Equity – Continued

5. Compensated Absences

Vacation allowances are computed on a calendar year basis, beginning as of the employee's anniversary date. A regular employee who is separated from Township employment shall be entitled to pay for any unused portion of vacation allowance as of the date of separation. Annual vacation must be taken within one year from the date it was earned. There is no liability at year end for unpaid vacation since employees are not allowed to carry it over to the next year. There is no liability for unpaid accumulated sick leave since the Township does not have a policy to pay any amounts when employees separate from service with the Township.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Township is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed operating budget at a public hearing in February for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the General and Special Revenue Funds.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted on a departmental basis through passage of a resolution and in accordance with Public Act 621 of 1978 of the State of Michigan.
4. The Supervisor is authorized to transfer budgeted amounts within departmental appropriation accounts. However, any revisions that alter the total expenditures of any department must be approved by the Township Board.
5. Formal budgetary integration is employed as a management-control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
6. Budget appropriations lapse at year end.
7. Budgeted amounts are reported as originally adopted and as amended by the Township Board.

SOUTHFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2021

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

None of the funds have a deficit fund balance as of March 31, 2021.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

In accordance with Public Act 2, of 1968, as amended, the Township may not expend amounts over the amounts appropriated in the approved annual budget. The Township did not expend amounts over the amounts appropriated in fiscal year 2020-2021.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the Township is permitted to make deposits and invest in federally insured banks, savings and loans and credit unions that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of U.S. banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township Board approves the depositories for its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above. Southfield Township's deposits and investment policies are in accordance with statutory authority.

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

Custodial Credit Risk. In the event of a bank failure, the Township's deposits may not be recovered. Neither State law nor the Township's investment policy requires consideration of custodial credit risk. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each financial institution; only those institutions with an acceptable estimated risk level are used as depositories. As of March 31, 2021, the Township's book balance of its deposits was \$1,297,668. The bank balance was \$1,303,173 all of which was FDIC insured.

SOUTHFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2021

III. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not further limit its investment choices. As of year end, all deposits and investments consist of demand accounts and certificates of deposit, all of which are not rated.

Concentration of Credit Risk. The Township's investment policy places no limit on the amount the Township may invest in any one issuer. The Township does not have more than 5% of its total investments in a single issuer.

B. Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, not depreciated:				
Land	\$ 6,350	\$ -	\$ -	\$ 6,350
Capital Assets, being depreciated:				
Buildings	341,582	-	-	341,582
Improvements other than buildings	23,743	-	-	23,743
Machinery and Equipment	234,648	3,951	625	237,974
	<u>599,973</u>	<u>3,951</u>	<u>625</u>	<u>603,299</u>
Less: Accumulated Depreciation:				
Buildings	(253,098)	(12,397)	-	(265,495)
Improvements other than buildings	(21,434)	(1,232)	-	(22,666)
Machinery and Equipment	(218,944)	(6,030)	625	(224,349)
	<u>(493,476)</u>	<u>(19,659)</u>	<u>625</u>	<u>(512,510)</u>
Governmental Activities Capital Assets, net	<u>\$ 112,847</u>	<u>\$ (15,708)</u>	<u>\$ -</u>	<u>\$ 97,139</u>

Depreciation expense was charged to programs as follows:

General Government \$ 12,652

SOUTHFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2021

III. DETAILED NOTES ON ALL FUNDS – Continued

C. Property Taxes

Property taxes are assessed as of each December 31. The Township tax levy is billed on December 1 of the following year, and payable through February. Taxes are considered delinquent on March 1, at which time the applicable property is subject to lien, and penalty and interest is assessed. The 2020 taxable valuation of the Township totaled \$1,178,693,620 on which taxes levied consisted of .60 mills for operating purposes. This resulted in approximately \$707,216 of property tax revenue for operating purposes, which is recorded in the General Fund.

D. Interfund Transfers

The composition of interfund transfers at March 31, 2021 are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Purchase Fund	General Fund	\$ <u><u>5,000</u></u>

Transfer is an operating transfer to fund upcoming capital projects.

IV. OTHER INFORMATION

A. Risk Management

Southfield Township is a member of the Michigan Municipal League Liability and Property Pool for its general liability coverage. The Township pays annual premiums to the pool. The pool is self-sustaining through member premiums and carries reinsurance through commercial companies for claims in excess of the pool loss reserve fund.

In the event that a single loss should exceed the amount of protection afforded by the pool loss reserve fund, reinsurance, or other insurance carried by the pools, or in the event that a series of losses should deplete or exhaust the loss reserve fund and reinsurance, the payment of valid losses shall be the obligation of the individual member or members of the respective pool against whom the claim was made. No such event has occurred with Southfield Township and the pools to which it belongs in any of the past three fiscal years.

The Township pays unemployment claims on a reimbursement basis and has set money aside to pay these claims in the UIA Distribution Special Revenue Fund.

SOUTHFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2021

IV. OTHER INFORMATION – Continued

B. Defined Contribution Plans

The Township maintains a defined contribution pension plan for all of its full-time employees, all permanent and part-time employees working 1,000 hours or more per year, through John Hancock Life Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan provisions and contribution requirements were established through a resolution by the Board. The Township is required to contribute a fixed percentage (10 percent) of gross wages of the participants to the plan once they have been employed for 90 days. The plan may be amended by Board resolution. The Township's current year contribution was \$21,953.

C. Other Postemployment Benefits

Plan Description

All eligible elected officials and full-time employees hired before January 1, 2000 and who retire and are eligible to obtain Medicare and have the equivalent of 24 years (46,800 hours) of full-time service shall be provided with post employment benefits in the form of healthcare, which will be the secondary coverage to Medicare. Post employment benefits are not provided if the employee is covered by insurance from some other source. The position of Supervisor and Trustee are excluded from coverage. The plan is an agent multiple employer defined benefit plan administered by the Municipal Employees' Retirement System of Michigan Health Funding Vehicle.

Benefits Provided

These benefits include health care premiums and are provided by a third party insurer. The Township pays 100 percent of these costs and there are no provisions for employee contributions. In January 2014, the Township Board adopted a resolution to amend the retiree healthcare benefits to no longer include dental insurance.

Employees Covered by Benefit Terms

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

Inactive plan members or beneficiaries currently receiving benefits	-
Inactive plan members entitled to but not yet receiving benefits	-
Active Plan Members	<u>1</u>
Total	<u>1</u>

SOUTHFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2021

IV. OTHER INFORMATION – Continued

C. Other Postemployment Benefits – Continued

Summary of Significant Accounting Policies

For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB (if applicable), and OPEB expenses, have been determined on the same basis as they are reported for the Township. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of March 31, 2021. The following actuarial assumptions were applied:

Actuarial Cost Method	Entry-age normal
Investment Rate of Return	7.35%
Salary Scale	2.00%
Inflation	2.10%
Retirement Age Eligibility	Full time employees hired before Jan. 1, 2000 with 24 years of service
Mortality	General Public Employer, 2010 annuitant and non-annuitant
Health care trend rates	Pre-65 - 7.5% graded .25% per year to an ultimate rate of 4.5% Medicare eligible - 5.75% in 2021 graded down .25% per year to an ultimate rate of 4.5%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.35% based on the average effective rate consisting of long term return on assets and 20 year Aa Municipal Bond Rate.

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Best estimates of arithmetic real rates of return as of the March 31, 2021 measurement date for each major asset class included in the OPEB plan's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Global Equity	55.5%	6.15%
Global Fixed Income	18.5%	1.26%
Real Assets	13.5%	7.22%
Diversifying strategies	12.5%	5.00%

SOUTHFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2021

IV. OTHER INFORMATION – Continued

C. Other Postemployment Benefits – Continued

Changes in Net OPEB Liability

The components of the change in the net OPEB liability are summarized as follows:

<u>Changes in Net OPEB Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Net Position</u>	<u>Net OPEB Liability(Asset)</u>
Balance at April 1, 2020	\$ 174,855	\$ 145,668	\$ 29,187
Interest Cost	11,754	-	11,754
Difference between Expected and Actual Experience	(40,504)	-	(40,504)
Change of Assumptions	6,050	-	6,050
Net Investment Income (Loss)	-	50,066	(50,066)
Administrative Charges	-	(296)	296
Net Changes	<u>(22,700)</u>	<u>49,770</u>	<u>(72,470)</u>
Balance at March 31, 2021	<u>\$ 152,155</u>	<u>\$ 195,438</u>	<u>\$ (43,283)</u>

Deferred Inflows of Resources Related to Other Post Employment Benefits

At March 31, 2021, the Township reported deferred inflows of resources related to other post-employment benefits (OPEB) from the following sources:

<u>Source</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on OPEB plan investments	\$ <u>31,322</u>

Amounts reported as deferred inflows of resources will be recognized as expense as follows:

<u>Years Ending March 31</u>	<u>Amount</u>
2022	\$ 7,830
2023	7,830
2024	7,830
2025	7,832

SOUTHFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2021

IV. OTHER INFORMATION – Continued

C. Other Postemployment Benefits – Continued

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

The following presents the net OPEB liability of the Township, calculated using the discount rate of 3.16 percent, as well as what the Township's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.35%)	Current Discount Rate (7.35%)	1% Increase (8.35%)
Net OPEB Liability	\$ <u>(31,637)</u>	\$ <u>(43,283)</u>	\$ <u>(53,555)</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

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

	1% Decrease	Trend Rate	1% Increase
Net OPEB Liability	\$ <u>(53,874)</u>	\$ <u>(43,283)</u>	\$ <u>(31,465)</u>

D. Upcoming Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*, which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. This Statement is based on the principle that leases are financings of the right to use an underlying asset. The Township is currently evaluating the impact of this standard on its financial statements. The Statement is effective beginning with the Township's fiscal year ending March 31, 2021. The Statement was effective beginning with the Township's fiscal year ending March 31, 2021, but was extended to March 31, 2022, with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHFIELD TOWNSHIP
Required Supplemental Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
Last Ten Fiscal Years (schedule is built prospectively upon implementation of GASB 75)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB Liability:			
Service Cost	\$ -	\$ -	\$ -
Interest	11,754	11,817	10,427
Difference between Expected and Actual Experience	(40,504)	-	-
Change of Assumptions	6,050	-	-
Net Change in Total OPEB Liability	<u>(22,700)</u>	<u>11,817</u>	<u>10,427</u>
Total OPEB Liability, Beginning of year	<u>174,855</u>	<u>163,038</u>	<u>152,611</u>
Total OPEB Liability, End of year	<u>\$ 152,155</u>	<u>\$ 174,855</u>	<u>\$ 163,038</u>
 Plan Fiduciary Net Position:			
Contributions - Employer	\$ -	\$ -	\$ -
Net Investment Income(Loss)	50,066	(8,893)	1,595
Administrative Charges	(296)	(289)	(2,899)
Net Change in Plan Fiduciary Net Position	<u>49,770</u>	<u>(9,182)</u>	<u>(1,304)</u>
Plan Fiduciary Net Position, Beginning of year	<u>145,668</u>	<u>154,850</u>	<u>156,154</u>
Plan Fiduciary Net Position, End of year	<u>\$ 195,438</u>	<u>\$ 145,668</u>	<u>\$ 154,850</u>
Township's Net OPEB Liability(Asset) - Ending	<u>\$ (43,283)</u>	<u>\$ 29,187</u>	<u>\$ 8,188</u>
Plan Fiduciary Net Position as a Percent of Total OPEB Liability	128.4%	83.3%	95.0%
Covered Employee Payroll	n/a	n/a	n/a
Township's Net OPEB Liability as a Percent of Covered Employee Payroll	n/a	n/a	n/a

SOUTHFIELD TOWNSHIP
Required Supplemental Information
Schedule of Township OPEB Contributions
Last Ten Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 31,376	\$ 11,754	\$ 11,817	\$ 13,183	\$ 20,523	\$ 23,639	\$ 24,094	\$ 23,627	\$ 10,575	\$ 11,614
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ 31,376	\$ 11,754	\$ 11,817	\$ 13,183	\$ 20,523	\$ 23,639	\$ 24,094	\$ 23,627	\$ 10,575	\$ 11,614
Covered Employee Payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Contributions as a Percentage of Covered Employee Payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Actuarial valuation information relative to the determination of contributions:
 Valuation Date: Actuarially determined contribution rates was calculated as of March 31.

- Methods and assumptions used to determine contribution rates:
- Actuarial Cost Method: Entry-age normal (level percentage of compensation)
 - Asset Valuation Method: Market value
 - Discount Rate: 7.35%
 - Inflation Rate: 2.10%
 - Retirement Age: 24 years of service and hired before Jan. 1, 2000
 - Mortality: General Public Employer, 2010 annuitant and non-annuitant
 - Health care trend rates: Pre-65 - 7.5% graded, 25% per year to an ultimate rate of 4.5%

SOUTHFIELD TOWNSHIP
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended March 31, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property Taxes	\$ 681,500	\$ 681,500	\$ 715,540	\$ 34,040
Licenses and Permits	4,500	4,500	4,644	144
State Shared Revenue	1,200	1,200	2,215	1,015
Charges for Services	54,705	54,705	43,031	(11,674)
Interest	10,000	10,000	7,761	(2,239)
Other	12,500	12,500	10,456	(2,044)
Total Revenues	<u>764,405</u>	<u>764,405</u>	<u>783,647</u>	<u>19,242</u>
Expenditures:				
General Government:				
Township Board	15,050	15,050	12,578	2,472
Supervisor	33,450	33,450	32,460	990
Elections	47,700	47,700	46,714	986
Assessor	112,100	112,100	107,860	4,240
Clerk	200,700	200,700	188,709	11,991
Treasurer	196,000	196,000	195,346	654
Township Hall and Grounds	29,400	29,400	24,679	4,721
Animal Control	82,950	82,950	75,828	7,122
Other	42,055	42,055	24,685	17,370
Total Expenditures	<u>759,405</u>	<u>759,405</u>	<u>708,859</u>	<u>50,546</u>
Excess (Deficiency) of Revenues Over Expenditures	5,000	5,000	74,788	69,788
Other Financing Uses:				
Operating Transfer Out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Change in Fund Balance	-	-	69,788	69,788
Fund Balance - April 1	<u>1,115,962</u>	<u>1,115,962</u>	<u>1,115,962</u>	<u>-</u>
Fund Balance - March 31	<u>\$ 1,115,962</u>	<u>\$ 1,115,962</u>	<u>\$ 1,185,750</u>	<u>\$ 69,788</u>

OTHER SUPPLEMENTARY INFORMATION

SOUTHFIELD TOWNSHIP
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2021

	<u>Special Revenue</u>	<u>Capital Projects Funds</u>		
	UIA	Capital	Capital	
	Distribution	Improvement	Purchase	Total
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 56,219	\$ 13,258	\$ 39,477	\$ 108,954
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Balance:				
Committed for UIA Claims	56,219	-	-	56,219
Restricted for Capital Projects	-	13,258	39,477	52,735
Total Fund Balance	<u>56,219</u>	<u>13,258</u>	<u>39,477</u>	<u>108,954</u>
Total Liabilities and Fund Balance	<u>\$ 56,219</u>	<u>\$ 13,258</u>	<u>\$ 39,477</u>	<u>\$ 108,954</u>

SOUTHFIELD TOWNSHIP
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended March 31, 2021

	<u>Special Revenue</u>	<u>Capital Projects Funds</u>		
	<u>UIA</u>	<u>Capital</u>	<u>Capital</u>	
	<u>Distribution</u>	<u>Improvement</u>	<u>Purchase</u>	<u>Total</u>
Revenues:				
Interest	\$ 188	\$ 44	\$ 133	\$ 365
Expenditures:				
Other	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Excess (Deficiency) of Revenues Over Expenditures	188	44	(4,867)	(4,635)
Other Financing Sources:				
Operating Transfer In	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Change in Fund Balance	188	44	133	365
Fund Balance - April 1	<u>56,031</u>	<u>13,214</u>	<u>39,344</u>	<u>108,589</u>
Fund Balance - March 31	<u>\$ 56,219</u>	<u>\$ 13,258</u>	<u>\$ 39,477</u>	<u>\$ 108,954</u>

