

**Township of Macomb
Macomb County, Michigan**

**Financial Report
with Supplemental Information
June 30, 2013**

Township of Macomb

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Independent Auditor's Report

To the Board of Trustees
Township of Macomb
Macomb County, Michigan

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 Township of Macomb (the "Township") as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Township of Macomb'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 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 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 opinions.

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, 2013 and the respective changes in its financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Township of Macomb
Macomb County, Michigan

Other Matters

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Macomb'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

December 3, 2013

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 position 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 position (in millions of dollars) as of June 30, 2013 to the prior year:

Table I

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Assets						
Current assets	\$ 58.1	\$ 57.5	\$ 42.2	\$ 40.6	\$ 100.3	\$ 98.1
Noncurrent assets:						
Restricted assets	0.1	0.1	9.5	8.5	9.6	8.6
Capital assets	<u>48.5</u>	<u>48.6</u>	<u>157.1</u>	<u>156.4</u>	<u>205.6</u>	<u>205.0</u>
Total assets	<u>106.7</u>	<u>106.2</u>	<u>208.8</u>	<u>205.5</u>	<u>315.5</u>	<u>311.7</u>
Liabilities						
Current liabilities	5.2	5.1	5.0	4.6	10.2	9.7
Long-term liabilities	<u>32.5</u>	<u>34.5</u>	<u>36.0</u>	<u>33.1</u>	<u>68.5</u>	<u>67.6</u>
Total liabilities	<u>37.7</u>	<u>39.6</u>	<u>41.0</u>	<u>37.7</u>	<u>78.7</u>	<u>77.3</u>
Net Position						
Net investment in						
capital assets	14.0	12.1	127.8	128.3	141.8	140.4
Restricted	15.5	16.5	0.8	1.5	16.3	18.0
Unrestricted	<u>39.5</u>	<u>38.0</u>	<u>39.2</u>	<u>38.0</u>	<u>78.7</u>	<u>76.0</u>
Total net position	<u>\$ 69.0</u>	<u>\$ 66.6</u>	<u>\$ 167.8</u>	<u>\$ 167.8</u>	<u>\$ 236.8</u>	<u>\$ 234.4</u>

The Township's combined net position increased approximately \$2.4 million from a year ago, increasing from \$234.4 million to \$236.8 million. A review of the governmental activities, separate from the business-type activities, shows an increase of approximately \$2.4 million in net position, or 3.6 percent, during fiscal year 2013. The increase in total net position is primarily attributable to a reduction in liabilities. The business-type activities net position remained consistent from the previous year.

Township of Macomb

Management's Discussion and Analysis (Continued)

Unrestricted net position for the governmental activities was \$39.5 million at June 30, 2013. This amount represents the part of net position that is available to finance day-to-day operations and future growth of the Township. The business-type activities restricted net position decreased \$0.7 million from the previous year. This is attributable to project funds being utilized during the fiscal year for the rehabilitation of the Oakland Macomb Interceptor Drainage Districts.

The following table shows the changes in net position (in millions of dollars) during the year ended June 30, 2013 and the prior year:

Table 2

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue						
Program revenue:						
Charges for services	\$ 5.5	\$ 4.9	\$ 20.2	\$ 18.5	\$ 25.7	\$ 23.4
Operating grants and contributions	0.1	0.1	0.3	0.3	0.4	0.4
Capital grants and contributions	-	-	2.0	1.3	2.0	1.3
General revenue:						
Property taxes	9.7	9.8	-	-	9.7	9.8
State-shared revenue	6.0	6.2	-	-	6.0	6.2
Interest	0.1	0.2	0.1	0.1	0.2	0.3
Cable fees and other	1.3	1.2	-	-	1.3	1.2
Gain on sale of fixed assets	-	0.2	-	-	-	0.2
Total revenue	22.7	22.6	22.6	20.2	45.3	42.8
Program Expenses						
General government	5.6	6.2	-	-	5.6	6.2
Public safety	8.3	7.9	-	-	8.3	7.9
Public works	1.7	1.3	-	-	1.7	1.3
Recreation and culture	3.3	3.3	-	-	3.3	3.3
Interest on long-term debt	1.4	1.4	-	-	1.4	1.4
Water and sewer	-	-	22.6	22.3	22.6	22.3
Total program expenses	20.3	20.1	22.6	22.3	42.9	42.4
Change in Net Position	2.4	2.5	-	(2.1)	2.4	0.4
Net Position - Beginning of year	66.6	64.1	167.8	169.9	234.4	234.0
Net Position - End of year	\$ 69.0	\$ 66.6	\$ 167.8	\$ 167.8	\$ 236.8	\$ 234.4

Governmental Activities

The Township's total governmental revenue increased by approximately \$0.1 million from the last fiscal year. Even though tax rates stayed the same as the previous year, property tax revenue decreased by \$0.1 million, caused by an approximately 1.3 percent decrease in taxable value in the 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 and recreation center admissions in the fiscal year.

Total expenses increased by about \$0.2 million, or 1 percent over the last fiscal year.

Township of Macomb

Management's Discussion and Analysis (Continued)

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 11.9 percent to \$22.6 million. Revenue of the Township's business-type activities increased by \$2.4 million primarily as a result of an increase in sale of water to customers during the year ended June 30, 2013. Charges for services increased mainly as a result of increased water and sewer rates.

Expenses increased 1.3 percent to \$22.6 million for the year ended June 30, 2013. 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 10 and 11, 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 2013 include the General Fund, Parks and Recreation Operating Fund, Fire Operating Fund, Law Enforcement Sheriff Fund, and Building Authority Debt Service Fund.

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 9.0 percent. Actual expenditures were 8.9 percent below budget. The Township completed the year with actual revenue over expenditures of \$3.0 million.

Capital Assets and Debt Administration

At the end of fiscal year 2013, the Township had approximately \$205.6 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 \$4.0 million and \$3.4 million for fiscal years 2013 and 2012, respectively (see Note 5 of the notes to financial statements for additional information).

Township of Macomb

Management's Discussion and Analysis (Continued)

Additionally, the value of buildings and improvements, net of depreciation, for the governmental activities is \$34.1 million and \$34.6 million for fiscal years 2013 and 2012, 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 position (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 2013 tax rate stayed consistent with the 2012 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 16.0 percent of the General Fund budget. Annual new growth and development in the Township has risen 19.5 percent in the past year and is expected to remain stable for the next few years. In addition, state revenue sharing, which represents nearly 50.7 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 not anticipate further increases in pension fund contributions over the next year due to a conservative investment approach. We also expect continued annual increases in medical costs of nearly 4 percent to 8 percent per year. Despite these increased costs, our expense increases are anticipated to average between 2 percent and 6 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.

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 Position June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 3)	\$ 52,828,332	\$ 35,048,096	\$ 87,876,428
Receivables - Net:			
Property taxes	29,018	-	29,018
Customers	78,225	5,941,854	6,020,079
Other receivables	18,161	-	18,161
Due from other governmental units	1,925,709	325,512	2,251,221
Special assessments	130,037	36,767	166,804
Inventory	-	110,986	110,986
Restricted assets (Note 8)	46,132	9,454,218	9,500,350
Land held for resale	269,874	-	269,874
Net OPEB asset (Note 11)	2,576,130	680,435	3,256,565
Net pension asset (Note 10)	281,995	-	281,995
Capital assets:			
Capital assets not being depreciated (Note 5)	8,391,611	8,321,641	16,713,252
Capital assets being depreciated (Note 5)	40,076,663	148,820,754	188,897,417
Total assets	106,651,887	208,740,263	315,392,150
Liabilities			
Accounts payable	322,585	2,201,092	2,523,677
Due to other governmental units	-	185,454	185,454
Accrued and other liabilities	2,239,495	378,459	2,617,954
Noncurrent liabilities:			
Due within one year (Note 7)	2,580,838	2,222,519	4,803,357
Due in more than one year (Note 7)	32,518,841	35,974,235	68,493,076
Total liabilities	37,661,759	40,961,759	78,623,518
Net Position			
Net investment in capital assets	13,974,891	127,812,019	141,786,910
Restricted:			
Fire	9,212,006	-	9,212,006
Debt service	640,054	-	640,054
County drains	-	801,322	801,322
Parks and recreation	5,638,054	-	5,638,054
Unrestricted	39,525,123	39,165,163	78,690,286
Total net position	\$ 68,990,128	\$ 167,778,504	\$ 236,768,632

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	\$ 5,616,021	\$ 160,877	\$ 32,872	\$ -
Public safety	8,279,511	2,053,432	19,944	-
Public works	1,678,560	1,063,775	-	-
Recreation and culture	3,317,792	2,257,952	-	-
Interest on long-term debt	1,395,053	4,633	-	-
Total governmental activities	20,286,937	5,540,669	52,816	-
Business-type activities - Water and sewer	22,494,973	20,162,043	255,396	2,015,155
Total primary government	\$ 42,781,910	\$ 25,702,712	\$ 308,212	\$ 2,015,155
General revenue:				
Property taxes				
State-shared revenue				
Interest				
Cable fees and other - unrestricted				
Gain on sale of fixed assets				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

**Statement of Activities
Year Ended June 30, 2013**

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (5,422,272)	\$ -	\$ (5,422,272)
(6,206,135)	-	(6,206,135)
(614,785)	-	(614,785)
(1,059,840)	-	(1,059,840)
(1,390,420)	-	(1,390,420)
(14,693,452)	-	(14,693,452)
-	(62,379)	(62,379)
(14,693,452)	(62,379)	(14,755,831)
9,719,202	-	9,719,202
6,028,235	-	6,028,235
82,669	74,213	156,882
1,268,901	-	1,268,901
29,995	-	29,995
17,129,002	74,213	17,203,215
2,435,550	11,834	2,447,384
66,554,578	167,766,670	234,321,248
<u>\$ 68,990,128</u>	<u>\$ 167,778,504</u>	<u>\$ 236,768,632</u>

Township of Macomb

	General Fund	Parks and Recreation Operating Fund	Fire Operating Fund	Law Enforcement Sheriff Fund
Assets				
Cash and investments (Note 3)	\$ 29,538,608	\$ 5,856,110	\$ 8,433,750	\$ 1,897,322
Receivables - Net (Note 4)	2,178,165	-	2,985	-
Due from other funds (Note 6)	500,000	-	-	-
Land held for resale	269,874	-	-	-
Restricted assets (Note 8)	-	-	-	-
Total assets	<u>\$ 32,486,647</u>	<u>\$ 5,856,110</u>	<u>\$ 8,436,735</u>	<u>\$ 1,897,322</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 179,149	\$ 96,828	\$ 46,158	\$ 450
Due to other funds (Note 6)	-	-	-	500,000
Accrued liabilities and other	203,435	121,228	106,859	-
Deferred revenue (Note 4)	1,116,519	-	-	-
Total liabilities	1,499,103	218,056	153,017	500,450
Fund Balances				
Nonspendable - Land held for resale	269,874	-	-	-
Restricted:				
Fire	-	-	8,283,718	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Parks and recreation	-	5,638,054	-	-
Assigned:				
Subsequent year's budget	4,599,476	-	-	-
Capital outlay	-	-	-	-
Road projects	-	-	-	-
Debt service	-	-	-	-
Law enforcement	-	-	-	1,396,872
Unassigned	26,118,194	-	-	-
Total fund balances	<u>30,987,544</u>	<u>5,638,054</u>	<u>8,283,718</u>	<u>1,396,872</u>
Total liabilities and fund balances	<u>\$ 32,486,647</u>	<u>\$ 5,856,110</u>	<u>\$ 8,436,735</u>	<u>\$ 1,897,322</u>

**Governmental Funds
Balance Sheet
June 30, 2013**

Building Authority Debt Service Fund	Other Nonmajor Governmental Funds	Total
\$ 42,352	\$ 7,060,190	\$ 52,828,332
-	-	2,181,150
-	-	500,000
-	-	269,874
-	46,132	46,132
<u>\$ 42,352</u>	<u>\$ 7,106,322</u>	<u>\$ 55,825,488</u>
\$ -	\$ -	\$ 322,585
-	-	500,000
-	1,465,610	1,897,132
-	-	1,116,519
-	1,465,610	3,836,236
-	-	269,874
-	928,288	9,212,006
-	640,054	640,054
-	46,132	46,132
-	-	5,638,054
-	-	4,599,476
-	3,009,802	3,009,802
-	1,016,436	1,016,436
42,352	-	42,352
-	-	1,396,872
-	-	26,118,194
<u>42,352</u>	<u>5,640,712</u>	<u>51,989,252</u>
<u>\$ 42,352</u>	<u>\$ 7,106,322</u>	<u>\$ 55,825,488</u>

Township of Macomb

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2013

Fund Balance Reported in Governmental Funds	\$ 51,989,252
Amounts reported for governmental activities in the statement of net position are different because:	
Governmental funds report capital outlays as expenditures; in the statement of net position, these costs are capitalized and allocated over their estimated useful lives as depreciation	48,468,274
A net other postemployment benefit asset is recorded on the statement of net position	2,576,130
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	1,116,519
Long-term liabilities and their related interest are not due and payable in the current period and are not reported in the funds	(35,099,679)
Accrued interest is not due and payable in the current period and is not reported in the funds	(342,363)
A net pension asset is recorded on the statement of net position	<u>281,995</u>
Net Position of Governmental Activities	<u>\$ 68,990,128</u>

Township of Macomb

	General Fund	Parks and Recreation Operating Fund	Fire Operating Fund	Law Enforcement Sheriff Fund
Revenue				
Property taxes and fees	\$ 1,847,385	\$ 2,233,321	\$ 2,761,979	\$ 2,876,517
Licenses and permits	2,815,967	-	-	-
Federal grants and other	32,872	-	-	-
State-shared revenue and grants	5,987,991	-	-	19,944
Charges for services	279,218	2,257,952	-	-
Fines and forfeitures	103,164	-	-	-
Interest	73,850	-	-	4,391
Other revenue:				
Special assessments	933,738	-	-	-
Other	253,281	-	6,801	-
	<u>12,327,466</u>	<u>4,491,273</u>	<u>2,768,780</u>	<u>2,900,852</u>
Expenditures				
Current:				
General government	6,033,199	-	-	-
Public safety	1,640,847	-	2,974,609	3,249,612
Public works	1,420,825	-	-	-
Recreation and culture	222,399	2,485,356	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest on long-term debt	-	-	-	-
	<u>9,317,270</u>	<u>2,485,356</u>	<u>2,974,609</u>	<u>3,249,612</u>
Excess of Revenue Over (Under)				
Expenditures	3,010,196	2,005,917	(205,829)	(348,760)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	8,645	-	21,350	-
Transfers in (Note 6)	-	10,318	-	475,000
Transfers out (Note 6)	(1,643,525)	(2,095,375)	(878,900)	-
	<u>(1,634,880)</u>	<u>(2,085,057)</u>	<u>(857,550)</u>	<u>475,000</u>
Net Change in Fund Balances	1,375,316	(79,140)	(1,063,379)	126,240
Fund Balances - Beginning of year	<u>29,612,228</u>	<u>5,717,194</u>	<u>9,347,097</u>	<u>1,270,632</u>
Fund Balances - End of year	<u>\$ 30,987,544</u>	<u>\$ 5,638,054</u>	<u>\$ 8,283,718</u>	<u>\$ 1,396,872</u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2013

Building Authority Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 9,719,202
-	-	2,815,967
-	-	32,872
-	-	6,007,935
-	-	2,537,170
-	-	103,164
555	11,398	90,194
-	-	933,738
4,643	24,769	289,494
5,198	36,167	22,529,736
-	-	6,033,199
-	-	7,865,068
-	-	1,420,825
-	-	2,707,755
-	1,205,173	1,205,173
1,995,000	-	1,995,000
1,298,569	-	1,298,569
3,293,569	1,205,173	22,525,589
(3,288,371)	(1,169,006)	4,147
-	-	29,995
3,045,800	1,097,000	4,628,118
(10,318)	-	(4,628,118)
3,035,482	1,097,000	29,995
(252,889)	(72,006)	34,142
295,241	5,712,718	51,955,110
\$ 42,352	\$ 5,640,712	\$ 51,989,252

Township of Macomb

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ 34,142
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	1,801,865
Depreciation expense	(1,948,779)
Revenue is reported in the statement of activities at the time it is earned, without regard to timeliness of collection	170,281
The increase in the other postemployment benefit asset creates a decrease in benefit payment expenses that is recorded on the statement of activities but not in the governmental funds	369,661
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,995,000
Interest related to outstanding debt is accrued when incurred on the statement of activities, but not on the governmental funds	(96,484)
An increase in the net pension asset is recorded as a reduction to expenditures on the statement of activities	51,483
Accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(9,498)
Debt service payments are expensed when due in the governmental funds; they are recorded as a reduction to long-term debt on the statement of net position when paid	67,879
Change in Net Position of Governmental Activities	<u>\$ 2,435,550</u>

Township of Macomb

Proprietary Fund Statement of Net Position June 30, 2013

	<u>Enterprise Fund - Water and Sewer</u>
Assets	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 35,048,096
Receivables - Net:	
Special assessments receivable - Due within one year	36,767
Receivables from sales to customers on account	5,941,854
Due from other governmental units	325,512
Inventory	<u>110,986</u>
Total current assets	41,463,215
Noncurrent assets:	
Restricted assets (Note 8)	9,454,218
Net OPEB asset (Note 11)	680,435
Capital assets:	
Assets not subject to depreciation (Note 5)	8,321,641
Assets subject to depreciation (Note 5)	<u>148,820,754</u>
Total noncurrent assets	<u>167,277,048</u>
Total assets	208,740,263
Liabilities	
Current liabilities:	
Accounts payable	2,201,092
Due to other governmental units	185,454
Accrued and other liabilities	378,459
Current portion of compensated absences (Note 7)	160,052
Current portion of long-term debt (Note 7)	<u>2,062,467</u>
Total current liabilities	4,987,524
Noncurrent liabilities:	
Compensated absences - Net of current portion (Note 7)	53,430
Long-term debt - Net of current portion (Note 7)	<u>35,920,805</u>
Total noncurrent liabilities	<u>35,974,235</u>
Total liabilities	<u>40,961,759</u>
Net Position	
Net investment in capital assets	127,812,019
Restricted for county drains (Note 8)	801,322
Unrestricted	<u>39,165,163</u>
Total net position	<u><u>\$ 167,778,504</u></u>

Township of Macomb

Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2013

	<u>Enterprise Fund - Water and Sewer</u>
Operating Revenue	
Sale of water	\$ 10,566,070
Sewage disposal charges	9,044,244
Charges for services	551,729
	<hr/>
Total operating revenue	20,162,043
Operating Expenses	
Cost of water	8,501,929
Cost of sewage disposal	6,584,909
Operation and maintenance	466,455
General and administrative	2,003,846
Contributions to Retiree Health Fund	352,316
Depreciation (Note 5)	3,494,399
	<hr/>
Total operating expenses	21,403,854
Operating Loss	(1,241,811)
Nonoperating Revenue (Expenses)	
Investment income	74,213
Interest expense	(1,091,119)
Operating grants	255,396
	<hr/>
Total nonoperating expenses	(761,510)
Loss - Before contributions	(2,003,321)
Capital Contributions	
Developers and other governmental units	467,754
Tap fees and frontage charges	1,547,401
	<hr/>
Total capital contributions	2,015,155
Change in Net Position	11,834
Net Position - Beginning of year	<hr/> 167,766,670
Net Position - End of year	<hr/> \$ 167,778,504 <hr/>

Township of Macomb

Proprietary Fund Statement of Cash Flows Year Ended June 30, 2013

	Enterprise Fund - Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 20,924,075
Payments to suppliers	(16,506,504)
Payments to employees	(1,226,506)
	3,191,065
Cash Flows from Capital and Related Financing Activities	
Collection of special assessments	19,283
Collection of customer tap fees	1,547,401
Purchase of capital assets	(1,244,096)
Principal and interest paid on long-term debt	(3,237,794)
	(2,915,206)
Cash Flows from Investing Activities - Interest received on investments	74,213
Net Increase in Cash and Cash Equivalents	350,072
Cash and Cash Equivalents - Beginning of year	36,732,489
Cash and Cash Equivalents - End of year	\$ 37,082,561
Balance Sheet Classification of Cash and Cash Equivalents	
Cash and cash equivalents	\$ 35,048,096
Restricted cash (Note 8)	2,034,465
	\$ 37,082,561
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (1,241,811)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	3,494,399
Changes in assets and liabilities:	
Receivables	620,640
Due from others	141,392
Inventory	(10,705)
Prepaid and other	(85,287)
Accounts payable	256,140
Accrued and other liabilities	31,894
Compensated absences	(15,597)
	3,191,065
Net cash provided by operating activities	\$ 3,191,065

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2013, developers constructed water and sewer lines with a value of approximately \$468,000 and donated them to the Township's Water and Sewer Enterprise Fund. Also during the year, approximately \$2.5 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 \$4.6 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 Position June 30, 2013

	Trust Funds - Pensions and Other Retirement Benefits	Agency Funds
Assets		
Cash and cash equivalents	\$ 1,741,415	\$ 644,219
Investments:		
U.S. Treasury bonds	695,842	-
Equities	862,505	-
Corporate bonds	8,187,921	-
Money market funds	167,716	-
Mutual funds	4,585,163	-
Total assets	16,240,562	<u>\$ 644,219</u>
Liabilities - Cash bonds and deposits	-	<u>\$ 644,219</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 16,240,562</u>	

Township of Macomb

Fiduciary Funds Statement of Changes in Net Position Year Ended June 30, 2013

	Trust Funds - Pensions and Other Retirement Benefits
Additions	
Investment income (loss):	
Interest and dividends	\$ 393,387
Net increase in fair value of investments	65,604
Investment-related expenses	<u>(49,703)</u>
Net investment income	409,288
Contributions:	
Employer	1,923,774
Employee	<u>25,255</u>
Total contributions	<u>1,949,029</u>
Total additions	2,358,317
Deductions	
Benefit payments	480,659
Administrative expenses	<u>11,533</u>
Total deductions	<u>492,192</u>
Net Increase	1,866,125
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>14,374,437</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 16,240,562</u></u>

Township of Macomb

Notes to Financial Statements June 30, 2013

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, Michigan. 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 position 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 Health Care Fund - The Pension Trust Fund and the Retiree Health Care 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.

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

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.

Township of Macomb

Notes to Financial Statements June 30, 2013

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

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The 2012 taxable valuation of the Township totaled \$2,749,966,834, 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 \$1,836,908 for general operations, \$2,761,979 for fire operations, \$196,667 for fire pension, \$2,876,517 for police protection, and \$2,233,321 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 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.

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 - Amounts on deposit at the county being held for the construction or debt service of the Township's water and sewer lines have been classified as restricted assets. Also, the Township has restricted assets for unspent bond proceeds.

Township of Macomb

Notes to Financial Statements June 30, 2013

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

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).

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 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.

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

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

Fund Equity - In 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
- **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.

Township of Macomb

Notes to Financial Statements June 30, 2013

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 - June 30, 2012		\$ (7,646,883)
Current year permit revenue		1,514,363
Related expenses:		
Direct costs	\$ 1,238,853	
Estimated indirect costs	<u>682,358</u>	<u>1,921,211</u>
Net shortfall for the year ended June 30, 2013		<u>(406,848)</u>
Cumulative expenditures over revenue - June 30, 2013		<u>\$ (8,053,731)</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 13 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.

Township of Macomb

Notes to Financial Statements June 30, 2013

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$52,574,512 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.

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:

Investment Type	Fair Value of Township- wide Deposits and Investments	Fair Value of Pension Trust and Retiree Healthcare Funds	How Held
U.S. Treasury bonds	\$ -	\$ 695,842	Counterparty
Corporate bonds	-	5,758,367	Counterparty
Municipal bonds	22,109,836	-	Counterparty
Certificates of deposit - Negotiable	3,291,991	-	Counterparty
Commercial paper	4,997,277	-	Counterparty
Total investments	\$ 30,399,104	\$ 6,454,209	

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, 2013

Note 3 - Deposits and Investments (Continued)

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

Investment	Fair Value	Weighted Average Maturity (Years)
Township-wide Deposits and Investments		
Municipal bonds	\$ 22,109,836	2.79
Commercial paper	4,997,277	.26
Certificates of deposit - Negotiable	<u>3,291,991</u>	.87
Total	<u>\$ 30,399,104</u>	
Pension Trust and Retiree Healthcare Funds		
Government security	\$ 695,842	1.82
Corporate bonds	<u>5,758,367</u>	14.09
Total	<u>\$ 6,454,209</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	\$ 723,606	AAA	Standard & Poor's
U.S. government agency securities	695,842	AAA	Standard & Poor's
Municipal bonds	22,109,836	AAA to SP-1	Standard & Poor's
Commercial paper	4,997,277	A-1+ to A-1	Standard & Poor's
Certificates of deposit - Negotiable	3,291,991	Not rated	Not rated
Corporate bond	<u>5,758,367</u>	AAA to A	Standard & Poor's
Total	<u>\$ 37,576,919</u>		

Township of Macomb

Notes to Financial Statements June 30, 2013

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 \$1,116,519 represents revenue from the State of Michigan in the amount of \$986,482 and revenue from a special assessment in the amount of \$130,037 that have been earned but are unavailable. The following is the detail of the governmental activities receivables at June 30, 2013:

	General Fund	Fire Operating Fund	Total
State of Michigan	\$ 1,925,709	\$ -	\$ 1,925,709
Other	252,456	2,985	255,441
Total	<u>\$ 2,178,165</u>	<u>\$ 2,985</u>	<u>\$ 2,181,150</u>

Note 5 - Capital Assets

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

	Balance July 1, 2012	Additions	Disposals and Reclassifications	Balance June 30, 2013
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 3,454,825	\$ -	\$ -	\$ 3,454,825
Construction in progress	5,443,789	90,319	(597,322)	4,936,786
Subtotal	8,898,614	90,319	(597,322)	8,391,611
Capital assets being depreciated:				
Infrastructure	5,766,668	848,604	-	6,615,272
Buildings and improvements	44,643,824	9,911	597,622	45,251,357
Vehicles	3,584,796	249,468	(105,377)	3,728,887
Office furnishings	3,241,667	507,096	21,669	3,770,432
Other tools and equipment	1,444,818	96,467	(58,858)	1,482,427
Subtotal	58,681,773	1,711,546	455,056	60,848,375
Accumulated depreciation:				
Infrastructure	2,356,421	247,639	-	2,604,060
Buildings and improvements	10,065,314	1,125,328	-	11,190,642
Vehicles	2,694,485	272,069	(105,377)	2,861,177
Office furnishings	2,797,238	213,001	(671)	3,009,568
Other tools and equipment	1,051,741	90,742	(36,218)	1,106,265
Subtotal	18,965,199	1,948,779	(142,266)	20,771,712
Net capital assets being depreciated	39,716,574	(237,233)	597,322	40,076,663
Net capital assets	<u>\$ 48,615,188</u>	<u>\$ (146,914)</u>	<u>\$ -</u>	<u>\$ 48,468,274</u>

Township of Macomb

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets (Continued)

	Balance July 1, 2012	Additions	Disposals and Reclassifications	Balance June 30, 2013
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 91,700	\$ -	\$ -	\$ 91,700
Construction in progress	7,862,342	3,624,578	(3,256,979)	8,229,941
Subtotal	7,954,042	3,624,578	(3,256,979)	8,321,641
Capital assets being depreciated:				
Water and sewer mains	186,944,148	467,754	3,256,979	190,668,881
Buildings and building improvements	2,558,702	-	-	2,558,702
Water meters	4,757,268	104,583	-	4,861,851
Vehicles	635,215	-	-	635,215
Furniture and equipment	818,223	15,807	-	834,030
Subtotal	195,713,556	588,144	3,256,979	199,558,679
Accumulated depreciation:				
Water and sewer mains	43,644,032	3,299,722	-	46,943,754
Buildings and building improvements	971,754	63,968	-	1,035,722
Water meters	1,272,843	95,489	-	1,368,332
Vehicles	569,675	23,687	-	593,362
Furniture and equipment	785,222	11,533	-	796,755
Subtotal	47,243,526	3,494,399	-	50,737,925
Net capital assets being depreciated	148,470,030	(2,906,255)	3,256,979	148,820,754
Net capital assets	\$ 156,424,072	\$ 718,323	\$ -	\$ 157,142,395

Construction in progress of the business-type activities includes \$7,254,528 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 \$103,401,292. These improvements will be completed by OMID and MID using state revolving loan funds and bonded debt and advance payments by participating communities. See Note 7 for additional information.

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

Governmental activities:	
General government	\$ 379,194
Public safety	554,175
Public works	257,734
Recreation and culture	757,676
Total governmental activities	\$ 1,948,779
Business-type activities - Water and sewer	\$ 3,494,399

Township of Macomb

Notes to Financial Statements June 30, 2013

Note 5 - Capital Assets (Continued)

Construction Commitments - The Township has approved certain road paving construction projects prior to June 30, 2013. At year end, the Township's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Road paving projects	\$ -	\$ 4,630,086

Note 6 - Interfund Transfers

The composition of interfund transfers is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from Other Funds		
General Fund	Law Enforcement Sheriff Fund	<u>\$ 500,000</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	Law Enforcement Sheriff Fund	\$ 475,000
	Other nonmajor governmental funds	647,000
	Building Authority Debt Service Fund	<u>521,525</u>
	Total General Fund	1,643,525
Fire Operating Fund	Building Authority Debt Service Fund	428,900
	Other nonmajor governmental funds	<u>450,000</u>
	Total Fire Operating Fund	878,900
Parks and Recreation Operating Fund	Building Authority Debt Service Fund	2,095,375
Building Authority Debt Service Fund	Parks and Recreation Operating Fund	<u>10,318</u>
	Total	<u>\$ 4,628,118</u>

Township of Macomb

Notes to Financial Statements June 30, 2013

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.

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
Governmental Activities							
General obligation bonds:							
2003B Building Authority Bonds:							
Amount of issue - \$6,000,000	3.15% -	\$250,000 -					
Maturing through 2023	4.50%	\$550,000	\$ 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	9,395,000	-	630,000	8,765,000	730,000
2006 Building Authority Bonds:							
Amount of issue - \$10,000,000	4.00% -	\$300,000 -					
Maturing through 2025	4.375%	\$900,000	700,000	-	300,000	400,000	400,000
2009 Building Authority Bonds:							
Amount of issue - \$5,000,000	3.00% -	\$250,000 -					
Maturing through 2023	5.00%	\$550,000	4,350,000	-	250,000	4,100,000	300,000
2011 Building Authority Refunding Bonds:							
Amount of issue - \$8,470,000	2.00% -	\$260,000-					
Maturing through 2027	4.875%	\$940,000	8,210,000	-	280,000	7,930,000	275,000
Deferred amounts on refunding			(205,741)	-	(12,859)	(192,882)	(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	-	235,000	13,155,000	425,000
Unamortized bond premium			1,158,600	-	89,123	1,069,477	89,123
Deferred amounts on refunding			(804,367)	-	(61,874)	(742,493)	(61,874)
Total bonds payable			36,493,492	-	2,009,390	34,484,102	2,144,390
Other long-term obligations:							
Compensated absences			550,666	9,498	-	560,164	381,035
Capital leases			123,292	-	67,879	55,413	55,413
Total governmental activities			\$ 37,167,450	\$ 9,498	\$ 2,077,269	\$ 35,099,679	\$ 2,580,838

Township of Macomb

Notes to Financial Statements June 30, 2013

Note 7 - Long-term Debt (Continued)

Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund, Parks and Recreation Operating Fund, and Fire Operating Fund. The capital leases obligation will be liquidated from the Parks and Recreation Operating Fund.

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
General obligation bonds:							
2004 GO Refund Bond:							
Amount of issue - \$4,915,000	3.25% -	\$175,000 -					
Maturing through 2018	3.80%	\$760,000	\$ 3,470,000	\$ -	\$ 675,000	\$ 2,795,000	\$ 760,000
2010 Capital Improvement and Refunding Bond:							
Amount of issue - \$9,805,000	2.00% -	\$280,000 -					
Maturing through 2031	5.00%	\$695,000	9,280,000	-	555,000	8,725,000	580,000
Deferred amounts on refunding			(170,769)	-	(8,987)	(161,782)	(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	1,014,208	-	24,919	989,289	37,379
2010B OMID Drainage District:							
Amount of issue - \$452,552	1.15% -	\$15,198 -					
Maturing through 2030	5.90%	\$35,126	424,520	-	15,535	408,985	16,211
2010A OMID Drainage District:							
Amount of issue - \$1,750,840		\$52,904 -					
Maturing through 2031	2.50%	\$85,128	1,617,730	64,496	70,584	1,611,642	72,273
2010 North Gratiot Interceptor Drainage District:							
Amount of issue - \$103,529	1.00% -	\$3,173 -					
Maturing through 2035	6.35%	\$5,900	98,374	-	3,173	95,201	3,234
2010A MID Drainage District:							
Amount of issue - \$15,808,421	1.25% -	\$493,497 -					
Maturing through 2035	5.375%	\$930,782	15,314,908	-	498,457	14,816,451	504,243
2012 OMID Drainage District -							
Amount of issue - \$4,619,982		\$190,076 -					
Maturing through 2034	2.00%	\$276,958	55,797	4,564,185	-	4,619,982	-
2011 Clintondale Pump Station Improvements Drainage District:							
Amount of issue - \$4,039,605							
Maturing through 2031			3,947,796	-	104,925	3,842,871	111,483
Unamortized bond premium			254,002	-	13,369	240,633	(13,369)
Total bonds payable			35,306,566	4,628,681	1,951,975	37,983,272	2,062,467
Other long-term obligations -							
Compensated absences			229,079	-	15,597	213,482	160,052
Total business-type activities			\$ 35,535,645	\$ 4,628,681	\$ 1,967,572	\$ 38,196,754	\$ 2,222,519

Township of Macomb

Notes to Financial Statements June 30, 2013

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
2014	\$ 2,130,000	\$ 1,353,628	\$ 3,483,628	\$ 2,084,823	\$ 1,168,665	\$ 3,253,488
2015	2,265,000	1,280,128	3,545,128	1,705,388	1,146,326	2,851,714
2016	2,610,000	1,194,678	3,804,678	2,004,609	1,101,040	3,105,649
2017	2,800,000	1,096,003	3,896,003	2,045,134	1,047,118	3,092,252
2018	3,310,000	982,003	4,292,003	2,096,179	987,433	3,083,612
2019-2023	17,560,000	2,795,218	20,355,218	9,144,669	4,018,093	13,162,762
2024-2028	3,675,000	305,588	3,980,588	8,333,358	2,596,686	10,930,044
2029-2033	-	-	-	8,099,843	1,031,258	9,131,101
2034-2038	-	-	-	2,390,418	82,721	2,473,139
Total	<u>\$ 34,350,000</u>	<u>\$ 9,007,246</u>	<u>\$ 43,357,246</u>	<u>\$ 37,904,421</u>	<u>\$ 13,179,340</u>	<u>\$ 51,083,761</u>

The Macomb Interceptor Drainage District (MID) is a construction and rehabilitation project that began in 2010 and is projected to continue through 2014. The MID issued county bonds that were used to acquire the MID Interceptor system and to assume amounts owed related to the Garfield Interceptor. Additional county bonds were issued to improve and repair the North Gratiot Interceptor and Clintondale Pump Station. 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 45 percent (for the North Gratiot bond) and 35 percent (for the MID bond) of the interest payable on the bonds.

The Oakland-Macomb Interceptor Drainage District (OMID) is also a construction and rehabilitation project that began in 2010 and is projected to continue through 2014.

The total amount of bonds issued, the Township's share, and expected tax credit payments, where applicable, are as follows:

Macomb Interceptor Drainage District (MID)

	County Portion	Township Portion	Tax Credit
MID Series 2010A	\$ 95,955,000	\$ 15,808,421	\$ 3,299,332
North Gratiot Interceptor 2010	16,965,000	103,529	-
North Gratiot Interceptor 2008	22,340,000	1,113,386	-
Clintondale Pump Station 2011	30,800,000	4,039,599	-

Township of Macomb

Notes to Financial Statements June 30, 2013

Note 7 - Long-term Debt (Continued)

Oakland-Macomb Interceptor Drainage District (OMID)

	County Portion	Township Portion
2010A (SRF)	\$ 25,921,130	\$ 6,370,822
2010B	6,700,000	452,550

The OMID 2010A project is funded through the Michigan State Revolving Loan Fund Program (SRF), with total anticipated loans of \$26 million after \$16 million of debt forgiveness which was recorded in 2010. The amount disclosed represents principal and interest for the current expenditures incurred as of December 31, 2012. The principal and interest schedule will be finalized upon completion of the project.

Refunding - In 2012, the Township defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2013, \$13,650,000 of bonds outstanding are considered defeased.

Note 8 - Restricted Assets

Specific assets of the Water and Sewer Fund and the Building Authority Capital Projects Fund have been restricted for operations and maintenance and replacement 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, 2013:

Water and Sewer Fund - Unspent bond proceeds and deposits held at County:	
Due from Oakland County*	\$ 5,297,695
Due from Macomb County**	2,122,058
Water and Sewer Fund - Unspent bond proceeds	2,034,465
Building Authority Capital Projects Fund - Unspent bond proceeds	46,132

* 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.

Note 8 - Restricted Assets (Continued)

Net position has been restricted for these amounts, net of related debt at June 30, 2013.

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, 2013

Note 10 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost and Net Pension Asset

Annual required contribution	\$ 132,543
Interest on net pension asset	(11,834)
Adjustment to annual required contribution	<u>24,475</u>
Annual pension cost (APC)	145,184
Contributions made	<u>(196,667)</u>
Increase in net pension asset	(51,483)
Net pension asset - Beginning of year	<u>(230,512)</u>
Net pension asset - End of year	<u>\$ (281,995)</u>

Annual Pension Costs - For the year ended June 30, 2013, the Township's annual required pension contribution was \$132,543, of which the Township contributed \$196,667. The annual required contribution was determined as part of an actuarial valuation at June 30, 2012, using the entry age actuarial funding method. Significant actuarial assumptions used include (i) a 5.0 percent investment rate of return, (ii) projected salary increases of 3.0 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 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 percent of payroll on a closed basis. The remaining amortization period is nine years.

Three-year trend information can be seen below:

	Fiscal Year Ended June 30		
	2013	2012	2011
Annual pension cost (APC)	\$ 145,184	\$ 98,061	\$ 93,391
Percentage of annual required contribution actually contributed	148 %	209 %	232 %
Net pension asset	\$ 281,995	\$ 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, 2013, the plan's legally required reserve for employees' contributions amounted to \$151,610. The legally required reserve for retired benefit payments has not been calculated.

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 \$284,924 and made pre-funding contributions of \$1,426,958 to the Retiree Health Care 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 \$14.1 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, 2013, 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, 2013

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

Annual required contribution (ARC) (recommended)	\$ 1,332,466
Adjustments to ARC:	
Interest on prior year OPEB asset	(140,081)
ARC adjustment	<u>64,547</u>
Annual OPEB cost	1,256,932
Amounts contributed:	
Payments of current premiums	(284,924)
Employer contributions to the fund	<u>(1,426,958)</u>
Decrease in net OPEB asset	(454,950)
OPEB asset - Beginning of year	<u>(2,801,615)</u>
OPEB asset - End of year	<u>\$ (3,256,565)</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 Years Ended</u>	<u>Annual OPEB Costs</u>	<u>Percentage Contributed</u>	<u>Net OPEB Asset</u>
6/30/13	\$ 1,256,932	136 %	\$ 3,256,565
6/30/12	1,268,615	134	2,801,615
6/30/11	1,324,308	72	2,368,292

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 above, 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, 2013

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

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

	Fire Retirement System	Retiree Health Care Fund	Total
Statement of Net Position			
Cash and cash equivalents	\$ 62,729	\$ 1,678,686	\$ 1,741,415
Investments:			
Corporate bonds	1,029,957	7,157,964	8,187,921
Equities	862,505	-	862,505
Money market funds	167,716	-	167,716
U.S. Treasury bonds	-	695,842	695,842
Mutual funds	-	4,585,163	4,585,163
Net position held in trust for pension and other postemployment benefits	<u>\$ 2,122,907</u>	<u>\$ 14,117,655</u>	<u>\$ 16,240,562</u>
Statement of Changes in Net Position			
Contributions	\$ 221,922	\$ 1,727,107	\$ 1,949,029
Investment income	66,525	342,763	409,288
Benefit payments	(195,735)	(284,924)	(480,659)
Administrative expenses	<u>(11,533)</u>	<u>-</u>	<u>(11,533)</u>
Changes in net position	<u>\$ 81,179</u>	<u>\$ 1,784,946</u>	<u>\$ 1,866,125</u>

Note 12 - Defined Contribution Pension 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, 2013, the Township made contributions of \$429,195 and the plan members contributed \$214,597 to the plan.

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 for fiscal year 2013-2014.

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 their 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

Township of Macomb

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes and fees	\$ 1,810,000	\$ 1,810,000	\$ 1,847,385	\$ 37,385
Licenses and permits	2,034,825	2,034,825	2,815,967	781,142
Federal grants and other	50,000	50,000	32,872	(17,128)
State-shared revenue and grants	5,800,000	5,800,000	5,987,991	187,991
Charges for services	244,540	244,540	279,218	34,678
Fines and forfeitures	93,500	93,500	103,164	9,664
Interest	111,500	111,500	73,850	(37,650)
Other revenue:				
Special assessments	792,785	792,785	933,738	140,953
Other	379,000	379,000	253,281	(125,719)
Total revenue	<u>11,316,150</u>	<u>11,316,150</u>	<u>12,327,466</u>	<u>1,011,316</u>
Expenditures - Current				
General government	7,250,886	7,250,886	6,033,199	1,217,687
Public safety	1,620,239	1,620,239	1,640,847	(20,608)
Public works	1,126,000	1,126,000	1,420,825	(294,825)
Recreation and culture	232,100	232,100	222,399	9,701
Total expenditures	<u>10,229,225</u>	<u>10,229,225</u>	<u>9,317,270</u>	<u>911,955</u>
Excess of Revenue Over Expenditures	1,086,925	1,086,925	3,010,196	1,923,271
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	8,645	8,645
Transfers in	9,000	9,000	-	(9,000)
Transfers out	(1,642,925)	(1,642,925)	(1,643,525)	(600)
Total other financing uses	<u>(1,633,925)</u>	<u>(1,633,925)</u>	<u>(1,634,880)</u>	<u>(955)</u>
Net Change in Fund Balance	(547,000)	(547,000)	1,375,316	1,922,316
Fund Balance - Beginning of year	<u>29,542,228</u>	<u>29,542,228</u>	<u>29,542,228</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 28,995,228</u>	<u>\$ 28,995,228</u>	<u>\$ 30,917,544</u>	<u>\$ 1,922,316</u>

Township of Macomb

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Parks and Recreation Operating Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes and fees	\$ 2,100,000	\$ 2,100,000	\$ 2,233,321	\$ 133,321
Charges for services	1,815,600	1,815,600	2,257,952	442,352
Interest	14,000	14,000	-	(14,000)
Total revenue	<u>3,929,600</u>	<u>3,929,600</u>	<u>4,491,273</u>	<u>561,673</u>
Expenditures - Current - Recreation and culture	<u>2,747,825</u>	<u>2,747,825</u>	<u>2,485,356</u>	<u>262,469</u>
Excess of Revenue Over Expenditures	1,181,775	1,181,775	2,005,917	824,142
Other Financing Sources (Uses)				
Transfers in	-	-	10,318	10,318
Transfers out	(2,371,550)	(2,371,550)	(2,095,375)	276,175
Total other financing uses	<u>(2,371,550)</u>	<u>(2,371,550)</u>	<u>(2,085,057)</u>	<u>286,493</u>
Net Change in Fund Balance	(1,189,775)	(1,189,775)	(79,140)	1,110,635
Fund Balance - Beginning of year	<u>5,717,194</u>	<u>5,717,194</u>	<u>5,717,194</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 4,527,419</u></u>	<u><u>\$ 4,527,419</u></u>	<u><u>\$ 5,638,054</u></u>	<u><u>\$ 1,110,635</u></u>

Township of Macomb

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Operating Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes and fees	\$ 2,600,000	\$ 2,600,000	\$ 2,761,979	\$ 161,979
Charges for services	500	500	-	(500)
Interest	30,000	30,000	-	(30,000)
Other	-	-	6,801	6,801
Total revenue	<u>2,630,500</u>	<u>2,630,500</u>	<u>2,768,780</u>	<u>138,280</u>
Expenditures - Current - Public safety	<u>3,141,369</u>	<u>3,141,369</u>	<u>2,974,609</u>	<u>166,760</u>
Excess of Expenditures Over Revenue	(510,869)	(510,869)	(205,829)	305,040
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	21,350	21,350
Transfers out	<u>(626,230)</u>	<u>(626,230)</u>	<u>(878,900)</u>	<u>(252,670)</u>
Total other financing uses	<u>(626,230)</u>	<u>(626,230)</u>	<u>(857,550)</u>	<u>(231,320)</u>
Net Change in Fund Balance	(1,137,099)	(1,137,099)	(1,063,379)	73,720
Fund Balance - Beginning of year	<u>9,347,097</u>	<u>9,347,097</u>	<u>9,347,097</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 8,209,998</u></u>	<u><u>\$ 8,209,998</u></u>	<u><u>\$ 8,283,718</u></u>	<u><u>\$ 73,720</u></u>

Township of Macomb

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Law Enforcement Sheriff Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes and fees	\$ 2,800,000	\$ 2,800,000	\$ 2,876,517	\$ 76,517
State-shared revenue and grants	-	-	19,944	19,944
Charges for services	19,000	19,000	-	(19,000)
Interest	2,100	2,100	4,391	2,291
Total revenue	2,821,100	2,821,100	2,900,852	79,752
Expenditures - Current - Public safety	3,286,696	3,286,696	3,249,612	37,084
Excess of Expenditures Over Revenue	(465,596)	(465,596)	(348,760)	116,836
Other Financing Sources - Transfers in	475,000	475,000	475,000	-
Net Change in Fund Balance	9,404	9,404	126,240	116,836
Fund Balance - Beginning of year	1,270,632	1,270,632	1,270,632	-
Fund Balance - End of year	<u>\$ 1,280,036</u>	<u>\$ 1,280,036</u>	<u>\$ 1,396,872</u>	<u>\$ 116,836</u>

Township of Macomb

Required Supplemental Information Pension System Schedule of Funding Progress Year Ended June 30, 2013

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
6/30/02	\$ 630,031	\$ 1,158,301	\$ 528,270	54.4 %	\$ 288,843	182.9 %
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
6/30/08	\$ 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
6/30/13	132,543	135

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, 2013

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, 2013 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	\$ 29,612,228	\$ 30,987,544
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, 2013 budget	<u>(70,000)</u>	<u>(70,000)</u>
Fund balance per General Fund budget statement	<u>\$ 29,542,228</u>	<u>\$ 30,917,544</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 - Public safety	\$ 1,620,239	\$ 1,640,847	\$ (20,608)
General Fund - Public works	1,126,000	1,420,825	(294,825)

The unfavorable variances were caused by unanticipated expenditures that became necessary during the current year.

Other Supplemental Information

Township of Macomb

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2013

	Parks and Recreation Revolving - Debt Service Fund	Nonmajor Capital Projects Funds			Building Authority Capital Projects	Total Nonmajor Governmental Funds
		Public Improvement	Fire Improvement	Municipal Streets		
Assets						
Cash and investments	\$ 640,054	\$ 3,009,802	\$ 928,288	\$ 2,482,046	\$ -	\$ 7,060,190
Restricted assets	-	-	-	-	46,132	46,132
Total assets	<u>\$ 640,054</u>	<u>\$ 3,009,802</u>	<u>\$ 928,288</u>	<u>\$ 2,482,046</u>	<u>\$ 46,132</u>	<u>\$ 7,106,322</u>
Liabilities and Fund Balances						
Liabilities - Accrued liabilities and other						
	\$ -	\$ -	\$ -	\$ 1,465,610	\$ -	\$ 1,465,610
Fund Balances						
Restricted:						
Fire	-	-	928,288	-	-	928,288
Debt service	640,054	-	-	-	-	640,054
Capital projects	-	-	-	-	46,132	46,132
Assigned:						
Capital outlay	-	3,009,802	-	-	-	3,009,802
Road projects	-	-	-	1,016,436	-	1,016,436
Total fund balances	<u>640,054</u>	<u>3,009,802</u>	<u>928,288</u>	<u>1,016,436</u>	<u>46,132</u>	<u>5,640,712</u>
Total liabilities and fund balances	<u>\$ 640,054</u>	<u>\$ 3,009,802</u>	<u>\$ 928,288</u>	<u>\$ 2,482,046</u>	<u>\$ 46,132</u>	<u>\$ 7,106,322</u>

Township of Macomb

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2013

	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	
Revenue						
Interest	\$ 1,437	\$ 6,824	\$ 1,154	\$ 1,868	\$ 115	\$ 11,398
Other	-	-	-	24,769	-	24,769
Total revenue	1,437	6,824	1,154	26,637	115	36,167
Expenditures - Capital outlay	-	-	300,673	848,604	55,896	1,205,173
Excess of Revenue Over (Under) Expenditures	1,437	6,824	(299,519)	(821,967)	(55,781)	(1,169,006)
Other Financing Sources - Transfers in	-	-	450,000	647,000	-	1,097,000
Net Change in Fund Balances	1,437	6,824	150,481	(174,967)	(55,781)	(72,006)
Fund Balances - Beginning of year	638,617	3,002,978	777,807	1,191,403	101,913	5,712,718
Fund Balances - End of year	\$ 640,054	\$ 3,009,802	\$ 928,288	\$ 1,016,436	\$ 46,132	\$ 5,640,712

Township of Macomb

Other Supplemental Information Combining Statement of Net Position Fiduciary Funds June 30, 2013

	<u>Pension and Other Retirement Benefit Funds</u>			<u>Bond Escrow Agency Fund</u>
	<u>Fire Retirement System</u>	<u>Retiree Health Care Fund</u>	<u>Total</u>	
Assets				
Cash and cash equivalents	\$ 62,729	\$ 1,678,686	\$ 1,741,415	\$ 644,219
Investments:				
U.S. Treasury bonds	-	695,842	695,842	-
Equities	862,505	-	862,505	-
Corporate bonds	1,029,957	7,157,964	8,187,921	-
Money market funds	167,716	-	167,716	-
Mutual funds	-	4,585,163	4,585,163	-
Total assets	<u>2,122,907</u>	<u>14,117,655</u>	<u>16,240,562</u>	<u>\$ 644,219</u>
Liabilities - Cash bonds and deposits	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 644,219</u>
Net Position - Held in trust for pension and other employee benefits	<u>\$ 2,122,907</u>	<u>\$ 14,117,655</u>	<u>\$ 16,240,562</u>	

Township of Macomb

Other Supplemental Information Combining Statement of Changes in Net Position Fiduciary Funds Year Ended June 30, 2013

	Pension and Other Retirement Benefit Funds		Total
	Fire Retirement System	Retiree Health Care Fund	
Additions			
Investment income (loss):			
Interest and dividends	\$ 67,544	\$ 325,843	\$ 393,387
Net increase in fair value of investments	8,056	57,548	65,604
Investment-related expenses	(9,075)	(40,628)	(49,703)
Net income	66,525	342,763	409,288
Contributions:			
Employer	196,667	1,727,107	1,923,774
Employee	25,255	-	25,255
Total contributions	221,922	1,727,107	1,949,029
Total additions - Net	288,447	2,069,870	2,358,317
Deductions			
Benefit payments	195,735	284,924	480,659
Administrative expenses	11,533	-	11,533
Total deductions	207,268	284,924	492,192
Net Increase	81,179	1,784,946	1,866,125
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>2,041,728</u>	<u>12,332,709</u>	<u>14,374,437</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u>\$ 2,122,907</u>	<u>\$ 14,117,655</u>	<u>\$ 16,240,562</u>