

# **Charter Township of Flushing Genesee County, Michigan**

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**Financial Report  
with Supplemental Information  
March 31, 2015**

# Charter Township of Flushing

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## Independent Auditor's Report

To the Board of Trustees  
Charter Township of Flushing

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Flushing as of and for the year ended March 31, 2015 and the related notes to the financial statements, which collectively comprise the Charter Township of Flushing'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 an opinion 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 opinion.

To the Board of Trustees  
Charter Township of Flushing

***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 Charter Township of Flushing as of March 31, 2015 and the respective changes in its financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the major fund budgetary comparison schedules, and the schedule of funding progress for pension and OPEB, 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, which 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 supplemental 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.

*Plante & Morse, PLLC*

July 22, 2015

# **Charter Township of Flushing**

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

Our discussion and analysis of the Charter Township of Flushing's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2015. Please read it in conjunction with the Township's financial statements.

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2015:

- The Township's total net position is \$12.9 million, with unrestricted net position of \$5.3 million.
- During the year, the Township's governmental expenditures were about \$291,000 less than the \$2,352,000 generated in taxes and other revenue for governmental funds.
- General Fund balance increased by \$150,605.

### **Using this Annual Report**

This annual report consists of a series of 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.

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 Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

# Charter Township of Flushing

## Management's Discussion and Analysis (Continued)

### Governmental Activities

The following table shows, in a condensed format, the current year's net position and changes in net position, compared to the prior year:

	Governmental Activities			Percent Change
	2014	2015	Change	
<b>Assets</b>				
Current and other assets	\$ 1,996,469	\$ 2,392,842	\$ 396,373	20%
Capital assets	<u>1,586,553</u>	<u>1,623,958</u>	<u>37,405</u>	2%
Total assets	3,583,022	4,016,800	433,778	12%
<b>Liabilities</b>				
Current liabilities	145,702	101,540	(44,162)	-30%
Long-term liabilities	<u>366,670</u>	<u>451,425</u>	<u>84,755</u>	23%
Total liabilities	<u>512,372</u>	<u>552,965</u>	<u>40,593</u>	8%
<b>Net Position</b>				
Net investment in capital assets	1,578,741	1,618,750	40,009	3%
Restricted	267,613	400,790	133,177	50%
Unrestricted	<u>1,224,296</u>	<u>1,444,295</u>	<u>219,999</u>	18%
Total net position	<u>\$ 3,070,650</u>	<u>\$ 3,463,835</u>	<u>\$ 393,185</u>	13%
<b>Revenue</b>				
Governmental Activities				
	2014	2015	Change	Percent Change
<b>Program revenue:</b>				
Charges for services	\$ 269,456	\$ 279,477	\$ 10,021	4%
Operating grants and contributions	75,728	86,802	11,074	15%
<b>General revenue:</b>				
Property taxes	971,746	1,009,072	37,326	4%
State-shared revenue	786,780	909,488	122,708	16%
Other revenue	<u>194,441</u>	<u>144,706</u>	<u>(49,735)</u>	-26%
Total revenue	2,298,151	2,429,545	131,394	6%
<b>Program Expenses</b>				
General government	891,729	720,306	(171,423)	-19%
Public safety	884,770	933,024	48,254	5%
Public works	137,491	287,170	149,679	109%
Recreation and cultural	<u>65,348</u>	<u>95,860</u>	<u>30,512</u>	47%
Total expenses	<u>1,979,338</u>	<u>2,036,360</u>	<u>57,022</u>	3%
<b>Change in Net Position</b>	<u>\$ 318,813</u>	<u>\$ 393,185</u>	<u>\$ 74,372</u>	23%

# Charter Township of Flushing

## Management's Discussion and Analysis (Continued)

The Township's governmental revenue was approximately \$2.4 million this year. Property taxes were about \$1 million, or 42 percent of total revenue. The increase was primarily related to a slight increase in taxable values and the change in chargebacks from the County for uncollectible amounts. State revenue sharing made up about \$909,000, or 37 percent of total revenue. This revenue increased primarily related to the increase in the sales tax collections in the state of Michigan and the recognition of half of the June payment which relates to the year ending March 31, 2015. The remaining 21 percent of governmental activities revenue is comprised mostly of charges for services, grants and contributions, and franchise fees.

Expenses increased by approximately \$57,000. Public works expenses account for approximately \$150,000 of the increase due to the increase of routine maintenance projects on roads, lights, and drains. General government expenses decreased approximately \$171,000 partially as a result of a decrease in building repairs as major repairs were needed in the prior year for water damages to the Township offices.

### **Business-type Activities**

The following table shows, in a condensed format, the current year's net position and changes in net position, compared to the prior year:

	Business-type Activities			Percent
	2014	2015	Change	Change
<b>Assets</b>				
Other assets	\$ 4,302,028	\$ 4,535,497	\$ 233,469	5%
Capital assets	<u>5,776,856</u>	<u>5,616,468</u>	<u>(160,388)</u>	-3%
Total assets	10,078,884	10,151,965	73,081	1%
<b>Liabilities - Current liabilities</b>	<u>623,963</u>	<u>671,473</u>	<u>47,510</u>	8%
<b>Net Position</b>				
Net investment in capital assets	5,776,856	5,616,468	(160,388)	-3%
Unrestricted	<u>3,678,065</u>	<u>3,864,024</u>	<u>185,959</u>	5%
Total net position	<u>\$ 9,454,921</u>	<u>\$ 9,480,492</u>	<u>\$ 25,571</u>	0%

# Charter Township of Flushing

## Management's Discussion and Analysis (Continued)

	Business-type Activities			Percent Change
	2014	2015	Change	
Operating revenue	\$ 2,204,046	\$ 2,221,837	\$ 17,791	1%
Operating expenses - Other than depreciation	1,980,680	2,067,749	87,069	4%
Depreciation and amortization	<u>160,389</u>	<u>160,389</u>	<u>-</u>	0%
Operating income (loss)	62,977	(6,301)	(69,278)	-110%
Interest income	13,822	12,652	(1,170)	-8%
Capital contributions	12,500	18,500	6,000	48%
Other miscellaneous income	<u>1,043</u>	<u>720</u>	<u>(323)</u>	-31%
<b>Change in Net Position</b>	<b><u>\$ 90,342</u></b>	<b><u>\$ 25,571</u></b>	<b><u>\$ (64,771)</u></b>	-72%

Operating revenue (charges for services) of the Township's business-type activities increased by \$18,000 and operating expenses increased by \$87,000. The major factor contributing to the increase in expenses from the prior year includes increased water and sewer usage costs from the County.

### The Township's Funds

As the Township completed the year, its General Fund reported a fund balance of \$1,323,711. This was an increase of \$150,605 from the prior year. This represents approximately 107 percent of General Fund total expenditures. Revenue increased \$10,500, with state-shared revenue increasing by \$52,088, charges for services decreasing by \$1,422, and other revenue decreasing by \$39,773. Expenditures increased \$211,705 mainly due to an increase in routine maintenance project expenditures compared to fiscal year 2014.

The Law Enforcement Special Revenue Fund realized an increase in its fund balance of \$140,658 to stand at \$337,439. The revenue in the fund increased \$30,060 primarily due to additional revenue related to the resource officer. The expenditures increased \$39,744 primarily due to a voluntary pension contribution of \$30,000.

The Water and Sewer Enterprise Fund had a decrease in net position of \$3,177. Most of the decrease was a result of an increase in water usage fees. Cash and investments totaled \$3.47 million for the fund.



# Charter Township of Flushing

## Management's Discussion and Analysis (Continued)

The following table shows the total governmental fund activity on a modified accrual basis:

	Governmental Funds			Percent
	2014	2015	Change	Change
<b>Revenue</b>				
Property taxes and income taxes	\$ 1,000,316	\$ 1,002,078	\$ 1,762	0%
Charges for services	233,528	232,086	(1,442)	-1%
Licenses and permits	2,550	2,775	225	9%
State-shared revenue	786,780	838,868	52,088	7%
Federal, state, and local grants	75,595	87,847	12,252	16%
Cable franchise fees	117,819	117,844	25	0%
Fines and forfeitures	7,953	9,085	1,132	14%
Interest and rentals	27,128	26,566	(562)	-2%
Other	75,052	34,782	(40,270)	-54%
Total revenue	2,326,721	2,351,931	25,210	1%
<b>Expenditures</b>				
Current:				
General government	739,158	763,125	23,967	3%
Public safety	845,905	906,002	60,097	7%
Public works	125,625	275,304	149,679	119%
Recreation and culture	68,500	49,251	(19,249)	-28%
Capital outlay	45,381	66,986	21,605	48%
Total expenditures	1,824,569	2,060,668	236,099	13%
<b>Net Change in Fund Balances</b>	502,152	291,263	(210,889)	-42%
<b>Fund Balances - Beginning of year</b>	868,264	1,370,416	502,152	58%
<b>Fund Balances - End of year</b>	<b>\$ 1,370,416</b>	<b>\$ 1,661,679</b>	<b>\$ 291,263</b>	21%

### General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. The Township departments overall stayed below budget in all departments. The fund balance represents almost a year of operating expenditures and transfers.

### Capital Asset and Debt Administration

At the end of 2015, the Township had invested \$7.2 million in capital assets, net of related debt. This amount complies with methods established by the Governmental Accounting Standards Board (GASB) for the implementation of GASB Statement No. 34. Capital assets as stated in this annual financial report do not include some prior year infrastructure items such as sidewalks and streets. Financial reporting in years before 2005 has not required some infrastructure items to be included with capital assets. Recognizing the problem of having local units gather together all of the required information, the GASB has allowed smaller units of government like the Township to report infrastructure assets on a prospective basis only after adopting the new reporting standard.

# **Charter Township of Flushing**

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## **Management's Discussion and Analysis (Continued)**

At year end, the Township had a capital lease obligation of \$5,208 outstanding for equipment purchased for governmental activities and compensated absences due employees of \$88,379. Annual debt service requirements for the capital lease are approximately \$2,600 per year, with final payment due in 2017.

Business-type activities (water and sewer services) did not have any long-term debt obligations outstanding at March 31, 2015.

### **Limitations on Debt**

The State limits the amount of general obligation debt the Township can issue to 10 percent of the assessed value of all taxable property within the Township's corporate limits. The Township does not have any debt outstanding that is subject to the state limitation as the capital lease obligation is specifically excluded.

### **Contacting the Township's Financial Administration**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Charter Township of Flushing clerk's department.

# Charter Township of Flushing

## Statement of Net Position March 31, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 1,496,502	\$ 2,418,270	\$ 3,914,772
Investments	-	1,497,725	1,497,725
Receivables:			
Receivables from sales to customers on account	-	138,911	138,911
Accrued interest receivable	-	5,534	5,534
Other receivables	20,465	-	20,465
Due from other governmental units	268,140	51,962	320,102
Unbilled	-	364,906	364,906
Tap-in contracts	-	5,592	5,592
Special assessments receivable	-	25,000	25,000
Prepaid expenses and other assets	119,272	2,668	121,940
Net pension asset (Note 8)	488,463	-	488,463
Capital assets (Note 4):			
Assets not subject to depreciation	193,200	-	193,200
Assets subject to depreciation	1,430,758	5,616,468	7,047,226
Tap-in contracts receivable	-	24,929	24,929
<b>Total assets</b>	<b>4,016,800</b>	<b>10,151,965</b>	<b>14,168,765</b>
<b>Liabilities</b>			
Accounts payable	61,973	324,075	386,048
Due to other governmental units	-	711	711
Accrued liabilities and other	39,567	-	39,567
Unearned revenue - Special assessments	-	346,687	346,687
Noncurrent liabilities (Note 6):			
Due within one year	54,873	-	54,873
Due in more than one year	396,552	-	396,552
<b>Total liabilities</b>	<b>552,965</b>	<b>671,473</b>	<b>1,224,438</b>
<b>Net Position</b>			
Net investment in capital assets	1,618,750	5,616,468	7,235,218
Restricted for:			
Law enforcement	394,356	-	394,356
Drug law enforcement	529	-	529
PEG revenue	5,905	-	5,905
Unrestricted	1,444,295	3,864,024	5,308,319
<b>Total net position</b>	<b>\$ 3,463,835</b>	<b>\$ 9,480,492</b>	<b>\$ 12,944,327</b>

# Charter Township of Flushing

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 720,306	\$ 265,282	\$ -	\$ -
Public safety	933,024	14,195	79,194	-
Public works	287,170	-	7,608	-
Recreation and culture	95,860	-	-	-
Total governmental activities	2,036,360	279,477	86,802	-
Business-type activities:				
Sewer and water	1,793,672	1,758,623	-	18,500
Solid waste	434,466	463,214	-	-
Total business-type activities	2,228,138	2,221,837	-	18,500
Total primary government	<u>\$ 4,264,498</u>	<u>\$ 2,501,314</u>	<u>\$ 86,802</u>	<u>\$ 18,500</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Franchise fees				
Other miscellaneous income				
Total general revenue				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

**Statement of Activities  
Year Ended March 31, 2015**

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (455,024)	\$ -	\$ (455,024)
(839,635)	-	(839,635)
(279,562)	-	(279,562)
(95,860)	-	(95,860)
(1,670,081)	-	(1,670,081)
-	(16,549)	(16,549)
-	28,748	28,748
-	12,199	12,199
(1,670,081)	12,199	(1,657,882)
1,009,072	-	1,009,072
909,488	-	909,488
529	12,652	13,181
111,894	-	111,894
32,283	720	33,003
2,063,266	13,372	2,076,638
393,185	25,571	418,756
3,070,650	9,454,921	12,525,571
<b>\$ 3,463,835</b>	<b>\$ 9,480,492</b>	<b>\$ 12,944,327</b>

# Charter Township of Flushing

## Governmental Funds Balance Sheet March 31, 2015

	General Fund	Law Enforcement	Nonmajor Fund - Drug Law Enforcement	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 1,162,885	\$ 333,088	\$ 529	\$ 1,496,502
Receivables:				
Other receivables	8,863	11,602	-	20,465
Due from other governmental units	211,223	56,917	-	268,140
Prepaid expenses	102,685	16,587	-	119,272
Total assets	<u>\$ 1,485,656</u>	<u>\$ 418,194</u>	<u>\$ 529</u>	<u>\$ 1,904,379</u>
<b>Liabilities</b>				
Accounts payable	\$ 55,322	\$ 6,651	\$ -	\$ 61,973
Accrued liabilities and other	22,380	17,187	-	39,567
Total liabilities	77,702	23,838	-	101,540
<b>Deferred Inflows of Resources - Unavailable revenue</b>				
	84,243	56,917	-	141,160
<b>Fund Balances</b>				
Nonspendable - Prepaids	102,685	16,587	-	119,272
Restricted:				
Law enforcement	-	320,852	-	320,852
PEG revenue	5,905	-	-	5,905
Drug law enforcement	-	-	529	529
Unassigned	1,215,121	-	-	1,215,121
Total fund balances	<u>1,323,711</u>	<u>337,439</u>	<u>529</u>	<u>1,661,679</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,485,656</u>	<u>\$ 418,194</u>	<u>\$ 529</u>	<u>\$ 1,904,379</u>

# Charter Township of Flushing

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position March 31, 2015

<b>Fund Balance Reported in Governmental Funds</b>	\$	1,661,679
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		1,623,958
Delinquent property taxes are expected to be collected over several years and are not available to pay for current year expenditures		70,540
Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds		70,620
Capital lease obligations are not due and payable in the current period and are not reported in the funds		(5,208)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities		(88,379)
Net pension assets do not present a claim on current financial resources and are not reported as fund liabilities		488,463
Other postemployment benefit obligations do not present a claim on current financial resources and are not reported as fund liabilities		(357,838)
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>3,463,835</u></b>

# Charter Township of Flushing

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2015

	General Fund	Law Enforcement	Nonmajor Fund - Drug Law Enforcement	Total
<b>Revenue</b>				
Property taxes	\$ 130,012	\$ 872,066	\$ -	\$ 1,002,078
Licenses and permits	2,775	-	-	2,775
State-shared revenue and grants	846,476	80,239	-	926,715
Charges for services	232,086	-	-	232,086
Fines and forfeitures	-	9,085	-	9,085
Investment income	529	-	-	529
Rental income	26,037	-	-	26,037
Other revenue:				
Cable franchise fees	117,844	-	-	117,844
Other miscellaneous income	31,812	2,970	-	34,782
Total revenue	<u>1,387,571</u>	<u>964,360</u>	<u>-</u>	<u>2,351,931</u>
<b>Expenditures</b>				
Current:				
General government	760,313	2,812	-	763,125
Public safety	123,143	782,859	-	906,002
Public works	275,304	-	-	275,304
Recreation and culture	49,251	-	-	49,251
Capital outlay	28,955	38,031	-	66,986
Total expenditures	<u>1,236,966</u>	<u>823,702</u>	<u>-</u>	<u>2,060,668</u>
<b>Net Change in Fund Balances</b>	150,605	140,658	-	291,263
<b>Fund Balances - Beginning of year</b>	<u>1,173,106</u>	<u>196,781</u>	<u>529</u>	<u>1,370,416</u>
<b>Fund Balances - End of year</b>	<u><u>\$ 1,323,711</u></u>	<u><u>\$ 337,439</u></u>	<u><u>\$ 529</u></u>	<u><u>\$ 1,661,679</u></u>



# Charter Township of Flushing

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2015

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	291,263
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Capital outlay		249,907
Depreciation expense		(207,002)
Net book value of assets disposed of		(5,500)
Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end		
		77,614
Repayment of lease principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		
		2,604
Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment		
		(6,933)
Increase in net pension asset		
		71,658
Increase in net other postemployment benefit obligation		
		(80,426)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>393,185</u></b>

# Charter Township of Flushing

## Proprietary Funds Statement of Net Position March 31, 2015

	Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,974,269	\$ 444,001	\$ 2,418,270
Investments	1,497,725	-	1,497,725
Receivables:			
Special assessments receivable - Due within one year	25,000	-	25,000
Receivables from sales to customers on account	138,911	-	138,911
Accrued interest receivable	5,534	-	5,534
Due from other governmental units	19,367	32,595	51,962
Unbilled	364,906	-	364,906
Tap-in contracts - Current portion	5,592	-	5,592
Prepaid expenses and other assets	-	2,668	2,668
Total current assets	4,031,304	479,264	4,510,568
Noncurrent assets:			
Capital assets - Net of accumulated depreciation	5,616,468	-	5,616,468
Tap-in contracts receivable - Long-term portion	24,929	-	24,929
Total noncurrent assets	5,641,397	-	5,641,397
Total assets	9,672,701	479,264	10,151,965
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	324,075	-	324,075
Due to other governmental units	711	-	711
Unearned revenue - Special assessments	-	346,687	346,687
Total current liabilities	324,786	346,687	671,473
<b>Net Position</b>			
Net investment in capital assets	5,616,468	-	5,616,468
Unrestricted	3,731,447	132,577	3,864,024
Total net position	\$9,347,915	\$ 132,577	9,480,492
<b>Net Position of Business-type Activities</b>			<b>\$9,480,492</b>

# Charter Township of Flushing

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended March 31, 2015

	Enterprise Funds		Total
	Water and Sewer Fund	Solid Waste Fund	
<b>Operating Revenue</b>			
Water usage fees	\$ 1,467,464	\$ -	\$ 1,467,464
Sewer treatment fees	257,030	-	257,030
User charges	-	463,214	463,214
Late charges	34,129	-	34,129
Total operating revenue	1,758,623	463,214	2,221,837
<b>Operating Expenses</b>			
Water usage cost	1,263,673	-	1,263,673
Sewer treatment cost	174,318	-	174,318
Solid waste contract	-	434,466	434,466
Pumping station maintenance	6,783	-	6,783
Pumping station utilities	6,965	-	6,965
Computer billing charges	15,474	-	15,474
Hydrant service	13,523	-	13,523
Administration	136,000	-	136,000
Miscellaneous	9,984	-	9,984
Professional fees	6,563	-	6,563
Depreciation	160,389	-	160,389
Total operating expenses	1,793,672	434,466	2,228,138
<b>Operating (Loss) Income</b>	(35,049)	28,748	(6,301)
<b>Nonoperating Revenue</b>			
Investment income	12,652	-	12,652
Interest on tap-in contracts and assessments	720	-	720
Total nonoperating revenue	13,372	-	13,372
<b>(Loss) Income - Before contributions</b>	(21,677)	28,748	7,071
<b>Capital Contributions</b>	18,500	-	18,500
<b>Change in Net Position</b>	(3,177)	28,748	25,571
<b>Net Position - Beginning of year</b>	9,351,092	103,829	9,454,921
<b>Net Position - End of year</b>	<u>\$9,347,915</u>	<u>\$ 132,577</u>	<u>\$9,480,492</u>

# Charter Township of Flushing

## Proprietary Funds Statement of Cash Flows Year Ended March 31, 2015

	Enterprise Fund		
	Water and Sewer Fund	Solid Waste Fund	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 1,715,446	\$ 458,981	\$ 2,174,427
Payments for interfund services and reimbursements	(135,823)	-	(135,823)
Payments to suppliers	(1,447,746)	(437,651)	(1,885,397)
Other receipts	(410)	-	(410)
Net cash provided by operating activities	131,467	21,330	152,797
<b>Cash Flows from Capital and Related Financing Activities</b>			
Special assessment collections	28,565	-	28,565
Tap-in fees	17,627	-	17,627
Net cash provided by capital and related financing activities	46,192	-	46,192
<b>Cash Flows from Investing Activities</b>			
Interest received on investments	13,664	-	13,664
Purchase of investment securities	(1,467,462)	-	(1,467,462)
Proceeds from sale and maturities of investment securities	1,452,897	-	1,452,897
Net cash used in investing activities	(901)	-	(901)
<b>Net Increase in Cash and Cash Equivalents</b>	176,758	21,330	198,088
<b>Cash and Cash Equivalents - Beginning of year</b>	1,797,511	422,671	2,220,182
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 1,974,269</u>	<u>\$ 444,001</u>	<u>\$ 2,418,270</u>
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>			
Operating (loss) income	\$ (35,049)	\$ 28,748	\$ (6,301)
Adjustments to reconcile operating (loss) income to net cash from operating activities:			
Depreciation and amortization	160,389	-	160,389
Changes in assets and liabilities:			
Receivables	(43,587)	(4,233)	(47,820)
Due from others	177	-	177
Prepaid and other assets	-	(1,455)	(1,455)
Accounts payable	49,537	(1,730)	47,807
Net cash provided by operating activities	<u>\$ 131,467</u>	<u>\$ 21,330</u>	<u>\$ 152,797</u>

# Charter Township of Flushing

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## Notes to Financial Statements March 31, 2015

### Note I - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the Charter Township of Flushing (the "Township"):

#### **Reporting Entity**

The Charter Township of Flushing was formed in 1838. The Township provides the following services as authorized by law: public safety (police, fire, and inspections), highways and streets, sanitation, public improvements, recreation, planning, and general administrative services.

The accompanying financial statements present the Charter Township of Flushing, Michigan. The Township currently does not have any component units.

**Jointly Governed Organization** - The Township has entered into a joint agreement with the City of Flushing to share in the operating costs of a library and senior citizens center for Township and City residents. The facility renovation and operation are overseen by a joint building operating committee made up of two appointees from each municipality and one appointee selected by the members of the Township and City. The joint building committee prepares an annual operating budget which is approved by each municipality. All operating regulations, policies, and rules for the center are determined by the committee and approved by the City and Township. Operating expenses will be divided between the City and Township based on resident usage records. The City of Flushing acts as the fiduciary agent for the library and senior center. During the current year, the Township's share of the operating costs of the library and senior center was \$10,216 and \$3,296, respectively. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Separate financial statements for the senior citizens center are not available as of the report date.

#### **Accounting and Reporting Principles**

The Township follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

# Charter Township of Flushing

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## Notes to Financial Statements March 31, 2015

### Note I - Summary of Significant Accounting Policies (Continued)

#### Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as 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. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

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

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

#### Fund Accounting

The Township accounts for its various activities in several different funds, in order to demonstrate accountability for how we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenues were used. The various funds are aggregated into two broad fund types:

# Charter Township of Flushing

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## Notes to Financial Statements March 31, 2015

### Note I - Summary of Significant Accounting Policies (Continued)

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.
- The Law Enforcement Fund accounts for police services provided to Township residents.
- The Drug Law Enforcement Fund is used to account for revenue from the sales of drug confiscated items. Expenditures are restricted to drug enforcement and prevention (note that this is not a "major fund" because the amount of activity is not financially significant).

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

- The Water and Sewer Fund - One fund is maintained for the operations of the water distribution system and the sewage pumping and collection system that transports the sewage to Genesee County's treatment plant.
- The Solid Waste Fund accounts for sanitation services provided to Township residents.

#### **Interfund Activity**

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

# Charter Township of Flushing

## Notes to Financial Statements March 31, 2015

### Note I - Summary of Significant Accounting Policies (Continued)

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

#### **Basis of Accounting**

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

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

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the Township considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, delinquent property taxes and intergovernmental receivables will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow of resources."

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

#### **Specific Balances and Transactions**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.



# Charter Township of Flushing

## Notes to Financial Statements March 31, 2015

### Note I - Summary of Significant Accounting Policies (Continued)

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$100 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated 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 the assets' lives are not capitalized.

Property, plant, equipment, and infrastructure of the Township are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	Lives
Buildings	20 to 50 years
Land improvements	12 to 60 years
Vehicles	5 years
Vehicle equipment	5 years
Office equipment	5 to 12 years
Computer equipment	5 years
Maintenance equipment	6 to 12 years
Water system and waterlines	60 years

# Charter Township of Flushing

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## Notes to Financial Statements March 31, 2015

### Note I - Summary of Significant Accounting Policies (Continued)

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures. The General Fund is generally used to liquidate governmental long-term debt.

**Pension and Other Postemployment Benefit Costs** - The Township offers both pension and retiree healthcare benefits to retirees. The Township receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the Township reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any. The obligation is liquidated from the General Fund.

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

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Township has no deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from delinquent property taxes and state shared revenue. These amounts are recognized as an inflow of resources in the period that the amounts become available.

# Charter Township of Flushing

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## Notes to Financial Statements March 31, 2015

### Note I - Summary of Significant Accounting Policies (Continued)

#### Net Position Flow Assumption

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

#### Fund Balance Flow Assumption

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

#### Fund Balance Policies

**Fund 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 Township for use for specific purposes. Commitments are made and can be rescinded only via resolution of the honorable members of the Township board.

**Assigned:** Intent to spend resources on specific purposes expressed by the board of trustees

# Charter Township of Flushing

## Notes to Financial Statements March 31, 2015

### Note 1 - Summary of Significant Accounting Policies (Continued)

Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

#### Property Tax Revenue

Property taxes attach as an enforceable lien on property as of December 1. Taxes are also levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are due February 28 and considered delinquent on March 1, at which time penalties and interest are assessed. Revenue generated by the levy of a 1 percent property tax administrative fee is recognized on a cash basis.

The Township's 2015 tax is levied and collectible on December 1, 2014 and is recognized as revenue in the year ended March 31, 2015, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2014 taxable valuation of the Township totaled \$257,984,025, on which taxes levied consisted of 0.50 mills for operating purposes and 3.4114 mills for police. This resulted in \$127,805 for operating purposes and \$872,066 for police. These amounts are recognized in the respective General Fund and Special Revenue Fund financial statements as tax revenue.

**Compensated Absences (Vacation and Sick Leave)** - All full-time Township employees are paid for sick days on an as-needed basis up to a reasonable limit, as determined by management.

General Township employees are allowed to carryover up to half of their annual vacation time up to two years. All accumulated and unpaid vacation days are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. The General Fund reports each employee's compensation and is used to liquidate the obligation.

**Proprietary Funds Operating Classification** - 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 Water and Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

# Charter Township of Flushing

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## Notes to Financial Statements March 31, 2015

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

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

**Budgetary Information** - The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the supervisor submits to the Township board a proposed operating budget 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. Informational summaries of projected revenue and expenses are provided for the Water and Sewer Enterprise Fund.
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 level for all budgetary funds through passage of a resolution in accordance with Public Act 621 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. All budgets are adopted on a basis consistent with generally accepted accounting principles except as indicated in Item 8 below.
6. Budget appropriations lapse at year end, except for approved contracts and certain federal grants which are appropriated on a contract (grant) length basis.
7. The original budget was amended during the year in compliance with the Township Charter and applicable state laws. The budget amounts reported in the financial statements represent the original and final budgeted expenditures as amended by the Township.
8. The Community Development Special Revenue Fund is budgeted on a project length basis.

# Charter Township of Flushing

## Notes to Financial Statements March 31, 2015

### Note 2 - Stewardship, Compliance, and Accountability (Continued)

**Construction Code Fees** - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since April 1, 2000 is as follows:

Shortfall at April 1, 2014	\$ (261,713)
Construction permit revenue	1,725
Related expenses - Professional services	<u>631</u>
Current year surplus	<u>1,094</u>
Cumulative shortfall at March 31, 2015	<u><u>\$ (260,619)</u></u>

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The 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 United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, 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 has designated eight banks for the deposit of 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 CDs, but not the remainder of state statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to custodial credit risk, which is examined in more detail below:

# Charter Township of Flushing

## Notes to Financial Statements March 31, 2015

### Note 3 - Deposits and Investments (Continued)

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$3,432,753 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of 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 institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Pooled Cash** - The Township maintains a cash pool that is available for use by all funds except the Water and Sewer Fund and the Tax Collection Fund. Each fund type's portion of this pool is included on the balance sheet in cash and cash equivalents. A summary of the amount of equity in the pooled cash account, or the amount due to the General Fund at March 31, 2015, is as follows:

<u>Fund</u>	<u>Pooled Cash</u>
General Fund	\$ 1,162,885
Law Enforcement Fund	333,088
Solid Waste Fund	444,001
Drug Law Enforcement Fund	529
Total	<u>\$ 1,940,503</u>

# Charter Township of Flushing

## Notes to Financial Statements March 31, 2015

### Note 4 - Capital Assets

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

	Balance April 1, 2014	Reclassifications	Additions	Disposals	Balance March 31, 2015
<b>Governmental Activities</b>					
Capital assets not being depreciated - Land	\$ 193,200	\$ -	\$ 5,500	\$ (5,500)	\$ 193,200
Capital assets being depreciated:					
Infrastructure	772,236	-	183,149	-	955,385
Buildings and building improvements	1,054,840	-	4,900	-	1,059,740
Maintenance equipment	41,457	1,489	-	-	42,946
Vehicles	122,217	-	27,373	-	149,590
Office equipment	69,250	12,263	2,898	-	84,411
Computer equipment	137,154	-	1,644	-	138,798
Land improvements	583,185	-	14,860	-	598,045
Vehicle equipment	30,501	-	9,583	-	40,084
Subtotal	2,810,840	13,752	244,407	-	3,068,999
Accumulated depreciation:					
Infrastructure	334,079	-	118,315	-	452,394
Buildings and building improvements	487,430	-	23,507	-	510,937
Maintenance equipment	40,486	1,489	970	-	42,945
Vehicles	61,652	-	15,316	-	76,968
Office equipment	28,134	12,263	8,872	-	49,269
Computer equipment	125,761	-	5,978	-	131,739
Land improvements	332,566	-	28,307	-	360,873
Vehicle equipment	7,379	-	5,737	-	13,116
Subtotal	1,417,487	13,752	207,002	-	1,638,241
Net capital assets being depreciated	1,393,353	-	37,405	-	1,430,758
Net capital assets	\$ 1,586,553	\$ -	\$ 42,905	\$ (5,500)	\$ 1,623,958



# Charter Township of Flushing

## Notes to Financial Statements March 31, 2015

### Note 4 - Capital Assets (Continued)

<b>Business-type Activities</b>	Balance April 1, 2014	Additions	Disposals	Balance March 31, 2015
Capital assets being depreciated:				
Water system	\$ 7,333,999	\$ -	\$ -	\$ 7,333,999
Waterline	601,459	-	-	601,459
Machinery and equipment	34,364	-	-	34,364
Sewer system	1,589,545	-	-	1,589,545
Subtotal	9,559,367	-	-	9,559,367
Accumulated depreciation:				
Water system	2,905,873	122,233	-	3,028,106
Waterline	340,827	10,024	-	350,851
Machinery and equipment	25,935	1,639	-	27,574
Sewer system	509,876	26,492	-	536,368
Subtotal	3,782,511	160,388	-	3,942,899
Net capital assets being depreciated	5,776,856	(160,388)	-	5,616,468
Net capital assets	<u>\$ 5,776,856</u>	<u>\$ (160,388)</u>	<u>\$ -</u>	<u>\$ 5,616,468</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 130,810
Public safety	31,492
Public works	11,866
Recreation and culture	32,834
Total governmental activities	<u>\$ 207,002</u>
Business-type activities - Water and sewer	<u>\$ 160,388</u>

# Charter Township of Flushing

## Notes to Financial Statements March 31, 2015

### Note 5 - Leases

**Capital Leases** - The Township has entered into a lease agreement as lessee for financing the purchase of a copier. This lease agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of the future minimum lease payments as of the inception date. The capital lease is secured by the equipment purchased of \$13,020 for the Township general office. The leased asset has been recorded in the governmental capital assets. The future minimum lease obligations and the net present value are as follows:

Years Ending March 31	Amount
2016	\$ 2,604
2017	2,604
Capital leases payable at March 31, 2015	<u>\$ 5,208</u>

### Note 6 - Long-term Debt

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Capital leases	\$ 7,812	\$ -	\$ 2,604	\$ 5,208	\$ 2,604
Accumulated compensated absences	81,446	57,235	50,302	88,379	52,269
Other postemployment benefit obligation	277,412	113,205	32,779	357,838	-
Total governmental activities	<u>\$ 366,670</u>	<u>\$ 170,440</u>	<u>\$ 85,685</u>	<u>\$ 451,425</u>	<u>\$ 54,873</u>

### Note 7 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for all claims except employee dental benefits. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Township pays dental and vision claims on a reimbursement basis and has set aside employee and employer contributions to pay these claims in the General Fund. The liability for unpaid claims was immaterial at March 31, 2015.

### Note 8 - Defined Benefit Pension Plan

Benefit provisions and contribution obligations have been established by the Township board.

# Charter Township of Flushing

## Notes to Financial Statements March 31, 2015

### Note 8 - Defined Benefit Pension Plan (Continued)

**Plan Description** - The Township participates in the Michigan Municipal Employees' Retirement System (the "System"), an agent multiple-employer defined benefit pension plan. The Township has no fiduciary responsibility for the plan. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

The pension plan provides pension benefits, deferred allowances, and death and disability benefits for Township employees. Benefits are vested after eight years of service for Teamsters union employees and after 10 years for police officers and command. Retirement is based on the following requirements:

- Age 60 with 10 or more years of credited service
- Age 50 with 25 or more years of credited service for police officers and command
- Age 55 with 15 or more years of credited service for Teamsters union employees

Employees who retire after reaching their requirement are entitled to 3.0 percent of the member's three-year final average compensation (FAC) times the number of years and months of credited service for that member. The annual benefit shall not exceed 80 percent of the FAC.

Pension provisions include deferred allowances whereby an employee may terminate employment with the Township after accumulating 10 years of service for police officers and command and eight years of service for Teamsters union employees but before reaching the age of 60. If the employee does not withdraw his or her accumulated contributions, the employee is entitled to all pension benefits upon reaching retirement age as discussed above.

Pension provisions include death and disability benefits. A disabled employee is entitled to full benefits after acquiring 10 or more years of credited service, whereas a surviving spouse is entitled to receive an amount equal to 85 percent of the employee's final, three-year average salary. Benefits are determined by state statutes.

Membership in the plan at December 31, 2014, the date of the latest actuarial valuation, is comprised of four Teamsters union and six police officer and one command active member. There was one Teamsters union and three police officer inactive vested members, and 11 Teamsters union and three police officer and two command retirants or beneficiaries at December 31, 2014.

**Funding Policy** - The Township's funding policy is to contribute the actuarially required contribution plus an additional amount, in order to correct the underfunding situation. The actuarially required contribution rate is expressed as a percentage of payroll and is designed to accumulate sufficient assets over a 28-year period to pay benefits when due.

# Charter Township of Flushing

## Notes to Financial Statements March 31, 2015

### Note 8 - Defined Benefit Pension Plan (Continued)

The plan provides that the employer/employees contribute amounts necessary to fund the actuarially determined benefits. Teamsters union employees are required to deposit 3 percent, police officer employees are required to deposit 8.0 percent, and command employees are required to deposit 2.0 percent of all monetary compensation. The Township makes employer contributions in accordance with funding requirements determined by the MERS' actuary. The Township's current rate was 53.61 percent Teamsters union, 2.04 percent patrol police officers, and 82.37 percent command police officers of annual covered payroll.

#### Annual Pension Cost and Net Pension Asset

Annual required contribution	\$ 149,385
Interest on net pension obligation	(16,672)
Adjustment to annual required contribution	<u>25,014</u>
Annual pension cost (APC)	157,727
Contributions made	<u>(229,385)</u>
Increase in net pension asset	(71,658)
Net pension asset - Beginning of year	<u>(416,805)</u>
Net pension asset - End of year	<u>\$ (488,463)</u>

For the year ended March 31, 2015, the Township's annual pension cost was \$157,727. The Township's actual contribution was \$229,385. The annual required contribution was determined as part of an actuarial valuation at March 31, 2015 using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) 0 percent per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 3 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 10 years.

# Charter Township of Flushing

## Notes to Financial Statements March 31, 2015

### Note 8 - Defined Benefit Pension Plan (Continued)

#### Three-year Trend Information

	Fiscal Year Ended March 31		
	2015	2014	2013
Annual pension cost (APC)	\$ 157,727	\$ 142,148	\$ 186,712
Percentage of APC contributed	145.0 %	130.0 %	95.9 %
Net pension asset	\$ 488,463	\$ 416,805	\$ 374,296
	Actuarial Valuation Date December 31		
	2014	2013	2012
Actuarial value of assets	\$ 3,512,948	\$ 3,419,467	\$ 3,471,700
Actuarial accrued liability (AAL) (entry age)	\$ 6,069,132	\$ 6,027,706	\$ 6,113,489
Unfunded AAL (UAAL)	\$ 2,556,184	\$ 2,608,239	\$ 2,641,789
Funded ratio	57.9 %	56.7 %	56.8 %
Covered payroll	\$ 521,292	\$ 525,522	\$ 448,957
UAAL as a percentage of covered payroll	490.4 %	496.3 %	588.4 %

### Note 9 - Other Postemployment Benefits

**Plan Description** - The Township provides retiree healthcare benefits to eligible employees and their spouses. Employees who meet certain point requirements (based on age and years of service) are eligible to receive postemployment benefits upon retirement in the form of healthcare, vision, and dental insurance benefits. Currently, the plan has six members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

This is a single employer defined benefit plan administered by the Township. The benefits are provided in accordance with the Public Employee Health Care Fund Investment Act (Act No. 149 of 1999). The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the Township.

**Funding Policy** - The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). For the fiscal year ended March 31, 2015, the Township paid postemployment healthcare premiums of \$32,779.

# Charter Township of Flushing

## Notes to Financial Statements March 31, 2015

### Note 9 - Other Postemployment Benefits (Continued)

**Funding Progress** - For the year ended March 31, 2015, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of April 1, 2013. The Township has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 116,049
Interest on the prior year's net OPEB obligation	12,484
Less adjustment to the annual required contribution	<u>(15,328)</u>
Annual OPEB cost	113,205
Amounts contributed - Payments of current premiums	<u>(32,779)</u>
Increase in net OPEB obligation	80,426
OPEB obligation - Beginning of year	<u>277,412</u>
OPEB obligation - End of year	<u><u>\$ 357,838</u></u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and two preceding years were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
3/31/13	4/1/12	\$ 68,997	33.2	\$ 191,490
3/31/14	4/1/13	116,049	20.4	277,412
3/31/15	4/1/13	116,049	28.2	357,838

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
4/1/09	\$ -	\$ 930,075	\$ 930,075	-	\$ -	-
4/1/11	-	371,288	371,288	-	-	-
4/1/12	-	701,256	701,256	-	-	-
4/1/13	-	1,086,801	1,086,801	-	-	-

### Note 9 - Other Postemployment Benefits (Continued)

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

**Retirement age for active employees** - Based on historical average retirement age for the covered group, active general employees are assumed to retire at age 61 or upon meeting the minimum service requirement, whichever is later.

**Spousal coverage** - Based on actual data for future and current retirees. Husbands are assumed to be three years older than wives for future retirees. Actual spouse's age is used for current retirees.

**Mortality** - Life expectancy was based on the RP-2000 Combined Mortality Table fully generational.

**Turnover** - Nongroup-specific age-based turnover data from GASB Statement No. 45 was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for the purpose of allocating to periods the present value of total benefits to be paid.

**Healthcare trend rates** - The initial rate was based on the plan's actual experience. The subsequent year trend rates were selected based on a combination of employer history, national trend surveys, and professional judgment.

**Per capita costs** - Annual per capita costs were calculated based on the premium rates effective April 1, 2014. The costs are assumed to increase with medical trend rates.

# Charter Township of Flushing

## Notes to Financial Statements March 31, 2015

### **Note 9 - Other Postemployment Benefits (Continued)**

Inflation rate - The expected long-term inflation assumption of 3 percent was based on past trend of wage increases.

Based on the historical and expected returns of the Township's short-term investment portfolio, a discount rate of 4 percent was used. In addition, a projected unit credit with linear proration to decrement cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at March 31, 2015 was 20 years.

### **Note 10 - Contingent Liabilities**

As of March 31, 2015, there were pending lawsuits outstanding against the Township. Subsequent to year end, one case was settled with the plaintiffs. The Township will be responsible for any amounts not covered by the Township's insurance carrier. The Township believes that the likelihood of loss for the remaining cases is not yet probable.

### **Note 11 - Upcoming Accounting Pronouncements**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending March 31, 2016.

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The Township is currently evaluating the impact this standard will have on the financial statements when adopted, during the Township's 2017 fiscal year.



# Charter Township of Flushing

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## Notes to Financial Statements March 31, 2015

### **Note 11 - Upcoming Accounting Pronouncements (Continued)**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Township to recognize on the face of the financial statements its net OPEB liability related to its participation in the single employer defined benefit plan administered by the Township. The Statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this Statement are effective for the Township's financial statements for the year ending March 31, 2019.

## **Required Supplemental Information**

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# Charter Township of Flushing

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 129,500	\$ 129,500	\$ 130,012	\$ 512
Licenses and permits	2,100	2,100	2,775	675
State-shared revenue and grants	758,500	758,500	846,476	87,976
Charges for services	236,800	236,800	232,086	(4,714)
Investment income	2,000	2,000	529	(1,471)
Rental income	23,000	23,000	26,037	3,037
Other revenue	129,600	129,600	149,656	20,056
Total revenue	1,281,500	1,281,500	1,387,571	106,071
<b>Expenditures</b>				
Current:				
General government:				
Township board	161,052	241,052	218,158	22,894
Supervisor	47,450	47,450	44,570	2,880
Accounting	101,170	101,170	89,018	12,152
Treasurer	114,950	114,950	102,408	12,542
Assessor	117,650	117,650	110,458	7,192
Clerk	127,100	131,100	116,582	14,518
Elections	20,000	19,500	18,524	976
Township hall and grounds	66,300	71,600	60,595	11,005
Total general government	755,672	844,472	760,313	84,159
Public safety	125,900	125,900	123,143	2,757
Public works	311,700	342,817	275,304	67,513
Recreation and culture	48,350	57,000	49,251	7,749
Capital outlay	38,450	36,800	28,955	7,845
Total expenditures	1,280,072	1,406,989	1,236,966	170,023
<b>Excess of Revenue Over (Under)</b>				
<b>Expenditures</b>	1,428	(125,489)	150,605	276,094
<b>Other Financing Sources -</b>				
Proceeds from sale of capital assets	100	100	-	(100)
<b>Net Change in Fund Balance</b>	1,528	(125,389)	150,605	275,994
<b>Fund Balance - Beginning of year</b>	1,173,106	1,173,106	1,173,106	-
<b>Fund Balance - End of year</b>	<u>\$ 1,174,634</u>	<u>\$ 1,047,717</u>	<u>\$ 1,323,711</u>	<u>\$ 275,994</u>

# Charter Township of Flushing

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Law Enforcement Year Ended March 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 870,000	\$ 870,000	\$ 872,066	\$ 2,066
State-shared revenue and grants	72,950	72,950	80,239	7,289
Fines and forfeitures	12,000	12,000	9,085	(2,915)
Other revenue	800	800	2,970	2,170
Total revenue	955,750	955,750	964,360	8,610
<b>Expenditures</b>				
Current:				
General government - Township board	3,000	3,000	2,812	188
Public safety - Police/Sheriff (county)	858,050	851,050	782,859	68,191
Capital outlay	37,000	44,000	38,031	5,969
Total expenditures	898,050	898,050	823,702	74,348
<b>Net Change in Fund Balance</b>	57,700	57,700	140,658	82,958
<b>Fund Balance - Beginning of year</b>	196,781	196,781	196,781	-
<b>Fund Balance - End of year</b>	<b>\$ 254,481</b>	<b>\$ 254,481</b>	<b>\$ 337,439</b>	<b>\$ 82,958</b>

# Charter Township of Flushing

## Required Supplemental Information Pension System Schedule of Funding Progress Year Ended March 31, 2015

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/08	\$ 3,054,957	\$ 4,997,997	\$ 1,943,040	61.1	\$ 944,225	205.8
12/31/09	3,167,663	5,166,921	1,999,258	61.3	647,809	308.6
12/31/10	3,277,147	5,588,191	2,311,044	58.6	524,823	440.3
12/31/11	3,508,637	5,908,136	2,399,499	59.4	431,615	555.9
12/31/12	3,471,700	6,113,489	2,641,789	56.8	448,957	588.4
12/31/13	3,419,467	6,027,706	2,608,239	56.7	525,522	496.3
12/31/14	3,512,948	6,069,132	2,556,184	57.9	521,292	490.4

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
3/31/09	12/31/07	\$ 324,842	100.0
3/31/10	12/31/08	128,302	100.0
3/31/11	12/31/09	161,491	100.0
3/31/12	12/31/10	142,428	149.5
3/31/13	12/31/11	179,068	205.3
3/31/14	12/31/12	152,292	121.3

\* The required contribution is expressed to the Township as a percentage of payroll.

# Charter Township of Flushing

## Required Supplemental Information OPEB System Schedule Year Ended March 31, 2015

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Annual OPEB Costs (c)	UAAL as a Percentage of Covered Payroll
4/1/09	\$ -	\$ 930,075	\$ 930,075	-	\$ 91,381	-
4/1/11	-	371,288	371,288	-	28,306	-
4/1/12	-	701,256	701,256	-	66,745	-
4/1/13	-	1,086,801	1,086,801	-	112,811	-

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
3/31/10	4/1/09	\$ 88,266	20.9
3/31/11	4/1/09	88,266	22.1
3/31/12	4/1/11	28,105	78.5
3/31/13	4/1/12	68,997	33.2
3/31/14	4/1/13	116,049	20.4
3/31/15	4/1/13	116,049	28.2

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of April 1, 2013, the latest actuarial valuation, follows:

Amortization method	Level percent
Amortization period (perpetual)	20 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	3.0%
*Includes inflation at	3.0%
Cost of living adjustments	None

# Charter Township of Flushing

## Note to Required Supplemental Information Year Ended March 31, 2015

### Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

### Community Development Block Grant

The following is a comparison of budget, on a project (grant) length basis, and actual expenditures for the Community Development Fund for the year ended March 31, 2015.

	Revised Project (Grant) Length Budget	Project Funds Expended During 2015	Expended Through March 31, 2015	Total Project Funds Unexpended Balance at March 31, 2015
Special revenue fund type - Community Development Fund:				
Youth Employment Program 2008	\$ 420	\$ -	\$ -	\$ 420
Public Services Commitment 2010	498	-	-	498
Removal Architectural Barriers 2011	4,620	-	-	4,620
Total Community Development Fund	<u>\$ 5,538</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,538</u>