

**Township of Macomb
Macomb County, Michigan**

**Financial Report
with Supplemental Information
June 30, 2010**

Township of Macomb

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Township of Macomb

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Macomb (the "Township") as of and for the year ended June 30, 2010, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Macomb's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Macomb as of June 30, 2010 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budgetary comparison schedules, and pension system schedule of funding progress (as identified in the table of contents) are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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

The accompanying other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The other supplemental information is presented for the purpose of additional analysis. 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

December 8, 2010

Township of Macomb

Management's Discussion and Analysis

Using this Annual Report

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

In a condensed format, the table below shows the comparison of net assets (in millions of dollars) as of June 30, 2010 to the prior year:

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current assets	\$ 54.1	\$ 50.3	\$ 43.7	\$ 45.6	\$ 97.8	\$ 95.9
Noncurrent assets:						
Restricted assets	2.7	6.4	0.6	0.3	3.3	6.7
Capital assets (as restated)	<u>47.7</u>	<u>47.0</u>	<u>145.5</u>	<u>145.6</u>	<u>193.2</u>	<u>192.6</u>
Total assets	104.5	103.7	189.8	191.5	294.3	295.2
Liabilities						
Current liabilities	4.9	4.4	3.3	3.7	8.2	8.1
Long-term liabilities	<u>38.8</u>	<u>40.3</u>	<u>14.5</u>	<u>13.9</u>	<u>53.3</u>	<u>54.2</u>
Total liabilities	<u>43.7</u>	<u>44.7</u>	<u>17.8</u>	<u>17.6</u>	<u>61.5</u>	<u>62.3</u>
Net Assets - As restated						
Invested in capital assets -						
Net of related debt	10.1	11.8	130.5	131.0	140.6	142.8
Restricted	18.8	15.9	0.1	0.1	18.9	16.0
Unrestricted	<u>31.9</u>	<u>31.3</u>	<u>41.4</u>	<u>42.8</u>	<u>73.3</u>	<u>74.1</u>
Total net assets	<u>\$ 60.8</u>	<u>\$ 59.0</u>	<u>\$ 172.0</u>	<u>\$ 173.9</u>	<u>\$ 232.8</u>	<u>\$ 232.9</u>

The Township's combined net assets decreased about \$100,000 from a year ago, decreasing from \$232.9 million to \$232.8 million. A review of the governmental activities, separate from the business-type activities, shows an increase of approximately \$1.8 million in net assets, or 3.0 percent, during fiscal year 2010. The increase in total net assets is primarily attributable to an excess of revenue over controlled expenditures. The business-type activities net assets decreased from the previous year by about 1.1 percent. This was primarily due to the addition of the 2008 North Gratiot Interceptor debt.

Township of Macomb

Management's Discussion and Analysis (Continued)

Unrestricted net assets for the governmental activities were \$31.9 million at June 30, 2010. This amount represents the part of net assets that is available to finance day-to-day operations and future growth of the Township.

The following table shows the changes in net assets (in millions of dollars) as of June 30, 2010 and the prior year:

TABLE 2

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue						
Program revenue:						
Charges for services	\$ 3.8	\$ 3.3	\$ 14.5	\$ 13.5	\$ 18.3	\$ 16.8
Operating grants and contributions	0.1	0.1	-	-	0.1	0.1
Capital grants and contributions - As restated	-	-	1.6	1.2	1.6	1.2
General revenue:						
Property taxes	11.6	12.1	-	-	11.6	12.1
State-shared revenue	3.2	3.3	-	-	3.2	3.3
Interest	0.4	1.1	0.4	1.0	0.8	2.1
Cable fees and other	1.3	1.3	-	-	1.3	1.3
Total revenue	20.4	21.2	16.5	15.7	36.9	36.9
Program Expenses						
General government	4.3	4.9	-	-	4.3	4.9
Public safety	8.0	7.6	-	-	8.0	7.6
Public works	1.2	1.1	-	-	1.2	1.1
Recreation and culture	3.3	3.8	-	-	3.3	3.8
Interest on long-term debt	1.8	1.6	-	-	1.8	1.6
Water and sewer - As restated	-	-	18.4	17.8	18.4	17.8
Total program expenses	18.6	19.0	18.4	17.8	37.0	36.8
Change in Net Assets	1.8	2.2	(1.9)	(2.1)	(0.1)	0.1
Net Assets - Beginning of year - As restated	59.0	56.8	173.9	176.0	232.9	232.8
Net Assets - End of year - As restated	\$ 60.8	\$ 59.0	\$ 172.0	\$ 173.9	\$ 232.8	\$ 232.9

Township of Macomb

Management's Discussion and Analysis (Continued)

Governmental Activities

The Township's total governmental revenue decreased by approximately \$0.8 million from the last fiscal year. This was primarily attributed to the decrease in investment and property tax revenue.

Expenses decreased by about \$0.4 million, or 2.1 percent, over the last fiscal year.

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 5.1 percent to \$16.5 million. Revenue of the Township's business-type activities increased by \$0.8 million primarily as a result of water and sewer lines contributed by developers during the year ended June 30, 2010.

Expenses increased 3.0 percent to \$18.3 million for the year ended June 30, 2010. The increase in expenses is primarily attributable to 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 2010 include the General Fund, Parks and Recreation Operating Fund, Fire Operating Fund, Law Enforcement Sheriff Fund, Municipal Street Fund, Building Authority Debt Service Fund, and Building Authority Capital Projects Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account unanticipated events during the year. Actual revenue was below budgeted revenue by 5.2 percent. Actual expenditures were 16.4 percent below budget. The Township completed the year with actual revenue over expenditures by \$629,790.

Township of Macomb

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

At the end of fiscal year 2010, the Township had \$193.2 million invested in a wide range of capital assets, including land, buildings, fire equipment, computer equipment, and water and sewer lines. In addition, the Township is reporting infrastructure assets, which include roads and bridges in which it has invested since 1980. The value of the infrastructure assets, net of depreciation contained in this report, is \$3.7 million and \$3.8 million for fiscal years 2010 and 2009, respectively (see Note 4 of the notes to financial statements for additional information). Additionally, the value of buildings and improvements, net of depreciation, for the governmental activities is \$36.6 million and \$37.7 million for fiscal years 2010 and 2009, respectively.

Debt reported in these financial statements is related to the construction of the above-mentioned buildings and improvements assets and is reported as a liability on the statement of net assets (see Note 6 of the notes to financial statements for additional information).

Economic Factors and Next Year's Budgets and Rates

Macomb Township's 2010 tax rate stayed fairly consistent with the 2009 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 23.2 percent of the General Fund budget. Annual new growth and development in the Township has risen 151 percent in the past year and is expected to remain stable for the next few years. In addition, state revenue sharing, which represents nearly 35.9 percent of the General Fund budget, is likely to increase due to the 2010 census. However, state cutbacks and less sales tax receipts at the state level could offset this increase somewhat.

On the expense side, the Township continues to operate with relatively low personnel costs and an efficient labor force. While our pension system is 86.1 percent funded, we do anticipate further increases in pension fund contributions due to a declining stock and bond market. We also expect continued annual increases in medical costs of nearly 1 percent to 10 percent per year. Despite these increased costs, our expense increases are anticipated to average between 4 percent and 8 percent per year. We will adjust expenses to mirror the revenue base, ensuring the continuation of our usual trend of excess of revenue over expenses established over 10 years ago.

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 Macomb Township finance office.

Township of Macomb

Statement of Net Assets June 30, 2010

	Primary Government		Total
	Governmental Activities	Business-type Activity	
Assets			
Cash and investments (Note 2)	\$ 50,782,338	\$ 38,130,229	\$ 88,912,567
Receivables:			
Customers	-	4,769,922	4,769,922
Special assessments	-	97,766	97,766
Due from other governmental units (Note 3)	1,181,600	2,442	1,184,042
Inventories	-	99,624	99,624
Net OPEB asset (Note 10)	2,115,223	625,036	2,740,259
Restricted assets (Note 7)	2,674,987	646,423	3,321,410
Capital assets not being depreciated (Note 4)	5,733,746	9,414,483	15,148,229
Capital assets being depreciated (Note 4)	41,991,988	136,085,448	178,077,436
Total assets	104,479,882	189,871,373	294,351,255
Liabilities			
Accounts payable	568,011	1,862,009	2,430,020
Accrued and other liabilities	2,155,332	70,604	2,225,936
Due to other governmental units	-	286,027	286,027
Noncurrent liabilities (Note 6):			
Due within one year	2,102,691	1,136,517	3,239,208
Due in more than one year	38,814,141	14,501,623	53,315,764
Total liabilities	43,640,175	17,856,780	61,496,955
Net Assets			
Invested in capital assets - Net of related debt	10,096,925	130,488,016	140,584,941
Restricted:			
Parks and recreation	4,876,558	-	4,876,558
Fire operations	9,338,646	-	9,338,646
Law enforcement sheriff	509,992	-	509,992
Debt service	1,823,655	95,475	1,919,130
Fire improvements	2,265,399	-	2,265,399
Unrestricted	31,928,532	41,431,102	73,359,634
Total net assets	\$ 60,839,707	\$ 172,014,593	\$ 232,854,300

Township of Macomb

	Expenses	Charges for Services	Program Revenue	
			Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 4,328,804	\$ 112,827	\$ 41,878	\$ -
Public safety	7,949,218	874,518	16,425	-
Public works	1,199,613	784,743	-	-
Recreation and culture	3,322,651	2,041,540	-	-
Interest on long-term debt	1,752,093	-	-	-
Total governmental activities	18,552,379	3,813,628	58,303	-
Business-type activity - Water and sewer	18,423,507	14,503,200	-	1,653,525
Total primary government	\$ 36,975,886	\$ 18,316,828	\$ 58,303	\$ 1,653,525

General revenue:
 Property taxes
 State-shared revenue
 Interest
 Cable fees and other

 Total general revenue

Change in Net Assets

Net Assets - Beginning of year -
 As restated (Note 1)

Net Assets - End of year

Statement of Activities
Year Ended June 30, 2010

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (4,174,099)	\$ -	\$ (4,174,099)
(7,058,275)	-	(7,058,275)
(414,870)	-	(414,870)
(1,281,111)	-	(1,281,111)
(1,752,093)	-	(1,752,093)
(14,680,448)	-	(14,680,448)
-	(2,266,782)	(2,266,782)
(14,680,448)	(2,266,782)	(16,947,230)
11,620,777	-	11,620,777
3,207,198	-	3,207,198
451,740	388,160	839,900
1,280,390	2,036	1,282,426
16,560,105	390,196	16,950,301
1,879,657	(1,876,586)	3,071
58,960,050	173,891,179	232,851,229
\$ 60,839,707	\$ 172,014,593	\$ 232,854,300

Township of Macomb

	General Fund	Parks and Recreation Operating Fund	Fire Operating Fund	Law Enforcement Sheriff Fund
Assets				
Cash and investments (Note 2)	\$ 25,113,472	\$ 4,986,213	\$ 9,446,727	\$ 510,842
Receivables - Net	1,178,615	-	2,985	-
Due from other funds (Note 5)	54,778	-	-	-
Restricted assets (Note 7)	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 26,346,865</u>	<u>\$ 4,986,213</u>	<u>\$ 9,449,712</u>	<u>\$ 510,842</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 211,428	\$ 141,392	\$ 25,697	\$ 850
Accrued and other liabilities	125,934	36,142	85,369	-
Due to other funds (Note 5)	-	-	-	-
Deferred revenue (Note 3)	551,002	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	888,364	177,534	111,066	850
Fund Balances				
Reserved for Building Authority				
Capital Projects	-	-	-	-
Unreserved:				
General Fund	25,458,501	-	-	-
Special Revenue Funds	-	4,808,679	9,338,646	509,992
Capital Projects Funds	-	-	-	-
Designated - Debt Service Funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	25,458,501	4,808,679	9,338,646	509,992
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 26,346,865</u>	<u>\$ 4,986,213</u>	<u>\$ 9,449,712</u>	<u>\$ 510,842</u>

**Governmental Funds
Balance Sheet
June 30, 2010**

Building Authority Debt Service Fund	Building Authority Capital Projects Fund	Municipal Street Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,823,655	\$ 39,820	\$ 2,816,965	\$ 6,044,644	\$ 50,782,338
-	-	-	-	1,181,600
-	-	-	-	54,778
-	2,674,987	-	-	2,674,987
<u>\$ 1,823,655</u>	<u>\$ 2,714,807</u>	<u>\$ 2,816,965</u>	<u>\$ 6,044,644</u>	<u>\$ 54,693,703</u>
\$ -	\$ 240,439	\$ -	\$ 16,084	\$ 635,890
-	-	1,482,078	-	1,729,523
-	-	-	54,778	54,778
-	-	-	-	551,002
-	240,439	1,482,078	70,862	2,971,193
-	2,474,368	-	-	2,474,368
-	-	-	-	25,458,501
-	-	-	2,969,140	17,626,457
-	-	1,334,887	3,004,642	4,339,529
1,823,655	-	-	-	1,823,655
1,823,655	2,474,368	1,334,887	5,973,782	51,722,510
<u>\$ 1,823,655</u>	<u>\$ 2,714,807</u>	<u>\$ 2,816,965</u>	<u>\$ 6,044,644</u>	<u>\$ 54,693,703</u>

Township of Macomb

Governmental Funds Reconciliation of Fund Balances to the Statement of Net Assets June 30, 2010

Fund Balances - Total Governmental Funds	\$ 51,722,510
Amounts reported for governmental activities in the statement of net assets are different because:	
Governmental funds report capital outlays as expenditures; in the statement of net assets, these costs are capitalized and allocated over their estimated useful lives as depreciation	47,725,734
A net other postemployment benefit obligation asset is recorded on the statement of net assets	2,115,223
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	551,002
Long-term liabilities and their related interest are not due and payable in the current period and are not reported in the funds	<u>(41,274,762)</u>
Net Assets of Governmental Activities	<u>\$ 60,839,707</u>

Township of Macomb

	General Fund	Parks and Recreation Operating Fund	Fire Operating Fund	Law Enforcement Sheriff Fund
Revenue				
Property taxes and fees	\$ 2,204,287	\$ 2,672,524	\$ 3,918,848	\$ 2,825,118
Licenses and permits	1,643,455	-	-	-
Federal grants	41,878	-	-	-
State-shared revenue and grants	3,122,276	-	-	16,425
Charges for services	169,549	2,041,540	-	-
Fines and forfeitures	135,390	-	-	-
Special assessment	784,743	-	-	-
Interest	282,801	31,534	38,595	2,181
Other	396,394	-	7,434	-
Total revenue	<u>8,780,773</u>	<u>4,745,598</u>	<u>3,964,877</u>	<u>2,843,724</u>
Expenditures				
Current:				
General government	3,300,346	-	-	-
Public safety	1,273,767	-	2,697,651	2,987,119
Public works	975,939	-	-	-
Recreation and culture	201,890	2,456,667	-	-
Employee benefits and insurance	1,376,293	-	-	-
Capital outlay	204	-	-	-
Debt service	-	67,879	-	-
Total expenditures	<u>7,128,439</u>	<u>2,524,546</u>	<u>2,697,651</u>	<u>2,987,119</u>
Excess of Revenue Over (Under) Expenditures	1,652,334	2,221,052	1,267,226	(143,395)
Other Financing Sources (Uses)				
Transfers in (Note 5)	27,006	-	-	475,000
Transfers out (Note 5)	(1,049,550)	(2,387,950)	(400,000)	-
Debt issuance	-	238,795	-	-
Total other financing sources (uses)	<u>(1,022,544)</u>	<u>(2,149,155)</u>	<u>(400,000)</u>	<u>475,000</u>
Net Change in Fund Balances	629,790	71,897	867,226	331,605
Fund Balances - Beginning of year	<u>24,828,711</u>	<u>4,736,782</u>	<u>8,471,420</u>	<u>178,387</u>
Fund Balances - End of year	<u>\$ 25,458,501</u>	<u>\$ 4,808,679</u>	<u>\$ 9,338,646</u>	<u>\$ 509,992</u>

**Governmental Funds
Statement of Revenue, Expenditures, and
Changes in Fund Balances
Year Ended June 30, 2010**

Building Authority Debt Service Fund	Building Authority Capital Projects Fund	Municipal Street Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 11,620,777
-	-	-	-	1,643,455
-	-	-	-	41,878
-	-	-	-	3,138,701
-	-	-	-	2,211,089
-	-	-	-	135,390
-	-	-	-	784,743
826	39,820	2,740	53,243	451,740
-	-	25,802	-	429,630
826	39,820	28,542	53,243	20,457,403
-	-	-	72,999	3,373,345
-	-	-	-	6,958,537
-	-	-	-	975,939
-	-	-	-	2,658,557
-	-	-	-	1,376,293
-	2,314,381	113,118	-	2,427,703
3,382,739	-	-	-	3,450,618
3,382,739	2,314,381	113,118	72,999	21,220,992
(3,381,913)	(2,274,561)	(84,576)	(19,756)	(763,589)
4,676,310	-	-	400,000	5,578,316
-	(1,713,810)	-	(27,006)	(5,578,316)
-	-	-	-	238,795
4,676,310	(1,713,810)	-	372,994	238,795
1,294,397	(3,988,371)	(84,576)	353,238	(524,794)
529,258	6,462,739	1,419,463	5,620,544	52,247,304
\$ 1,823,655	\$ 2,474,368	\$ 1,334,887	\$ 5,973,782	\$ 51,722,510

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, 2010

Net Change in Fund Balances - Total Governmental Funds	\$ (524,794)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	682,434
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 assets when paid	67,879
The increase in the other postemployment benefit asset creates a reduction in benefit payment expenses that is recorded on the statement of activities but not in the governmental funds	126,664
Revenue is reported in the statement of activities at the time it is earned, without regard to timeliness of collection	84,922
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,610,000
Proceeds from issuance of debt obligations is revenue in the governmental funds, but not in the statement of activities	(238,795)
Interest related to outstanding debt is accrued when incurred on the statement of activities, but not on the governmental fund report	20,646
Accumulated employee sick and vacation pay is recorded when earned in the statement of activities	<u>50,701</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,879,657</u>

Township of Macomb

Proprietary Fund Statement of Net Assets June 30, 2010

	Enterprise Fund - Water and Sewer
Assets	
Current assets:	
Cash and cash equivalents (Note 2)	\$ 38,130,229
Receivables:	
Customers	4,769,922
Special assessments	97,766
Due from other governmental units	2,442
Inventories	99,624
Total current assets	<u>43,099,983</u>
Noncurrent assets:	
Restricted assets (Note 7)	646,423
Net OPEB asset (Note 10)	625,036
Capital assets not being depreciated (Note 4)	9,414,483
Capital assets being depreciated (Note 4)	136,085,448
Total noncurrent assets	<u>146,771,390</u>
Total assets	<u>189,871,373</u>
Liabilities	
Current liabilities:	
Accounts payable	1,862,009
Accrued and other liabilities	70,604
Due to other governmental units	286,027
Current portion of long-term debt (Note 6)	1,136,517
Total current liabilities	<u>3,355,157</u>
Noncurrent liabilities:	
Liabilities payable from restricted assets (Note 7)	197,500
Provision for compensated absences (Note 6)	131,033
Long-term debt - Net of current portion (Note 6)	14,173,090
Total noncurrent liabilities	<u>14,501,623</u>
Total liabilities	<u>17,856,780</u>
Net Assets	
Investment in capital assets - Net of related debt	130,488,016
Restricted - Debt service	95,475
Unrestricted	41,431,102
Total net assets	<u><u>\$ 172,014,593</u></u>

Township of Macomb

Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2010

	Enterprise Fund - Water and Sewer
Operating Revenue	
Sale of water	\$ 7,196,893
Sewage disposal charges	7,080,251
Charges for services	<u>226,056</u>
Total operating revenue	14,503,200
Operating Expenses	
Cost of water	5,358,087
Cost of sewage disposal	6,056,070
Operation and maintenance	870,985
General and administrative	2,069,593
Contributions to Retiree Health Fund	127,861
Depreciation	<u>3,171,794</u>
Total operating expenses	<u>17,654,390</u>
Operating Loss	(3,151,190)
Nonoperating Revenue (Expense)	
Investment income	388,160
Federal revenue	2,036
Interest expense	<u>(769,117)</u>
Loss - Before contributions	(3,530,111)
Capital Contributions	
Developers and other governmental units	1,149,650
Tap fees and frontage charges	<u>503,875</u>
Total capital contributions	<u>1,653,525</u>
Change in Net Assets	(1,876,586)
Net Assets - Beginning of year - As restated (Note 1)	<u>173,891,179</u>
Net Assets - End of year	<u><u>\$ 172,014,593</u></u>

Township of Macomb

Proprietary Fund Statement of Cash Flows Year Ended June 30, 2010

	Enterprise Fund - Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 13,813,386
Contribution to Retiree Health Fund	(165,711)
Payments to suppliers	(13,616,177)
Payments to employees	<u>(1,202,126)</u>
Net cash used in operating activities	(1,170,628)
Cash Flows from Capital and Related Financing Activities	
Collection of customer tap fees	503,875
Collection of special assessments - Principal and interest	42,377
Purchase of capital assets	(630,833)
Principal and interest paid on long-term debt	<u>(1,651,602)</u>
Net cash used in capital and related financing activities	(1,736,183)
Cash Flows from Investing Activities - Interest received on investments	<u>388,160</u>
Net Decrease in Cash and Cash Equivalents	(2,518,651)
Cash and Cash Equivalents - Beginning of year	<u>40,941,855</u>
Cash and Cash Equivalents - End of year	<u>\$ 38,423,204</u>
Balance Sheet Classification of Cash and Cash Equivalents	
Cash and investments	\$ 38,130,229
Restricted investments (Note 7)	<u>292,975</u>
Total cash and cash equivalents	<u>\$ 38,423,204</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (3,151,190)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	3,171,794
Changes in assets and liabilities:	
Receivables	(689,408)
Inventory	5,286
Prepaid expenses and other	(38,256)
Due to other governmental units	198,530
Accounts payable	(637,165)
Accrued and other liabilities	<u>(30,219)</u>
Net cash used in operating activities	<u>\$ (1,170,628)</u>

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2010, developers constructed water and sewer lines with a value of \$291,812 and donated them to the Township's Water and Sewer Enterprise Fund. Also during the year, the Township's portion of drainage system improvements completed by the Oakland-Macomb Interceptor Drainage District (OMID) had totaled \$1,059,608 (\$857,838 of this amount was funded through a principal forgiveness program). In addition, the Township's portion of OMID-issued county drain bonds totaled \$452,552. Also during the year, the Macomb County Waste Water Disposal District completed drainage system improvements and assigned the related debt to the Township totaling \$1,216,052.

Township of Macomb

Fiduciary Funds Statement of Net Assets June 30, 2010

	Trust Funds - Pensions and Other Retirement Benefits	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 8,837,130	\$ 345,203
Investments:		
Corporate bonds	815,034	-
Equities	1,625,936	-
Money market funds	7,956	-
U.S. Treasury bonds	52,518	-
Mutual funds	<u>363,553</u>	<u>-</u>
Total assets	11,702,127	<u><u>\$ 345,203</u></u>
Liabilities		
Due to other governmental units	-	\$ 525
Cash bonds and deposits	<u>-</u>	<u>344,678</u>
Total liabilities	<u>-</u>	<u><u>\$ 345,203</u></u>
Net Assets - Held in trust for pension and other employee benefits		<u><u>\$ 11,702,127</u></u>

Township of Macomb

Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2010

	Trust Funds - Pensions and Other Retirement Benefits
Additions	
Investment gain	\$ 268,415
Contributions:	
Employer	769,838
Employee	<u>27,468</u>
Total contributions	<u>797,306</u>
Total additions	1,065,721
Deductions	
Benefit payments	60,011
Administrative expenses	<u>5,637</u>
Total deductions	<u>65,648</u>
Net Increase	1,000,073
Net Assets Held in Trust for Pension and Other Employee Benefits	
Beginning of year	<u>10,702,054</u>
End of year	<u><u>\$ 11,702,127</u></u>

Note I - Summary of Significant Accounting Policies

The accounting policies of the Township of Macomb (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:

Reporting Entity

The Township of Macomb 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 parts 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, 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.

Note I - Summary of Significant Accounting Policies (Continued)

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

Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual Enterprise Fund are reported as separate columns in the fund financial statements.

Note I - Summary of Significant Accounting Policies (Continued)

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.

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.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Township's policy is to first apply restricted resources.

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.

Note I - Summary of Significant Accounting Policies (Continued)

Parks and Recreation Operating Fund - The Parks and Recreation Operating Fund accounts for the activities of the parks and recreation department and all resources used for the purpose of providing this service.

Fire Operating Fund - The Fire Operating Fund accounts for all of the activities of the Township's fire department, except for the purchase of equipment.

Law Enforcement Sheriff Fund - The Law Enforcement Sheriff Fund accounts for the police activities of the Township.

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.

Building Authority Capital Projects Fund - The Building Authority Fund (a Capital Projects Fund type) accounts for construction activities for new Township facilities.

Municipal Street Fund - The Municipal Street Fund accounts for reimbursements made to the county for street projects performed by the county on behalf of the Township.

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.

Additionally, the Township reports the following funds:

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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.

Assets, Liabilities, and Net Assets or Equity

Cash 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. 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2009 taxable valuation of the Township totaled \$3,233,778,430, on which ad valorem taxes levied consisted of 0.6757 mills for the Township's operating purposes, 1.25 mills for fire operating purposes, 0.0662 mills for fire pension, 0.8702 mills for police protection, and 0.8232 mills for parks and recreation. The ad valorem taxes raised \$2,192,563 for general operations, \$3,918,848 for fire operations, \$214,793 for fire pension, \$2,825,118 for police protection, and \$2,672,524 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.

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

Restricted Assets - The bonds of the Enterprise Fund and the governmental funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets. Also, the Township has restricted assets for unspent bond proceeds.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads) 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.

Township of Macomb

Notes to Financial Statements June 30, 2010

Note I - Summary of Significant Accounting Policies (Continued)

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	50-70 years
Water meters	50 years
Buildings and building improvements	40 years
Vehicles	5 years
Office furnishings	7 years
Other tools and equipment	5-7 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Township of Macomb

Notes to Financial Statements June 30, 2010

Note 1 - Summary of 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.

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.

Prior Period Adjustment - Net assets in the Water and Sewer Fund as of July 1, 2009 were restated to remove paving and storm drains installed in prior years that were capitalized as assets contributed by developers. As a result, beginning net assets decreased \$41,989,761, beginning capital assets decreased \$46,440,262, and accumulated depreciation decreased \$4,450,501. The change in net assets for the year ended June 30, 2009 would have been \$2,590,229 lower, developer contributions \$3,408,230 lower, and depreciation expense \$818,001 lower. See Note 4 for adjustment to beginning capital assets and accumulated depreciation in the Water and Sewer Fund.

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

Cumulative expenditures over revenue - July 1, 2009		\$ (5,287,728)
2009-2010 building department activity:		
Permit revenue	\$ 621,003	
Expenditures	<u>(1,583,635)</u>	
Net shortfall for the year ended June 30, 2010		<u>(962,632)</u>
Cumulative expenditures over revenue - June 30, 2010		<u>\$ (6,250,360)</u>

Note 2 - 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 17 banks for the deposit of its funds. The investment policy adopted by the board has authorized investments in accordance with Public Act 196 of 1997. The Township's deposits are in accordance with statutory requirements.

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$55,827,569 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Township of Macomb

Notes to Financial Statements June 30, 2010

Note 2 - Deposits and Investments (Continued)

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

Type of Investment	Fair Value of Township-wide Deposits and Investments	Fair Value of Pension Trust and Retiree Healthcare Funds	How Held
U.S. Treasury bonds	\$ -	\$ 52,519	Counterparty
Equities	-	1,625,936	Counterparty
Corporate bonds	-	104,181	Counterparty
Municipal bonds	8,969,763	-	Counterparty
Commercial paper	1,049,438	-	Counterparty

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

Investment	Fair Value of Township-wide Deposits and Investments	Fair Value of Pension Trust and Retiree Healthcare Funds	Weighted Average Maturity (Years)
Municiple bonds	\$ 8,969,763	\$ -	1.01
Government security	-	52,519	1.14
Corporate bonds	-	104,181	1.33
Commercial paper	1,049,438	-	0.54

Township of Macomb

Notes to Financial Statements June 30, 2010

Note 2 - Deposits and Investments (Continued)

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 Range	Rating Organization
Bank investment pools	\$ 6,122,731	AAA to A-1	Standard & Poor's
Municipal bonds	8,969,763	AAA to SP-1	Standard & Poor's
Bonds funds	709,853	AA to BBB	Standard & Poor's
Commercial paper	1,049,438	A-1	Standard & Poor's
Corporate bond	104,181	AA- to A	Standard & Poor's

Concentration of Credit Risk - More than 5 percent of the Township's investments are in Muskegon County Taxable NTS and Saginaw Taxable LTD Tax NTS Municipal Bonds; these investments are 5.26 percent and 7.91 percent, respectively, of the Township's total investments.

Note 3 - Receivables and Deferred Revenue

The following is the detail of the governmental activities due from other governmental units at June 30, 2010:

	General Fund	Fire Operating Fund	Total
State of Michigan	\$ 1,097,674	\$ -	\$ 1,097,674
Other	80,941	2,985	83,926
Total	<u>\$ 1,178,615</u>	<u>\$ 2,985</u>	<u>\$ 1,181,600</u>

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 \$551,002 represents revenue from the State of Michigan that has been earned but is unavailable.

Township of Macomb

Notes to Financial Statements June 30, 2010

Note 4 - Capital Assets

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

	Balance July 1, 2009	Additions	Disposals and Adjustments	Balance June 30, 2010
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 3,182,227	\$ -	\$ -	\$ 3,182,227
Construction in progress	323,079	2,228,440	-	2,551,519
Subtotal	3,505,306	2,228,440	-	5,733,746
Capital assets being depreciated:				
Roads and bridges	5,458,523	113,118	-	5,571,641
Buildings and improvements	44,388,382	85,849	-	44,474,231
Vehicles	3,122,673	-	-	3,122,673
Office furnishings	3,720,759	88,748	362,303	3,447,204
Other tools and equipment	1,142,640	293,505	30,905	1,405,240
Subtotal	57,832,977	581,220	393,208	58,020,989
Accumulated depreciation:				
Infrastructure	1,679,180	220,032	-	1,899,212
Buildings and improvements	6,722,326	1,110,975	-	7,833,301
Vehicles	2,285,368	304,375	-	2,589,743
Office furnishings	2,771,173	320,026	361,839	2,729,360
Other tools and equipment	836,936	168,665	28,216	977,385
Subtotal	14,294,983	2,124,073	390,055	16,029,001
Net capital assets being depreciated	43,537,994	(1,542,853)	3,153	41,991,988
Net capital assets	<u>\$ 47,043,300</u>	<u>\$ 685,587</u>	<u>\$ 3,153</u>	<u>\$ 47,725,734</u>

Township of Macomb

Notes to Financial Statements June 30, 2010

Note 4 - Capital Assets (Continued)

	Balance - As restated (Note 1) July 1, 2009	Additions	Disposals and Adjustments	Balance June 30, 2010
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 91,700	\$ -	\$ -	\$ 91,700
Construction in progress	10,626,672	1,528,701	(2,832,590)	9,322,783
Subtotal	10,718,372	1,528,701	(2,832,590)	9,414,483
Capital assets being depreciated:				
Water and sewer mains	163,540,663	1,406,956	2,832,590	167,780,209
Water meters	4,564,340	34,532	-	4,598,872
Buildings and building improvements	2,558,702	-	-	2,558,702
Vehicles	671,715	57,567	(16,916)	712,366
Furniture and equipment	801,587	18,543	-	820,130
Subtotal	172,137,007	1,517,598	2,815,674	176,470,279
Accumulated depreciation:				
Water and sewer mains	34,109,800	2,951,709	-	37,061,509
Water meters	995,675	91,632	-	1,087,307
Buildings and building improvements	779,854	63,968	-	843,822
Vehicles	623,325	32,579	(16,916)	638,988
Furniture and equipment	721,299	31,906	-	753,205
Subtotal	37,229,953	3,171,794	(16,916)	40,384,831
Net capital assets being depreciated	134,907,054	(1,654,196)	2,832,590	136,085,448
Net capital assets	\$ 145,625,426	\$ (125,495)	\$ -	\$ 145,499,931

Construction in progress includes \$1,059,608 of drain improvements constructed by the Oakland-Macomb Interceptor Drainage District (OMID). This represents the Township's portion of total OMID improvements in the amount of \$15,687,438. These improvements will be completed by OMID using state revolving loan funds and bonded debt. See Note 6 for additional information.

Water and sewer mains include \$1,113,386 of drain improvements constructed by the Macomb County Waste Water District for the North Gratiot Interceptor which is the Township's portion of total improvements in the amount of \$22,340,000. See Note 6 for additional information.

Township of Macomb

Notes to Financial Statements June 30, 2010

Note 4 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 488,602
Public safety	636,575
Public works	223,674
Recreation and culture	<u>775,222</u>
Total governmental activities	<u>\$ 2,124,073</u>
Business-type activities - Water and sewer	<u>\$ 3,171,794</u>

Construction Commitments - The Township has an active construction project at year end. The project includes the 2009 Building Authority bond issue and the Macomb Corners Park project. At year end, the Township's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Macomb Corners Park	\$2,551,519	\$1,601,986

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from Other Funds		
General Fund	Other nonmajor governmental funds	\$ 54,778

Township of Macomb

Notes to Financial Statements June 30, 2010

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund balances represent routine and temporary cash flow assistance until funds are transferred from investment accounts.

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Building Authority Debt Service Fund	\$ 574,550
General Fund	Law enforcement	475,000
Fire Operating Fund	Other nonmajor governmental funds	400,000
Parks and Recreation Operating Fund	Building Authority Debt Service Fund	2,387,950
Building Authority Capital Projects Fund	Building Authority Debt Service Fund	1,713,810
Nonmajor governmental funds	General Fund	<u>27,006</u>
Total		<u>\$ 5,578,316</u>

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

Note 6 - 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 re-assessment of the Township) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Township of Macomb

Notes to Financial Statements June 30, 2010

Note 6 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Rate Ranges	Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds:							
2000 Building Authority Bonds:							
Amount of issue - \$7,800,000							
Maturing through 2010	5.40%	\$ -	\$ 200,000	\$ -	\$ 200,000	\$ -	\$ -
2001 Building Authority Bonds:							
Amount of issue - \$10,000,000	4.375%	\$135,000 -					
Maturing through 2027	5.25%	\$970,000	8,565,000	-	35,000	8,530,000	235,000
2002 Building Authority Bonds:							
Amount of issue - \$12,700,000	4.10%	\$500,000 -					
Maturing through 2022	4.30%	\$600,000	1,600,000	-	500,000	1,100,000	500,000
2003 Building Authority Bonds:							
Amount of issue - \$2,700,000	2.55%	\$125,000 -					
Maturing through 2022	4.00%	\$250,000	2,225,000	-	125,000	2,100,000	125,000
2003B Building Authority Bonds:							
Amount of issue - \$6,000,000	3.15%	\$200,000 -					
Maturing through 2023	4.50%	\$550,000	5,250,000	-	200,000	5,050,000	250,000
2005 Building Authority Refund Bonds:							
Amount of issue - \$9,800,000	3.50%	\$40,000 -					
Maturing through 2022	5.00%	\$1,070,000	9,535,000	-	50,000	9,485,000	40,000
2006 Building Authority Bonds:							
Amount of issue - \$10,000,000	4.00%	\$300,000 -					
Maturing through 2025	4.375%	\$900,000	9,300,000	-	300,000	9,000,000	300,000
2009 Building Authority Bonds:							
Amount of issue - \$5,000,000	3.00%	\$200,000 -					
Maturing through 2023	4.25%	\$550,000	5,000,000	-	200,000	4,800,000	200,000
Total bond obligations			41,675,000	-	1,610,000	40,065,000	1,650,000
Other long-term obligations:							
Compensated absences			663,739	-	50,701	613,037	384,812
Capital leases			-	238,795	-	238,795	67,879
Total other long-term obligations			663,739	238,795	50,701	851,832	452,691
Total governmental activities			\$ 42,338,739	\$ 238,795	\$ 1,660,701	\$ 40,916,832	\$ 2,102,691

Township of Macomb

Notes to Financial Statements June 30, 2010

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions and Adjustments	Ending Balance	Due Within One Year
Business-type Activities							
General obligation bonds:							
2002 GO Capital Improvement Bond:							
Amount of issue - \$6,000,000	4.00%	\$275,000 -					
Maturing through 2022	5.00%	\$450,000	\$ 4,650,000	\$ -	\$ 250,000	\$ 4,400,000	\$ 275,000
2004 GO Refund Bond:							
Amount of issue - \$4,915,000	3.00%	\$175,000 -					
Maturing through 2018	3.80%	\$760,000	4,010,000	-	185,000	3,825,000	180,000
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	-	1,113,386	49,340	1,064,046	24,919
2010B OMID Drainage District:							
Amount of issue - \$452,552	1.15%	\$12,834 -					
Maturing through 2030	5.90%	\$35,126	-	452,552	-	452,552	12,834
2010 North Gratiot Interceptor Drainage District							
Amount of issue - \$102,666	1.00%	\$1,967 -					
Maturing through 2035	6.35%	\$5,900	-	102,666	-	102,666	1,967
1999 Garfield Interceptor Debt:							
Amount of issue - \$6,364,761	7.50%	\$52,908 -					
Maturing through 2031		\$434,862	4,833,583	-	97,485	4,736,098	105,053
Revenue bonds - 1998 Refunding Bonds:							
Amount of issue - \$3,390,000	4.30%	\$390,000 -					
Maturing through 2012	4.35%	\$395,000	1,135,000	-	350,000	785,000	395,000
Total bond obligations			14,628,583	1,668,604	931,825	15,365,362	994,773
Other long-term obligations -							
Compensated absences							
			242,167	34,777	4,166	272,778	141,744
Total business-type activities			14,870,750	1,703,381	935,991	15,638,140	1,136,517
Total			\$ 57,209,489	\$ 1,942,176	\$ 2,596,692	\$ 56,554,972	\$ 3,239,208

Annual debt service requirements to maturity for the above governmental bond and note obligations are as follows:

	Governmental Activities			Business-type Activities				
	Principal	Interest	Total	Principal	Interest	Interest Subsidy	Net Interest	Total - Net
2011	\$ 1,650,000	\$ 1,692,438	\$ 3,342,438	\$ 994,772	\$ 772,696	\$ (10,261)	\$ 762,435	\$ 1,757,207
2012	1,810,000	1,630,885	3,440,885	1,021,472	731,233	(11,041)	720,192	1,741,664
2013	1,865,000	1,561,558	3,426,558	1,140,598	686,553	(10,931)	675,622	1,816,220
2014	2,115,000	1,493,483	3,608,483	1,273,265	639,160	(10,760)	628,400	1,901,665
2015	2,260,000	1,412,845	3,672,845	894,177	594,113	(10,559)	583,554	1,477,731
2016-2020	15,820,000	5,380,228	21,200,228	4,856,117	2,281,122	(47,689)	2,233,433	7,089,550
2021-2025	13,545,000	1,709,260	15,254,260	2,586,469	1,253,639	(35,042)	1,218,597	3,805,066
2026-2030	1,000,000	77,500	1,077,500	2,338,602	518,281	(16,288)	501,993	2,840,595
2031-2035	-	-	-	259,890	20,424	(1,329)	19,095	278,985
Total	\$ 40,065,000	\$ 14,958,197	\$ 55,023,197	\$ 15,365,362	\$ 7,497,221	\$ (153,900)	\$ 7,343,321	\$ 22,708,683

Note 6 - Long-term Debt (Continued)

During the year, the Oakland-Macomb Interceptor Drainage District (OMID) issued \$6,700,000 of county drain bonds, of which \$452,552 is the Township's share. The proceeds are being used to improve and repair the OMID Interceptor which is a multi-jurisdictional drainage system. These bonds were issued as taxable Recovery Zone Economic Development Bonds (RZEDBs). RZEDBs are eligible to recover tax credit payments from the United States Treasury equal to 45 percent of the interest payable on the bonds. The Township anticipates receiving credits in the future for its proportionate share of recovered interest costs.

Also, during the year, the OMID was approved for approximately \$43,000,000 of loans through the Michigan State Revolving Loan Fund Program (SRF), of which approximately \$1,800,000 is the Township's share. The SRF loans are, in part, supported by grant funding from the American Recovery and Reinvestment Act of 2009 (ARRA) and includes loan principal forgiveness which will equal 40 percent of final allowable project costs. The ARRA amounts are recognized as contributed capital when construction costs are incurred. For the year ended June 30, 2010, approximately \$12,700,000 of costs was incurred by OMID, resulting in approximately \$860,000 of contributed capital recognized as the Township's share. No amounts were drawn on the SRF loan at that time.

During the year, the North Gratiot Interceptor Drainage District (NGID) allocated a percent of the Drainage District Drain Bonds Phase I, Series 2008 bonds totaling \$22,340,000 to participating communities. Debt was allocated based on a three-year average flow calculation, of which \$1,113,386 is the Township's share.

Also during the year, the North Gratiot Interceptor Drainage District (NGID) allocated a percent of the Drainage District Drain Bonds, Series 2010 bonds totaling \$16,965,000 to participating communities. Debt was allocated based on a three-year average flow calculation, of which \$102,666 is the Township's share. These bonds were issued as taxable Recovery Zone Economic Development Bonds (RZEDBs). RZEDBs are eligible to recover tax credit payments from the United States Treasury equal to 45 percent of the interest payable on the bonds. This Township anticipates receiving credits in the future for our proportionate share of recovered interest costs.

Future Revenue Pledged for Debt Payment - The Township has pledged revenue of the Water and Sewer Fund, net of operating expenses, to repay the above water and sewer revenue bonds. Proceeds from the bonds provided financing for the construction of various water mains. The bonds are payable solely from the net revenue of the water and sewer system.

Township of Macomb

Notes to Financial Statements June 30, 2010

Note 6 - Long-term Debt (Continued)

The remaining principal and interest to be paid on the bonds total \$818,940. During the current year, net revenue of the system was a loss of \$4,417,225 compared to the annual debt requirements of \$350,000.

Subsequent Event - Subsequent to year end, the Macomb Interceptor Drainage District (MID) issued debt in the amount of \$95,620,000, of which approximately \$17.4 million is the Township's share. The debt was issued for the purpose of acquiring the Macomb Interceptor Drain from the City of Detroit and refinance debt related to the Garfield Interceptor.

Subsequent to year end, the Township issued \$9,805,000 of limited tax general obligation bonds in the Water and Sewer Fund. The debt proceeds will be used to refund \$4,125,000 of the \$4,400,000 remaining principal balance of the 2002 General Obligation Capital Improvement bonds and to acquire and construct improvements to the Township's water supply and sewage disposal system.

Note 7 - Restricted Assets

Specific assets of the Water and Sewer Fund and the Building Authority Capital Projects Fund have been restricted for operations and maintenance, replacement, and debt service as well as unspent bond proceeds. Additionally, specific assets of the Water and Sewer 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 the bonds were issued or the repayment of the bonds. The following is the detail of restricted assets at June 30, 2010:

Water and Sewer Fund:

Restricted assets from bond covenants:

Cash and cash equivalents	\$ 292,975
Less current liabilities payable from restricted assets	<u>(197,500)</u>
Total restricted net assets from bond covenants	<u>\$ 95,475</u>

Unspent bond proceeds held at County:

Due from Oakland County*	\$ 250,782
Due from Macomb County**	102,666

Building Authority Capital Projects Fund - Restricted assets and unspent bond proceeds	2,674,987
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Note 7 - Restricted Assets (Continued)

- * This amount is held by Oakland County in a construction fund maintained on behalf of the Township for improvements to the Oakland-Macomb Interceptor Drainage District.
- ** This amount is held by Macomb County in Construction and Debt Retirement Funds maintained on behalf of the Township by the Macomb County Department of Public Works for drain construction projects of the Township.

Net assets have been reserved for restricted assets.

Note 8 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for 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 9 - 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, 2010, membership consisted of four retirees and beneficiaries currently receiving benefits, one terminated employee entitled to benefits but not yet receiving them, and seven current active employees.

Note 9 - Defined Benefit Pension Plan (Continued)

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.

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.

Annual Pension Costs - For the year ended June 30, 2010, the Township's annual required pension contribution was \$184,798, of which the Township contributed \$214,793. The annual required contribution was determined as part of an actuarial valuation at June 30, 2008, using the entry age actuarial funding method. Significant actuarial assumptions used include (i) a 7.0 percent investment rate of return, (ii) projected salary increases of 5.0 percent per year, (iii) additional projected salary increases ranging from 0.2 percent to 3.8 percent per year, attributable to seniority/merit and age, and (iv) no postretirement benefit increases. Assumption (ii) includes an inflation component of 5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 13 years.

As of June 30, 2010, the most recent actuarial valuation date, the plan was 86.1 percent funded. The actuarial accrued liability for benefits was approximately \$2.1 million, and the actuarial value of assets was approximately \$1.8 million, resulting in an unfunded actuarial accrued liability of approximately \$300,000. The covered payroll (annual payroll of active employees covered by the plan) was \$476,483 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 61.1 percent.

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

Township of Macomb

Notes to Financial Statements June 30, 2010

Note 9 - Defined Benefit Pension Plan (Continued)

Three-year Trend Information of Annual Pension Cost

	2010	2009	2008
Annual pension costs (APC)	\$ 184,798	\$ 175,998	\$ 145,958
Percentage of annual required contribution actually contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Reserves

As of June 30, 2010, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contribution	\$ 179,401
Reserve for retired benefit payments	244,506

Note 10 - 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 22 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 \$260,625. Retiree healthcare costs are recognized by the Township on a "pay-as-you-go" basis; however, in the current year, the Township maintains about \$9.9 million in a prefunded retiree healthcare fund which is reported in the financial statements as a pension and other employee benefit trust fund type.

Township of Macomb

Notes to Financial Statements June 30, 2010

Note 10 - Other Postemployment Benefits (OPEB)

Funding Progress - For the year ended June 30, 2010, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of July 1, 2008. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 636,520
Amounts contributed:	
Payments of current premiums	(260,625)
Employer contributions to the fund	<u>(540,409)</u>
	(164,514)
OPEB obligation - Beginning of year	<u>(2,575,745)</u>
OPEB obligation (asset) - End of year	<u><u>\$ (2,740,259)</u></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>2010</u>	<u>2009</u>
Annual OPEB costs	\$ 636,520	\$ 636,520
Percentage contributed	126%	504%
Net OPEB asset	2,740,259	2,575,745

The funding progress of the plan as of the most recent valuation date is as follows:

Actuarial value of assets	\$ 6,455,955
Actuarial accrued liability (AAL)	8,850,729
Unfunded AAL (UAAL)	2,394,774
Funded ratio	73%

Note 10 - Other Postemployment Benefits (OPEB) (Continued)

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

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

In the July 1, 2008 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.5 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 5 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 projected payroll on an open basis over 30 years.

Township of Macomb

Notes to Financial Statements June 30, 2010

Note 10 - Other Postemployment Benefits (OPEB) (Continued)

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

	Pension and Other Retirement Benefit Funds		
	Retirement	Retiree Health	Total
	System	Care	
Statement of Net Assets			
Cash and equivalents	\$ 75,182	\$ 8,761,948	\$ 8,837,130
Investments:			
Federal agency securities	-	-	-
Corporate bonds	709,853	105,181	815,034
Equities	1,005,540	620,396	1,625,936
Money market funds	7,956	-	7,956
U.S. Treasury bonds	-	52,518	52,518
Mutual funds	-	363,553	363,553
Net assets held in trust for pension and other postemployment benefits	<u>\$ 1,798,531</u>	<u>\$ 9,903,596</u>	<u>\$ 11,702,127</u>
Statement of Changes in Net Assets			
Contributions	\$ 242,261	\$ 555,045	\$ 797,306
Investment income	143,334	125,081	268,415
Benefit payments	(60,011)	-	(60,011)
Other decreases	(5,601)	(36)	(5,637)
Changes in net assets	<u>\$ 319,983</u>	<u>\$ 680,090</u>	<u>\$ 1,000,073</u>

Note 11 - Upcoming Reporting Change

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. Upon adoption of this statement, we expect to report the budget stabilization fund as a component of the General Fund. The Township will implement Statement No. 54 beginning with the fiscal year ending June 30, 2011.

Required Supplemental Information

Township of Macomb

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 24,828,711	\$ 24,828,711	\$ 24,828,711	\$ -
Resources (Inflows)				
Property taxes and fees	2,156,000	2,156,000	2,204,287	48,287
Licenses and permits	1,471,000	1,471,000	1,643,455	172,455
Federal grants	150,000	150,000	41,878	(108,122)
State-shared revenue and grants	3,332,000	3,332,000	3,122,276	(209,724)
Charges for services	175,242	175,242	169,549	(5,693)
Fines and forfeitures	65,000	65,000	135,390	70,390
Special assessment	783,600	783,600	784,743	1,143
Interest	804,000	804,000	282,801	(521,199)
Other	327,500	327,500	396,394	68,894
Transfer from other funds	30,000	30,000	27,006	(2,994)
Total resources (inflows)	9,294,342	9,294,342	8,807,779	(486,563)
Charges to Appropriations (Outflows)				
General government	3,937,119	3,976,088	3,300,346	675,742
Public safety	1,527,975	1,515,776	1,273,767	242,009
Public works	898,000	957,705	975,939	(18,234)
Parks and recreation	236,200	234,961	201,890	33,071
Employee benefits and insurance	1,658,981	1,665,400	1,376,293	289,107
Capital outlay	150,000	58,345	204	58,141
Operating transfers out	1,368,915	1,368,915	1,049,550	319,365
Total charges to appropriations (outflows)	9,777,190	9,777,190	8,177,989	1,599,201
Fund Balance - End of year	\$ 24,345,863	\$ 24,345,863	\$ 25,458,501	\$ 1,112,638

Township of Macomb

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended June 30, 2010

Parks and Recreation Operating Fund

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 4,736,782	\$ 4,736,782	\$ 4,736,782	\$ -
Resources (Inflows)				
Property taxes and fees	2,623,600	2,623,600	2,672,524	48,924
Charges for services	1,828,500	1,828,500	2,041,540	213,040
Debt proceeds	-	-	238,795	238,795
Interest	70,000	70,000	31,534	(38,466)
Total resources (inflows)	4,522,100	4,522,100	4,984,393	462,293
Charges to Appropriations (Outflows)				
Recreation and culture	2,576,830	2,576,830	2,456,667	120,163
Debt service	-	-	67,879	(67,879)
Transfers to other funds	2,431,455	2,431,455	2,387,950	43,505
Total charges to appropriations (outflows)	5,008,285	5,008,285	4,912,496	95,789
Fund Balance - End of year	<u>\$ 4,250,597</u>	<u>\$ 4,250,597</u>	<u>\$ 4,808,679</u>	<u>\$ 558,082</u>

Fire Operating Fund

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 8,471,420	\$ 8,471,420	\$ 8,471,420	\$ -
Resources (Inflows)				
Property taxes and fees	3,870,000	3,870,000	3,918,848	48,848
Interest	85,000	85,000	38,595	(46,405)
Federal grants	5,000	5,000	-	(5,000)
Other	2,000	2,000	7,434	5,434
Total resources (inflows)	3,962,000	3,962,000	3,964,877	2,877
Charges to Appropriations (Outflows)				
Public safety	3,485,921	3,485,922	2,697,651	788,271
Transfers to other funds	466,849	466,848	400,000	66,848
Total charges to appropriations (outflows)	3,952,770	3,952,770	3,097,651	855,119
Fund Balance - End of year	<u>\$ 8,480,650</u>	<u>\$ 8,480,650</u>	<u>\$ 9,338,646</u>	<u>\$ 857,996</u>

Township of Macomb

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended June 30, 2010

Law Enforcement Sheriff Fund

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 178,387	\$ 178,387	\$ 178,387	\$ -
Resources (Inflows)				
Property taxes and fees	2,776,300	2,776,300	2,825,118	48,818
State-shared revenue and grants	15,000	15,000	16,425	1,425
Interest	2,000	2,000	2,181	181
Transfer from other funds	475,000	475,000	475,000	-
Total resources (inflows)	3,268,300	3,268,300	3,318,724	50,424
Charges to Appropriations (Outflows) -				
Public safety	3,113,400	3,113,400	2,987,119	126,281
Fund Balance - End of year	\$ 333,287	\$ 333,287	\$ 509,992	\$ 176,705

Township of Macomb

Required Supplemental Information Pension System Schedule of Funding Progress June 30, 2010

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
06/30/02	\$ 630,031	\$ 1,158,301	\$ 528,270	54.4	\$ 288,843	182.9
06/30/04	968,361	1,323,015	354,654	73.2	225,485	157.3
06/30/06	1,235,360	1,456,615	221,255	84.8	527,659	41.9
06/30/08	1,527,110	1,878,379	351,269	81.3	637,673	55.1
06/30/10	1,798,531	2,089,721	291,190	86.1	476,483	61.1

The schedule of employer contributions is as follows:

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
6/30/05	\$ 115,824	100
6/30/06	82,777	100
6/30/07	153,302	100
6/30/08	145,958	100
6/30/09	175,998	100
6/30/10	184,798	100

Additional Information

Actuarial cost method	Entry age
Amortization method	Level percent, closed
Amortization period (perpetual)	11 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases*	5.00%-8.80%
* Includes inflation at	5.00%
Cost-of-living adjustments	None

The information presented above was determined as part of the actuarial valuations at the dates indicated. The additional information is as of June 30, 2010, the latest actuarial valuation date.

Township of Macomb

Note to Required Supplemental Information June 30, 2010

Note - Stewardship, Compliance, and Accountability

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 operating transfers in and out have been budgeted as revenue/expenditures. 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, 2010 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.

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:

	Amended Budget	Actual
General Fund - Public works	\$ 957,705	\$ 975,939
Parks and Recreation Operating Fund - Debt service	-	67,879

Other Supplemental Information

Township of Macomb

	<u>Nonmajor Special Revenue Funds</u>		
	Budget Stabilization	Parks and Recreation Revolving	Fire Improvement
Assets - Cash and investments	<u>\$ 124,778</u>	<u>\$ 633,741</u>	<u>\$ 2,281,483</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 16,084
Due to other funds	<u>54,778</u>	<u>-</u>	<u>-</u>
Total liabilities	54,778	-	16,084
Fund Balances - Unreserved			
Special Revenue Funds	70,000	633,741	2,265,399
Capital Projects Fund	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>70,000</u>	<u>633,741</u>	<u>2,265,399</u>
Total liabilities and fund balances	<u>\$ 124,778</u>	<u>\$ 633,741</u>	<u>\$ 2,281,483</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010**

Nonmajor Capital Projects Fund	
Public Improvement	Total Nonmajor Governmental Funds
<u>\$ 3,004,642</u>	<u>\$ 6,044,644</u>
-	16,084
-	54,778
-	70,862
-	2,969,140
<u>3,004,642</u>	<u>3,004,642</u>
<u>3,004,642</u>	<u>5,973,782</u>
<u>\$ 3,004,642</u>	<u>\$ 6,044,644</u>

Township of Macomb

	Nonmajor Special Revenue Funds		
	Budget Stabilization	Parks and Recreation Revolving	Fire Improvement
Revenue - Interest income	\$ -	\$ 4,277	\$ 27,220
Expenditures - Capital outlay	-	-	72,999
Excess of Revenue Over (Under) Expenditures	-	4,277	(45,779)
Other Financing Sources (Uses)			
Transfers in	-	-	400,000
Transfers out	-	-	-
Net Change in Fund Balances	-	4,277	354,221
Fund Balances - Beginning of year	70,000	629,464	1,911,178
Fund Balances - End of year	<u>\$ 70,000</u>	<u>\$ 633,741</u>	<u>\$ 2,265,399</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2010

<u>Nonmajor Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Public Improvement	
\$ 21,746	\$ 53,243
<u>-</u>	<u>72,999</u>
21,746	(19,756)
-	400,000
<u>(27,006)</u>	<u>(27,006)</u>
(5,260)	353,238
<u>3,009,902</u>	<u>5,620,544</u>
<u>\$ 3,004,642</u>	<u>\$ 5,973,782</u>

Township of Macomb

Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds June 30, 2010

	Pension and Other Retirement Benefit Funds			Agency Funds		
	Retirement System	Retiree Health Care	Total	Tax Collections	Bond Escrow	Total
Assets						
Cash and cash equivalents	\$ 75,182	\$ 8,761,948	\$ 8,837,130	\$ 525	\$ 344,678	\$ 345,203
Investments:						
Corporate bonds	709,853	105,181	815,034	-	-	-
Equities	1,005,540	620,396	1,625,936	-	-	-
Money market funds	7,956	-	7,956	-	-	-
U.S. Treasury bonds	-	52,518	52,518	-	-	-
Mutual funds	-	363,553	363,553	-	-	-
Total assets	<u>1,798,531</u>	<u>9,903,596</u>	<u>11,702,127</u>	<u>\$ 525</u>	<u>\$ 344,678</u>	<u>\$ 345,203</u>
Liabilities and Net Assets						
Liabilities						
Due to other governmental units	-	-	-	\$ 525	\$ -	\$ 525
Cash bonds and deposits	-	-	-	-	344,678	344,678
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 525</u>	<u>\$ 344,678</u>	<u>\$ 345,203</u>
Net Assets - Held in trust for pension and other employee benefits	<u>1,798,531</u>	<u>9,903,596</u>	<u>11,702,127</u>			
Total liabilities and net assets	<u>\$ 1,798,531</u>	<u>\$ 9,903,596</u>	<u>\$ 11,702,127</u>			

Township of Macomb

Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended June 30, 2010

	Pension Trust Funds		Total
	Retirement System	Retiree Health Care	
Additions - Contributions			
Investment income - Interest and dividends	\$ 143,334	\$ 125,081	\$ 268,415
Contributions:			
Employer	214,793	555,045	769,838
Employee	27,468	-	27,468
Total additions	385,595	680,126	1,065,721
Deductions			
Benefit payments	60,011	-	60,011
Administrative expenses	5,601	36	5,637
Total deductions	65,612	36	65,648
Net Increase	319,983	680,090	1,000,073
Net Assets Held in Trust for Pension and Other Employee Benefits			
Beginning of year	1,478,548	9,223,506	10,702,054
End of year	<u>\$ 1,798,531</u>	<u>\$ 9,903,596</u>	<u>\$ 11,702,127</u>