

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

**Financial Report
with Supplemental Information
March 31, 2014**

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, 2014 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

Opinion

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, 2014 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.

Emphasis of Matter

As discussed in Note 11 to the basic financial statements, in 2014, the Township adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result, certain balances are reported as deferred inflows, rather than as liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion & 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Flushing's basic financial statements. The 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 basic financial statements.

To the Board of Trustees
Charter Township of Flushing

The other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Morse, PLLC

August 28, 2014

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, 2014. 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, 2014:

- The Township's total net position is \$12.5 million, with unrestricted net position of \$5 million.
- During the year, the Township's governmental expenditures were about \$502,000 less than the \$2,326,700 generated in taxes and other revenue for governmental funds.
- General Fund balance increased by \$351,810.

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
	2013	2014	Change	
Assets				
Current and other assets	\$ 1,551,654	\$ 1,996,469	\$ 444,815	29%
Capital assets	<u>1,671,288</u>	<u>1,586,553</u>	<u>(84,735)</u>	-5%
Total assets	3,222,942	3,583,022	360,080	11%
Liabilities				
Current liabilities	245,145	145,702	(99,443)	-41%
Long-term liabilities	<u>225,960</u>	<u>366,670</u>	<u>140,710</u>	62%
Total liabilities	<u>471,105</u>	<u>512,372</u>	<u>41,267</u>	9%
Net Position				
Net investment in capital assets	1,660,872	1,578,741	(82,131)	-5%
Restricted	127,399	267,613	140,214	110%
Unrestricted	<u>963,566</u>	<u>1,224,296</u>	<u>260,730</u>	27%
Total net position	<u>\$ 2,751,837</u>	<u>\$ 3,070,650</u>	<u>\$ 318,813</u>	12%

	Governmental Activities			Percent Change
	2013	2014	Change	
Revenue				
Program revenue:				
Charges for services	\$ 280,886	\$ 269,456	\$ (11,430)	-4%
Operating grants and contributions	60,368	75,728	15,360	25%
General revenue:				
Property taxes	998,244	971,746	(26,498)	-3%
State-shared revenue	772,813	786,780	13,967	2%
Other revenue	<u>146,516</u>	<u>194,441</u>	<u>47,925</u>	33%
Total revenue	2,258,827	2,298,151	39,324	2%
Program Expenses				
General government	722,418	891,729	169,311	23%
Public safety	1,189,310	884,770	(304,540)	-26%
Public works	275,849	137,491	(138,358)	-50%
Recreation and cultural	<u>75,541</u>	<u>65,348</u>	<u>(10,193)</u>	-13%
Total expenses	<u>2,263,118</u>	<u>1,979,338</u>	<u>(283,780)</u>	-13%
Change in Net Position	<u>\$ (4,291)</u>	<u>\$ 318,813</u>	<u>\$ 323,104</u>	-7530%

Charter Township of Flushing

Management's Discussion and Analysis (Continued)

The Township's governmental revenue was approximately \$2.3 million this year. Property taxes were about \$1 million, or 43 percent of total revenue. State revenue sharing made up about \$787,000, or 34 percent of total revenue. The remaining 23 percent of governmental activities revenue is comprised mostly of charges for services, grants and contributions, and franchise fees.

Expenses decreased by approximately \$284,000. Public safety expenses account for approximately \$303,000 of the decrease due to the temporary change in providing services to residents through a contractual agreement with the Genesee County Sheriff's department and the costs associated with reinstating the Township police department. General government expenses increased approximately \$169,000 partially as a result of the increase in depreciation expense in the current year for items that were purchased near the end of the prior fiscal year and had a full year of depreciation this year. Also, in the prior year there were larger equipment items that were purchased and were capitalized in the government-wide statements whereas in the current year there were smaller equipment purchases that were not in excess of the threshold for capitalization.

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 Change
	2013	2014	Change	
Assets				
Other assets	\$ 4,125,442	\$ 4,302,028	\$ 176,586	4%
Capital assets	<u>5,937,245</u>	<u>5,776,856</u>	<u>(160,389)</u>	-3%
Total assets	10,062,687	10,078,884	16,197	0%
Liabilities - Current liabilities				
	<u>698,108</u>	<u>623,963</u>	<u>(74,145)</u>	-11%
Net Position				
Net investment in capital assets	5,937,245	5,776,856	(160,389)	-3%
Unrestricted	<u>3,427,334</u>	<u>3,678,065</u>	<u>250,731</u>	7%
Total net position	<u>\$ 9,364,579</u>	<u>\$ 9,454,921</u>	<u>\$ 90,342</u>	1%

Charter Township of Flushing

Management's Discussion and Analysis (Continued)

	Business-type Activities			Percent Change
	2013	2014	Change	
Operating revenue	\$ 2,091,749	\$ 2,204,046	\$ 112,297	5%
Operating expenses - Other than depreciation	1,951,884	1,980,680	28,796	1%
Depreciation and amortization	160,763	160,389	(374)	0%
Operating (loss) income	(20,898)	62,977	83,875	-401%
Interest income	13,965	13,822	(143)	-1%
Capital contributions	8,000	12,500	4,500	56%
Other miscellaneous income	887	1,043	156	18%
Change in Net Position	\$ 1,954	\$ 90,342	\$ 88,388	4523%

Operating revenue (charges for services) of the Township's business-type activities increased by \$112,000 and operating expenses increased by \$29,000. The major factor contributing to the increase in expenses from the prior year includes increased water and sewer usage costs from the County as well as the change in accounting for the Solid Waste Fund which is now presented as an enterprise fund.

The Township's Funds

As the Township completed the year, its General Fund reported a fund balance of \$1,173,106. This was an increase of \$351,810 from the prior year. This represents approximately 114 percent of General Fund total expenditures. Revenue increased \$57,363, with state-shared revenue increasing by \$13,967, charges for services increasing by \$403, and other revenue increasing by \$61,460. Expenditures decreased \$247,982 mainly due to a decrease in public safety expenditures compared to fiscal year 2013.

The Law Enforcement Special Revenue Fund realized an increase in its fund balance of approximately \$150,000 to stand at \$196,781.

The Water and Sewer Enterprise Fund had an increase in net position of \$41,940. Most of the increase was a result of an increase in water usage fees. Cash and investments totaled \$3.28 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 Change
	2013	2014	Change	
Revenue				
Property taxes and income taxes	\$ 986,890	\$ 1,000,316	\$ 13,426	1%
Charges for services	233,125	233,528	403	0%
Licenses and permits	2,145	2,550	405	19%
State-shared revenue	772,813	786,780	13,967	2%
Federal, state, and local grants	60,520	75,595	15,075	25%
Cable franchise fees	115,582	117,819	2,237	2%
Fines and forfeitures	5,671	7,953	2,282	40%
Interest and rentals	33,764	27,128	(6,636)	-20%
Other	10,163	75,052	64,889	638%
Total revenue	2,220,673	2,326,721	106,048	5%
Expenditures				
Current:				
General government	683,038	739,158	56,120	8%
Public safety	1,185,527	845,905	(339,622)	-29%
Public works	263,983	125,625	(138,358)	-52%
Recreation and culture	45,379	68,500	23,121	51%
Capital outlay	107,181	45,381	(61,800)	-58%
Total expenditures	2,285,108	1,824,569	(460,539)	-20%
Excess of Revenue Over (Under)				
Expenditures	(64,435)	502,152	566,587	-879%
Other Financing Sources -				
Proceeds from sales of capital assets	26,800	-	(26,800)	-100%
Net Change in Fund Balances	(37,635)	502,152	539,787	-1434%
Fund Balances - Beginning of year	905,899	868,264	(37,635)	-4%
Fund Balances - End of year	<u>\$ 868,264</u>	<u>\$ 1,370,416</u>	<u>\$ 502,152</u>	58%

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 the township board department, actual expenditures were greater than budgeted amounts by \$279; this variance was due to legal and printing fees being greater than expected in the current year. This was the only department whose actual expenditures were not at or below budgeted amounts. The fund balance represents approximately eight months of operating expenditures and transfers.

Charter Township of Flushing

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

At the end of 2014, the Township had invested \$7.4 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.

At year end, the Township had a capital lease obligation of \$7,812 outstanding for equipment purchased for governmental activities and compensated absences due employees of \$81,446. Business-type activities (water and sewer services) did not have any long-term debt obligations outstanding at March 31, 2014. Annual debt service requirements for the capital lease are approximately \$2,600 per year, with final payment due in 2017.

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, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 1,365,581	\$ 2,220,182	\$ 3,585,763
Investments	-	1,483,160	1,483,160
Receivables:			
Receivables from sales to customers on account	-	112,521	112,521
Accrued interest receivable	-	6,552	6,552
Other receivables	17,247	-	17,247
Due from other governmental units	178,668	46,026	224,694
Unbilled	-	349,709	349,709
Tap-in contracts	-	5,487	5,487
Special assessments receivable	-	53,560	53,560
Internal balances	(177)	177	-
Prepaid expenses and other assets	18,345	1,213	19,558
Net pension asset (Note 8)	416,805	-	416,805
Capital assets (Note 4):			
Assets not subject to depreciation	193,200	-	193,200
Assets subject to depreciation	1,393,353	5,776,856	7,170,209
Tap-in contracts receivable	-	23,441	23,441
Total assets	3,583,022	10,078,884	13,661,906
Liabilities			
Accounts payable	111,331	276,446	387,777
Due to other governmental units	-	533	533
Accrued liabilities and other	34,371	-	34,371
Unearned revenue - Special assessments	-	346,984	346,984
Noncurrent liabilities (Note 6):			
Due within one year	44,371	-	44,371
Due in more than one year	322,299	-	322,299
Total liabilities	512,372	623,963	1,136,335
Net Position			
Net investment in capital assets	1,578,741	5,776,856	7,355,597
Restricted for:			
Law enforcement	247,976	-	247,976
Drug law enforcement	529	-	529
PEG revenue	19,108	-	19,108
Unrestricted	1,224,296	3,678,065	4,902,361
Total net position	\$ 3,070,650	\$ 9,454,921	\$ 12,525,571

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	\$ 891,729	\$ 258,237	\$ -	\$ -
Public safety	884,770	11,219	51,709	-
Public works	137,491	-	8,219	-
Recreation and culture	65,348	-	15,800	-
Total governmental activities	1,979,338	269,456	75,728	-
Business-type activities:				
Sewer and water	1,698,263	1,712,838	-	12,500
Solid waste	442,806	491,208	-	-
Total business-type activities	2,141,069	2,204,046	-	12,500
Total primary government	<u>\$ 4,120,407</u>	<u>\$ 2,473,502</u>	<u>\$ 75,728</u>	<u>\$ 12,500</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Franchise fees				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year (Note 11)				
Net Position - End of year				

**Statement of Activities
Year Ended March 31, 2014**

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (633,492)	\$ -	\$ (633,492)
(821,842)	-	(821,842)
(129,272)	-	(129,272)
(49,548)	-	(49,548)
(1,634,154)	-	(1,634,154)
-	27,075	27,075
-	48,402	48,402
-	75,477	75,477
(1,634,154)	75,477	(1,558,677)
971,746	-	971,746
786,780	-	786,780
1,708	13,822	15,530
112,008	-	112,008
80,725	1,043	81,768
1,952,967	14,865	1,967,832
318,813	90,342	409,155
2,751,837	9,364,579	12,116,416
\$ 3,070,650	\$ 9,454,921	\$ 12,525,571

Charter Township of Flushing

Governmental Funds Balance Sheet March 31, 2014

	General Fund	Law Enforcement	Nonmajor Funds	Total
Assets				
Cash and cash equivalents	\$ 1,159,972	\$ 205,080	\$ 529	\$ 1,365,581
Receivables:				
Other receivables	8,966	8,281	-	17,247
Due from other governmental units	127,473	51,195	-	178,668
Prepaid expenses	9,840	8,505	-	18,345
Total assets	<u>\$ 1,306,251</u>	<u>\$ 273,061</u>	<u>\$ 529</u>	<u>\$ 1,579,841</u>
Liabilities				
Accounts payable	\$ 99,487	\$ 11,844	\$ -	\$ 111,331
Due to other funds	177	-	-	177
Accrued liabilities and other	21,130	13,241	-	34,371
Total liabilities	120,794	25,085	-	145,879
Deferred Inflows of Resources - Unavailable revenue	12,351	51,195	-	63,546
Fund Balances				
Nonspendable - Prepays	9,840	8,505	-	18,345
Restricted:				
Law enforcement	-	188,276	-	188,276
PEG revenue	19,108	-	-	19,108
Drug law enforcement	-	-	529	529
Unassigned	1,144,158	-	-	1,144,158
Total fund balances	1,173,106	196,781	529	1,370,416
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,306,251</u>	<u>\$ 273,061</u>	<u>\$ 529</u>	<u>\$ 1,579,841</u>

Charter Township of Flushing

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position March 31, 2014

Fund Balance Reported in Governmental Funds	\$ 1,370,416
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	1,586,553
Delinquent property taxes are expected to be collected over several years and are not available to pay for current year expenditures	63,546
Capital lease obligations are not due and payable in the current period and are not reported in the funds	(7,812)
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	(81,446)
Net pension assets do not present a claim on current financial resources and are not reported as fund liabilities	416,805
Other postemployment benefit obligations do not present a claim on current financial resources and are not reported as fund liabilities	(277,412)
Net Position of Governmental Activities	<u>\$ 3,070,650</u>

Charter Township of Flushing

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2014

	General Fund	Law Enforcement	Nonmajor Funds	Total
Revenue				
Property taxes	\$ 129,832	\$ 870,484	\$ -	\$ 1,000,316
Licenses and permits	2,550	-	-	2,550
Federal grants	-	-	15,350	15,350
State-shared revenue and grants	794,999	52,026	-	847,025
Charges for services	233,528	-	-	233,528
Fines and forfeitures	-	7,953	-	7,953
Investment income	1,338	370	-	1,708
Rental income	25,420	-	-	25,420
Other revenue:				
Cable franchise fees	117,819	-	-	117,819
Other miscellaneous income	71,585	3,467	-	75,052
Total revenue	1,377,071	934,300	15,350	2,326,721
Expenditures				
Current:				
General government	736,428	2,730	-	739,158
Public safety	108,216	737,689	-	845,905
Public works	125,625	-	-	125,625
Recreation and culture	53,150	-	15,350	68,500
Capital outlay	1,842	43,539	-	45,381
Total expenditures	1,025,261	783,958	15,350	1,824,569
Net Change in Fund Balances	351,810	150,342	-	502,152
Fund Balances - Beginning of year	821,296	46,439	529	868,264
Fund Balances - End of year	\$ 1,173,106	\$ 196,781	\$ 529	\$ 1,370,416

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, 2014

Net Change in Fund Balances - Total Governmental Funds	\$	502,152
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		105,011
Depreciation expense		(189,010)
Net book value of assets disposed of		736
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		
		(28,570)
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		
		(29,225)
Increase in net pension asset		
		42,509
Increase in net other postemployment benefit obligation		
		(87,394)
Change in Net Position of Governmental Activities	\$	<u>318,813</u>

Charter Township of Flushing

Proprietary Funds Statement of Net Position March 31, 2014

	Enterprise Funds		
	Water and Sewer Fund	Solid Waste Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,797,511	\$ 422,671	\$ 2,220,182
Investments	1,483,160	-	1,483,160
Receivables:			
Special assessments receivable - Due within one year	26,780	-	26,780
Receivables from sales to customers on account	112,521	-	112,521
Accrued interest receivable	6,552	-	6,552
Due from other governmental units	17,367	28,659	46,026
Unbilled	349,709	-	349,709
Tap-in contracts - Current portion	5,487	-	5,487
Due from other funds	177	-	177
Prepaid expenses and other assets	-	1,213	1,213
Total current assets	3,799,264	452,543	4,251,807
Noncurrent assets:			
Special assessment receivables - Long-term portion	26,780	-	26,780
Capital assets - Net of accumulated depreciation	5,776,856	-	5,776,856
Tap-in contracts receivable - Long-term portion	23,441	-	23,441
Total noncurrent assets	5,827,077	-	5,827,077
Total assets	9,626,341	452,543	10,078,884
Liabilities			
Current liabilities:			
Accounts payable	274,716	1,730	276,446
Due to other governmental units	533	-	533
Unearned revenue - Special assessments	-	346,984	346,984
Total current liabilities	275,249	348,714	623,963
Net Position			
Net investment in capital assets	5,776,856	-	5,776,856
Unrestricted	3,574,236	103,829	3,678,065
Total net position	\$9,351,092	\$ 103,829	9,454,921
Net Position of Business-type Activities			\$9,454,921

Charter Township of Flushing

Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Position Year Ended March 31, 2014

	Enterprise Funds		Total
	Water and Sewer Fund	Solid Waste Fund	
Operating Revenue			
Water usage fees	\$ 1,408,279	\$ -	\$ 1,408,279
Sewer treatment fees	264,897	-	264,897
User charges	-	491,208	491,208
Late charges	39,662	-	39,662
Total operating revenue	1,712,838	491,208	2,204,046
Operating Expenses			
Water usage cost	1,174,448	-	1,174,448
Sewer treatment cost	148,515	-	148,515
Solid waste contract	-	442,806	442,806
Pumping station maintenance	22,842	-	22,842
Pumping station utilities	4,904	-	4,904
Computer billing charges	12,983	-	12,983
Hydrant service	18,402	-	18,402
Administration	139,700	-	139,700
Miscellaneous	9,710	-	9,710
Professional fees	6,370	-	6,370
Depreciation	160,389	-	160,389
Total operating expenses	1,698,263	442,806	2,141,069
Operating Income	14,575	48,402	62,977
Nonoperating Revenue			
Investment income	13,822	-	13,822
Interest on tap-in contracts and assessments	1,043	-	1,043
Total nonoperating revenue	14,865	-	14,865
Income - Before contributions	29,440	48,402	77,842
Capital Contributions	12,500	-	12,500
Change in Net Position	41,940	48,402	90,342
Net Position - Beginning of year	9,309,152	55,427	9,364,579
Net Position - End of year	<u>\$9,351,092</u>	<u>\$ 103,829</u>	<u>\$9,454,921</u>

Charter Township of Flushing

Proprietary Fund Statement of Cash Flows Year Ended March 31, 2014

	Enterprise Fund		
	Water and Sewer Fund	Solid Waste Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,660,488	\$ 462,549	\$ 2,123,037
Payments for interfund services and reimbursements	(139,700)	-	(139,700)
Payments to suppliers	(1,444,036)	(443,491)	(1,887,527)
Net cash provided by operating activities	76,752	19,058	95,810
Noncapital Financing Activities - Repayments of loans made to other funds	76,281	-	76,281
Cash Flows from Capital and Related Financing Activities			
Special assessment collections	28,829	-	28,829
Tap-in fees	11,603	-	11,603
Net cash provided by capital and related financing activities	40,432	-	40,432
Cash Flows from Investing Activities			
Interest received on investments	8,970	-	8,970
Purchase of investment securities	(1,467,462)	-	(1,467,462)
Proceeds from sale and maturities of investment securities	1,462,823	-	1,462,823
Net cash provided by investing activities	4,331	-	4,331
Net Increase in Cash and Cash Equivalents	197,796	19,058	216,854
Cash and Cash Equivalents - Beginning of year	1,599,715	403,613	2,003,328
Cash and Cash Equivalents - End of year	<u>\$ 1,797,511</u>	<u>\$ 422,671</u>	<u>\$ 2,220,182</u>
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating income	\$ 14,575	\$ 48,402	\$ 62,977
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization	160,389	-	160,389
Changes in assets and liabilities:			
Receivables	(52,350)	(28,659)	(81,009)
Prepaid and other assets	-	(569)	(569)
Accounts payable	(45,862)	(116)	(45,978)
Net cash provided by operating activities	<u>\$ 76,752</u>	<u>\$ 19,058</u>	<u>\$ 95,810</u>

Charter Township of Flushing

Notes to Financial Statements March 31, 2014

Note I - Nature of Business and 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 \$18,421 and \$3,623, 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

Notes to Financial Statements March 31, 2014

Note I - Nature of Business and 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 that specific revenues were used for. The various funds are aggregated into two broad fund types:

Charter Township of Flushing

Notes to Financial Statements March 31, 2014

Note I - Nature of Business and 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.

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, 2014

Note I - Nature of Business and 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 health care related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

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, special assessments 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, 2014

Note I - Nature of Business and 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 \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated 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.

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

<u>Capital Asset Class</u>	<u>Lives</u>
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

Notes to Financial Statements March 31, 2014

Note 1 - Nature of Business and 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, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. 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.

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.

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, deferred outflows of resources, 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, deferred inflows of resources, 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. These amounts are recognized as an inflow of resources in the period that the amounts become available.

Charter Township of Flushing

Notes to Financial Statements March 31, 2014

Note I - Nature of Business and 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, 2014

Note 1 - Nature of Business and 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 are 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 of the following year, 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 2014 tax is levied and collectible on December 1, 2013 and is recognized as revenue in the year ended March 31, 2014, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2013 taxable valuation of the Township totaled \$255,445,414, on which taxes levied consisted of 0.50 mills for operating purposes and 3.4114 mills for police. This resulted in \$127,453 for operating purposes and \$870,484 for police. These amounts are recognized in the respective General 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.

Charter Township of Flushing

Notes to Financial Statements March 31, 2014

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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.

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.

Charter Township of Flushing

Notes to Financial Statements March 31, 2014

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

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.

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, 2013	\$ (262,854)
Construction permit revenue	1,750
Related expenses - Professional services	<u>609</u>
Current year surplus	<u>1,141</u>
Cumulative shortfall at March 31, 2014	<u>\$ (261,713)</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 seven 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.

Charter Township of Flushing

Notes to Financial Statements March 31, 2014

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$3,109,799 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, 2014, is as follows:

<u>Fund</u>	<u>Pooled Cash</u>
General Fund	\$ 1,159,972
Law Enforcement Fund	205,080
Solid Waste Fund	422,671
Drug Law Enforcement Fund	529
Total	<u>\$ 1,788,252</u>

Charter Township of Flushing

Notes to Financial Statements March 31, 2014

Note 4 - Capital Assets

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

Governmental Activities	Balance April 1, 2013	Additions	Disposals	Balance March 31, 2014
Capital assets not being depreciated -				
Land	\$ 193,200	\$ -	\$ -	\$ 193,200
Capital assets being depreciated:				
Infrastructure	772,236	-	-	772,236
Buildings and building improvements	1,022,970	31,870	-	1,054,840
Maintenance equipment	41,457	-	-	41,457
Vehicles	142,299	-	(20,082)	122,217
Office equipment	33,419	35,831	-	69,250
Computer equipment	131,572	5,582	-	137,154
Land improvements	579,220	3,965	-	583,185
Vehicle equipment	2,738	27,763	-	30,501
Subtotal	2,725,911	105,011	(20,082)	2,810,840
Accumulated depreciation:				
Infrastructure	234,827	99,252	-	334,079
Buildings and building improvements	464,347	23,083	-	487,430
Maintenance equipment	37,788	2,698	-	40,486
Vehicles	65,943	15,055	(19,346)	61,652
Office equipment	16,642	11,492	-	28,134
Computer equipment	120,363	5,398	-	125,761
Land improvements	305,175	27,391	-	332,566
Vehicle equipment	2,738	4,641	-	7,379
Subtotal	1,247,823	189,010	(19,346)	1,417,487
Net capital assets being depreciated	1,478,088	(83,999)	(736)	1,393,353
Net capital assets	\$ 1,671,288	\$ (83,999)	\$ (736)	\$ 1,586,553

Charter Township of Flushing

Notes to Financial Statements March 31, 2014

Note 4 - Capital Assets (Continued)

Business-type Activities	Balance April 1, 2013	Additions	Disposals	Balance March 31, 2014
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	2,783,639	122,234	-	2,905,873
Waterline	330,804	10,023	-	340,827
Machinery and equipment	24,296	1,639	-	25,935
Sewer system	483,383	26,493	-	509,876
Subtotal	3,622,122	160,389	-	3,782,511
Net capital assets being depreciated	5,937,245	(160,389)	-	5,776,856
Net capital assets	<u>\$ 5,937,245</u>	<u>\$ (160,389)</u>	<u>\$ -</u>	<u>\$ 5,776,856</u>

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

Governmental activities:	
General government	\$ 116,964
Public safety	27,498
Public works	11,866
Recreation and culture	32,682
Total governmental activities	<u>\$ 189,010</u>
Business-type activities - Water and sewer	<u>\$ 160,389</u>

Charter Township of Flushing

Notes to Financial Statements March 31, 2014

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
2015	\$ 2,604
2016	2,604
2017	2,604
Capital leases payable at March 31, 2014	<u>\$ 7,812</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
Governmental Activities					
Capital leases	\$ 10,416	\$ -	\$ 2,604	\$ 7,812	\$ 2,604
Accumulated compensated absences	52,221	85,506	56,281	81,446	41,767
Other postemployment benefit obligation	191,490	109,614	23,692	277,412	-
Total governmental activities	<u>\$ 254,127</u>	<u>\$ 195,120</u>	<u>\$ 82,577</u>	<u>\$ 366,670</u>	<u>\$ 44,371</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 which will expire in September 2014. At that time, the Township will seek alternative coverage. 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, 2014.

Charter Township of Flushing

Notes to Financial Statements March 31, 2014

Note 8 - Defined Benefit Pension Plan

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

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, 2013, the date of the latest actuarial valuation, is comprised of four Teamsters union and six police officer and command active members. There was one Teamsters union and three police officer and command inactive vested members, and 11 Teamsters union and three police officer and command retirants or beneficiaries at December 31, 2013.

Charter Township of Flushing

Notes to Financial Statements March 31, 2014

Note 8 - Defined Benefit Pension Plan (Continued)

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.

The plan provides that the employer/employees contribute amounts necessary to fund the actuarially determined benefits. Teamsters union employees are required to deposit 0 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 56.69 percent Teamsters union, 11.97 percent patrol police officers, and 82.46 percent command police officers of annual covered payroll.

Annual Pension Cost and Net Pension Asset

Annual required contribution	\$ 134,657
Interest on net pension obligation	(14,972)
Adjustment to annual required contribution	<u>22,463</u>
Annual pension cost (APC)	142,148
Contributions made	<u>(184,657)</u>
Increase in net pension asset	(42,509)
Net pension asset - Beginning of year	<u>(374,296)</u>
Net pension asset - End of year	<u>\$ (416,805)</u>

For the year ended March 31, 2014, the Township's annual pension cost was \$142,148. The Township's actual contribution was \$184,657. The annual required contribution was determined as part of an actuarial valuation at March 31, 2014 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, 2014

Note 8 - Defined Benefit Pension Plan (Continued)

Three-year Trend Information

	Fiscal Year Ended March 31		
	2014	2013	2012
Annual pension cost (APC)	\$ 142,148	\$ 186,712	\$ 147,165
Percentage of APC contributed	130.0 %	95.9 %	198.7 %
Net pension asset	\$ 416,805	\$ 374,296	\$ 381,939
	Actuarial Valuation Date December 31		
	2013	2012	2011
Actuarial value of assets	\$ 3,419,467	\$ 3,471,700	\$ 3,508,637
Actuarial accrued liability (AAL) (entry age)	\$ 6,027,706	\$ 6,113,489	\$ 5,908,136
Unfunded AAL (UAAL)	\$ 2,608,239	\$ 2,641,789	\$ 2,399,499
Funded ratio	56.7 %	56.8 %	59.4 %
Covered payroll	\$ 525,522	\$ 448,957	\$ 431,615
UAAL as a percentage of covered payroll	496.3 %	588.4 %	555.9 %

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, 2014, the Township paid postemployment healthcare premiums of \$23,698.

Charter Township of Flushing

Notes to Financial Statements March 31, 2014

Note 9 - Other Postemployment Benefits (Continued)

Funding Progress - For the year ended March 31, 2014, 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	4,463
Less adjustment to the annual required contribution	<u>(10,898)</u>
Annual OPEB cost	109,614
Amounts contributed - Payments of current premiums	<u>(23,692)</u>
Increase in net OPEB obligation	85,922
OPEB obligation - Beginning of year	<u>191,490</u>
OPEB obligation - End of year	<u><u>\$ 277,412</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
3/31/12	4/1/11	\$ 28,105	78.5	\$ 147,633
3/31/13	4/1/12	68,997	33.2	191,490
3/31/14	4/1/12	116,049	20.4	280,927

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, 2014

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, 2014 was 20 years.

Note 10 - Contingent Liabilities

As of March 31, 2014, 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 - Change in Accounting

During the current year, as a result of changing pricing policies, the Township had a change in fund type related to the Solid Waste Fund. The fund is now presented as an enterprise fund in accordance with GASB 34 as the pricing policies of the activity have established fees and charges designed to recover its costs. This fund was previously a governmental fund.

As a result of the change in fund type, the beginning of the year net position for governmental activities decreased by \$55,427 and the beginning of the year net position for business-type activities increased by \$55,427. Similarly, the beginning of year governmental funds total fund balance decreased by \$55,427 and the beginning of year proprietary funds net position increased by \$55,427.

During the current year, the Township adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as deferred inflows of resources, deferred outflows of resources, or as outflows of resources.

As a result of implementing this statement, the following liability has been reclassified, as indicated:

<u>Item</u>	<u>Amount</u>	<u>Prior Reporting Classification/Treatment</u>	<u>New Classification After Adoption of GASB 65</u>
Property taxes billed, but are delinquent and unavailable	\$ 92,205	Liability	Deferred inflow of resources

Charter Township of Flushing

Notes to Financial Statements March 31, 2014

Note 12 - Upcoming Accounting Pronouncements

In June 2012, the GASB issued GASB 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 supplementary 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.

Required Supplemental Information

Charter Township of Flushing

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 127,000	\$ 127,000	\$ 129,832	\$ 2,832
Licenses and permits	2,600	2,600	2,550	(50)
State-shared revenue and grants	758,500	758,500	794,999	36,499
Charges for services	184,800	229,800	233,528	3,728
Investment income	6,000	6,000	1,338	(4,662)
Rental income	23,000	23,000	25,420	2,420
Other revenue	113,500	174,400	189,404	15,004
Total revenue	1,215,400	1,321,300	1,377,071	55,771
Expenditures				
Current:				
General government:				
Township board	111,352	161,352	161,631	(279)
Supervisor	48,050	48,050	44,821	3,229
Accounting	96,370	95,870	83,469	12,401
Treasurer	126,550	126,550	107,757	18,793
Assessor	104,100	103,600	97,557	6,043
Clerk	115,800	124,300	110,305	13,995
Elections	12,000	14,000	12,910	1,090
Township hall and grounds	57,600	118,800	117,978	822
Total general government	671,822	792,522	736,428	56,094
Public safety	123,100	109,100	108,216	884
Public works	413,900	141,900	125,625	16,275
Recreation and culture	33,850	71,150	53,150	18,000
Capital outlay	4,850	4,850	1,842	3,008
Total expenditures	1,247,522	1,119,522	1,025,261	94,261
Excess of Revenue (Under) Over Expenditures	(32,122)	201,778	351,810	150,032
Other Financing Sources -				
Proceeds from sale of capital assets	100	100	-	(100)
Net Change in Fund Balance	(32,022)	201,878	351,810	149,932
Fund Balance - Beginning of year	821,296	821,296	821,296	-
Fund Balance - End of year	<u>\$ 789,274</u>	<u>\$ 1,023,174</u>	<u>\$ 1,173,106</u>	<u>\$ 149,932</u>

Charter Township of Flushing

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Law Enforcement Year Ended March 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 863,000	\$ 863,000	\$ 870,484	\$ 7,484
State-shared revenue and grants	950	54,950	52,026	(2,924)
Fines and forfeitures	12,000	12,000	7,953	(4,047)
Investment income	-	-	370	370
Other revenue	900	900	3,467	2,567
Total revenue	876,850	930,850	934,300	3,450
Expenditures				
Current:				
General government - Township board	2,000	3,500	2,730	770
Public safety - Law enforcement	747,100	816,305	737,689	78,616
Capital outlay	1,000	45,000	43,539	1,461
Total expenditures	750,100	864,805	783,958	80,847
Net Change in Fund Balance	126,750	66,045	150,342	84,297
Fund Balance - Beginning of year	46,439	46,439	46,439	-
Fund Balance - End of year	<u>\$ 173,189</u>	<u>\$ 112,484</u>	<u>\$ 196,781</u>	<u>\$ 84,297</u>

Charter Township of Flushing

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Solid Waste Year Ended March 31, 2014

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Fund Balance - Beginning of year	\$ 55,427	\$ 55,427	\$ 55,427	\$ -
Fund Balance - End of year	<u>\$ 55,427</u>	<u>\$ 55,427</u>	<u>\$ 55,427</u>	<u>\$ -</u>

Charter Township of Flushing

Required Supplemental Information Pension System Schedule of Funding Progress Year Ended March 31, 2014

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

Charter Township of Flushing

Required Supplemental Information OPEB System Schedule Year Ended March 31, 2014

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	-	113,229	-

Charter Township of Flushing

Note to Required Supplemental Information Year Ended March 31, 2014

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, 2014.

	Revised Project (Grant) Length Budget	Project Funds Expended During 2014	Expended Through March 31, 2014	Total Project Funds Unexpended Balance at March 31, 2014
Special revenue fund type - Community Development Fund:				
Youth Employment Program 2008	\$ 4,277	\$ -	\$ 3,857	\$ 420
Public Services Commitment 2010	3,602	-	3,104	498
Removal Architectural Barriers 2011	35,190	15,350	30,570	4,620
Total Community Development Fund	<u>\$ 43,069</u>	<u>\$ 15,350</u>	<u>\$ 37,531</u>	<u>\$ 5,538</u>

Other Supplemental Information

Charter Township of Flushing

Other Supplemental Information Nonmajor Governmental Funds Fund Descriptions

Special Revenue Funds

Drug Law Enforcement

This fund is used to account for revenue from the sales of drug confiscated items. Expenditures are restricted to drug enforcement and prevention.

Community Development

This fund is used to account for federal grant funds that are used for projects suggested by the citizenry.

Charter Township of Flushing

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds March 31, 2014

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Drug Law Enforcement	Community Development	Total	
Assets				
Cash and cash equivalents	\$ 529	\$ -	\$ 529	\$ 529
Receivables	-	-	-	-
Total assets	\$ 529	\$ -	\$ 529	\$ 529
Fund Balances - Nonspendable - Restricted	\$ 529	\$ -	\$ 529	\$ 529

Charter Township of Flushing

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended March 31, 2014

	Special Revenue Funds		
	Drug Law Enforcement	Community Development	Total
Revenue - Federal grants	\$ -	\$ 15,350	\$ 15,350
Expenditures - Current - Recreation and culture	-	15,350	15,350
Net Change in Fund Balances	-	-	-
Fund Balances - Beginning of year	529	-	529
Fund Balances - End of year	\$ 529	\$ -	\$ 529