

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

**Financial Report
with Supplemental Information
March 31, 2013**

Charter Township of Flushing

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Independent Auditor's Report

To the Board of Directors
Charter Township of Flushing

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Flushing, as of and for the year ended March 31, 2013 and the related notes to the financial statements, which collectively comprise the Charter Township of Flushing's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Flushing as of March 31, 2013 and the respective changes in its financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Charter Township of Flushing

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the major fund budgetary comparison schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Plante & Moran, PLLC

August 30, 2013

Charter Township of Flushing

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Flushing's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2013. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2013:

- The Township's total net position is \$12.1 million, with unrestricted net position of \$4.3 million.
- During the year, the Township's governmental expenditures were about \$55,000 more than the \$2,675,300 generated in taxes and other revenue for governmental funds.
- General Fund fund balance increased by \$47,566

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

Charter Township of Flushing

Management's Discussion and Analysis (Continued)

Governmental Activities

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

	Governmental Activities			
	2012	2013	Change	Percent Change
Assets				
Current and other assets	\$ 1,869,289	\$ 1,984,078	\$ 114,789	6%
Capital assets	<u>1,584,893</u>	<u>1,671,288</u>	<u>86,395</u>	5%
Total assets	3,454,182	3,655,366	201,184	6%
Liabilities				
Current liabilities	427,838	593,975	166,137	39%
Long-term liabilities	<u>197,365</u>	<u>254,127</u>	<u>56,762</u>	29%
Total liabilities	<u>625,203</u>	<u>848,102</u>	<u>222,899</u>	36%
Net Position				
Net investment in capital assets	1,581,617	1,660,872	79,255	5%
Restricted	274,757	210,993	(63,764)	-23%
Unrestricted	<u>972,605</u>	<u>935,399</u>	<u>(37,206)</u>	-4%
Total net position	<u>\$ 2,828,979</u>	<u>\$ 2,807,264</u>	<u>\$ (21,715)</u>	-1%
Governmental Activities				
	2012	2013	Change	Percent Change
Revenue				
Program revenue:				
Charges for services	\$ 710,820	\$ 708,713	\$ (2,107)	0%
Operating grants and contributions	65,370	60,368	(5,002)	-8%
General revenue:				
Property taxes	996,448	998,244	1,796	0%
State-shared revenue	781,801	772,813	(8,988)	-1%
Other revenue	<u>157,760</u>	<u>146,516</u>	<u>(11,244)</u>	-7%
Total revenue	2,712,199	2,686,654	(25,545)	-1%
Program Expenses				
General government	499,445	723,303	223,858	45%
Public safety	838,237	1,190,210	351,973	42%
Public works	836,759	719,315	(117,444)	-14%
Recreation and cultural	<u>63,185</u>	<u>75,541</u>	<u>12,356</u>	20%
Total expenses	<u>2,237,626</u>	<u>2,708,369</u>	<u>470,743</u>	21%
Change in Net Position	<u>\$ 474,573</u>	<u>\$ (21,715)</u>	<u>\$ (496,288)</u>	-105%

Charter Township of Flushing

Management's Discussion and Analysis (Continued)

The Township's governmental revenue was approximately \$2.7 million this year. Property taxes were about \$998,000, or 37 percent of total revenue. State revenue sharing made up about \$773,000, or 29 percent of total revenue. The remaining 34 percent of governmental activity revenue is comprised mostly of charges for services, grants and contributions, and franchise fees.

Expenses increased by approximately \$471,000. Public safety expenses account for approximately \$352,000 of the increase due to the temporary change in providing services to residents through a contractual agreement with the Genesee County Sheriff's department and the costs associated with reinstating the Township police department. General government expenses increased approximately \$224,000 partially as a result of the increase in depreciation expense in the current year for items that were purchased near the end of the prior fiscal year and had a full year of depreciation this year. Also, in the prior year there were larger equipment items that were purchased and were capitalized in the government-wide statements whereas in the current year there were smaller equipment purchases that were not in excess of the threshold for capitalization.

Business-type Activities

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

	Business-type Activities			
	2012	2013	Change	Percent Change
Assets				
Other assets	\$ 3,445,155	\$ 3,693,018	\$ 247,863	7%
Capital assets	<u>6,098,009</u>	<u>5,937,245</u>	<u>(160,764)</u>	-3%
Total assets	9,543,164	9,630,263	87,099	1%
Liabilities - Current liabilities	<u>253,390</u>	<u>321,111</u>	<u>67,721</u>	27%
Net Position				
Net investment in capital assets	6,098,009	5,937,245	(160,764)	-3%
Unrestricted	<u>3,191,765</u>	<u>3,371,907</u>	<u>180,142</u>	6%
Total net position	<u>\$ 9,289,774</u>	<u>\$ 9,309,152</u>	<u>\$ 19,378</u>	0%

Charter Township of Flushing

Management's Discussion and Analysis (Continued)

	Business-type Activities			Percent Change
	2012	2013	Change	
Operating revenue	\$ 1,601,596	\$ 1,663,922	\$ 62,326	4%
Operating expenses - Other than depreciation	1,419,164	1,506,633	87,469	6%
Depreciation and amortization	<u>161,886</u>	<u>160,763</u>	<u>(1,123)</u>	-1%
Operating income (loss)	20,546	(3,474)	(24,020)	117%
Interest income	17,185	13,965	(3,220)	-19%
Capital contributions	12,000	8,000	(4,000)	33%
Other miscellaneous income	<u>1,056</u>	<u>887</u>	<u>(169)</u>	-16%
Change in Net Position	<u>\$ 50,787</u>	<u>\$ 19,378</u>	<u>\$ (31,409)</u>	-62%

Operating revenue (charges for services) of the Township's business-type activities increased \$62,326 from the prior year total of \$1,601,596 to the current year total of \$1,663,922. Operating expenses increased by \$87,469. The major factor contributing to the decrease in expenses from the prior year includes reduced water and sewer usage costs from the County.

The Township's Funds

As the Township completed the year, its General Fund reported a fund balance of \$821,296. This was an increase of \$47,566 from the prior year. This represents approximately 65 percent of General Fund total expenditures. Revenue decreased \$64,648, with state-shared revenue decreasing by \$8,988, charges for services decreasing by \$601, interest income decreasing by \$6,178, and other revenue decreasing by \$7,405. Expenditures increased \$148,577 mainly due to an increase in public safety expenditures compared to fiscal year 2012.

The Law Enforcement Special Revenue Fund realized a decrease in its fund balance of approximately \$85,000 to stand at \$46,439.

The Water and Sewer Enterprise Fund had an increase in net position of \$19,378. Most of the increase was a result of an increase in water usage fees. Cash and investments totaled \$3 million for the fund.

Charter Township of Flushing

Management's Discussion and Analysis (Continued)

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

	Governmental Funds			Percent Change
	2012	2013	Change	
Revenue				
Property taxes and income taxes	\$ 1,002,908	\$ 986,890	\$ (16,018)	-2%
Charges for services	233,726	233,125	(601)	0%
Licenses and permits	1,800	2,145	345	19%
State-shared revenue	781,801	772,813	(8,988)	-1%
Federal, state, and local grants	67,012	60,520	(6,492)	-10%
Cable franchise fees	110,483	115,582	5,099	5%
Fines and forfeitures	6,322	5,671	(651)	-10%
Interest and rentals	40,395	33,764	(6,631)	-16%
Special assessments	424,463	427,827	3,364	1%
Other	35,360	10,163	(25,197)	-71%
Total revenue	2,704,270	2,648,500	(55,770)	-2%
Expenditures				
Current:				
General government	723,879	684,823	(39,056)	-5%
Public safety	984,159	1,185,527	201,368	20%
Public works	821,057	707,449	(113,608)	-14%
Recreation and culture	33,560	45,379	11,819	35%
Capital outlay	19,127	107,181	88,054	460%
Total expenditures	2,581,782	2,730,359	148,577	6%
Net Change in Fund Balances	136,877	(55,059)	(191,936)	-140%
Fund Balances - Beginning of year	841,873	978,750	136,877	16%
Fund Balances - End of year	<u>\$ 978,750</u>	<u>\$ 923,691</u>	<u>\$ (55,059)</u>	-6%

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

At the end of 2013, the Township had invested \$7.6 million in capital assets, net of related debt. This amount complies with methods established by the Governmental Accounting Standards Board (GASB) for the implementation of GASB Statement No. 34. Capital assets as stated in this annual financial report do not include some prior year infrastructure items such as sidewalks and streets. Financial reporting in years before 2005 has not required some infrastructure items to be included with capital assets. Recognizing the problem of having local units gather together all of the required information, the GASB has allowed smaller units of government like the Township to report infrastructure assets on a prospective basis only after adopting the new reporting standard.

Charter Township of Flushing

Management's Discussion and Analysis (Continued)

At year end, the Township had a capital lease obligation of \$10,416 outstanding for equipment purchased for governmental activities and compensated absences due employees of \$52,221. Business-type activities (water and sewer services) did not have any long-term debt obligations outstanding at March 31, 2013. Annual debt service requirements for the capital lease are approximately \$2,600 per year, with final payment due in 2014.

Limitations on Debt

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

Contacting the Township's Financial Administration

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

Charter Township of Flushing

Statement of Net Position March 31, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 1,453,785	\$ 1,599,715	\$ 3,053,500
Investments	-	1,478,521	1,478,521
Receivables:			
Accounts	-	104,122	104,122
Accrued interest	-	1,709	1,709
Other receivables	7,295	-	7,295
Due from other governmental units	211,431	21,250	232,681
Unbilled	-	301,875	301,875
Tap-in contracts	-	5,726	5,726
Special assessments	-	82,380	82,380
Internal balances	(76,458)	76,458	-
Prepaid expenses	13,629	-	13,629
Land held for resale	100	-	100
Net pension asset (Note 10)	374,296	-	374,296
Capital assets - Net (Note 5):			
Assets not subject to depreciation	193,200	-	193,200
Assets subject to depreciation	1,478,088	5,937,245	7,415,333
Tap-in contracts receivable	-	21,262	21,262
Total assets	3,655,366	9,630,263	13,285,629
Liabilities			
Accounts payable	49,859	320,845	370,704
Due to other governmental units	168,508	266	168,774
Accrued liabilities and other	28,624	-	28,624
Deferred revenue (Note 4)	346,984	-	346,984
Noncurrent liabilities (Note 7):			
Due within one year	16,054	-	16,054
Due in more than one year	238,073	-	238,073
Total liabilities	848,102	321,111	1,169,213
Net Position			
Net investment in capital assets	1,660,872	5,937,245	7,598,117
Restricted for:			
Law enforcement	97,682	-	97,682
Drug law enforcement	529	-	529
Garbage collection	83,594	-	83,594
PEG revenue	29,188	-	29,188
Unrestricted	935,399	3,371,907	4,307,306
Total net position	\$ 2,807,264	\$ 9,309,152	\$ 12,116,416

Charter Township of Flushing

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 723,303	\$ 246,935	\$ 18,600	\$ -
Public safety	1,190,210	33,951	12,160	-
Public works	719,315	427,827	8,206	-
Recreation and culture	75,541	-	21,402	-
Total governmental activities	2,708,369	708,713	60,368	-
Business-type activities	1,667,396	1,663,922	-	8,000
Total primary government	\$ 4,375,765	\$ 2,372,635	\$ 60,368	\$ 8,000
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Franchise fees				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

**Statement of Activities
Year Ended March 31, 2013**

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (457,768)	\$ -	\$ (457,768)
(1,144,099)	-	(1,144,099)
(283,282)	-	(283,282)
(54,139)	-	(54,139)
(1,939,288)	-	(1,939,288)
-	4,526	4,526
(1,939,288)	4,526	(1,934,762)
998,244	-	998,244
772,813	-	772,813
8,179	13,965	22,144
109,692	-	109,692
28,645	887	29,532
1,917,573	14,852	1,932,425
(21,715)	19,378	(2,337)
2,828,979	9,289,774	12,118,753
\$ 2,807,264	\$ 9,309,152	\$ 12,116,416

Charter Township of Flushing

Governmental Funds Balance Sheet March 31, 2013

	Law		Solid Waste	Nonmajor Funds	Total
	General Fund	Enforcement			
Assets					
Cash and cash equivalents	\$ 732,137	\$ 317,506	\$ 403,613	\$ 529	\$ 1,453,785
Receivables:					
Other receivables	5,391	1,904	-	-	7,295
Due from other governmental units	132,021	51,243	28,167	-	211,431
Prepaid expenses	9,360	3,625	644	-	13,629
Land held for resale	100	-	-	-	100
Total assets	\$ 879,009	\$ 374,278	\$ 432,424	\$ 529	\$ 1,686,240
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 16,206	\$ 31,807	\$ 1,846	\$ -	\$ 49,859
Due to other governmental units	-	168,508	-	-	168,508
Due to other funds	177	-	-	-	177
Advances from other funds	-	76,281	-	-	76,281
Accrued liabilities and other - Payroll taxes and withholdings	28,624	-	-	-	28,624
Deferred revenue	12,706	51,243	375,151	-	439,100
Total liabilities	57,713	327,839	376,997	-	762,549
Fund Balances					
Nonspendable:					
Land held for resale	100	-	-	-	100
Prepays	9,360	3,625	644	-	13,629
Restricted:					
Law enforcement	-	42,814	-	-	42,814
Drug law enforcement	-	-	-	529	529
Garbage collection	-	-	54,783	-	54,783
PEG revenue	29,188	-	-	-	29,188
Unassigned	782,648	-	-	-	782,648
Total fund balances	821,296	46,439	55,427	529	923,691
Total liabilities and fund balances	\$ 879,009	\$ 374,278	\$ 432,424	\$ 529	\$ 1,686,240

Charter Township of Flushing

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position March 31, 2013

Fund Balance Reported in Governmental Funds	\$	923,691
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		1,671,288
Delinquent property taxes are expected to be collected over several years and are not available to pay for current year expenditures		92,116
Capital lease obligations are not due and payable in the current period and are not reported in the funds		(10,416)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities		(52,221)
Net pension assets do not present a claim on current financial resources and are not reported as fund liabilities		374,296
Other postemployment benefit obligations do not present a claim on current financial resources and are not reported as fund liabilities		(191,490)
Net Position of Governmental Activities	\$	<u>2,807,264</u>

Charter Township of Flushing

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2013

	General Fund	Law Enforcement	Solid Waste	Nonmajor Funds	Total
Revenue					
Property taxes	\$ 129,301	\$ 857,589	\$ -	\$ -	\$ 986,890
Licenses and permits	2,145	-	-	-	2,145
Federal grants	18,600	-	-	20,422	39,022
State-shared revenue and grants	781,019	13,292	-	-	794,311
Charges for services	233,125	-	-	-	233,125
Fines and forfeitures	-	5,671	-	-	5,671
Investment income	4,226	3,953	-	-	8,179
Rental income	25,585	-	-	-	25,585
Other revenue:					
Special assessments	-	-	427,827	-	427,827
Cable franchise fees	115,582	-	-	-	115,582
Other miscellaneous income	10,125	38	-	-	10,163
Total revenue	1,319,708	880,543	427,827	20,422	2,648,500
Expenditures					
Current:					
General government	679,498	3,540	1,785	-	684,823
Public safety	275,004	910,523	-	-	1,185,527
Public works	263,983	-	443,466	-	707,449
Recreation and culture	24,957	-	-	20,422	45,379
Capital outlay	29,800	77,381	-	-	107,181
Total expenditures	1,273,242	991,444	445,251	20,422	2,730,359
Excess of Revenue Over (Under) Expenditures	46,466	(110,901)	(17,424)	-	(81,859)
Other Financing Sources -					
Proceeds from sale of capital assets	1,100	25,700	-	-	26,800
Net Change in Fund Balances	47,566	(85,201)	(17,424)	-	(55,059)
Fund Balances - Beginning of year	773,730	131,640	72,851	529	978,750
Fund Balances - End of year	<u>\$ 821,296</u>	<u>\$ 46,439</u>	<u>\$ 55,427</u>	<u>\$ 529</u>	<u>\$ 923,691</u>

Charter Township of Flushing

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2013

Net Change in Fund Balances - Total Governmental Funds	\$	(55,059)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Capital outlay		240,316
Depreciation expense		(150,348)
Net book value of assets disposed of		(13,526)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end		
		11,354
Repayment of lease principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		
		2,813
Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources and therefore are not reported in the fund statements until they come due for payment		
		(5,765)
Decrease in net pension asset		
		(7,643)
Increase in net other postemployment benefit obligation		
		(43,857)
Change in Net Position of Governmental Activities	\$	<u>(21,715)</u>

Charter Township of Flushing

Proprietary Fund Statement of Net Position March 31, 2013

	Enterprise Fund - Water and Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,599,715
Investments	1,478,521
Receivables:	
Special assessments - Current portion	27,460
Accounts	104,122
Accrued interest	1,709
Due from other governmental units	21,250
Unbilled	301,875
Tap-in contracts - Current portion	5,726
Due from other funds	177
Total current assets	<u>3,540,555</u>
Noncurrent assets:	
Advances to other funds	76,281
Special assessment receivables - Long-term portion	54,920
Capital assets - Net of accumulated depreciation	5,937,245
Tap-in contracts receivable - Long-term portion	21,262
Total noncurrent assets	<u>6,089,708</u>
Total assets	<u>9,630,263</u>
Liabilities - Current liabilities	
Accounts payable	320,845
Due to other governmental units	266
Total liabilities	<u>321,111</u>
Net Position	
Net investment in capital assets	5,937,245
Unrestricted	3,371,907
Total net position	<u><u>\$ 9,309,152</u></u>

Charter Township of Flushing

Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Position Year Ended March 31, 2013

	Enterprise Fund - Water and Sewer Fund
Operating Revenue	
Water usage fees	\$ 1,353,176
Sewer treatment fees	275,995
Late charges	34,751
Total operating revenue	1,663,922
Operating Expenses	
Water usage cost	1,134,462
Sewer treatment cost	154,579
Pumping station maintenance	38,745
Pumping station utilities	4,337
Computer billing charges	12,103
Hydrant service	8,793
Administration	140,000
Miscellaneous	8,304
Professional fees	5,310
Depreciation	160,763
Total operating expenses	1,667,396
Operating Loss	(3,474)
Nonoperating Revenue	
Investment income	13,965
Interest on tap-in contracts and assessments	887
Total nonoperating revenue	14,852
Income - Before contributions	11,378
Capital Contributions - Benefit fees	8,000
Change in Net Position	19,378
Net Position - Beginning of year	9,289,774
Net Position - End of year	\$ 9,309,152

Charter Township of Flushing

Proprietary Fund Statement of Cash Flows Year Ended March 31, 2013

	Enterprise Fund - Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 1,687,372
Payments for interfund services and reimbursements	(177)
Payments to suppliers	(1,298,912)
Internal activity - Payments to other funds	(140,000)
Net cash provided by operating activities	248,283
Cash Flows from Noncapital Financing Activities - Loans made to other funds	(76,281)
Cash Flows from Capital and Related Financing Activities	
Special assessment collections	39,151
Tap-in fees	12,725
Net cash provided by capital and related financing activities	51,876
Cash Flows from Investing Activities	
Interest received on investments	15,679
Purchase of investment securities	(1,467,462)
Proceeds from sale and maturities of investment securities	1,456,403
Net cash provided by investing activities	4,620
Net Increase in Cash and Cash Equivalents	228,498
Cash and Cash Equivalents - Beginning of year	1,371,217
Cash and Cash Equivalents - End of year	\$ 1,599,715
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (3,474)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	160,763
Changes in assets and liabilities:	
Receivables	23,450
Due from others	(177)
Accounts payable	67,721
Net cash provided by operating activities	\$ 248,283

Charter Township of Flushing

Notes to Financial Statements March 31, 2013

Note I - Nature of Business and Significant Accounting Policies

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

Reporting Entity

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

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

Jointly Governed Organization - The Township has entered into a joint agreement with the City of Flushing to share in the operating costs of a library and senior citizens center for Township and City residents. The facility renovation and operation is overseen by a joint building operating committee made up of two appointees from each municipality and one appointee selected by the members of the Township and City. The joint building committee prepares an annual operating budget which is approved by each municipality. All operating regulations, policies, and rules for the center are determined by the committee and approved by the City and Township. Operating expenses will be divided between the City and Township based on resident usage records. The City of Flushing acts as the fiduciary agent for the library and senior center. During the current year, the Township's share of the operating costs of the library and senior center were \$7,589 and \$3,883, respectively. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Separate financial statements for the senior citizens center are not available as of the report date.

Government-wide and Fund Financial Statements

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

Charter Township of Flushing

Notes to Financial Statements March 31, 2013

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The Township reports the following major governmental funds:

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

Charter Township of Flushing

Notes to Financial Statements March 31, 2013

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

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

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

The Township reports the following major proprietary fund:

Water and Sewer Fund - One fund is maintained for the operations of the water distribution system and the sewage pumping and collection system that transports the sewage to Genesee County's treatment plant.

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

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

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

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

Property Tax Revenue

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

Charter Township of Flushing

Notes to Financial Statements March 31, 2013

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

The Township's 2012 tax is levied and collectible on December 1, 2012 and is recognized as revenue in the year ended March 31, 2013, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2012 taxable valuation of the Township totaled \$253,111,084, on which taxes levied consisted of 0.50 mills for operating purposes and 3.4114 mills for police. This resulted in \$125,792 for operating purposes and \$857,589 for police. These amounts are recognized in the respective General and Special Revenue Fund financial statements as tax revenue.

Assets, Liabilities, and Net Position or Equity

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

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

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

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

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Charter Township of Flushing

Notes to Financial Statements March 31, 2013

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

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

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

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

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

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

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

Charter Township of Flushing

Notes to Financial Statements March 31, 2013

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

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 honorable members of the Township board.
- **Assigned** - Intent to spend resources on specific purposes is expressed by the board of trustees.
- **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

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

1. Prior to the beginning of the fiscal year, the supervisor submits to the Township board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures, and the means of financing them, for the General and Special Revenue Funds. Informational summaries of projected revenue and expenses are provided for the Water and Sewer Enterprise Fund.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.

Charter Township of Flushing

Notes to Financial Statements March 31, 2013

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

3. Prior to April 1, the budget is legally enacted on a departmental level for all budgetary funds through passage of a resolution in accordance with Public Act 621 of the State of Michigan.
4. The supervisor is authorized to transfer budgeted amounts within departmental appropriation accounts; however, any revisions that alter the total expenditures of any department must be approved by the Township board.
5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. All budgets are adopted on a basis consistent with generally accepted accounting principles except as indicated in Item 8 below.
6. Budget appropriations lapse at year end, except for approved contracts and certain federal grants which are appropriated on a contract (grant) length basis.
7. The original budget was amended during the year in compliance with the Township Charter and applicable state laws. The budget amounts reported in the financial statements represent the original and final budgeted expenditures as amended by the Township.
8. The Community Development Special Revenue Fund is budgeted on a project length basis. As a result of this different budget perspective, the Community Development Fund is not included in the special revenue budget to actual statements.

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

Shortfall at April 1, 2012	\$ (263,697)
Construction permit revenue	1,410
Related expenses - Professional services	<u>567</u>
Current year surplus	<u>843</u>
Cumulative shortfall at March 31, 2013	<u>\$ (262,854)</u>

Charter Township of Flushing

Notes to Financial Statements March 31, 2013

Note 3 - Deposits and Investments

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

The Township has designated seven banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$2,381,008 of bank deposits (certificates of deposit, money market, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Pooled Cash - The Township maintains a cash pool that is available for use by all funds except the Water and Sewer Fund and the Tax Collection Fund. Each fund type's portion of this pool is included on the combined balance sheet in cash and cash equivalents. A summary of the amount of equity in the pooled cash account, or the amount due to the General Fund at March 31, 2013, is as follows:

<u>Fund</u>	<u>Pooled Cash</u>
General Fund	\$ 732,137
Law Enforcement Fund	317,506
Solid Waste Fund	403,613
Drug Law Enforcement Fund	529

Charter Township of Flushing

Notes to Financial Statements March 31, 2013

Note 4 - Deferred Revenue

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

	Governmental Funds		
	Unavailable	Unearned	Total
Delinquent property taxes	\$ 92,116	\$ -	\$ 92,116
Special assessments	-	346,984	346,984
Total	\$ 92,116	\$ 346,984	\$ 439,100

Charter Township of Flushing

Notes to Financial Statements March 31, 2013

Note 5 - Capital Assets

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

Governmental Activities	Balance April 1, 2012	Additions	Disposals	Balance March 31, 2013
Capital assets not being depreciated -				
Land	\$ 193,200	\$ -	\$ -	\$ 193,200
Capital assets being depreciated:				
Infrastructure	643,262	128,975	-	772,237
Buildings and building improvements	1,022,970	-	-	1,022,970
Maintenance equipment	41,457	-	-	41,457
Vehicles	131,223	76,281	(65,205)	142,299
Office equipment	43,401	19,013	(28,996)	33,418
Computer equipment	135,173	-	(3,601)	131,572
Land improvements	553,220	26,000	-	579,220
Vehicle equipment	12,162	-	(9,424)	2,738
Subtotal	2,582,868	250,269	(107,226)	2,725,911
Accumulated depreciation:				
Infrastructure	143,736	91,091	-	234,827
Buildings and building improvements	442,028	22,319	-	464,347
Maintenance equipment	34,571	3,217	-	37,788
Vehicles	126,589	460	(61,106)	65,943
Office equipment	36,239	3,017	(22,614)	16,642
Computer equipment	117,096	4,519	(1,252)	120,363
Land improvements	279,540	25,635	-	305,175
Vehicle equipment	11,376	90	(8,728)	2,738
Subtotal	1,191,175	150,348	(93,700)	1,247,823
Net capital assets being depreciated	1,391,693	99,921	(13,526)	1,478,088
Net capital assets	<u>\$ 1,584,893</u>	<u>\$ 99,921</u>	<u>\$ (13,526)</u>	<u>\$ 1,671,288</u>

Charter Township of Flushing

Notes to Financial Statements March 31, 2013

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance April 1, 2012	Additions	Disposals	Balance March 31, 2013
Capital assets being depreciated:				
Water system	\$ 7,333,999	\$ -	\$ -	\$ 7,333,999
Waterline	601,459	-	-	601,459
Machinery and equipment	34,363	-	-	34,363
Sewer system	1,589,545	-	-	1,589,545
Subtotal	9,559,366	-	-	9,559,366
Accumulated depreciation:				
Water system	2,661,405	122,234	-	2,783,639
Waterline	320,779	10,024	-	330,803
Machinery and equipment	22,282	2,014	-	24,296
Sewer system	456,891	26,492	-	483,383
Subtotal	3,461,357	160,764	-	3,622,121
Net capital assets being depreciated	6,098,009	(160,764)	-	5,937,245
Net capital assets	<u>\$ 6,098,009</u>	<u>\$ (160,764)</u>	<u>\$ -</u>	<u>\$ 5,937,245</u>

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

Governmental activities:	
General government	\$ 103,378
Public safety	4,942
Public works	11,866
Recreation and culture	30,162
Total governmental activities	<u>\$ 150,348</u>
Business-type activities - Water and sewer	<u>\$ 160,764</u>

Charter Township of Flushing

Notes to Financial Statements March 31, 2013

Note 6 - Leases

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

Years Ending March 31	Amount
2014	\$ 2,604
2015	2,604
2016	2,604
2017	2,604
Capital leases payable at March 31, 2013	<u>\$ 10,416</u>

Note 7 - Long-term Debt

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Capital leases	\$ 3,276	\$ 9,953	\$ 2,813	\$ 10,416	\$ 2,604
Accumulated compensated absences	46,456	49,406	43,641	52,221	13,450
Other postemployment benefit obligation	147,633	66,745	22,888	191,490	-
Total governmental activities	<u>\$ 197,365</u>	<u>\$ 126,104</u>	<u>\$ 69,342</u>	<u>\$ 254,127</u>	<u>\$ 16,054</u>

Note 8 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for all claims except employee dental benefits. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Township pays dental and vision claims on a reimbursement basis and has set aside employee and employer contributions to pay these claims in the General Fund. The liability for unpaid claims was immaterial at March 31, 2013.

Charter Township of Flushing

Notes to Financial Statements March 31, 2013

Note 9 - Commitments

During fiscal year 2010, the Township entered into a contract with another governmental unit to provide fire protection to the Township. In the current fiscal year, the contract requires quarterly payments of \$33,500 to be made through June 30, 2012, with the estimated annual amount increasing by \$3,000 per year thereafter.

Note 10 - Defined Benefit Pension Plan

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

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

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

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

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

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

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

Charter Township of Flushing

Notes to Financial Statements March 31, 2013

Note 10 - Defined Benefit Pension Plan (Continued)

Membership in the plan at December 31, 2012, the date of the latest actuarial valuation, is comprised of four Teamsters union and four police officer and command active members. There was one Teamsters union and four police officer and command inactive vested members, and 11 Teamsters union and three police officer and command retirants or beneficiaries at December 31, 2012.

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

The plan provides that the employer/employees contribute amounts necessary to fund the actuarially determined benefits. Teamsters union employees are required to deposit 0 percent, police officer employees are required to deposit 8.0 percent, and command employees are required to deposit 2.0 percent of all monetary compensation. The Township makes employer contributions in accordance with funding requirements determined by the MERS' actuary. The Township's current rate was 54.76 percent Teamsters union, 9.68 percent patrol police officers, and 91.32 percent command police officers of annual covered payroll.

Annual Pension Cost and Net Pension Asset

Annual required contribution	\$ 179,069
Interest on net pension obligation	(15,278)
Adjustment to annual required contribution	<u>22,921</u>
Annual pension cost (APC)	186,712
Contributions made	<u>(179,069)</u>
Increase in net pension asset	7,643
Net pension asset - Beginning of year	<u>(381,939)</u>
Net pension asset - End of year	<u>\$ (374,296)</u>

Charter Township of Flushing

Notes to Financial Statements March 31, 2013

Note 10 - Defined Benefit Pension Plan (Continued)

For the year ended March 31, 2013, the Township's annual pension cost was \$186,712. The Township's actual contribution was \$179,069. The annual required contribution was determined as part of an actuarial valuation at December 31, 2010 using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) 0 percent per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 3 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 10 years.

Three-year Trend Information

	Fiscal Year Ended March 31		
	2013	2012	2011
Annual pension cost (APC)	\$ 186,712	\$ 147,165	\$ 164,691
Percentage of APC contributed	95.9 %	198.7 %	146.6 %
Net pension asset	\$ 374,296	\$ 381,939	\$ 236,675

	Actuarial Valuation Date December 31		
	2012	2011	2010
Actuarial value of assets	\$ 3,471,700	\$ 3,508,637	\$ 3,277,147
Actuarial accrued liability (AAL)			
(entry age)	\$ 6,113,489	\$ 5,908,136	\$ 5,588,191
Unfunded AAL (UAAL)	\$ 2,641,789	\$ 2,399,499	\$ 2,311,044
Funded ratio	56.8 %	59.4 %	58.6 %
Covered payroll	\$ 448,957	\$ 431,615	\$ 524,823
UAAL as a percentage of covered payroll	588.4 %	555.9 %	440.3 %

Note 11 - Other Postemployment Benefits

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

Charter Township of Flushing

Notes to Financial Statements March 31, 2013

Note 11 - Other Postemployment Benefits (Continued)

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

Funding Policy - The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a “pay-as-you-go” basis). For the fiscal year ended March 31, 2013, the Township paid postemployment healthcare premiums of \$22,888.

Funding Progress - For the year ended March 31, 2013, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of April 1, 2012. The Township has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation’s computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 68,997
Interest on the prior year's net OPEB obligation	5,905
Less adjustment to the annual required contribution	<u>(8,157)</u>
Annual OPEB cost	66,745
Amounts contributed - Payments of current premiums	<u>(22,888)</u>
Increase in net OPEB obligation	43,857
OPEB obligation - Beginning of year	<u>147,633</u>
OPEB obligation - End of year	<u>\$ 191,490</u>

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

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
3/31/11	4/1/09	\$ 88,266	11.8	\$ 151,088
3/31/12	4/1/11	28,105	78.5	147,633
3/31/13	4/1/12	68,997	33.2	191,490

Charter Township of Flushing

Notes to Financial Statements March 31, 2013

Note 11 - Other Postemployment Benefits (Continued)

The annual required contribution decreased in the April 1, 2011 valuation due to the Township contracting with Genesee County for police services. For the April 1, 2012 valuation, the Township had the valuation prepared after the police department was reinstated and the valuation was updated to include those employees which once again increased the annual required contribution.

The funding progress of the plan is as follows:

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

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

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

The following simplifying assumptions were made:

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

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

Charter Township of Flushing

Notes to Financial Statements March 31, 2013

Note 11 - Other Postemployment Benefits (Continued)

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

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

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

Per capita costs - Annual per capita costs were calculated based on the premium rates effective April 1, 2013. The costs are assumed to increase with medical trend rates.

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

Based on the historical and expected returns of the Township's short-term investment portfolio, a discount rate of 4 percent was used. In addition, a projected unit credit with linear proration to decrement cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at March 31, 2013 was 20 years.

Note 12 - Contingent Liabilities

There are pending lawsuits against the Township as of March 31, 2013. The potential loss related to the two open lawsuits, if the plaintiffs were to prevail, is estimated to be \$940,000. The Township believes any judgments under these lawsuits would be covered by insurance.

Note 13 - Upcoming Accounting Pronouncements

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's 2013-2014 fiscal year.

Charter Township of Flushing

Notes to Financial Statements March 31, 2013

Note 13 - Upcoming Accounting Pronouncements (Continued)

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

Note 14 - Change in Accounting

During the year, the Township adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. 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. The 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. The statement impacts the format and reporting of the balance sheet at the government-wide level and also at the fund level.

Required Supplemental Information

Charter Township of Flushing

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 120,750	\$ 127,000	\$ 129,301	\$ 2,301
Licenses and permits	2,600	2,600	2,145	(455)
Federal grants	-	19,600	18,600	(1,000)
State-shared revenue and grants	658,500	758,500	781,019	22,519
Charges for services	184,800	229,800	233,125	3,325
Investment income	6,000	6,000	4,226	(1,774)
Rental income	23,000	23,000	25,585	2,585
Other revenue	127,100	126,100	125,707	(393)
Total revenue	1,122,750	1,292,600	1,319,708	27,108
Expenditures				
Current:				
General government:				
Township board	160,000	131,800	112,965	18,835
Supervisor	58,600	60,600	58,500	2,100
Accounting	93,370	91,920	85,096	6,824
Treasurer	138,800	141,400	132,509	8,891
Assessor	103,600	102,000	98,712	3,288
Clerk	133,600	129,100	119,890	9,210
Elections	16,000	30,000	29,558	442
Township hall and grounds	56,600	56,600	42,268	14,332
Total general government	760,570	743,420	679,498	63,922
Public safety	119,100	119,100	275,004	(155,904)
Public works	402,900	267,900	263,983	3,917
Recreation and culture	32,350	57,400	24,957	32,443
Capital outlay	4,850	7,350	29,800	(22,450)
Total expenditures	1,319,770	1,195,170	1,273,242	(78,072)
Excess of Revenue (Under) Over Expenditures	(197,020)	97,430	46,466	(50,964)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	100	100	1,100	1,000
Transfers out	-	(200,000)	-	200,000
Total other financing sources (uses)	100	(199,900)	1,100	201,000
Net Change in Fund Balance	(196,920)	(102,470)	47,566	150,036
Fund Balance - Beginning of year	773,730	773,730	773,730	-
Fund Balance - End of year	\$ 576,810	\$ 671,260	\$ 821,296	\$ 150,036

Charter Township of Flushing

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Law Enforcement Year Ended March 31, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 826,000	\$ 863,000	\$ 857,589	\$ (5,411)
State-shared revenue and grants	57,950	13,250	13,292	42
Fines and forfeitures	14,000	7,000	5,671	(1,329)
Investment income	1,100	3,600	3,953	353
Other revenue	900	900	38	(862)
Total revenue	899,950	887,750	880,543	(7,207)
Expenditures				
Current:				
General government - Township board	3,500	3,550	3,540	10
Public safety - Law enforcement	824,800	914,600	910,523	4,077
Capital outlay	8,500	1,000	77,381	(76,381)
Total expenditures	836,800	919,150	991,444	(72,294)
Excess of Revenue Over (Under) Expenditures	63,150	(31,400)	(110,901)	(79,501)
Other Financing Sources - Proceeds from sale of capital assets	100	10,100	25,700	15,600
Net Change in Fund Balance	63,250	(21,300)	(85,201)	(63,901)
Fund Balance - Beginning of year	131,640	131,640	131,640	-
Fund Balance - End of year	<u>\$ 194,890</u>	<u>\$ 110,340</u>	<u>\$ 46,439</u>	<u>\$ (63,901)</u>

Charter Township of Flushing

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Solid Waste Year Ended March 31, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue - Other revenue - Special assessments	\$ 450,000	\$ 460,000	\$ 427,827	\$ (32,173)
Expenditures - Current				
General government - Township board	600	900	1,785	(885)
Public works	450,000	450,000	443,466	6,534
Total expenditures	450,600	450,900	445,251	5,649
Net Change in Fund Balance	(600)	9,100	(17,424)	(26,524)
Fund Balance - Beginning of year	72,851	72,851	72,851	-
Fund Balance - End of year	<u>\$ 72,251</u>	<u>\$ 81,951</u>	<u>\$ 55,427</u>	<u>\$ (26,524)</u>

Charter Township of Flushing

Note to Required Supplemental Information Year Ended March 31, 2013

Budgetary Information

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

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

Community Development Block Grant

The following is a comparison of budget, on a project (grant) length basis, and actual expenditures for the Community Development Fund for the year ended March 31, 2013.

	Revised Project (Grant) Length Budget	Project Funds Expended During 2013	Expended Through March 31, 2013	Total Project Funds Unexpended Balance at March 31, 2013
Special revenue fund type - Community Development Fund:				
Youth Employment Program 2008	\$ 4,277	\$ -	\$ 3,857	\$ 420
Public Services Commitment 2010	3,602	-	3,104	498
Senior Center Operations 2012	5,202	5,202	5,202	-
Removal Architectural Barriers 2011	35,190	15,220	15,220	19,970
Total Community Development	<u>\$ 48,271</u>	<u>\$ 20,422</u>	<u>\$ 27,383</u>	<u>\$ 20,888</u>

Excess of Expenditures Over Appropriations in Budgeted Funds

The Township had the following significant expenditure budget variances due to equipment and vehicle purchases:

	Budget	Actual	Variance
General Fund - Capital outlay	\$ 7,350	\$ 29,800	\$ (22,450)
Law Enforcement Fund - Capital outlay	1,000	77,381	(76,381)

Other Supplemental Information

Charter Township of Flushing

Other Supplemental Information Nonmajor Governmental Funds Fund Descriptions

Special Revenue Funds

Drug Law Enforcement

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

Community Development

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

Charter Township of Flushing

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds March 31, 2013

	Special Revenue Funds		
	Drug Law Enforcement	Community Development	Total
Assets - Cash and investments	\$ 529	\$ -	\$ 529
Fund Balances - Restricted	\$ 529	\$ -	\$ 529

Charter Township of Flushing

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended March 31, 2013

	Special Revenue Funds		
	Drug Law Enforcement	Community Development	Total
Revenue - Federal grants	\$ -	\$ 20,422	\$ 20,422
Expenditures - Current - Recreation and culture	-	20,422	20,422
Net Change in Fund Balances	-	-	-
Fund Balances - Beginning of year	529	-	529
Fund Balances - End of year	<u>\$ 529</u>	<u>\$ -</u>	<u>\$ 529</u>