

Charter Township of Flushing Genesee County, Michigan

**Financial Report
with Supplemental Information
March 31, 2012**

Charter Township of Flushing

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Independent Auditor's Report

To the Honorable Members of
the Township Board
Charter Township of Flushing
Genesee County, Michigan

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, Genesee County, Michigan (the "Township") as of and for the year ended March 31, 2012, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Flushing, Genesee County, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, Genesee County, Michigan as of March 31, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison schedules, as identified on 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.

To the Honorable Members
of the Township Board
Charter Township of Flushing
Genesee County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Flushing, Genesee County, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

During the year, the Township implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note 1. As a result of this required implementation, the Parks and Recreation and Building Department Funds were consolidated into the General Fund. In addition, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB Statement No. 54.

As discussed in Note 2 to the financial statements, during the current year, the Township began deferring revenue recognition on property tax revenue not collected within the period of availability (60 days) and began recognizing a net pension asset for pension contributions in excess of the MERS requirement.

Plante & Moran, PLLC

July 31, 2012

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, 2012. 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, 2012:

- The Township's total net assets are \$12.1 million, with unrestricted net assets of \$4.2 million.
- During the year, the Township's governmental expenditures were about \$137,000 less than the \$2,718,659 generated in taxes and other revenue for governmental funds.
- General Fund fund balance increased by \$94,439.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets 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 assets and changes in net assets, compared to the prior year:

| | Governmental Activities | | | Percent Change |
|---|-------------------------|---------------------|-------------------|-------------------|
| | 2011* | 2012 | Change | |
| Assets | | | | |
| Current and other assets | \$ 1,539,486 | \$ 1,869,289 | \$ 329,803 | 21% |
| Capital assets | <u>1,451,846</u> | <u>1,584,893</u> | <u>133,047</u> | 9% |
| Total assets | 2,991,332 | 3,454,182 | 462,850 | 15% |
| Liabilities | | | | |
| Current liabilities | 373,716 | 427,838 | 54,122 | 14% |
| Long-term liabilities | <u>263,210</u> | <u>197,365</u> | <u>(65,845)</u> | -25% |
| Total liabilities | <u>636,926</u> | <u>625,203</u> | <u>(11,723)</u> | -2% |
| Net Assets | | | | |
| Invested in capital assets - Net of related debt | 1,445,976 | 1,581,617 | 135,641 | 9% |
| Restricted | 162,582 | 274,757 | 112,175 | 69% |
| Unrestricted | <u>745,848</u> | <u>972,605</u> | <u>226,757</u> | 30% |
| Total net assets | <u>\$ 2,354,406</u> | <u>\$ 2,828,979</u> | <u>\$ 474,573</u> | 20% |

Charter Township of Flushing

Management's Discussion and Analysis (Continued)

| | Governmental Activities | | | Percent Change |
|------------------------------------|-------------------------|-------------------|-------------------|-------------------|
| | 2011* | 2012 | Change | |
| Revenue | | | | |
| Program revenue: | | | | |
| Charges for services | \$ 762,848 | \$ 710,820 | \$ (52,028) | -7% |
| Operating grants and contributions | 82,761 | 65,370 | (17,391) | -21% |
| General revenue: | | | | |
| Property taxes | 1,021,926 | 996,448 | (25,478) | -2% |
| State-shared revenue | 671,402 | 781,801 | 110,399 | 16% |
| Other revenue | <u>147,431</u> | <u>157,760</u> | <u>10,329</u> | 7% |
| Total revenue | <u>2,686,368</u> | <u>2,712,199</u> | <u>25,831</u> | 1% |
| Program Expenses | | | | |
| General government | 588,975 | 499,445 | (89,530) | -15% |
| Public safety | 1,004,018 | 838,237 | (165,781) | -17% |
| Public works | 816,229 | 836,759 | 20,530 | 3% |
| Recreation and cultural | <u>84,731</u> | <u>63,185</u> | <u>(21,546)</u> | -25% |
| Total expenses | <u>2,493,953</u> | <u>2,237,626</u> | <u>(256,327)</u> | -10% |
| Change in Net Assets | <u>\$ 192,415</u> | <u>\$ 474,573</u> | <u>\$ 282,158</u> | 147% |

* As restated. See footnote 2 for financial statement disclosure on prior period adjustment

The Township's governmental revenue was approximately \$2.7 million this year. Property taxes were about \$996,000, or 37 percent of total revenue. State revenue sharing made up about \$782,000, or 29 percent of total revenue. The remaining 34 percent of governmental activity revenue is comprised mostly of charges for services, grants and contributions, and franchise fees.

Expenses decreased by approximately \$256,000, which is mostly due to a decrease in salaries and wage expenses.

Charter Township of Flushing

Management's Discussion and Analysis (Continued)

Business-type Activities

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

| | Business-type Activities | | | Percent Change |
|---|--------------------------|---------------------|------------------|-------------------|
| | 2011 | 2012 | Change | |
| Assets | | | | |
| Other assets | \$ 3,227,474 | \$ 3,445,155 | \$ 217,681 | 7% |
| Capital assets | <u>6,259,895</u> | <u>6,098,009</u> | <u>(161,886)</u> | -3% |
| Total assets | 9,487,369 | 9,543,164 | 55,795 | 1% |
| Liabilities - Current liabilities | 248,382 | 253,390 | 5,008 | 2% |
| Net Assets | | | | |
| Invested in capital assets - Net of related debt | 6,259,895 | 6,098,009 | (161,886) | -3% |
| Unrestricted | <u>2,979,092</u> | <u>3,191,765</u> | <u>212,673</u> | 7% |
| Total net assets | <u>\$ 9,238,987</u> | <u>\$ 9,289,774</u> | <u>\$ 50,787</u> | 1% |

| | Business-type Activities | | | Percent Change |
|---|--------------------------|------------------|-------------------|-------------------|
| | 2011 | 2012 | Change | |
| Operating revenue | \$ 1,609,687 | \$ 1,601,596 | \$ (8,091) | -1% |
| Operating expenses - Other than depreciation | 1,419,489 | 1,419,164 | (325) | 0% |
| Depreciation and amortization | <u>161,886</u> | <u>161,886</u> | <u>-</u> | 0% |
| Operating income | 28,312 | 20,546 | (7,766) | 27% |
| Interest income | 23,154 | 17,185 | (5,969) | -26% |
| Capital contributions | - | 12,000 | 12,000 | 100% |
| Other miscellaneous income | <u>1,666</u> | <u>1,056</u> | <u>(610)</u> | -37% |
| Change in Net Assets | <u>\$ 53,132</u> | <u>\$ 50,787</u> | <u>\$ (2,345)</u> | -4% |

Operating revenue (charges for services) of the Township's business-type activities decreased \$8,091 from the prior year total of \$1,609,687 to the current year total of \$1,601,596. Operating expenses decreased by \$325. The major factor contributing to the decrease in expenses from the prior year includes reduced water and sewer usage costs from the County.

Charter Township of Flushing

Management's Discussion and Analysis (Continued)

The Township's Funds

As the Township completed the year, its General Fund reported a fund balance of \$773,730. This was an increase of \$94,439 from the prior year. This represents approximately 62 percent of General Fund total expenditures and transfers out to other funds. Revenue increased approximately \$117,000, with state-shared revenue increasing by \$110,000, charges for services increasing by \$19,581, interest income increasing by \$1,085, and other revenue increasing by (\$9,380). Expenditures increased \$89,609 mainly due to an increase in general government and public works expenditures compared to fiscal year 2011.

The Law Enforcement Special Revenue Fund realized an increase in its fund balance of approximately \$47,000 to stand at \$131,640.

The Water and Sewer Enterprise Fund had an increase in net assets of \$50,787. Most of the increase was a result of operations and interest income. Cash and investments totaled \$2.839 million for the fund.

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

| | Governmental Funds | | | Percent Change |
|---|--------------------|-------------------|-------------------|-------------------|
| | 2011 | 2012 | Change | |
| Revenue | | | | |
| Property taxes and income taxes | \$ 1,043,215 | \$ 1,002,908 | \$ (40,307) | -4% |
| Charges for services | 214,145 | 233,726 | 19,581 | 9% |
| Licenses and permits | 1,425 | 1,800 | 375 | 26% |
| State-shared revenue | 671,402 | 781,801 | 110,399 | 16% |
| Federal, state, and local grants | 84,258 | 67,012 | (17,246) | -20% |
| Fines and forfeitures | 9,033 | 6,322 | (2,711) | -30% |
| Interest and rentals | 8,015 | 14,357 | 6,342 | 79% |
| Special assessments | 477,068 | 424,463 | (52,605) | -11% |
| Other | 199,096 | 186,270 | (12,826) | -6% |
| Total revenue | 2,707,657 | 2,718,659 | 11,002 | 0% |
| Expenditures | | | | |
| Current: | | | | |
| General government | 697,257 | 723,879 | 26,622 | 4% |
| Public safety | 1,042,470 | 984,159 | (58,311) | -6% |
| Public works | 802,445 | 821,057 | 18,612 | 2% |
| Recreation and culture | 52,825 | 33,560 | (19,265) | -36% |
| Capital outlay | 17,860 | 19,127 | 1,267 | 7% |
| Total expenditures | 2,612,857 | 2,581,782 | (31,075) | -1% |
| Net Change in Fund Balance | 94,800 | 136,877 | 42,077 | 44% |
| Fund Balances - Beginning of year - As restated* | 747,073 | 841,873 | 94,800 | 13% |
| Fund Balances - End of year - As restated* | <u>\$ 841,873</u> | <u>\$ 978,750</u> | <u>\$ 136,877</u> | 16% |

* See Note 2 for financial statement disclosure on prior period adjustment.

Charter Township of Flushing

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

At the end of 2011, the Township had invested \$7.7 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, 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 \$3,276 outstanding for equipment purchased for governmental activities and compensated absences due employees of \$46,456. Business-type activities (water and sewer services) did not have any long-term debt obligations outstanding at March 31, 2012. Annual debt service requirements for the capital lease are approximately \$2,600 per year, with final payment due in 2014.

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 Assets March 31, 2012

| | Primary Government | | |
|--|----------------------------|-----------------------------|---------------|
| | Governmental Activities | Business-type Activities | Total |
| Assets | | | |
| Cash and cash equivalents (Note 4) | \$ 1,247,424 | \$ 1,371,217 | \$ 2,618,641 |
| Investments | - | 1,467,462 | 1,467,462 |
| Receivables: | | | |
| Accounts | - | 110,072 | 110,072 |
| Accrued interest | - | 3,431 | 3,431 |
| Other receivables | 16,025 | - | 16,025 |
| Due from other governmental units | 205,065 | 21,310 | 226,375 |
| Unbilled | - | 319,315 | 319,315 |
| Tap-in contracts | - | 7,333 | 7,333 |
| Special assessments | - | 121,523 | 121,523 |
| Prepaid expenses | 15,636 | - | 15,636 |
| Land held for resale | 3,200 | - | 3,200 |
| Net pension asset (Note 11) | 381,939 | - | 381,939 |
| Capital assets - Net (Note 6): | | | |
| Assets not subject to depreciation | 193,200 | - | 193,200 |
| Assets subject to depreciation | 1,391,693 | 6,098,009 | 7,489,702 |
| Tap-in contracts receivable | - | 23,492 | 23,492 |
| Total assets | 3,454,182 | 9,543,164 | 12,997,346 |
| Liabilities | | | |
| Accounts payable | 71,320 | 253,146 | 324,466 |
| Due to other governmental units | 15,753 | 244 | 15,997 |
| Accrued liabilities | 23,654 | - | 23,654 |
| Deferred revenue (Note 5) | 317,111 | - | 317,111 |
| Net OPEB obligation (Note 13) | 147,633 | - | 147,633 |
| Noncurrent liabilities: | | | |
| Due within one year | 30,882 | - | 30,882 |
| Due in more than one year | 18,850 | - | 18,850 |
| Total liabilities | 625,203 | 253,390 | 878,593 |
| Net Assets | | | |
| Invested in capital assets - Net of related debt | 1,581,617 | 6,098,009 | 7,679,626 |
| Restricted for: | | | |
| Law enforcement | 178,193 | - | 178,193 |
| Drug law enforcement | 529 | - | 529 |
| Garbage collection | 96,035 | - | 96,035 |
| Unrestricted | 972,605 | 3,191,765 | 4,164,370 |
| Total net assets | \$ 2,828,979 | \$ 9,289,774 | \$ 12,118,753 |

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 | \$ 499,445 | \$ 271,863 | \$ - | \$ - |
| Public safety | 838,237 | 14,494 | 50,639 | - |
| Public works | 836,759 | 424,463 | 7,882 | - |
| Recreation and culture | 63,185 | - | 6,849 | - |
| Total governmental activities | 2,237,626 | 710,820 | 65,370 | - |
| Business-type Activities - Sewer and water | 1,581,050 | 1,601,596 | - | 12,000 |
| Total primary government | \$ 3,818,676 | \$ 2,312,416 | \$ 65,370 | \$ 12,000 |

General revenue:
 Property taxes
 State-shared revenue
 Investment income
 Franchise fees
 Other miscellaneous income
 Total general revenue

Change in Net Assets

Net Assets - Beginning of year - As restated (Note 2)

Net Assets - End of year

**Statement of Activities
Year Ended March 31, 2012**

Net (Expense) Revenue and Changes in Net Assets

Primary Government

| <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|------------------------------------|-------------------------------------|-----------------------------|
| \$ (227,582) | \$ - | \$ (227,582) |
| (773,104) | - | (773,104) |
| (404,414) | - | (404,414) |
| <u>(56,336)</u> | <u>-</u> | <u>(56,336)</u> |
| (1,461,436) | - | (1,461,436) |
| <u>-</u> | <u>32,546</u> | <u>32,546</u> |
| (1,461,436) | 32,546 | (1,428,890) |
| 996,448 | - | 996,448 |
| 781,801 | - | 781,801 |
| 14,357 | 17,185 | 31,542 |
| 110,483 | - | 110,483 |
| <u>32,920</u> | <u>1,056</u> | <u>33,976</u> |
| <u>1,936,009</u> | <u>18,241</u> | <u>1,954,250</u> |
| 474,573 | 50,787 | 525,360 |
| <u>2,354,406</u> | <u>9,238,987</u> | <u>11,593,393</u> |
| <u>\$ 2,828,979</u> | <u>\$ 9,289,774</u> | <u>\$ 12,118,753</u> |

Charter Township of Flushing

Governmental Funds Balance Sheet March 31, 2012

| Assets | General Fund | Law Enforcement | Solid Waste | Nonmajor Funds | Total |
|--|-------------------|--------------------|-------------------|-------------------|---------------------|
| | | | | | |
| Cash and cash equivalents | \$ 704,203 | \$ 150,941 | \$ 391,817 | \$ 463 | \$ 1,247,424 |
| Receivables: | | | | | |
| Other receivables | 7,014 | 8,945 | - | 66 | 16,025 |
| Due from other governmental units | 135,328 | 46,553 | 23,184 | - | 205,065 |
| Prepaid expenses | 8,996 | 6,640 | - | - | 15,636 |
| Land held for resale | 3,200 | - | - | - | 3,200 |
| Total assets | \$ 858,741 | \$ 213,079 | \$ 415,001 | \$ 529 | \$ 1,487,350 |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 50,362 | \$ 19,103 | \$ 1,855 | \$ - | \$ 71,320 |
| Due to other governmental units | - | 15,753 | - | - | 15,753 |
| Accrued liabilities and other - Payroll taxes and withholdings | 23,624 | 30 | - | - | 23,654 |
| Deferred revenue | 11,025 | 46,553 | 340,295 | - | 397,873 |
| Total liabilities | 85,011 | 81,439 | 342,150 | - | 508,600 |
| Fund Balances | | | | | |
| Nonspendable: | | | | | |
| Land held for resale | 3,200 | - | - | - | 3,200 |
| Prepays | 8,996 | 6,640 | - | - | 15,636 |
| Restricted: | | | | | |
| Law enforcement | - | 125,000 | - | - | 125,000 |
| Drug law enforcement | - | - | - | 529 | 529 |
| Garbage collection | - | - | 72,851 | - | 72,851 |
| PEG revenue | 23,298 | - | - | - | 23,298 |
| Assigned - Subsequent year's expenditures | 196,420 | - | - | - | 196,420 |
| Unassigned | 541,816 | - | - | - | 541,816 |
| Total fund balances | 773,730 | 131,640 | 72,851 | 529 | 978,750 |
| Total liabilities and fund balances | \$ 858,741 | \$ 213,079 | \$ 415,001 | \$ 529 | \$ 1,487,350 |

Charter Township of Flushing

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets March 31, 2012

| | | |
|---|-----------|-------------------------|
| Fund Balance Reported in Governmental Funds | \$ | 978,750 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds | | 1,584,893 |
| Delinquent property taxes are expected to be collected over several years and are not available to pay for current year expenditures | | 80,762 |
| Capital lease obligations are not due and payable in the current period and are not reported in the funds | | (3,276) |
| 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 | | (46,456) |
| Net pension assets do not present a claim on current financial resources and are not reported as fund liabilities | | 381,939 |
| Other postemployment benefit obligations do not present a claim on current financial resources and are not reported as fund liabilities | | (147,633) |
| Net Assets of Governmental Activities | \$ | <u>2,828,979</u> |

Charter Township of Flushing

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2012

| | General Fund | Law Enforcement | Solid Waste | Nonmajor Funds | Total |
|---|-------------------|--------------------|------------------|-------------------|-------------------|
| Revenue | | | | | |
| Property taxes | \$ 130,728 | \$ 872,180 | \$ - | \$ - | \$ 1,002,908 |
| Licenses and permits | 1,800 | - | - | - | 1,800 |
| Federal grants | - | - | - | 5,202 | 5,202 |
| State-shared revenue and grants | 789,683 | 53,928 | - | - | 843,611 |
| Charges for services | 233,726 | - | - | - | 233,726 |
| Fines and forfeitures | - | 6,322 | - | - | 6,322 |
| Investment income | 6,414 | 7,943 | - | - | 14,357 |
| Other revenue: | | | | | |
| Special assessments | - | - | 424,463 | - | 424,463 |
| Other miscellaneous income | 183,187 | 3,017 | - | 66 | 186,270 |
| Total revenue | 1,345,538 | 943,390 | 424,463 | 5,268 | 2,718,659 |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 719,589 | 3,430 | 860 | - | 723,879 |
| Public safety | 110,567 | 873,592 | - | - | 984,159 |
| Public works | 392,438 | - | 428,619 | - | 821,057 |
| Recreation and culture | 28,358 | - | - | 5,202 | 33,560 |
| Capital outlay | 147 | 18,980 | - | - | 19,127 |
| Total expenditures | 1,251,099 | 896,002 | 429,479 | 5,202 | 2,581,782 |
| Net Change in Fund Balances | 94,439 | 47,388 | (5,016) | 66 | 136,877 |
| Fund Balances - Beginning of year - As restated (Note 2) | 679,291 | 84,252 | 77,867 | 463 | 841,873 |
| Fund Balances - End of year | \$ 773,730 | \$ 131,640 | \$ 72,851 | \$ 529 | \$ 978,750 |

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, 2012

| | | |
|---|-----------|-----------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 136,877 |
| 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 | | 257,001 |
| Depreciation expense | | (123,625) |
| Net book value of assets disposed of | | (329) |
| Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end | | |
| | | (6,460) |
| Repayment of lease principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) | | |
| | | 2,594 |
| Decrease 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 | | |
| | | 59,796 |
| Increase in net pension asset | | |
| | | 145,264 |
| Decrease in net other postemployment benefit obligation | | |
| | | 3,455 |
| Change in Net Assets of Governmental Activities | \$ | <u>474,573</u> |

Charter Township of Flushing

Proprietary Fund Statement of Net Assets March 31, 2012

| | <u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u> |
|--|---|
| Assets | |
| Current assets: | |
| Cash and cash equivalents | \$ 1,371,217 |
| Investments | 1,467,462 |
| Receivables: | |
| Special assessments - Current portion | 37,572 |
| Accounts | 110,072 |
| Accrued interest | 3,431 |
| Due from other governmental units | 21,310 |
| Unbilled | 319,315 |
| Tap-in contracts - Current portion | 7,333 |
| Total current assets | <u>3,337,712</u> |
| Noncurrent assets: | |
| Special assessment receivables - Long-term portion | 83,951 |
| Capital assets - Net of accumulated depreciation | 6,098,009 |
| Tap-in contracts receivable - Long-term portion | 23,492 |
| Total noncurrent assets | <u>6,205,452</u> |
| Total assets | <u>9,543,164</u> |
| Liabilities - Current liabilities | |
| Accounts payable | 253,146 |
| Due to other governmental units | 244 |
| Total current liabilities | <u>253,390</u> |
| Net Assets | |
| Invested in capital assets | 6,098,009 |
| Unrestricted | 3,191,765 |
| Total net assets | <u>\$ 9,289,774</u> |

Charter Township of Flushing

Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2012

| | <u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u> |
|--|---|
| Operating Revenue | |
| Water usage fees | \$ 1,290,068 |
| Sewer treatment fees | 278,546 |
| Late charges | 32,982 |
| Total operating revenue | <u>1,601,596</u> |
| Operating Expenses | |
| Water usage cost | 1,066,760 |
| Sewer treatment cost | 159,422 |
| Pumping station maintenance | 25,927 |
| Pumping station utilities | 5,406 |
| Computer billing charges | 12,032 |
| Hydrant service | 10,417 |
| Administration | 126,000 |
| Miscellaneous | 8,055 |
| Professional fees | 5,145 |
| Depreciation | 161,886 |
| Total operating expenses | <u>1,581,050</u> |
| Operating Income | <u>20,546</u> |
| Nonoperating Revenue | |
| Investment income | 17,185 |
| Interest on tap-in contracts and assessments | 1,056 |
| Total nonoperating revenue | <u>18,241</u> |
| Income - Before contributions | 38,787 |
| Capital Contributions - Benefit fees | <u>12,000</u> |
| Change in Net Assets | 50,787 |
| Net Assets - Beginning of year | <u>9,238,987</u> |
| Net Assets - End of year | <u><u>\$ 9,289,774</u></u> |

Charter Township of Flushing

Proprietary Fund Statement of Cash Flows Year Ended March 31, 2012

| | <u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u> |
|--|---|
| Cash Flows from Operating Activities | |
| Receipts from customers | \$ 1,599,745 |
| Payments for interfund services and reimbursements | (126,000) |
| Payments to suppliers | <u>(1,288,156)</u> |
| Net cash provided by operating activities | <u>185,589</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Special assessment collections | 42,617 |
| Tap-in fees | <u>11,246</u> |
| Net cash provided by capital and related financing activities | <u>53,863</u> |
| Cash Flows from Investing Activities | |
| Interest received on investments | 15,572 |
| Purchase of investment securities | (1,467,462) |
| Proceeds from sale and maturities of investment securities | <u>1,456,995</u> |
| Net cash provided by investing activities | <u>5,105</u> |
| Net Increase in Cash and Cash Equivalents | 244,557 |
| Cash and Cash Equivalents - Beginning of year | <u>1,126,660</u> |
| Cash and Cash Equivalents - End of year | <u><u>\$ 1,371,217</u></u> |
| Reconciliation of Operating Income to Net Cash from Operating Activities | |
| Operating income | \$ 20,546 |
| Adjustments to reconcile operating income to net cash from operating activities: | |
| Depreciation and amortization | 161,886 |
| Changes in assets and liabilities: | |
| Receivables | (1,851) |
| Accounts payable | <u>5,008</u> |
| Net cash provided by operating activities | <u><u>\$ 185,589</u></u> |

Charter Township of Flushing

Notes to Financial Statements March 31, 2012

Note I - Nature of Business and Significant Accounting Policies

The accounting policies of the Charter Township of Flushing (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Flushing:

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 is 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 were \$7,961 and \$2,862, 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.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Charter Township of Flushing

Notes to Financial Statements March 31, 2012

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

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

Charter Township of Flushing

Notes to Financial Statements March 31, 2012

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

The Law Enforcement Fund accounts for police services provided to Township residents.

The Solid Waste Fund accounts for sanitation services provided to Township residents.

The Township reports the following major proprietary funds:

The water supply and sewer disposal system. One fund is maintained for the operations of the water distribution system and the sewage pumping and collection system that transport the sewage to Genesee County's treatment plant.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When an expense is incurred for a purpose for which both restricted and unrestricted net assets or fund balance are available, the Township's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the Township's policy to spend using committed, assigned, and then unassigned funds.

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

Charter Township of Flushing

Notes to Financial Statements March 31, 2012

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

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 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 2011 tax is levied and collectible on December 1, 2011 and is recognized as revenue in the year ended March 31, 2012, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2011 taxable valuation of the Township totaled \$254,890,184, on which taxes levied consisted of 0.50 mills for operating purposes and 3.4114 mills for police. This resulted in \$128,092 for operating purposes and \$872,180 for police. These amounts are recognized in the respective General and Special Revenue Fund financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

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.

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 the government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the 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.

Charter Township of Flushing

Notes to Financial Statements March 31, 2012

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

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:

| | |
|-----------------------------|----------------|
| 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 |
| Sewer system | 60 years |
| Infrastructure | 10 to 20 years |

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.

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 assets. 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.

Charter Township of Flushing

Notes to Financial Statements March 31, 2012

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

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.

Fund Equity - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned. The Township implemented GASB Statement No. 54 during the year.

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

- Nonspendable - Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- Restricted - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- Committed - Amounts that have been formally set aside by the board of trustees 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 is expressed by the board of trustees.

Charter Township of Flushing

Notes to Financial Statements March 31, 2012

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.

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 - Prior Period Adjustment

The financial statements for the year ended March 31, 2011 have been restated in order to reflect recording deferred revenue related to property taxes not collected within the period of availability in the General Fund, Law Enforcement Fund, and Solid Waste Fund. The financial statements for the year ended March 31, 2011 have also been restated in order to reflect contributions made in excess of the annual required contribution for the defined benefit pension plan since March 31, 2007 in the governmental activities. Therefore, in the current year, the Township recorded a prior period adjustment to properly reflect deferred revenue and the net pension asset in the governmental funds and governmental activities. The effect of this correction is described in the following table.

| | Governmental Activities | General Fund | Law Enforcement | Solid Waste |
|--|----------------------------|-------------------|--------------------|------------------|
| Net assets/fund balance - March 31, 2011 - As previously reported | \$ 2,117,731 | \$ 689,005 | \$ 134,689 | \$ 102,955 |
| Plus parks and recreation and building department funds consolidated into the General Fund from the implementation of GASB No. 54 | - | 1,983 | - | - |
| Net assets/fund balance - Beginning of year | 2,117,731 | 690,988 | 134,689 | 102,955 |
| To properly reflect deferred revenue related to property taxes not collected within the period of availability | - | (11,697) | (50,437) | (25,088) |
| To properly reflect a net pension asset for contributions made in excess of the annual required contribution in the defined benefit pension plan | 236,675 | - | - | - |
| Net assets/fund balance - March 31, 2011 - As restated | <u>\$ 2,354,406</u> | <u>\$ 679,291</u> | <u>\$ 84,252</u> | <u>\$ 77,867</u> |

Charter Township of Flushing

Notes to Financial Statements March 31, 2012

Note 3 - 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. As a result of this different budget perspective, the Community Development Fund is not included in the special revenue budget to actual statements.

Charter Township of Flushing

Notes to Financial Statements March 31, 2012

Note 3 - 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, 2011 | | \$ | (264,887) |
| Construction permit revenue | | | 1,800 |
| Related expenses - Professional services | \$ | 610 | 610 |
| Current year surplus | | | 1,190 |
| Cumulative shortfall at March 31, 2012 | | \$ | <u>(263,697)</u> |

Note 4 - 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 mature 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, 2012

Note 4 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the 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 \$1,876,255 of bank deposits (certificates of deposit, money market, 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 it deposits funds with 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 types' portion of this pool is included on the combined 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, 2012 follows:

| <u>Fund</u> | <u>Pooled Cash</u> |
|---------------------------|--------------------|
| General Fund | \$ 704,203 |
| Law Enforcement Fund | 150,941 |
| Solid Waste Fund | 391,817 |
| Drug Law Enforcement Fund | 463 |

Note 5 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

| | <u>Governmental Funds</u> | |
|---------------------------|---------------------------|-----------------|
| | <u>Unavailable</u> | <u>Unearned</u> |
| Delinquent property taxes | \$ 80,762 | \$ - |
| Special assessments | - | 317,111 |

Charter Township of Flushing

Notes to Financial Statements March 31, 2012

Note 6 - Capital Assets

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

| | Balance April 1, 2011 | Additions | Disposals | Balance March 31, 2012 |
|--|--------------------------|--------------|-----------|---------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated - | | | | |
| Land | \$ 193,200 | \$ - | \$ - | \$ 193,200 |
| Capital assets being depreciated: | | | | |
| Infrastructure | 399,141 | 244,121 | - | 643,262 |
| Buildings and building improvements | 1,017,070 | 5,900 | - | 1,022,970 |
| Maintenance equipment | 41,457 | - | - | 41,457 |
| Vehicles | 150,626 | - | (19,403) | 131,223 |
| Office equipment | 44,453 | - | (1,052) | 43,401 |
| Computer equipment | 129,166 | 6,980 | (973) | 135,173 |
| Land improvements | 553,220 | - | - | 553,220 |
| Vehicle equipment | 12,162 | - | - | 12,162 |
| Subtotal | 2,347,295 | 257,001 | (21,428) | 2,582,868 |
| Accumulated depreciation: | | | | |
| Infrastructure | 87,407 | 56,329 | - | 143,736 |
| Buildings and building improvements | 419,854 | 22,174 | - | 442,028 |
| Maintenance equipment | 31,354 | 3,217 | - | 34,571 |
| Vehicles | 138,580 | 7,412 | (19,403) | 126,589 |
| Office equipment | 35,281 | 2,010 | (1,052) | 36,239 |
| Computer equipment | 112,120 | 5,620 | (644) | 117,096 |
| Land improvements | 254,542 | 24,998 | - | 279,540 |
| Vehicle equipment | 9,511 | 1,865 | - | 11,376 |
| Subtotal | 1,088,649 | 123,625 | (21,099) | 1,191,175 |
| Net capital assets being depreciated | 1,258,646 | 133,376 | (329) | 1,391,693 |
| Net capital assets | \$ 1,451,846 | \$ 133,376 | \$ (329) | \$ 1,584,893 |
| Business-type Activities | | | | |
| Capital assets being depreciated: | | | | |
| Water system | \$ 7,333,999 | \$ - | \$ - | \$ 7,333,999 |
| Waterline | 601,459 | - | - | 601,459 |
| Machinery and equipment | 34,363 | - | - | 34,363 |
| Sewer system | 1,589,545 | - | - | 1,589,545 |
| Subtotal | 9,559,366 | - | - | 9,559,366 |
| Accumulated depreciation: | | | | |
| Water system | 2,539,171 | 122,234 | - | 2,661,405 |
| Waterline | 310,755 | 10,024 | - | 320,779 |
| Machinery and equipment | 19,146 | 3,136 | - | 22,282 |
| Sewer system | 430,399 | 26,492 | - | 456,891 |
| Subtotal | 3,299,471 | 161,886 | - | 3,461,357 |
| Net capital assets being depreciated | 6,259,895 | (161,886) | - | 6,098,009 |
| Net capital assets | \$ 6,259,895 | \$ (161,886) | \$ - | \$ 6,098,009 |

Charter Township of Flushing

Notes to Financial Statements March 31, 2012

Note 6 - Capital Assets (Continued)

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

Governmental activities:

| | | |
|------------------------|----|--------|
| General government | \$ | 62,723 |
| Public safety | | 15,675 |
| Public works | | 15,702 |
| Recreation and culture | | 29,525 |

Total governmental activities \$ 123,625

Business-type activities - Water and sewer \$ 161,886

Note 7 - 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 \$10,058 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:

| <u>Years Ending March 31</u> | <u>Amount</u> |
|---|-----------------|
| 2013 | \$ 2,940 |
| 2014 | 490 |
| Total minimum lease payments | 3,430 |
| Less amount representing interest | <u>(154)</u> |
| Capital leases payable at March 31, 2012 | <u>\$ 3,276</u> |

Charter Township of Flushing

Notes to Financial Statements March 31, 2012

Note 8 - Long-term Debt

Long-term debt activity can be summarized as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|-------------------------------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Governmental Activities | | | | | |
| Capital leases | \$ 5,870 | \$ - | \$ 2,594 | \$ 3,276 | \$ 2,791 |
| Accumulated compensated absences | <u>106,252</u> | <u>74,889</u> | <u>134,685</u> | <u>46,456</u> | <u>28,091</u> |
| Total governmental activities | <u>\$ 112,122</u> | <u>\$ 74,889</u> | <u>\$ 137,279</u> | <u>\$ 49,732</u> | <u>\$ 30,882</u> |

Note 9 - 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, 2012.

Note 10 - Commitments

The Township, during fiscal year 2010, entered into a contract with another governmental unit to provide fire protection to the Township. In the current fiscal year, the contract requires quarterly payments of \$30,500 to be made through June 30, 2012, with the estimated annual amount increasing by \$3,000 per year thereafter.

The Township, during fiscal year 2011-2012, entered into a contract with the Genesee County Sheriff to provide police services to the Township. The contract requires an estimated cost through December 31, 2012 of \$543,826. The contract may be terminated upon written notice of not less than 60 days prior to the date of termination.

Note 11 - 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.

Charter Township of Flushing

Notes to Financial Statements March 31, 2012

Note 11 - Defined Benefit Pension Plan (Continued)

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 nonunion 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 nonunion 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 nonunion 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, 2010, the date of the latest actuarial valuation, is comprised of four nonunion and six police officer and command active members. There were no nonunion and three police officer and command inactive vested members, and 11 nonunion and two police officer and command retirants or beneficiaries at December 31, 2010.

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 an 11-year period to pay benefits when due.

Charter Township of Flushing

Notes to Financial Statements March 31, 2012

Note 11 - Defined Benefit Pension Plan (Continued)

The plan provides that the employer/employees contribute amounts necessary to fund the actuarially determined benefits. Nonunion 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 50.78 percent non-union, 9.97 percent patrol police officers, and 44.18 percent command police officers of annual covered payroll.

Annual Pension Cost and Net Pension Asset

| | |
|---|---------------------|
| Annual required contribution | \$ 142,428 |
| Interest on net pension obligation | (9,467) |
| Adjustment to annual required contribution | <u>14,204</u> |
| Annual pension cost (APC) | 147,165 |
| Contributions made | <u>(292,429)</u> |
| Increase in net pension asset | (145,264) |
| Net pension asset - Beginning of year - As restated | <u>(236,675)</u> |
| Net pension asset - End of year | <u>\$ (381,939)</u> |

For the year ended March 31, 2012, the Township's annual pension cost was \$147,165. The Township's actual contribution was \$292,429. The annual required contribution was determined as part of an actuarial valuation at December 31, 2009, 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) 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 11 years.

Charter Township of Flushing

Notes to Financial Statements March 31, 2012

Note 11 - Defined Benefit Pension Plan (Continued)

Three-year Trend Information

| | Fiscal Year Ended March 31 | | |
|---|--------------------------------------|--------------|--------------|
| | 2012 | 2011 | 2010 |
| Annual pension cost (APC) | \$ 147,165 | \$ 164,691 | \$ 131,567 |
| Percentage of APC contributed | 198.7 % | 146.6 % | 97.5 % |
| Net pension asset - As restated | 381,939 | 236,675 | 159,875 |
| | Actuarial Valuation Date December 31 | | |
| | 2010 | 2009 | 2008 |
| Actuarial value of assets | \$ 3,277,147 | \$ 3,167,663 | \$ 3,054,957 |
| Actuarial accrued liability (AAL) | | | |
| (entry age) | 5,588,191 | 5,166,921 | 4,997,997 |
| Unfunded AAL (UAAL) | 2,311,044 | 1,999,258 | 1,943,040 |
| Funded ratio | 58.6 % | 61.3 % | 61.1 % |
| Covered payroll | 524,823 | 647,809 | 944,225 |
| UAAL as a percentage of covered payroll | 440.3 % | 308.6 % | 205.8 % |

The police employees were terminated during February 2012. A new actuarial valuation including the impact of this membership change was not able to be obtained in time to include in these financial statements.

Note 12 - Defined Contribution Pension Plan

Effective April 1, 2008, the police officers union contract indicates that employees hired after July 1, 2008 may, if allowed by MERS under the other terms of the parties' 2008-2011 collective bargaining agreement, be placed into a defined contribution plan rather than the MERS defined benefit plan. As of March 15, 2012, there was one police officer participating in the defined contribution plan. The employee contributed 1 percent of the employee's gross earnings. The Township does not make contributions. The current year contribution was calculated based on covered payroll of \$60,000, resulting in an employee contribution of \$600. As of March 31, 2012, there are no employees in the defined contribution pension plan.

Charter Township of Flushing

Notes to Financial Statements March 31, 2012

Note 13 - 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, 2012, the Township paid postemployment healthcare premiums of \$22,066.

Funding Progress - For the year ended March 31, 2012, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of April 1, 2011. 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) | \$ | 28,105 |
| Interest on the prior year's net OPEB obligation | | 5,656 |
| Less adjustment to the annual required contribution | | <u>(5,455)</u> |
| Annual OPEB cost | | 28,306 |
| Amounts contributed: | | |
| Payments of current premiums | | (22,066) |
| Advance funding | | - |
| Adjustment to prior year OPEB obligation | | <u>(9,695)</u> |
| Decrease in net OPEB obligation | | (3,455) |
| OPEB obligation - Beginning of year | | <u>151,088</u> |
| OPEB obligation - End of year | \$ | <u>147,633</u> |

Charter Township of Flushing

Notes to Financial Statements March 31, 2012

Note 13 - Other Postemployment Benefits (Continued)

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

| Fiscal Year Ended | Actuarial Valuation Date | Annual Required Contribution | Percentage Contributed | Net OPEB Obligation |
|-------------------|--------------------------|------------------------------|------------------------|---------------------|
| 3/31/10 | 4/1/09 | \$ 88,266 | 20.6 | \$ 77,869 |
| 3/31/11 | 4/1/09 | 88,266 | 11.8 | 151,088 |
| 3/31/12 | 4/1/11 | 28,105 | 78.5 | 147,633 |

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 | - | - | - |

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.

Charter Township of Flushing

Notes to Financial Statements March 31, 2012

Note 13 - Other Postemployment Benefits (Continued)

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, 2012. The costs are assumed to increase with medical trend rates.

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, 2012 was 20 years.

Note 14 - Upcoming Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement 14 and Statement 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the Township's 2013-2014 fiscal year.

Charter Township of Flushing

Notes to Financial Statements March 31, 2012

Note 14 - Upcoming Accounting Pronouncements (Continued)

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the Township's 2012-2013 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the Township's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

The GASB has recently issued GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. The pronouncement clarifies when a replacement of a swap counterparty or swap counterparty's credit support provider results in continuing effective hedging relationships versus a required termination. The Township is evaluating the impact this standard may have on its financial statements when adopted as required in 2012-2013 fiscal year.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements "deferred outflows of resources" and "deferred inflows of resources." Statement No. 65 will be implemented for the Township's 2013-2014 fiscal year.

Charter Township of Flushing

Notes to Financial Statements March 31, 2012

Note 14 - Upcoming Accounting Pronouncements (Continued)

In June 2012, GASB Statement No. 67, *Financial Reporting for Pension Plans*, was issued by the Governmental Accounting Standards Board. This new standard, which replaces the requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, establishes standards for financial reporting that outline the basic framework for separately-issued pension plan financial reports and specifies the required approach to measuring the liability of employer(s) and certain nonemployer contributing entities, about which information is required to be disclosed. GASB Statement No. 67 is required to be adopted for years beginning after June 15, 2013. For the Township, this standard will be adopted for the year ended March 31, 2015.

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 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 ended March 31, 2016.

Required Supplemental Information

Charter Township of Flushing

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2012

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|---|--------------------------|--------------------------|--------------------------|------------------------------------|
| Revenue | | | | |
| Property taxes | \$ 122,000 | \$ 127,000 | \$ 130,728 | \$ 3,728 |
| State-shared revenue and grants | 638,500 | 658,500 | 789,683 | 131,183 |
| Charges for services | 188,800 | 188,800 | 233,726 | 44,926 |
| Investment income | 6,000 | 6,000 | 6,414 | 414 |
| Other revenue | 152,800 | 150,300 | 181,540 | 31,240 |
| Total revenue | <u>1,108,100</u> | <u>1,130,600</u> | <u>1,342,091</u> | <u>211,491</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government: | | | | |
| Township board | 109,300 | 160,350 | 149,581 | 10,769 |
| Supervisor | 58,600 | 61,200 | 60,424 | 776 |
| Accounting | 80,750 | 90,950 | 84,936 | 6,014 |
| Treasurer | 130,700 | 138,500 | 132,848 | 5,652 |
| Assessor | 91,900 | 104,400 | 101,206 | 3,194 |
| Clerk | 123,900 | 136,300 | 128,166 | 8,134 |
| Elections | 8,000 | 15,000 | 15,437 | (437) |
| Township hall and grounds | 56,500 | 56,700 | 46,476 | 10,224 |
| Public safety - Fire | 118,000 | 110,000 | 109,957 | 43 |
| Public works | 334,900 | 426,300 | 392,438 | 33,862 |
| Recreation and culture | 14,000 | 15,500 | 15,228 | 272 |
| Capital outlay | 3,500 | 2,220 | 47 | 2,173 |
| Total expenditures | <u>1,130,050</u> | <u>1,317,420</u> | <u>1,236,744</u> | <u>80,676</u> |
| Net Change in Fund Balance | (21,950) | (186,820) | 105,347 | 292,167 |
| Fund Balance - Beginning of year | <u>689,005</u> | <u>689,005</u> | <u>689,005</u> | <u>-</u> |
| Fund Balance - End of year | <u><u>\$ 667,055</u></u> | <u><u>\$ 502,185</u></u> | <u><u>\$ 794,352</u></u> | <u><u>\$ 292,167</u></u> |

Charter Township of Flushing

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Law Enforcement Year Ended March 31, 2012

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|---|--------------------------|-------------------------|--------------------------|------------------------------------|
| Revenue | | | | |
| Property taxes | \$ 765,000 | \$ 860,000 | \$ 872,180 | \$ 12,180 |
| State-shared revenue and grants | 59,950 | 57,950 | 53,928 | (4,022) |
| Fines and forfeitures | 14,000 | 14,000 | 6,322 | (7,678) |
| Investment income | 1,100 | 1,100 | 7,943 | 6,843 |
| Other revenue | 3,000 | 1,000 | 3,017 | 2,017 |
| Total revenue | <u>843,050</u> | <u>934,050</u> | <u>943,390</u> | <u>9,340</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government - Township board | 3,500 | 3,500 | 3,430 | 70 |
| Public safety - Law enforcement | 785,000 | 912,850 | 873,592 | 39,258 |
| Capital outlay | <u>26,000</u> | <u>20,250</u> | <u>18,980</u> | <u>1,270</u> |
| Total expenditures | <u>814,500</u> | <u>936,600</u> | <u>896,002</u> | <u>40,598</u> |
| Other Financing Uses | | | | |
| Net Change in Fund Balance | 28,550 | (2,550) | 47,388 | 49,938 |
| Fund Balance - Beginning of year | <u>84,252</u> | <u>84,252</u> | <u>84,252</u> | <u>-</u> |
| Fund Balance - End of year | <u><u>\$ 112,802</u></u> | <u><u>\$ 81,702</u></u> | <u><u>\$ 131,640</u></u> | <u><u>\$ 49,938</u></u> |

Charter Township of Flushing

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Solid Waste Year Ended March 31, 2012

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|--|------------------|-------------------|------------------|------------------------------------|
| Revenue - Other revenue - Special assessments | \$ 450,000 | \$ 422,000 | \$ 424,463 | \$ 2,463 |
| Expenditures - Current | | | | |
| General government - Township board | 600 | 600 | 860 | (260) |
| Public works | 450,000 | 430,000 | 428,619 | 1,381 |
| Total expenditures | 450,600 | 430,600 | 429,479 | 1,121 |
| Net Change in Fund Balance | (600) | (8,600) | (5,016) | 3,584 |
| Fund Balance - Beginning of year | 77,867 | 77,867 | 77,867 | - |
| Fund Balance - End of year | <u>\$ 77,267</u> | <u>\$ 69,267</u> | <u>\$ 72,851</u> | <u>\$ 3,584</u> |

Charter Township of Flushing

Note to Required Supplemental Information Year Ended March 31, 2012

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, 2012.

| | Revised Project (Grant) Length Budget | Project Funds Expended During 2012 | Expended Through 3-31-2012 | Total Project Funds Unexpended Balance at 3-31-2012 |
|--|---|--|----------------------------------|---|
| Special revenue fund type - Community Development Fund: | | | | |
| Youth Employment Program 2010 | \$ 16,810 | \$ - | \$ - | \$ 16,810 |
| Youth Employment Program 2008 | 4,277 | - | 3,857 | 420 |
| Public Services Commitment 2010 | 3,602 | - | 3,104 | 498 |
| Summer Youth Program 2010 | 18,215 | - | 18,245 | (30) |
| Senior Center Operations 2011 | 5,202 | - | 5,202 | - |
| Removal Architectural Barriers 2011 | 35,190 | - | - | 35,190 |
| Total Community Development | <u>\$ 83,296</u> | <u>\$ -</u> | <u>\$ 30,408</u> | <u>\$ 52,888</u> |

Excess of Expenditures Over Appropriations in Budgeted Funds

The Township had the following expenditure budget variances:

| | Budget | Actual | Variance |
|--|-----------|-----------|----------|
| General Fund - General government - Elections | \$ 15,000 | \$ 15,437 | \$ (437) |
| Solid waste - General government - Township board | 600 | 860 | (260) |

Charter Township of Flushing

Note to Required Supplemental Information (Continued) Year Ended March 31, 2012

Reconciliation of General Fund Budgetary Comparison Schedule to Statement of Revenue, Expenditures, and Changes in Fund Balance

During the year, the Township implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note 1. As a result of this required implementation, the Parks and Recreation and Building Department funds were consolidated into the General Fund. Below is a reconciliation from the General Fund budgetary comparison schedule as adopted to the statement of revenue, expenditures, and changes in fund balance.

| | Original Budget | Amended Budget | Actual |
|--|--------------------|-------------------|-------------------|
| Fund balance - March 31, 2011 - As adopted | \$ 689,005 | \$ 689,005 | \$ 689,005 |
| Plus Parks and Recreation and Building Department funds consolidated into the General Fund from the implementation of GASB No. 54 | <u>1,983</u> | <u>1,983</u> | <u>1,983</u> |
| Fund balance - Beginning of year | 690,988 | 690,988 | 690,988 |
| To properly reflect deferred revenue related to property taxes not collected within the period of availability | <u>(11,697)</u> | <u>(11,697)</u> | <u>(11,697)</u> |
| Fund balance - March 31, 2011 - As restated | 679,291 | 679,291 | 679,291 |
| Net change in fund balance - Including Parks and Recreation and Building Department funds consolidated into the General Fund from the implementation of GASB No. 54 | <u>(12,236)</u> | <u>(177,106)</u> | <u>94,439</u> |
| Fund Balance - March 31, 2012 | <u>\$ 667,055</u> | <u>\$ 502,185</u> | <u>\$ 773,730</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, 2012

| | Special Revenue Funds | | | Total Nonmajor Governmental Funds |
|-----------------------------------|-------------------------|--------------------------|---------------|---|
| Assets | Drug Law Enforcement | Community Development | Total | |
| Cash and investments | \$ 463 | \$ - | \$ 463 | \$ 463 |
| Receivables | 66 | - | 66 | 66 |
| Total assets | \$ 529 | \$ - | \$ 529 | \$ 529 |
| Fund Balances - 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, 2012

| | Special Revenue Funds | | |
|--|-------------------------|--------------------------|----------|
| | Drug Law Enforcement | Community Development | Total |
| Revenue | | | |
| Federal grants | \$ - | \$ 5,202 | \$ 5,202 |
| Other revenue | 66 | - | 66 |
| Expenditures - Current - Recreation and culture | - | 5,202 | 5,202 |
| Net Change in Fund Balances | 66 | - | 66 |
| Fund Balances - Beginning of year | 463 | - | 463 |
| Fund Balances - End of year | \$ 529 | \$ - | \$ 529 |