

**Township of Macomb  
Macomb County, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2012**

# Township of Macomb

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# Township of Macomb

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## Independent Auditor's Report

To the Board of Trustees  
Township of Macomb  
Macomb 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 Township of Macomb (the "Township") as of and for the year ended June 30, 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 Township of Macomb'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 Township of Macomb as of June 30, 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, retirement system schedule of funding progress, and the budgetary comparison schedules for the General Fund and each major special revenue fund, as identified on pages 50-53, 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 Board of Trustees  
Township of Macomb

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. These schedules, along with the budgetary comparison schedules for the General Fund and each major special revenue fund on pages 50-53, have 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.

*Plante & Moran, PLLC*

December 17, 2012

# Township of Macomb

## Management's Discussion and Analysis

### 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 of Macomb (the "Township") on a government-wide basis. They are designed to present a longer-term view of the Township's finances. Fund financial statements follow the above-mentioned statements and illustrate how the services provided by the Township were financed in the short term, as well as what remains for future spending. Additionally, fund financial statements report the Township's operations in more detail than the government-wide financial statements.

In a condensed format, the table below shows the comparison of net assets (in millions of dollars) as of June 30, 2012 to the prior year:

Table I

	Governmental Activities		Business-type Activities		Total	
	2012	2011*	2012	2011*	2012	2011
<b>Assets</b>						
Current assets	\$ 57.5	\$ 56.5	\$ 40.6	\$ 43.2	\$ 98.1	\$ 99.7
Noncurrent assets:						
Restricted assets	0.1	0.4	8.5	4.7	8.6	5.1
Capital assets	<u>48.6</u>	<u>49.0</u>	<u>156.4</u>	<u>156.8</u>	<u>205.0</u>	<u>205.8</u>
Total assets	106.2	105.9	205.5	204.7	311.7	310.6
<b>Liabilities</b>						
Current liabilities	5.1	4.9	4.6	3.9	9.7	8.8
Long-term liabilities	<u>34.5</u>	<u>36.9</u>	<u>33.1</u>	<u>30.9</u>	<u>67.6</u>	<u>67.8</u>
Total liabilities	<u>39.6</u>	<u>41.8</u>	<u>37.7</u>	<u>34.8</u>	<u>77.3</u>	<u>76.6</u>
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	12.1	10.7	128.3	128.7	140.4	139.4
Restricted	16.5	17.5	1.5	0.1	18.0	17.6
Unrestricted	<u>38.0</u>	<u>35.9</u>	<u>38.0</u>	<u>41.1</u>	<u>76.0</u>	<u>77.0</u>
Total net assets	<u>\$ 66.6</u>	<u>\$ 64.1</u>	<u>\$ 167.8</u>	<u>\$ 169.9</u>	<u>\$ 234.4</u>	<u>\$ 234.0</u>

\* Certain 2011 amounts have been restated to reflect classifications consistent with 2012.

# Township of Macomb

## Management's Discussion and Analysis (Continued)

The Township's combined net assets increased approximately \$0.4 million from a year ago, increasing from \$234.0 million to \$234.4 million. A review of the governmental activities, separate from the business-type activities, shows an increase of approximately \$2.5 million in net assets, or 3.9 percent, during fiscal year 2012. The increase in total net assets is primarily attributable to a reduction in long-term liabilities. The business-type activities net assets decreased from the previous year by approximately 1.2 percent. This was primarily due to the addition of the 2011 Clintondale Pump Station Improvements debt.

Unrestricted net assets for the governmental activities were \$38.0 million at June 30, 2012. This amount represents the part of net assets that is available to finance day-to-day operations and future growth of the Township. The business-type activities restricted assets increased \$3.8 million from the previous year. This is attributable to the Oakland-Macomb Interceptor Drainage and the Macomb Interceptor Drainage projects.

The following table shows the changes in net assets (in millions of dollars) during the year ended June 30, 2012 and the prior year:

Table 2

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 4.9	\$ 4.4	\$ 18.5	\$ 15.8	\$ 23.4	\$ 20.2
Operating grants and contributions	0.1	0.5	0.3	-	0.4	0.5
Capital grants and contributions - As restated	-	-	1.3	1.7	1.3	1.7
General revenue:						
Property taxes	9.8	10.4	-	-	9.8	10.4
State-shared revenue	6.2	5.4	-	-	6.2	5.4
Interest	0.1	0.2	0.1	0.2	0.2	0.4
Cable fees and other	1.5	1.7	-	-	1.5	1.7
Gain on sale of fixed assets	0.2	-	-	-	0.2	-
Total revenue	22.8	22.6	20.2	17.7	43.0	40.3
<b>Program Expenses</b>						
General government	7.0	5.1	-	-	7.0	5.1
Public safety	7.0	7.6	-	-	7.0	7.6
Public works	1.3	1.6	-	-	1.3	1.6
Recreation and culture	3.3	3.3	-	-	3.3	3.3
Interest on long-term debt	1.7	1.7	-	-	1.7	1.7
Water and sewer	-	-	22.3	19.8	22.3	19.8
Total program expenses	20.3	19.3	22.3	19.8	42.6	39.1
<b>Change in Net Assets</b>	2.5	3.3	(2.1)	(2.1)	0.4	1.2
<b>Net Assets - Beginning of year</b>	64.1	60.8	169.9	172.0	234.0	232.8
<b>Net Assets - End of year</b>	<b>\$ 66.6</b>	<b>\$ 64.1</b>	<b>\$ 167.8</b>	<b>\$ 169.9</b>	<b>\$ 234.4</b>	<b>\$ 234.0</b>

# **Township of Macomb**

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

### **Governmental Activities**

The Township's total governmental revenue increased by approximately \$0.2 million from the last fiscal year. This was primarily attributed to the increase in state-shared revenue. State-shared revenue increased by approximately \$0.8 million because of population increases as measured in the current census. Even though tax rates stayed the same as the previous year, property tax revenue decreased by \$0.6 million caused by an approximately 2 percent decrease in taxable value in Macomb Township. The decline has been seen in overall property values in southeast Michigan. Charges for services increased in the governmental activities primarily due to the increased revenue from building permits in the fiscal year.

Expenses increased by about \$1.0 million, or 5.2 percent, over the last fiscal year. This was primarily attributable to an increase this year in the retiree healthcare contribution by all funds.

### **Business-type Activities**

The Township's business-type activities are recorded in the Water and Sewer Fund. Revenue of the Township's business-type activities increased 14.1 percent to \$20.2 million. Revenue of the Township's business-type activities increased by \$2.5 million primarily as a result of an increase in sale of water to customers during the year ended June 30, 2012. Charges for services increased mainly as a result of increased water and sewer rates.

Expenses increased 12.6 percent to \$22.3 million for the year ended June 30, 2012. The increase in expenses is primarily attributable to the continued growth of the water and sewer system and increases in the cost of water and sewer purchases in the last year. The Township provides water, which is purchased from the City of Detroit water system, to nearly all its residents. The Township also provides sewage treatment to nearly all of its residents through the Macomb County sewage treatment plant.

### **The Township's Funds**

Our analysis of the Township's major funds begins on pages 11 and 12, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as show accountability for certain activities. The Township's major funds for 2012 include the General Fund, Parks and Recreation Operating Fund, Fire Operating Fund, Law Enforcement Sheriff Fund, and Building Authority Debt Service Fund.

# **Township of Macomb**

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

### **General Fund Budgetary Highlights**

Over the course of the year, the Township reallocated the budget to take into account unanticipated events during the year. Actual revenue exceeded budgeted revenue by 36.7 percent. Actual expenditures were 14.4 percent below budget. The Township completed the year with actual revenue over expenditures by \$2.4 million.

### **Capital Assets and Debt Administration**

At the end of fiscal year 2012, the Township had \$205 million invested in a wide range of capital assets, including land, buildings, fire equipment, computer equipment, and water and sewer lines. In addition, the Township is reporting infrastructure assets, which include roads and bridges in which it has invested since 1980. The value of the infrastructure assets, net of depreciation contained in this report, is \$3.4 million and \$3.6 million for fiscal years 2012 and 2011, respectively (see Note 5 of the notes to financial statements for additional information). Additionally, the value of buildings and improvements, net of depreciation, for the governmental activities is \$34.6 million and \$35.7 million for fiscal years 2012 and 2011, respectively.

Debt reported in these financial statements is related to the construction of the above-mentioned buildings and improvements assets and is reported as a liability on the statement of net assets (see Note 7 of the notes to financial statements for additional information).

### **Economic Factors and Next Year's Budgets and Rates**

The Township of Macomb's 2012 tax rate stayed consistent with the 2011 tax rate. Strong expenditure controls and past growth in the Township's tax base have helped to accomplish keeping the tax rates low. Property taxes make up nearly 17.2 percent of the General Fund budget. Annual new growth and development in the Township has risen 31.0 percent in the past year and is expected to remain stable for the next few years. In addition, state revenue sharing, which represents nearly 55.5 percent of the General Fund budget, is likely to remain stable.

On the expense side, the Township continues to operate with relatively low personnel costs and an efficient labor force. While our pension system is 85.0 percent funded, we do anticipate further increases in pension fund contributions due to a declining stock and bond market. We also expect continued annual increases in medical costs of nearly 4 percent to 10 percent per year. Despite these increased costs, our expense increases are anticipated to average between 4 percent and 8 percent per year. We will adjust expenses to mirror the revenue base, ensuring the continuation of our usual trend of excess of revenue over expenses, established over 10 years ago.

# **Township of Macomb**

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

### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we invite you to contact the Township of Macomb's finance office.

# Township of Macomb

## Statement of Net Assets June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments (Note 3)	\$ 52,965,493	\$ 33,129,432	\$ 86,094,925
Receivables:			
Property taxes	30,862	-	30,862
Customers	108,703	6,562,494	6,671,197
Other receivables	21,237	-	21,237
Due from other governmental units (Note 4)	1,872,915	211,508	2,084,423
Special assessments	-	56,050	56,050
Inventory	-	100,281	100,281
Restricted assets (Note 8)	101,913	8,446,301	8,548,214
Net OPEB asset (Note 11)	2,206,469	595,146	2,801,615
Net pension asset (Note 10)	230,512	-	230,512
Capital assets:			
Capital assets not being depreciated (Note 5)	8,898,614	7,954,042	16,852,656
Capital assets being depreciated (Note 5)	39,716,574	148,470,030	188,186,604
Total assets	106,153,292	205,525,284	311,678,576
<b>Liabilities</b>			
Accounts payable	251,829	1,944,952	2,196,781
Due to other governmental units	-	185,454	185,454
Accrued and other liabilities	2,179,435	346,565	2,526,000
Noncurrent liabilities:			
Due within one year (Note 7)	2,595,304	2,115,526	4,710,830
Due in more than one year (Note 7)	34,572,146	33,166,117	67,738,263
Total liabilities	39,598,714	37,758,614	77,357,328
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	12,100,317	128,306,169	140,406,486
Restricted:			
Fire	10,124,904	-	10,124,904
Debt service	638,617	-	638,617
County drains	-	1,511,640	1,511,640
Parks and recreation	5,717,194	-	5,717,194
Unrestricted	37,973,546	37,948,861	75,922,407
Total net assets	<u>\$ 66,554,578</u>	<u>\$ 167,766,670</u>	<u>\$ 234,321,248</u>

# Township of Macomb

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 6,169,465	\$ 162,301	\$ 90,802	\$ -
Public safety	7,953,062	1,678,100	19,870	-
Public works	1,258,045	792,784	-	-
Recreation and culture	3,298,948	2,235,665	-	-
Interest on long-term debt	1,419,987	-	-	-
Total governmental activities	20,099,507	4,868,850	110,672	-
Business-type activities - Water and sewer	22,298,345	18,556,425	256,008	1,327,098
Total primary government	<u>\$ 42,397,852</u>	<u>\$ 23,425,275</u>	<u>\$ 366,680</u>	<u>\$ 1,327,098</u>
General revenue:				
Property taxes				
State-shared revenue				
Interest				
Cable fees and other (unrestricted)				
Gain on sale of fixed assets				
Total general revenue				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - End of year</b>				

**Statement of Activities**  
**Year Ended June 30, 2012**

Net (Expense) Revenue and Changes in Net Assets  
Primary Government

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (5,916,362)	\$ -	\$ (5,916,362)
(6,255,092)	-	(6,255,092)
(465,261)	-	(465,261)
(1,063,283)	-	(1,063,283)
<u>(1,419,987)</u>	<u>-</u>	<u>(1,419,987)</u>
(15,119,985)	-	(15,119,985)
-	<u>(2,158,814)</u>	<u>(2,158,814)</u>
(15,119,985)	(2,158,814)	(17,278,799)
9,831,803	-	9,831,803
6,169,222	-	6,169,222
150,247	101,129	251,376
1,206,257	-	1,206,257
<u>204,995</u>	<u>-</u>	<u>204,995</u>
<u>17,562,524</u>	<u>101,129</u>	<u>17,663,653</u>
2,442,539	(2,057,685)	384,854
<u>64,112,039</u>	<u>169,824,355</u>	<u>233,936,394</u>
<b><u>\$ 66,554,578</u></b>	<b><u>\$ 167,766,670</u></b>	<b><u>\$ 234,321,248</u></b>

# Township of Macomb

	General Fund	Parks and Recreation Operating Fund	Fire Operating Fund	Law Enforcement Sheriff Fund
<b>Assets</b>				
Cash and investments (Note 3)	\$ 28,600,398	\$ 5,923,086	\$ 9,473,076	\$ 1,540,812
Receivables - Net (Note 4)	2,030,732	-	2,985	-
Due from other funds (Note 6)	269,410	-	-	-
Restricted assets (Note 8)	-	-	-	-
Total assets	<u>\$30,900,540</u>	<u>\$ 5,923,086</u>	<u>\$ 9,476,061</u>	<u>\$ 1,540,812</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 139,562	\$ 82,982	\$ 27,646	\$ 770
Due to other funds (Note 6)	-	-	-	269,410
Accrued liabilities and other	202,512	122,910	101,318	-
Deferred revenue (Note 4)	946,238	-	-	-
Total liabilities	1,288,312	205,892	128,964	270,180
<b>Fund Balances</b>				
Restricted:				
Fire	-	-	9,347,097	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Parks and recreation	-	5,717,194	-	-
Assigned:				
Subsequent year's budget	547,000	-	-	-
Capital outlay	-	-	-	-
Road projects	-	-	-	-
Debt service	-	-	-	-
Law enforcement	-	-	-	1,270,632
Unassigned	29,065,228	-	-	-
Total fund balances	<u>29,612,228</u>	<u>5,717,194</u>	<u>9,347,097</u>	<u>1,270,632</u>
Total liabilities and fund balances	<u>\$30,900,540</u>	<u>\$ 5,923,086</u>	<u>\$ 9,476,061</u>	<u>\$ 1,540,812</u>

**Governmental Funds  
Balance Sheet  
June 30, 2012**

Building Authority Debt Service Fund	Other Nonmajor Governmental Funds	Total
\$ 295,241	\$ 7,132,880	\$ 52,965,493
-	-	2,033,717
-	-	269,410
-	101,913	101,913
<b><u>\$ 295,241</u></b>	<b><u>\$ 7,234,793</u></b>	<b><u>\$55,370,533</u></b>
\$ -	\$ 869	\$ 251,829
-	-	269,410
-	1,521,206	1,947,946
-	-	946,238
-	1,522,075	3,415,423
-	777,807	10,124,904
-	638,617	638,617
-	101,913	101,913
-	-	5,717,194
-	-	547,000
-	3,002,978	3,002,978
-	1,191,403	1,191,403
295,241	-	295,241
-	-	1,270,632
-	-	29,065,228
<b><u>295,241</u></b>	<b><u>5,712,718</u></b>	<b><u>51,955,110</u></b>
<b><u>\$ 295,241</u></b>	<b><u>\$ 7,234,793</u></b>	<b><u>\$55,370,533</u></b>

# Township of Macomb

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets June 30, 2012

<b>Fund Balance Reported in Governmental Funds</b>	\$ 51,955,110
Amounts reported for governmental activities in the statement of net assets are different because:	
Governmental funds report capital outlays as expenditures; in the statement of net assets, these costs are capitalized and allocated over their estimated useful lives as depreciation	48,615,188
A net other postemployment benefit (obligation) asset is recorded on the statement of net assets	2,206,469
Certain receivables are expected to be collected after 60 days and are not available to pay for current year expenditures; therefore, they are deferred on the balance sheet	946,238
Long-term liabilities and their related interest are not due and payable in the current period and are not reported in the funds	(37,167,450)
Accrued interest is not due and payable in the current period and is not reported in the funds	(231,489)
A net pension asset is recorded on the statement of net assets	<u>230,512</u>
<b>Net Assets of Governmental Activities</b>	<b><u><u>\$ 66,554,578</u></u></b>

# Township of Macomb

	General Fund	Parks and Recreation Operating Fund	Fire Operating Fund	Law Enforcement Sheriff Fund
<b>Revenue</b>				
Property taxes and fees	\$ 1,873,730	\$ 2,258,537	\$ 2,789,458	\$ 2,910,078
Licenses and permits	2,407,578	-	-	-
Federal grants and other	90,802	-	-	-
State-shared revenue and grants	6,199,659	-	-	19,870
Charges for services	265,970	2,235,665	-	-
Fines and forfeitures	101,909	-	-	-
Interest	83,916	14,964	23,465	2,945
Other revenue:				
Special assessments	792,784	-	-	-
Other	245,729	-	853	-
<b>Total revenue</b>	<b>12,062,077</b>	<b>4,509,166</b>	<b>2,813,776</b>	<b>2,932,893</b>
<b>Expenditures</b>				
Current:				
General government	6,167,595	-	-	-
Other debt service expenses	-	-	-	-
Public safety	1,508,247	-	2,886,472	3,155,741
Public works	1,021,720	-	-	-
Recreation and culture	221,285	2,382,690	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	59,726	-	-
Interest on long-term debt	-	8,153	-	-
<b>Total expenditures</b>	<b>8,918,847</b>	<b>2,450,569</b>	<b>2,886,472</b>	<b>3,155,741</b>
<b>Excess of Revenue Over (Under)</b>				
<b>Expenditures</b>	3,143,230	2,058,597	(72,696)	(222,848)
<b>Other Financing Sources (Uses)</b>				
Face value of debt issued	-	-	-	-
Premium on refunding debt issuance	-	-	-	-
Proceeds from sale of capital assets	145,185	-	77,450	-
Transfers in (Note 6)	7,850	-	-	360,000
Transfers out (Note 6)	(889,251)	(1,634,740)	(200,000)	-
Payment to bond refunding escrow agent	-	-	-	-
<b>Total other financing (uses) sources</b>	<b>(736,216)</b>	<b>(1,634,740)</b>	<b>(122,550)</b>	<b>360,000</b>
<b>Net Change in Fund Balances</b>	<b>2,407,014</b>	<b>423,857</b>	<b>(195,246)</b>	<b>137,152</b>
<b>Fund Balances - Beginning of year</b>	<b>27,205,214</b>	<b>5,293,337</b>	<b>9,542,343</b>	<b>1,133,480</b>
<b>Fund Balances - End of year</b>	<b>\$ 29,612,228</b>	<b>\$ 5,717,194</b>	<b>\$ 9,347,097</b>	<b>\$ 1,270,632</b>

The Notes to Financial Statements are an  
Integral Part of this Statement.

**Governmental Funds**

**Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**Year Ended June 30, 2012**

Building Authority Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 9,831,803
-	-	2,407,578
-	-	90,802
-	-	6,219,529
-	-	2,501,635
-	-	101,909
2,931	22,026	150,247
-	-	792,784
-	24,619	271,201
<u>2,931</u>	<u>46,645</u>	<u>22,367,488</u>
-	-	6,167,595
225,203	-	225,203
-	-	7,550,460
-	-	1,021,720
-	-	2,603,975
-	1,172,914	1,172,914
1,835,000	-	1,894,726
1,582,281	-	1,590,434
<u>3,642,484</u>	<u>1,172,914</u>	<u>22,227,027</u>
(3,639,553)	(1,126,269)	140,461
13,390,000	-	13,390,000
1,158,600	-	1,158,600
-	-	222,635
2,695,640	200,000	3,263,490
-	(539,499)	(3,263,490)
<u>(14,604,367)</u>	<u>-</u>	<u>(14,604,367)</u>
<u>2,639,873</u>	<u>(339,499)</u>	<u>166,868</u>
(999,680)	(1,465,768)	307,329
<u>1,294,921</u>	<u>7,178,486</u>	<u>51,647,781</u>
<u><b>\$ 295,241</b></u>	<u><b>\$ 5,712,718</b></u>	<u><b>\$ 51,955,110</b></u>



# Township of Macomb

## Proprietary Fund Statement of Net Assets June 30, 2012

	<u>Enterprise Fund - Water and Sewer</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 33,129,432
Receivables:	
Special assessments receivable - Due within one year	56,050
Receivables from sales to customers on account	6,562,494
Due from other governmental units	211,508
Inventory	<u>100,281</u>
Total current assets	40,059,765
Noncurrent assets:	
Restricted assets (Note 8)	8,446,301
Net OPEB asset (Note 11)	595,146
Capital assets:	
Assets not subject to depreciation (Note 5)	7,954,042
Assets subject to depreciation (Note 5)	<u>148,470,030</u>
Total noncurrent assets	<u>165,465,519</u>
Total assets	205,525,284
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	1,944,952
Due to other governmental units	185,454
Accrued and other liabilities	346,565
Current portion of compensated absences (Note 7)	164,857
Current portion of long-term debt (Note 7)	<u>1,950,669</u>
Total current liabilities	4,592,497
Noncurrent liabilities:	
Compensated absences - Net of current portion (Note 7)	64,222
Long-term debt - Net of current portion (Note 7)	<u>33,101,895</u>
Total noncurrent liabilities	<u>33,166,117</u>
Total liabilities	<u>37,758,614</u>
<b>Net Assets</b>	
Invested in capital assets - Net of related debt	128,306,169
Restricted for county drains (Note 8)	1,511,640
Unrestricted	<u>37,948,861</u>
Total net assets	<u><u>\$ 167,766,670</u></u>

# Township of Macomb

## Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2012

	<u>Enterprise Fund - Water and Sewer</u>
<b>Operating Revenue</b>	
Sale of water	\$ 10,081,042
Sewage disposal charges	8,085,818
Charges for services	389,565
	<hr/>
Total operating revenue	18,556,425
<b>Operating Expenses</b>	
Cost of water	8,212,044
Cost of sewage disposal	6,270,284
Operation and maintenance	831,827
General and administrative	2,046,164
Contributions to Retiree Health Fund	377,202
Depreciation (Note 5)	3,449,199
	<hr/>
Total operating expenses	21,186,720
<b>Operating Loss</b>	(2,630,295)
<b>Nonoperating Revenue (Expenses)</b>	
Investment income	101,129
Interest expense	(1,111,625)
Operating grants	256,008
	<hr/>
Total nonoperating expenses	(754,488)
<b>Loss - Before contributions</b>	(3,384,783)
<b>Capital Contributions</b>	
Developers and other governmental units	69,789
Tap fees and frontage charges	1,257,309
	<hr/>
Total capital contributions	1,327,098
<b>Change in Net Assets</b>	(2,057,685)
<b>Net Assets - Beginning of year</b>	<hr/> 169,824,355
<b>Net Assets - End of year</b>	<hr/> <b>\$ 167,766,670</b> <hr/>

# Township of Macomb

## Proprietary Fund Statement of Cash Flows Year Ended June 30, 2012

	<u>Enterprise Fund - Water and Sewer</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 16,777,466
Payments to suppliers	(16,204,909)
Payments to employees	<u>(1,310,762)</u>
Net cash used in operating activities	(738,205)
<b>Cash Flows from Capital and Related Financing Activities</b>	
Collection of special assessments	17,224
Collection of customer tap fees	1,257,309
Purchase of capital assets	(1,341,301)
Principal and interest paid on long-term debt	(2,964,527)
Pre-payment of OMID Segment 2	<u>(2,037,525)</u>
Net cash used in capital and related financing activities	(5,068,820)
<b>Cash Flows from Investing Activities</b> - Interest received on investments	<u>101,129</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(5,705,896)
<b>Cash and Cash Equivalents</b> - Beginning of year	<u>42,438,385</u>
<b>Cash and Cash Equivalents</b> - End of year	<u><b>\$ 36,732,489</b></u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>	
Cash and investments	\$ 33,129,432
Restricted investments (Note 8)	<u>3,603,057</u>
Total cash and cash equivalents	<u><b>\$ 36,732,489</b></u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>	
Operating loss	\$ (2,630,295)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	3,449,199
Changes in assets and liabilities:	
Receivables	(1,994,495)
Due from others	215,536
Inventory	(11,731)
Prepaid and other	(78,603)
Accounts payable	140,663
Due to others	185,454
Accrued and other liabilities	25,874
Compensated absences	<u>(39,807)</u>
Net cash used in operating activities	<u><b>\$ (738,205)</b></u>

**Noncash Investing, Capital, and Financing Activities** - During the year ended June 30, 2012, developers constructed water and sewer lines with a value of approximately \$2,500 and donated them to the Township's Water and Sewer Enterprise Fund. In addition, approximately \$67,500 of capital contributions were received from other governmental units. Also during the year, approximately \$1.2 million of capital assets were recorded. These assets were paid for using cash on hand at Oakland and Macomb Counties relating to the North Gratiot Interceptor project and the OMIDD interceptor. Approximately \$4.4 million in related debt was recorded on the balance sheet during the year relating to the Oakland and Macomb County MIDD and OMIDD drain and interceptor projects, which related to infrastructure additions. See the long-term debt footnote for more details.

# Township of Macomb

## Fiduciary Funds Statement of Net Assets June 30, 2012

	Trust Funds - Pensions and Other Retirement Benefits	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 5,294,680	\$ 360,222
Investments:		
U.S. Treasury bonds	323,970	-
Equities	1,044,559	-
Corporate bonds	6,402,482	-
Money market funds	61,653	-
Mutual funds	1,247,101	-
	<u>14,374,445</u>	<u>\$ 360,222</u>
Total assets		
<b>Liabilities</b>		
Accounts payable	8	\$ -
Cash bonds and deposits	-	360,222
	<u>8</u>	<u>\$ 360,222</u>
Total liabilities		
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>		<u><b>\$ 14,374,437</b></u>

# Township of Macomb

## Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2012

	Trust Funds - Pensions and Other Retirement Benefits
<b>Additions</b>	
Investment income (loss):	
Interest and dividends	\$ 131,193
Net decrease in fair value of investments	(90,781)
Investment-related expenses	<u>(34,871)</u>
Net investment income	5,541
Contributions:	
Employer	1,907,236
Employee	<u>23,433</u>
Total contributions	<u>1,930,669</u>
Total additions	1,936,210
<b>Deductions</b>	
Benefit payments	447,267
Administrative expenses	<u>1,979</u>
Total deductions	<u>449,246</u>
<b>Net Increase</b>	1,486,964
<b>Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	<u>12,887,473</u>
<b>Net Assets Held in Trust for Pension and Other Employee Benefits - End of year</b>	<u><u>\$ 14,374,437</u></u>

# Township of Macomb

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## Notes to Financial Statements June 30, 2012

### Note I - Nature of Business and Significant Accounting Policies

The accounting policies of the Township of Macomb, Macomb County, Michigan (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 Township of Macomb, Macomb County, Michigan:

#### **Reporting Entity**

The Township of Macomb, Macomb County, Michigan is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the Township's operations.

**Blended Component Units** - The following component units are reported as if they were part of the primary government in the financial statements:

- a. The fire retirement system has been blended into the Township's financial statements. The system is governed by a five-member pension board that includes the Macomb Township treasurer, two individuals chosen by the Township's board of trustees, and two elected fire department members. The system is reported as if it were part of the primary government because of the fiduciary responsibility that the Township retains relative to the operations of the retirement system.
- b. The Macomb Township Building Authority is governed by a three-member board that is appointed by the Township's board of trustees. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its primary purpose is to provide certain facilities necessary for the operation of the Township's government and to finance and construct the Township's public buildings.

**Jointly Governed Organization** - The Township, in conjunction with Clinton Township, has created the Clinton Macomb District Library (the "Library"). The Library's board is composed of three members appointed by Clinton Township's board of trustees and three members appointed by Macomb Township's board of trustees. The Library is funded through property taxes, specifically through a separate property tax millage that is not recorded as revenue by Macomb Township. The Library currently does not receive a subsidy from the Township. The financial statements for the Library can be obtained from the Library's administrative office at 43245 Garfield Rd., Clinton Township, MI. The Township is unaware of any circumstance that would cause an additional benefit or burden to the participating governments of the above joint venture in the near future.

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

#### **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 of the primary government and its component units. 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or activity. 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund 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 full accrual basis of accounting, as are the proprietary fund and fiduciary 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.

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

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. Expenditures generally are 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.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Only the portion of special assessments due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the Township.

The Township reports the following major governmental funds:

**General Fund** - 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.

**Parks and Recreation Operating Fund** - The Parks and Recreation Operating Fund accounts for the resources from dedicated property tax revenue and user charges for all activities of the parks and recreation department.

**Fire Operating Fund** - The Fire Operating Fund accounts for the resources from property tax revenue that are restricted for all of the activities of the Township's fire department, except for equipment purchased in the Fire Improvement Fund.

**Law Enforcement Sheriff Fund** - The Law Enforcement Sheriff Fund accounts for the resources from property tax revenue that are restricted for all of the activities of the Township's law enforcement activities.

**Building Authority Debt Service Fund** - The Building Authority Debt Service Fund accounts for all debt payments made related to construction activities for new Township facilities.

The Township reports the following major proprietary fund:

**Water and Sewer Fund** - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

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

Additionally, the Township reports the following funds:

**Pension Trust Fund and Retiree Medical Benefit Fund** - The Pension Trust Fund and the Retiree Medical Benefit Fund account for the activities of the fire employees' retirement system, which accumulates resources for pension benefit payments to qualified fire employees and for medical benefits provided to employees during retirement, respectively.

**Agency Funds** - The agency funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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 activity.

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 purposes 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 funds in this order: committed, assigned, and unassigned.

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. The principal operating revenue of the proprietary fund relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for the proprietary fund 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.

#### **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.

The 2011 taxable valuation of the Township totaled \$2,787,246,317, on which ad valorem taxes levied consisted of 0.6757 mills for the Township's operating purposes, 1.0588 mills for fire operating purposes, 0.0747 mills for fire pension, 1.0601 mills for police protection, and 0.8232 mills for parks and recreation. The ad valorem taxes raised \$1,863,182 for general operations, \$2,789,458 for fire operations, \$205,034 for fire pension, \$2,910,078 for police protection, and \$2,258,537 for parks and recreation. The Fire Pension Fund's tax revenue is recorded as an employer contribution to the pension system. The remaining amounts are recorded in their respective funds 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.

# Township of Macomb

## Notes to Financial Statements June 30, 2012

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

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** - The bonds of the enterprise fund and the governmental funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the Township's water and sewer lines. Also, the Township has restricted assets for unspent bond proceeds.

**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.

Infrastructure, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Roads and bridges	25 years
Water and sewer mains	50 to 70 years
Water meters	50 years
Buildings and building improvements	40 years
Vehicles	5 years
Office furnishings	7 years
Other tools and equipment	5 to 7 years

**Compensated Absences** - The Township allows employees to accumulate earned but unused sick and vacation pay benefits. The government-wide and proprietary statements accrue all vacation and personal pay as it is earned, and sick pay as it is used or vested (whichever is earlier). A liability for these amounts is reported in governmental funds as it comes due for payment (when the time is taken off, or employees terminate).

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

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. 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. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures. The debt service funds are generally used to liquidate governmental long-term debt.

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

**Fund Equity** - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the board of trustees for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board of trustees.
- **Assigned:** Intent to spend resources on specific purposes expressed by the board of trustees

# Township of Macomb

## Notes to Financial Statements June 30, 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 - Stewardship, Compliance, and Accountability

**Construction Code Act** - The Township tracks the results of building department operation in the General Fund in accordance with Michigan Public Act 245 of 1999. The Township is required to maintain an accounting system that separately accumulates revenue and expenditures related to the building department function. As required under the provision of the act, the Township adopted this accounting treatment effective January 1, 2000. A summary of the activity since January 1, 2000 is as follows:

Cumulative expenditures over revenue - July 1, 2011		\$ (7,063,047)
Current year permit revenue		1,210,336
Related expenses:		
Direct costs	\$ 1,175,024	
Estimated indirect costs	619,148	1,794,172
		<u>                    </u>
Net shortfall for the year ended June 30, 2012		<u>(583,836)</u>
Cumulative expenditures over revenue - June 30, 2012		<u>\$ (7,646,883)</u>

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Pension Trust Fund and Retiree Health Care Fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The Township has designated 16 banks for the deposit of its funds. The investment policy adopted by the board has authorized investments in accordance with Public Act 196 of 1997. The Township's deposits are in accordance with statutory requirements.

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 \$54,186,541 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# Township of Macomb

## Notes to Financial Statements June 30, 2012

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

**Custodial Credit Risk of Investments** - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name:

<u>Investment Type</u>	<u>Fair Value of Township- wide Deposits and Investments</u>	<u>Fair Value of Pension Trust and Retiree Healthcare Funds</u>	<u>How Held</u>
U.S. Treasury bonds	\$ -	\$ 323,970	Counterparty
Corporate bonds	-	5,608,923	Counterparty
Municipal bonds	17,051,368	-	Counterparty
Certificates of deposit	2,946,874	-	Counterparty
Commercial paper	7,694,351	-	Counterparty
Total investments	<u>\$ 27,692,593</u>	<u>\$ 5,932,893</u>	

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

# Township of Macomb

## Notes to Financial Statements June 30, 2012

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

At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity (Years)
<b>Township-wide Deposits and Investments</b>		
Municipal bonds	\$ 17,051,368	1.15
Commercial paper	7,694,351	.25
Certificates of deposit	<u>2,946,874</u>	.35
Total	<u>\$ 27,692,593</u>	
<b>Pension Trust and Retiree Healthcare Funds</b>		
Government security	\$ 323,970	.72
Corporate bonds	<u>5,608,923</u>	14.48
Total	<u>\$ 5,932,893</u>	

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pools	\$ 723,182	AAA	Standard & Poor's
U.S. government agency securities	323,970	AAA	Standard & Poor's
Municipal bonds	17,051,368	AAA to SP-1	Standard & Poor's
Commercial paper	7,694,352	A-1+ to A-1	Standard & Poor's
Corporate bond	<u>5,608,923</u>	AAA to A	Standard & Poor's
Total	<u>\$ 31,401,795</u>		

# Township of Macomb

## Notes to Financial Statements June 30, 2012

### Note 4 - Receivables and 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. Deferred revenue of \$946,238 represents revenue from the State of Michigan that has been earned but is unavailable. The following is the detail of the governmental activities receivables at June 30, 2012:

	General Fund	Fire Operating Fund	Total
State of Michigan	\$ 1,872,915	\$ -	\$ 1,872,915
Other	157,817	2,985	160,802
Total	<u>\$ 2,030,732</u>	<u>\$ 2,985</u>	<u>\$ 2,033,717</u>

### Note 5 - Capital Assets

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

	Balance July 1, 2011	Additions	Disposals and Adjustments	Balance June 30, 2012
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 3,472,465	\$ -	\$ (17,640)	\$ 3,454,825
Construction in progress	5,090,378	353,411	-	5,443,789
Subtotal	8,562,843	353,411	(17,640)	8,898,614
Capital assets being depreciated:				
Infrastructure	5,761,064	5,604	-	5,766,668
Buildings and improvements	44,619,456	24,368	-	44,643,824
Vehicles	3,122,673	903,643	(441,520)	3,584,796
Office furnishings	3,399,705	89,999	(248,037)	3,241,667
Other tools and equipment	1,445,932	33,946	(35,060)	1,444,818
Subtotal	58,348,830	1,057,560	(724,617)	58,681,773
Accumulated depreciation:				
Infrastructure	2,125,866	230,555	-	2,356,421
Buildings and improvements	8,947,887	1,117,427	-	10,065,314
Vehicles	2,867,768	268,237	(441,520)	2,694,485
Office furnishings	2,860,902	184,373	(248,037)	2,797,238
Other tools and equipment	1,031,174	55,627	(35,060)	1,051,741
Subtotal	17,833,597	1,856,219	(724,617)	18,965,199
Net capital assets being depreciated	40,515,233	(798,659)	-	39,716,574
Net capital assets	<u>\$ 49,078,076</u>	<u>\$ (445,248)</u>	<u>\$ (17,640)</u>	<u>\$ 48,615,188</u>

# Township of Macomb

## Notes to Financial Statements June 30, 2012

### Note 5 - Capital Assets (Continued)

	Balance July 1, 2011	Additions	Disposals and Adjustments	Balance June 30, 2012
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 91,700	\$ -	\$ -	\$ 91,700
Construction in progress	7,157,259	3,022,618	(2,317,535)	7,862,342
Subtotal	7,248,959	3,022,618	(2,317,535)	7,954,042
Capital assets being depreciated:				
Water and sewer mains	184,624,369	2,244	2,317,535	186,944,148
Buildings and building improvements	2,558,702	88,294	-	2,646,996
Water meters	4,668,974	-	-	4,668,974
Vehicles	670,809	-	(35,594)	635,215
Furniture and equipment	816,353	1,870	-	818,223
Subtotal	193,339,207	92,408	2,281,941	195,713,556
Accumulated depreciation:				
Water and sewer mains	40,396,791	3,247,239	-	43,644,030
Buildings and building improvements	907,787	63,968	-	971,755
Water meters	1,179,283	93,560	-	1,272,843
Vehicles	577,657	27,613	(35,594)	569,676
Furniture and equipment	768,403	16,819	-	785,222
Subtotal	43,829,921	3,449,199	(35,594)	47,243,526
Net capital assets being depreciated	149,509,286	(3,356,791)	2,317,535	148,470,030
Net capital assets	<u>\$ 156,758,245</u>	<u>\$ (334,173)</u>	<u>\$ -</u>	<u>\$ 156,424,072</u>

Construction in progress of the business-type activities includes \$4,753,652 of drain improvements constructed by the Oakland-Macomb Interceptor Drainage District (OMID) and the Macomb Interceptor Drainage District (MID). This represents the Township's portion of total OMID and MID improvements in the amount of \$74,806,327. These improvements will be completed by OMID and MID using state revolving loan funds and bonded debt. See Note 7 for additional information.

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

Governmental activities:	
General government	\$ 280,990
Public safety	565,517
Public works	236,325
Recreation and culture	773,387
Total governmental activities	<u>\$ 1,856,219</u>
Business-type activities - Water and sewer	<u>\$ 3,449,199</u>

# Township of Macomb

## Notes to Financial Statements June 30, 2012

### Note 5 - Capital Assets (Continued)

**Construction Commitments** - The Township has approved certain road paving construction projects prior to June 30, 2012. At year end, the Township's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Road paving projects	\$ -	\$ 2,298,054

### Note 6 - Interfund Transfers

The composition of interfund transfers is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Due to/from Other Funds</b>		
General Fund	Law Enforcement Sheriff Fund	<u>\$ 269,410</u>

This balance results from the time lag between the dates that payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Building Authority Debt Service Fund	\$ 529,251
	Law Enforcement Sheriff Fund	<u>360,000</u>
	Total General Fund	889,251
Fire Operating Fund	Other nonmajor governmental funds	200,000
Parks and Recreation Operating Fund	Building Authority Debt Service Fund	1,634,740
Nonmajor governmental funds	Building Authority Debt Service Fund	531,649
	General Fund	<u>7,850</u>
	Total nonmajor governmental funds	<u>539,499</u>
	Total	<u>\$ 3,263,490</u>

# **Township of Macomb**

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## **Notes to Financial Statements June 30, 2012**

### **Note 6 - Interfund Transfers (Continued)**

Interfund transfers provided funding for operating assistance, capital projects, capital acquisitions, and debt service.

### **Note 7 - Long-term Debt**

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the Township) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

# Township of Macomb

## Notes to Financial Statements June 30, 2012

### Note 7 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
General obligation bonds:							
2002 Building Authority Bonds:							
Amount of issue - \$12,700,000							
Maturing through 2012	4.30%	\$600,000	\$ 600,000	\$ -	\$ 600,000	\$ -	\$ -
2003 Building Authority Bonds:							
Amount of issue - \$2,700,000	2.75% -	\$125,000 -					
Maturing through 2022	4.00%	\$250,000	1,975,000	-	1,975,000	-	-
2003B Building Authority Bonds:							
Amount of issue - \$6,000,000	3.15% -	\$250,000 -					
Maturing through 2023	4.50%	\$550,000	4,800,000	-	4,500,000	300,000	300,000
2005 Building Authority Refund Bonds:							
Amount of issue - \$9,800,000	3.50% -	\$50,000 -					
Maturing through 2022	5.00%	\$1,070,000	9,445,000	-	50,000	9,395,000	630,000
2006 Building Authority Bonds:							
Amount of issue - \$10,000,000	4.00% -	\$300,000 -					
Maturing through 2025	4.375%	\$900,000	8,700,000	-	8,000,000	700,000	300,000
2009 Building Authority Bonds:							
Amount of issue - \$5,000,000	3.00% -	\$250,000 -					
Maturing through 2023	5.00%	\$550,000	4,600,000	-	250,000	4,350,000	250,000
2011 Building Authority Refunding Bonds:							
Amount of issue - \$8,470,000	2.00%-	\$260,000-					
Maturing through 2027	4.875%	\$940,000	8,470,000	-	260,000	8,210,000	280,000
Deferred amounts on refunding			(205,741)	-	-	(205,741)	12,859
2012 Building Authority Refunding Bonds:							
Amount of issue - \$13,390,000	2.00% -	\$235,000 -					
Maturing through 2025	4.00%	\$1,640,000	-	13,390,000	-	13,390,000	235,000
Unamortized bond premium			-	1,158,600	-	1,158,600	89,123
Deferred amounts on refunding			-	(804,367)	-	(804,367)	61,874
Total bonds payable			38,384,259	13,744,233	15,635,000	36,493,492	2,158,856
Other long-term obligations:							
Compensated absences			596,568	-	45,902	550,666	381,035
Capital leases			183,018	-	59,726	123,292	55,413
Total governmental activities			\$ 39,163,845	\$ 13,744,233	\$ 15,740,628	\$ 37,167,450	\$ 2,595,304

# Township of Macomb

## Notes to Financial Statements June 30, 2012

### Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>							
General obligation bonds:							
2004 GO Refund Bond:							
Amount of issue - \$4,915,000	3.25% -	\$175,000 -					
Maturing through 2018	3.80%	\$760,000	\$ 3,645,000	\$ -	\$ 175,000	\$ 3,470,000	\$ 675,000
2010 Capital Improvement and Refunding Bond:							
Amount of issue - \$9,805,000	2.00% -	\$280,000 -					
Maturing through 2031	5.00%	\$695,000	9,805,000	-	525,000	9,280,000	555,000
Deferred amounts on refunding			(179,756)	-	(8,987)	(170,769)	8,987
County Drain Contract Obligations:							
2008 North Gratiot Interceptor Drainage District:							
Amount of issue - \$1,113,386	3.50% -	\$24,919 -					
Maturing through 2033	5.00%	59,806	1,039,127	-	24,919	1,014,208	24,919
2010B OMID Drainage District:							
Amount of issue - \$452,552	1.15% -	\$15,198 -					
Maturing through 2030	5.90%	\$35,126	439,718	-	15,198	424,520	15,535
2010A OMID Drainage District:							
Amount of issue - \$1,357,798		\$52,904 -					
Maturing through 2031	2.50%	\$85,128	1,357,798	312,836	52,904	1,617,730	64,673
2010 North Gratiot Interceptor Drainage District:							
Amount of issue - \$102,666	1.00% -	\$3,173 -					
Maturing through 2035	6.35%	\$5,900	101,547	-	3,173	98,374	3,173
2010A MID Drainage District:							
Amount of issue - \$15,808,421	1.25% -	\$493,497 -					
Maturing through 2035	5.375%	\$930,782	15,808,421	-	493,513	15,314,908	498,457
2011A OMID Drainage District -							
Amount of issue - \$74,654			74,654	-	74,654	-	-
2012 OMID Drainage District -							
Amount of issue - \$55,797			-	55,797	-	55,797	-
2011 Clintondale Pump Station Improvements Drainage District:							
Amount of issue - \$4,039,605							
Maturing through 2031			-	4,039,605	91,809	3,947,796	104,925
Revenue bonds - 1998 Refunding Bonds:							
Amount of issue - \$3,390,000			390,000	-	390,000	-	-
Maturing through 2012	4.35%	\$390,000					
Total bonds payable			32,481,509	4,408,238	1,837,183	35,052,564	1,950,669
Other long-term obligations -							
Compensated absences			268,886	-	39,807	229,079	164,857
Total business-type activities			\$ 32,750,395	\$ 4,408,238	\$ 1,876,990	\$ 35,281,643	\$ 2,115,526

# Township of Macomb

## Notes to Financial Statements June 30, 2012

### Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above governmental bond and note obligations, excluding amortization of bond premiums and deferred amounts on refunding, are as follows:

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 1,995,000	\$ 1,296,558	\$ 3,291,558	\$ 1,941,682	\$ 1,042,674	\$ 2,984,356
2014	2,130,000	1,353,628	3,483,628	2,137,545	1,097,639	3,235,184
2015	2,265,000	1,280,128	3,545,128	1,702,240	1,052,277	2,754,517
2016	2,610,000	1,194,678	3,804,678	1,811,298	1,008,970	2,820,268
2017	2,800,000	1,096,003	3,896,003	1,847,837	958,970	2,806,807
2018-2022	18,435,000	3,534,083	21,969,083	8,691,688	3,941,223	12,632,911
2023-2027	6,110,000	548,725	6,658,725	6,889,212	2,613,379	9,502,591
2028-2032	-	-	-	7,426,690	1,181,401	8,608,091
2033-2037	-	-	-	2,775,141	161,520	2,936,661
Total	<u>\$ 36,345,000</u>	<u>\$ 10,303,803</u>	<u>\$ 46,648,803</u>	<u>\$ 35,223,333</u>	<u>\$ 13,058,053</u>	<u>\$ 48,281,386</u>

During 2011, the Macomb Interceptor Drainage District (MID) issued county bonds in the amount of \$95,620,000, of which \$15,808,421 is the Township's share. The MID Series 2010A bond proceeds were used to acquire the MID interceptor system. The 2010 Series of these bonds were issued as Federally Taxable Recovery Zone Economic Development Bonds and are eligible to recover tax credit payments from the United States Treasury equal to 35 percent of the interest payable on the bonds. The Township's total tax credit for the bonds over the next 23 years will be \$3,542,104.

During the year, the Macomb Interceptor Drainage District (MID) issued the 2011 Clintondale Pump Station Improvements drainage district bonds in the amount of \$30,800,000. Debt was allocated based on a three-year average cash flow calculation, of which \$4,039,605 is the Township's share. The debt was issued for the purpose of improving the Clintondale Pump Station for the benefit of several communities.

In 2010, the Oakland Macomb Interceptor Drainage District (OMID) was approved for approximately \$42,000,000 of loans, of which approximately \$16,000,000 of the debt will be forgiven and \$26,000,000 are loans from the Michigan State Revolving Fund (SRF) (OMID Series 2010A). The Township's portion of the forgiven debt has been recognized in prior years as contributed capital in the Water and Sewer Fund totaling \$1,079,638. As of year end, the Township's outstanding portion of the draws from the SRF was \$1,617,730.

# Township of Macomb

## Notes to Financial Statements June 30, 2012

### Note 7 - Long-term Debt (Continued)

**Current Bond Refundings** - During the year ended June 30, 2012, the Township issued \$13,390,000 in bonds with an average interest rate of 3.72 percent, the proceeds of which were accounted for in the Building Authority Debt Service Fund. The proceeds were used to current refund \$13,800,000 of outstanding 2003, 2003B, and 2006 Building Authority Bonds with an average interest rate of 3.79 percent. The current refunding reduced total debt service payments over the next 13 years by \$1,150,213, which represents an economic gain of \$726,209.

### Note 8 - Restricted Net Assets

Specific assets of the Water and Sewer Fund and the Building Authority Capital Projects Fund have been restricted for operations and maintenance, replacement, and debt service as well as unspent bond proceeds. Additionally, specific assets of the Water and Sewer Fund are restricted as the result of external governments issuing bonds for which state law requires the proceeds of the issue to be used exclusively for the purpose for which the bonds were issued or the repayment of the bonds.

The following is the detail of restricted assets at June 30, 2012:

Water and Sewer Fund - Unspent bond proceeds held at County:	
Due from Oakland County*	\$ 1,730,726
Due from Macomb County**	3,112,518
Building Authority Capital Projects Fund - Restricted assets and unspent bond proceeds	101,913
Water and Sewer Fund - Restricted assets and unspent bond proceeds	3,603,057

\* This amount is held by Oakland County in a construction fund maintained on behalf of the Township for improvements to the Oakland-Macomb Interceptor Drainage District.

\*\* This amount is held by Macomb County in construction and debt retirement funds maintained on behalf of the Township by the Macomb County Department of Public Works for drain construction projects of the Township.

Net assets have been restricted for restricted assets.

### 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 specific property, such as vehicles, computers, and employee medical claims. The Township also participates in the Michigan Municipal League risk pool for claims relating to all other property losses, torts, errors and omissions, and employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### Note 10 - Defined Benefit Pension Plan

**Plan Description** - The Township contributes to the fire retirement system, which is the administrator of a single-employer public employees' retirement system that covers all full-time firefighters of the Township. The plan does not issue a separate financial report.

The system provides retirement, death, and disability benefits to plan members and their beneficiaries. At June 30, 2012, the date of the most recent actuarial valuation, membership consisted of four retirees and beneficiaries currently receiving benefits and eight current active employees.

**Contributions** - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

**Funding Policy** - The obligation to contribute to and maintain the system for these employees was established by a vote of the taxpayers in 1988 and requires a contribution from the employees of 5 percent of gross wages. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Administrative costs of the plan are financed through investment earnings.

# Township of Macomb

## Notes to Financial Statements June 30, 2012

### Note 10 - Defined Benefit Pension Plan (Continued)

#### Annual Pension Cost and Net Pension Asset

Annual required contribution	\$ 98,061
Annual pension cost (APC)	98,061
Contributions made	<u>(205,034)</u>
Decrease in net pension obligation	(106,973)
Net pension obligation - Beginning of year	<u>(123,539)</u>
Net pension asset - End of year	<u>\$ (230,512)</u>

**Annual Pension Costs** - For the year ended June 30, 2012, the Township's annual required pension contribution was \$98,061, of which the Township contributed \$205,034. The annual required contribution was determined as part of an actuarial valuation at June 30, 2010, using the entry age actuarial funding method. Significant actuarial assumptions used include (i) a 7.0 percent investment rate of return, (ii) projected salary increases of 5.0 percent per year, (iii) additional projected salary increases ranging from 0.2 percent to 3.8 percent per year, attributable to seniority/merit and age, and (iv) no postretirement benefit increases. Assumption (ii) includes an inflation component of 5 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 percent of payroll on a closed basis. The remaining amortization period is 10 years.

Three-year trend information can be seen below:

	Fiscal Year Ended June 30		
	2012	2011	2010
Annual pension cost (APC)	\$ 98,061	\$ 93,391	\$ 187,798
Percentage of annual required contribution actually contributed	209 %	232 %	100 %
Net pension asset	\$ 230,512	\$ 123,539	\$ -

**Funding Status and Funding Progress** - As of June 30, 2012, the most recent actuarial valuation date, the plan was 85.0 percent funded. The actuarial accrued liability for benefits was approximately \$2.4 million and the actuarial value of assets was approximately \$2.0 million, resulting in an unfunded actuarial accrued liability of approximately \$400,000. The covered payroll (annual payroll of active employees covered by the plan) was \$521,004 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 69.3 percent.

### Note 10 - Defined Benefit Pension Plan (Continued)

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about the actuarial accrued liability for benefits.

**Reserves** - As of June 30, 2012, the plan's legally required reserve for employees' contributions amounted to \$164,710. The legally required reserve for retired benefit payments has not been calculated.

#### Defined Contribution Plan

All full-time employees, excluding members of the fire retirement system, belong to a 401(a) retirement plan that was established by the Township. Annually, the Township contributes 10 percent of base pay for each member into the plan; members are required to contribute 5 percent of base pay.

During the year ended June 30, 2012, the Township made contributions of \$414,699 and the plan members contributed \$207,348 to the plan.

### Note 11 - Other Postemployment Benefits (OPEB)

**Plan Description** - The Township provides retiree healthcare benefits to all full-time employees upon retirement in accordance with labor contracts. Currently, the plan has 23 retirees that are eligible for postemployment health benefits. The Township includes pre-Medicare retirees and their dependents in its insured healthcare plan, with no contribution recognized by the participant.

This is a single-employer defined benefit plan administered by the Township. The benefits are provided under collective bargaining. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions.

**Funding Policy** - In the current year, the Township paid postemployment healthcare costs of \$282,957 and made pre-funding contributions of \$1,418,981 to the Retiree Health Care Trust Fund. Retiree healthcare costs are recognized by the Township on a "pay-as-you-go" basis; however, at the end of the current year, the Township maintains approximately \$12.3 million in a prefunded retiree healthcare fund which is reported in the financial statements as a pension and other employee benefit trust fund type.

**Funding Progress** - For the year ended June 30, 2012, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of April 1, 2011. 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:

# Township of Macomb

## Notes to Financial Statements June 30, 2012

### Note 11 - Other Postemployment Benefits (OPEB) (Continued)

Annual required contribution (ARC) (recommended)	\$ 1,332,466
Adjustments to ARC:	
Interest on prior year OPEB asset	(118,415)
ARC adjustment	<u>54,564</u>
Annual OPEB cost	1,268,615
Amounts contributed:	
Payments of current premiums	(282,957)
Employer contributions to the fund	<u>(1,418,981)</u>
Decrease in net OPEB asset	(433,323)
OPEB asset - Beginning of year	<u>(2,368,292)</u>
OPEB asset - End of year	<u>\$ (2,801,615)</u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB asset for the current and previous years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Costs</u>	<u>Percentage Contributed</u>	<u>Net OPEB Asset</u>
6/30/12	\$ 1,214,052	140 %	\$ 2,856,178
6/30/11	1,195,454	80	2,497,146
6/30/10	636,520	126	2,740,259

The funding progress of the plan is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (Percent) (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll</u>
4/1/11	\$ 10,673,324	\$ 16,974,869	\$ 6,301,545	63 %	\$ 4,671,044	135 %
7/1/08	6,455,955	8,850,729	2,394,774	73	4,193,152	57

### Note 11 - Other Postemployment Benefits (OPEB) (Continued)

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear 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.

In the April 1, 2011 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare inflation rate of 10 percent for three years, graded down to 4 percent in 0.5 percent increments over 12 years. Average annual salary increases were assumed at 3 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of payroll over 30 years.

# Township of Macomb

## Notes to Financial Statements June 30, 2012

### Note 11 - Other Postemployment Benefits (OPEB) (Continued)

The following are condensed financial statements for the retirement system and the Retiree Health Care Fund:

	Retirement System	Retiree Health Care Fund	Total
<b>Statement of Net Assets</b>			
Cash and cash equivalents	\$ 141,965	\$ 5,152,715	\$ 5,294,680
Investments:			
Corporate bonds	793,559	5,608,923	6,402,482
Equities	1,044,559	-	1,044,559
Money market funds	61,653	-	61,653
U.S. Treasury bonds	-	323,970	323,970
Mutual funds	-	1,247,101	1,247,101
Liabilities	(8)	-	(8)
Net assets held in trust for pension and other postemployment benefits	<u>\$ 2,041,728</u>	<u>\$ 12,332,709</u>	<u>\$ 14,374,437</u>
<b>Statement of Changes in Net Assets</b>			
Contributions	\$ 228,467	\$ 1,702,202	\$ 1,930,669
Investment income	(73,153)	78,694	5,541
Benefit payments	(164,310)	(282,957)	(447,267)
Other decreases	(1,934)	(45)	(1,979)
Changes in net assets	<u>\$ (10,930)</u>	<u>\$ 1,497,894</u>	<u>\$ 1,486,964</u>

### Note 12 - 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 No. 14 and Statement No. 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 2012-2013 fiscal year.

### Note 12 - 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 the 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.

In March 2012, the GASB issued 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 as of fiscal year 2013-2014.

### **Note 12 - Upcoming Accounting Pronouncements (Continued)**

In June 2012, the GASB issued two new pension standards, GASB Statement No. 67, *Financial Reporting for Pension Plans*, and No. 68, *Accounting and Financial Reporting for Pensions*. These new standards significantly revise the current accounting and reporting for pensions, both from an employer perspective as well as from a plan perspective. Employers providing defined benefit pensions to its employees must now, under these new standards, 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 and expanded note disclosures and required supplemental information (RSI). Statement No. 67 is required to be adopted for the year ending June 30, 2014 and Statement No. 68 one year later.

## **Required Supplemental Information**

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# Township of Macomb

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes and fees	\$ 1,811,400	\$ 1,811,400	\$ 1,873,730	\$ 62,330
Licenses and permits	1,699,000	1,699,000	2,288,028	589,028
Federal grants	298,000	298,000	90,802	(207,198)
State-shared revenue and grants	3,440,000	3,440,000	6,199,659	2,759,659
Charges for services	206,693	206,693	250,280	43,587
Fines and forfeitures	95,000	95,000	101,909	6,909
Interest	152,500	152,500	83,916	(68,584)
Other revenue:				
Special assessments	785,300	785,300	792,784	7,484
Other	239,000	239,000	245,729	6,729
Total revenue	<u>8,726,893</u>	<u>8,726,893</u>	<u>11,926,837</u>	<u>3,199,944</u>
<b>Expenditures</b>				
Current:				
General government	5,031,797	5,031,797	4,395,044	636,753
Public safety	1,577,100	1,577,100	1,226,597	350,503
Public works	1,126,000	1,126,000	931,892	194,108
Recreation and culture	250,200	250,200	217,269	32,931
Employee benefits and insurance	1,849,480	1,849,480	1,507,226	342,254
Capital outlay	423,000	423,000	505,579	(82,579)
Total expenditures	<u>10,257,577</u>	<u>10,257,577</u>	<u>8,783,607</u>	<u>1,473,970</u>
<b>Excess of Revenue (Under) Over Expenditures</b>	(1,530,684)	(1,530,684)	3,143,230	4,673,914
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	-	-	145,185	145,185
Transfers in	15,000	15,000	7,850	(7,150)
Transfers out	(892,100)	(892,100)	(889,251)	2,849
Total other financing uses	<u>(877,100)</u>	<u>(877,100)</u>	<u>(736,216)</u>	<u>140,884</u>
<b>Net Change in Fund Balance</b>	(2,407,784)	(2,407,784)	2,407,014	4,814,798
<b>Fund Balance - Beginning of year</b>	<u>27,135,214</u>	<u>27,135,214</u>	<u>27,135,214</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u>\$ 24,727,430</u>	<u>\$ 24,727,430</u>	<u>\$ 29,542,228</u>	<u>\$ 4,814,798</u>

# Township of Macomb

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Parks and Recreation Operating Fund Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes and fees	\$ 2,200,000	\$ 2,200,000	\$ 2,258,537	\$ 58,537
Charges for services	1,580,000	1,580,000	2,235,665	655,665
Interest	22,000	22,000	14,964	(7,036)
Total revenue	3,802,000	3,802,000	4,509,166	707,166
<b>Expenditures</b>				
Current - Recreation and culture	2,608,846	2,608,846	2,382,690	226,156
Debt service	-	-	67,879	(67,879)
Total expenditures	2,608,846	2,608,846	2,450,569	158,277
<b>Transfers Out</b>	(2,262,800)	(2,262,800)	(1,634,740)	628,060
<b>Net Change in Fund Balance</b>	(1,069,646)	(1,069,646)	423,857	1,493,503
<b>Fund Balance - Beginning of year</b>	5,293,337	5,293,337	5,293,337	-
<b>Fund Balance - End of year</b>	<u>\$ 4,223,691</u>	<u>\$ 4,223,691</u>	<u>\$ 5,717,194</u>	<u>\$ 1,493,503</u>

# Township of Macomb

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Operating Fund Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes and fees	\$ 2,700,000	\$ 2,700,000	\$ 2,789,458	\$ 89,458
Charges for services	1,100	1,100	-	(1,100)
Interest	41,500	41,500	23,465	(18,035)
Other	-	-	853	853
Total revenue	2,742,600	2,742,600	2,813,776	71,176
<b>Expenditures - Current - Public safety</b>	3,262,959	3,262,959	2,886,472	376,487
<b>Excess of Expenditures Over Revenue</b>	(520,359)	(520,359)	(72,696)	447,663
<b>Other Financing Sources -</b>				
Proceeds from sale of capital assets	-	-	77,450	77,450
<b>Transfers Out</b>	(302,600)	(302,600)	(200,000)	102,600
<b>Net Change in Fund Balance</b>	(822,959)	(822,959)	(195,246)	627,713
<b>Fund Balance - Beginning of year</b>	9,542,343	9,542,343	9,542,343	-
<b>Fund Balance - End of year</b>	<u>\$ 8,719,384</u>	<u>\$ 8,719,384</u>	<u>\$ 9,347,097</u>	<u>\$ 627,713</u>

# Township of Macomb

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Law Enforcement Sheriff Fund Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes and fees	\$ 2,885,000	\$ 2,885,000	\$ 2,910,078	\$ 25,078
State-shared revenue and grants	-	-	19,870	19,870
Charges for services	16,800	16,800	-	(16,800)
Interest	2,000	2,000	2,945	945
Total revenue	2,903,800	2,903,800	2,932,893	29,093
<b>Expenditures - Current - Public safety</b>	3,163,775	3,163,775	3,155,741	8,034
<b>Excess of Expenditures Over Revenue</b>	(259,975)	(259,975)	(222,848)	37,127
<b>Other Financing Sources -</b>				
Transfers in	360,000	360,000	360,000	-
<b>Net Change in Fund Balance</b>	100,025	100,025	137,152	37,127
<b>Fund Balance - Beginning of year</b>	1,133,480	1,133,480	1,133,480	-
<b>Fund Balance - End of year</b>	<u>\$ 1,233,505</u>	<u>\$ 1,233,505</u>	<u>\$ 1,270,632</u>	<u>\$ 37,127</u>

# Township of Macomb

## Required Supplemental Information Pension System Schedule of Funding Progress Year Ended June 30, 2012

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/04	\$ 968,361	\$ 1,323,015	\$ 354,654	73.2 %	\$ 225,485	157.3 %
6/30/06	1,235,360	1,456,615	221,255	84.8	527,659	41.9
6/30/08	1,527,110	1,878,379	351,269	81.3	637,673	55.1
6/30/10	1,798,531	2,089,721	291,190	86.1	476,483	61.1
6/30/12	2,041,728	2,402,539	360,811	85.0	521,004	69.3

The schedule of employer contributions is as follows:

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
6/30/07	\$ 153,302	100 %
6/30/08	145,958	100
6/30/09	175,998	100
6/30/10	184,798	100
6/30/11	93,391	232
6/30/12	98,061	209

The information presented above was determined as part of the actuarial valuations at the dates indicated. The most recent valuations as of June 30, 2012 contain the following assumptions:

Actuarial cost method	Entry age
Amortization method	Level percent, closed
Amortization period (perpetual)	9 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases*	3.00% - 6.80%
*Includes inflation at	3.00%
Cost of living adjustments	None

# Township of Macomb

## Note to Required Supplemental Information Year Ended June 30, 2012

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all special revenue funds, except that GASB Statement No. 54 was adopted during 2011. The Township did not amend the General Fund budget to take into account the additional activity accounted for in the General Fund as a result of implementation. The table below reconciles the actual fiscal year activity in the General Fund budget to the General Fund activity reported in the governmental funds statement of revenue, expenditures, and changes in fund balances. In the General Fund, capital outlay and employee benefits and insurance were budgeted for as separate budget line items; actual expenditures were expensed by function classification. All annual appropriations lapse at fiscal year end.

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.

Encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2012 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The supervisor presents the preliminary budget to the board of trustees in May and the final budget is legally adopted at the last board meeting in June to commence on the first of July.

	Fund Balance - Beginning of Year	Fund Balance - End of Year
	<u>                    </u>	<u>                    </u>
General Fund:		
Fund balance per the governmental funds statement of revenue, expenditures, and changes in fund balances	\$ 27,205,214	\$ 29,612,228
The fund balance of the previous Budget Stabilization Fund was not included in the beginning and ending fund balance of the General Fund for the year ended June 30, 2012 budget	<u>(70,000)</u>	<u>(70,000)</u>
Fund balance per General Fund budget statement	<u>\$ 27,135,214</u>	<u>\$ 29,542,228</u>

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the Township incurred expenditures that were in excess of the amended budget as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund - Capital outlay	\$ 423,000	\$ 505,579	\$ (82,579)
Parks and Recreation Operating Fund - Debt service	-	67,879	(67,879)

## **Other Supplemental Information**

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# Township of Macomb

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2012

	Nonmajor Capital Projects Funds					Total Nonmajor Governmental Funds
	Parks and Recreation Revolving - Debt Service Fund	Public Improvement	Fire Improvement	Municipal Streets	Building Authority Capital Projects	
<b>Assets</b>						
Cash and investments	\$ 638,617	\$ 3,002,978	\$ 777,807	\$ 2,713,478	\$ -	\$ 7,132,880
Receivables - Restricted assets	-	-	-	-	101,913	101,913
Total assets	<u>\$ 638,617</u>	<u>\$ 3,002,978</u>	<u>\$ 777,807</u>	<u>\$ 2,713,478</u>	<u>\$ 101,913</u>	<u>\$ 7,234,793</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 869	\$ -	\$ 869
Accrued liabilities and other	-	-	-	1,521,206	-	1,521,206
Total liabilities	-	-	-	1,522,075	-	1,522,075
<b>Fund Balances</b>						
Restricted:						
Fire	-	-	777,807	-	-	777,807
Debt service	638,617	-	-	-	-	638,617
Capital projects	-	-	-	-	101,913	101,913
Assigned:						
Capital outlay	-	3,002,978	-	-	-	3,002,978
Road projects	-	-	-	1,191,403	-	1,191,403
Total fund balances	<u>638,617</u>	<u>3,002,978</u>	<u>777,807</u>	<u>1,191,403</u>	<u>101,913</u>	<u>5,712,718</u>
Total liabilities and fund balances	<u>\$ 638,617</u>	<u>\$ 3,002,978</u>	<u>\$ 777,807</u>	<u>\$ 2,713,478</u>	<u>\$ 101,913</u>	<u>\$ 7,234,793</u>

# Township of Macomb

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2012

	Parks and Recreation Revolving - Debt Service Fund	Nonmajor Capital Projects Funds				Total Nonmajor Governmental Funds
		Public Improvement	Fire Improvement	Municipal Streets	Building Authority Capital Projects	
<b>Revenue</b>						
Interest	\$ 2,005	\$ 9,447	\$ 8,274	\$ 1,684	\$ 616	\$ 22,026
Other	-	-	-	24,619	-	24,619
Total revenue	2,005	9,447	8,274	26,303	616	46,645
<b>Expenditures - Current - Capital outlay</b>	-	-	903,726	5,605	263,583	1,172,914
<b>Excess of Revenue Over (Under) Expenditures</b>	2,005	9,447	(895,452)	20,698	(262,967)	(1,126,269)
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	200,000	-	-	200,000
Transfers out	-	(7,850)	(531,649)	-	-	(539,499)
Total other financing uses	-	(7,850)	(331,649)	-	-	(339,499)
<b>Net Change in Fund Balances</b>	2,005	1,597	(1,227,101)	20,698	(262,967)	(1,465,768)
<b>Fund Balances - Beginning of year</b>	636,612	3,001,381	2,004,908	1,170,705	364,880	7,178,486
<b>Fund Balances - End of year</b>	<b>\$ 638,617</b>	<b>\$ 3,002,978</b>	<b>\$ 777,807</b>	<b>\$ 1,191,403</b>	<b>\$ 101,913</b>	<b>\$ 5,712,718</b>

# Township of Macomb

## Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds June 30, 2012

	Pension and Other Retirement Benefit Funds			Agency Funds
	Retirement	Retiree	Total	Bond Escrow
	System	Health Care		Agency Fund
<b>Assets</b>				
Cash and cash equivalents	\$ 141,965	\$ 5,152,715	\$ 5,294,680	\$ 360,222
Investments:				
U.S. Treasury bonds	-	323,970	323,970	-
Equities	1,044,559	-	1,044,559	-
Corporate bonds	793,559	5,608,923	6,402,482	-
Money market funds	61,653	-	61,653	-
Mutual funds	-	1,247,101	1,247,101	-
	2,041,736	12,332,709	14,374,445	<b>\$ 360,222</b>
Total assets				
<b>Liabilities</b>				
Accounts payable	8	-	8	\$ -
Cash bonds and deposits	-	-	-	360,222
	8	-	8	<b>\$ 360,222</b>
Total liabilities				
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<b><u>\$ 2,041,728</u></b>	<b><u>\$ 12,332,709</u></b>	<b><u>\$ 14,374,437</u></b>	

# Township of Macomb

## Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended June 30, 2012

	Pension and Other Retirement Benefit Funds		Total
	Retirement System	Retiree Health Care	
<b>Additions</b>			
Investment income (loss):			
Interest and dividends	\$ 61,343	\$ 69,850	\$ 131,193
Net (decrease) increase in fair value of investments	(125,057)	34,276	(90,781)
Investment-related expenses	(9,439)	(25,432)	(34,871)
Net (loss) income	(73,153)	78,694	5,541
Contributions:			
Employer	205,034	1,702,202	1,907,236
Employee	23,433	-	23,433
Total contributions	228,467	1,702,202	1,930,669
Total additions - Net	155,314	1,780,896	1,936,210
<b>Deductions</b>			
Benefit payments	164,310	282,957	447,267
Administrative expenses	1,934	45	1,979
Total deductions	166,244	283,002	449,246
<b>Net (Decrease) Increase</b>	(10,930)	1,497,894	1,486,964
<b>Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	2,052,658	10,834,815	12,887,473
<b>Net Assets Held in Trust for Pension and Other Employee Benefits - End of year</b>	<b>\$ 2,041,728</b>	<b>\$ 12,332,709</b>	<b>\$ 14,374,437</b>