

**Township of Macomb
Macomb County, Michigan**

**Financial Report
with Supplemental Information
June 30, 2011**

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, 2011, 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, 2011 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, pension system schedules of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not a required part 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

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 accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the 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.

During the year, the Township implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note 1. As a result of this implementation requirement, the Budget Stabilization Fund, which was previously presented as a nonmajor special revenue-type fund, has been consolidated with the activity of the General Fund. The Parks and Recreation Revolving Fund was previously presented as a special revenue fund; it is now classified as a debt service-type fund. In addition, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB No. 54.

Plante & Morse, PLLC

December 16, 2011

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, 2011 to the prior year:

Table I

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current assets	\$ 56.5	\$ 54.1	\$ 47.6	\$ 43.7	\$ 104.1	\$ 97.8
Noncurrent assets:						
Restricted assets	0.4	2.7	0.3	0.6	0.7	3.3
Deferred charge	0.2	-	0.2	-	0.4	-
Capital assets	49.0	47.7	156.8	145.5	205.8	193.2
Total assets	106.1	104.5	204.9	189.8	311.0	294.3
Liabilities						
Current liabilities	4.9	4.9	3.9	3.3	8.8	8.2
Long-term liabilities	37.1	38.8	31.1	14.5	68.2	53.3
Total liabilities	42.0	43.7	35.0	17.8	77.0	61.5
Net Assets (as restated)*						
Invested in capital assets -						
Net of related debt	10.7	10.1	128.7	130.5	139.4	140.6
Restricted	13.3	13.9	0.1	0.1	13.4	14.0
Unrestricted	40.1	36.8	41.1	41.4	81.2	78.2
Total net assets	<u>\$ 64.1</u>	<u>\$ 60.8</u>	<u>\$ 169.9</u>	<u>\$ 172.0</u>	<u>\$ 234.0</u>	<u>\$ 232.8</u>

* 2010 amounts for the governmental activities have been restated to reflect classifications consistent with 2011.

Township of Macomb

Management's Discussion and Analysis (Continued)

The Township's combined net assets increased approximately \$1.2 million from a year ago, increasing from \$232.8 million to \$234.0 million. A review of the governmental activities, separate from the business-type activities, shows an increase of approximately \$3.3 million in net assets, or 5.4 percent, during fiscal year 2011. 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 approximately 1.2 percent. This was primarily due to the addition of the 2010A Macomb Interceptor Drain debt.

Unrestricted net assets for the governmental activities were \$40.1 million at June 30, 2011. 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) during the year ended June 30, 2011 and the prior year:

Table 2

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue						
Program revenue:						
Charges for services	\$ 4.4	\$ 3.8	\$ 15.8	\$ 14.5	\$ 20.2	\$ 18.3
Operating grants and contributions	0.5	0.1	-	-	0.5	0.1
Capital grants and contributions - As restated	-	-	1.7	1.6	1.7	1.6
General revenue:						
Property taxes	10.4	11.6	-	-	10.4	11.6
State-shared revenue	5.4	3.2	-	-	5.4	3.2
Interest	0.2	0.4	0.2	0.4	0.4	0.8
Cable fees and other	1.7	1.3	-	-	1.7	1.3
Total revenue	22.6	20.4	17.7	16.5	40.3	36.9
Program Expenses						
General government	5.1	4.3	-	-	5.1	4.3
Public safety	7.6	8.0	-	-	7.6	8.0
Public works	1.6	1.2	-	-	1.6	1.2
Recreation and culture	3.3	3.3	-	-	3.3	3.3
Interest on long-term debt	1.7	1.8	-	-	1.7	1.8
Water and sewer	-	-	19.8	18.4	19.8	18.4
Total program expenses	19.3	18.6	19.8	18.4	39.1	37.0
Change in Net Assets	3.3	1.8	(2.1)	(1.9)	1.2	(0.1)
Net Assets - Beginning of year	60.8	59.0	172.0	173.9	232.8	232.9
Net Assets - End of year	<u>\$ 64.1</u>	<u>\$ 60.8</u>	<u>\$ 169.9</u>	<u>\$ 172.0</u>	<u>\$ 234.0</u>	<u>\$ 232.8</u>

Township of Macomb

Management's Discussion and Analysis (Continued)

Governmental Activities

The Township's total governmental revenue increased by approximately \$2.2 million from the last fiscal year. This was primarily attributed to the increase in state-shared revenue.

Expenses increased by about \$0.7 million, or 3.8 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 7.3 percent to \$17.7 million. Revenue of the Township's business-type activities increased by \$1.2 million primarily as a result of water and sewer lines contributed by developers during the year ended June 30, 2011.

Expenses increased 7.6 percent to \$19.8 million for the year ended June 30, 2011. The increase in expenses is primarily attributable to the continued growth of the water and sewer system and increases in the cost of water and sewer purchases in the last year. The Township provides water, which is purchased from the City of Detroit water system, to nearly all its residents. The Township also provides sewage treatment to nearly all of its residents through the Macomb County sewage treatment plant.

The Township's Funds

Our analysis of the Township's major funds begins on pages 10 and 11, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as show accountability for certain activities. The Township's major funds for 2011 include the General Fund, Parks and Recreation Operating Fund, Fire Operating Fund, Law Enforcement Sheriff Fund, and Building Authority Debt Service Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township reallocated the budget to take into account unanticipated events during the year. Actual revenue exceeded budgeted revenue by 25.0 percent. Actual expenditures were 13.1 percent below budget. The Township completed the year with actual revenue over expenditures by \$1.6 million.

Township of Macomb

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

At the end of fiscal year 2011, the Township had \$205.8 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 \$3.6 million and \$3.7 million for fiscal years 2011 and 2010, respectively (see Note 5 of the notes to financial statements for additional information). Additionally, the value of buildings and improvements, net of depreciation, for the governmental activities is \$35.7 million and \$36.6 million for fiscal years 2011 and 2010, respectively.

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

Economic Factors and Next Year's Budgets and Rates

The Township of Macomb's 2011 tax rate stayed consistent with the 2010 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 20.7 percent of the General Fund budget. Annual new growth and development in the Township has risen 48.0 percent in the past year and is expected to remain stable for the next few years. In addition, state revenue sharing, which represents nearly 37.7 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 4 percent to 10 percent per year. Despite these increased costs, our expense increases are anticipated to average between 4 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 Township of Macomb's finance office.

Township of Macomb

Statement of Net Assets June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 3)	\$ 51,193,269	\$ 37,831,021	\$ 89,024,290
Receivables:			
Property taxes	36,004	-	36,004
Customers	70,139	4,567,999	4,638,138
Other receivables	43,221	-	43,221
Due from other governmental units (Note 4)	3,150,073	171,036	3,321,109
Special assessments	-	73,274	73,274
Inventory	-	88,550	88,550
Restricted assets (Note 8)	366,908	4,693,060	5,059,968
Net OPEB asset (Note 11)	1,851,749	516,543	2,368,292
Net pension asset (Note 10)	123,539	-	123,539
Capital assets:			
Capital assets not being depreciated (Note 5)	8,562,843	7,248,959	15,811,802
Capital assets being depreciated (Note 5)	40,515,233	149,509,286	190,024,519
Deferred charge	205,741	179,756	385,497
Total assets	106,118,719	204,879,484	310,998,203
Liabilities			
Accounts payable	459,825	1,804,289	2,264,114
Accrued and other liabilities	2,177,269	320,689	2,497,958
Noncurrent liabilities:			
Due within one year (Note 7)	2,275,761	1,622,516	3,898,277
Due in more than one year (Note 7)	37,093,825	31,307,635	68,401,460
Total liabilities	42,006,680	35,055,129	77,061,809
Net Assets			
Invested in capital assets - Net of related debt	10,671,966	128,742,557	139,414,523
Restricted:			
Fire	11,547,251	-	11,547,251
Debt service	636,612	47,483	684,095
Law enforcement sheriff	1,133,480	-	1,133,480
Unrestricted	40,122,730	41,034,315	81,157,045
Total net assets	<u>\$ 64,112,039</u>	<u>\$ 169,824,355</u>	<u>\$ 233,936,394</u>

Township of Macomb

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 5,146,953	\$ 114,350	\$ 478,877	\$ -
Public safety	7,582,238	1,308,731	17,077	-
Public works	1,647,782	785,299	-	-
Recreation and culture	3,315,951	2,199,737	-	-
Interest on long-term debt	1,682,970	-	-	-
Total governmental activities	19,375,894	4,408,117	495,954	-
Business-type activities - Water and sewer	19,904,511	15,775,539	9,215	1,718,809
Total primary government	\$ 39,280,405	\$ 20,183,656	\$ 505,169	\$ 1,718,809
General revenue:				
Property taxes				
State-shared revenue				
Interest				
Cable fees and other				
Gain on sale of fixed assets				
Total general revenue				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2011

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

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (4,553,726)	\$ -	\$ (4,553,726)
(6,256,430)	-	(6,256,430)
(862,483)	-	(862,483)
(1,116,214)	-	(1,116,214)
<u>(1,682,970)</u>	<u>-</u>	<u>(1,682,970)</u>
(14,471,823)	-	(14,471,823)
-	<u>(2,400,948)</u>	<u>(2,400,948)</u>
(14,471,823)	(2,400,948)	(16,872,771)
10,398,330	-	10,398,330
5,368,869	-	5,368,869
254,252	200,209	454,461
1,722,704	-	1,722,704
<u>-</u>	<u>10,501</u>	<u>10,501</u>
<u>17,744,155</u>	<u>210,710</u>	<u>17,954,865</u>
3,272,332	(2,190,238)	1,082,094
<u>60,839,707</u>	<u>172,014,593</u>	<u>232,854,300</u>
<u>\$ 64,112,039</u>	<u>\$ 169,824,355</u>	<u>\$ 233,936,394</u>

Township of Macomb

	General Fund	Parks and Recreation Operating Fund	Fire Operating Fund	Law Enforcement Sheriff Fund
Assets				
Cash and investments (Note 3)	\$ 25,348,049	\$ 5,437,409	\$ 9,677,018	\$ 1,134,551
Receivables - Net (Note 4)	3,296,452	-	2,985	-
Restricted assets (Note 8)	-	-	-	-
Total assets	<u>\$ 28,644,501</u>	<u>\$ 5,437,409</u>	<u>\$ 9,680,003</u>	<u>\$ 1,134,551</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 305,474	\$ 100,340	\$ 50,227	\$ 1,071
Accrued liabilities and other	157,138	43,732	87,433	-
Deferred revenue (Note 4)	976,675	-	-	-
Total liabilities	1,439,287	144,072	137,660	1,071
Fund Balances				
Restricted:				
Fire	-	-	9,542,343	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Assigned:				
Subsequent year's budget	2,407,784	-	-	-
Capital outlay	-	-	-	-
Road projects	-	-	-	-
Parks and recreation	-	5,293,337	-	-
Debt service	-	-	-	-
Law enforcement	-	-	-	1,133,480
Unassigned	24,797,430	-	-	-
Total fund balances	<u>27,205,214</u>	<u>5,293,337</u>	<u>9,542,343</u>	<u>1,133,480</u>
Total liabilities and fund balances	<u>\$ 28,644,501</u>	<u>\$ 5,437,409</u>	<u>\$ 9,680,003</u>	<u>\$ 1,134,551</u>

**Governmental Funds
Balance Sheet
June 30, 2011**

Building Authority Debt Service Fund	Other Nonmajor Governmental Funds	Total
\$ 1,294,921	\$ 8,301,321	\$ 51,193,269
-	-	3,299,437
-	366,908	366,908
<u>\$ 1,294,921</u>	<u>\$ 8,668,229</u>	<u>\$ 54,859,614</u>
\$ -	\$ 2,713	\$ 459,825
-	1,487,030	1,775,333
-	-	976,675
-	1,489,743	3,211,833
-	2,004,908	11,547,251
-	636,612	636,612
-	364,880	364,880
-	-	2,407,784
-	3,001,381	3,001,381
-	1,170,705	1,170,705
-	-	5,293,337
1,294,921	-	1,294,921
-	-	1,133,480
-	-	24,797,430
<u>1,294,921</u>	<u>7,178,486</u>	<u>51,647,781</u>
<u>\$ 1,294,921</u>	<u>\$ 8,668,229</u>	<u>\$ 54,859,614</u>

Township of Macomb

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets June 30, 2011

Fund Balance Reported in Governmental Funds	\$ 51,647,781
Amounts reported for governmental activities in the statement of net assets are different because:	
Governmental funds reported capital outlays as expenditures; in the statement of net assets, these costs are capitalized and allocated over their estimated useful lives as depreciation	49,078,076
A net other postemployment benefit (obligation) asset is recorded on the statement of net assets	1,851,749
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	976,675
Long-term liabilities and their related interest are not due and payable in the current period and are not reported in the funds	(39,369,586)
Accrued interest is not due and payable in the current period and is not reported in the funds	(401,936)
A net pension asset is recorded on the statement of net assets	123,539
Bonded debt refunding resulted in a deferred charge which is capitalized on the statement of net assets and amortized in accordance with the terms of the refunding bond	205,741
Net Assets of Governmental Activities	<u>\$ 64,112,039</u>

Township of Macomb

	General Fund	Parks and Recreation Operating Fund	Fire Operating Fund	Law Enforcement Sheriff Fund
Revenue				
Property taxes and fees	\$ 1,967,811	\$ 2,388,673	\$ 2,963,957	\$ 3,077,889
Licenses and permits	2,031,677	-	-	-
Federal grants	478,877	-	-	-
State-shared revenue and grants	4,943,196	-	-	17,077
Charges for services	189,907	2,199,737	-	-
Fines and forfeitures	108,333	-	-	-
Interest	147,875	22,616	45,197	2,652
Other revenue:				
Special assessments	785,299	-	-	-
Local donations	10,000	-	-	-
Other	396,741	-	825	-
Total revenue	11,059,716	4,611,026	3,009,979	3,097,618
Expenditures				
Current:				
General government	5,337,342	-	-	-
Other debt service expenses	-	-	-	-
Public safety	1,470,255	-	2,606,282	2,949,130
Public works	1,419,098	-	-	-
Recreation and culture	196,495	2,299,874	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	55,777	-	-
Interest on long-term debt	-	12,102	-	-
Total expenditures	8,423,190	2,367,753	2,606,282	2,949,130
Excess of Revenue Over (Under) Expenditures	2,636,526	2,243,273	403,697	148,488
Other Financing Sources (Uses)				
Face value of debt issued	-	-	-	-
Transfers in (Note 6)	17,087	-	-	475,000
Transfers out (Note 6)	(976,900)	(1,758,615)	(200,000)	-
Payment to bond refunding escrow agent	-	-	-	-
Total other financing (uses) sources	(959,813)	(1,758,615)	(200,000)	475,000
Net Change in Fund Balances	1,676,713	484,658	203,697	623,488
Fund Balances - Beginning of year (as restated) (Note 12)	25,528,501	4,808,679	9,338,646	509,992
Fund Balances - End of year	\$ 27,205,214	\$ 5,293,337	\$ 9,542,343	\$ 1,133,480

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

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2011

Building Authority Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 10,398,330
-	-	2,031,677
-	-	478,877
-	-	4,960,273
-	-	2,389,644
-	-	108,333
7,709	28,203	254,252
-	-	785,299
-	-	10,000
384,585	23,717	805,868
392,294	51,920	22,222,553
-	-	5,337,342
172,223	-	172,223
-	-	7,025,667
-	-	1,419,098
-	-	2,496,369
-	2,403,222	2,403,222
1,650,000	-	1,705,777
1,694,741	-	1,706,843
3,516,964	2,403,222	22,266,541
(3,124,670)	(2,351,302)	(43,988)
8,470,000	-	8,470,000
2,626,764	200,000	3,318,851
(87)	(383,249)	(3,318,851)
(8,500,741)	-	(8,500,741)
2,595,936	(183,249)	(30,741)
(528,734)	(2,534,551)	(74,729)
1,823,655	9,713,037	51,722,510
\$ 1,294,921	\$ 7,178,486	\$ 51,647,781

Township of Macomb

Proprietary Fund Statement of Net Assets June 30, 2011

	<u>Enterprise Fund - Water and Sewer</u>
Assets	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 37,831,021
Receivables:	
Special assessments receivable - Due within one year	73,274
Receivables from sales to customers on account	4,567,999
Due from other governmental units	171,036
Inventory	<u>88,550</u>
Total current assets	42,731,880
Noncurrent assets:	
Restricted assets (Note 8)	4,693,060
Net OPEB asset (Note 11)	516,543
Capital assets:	
Assets not subject to depreciation (Note 5)	7,248,959
Assets subject to depreciation (Note 5)	149,509,286
Deferred charge	<u>179,756</u>
Total noncurrent assets	<u>162,147,604</u>
Total assets	204,879,484
Liabilities	
Current liabilities:	
Accounts payable	1,804,289
Accrued and other liabilities	320,689
Current portion of compensated absences (Note 7)	137,825
Current portion of long-term debt (Note 7)	<u>1,484,691</u>
Total current liabilities	3,747,494
Noncurrent liabilities:	
Compensated absences - Net of current portion (Note 7)	131,061
Payable from restricted assets (Notes 7 and 8)	195,000
Long-term debt - Net of current portion (Note 7)	<u>30,981,574</u>
Total noncurrent liabilities	<u>31,307,635</u>
Total liabilities	<u>35,055,129</u>
Net Assets	
Invested in capital assets - Net of related debt	128,742,557
Restricted - Debt service (Note 8)	47,483
Unrestricted	<u>41,034,315</u>
Total net assets	<u>\$ 169,824,355</u>

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

Township of Macomb

Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2011

	<u>Enterprise Fund - Water and Sewer</u>
Operating Revenue	
Sale of water	\$ 8,188,004
Sewage disposal charges	7,304,531
Charges for services	283,004
	<hr/>
Total operating revenue	15,775,539
Operating Expenses	
Cost of water	6,200,671
Cost of sewage disposal	5,763,337
Operation and maintenance	921,883
General and administrative	2,270,164
Contributions to Retiree Health Fund	187,164
Depreciation (Note 5)	3,543,275
	<hr/>
Total operating expenses	18,886,494
Operating Loss	(3,110,955)
Nonoperating Revenue (Expenses)	
Investment income	200,209
Interest expense	(925,536)
Debt service charge	(92,481)
Gain on sale of assets	10,501
Operating grants	9,215
	<hr/>
Total nonoperating expenses	(798,092)
Loss - Before contributions	(3,909,047)
Capital Contributions	
Developers and other governmental units	589,727
Tap fees and frontage charges	1,129,082
	<hr/>
Total capital contributions	1,718,809
Change in Net Assets	(2,190,238)
Net Assets - Beginning of year	<hr/> 172,014,593
Net Assets - End of year	<hr/> \$ 169,824,355 <hr/>

Township of Macomb

Proprietary Fund Statement of Cash Flows Year Ended June 30, 2011

	Enterprise Fund - Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 15,818,083
Payments to suppliers	(14,384,686)
Payments to employees	(936,519)
	496,878
Cash Flows from Capital and Related Financing Activities	
Issuance of bonds	9,625,244
Collection of special assessments	24,492
Collection of customer tap fees	1,129,082
Proceeds from sales of capital assets	10,501
Purchase of capital assets	(1,438,472)
Principal and interest paid on long-term debt	(5,940,272)
Debt service charge	(92,481)
	3,318,094
Net cash provided by capital and related financing activities	3,318,094
Cash Flows from Investing Activities - Interest received on investments	200,209
Net Increase in Cash and Cash Equivalents	4,015,181
Cash and Cash Equivalents - Beginning of year	38,423,204
Cash and Cash Equivalents - End of year	\$ 42,438,385
Balance Sheet Classification of Cash and Cash Equivalents	
Cash and investments	\$ 37,831,021
Restricted investments (Note 8)	4,607,364
	\$ 42,438,385
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (3,110,955)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	3,543,275
Changes in assets and liabilities:	
Receivables	40,034
Due from others	2,510
Inventory	11,074
Prepaid and other	108,493
Accounts payable	(57,720)
Due to others	(286,027)
Accrued and other liabilities	246,194
	246,194
Net cash provided by operating activities	\$ 496,878

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2011, developers constructed water and sewer lines with a value of approximately \$590,000 and donated them to the Township's Water and Sewer Enterprise Fund. Also during the year, \$268,000 of capital assets were placed into service. These assets were paid for using cash on hand at Oakland and Macomb Counties relating to the North Gratiot Interceptor project and the OMIDD interceptor. Approximately \$17.2 million in related debt was recorded on the balance sheet during the year relating to the Oakland and Macomb County MIDD and OMIDD drain and interceptor projects. A total of \$12.5 million of this related to infrastructure additions and the remaining \$4.7 million was used to repay the existing debt related to the Garfield Interceptor owed to the City of Detroit. See the long-term debt footnote for more details.

Township of Macomb

Fiduciary Funds Statement of Net Assets June 30, 2011

	Trust Funds - Pensions and Other Retirement Benefits	Agency Funds
Assets		
Cash and cash equivalents	\$ 9,674,699	\$ 316,426
Investments:		
U.S. Treasury bonds	25,735	-
Equities	1,898,296	-
Corporate bonds	805,614	-
Money market funds	504	-
Mutual funds	488,064	-
Total assets	12,892,912	\$ 316,426
Liabilities		
Accounts payable	5,439	\$ -
Cash bonds and deposits	-	316,426
Total liabilities	5,439	\$ 316,426
Net Assets Held in Trust for Pension and Other Employee Benefits	\$ 12,887,473	

Township of Macomb

Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2011

	Trust Funds - Pensions and Other Retirement Benefits
Additions	
Investment income:	
Interest and dividends	\$ 130,208
Net increase in fair value of investments	346,557
Investment-related expenses	<u>(23,366)</u>
Net investment income	453,399
Contributions:	
Employer	1,183,216
Employee	<u>22,654</u>
Total contributions	<u>1,205,870</u>
Total additions	1,659,269
Deductions	
Benefit payments	462,583
Administrative expenses	<u>11,340</u>
Total deductions	<u>473,923</u>
Net Increase	1,185,346
Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>11,702,127</u>
Net Assets Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 12,887,473</u></u>

Township of Macomb

Notes to Financial Statements June 30, 2011

Note 1 - Nature of Business and Significant Accounting Policies

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

Reporting Entity

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

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

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

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

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

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Township of Macomb

Notes to Financial Statements June 30, 2011

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

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

The Township reports the following major governmental funds:

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

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

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

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

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

The Township reports the following major proprietary fund:

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

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

Additionally, the Township reports the following funds:

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

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

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

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

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

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

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. The principal operating revenue of the proprietary fund relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

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

The 2010 taxable valuation of the Township totaled \$2,908,760,343, on which ad valorem taxes levied consisted of 0.6757 mills for the Township's operating purposes, 1.0588 mills for fire operating purposes, 0.0747 mills for fire pension, 1.0601 mills for police protection, and 0.8232 mills for parks and recreation. The ad valorem taxes raised \$1,957,771 for general operations, \$2,963,957 for fire operations, \$216,930 for fire pension, \$3,077,889 for police protection, and \$2,388,673 for parks and recreation. The Fire Pension Fund's tax revenue is recorded as an employer contribution to the pension system. The remaining amounts are recorded in their respective funds as tax revenue.

Assets, Liabilities, and Net Assets or Equity

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

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

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

Township of Macomb

Notes to Financial Statements June 30, 2011

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

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

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

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

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

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

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

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

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

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

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

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

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

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the board of trustees for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board of trustees.
- **Assigned:** Intent to spend resources on specific purposes expressed by the board of trustees
- **Unassigned:** Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Township of Macomb

Notes to Financial Statements June 30, 2011

Note 2 - Stewardship, Compliance, and Accountability

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

Cumulative expenditures over revenue - July 1, 2010		\$ (6,250,360)
Current year permit revenue		907,526
Related expenses:		
Direct costs	\$ 1,104,778	
Estimated indirect costs	<u>615,435</u>	<u>1,720,213</u>
Net shortfall for the year ended June 30, 2011		<u>(812,687)</u>
Cumulative expenditures over revenue - June 30, 2011		<u>\$ (7,063,047)</u>

Note 3 - Deposits and Investments

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

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

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

Township of Macomb

Notes to Financial Statements June 30, 2011

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$67,585,209 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

Investment Type	Fair Value of Township- wide Deposits and Investments	Fair Value of Pension Trust and Retiree Healthcare Funds	How Held
U.S. Treasury bonds	\$ -	\$ 25,735	Counterparty
Equities	-	1,898,296	Counterparty
Corporate bonds	-	52,973	Counterparty
Municipal bonds	15,185,793	-	Counterparty
Negotiable certificates of deposit	2,424,793	-	Counterparty
Commercial paper	4,098,963	-	Counterparty
Total investments	\$ 21,709,549	\$ 1,977,004	

Township of Macomb

Notes to Financial Statements June 30, 2011

Note 3 - Deposits and Investments (Continued)

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	Weighted Average Maturity (Years)
Township-wide Deposits and Investments		
Municipal bonds	\$ 15,185,793	.90
Commercial paper	4,098,963	.12
Negotiable certificates of deposit	<u>2,424,763</u>	1.11
Total	<u>\$ 21,709,519</u>	
Pension Trust and Retiree Healthcare Funds		
Government security	\$ 25,735	.63
Corporate bonds	<u>52,973</u>	1.09
Total	<u>\$ 78,708</u>	

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

Investment	Fair Value	Rating	Rating Organization
Bank investment pools	\$ 5,514,902	AAA	Standard & Poor's
Municipal bonds	15,185,793	AAA to SP-1	Standard & Poor's
Bonds funds	753,164	AA to BBB	Standard & Poor's
Commercial paper	4,098,963	A-1	Standard & Poor's
Corporate bond	<u>52,973</u>	AA-	Standard & Poor's
Total	<u>\$ 25,605,795</u>		

Concentration of Credit Risk - More than 5 percent of the Township's investments are in Federal National Mortgage Association bonds. This investment is 5.34 percent of the Township's total investments.

Township of Macomb

Notes to Financial Statements June 30, 2011

Note 4 - Receivables and Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Deferred revenue of \$976,675 represents revenue from the State of Michigan that has been earned but is unavailable. The following is the detail of the governmental activities receivables at June 30, 2011:

	General Fund	Fire Operating Fund	Total
State of Michigan	\$ 3,150,073	\$ -	\$ 3,150,073
Other	146,379	2,985	149,364
Total	<u>\$ 3,296,452</u>	<u>\$ 2,985</u>	<u>\$ 3,299,437</u>

Note 5 - Capital Assets

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

	Balance July 1, 2010	Additions	Disposals and Adjustments	Balance June 30, 2011
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 3,182,227	\$ 290,238	\$ -	\$ 3,472,465
Construction in progress	2,551,519	2,538,859	-	5,090,378
Subtotal	5,733,746	2,829,097	-	8,562,843
Capital assets being depreciated:				
Infrastructure	5,571,641	189,423	-	5,761,064
Buildings and improvements	44,474,231	145,225	-	44,619,456
Vehicles	3,122,673	-	-	3,122,673
Office furnishings	3,447,204	51,887	(99,386)	3,399,705
Other tools and equipment	1,405,240	68,605	(27,913)	1,445,932
Subtotal	58,020,989	455,140	(127,299)	58,348,830
Accumulated depreciation:				
Infrastructure	1,899,212	226,654	-	2,125,866
Buildings and improvements	7,833,301	1,114,586	-	8,947,887
Vehicles	2,589,743	278,025	-	2,867,768
Office furnishings	2,729,360	230,928	(99,386)	2,860,902
Other tools and equipment	977,385	81,417	(27,628)	1,031,174
Subtotal	16,029,001	1,931,610	(127,014)	17,833,597
Net capital assets being depreciated	<u>41,991,988</u>	<u>(1,476,470)</u>	<u>(285)</u>	<u>40,515,233</u>
Net capital assets	<u>\$ 47,725,734</u>	<u>\$ 1,352,627</u>	<u>\$ (285)</u>	<u>\$ 49,078,076</u>

Township of Macomb

Notes to Financial Statements June 30, 2011

Note 5 - Capital Assets (Continued)

	Balance July 1, 2010	Additions	Disposals and Adjustments	Balance June 30, 2011
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 91,700	\$ -	\$ -	\$ 91,700
Construction in progress	9,322,783	3,212,724	(5,378,248)	7,157,259
Subtotal	9,414,483	3,212,724	(5,378,248)	7,248,959
Capital assets being depreciated:				
Water and sewer mains	167,780,209	11,465,912	5,378,248	184,624,369
Buildings and building improvements	2,558,702	-	-	2,558,702
Water meters	4,598,872	70,102	-	4,668,974
Vehicles	712,366	49,167	(90,724)	670,809
Furniture and equipment	820,130	3,684	(7,461)	816,353
Subtotal	176,470,279	11,588,865	5,280,063	193,339,207
Accumulated depreciation:				
Water and sewer mains	37,061,509	3,335,282	-	40,396,791
Buildings and building improvements	843,822	63,965	-	907,787
Water meters	1,087,307	91,976	-	1,179,283
Vehicles	638,988	29,393	(90,724)	577,657
Furniture and equipment	753,205	22,659	(7,461)	768,403
Subtotal	40,384,831	3,543,275	(98,185)	43,829,921
Net capital assets being depreciated	136,085,448	8,045,590	5,378,248	149,509,286
Net capital assets	\$ 145,499,931	\$ 11,258,314	\$ -	\$ 156,758,245

Construction in progress of the business-type activities includes \$1,898,150 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 7 for additional information.

Water and sewer mains include \$11,089,809 of drain improvements constructed by the Macomb County Waste Water District for the Macomb Interceptor Drain (series 2010A), which is the Township's portion of total improvements in the amount of \$22,340,000. See Note 7 for additional information.

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

Governmental activities:	
General government	\$ 322,116
Public safety	592,658
Public works	228,684
Recreation and culture	788,152
Total governmental activities	<u>\$ 1,931,610</u>
Business-type activities - Water and sewer	<u>\$ 3,543,275</u>

Township of Macomb

Notes to Financial Statements June 30, 2011

Note 6 - Interfund Transfers

The composition of interfund transfers is as follows:

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Building Authority Debt	
	Service Fund	\$ 501,900
	Law Enforcement Sheriff Fund	475,000
	Total General Fund	976,900
Fire Operating Fund	Other nonmajor governmental funds	200,000
Parks and Recreation Operating Fund	Building Authority Debt Service Fund	1,758,615
Nonmajor governmental funds	Building Authority Debt Service Fund	366,249
	General Fund	17,000
	Total nonmajor governmental funds	383,249
Building Authority Debt Service Fund	General Fund	87
	Total	<u>\$ 3,318,851</u>

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

Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a 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, 2011

Note 7 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds:							
2001 Building Authority Bonds:							
Amount of issue - \$10,000,000							
Maturing through 2027	-	-	\$ 8,530,000	\$ -	\$ 8,530,000	\$ -	\$ -
2002 Building Authority Bonds:							
Amount of issue - \$12,700,000							
Maturing through 2012	4.30%	\$600,000	1,100,000	-	500,000	600,000	600,000
2003 Building Authority Bonds:							
Amount of issue - \$2,700,000	2.75% -	\$125,000 -					
Maturing through 2022	4.00%	\$250,000	2,100,000	-	125,000	1,975,000	125,000
2003B Building Authority Bonds:							
Amount of issue - \$6,000,000	3.15% -	\$250,000 -					
Maturing through 2023	4.50%	\$550,000	5,050,000	-	250,000	4,800,000	250,000
2005 Building Authority Refund Bonds:							
Amount of issue - \$9,800,000	3.50% -	\$50,000 -					
Maturing through 2022	5.00%	\$1,070,000	9,485,000	-	40,000	9,445,000	50,000
2006 Building Authority Bonds:							
Amount of issue - \$10,000,000	4.00% -	\$300,000 -					
Maturing through 2025	4.375%	\$900,000	9,000,000	-	300,000	8,700,000	300,000
2009 Building Authority Bonds:							
Amount of issue - \$5,000,000	3.00% -	\$250,000 -					
Maturing through 2023	5.00%	\$550,000	4,800,000	-	200,000	4,600,000	250,000
2011 Building Authority Refunding Bonds:							
Amount of issue - \$8,470,000	2.00% -	\$260,000 -					
Maturing through 2027	4.875%	\$940,000	-	8,470,000	-	8,470,000	260,000
Total bonds payable			40,065,000	8,470,000	9,945,000	38,590,000	1,835,000
Other long-term obligations:							
Compensated absences			613,037	-	16,469	596,568	381,035
Capital leases			238,795	-	55,777	183,018	59,726
Total governmental activities			\$ 40,916,832	\$ 8,470,000	\$ 10,017,246	\$ 39,369,586	\$ 2,275,761

Township of Macomb

Notes to Financial Statements June 30, 2011

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
General obligation bonds:							
2002 GO Capital Improvement Bond:							
Amount of issue - \$6,000,000							
Maturing through 2022	-	-	\$ 4,400,000	\$ -	\$ 4,400,000	\$ -	\$ -
2004 GO Refund Bond:							
Amount of issue - \$4,915,000	3.25% -	\$175,000 -					
Maturing through 2018	3.80%	\$760,000	3,825,000	-	180,000	3,645,000	175,000
2010 Capital Improvement and Refunding Bond:							
Amount of issue - \$9,805,000	2.00% -	\$280,000 -					
Maturing through 2031	5.00%	\$695,000	-	9,805,000	-	9,805,000	525,000
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	1,064,046	-	24,919	1,039,127	24,919
2010B OMID Drainage District:							
Amount of issue - \$452,552	1.15% -	\$15,198 -					
Maturing through 2030	5.90%	\$35,126	452,552	-	12,834	439,718	15,198
2010A OMID Drainage District:							
Amount of issue - \$1,357,798		\$52,904 -					
Maturing through 2031	2.50%	\$85,128	-	1,357,798	-	1,357,798	52,904
2010 North Gratiot Interceptor Drainage District:							
Amount of issue - \$102,666	1.00% -	\$3,173 -					
Maturing through 2035	6.35%	\$5,900	102,666	-	1,119	101,547	3,173
1999 Garfield Interceptor Debt							
			4,736,098	-	4,736,098	-	-
2010A MID Drainage District:							
Amount of issue - \$15,808,421	1.25% -	\$493,497 -					
Maturing through 2035	5.375%	\$930,782	-	15,808,421	-	15,808,421	493,497
2011A OMID Drainage District -							
Amount of issue - \$74,654				74,654		74,654	
Revenue bonds - 1998 Refunding Bonds:							
Amount of issue - \$3,390,000			785,000	-	395,000	390,000	390,000
Maturing through 2012	4.35%	\$390,000					
Total bonds payable			15,365,362	27,045,873	9,749,970	32,661,265	1,679,691
Other long-term obligations -							
Compensated absences			272,778	-	3,892	268,886	137,825
Total business-type activities			\$ 15,638,140	\$ 27,045,873	\$ 9,753,862	\$ 32,930,151	\$ 1,817,516

Township of Macomb

Notes to Financial Statements June 30, 2011

Note 7 - Long-term Debt (Continued)

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

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 1,835,000	\$ 1,579,914	\$ 3,414,914	\$ 1,679,691	\$ 1,003,341	\$ 2,683,032
2013	1,910,000	1,487,895	3,397,895	1,901,150	962,786	2,863,936
2014	2,155,000	1,425,265	3,580,265	1,956,783	920,096	2,876,879
2015	2,295,000	1,348,915	3,643,915	1,570,404	879,792	2,450,196
2016	2,650,000	1,255,565	3,905,565	1,665,968	843,389	2,509,357
2017-2021	17,395,000	4,457,810	21,852,810	7,944,542	3,524,278	11,468,820
2022-2026	9,875,000	1,045,406	10,920,406	5,834,388	2,437,715	8,272,103
2027-2031	475,000	23,156	498,156	6,429,805	1,345,665	7,775,470
2032-2036	-	-	-	3,678,534	283,921	3,962,455
Total	\$ 38,590,000	\$ 12,623,926	\$ 51,213,926	\$ 32,661,265	\$ 12,200,983	\$ 44,862,248

During the year, the Macomb Interceptor Drainage District (MID) issued county bonds in the amount of \$95,620,000, of which \$15,808,421 is the Township's share. The MID Series 2010A bond proceeds were used to acquire the MID interceptor system. The 2010 Series of these bonds were issued as Federally Taxable Recovery Zone Economic Development Bonds and are eligible to recover tax credit payments from the United States Treasury equal to 35 percent of the interest payable on the bonds. The Township's total tax credit for the bonds over the next 24 years will be \$3,787,618.

At June 30, 2010, the Township had \$4,736,098 of debt related to the Garfield Interceptor project. During the year, the balance of this debt was refinanced and is included in the balance of the MID Series 2010A bond, as previously mentioned.

The OMID was approved for approximately \$42 million of loans, of which approximately \$16 million of the debt will be forgiven and \$26 million are loans from the Michigan State Revolving Fund (SRF) (OMID Series 2010A). The Township's portion of the forgiven debt has been recognized as contributed capital in the amount of \$221,801 during the year ended June 30, 2011. As of year end, the Township's portion of the draws from the SRF was \$1,357,798.

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.

The remaining principal and interest to be paid on the bonds total \$398,483. During the current year, net revenue of the system was a loss of \$3,110,955 compared to the annual debt requirements of \$395,000.

Note 7 - Long-term Debt (Continued)

Current Bond Refundings - During the year ended June 30, 2011, the Township issued \$9,805,000 in limited tax general obligation bonds with an average interest rate of 3.05 percent, the proceeds of which were accounted for in the Water and Sewer Fund. Of the total proceeds, \$4,245,000 was used to current refund \$4,125,000 of outstanding 2002 GO Capital Improvement Bonds with an average interest rate of 4.75 percent. The current refunding reduced total debt service payments over the next 11.5 years by \$322,558, which represents an economic gain of \$258,832. The remaining proceeds from the bond issue are to be used by the water and sewer system for capital improvements.

During the year ended June 30, 2011, the Township also issued \$8,470,000 in bonds with an average interest rate of 4.20 percent, the proceeds of which were accounted for in the Building Authority Debt Service Fund. The proceeds were used to current refund \$8,295,000 of outstanding 2001 Building Authority Bonds with an average interest rate of 5.02 percent. The current refunding reduced total debt service payments over the next 16.5 years by \$448,081, which represents an economic gain of \$323,507.

Subsequent Event - Subsequent to year end, the Macomb Interceptor Drainage District issued debt in the amount of \$30,800,000, of which approximately \$4,040,000 is the Township's share. The debt was issued for the purpose of constructing improvements to the Clintondale Pump Station in Macomb County for the benefit of several communities.

Note 8 - Restricted Net Assets

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

Township of Macomb

Notes to Financial Statements June 30, 2011

Note 8 - Restricted Net Assets (Continued)

The following is the detail of restricted assets at June 30, 2011:

Water and Sewer Fund:

Restricted assets from bond covenants:

Cash and cash equivalents	\$ 242,483
Less current liabilities payable from restricted assets	<u>(195,000)</u>
Total restricted net assets from bond covenants	<u>\$ 47,483</u>

Unspent bond proceeds held at County:

Due from Oakland County*	\$ 63,488
Due from Macomb County**	22,208

Building Authority Capital Projects Fund - Restricted assets and unspent bond proceeds	366,908
Water and Sewer Fund - Restricted assets and unspent bond proceeds	4,364,881

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

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

Net assets have been restricted for restricted assets.

Note 9 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for specific property, such as vehicles, computers, and employee medical claims. The Township also participates in the Michigan Municipal League risk pool for claims relating to all other property losses, torts, errors and omissions, and employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

Township of Macomb

Notes to Financial Statements June 30, 2011

Note 10 - Defined Benefit Pension Plan

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

The system provides retirement, death, and disability benefits to plan members and their beneficiaries. At June 30, 2011, membership consisted of five retirees and beneficiaries currently receiving benefits and six current active employees.

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

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

Annual Pension Cost and Net Pension Asset

Annual required contribution	\$ 93,391
Annual pension cost (APC)	93,391
Contributions made	<u>(216,930)</u>
Decrease in net pension obligation	(123,539)
Net pension obligation - Beginning of year	<u>-</u>
Net pension asset - End of year	<u><u>\$ (123,539)</u></u>

Township of Macomb

Notes to Financial Statements June 30, 2011

Note 10 - Defined Benefit Pension Plan (Continued)

Annual Pension Costs - For the year ended June 30, 2011, the Township's annual required pension contribution was \$93,391, of which the Township contributed \$216,930. The annual required contribution was determined as part of an actuarial valuation at June 30, 2010, using the entry age actuarial funding method. Significant actuarial assumptions used include (i) a 7.0 percent investment rate of return, (ii) projected salary increases of 5.0 percent per year, (iii) additional projected salary increases ranging from 0.2 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 11 years.

	Fiscal Year Ended June 30		
	2011	2010	2009
Annual pension cost (APC)	\$ 93,391	\$ 187,798	\$ 175,998
Percentage of annual required contribution actually contributed	232 %	100 %	100 %
Net pension asset	\$ 123,539	\$ -	\$ -

Funding Status and Funding Progress - 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 multiyear trend information about the actuarial accrued liability for benefits.

Reserves - As of June 30, 2011, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 185,423
Reserve for retired benefit payments	116,342

Note 10 - Defined Benefit Pension Plan (Continued)

Defined Contribution Plan

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

During the year ended June 30, 2011, the Township made contributions of \$410,628 and the plan members contributed \$205,313 to the plan.

Note 11 - Other Postemployment Benefits (OPEB)

Plan Description - The Township provides retiree healthcare benefits to all full-time employees upon retirement in accordance with labor contracts. Currently, the plan has 24 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 \$293,247 and made pre-funding contributions of \$659,094 to the Retiree Health Care Trust Fund. Retiree healthcare costs are recognized by the Township on a “pay-as-you-go” basis; however, at the end of the current year, the Township maintains about \$10.8 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, 2011

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

Funding Progress - For the year ended June 30, 2011, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of April 1, 2011. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (ARC) (recommended)	\$ 1,332,467
Adjustments to ARC:	
Interest on prior year OPEB asset	(137,013)
ARC adjustment	<u>128,854</u>
Annual OPEB cost	1,324,308
Amounts contributed:	
Payments of current premiums	(293,247)
Employer contributions to the fund	<u>(659,094)</u>
Decrease in net OPEB asset	371,967
OPEB asset - Beginning of year	<u>(2,740,259)</u>
OPEB asset - End of year	<u><u>\$ (2,368,292)</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:

Fiscal Year Ended	Annual OPEB Costs	Percentage Contributed	Net OPEB Asset
6/30/11	\$ 1,195,454	80 %	\$ 2,497,146
6/30/10	636,520	126	2,740,259
6/30/09	636,520	504	2,575,745

The funding progress of the plan is as follows:

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

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

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

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

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

Township of Macomb

Notes to Financial Statements June 30, 2011

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

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

	Retirement System	Retiree Health Care Fund	Total
Statement of Net Assets			
Cash and cash equivalents	\$ 139,663	\$ 9,535,036	\$ 9,674,699
Investments:			
Federal agency securities	-	-	-
Corporate bonds	753,164	52,450	805,614
Equities	1,159,366	738,930	1,898,296
Money market funds	504	-	504
U.S. Treasury bonds	-	25,735	25,735
Mutual funds	-	488,064	488,064
Liabilities	39	5,400	5,439
Net assets held in trust for pension and other postemployment benefits	<u>\$ 2,052,658</u>	<u>\$ 10,834,815</u>	<u>\$ 12,887,473</u>
Statement of Changes in Net Assets			
Contributions	\$ 239,584	\$ 966,286	\$ 1,205,870
Investment income	189,819	263,580	453,399
Benefit payments	169,336	293,247	462,583
Other decreases	5,940	5,400	11,340
Changes in net assets	<u>\$ 254,127</u>	<u>\$ 931,219</u>	<u>\$ 1,185,346</u>

Township of Macomb

Notes to Financial Statements June 30, 2011

Note 12 - Accounting and Reporting Change

During the year, the Township adopted GASB 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. In order to conform the classifications of the funds to the appropriate fund types under these new definitions, beginning fund balance was restated as follows:

	General Fund	Budget Stabilization Fund
Fund balance - June 30, 2010 - As previously reported	\$ 25,458,501	\$ 70,000
Reclassifications under GASB No. 54	70,000	(70,000)
Fund balance - June 30, 2010 - As restated	<u>\$ 25,528,501</u>	<u>\$ -</u>

Note 13 - Upcoming Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement 14 and Statement 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the Township's 2012-2013 fiscal year.

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

Note 13 - Upcoming Accounting Pronouncements (Continued)

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

Required Supplemental Information

Township of Macomb

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes and fees	\$ 1,898,560	\$ 1,898,560	\$ 1,967,811	\$ 69,251
Licenses and permits	1,514,000	1,514,000	2,031,677	517,677
Federal grants	550,000	550,000	478,877	(71,123)
State-shared revenue and grants	3,291,304	3,291,304	4,943,196	1,651,892
Charges for services	154,262	154,262	189,907	35,645
Fines and forfeitures	81,000	81,000	108,333	27,333
Interest	250,000	250,000	147,875	(102,125)
Other revenue:				
Special assessments	784,700	784,700	785,299	599
Local donations	-	-	10,000	10,000
Other	309,500	309,500	396,741	87,241
Total revenue	<u>8,833,326</u>	<u>8,833,326</u>	<u>11,059,716</u>	<u>2,226,390</u>
Expenditures				
Current:				
General government	4,477,934	4,477,934	3,456,956	1,020,978
Public safety	1,550,425	1,550,425	1,309,292	241,133
Public works	996,175	996,175	946,027	50,148
Recreation and culture	228,700	228,700	195,200	33,500
Employee benefits and insurance	1,685,914	1,685,914	1,483,036	202,878
Capital outlay	750,000	750,000	1,032,679	(282,679)
Total expenditures	<u>9,689,148</u>	<u>9,689,148</u>	<u>8,423,190</u>	<u>1,265,958</u>
Excess of Revenue (Under) Over Expenditures	(855,822)	(855,822)	2,636,526	3,492,348
Other Financing Sources (Uses)				
Transfers in	30,000	30,000	17,087	(12,913)
Transfers out	(970,050)	(970,050)	(976,900)	(6,850)
Total other financing uses	<u>(940,050)</u>	<u>(940,050)</u>	<u>(959,813)</u>	<u>(19,763)</u>
Net Change in Fund Balance	(1,795,872)	(1,795,872)	1,676,713	3,472,585
Fund Balance - Beginning of year	<u>25,458,501</u>	<u>25,458,501</u>	<u>25,458,501</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 23,662,629</u>	<u>\$ 23,662,629</u>	<u>\$ 27,135,214</u>	<u>\$ 3,472,585</u>

Township of Macomb

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Parks and Recreation Operating Fund Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes and fees	\$ 2,308,768	\$ 2,308,768	\$ 2,388,673	\$ 79,905
Charges for services	1,580,000	1,580,000	2,199,737	619,737
Interest	22,000	22,000	22,616	616
Total revenue	3,910,768	3,910,768	4,611,026	700,258
Expenditures				
Current - Recreation and culture	2,515,464	2,515,464	2,299,874	215,590
Debt service	-	-	67,879	(67,879)
Total expenditures	2,515,464	2,515,464	2,367,753	147,711
Transfers Out	(2,400,000)	(2,400,000)	(1,758,615)	641,385
Net Change in Fund Balance	(1,004,696)	(1,004,696)	484,658	1,489,354
Fund Balance - Beginning of year	4,808,679	4,808,679	4,808,679	-
Fund Balance - End of year	<u>\$ 3,803,983</u>	<u>\$ 3,803,983</u>	<u>\$ 5,293,337</u>	<u>\$ 1,489,354</u>

Township of Macomb

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Operating Fund Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes and fees	\$ 2,948,000	\$ 2,948,000	\$ 2,963,957	\$ 15,957
Charges for services	39,000	39,000	-	(39,000)
Interest	4,000	4,000	45,197	41,197
Other	-	-	825	825
Total revenue	2,991,000	2,991,000	3,009,979	18,979
Expenditures - Current - Public safety	3,161,885	3,161,885	2,606,282	555,603
Transfers Out	(281,390)	(281,390)	(200,000)	81,390
Net Change in Fund Balance	(452,275)	(452,275)	203,697	655,972
Fund Balance - Beginning of year	9,338,646	9,338,646	9,338,646	-
Fund Balance - End of year	<u>\$ 8,886,371</u>	<u>\$ 8,886,371</u>	<u>\$ 9,542,343</u>	<u>\$ 655,972</u>

Township of Macomb

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Law Enforcement Sheriff Fund Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes and fees	\$ 3,000,150	\$ 3,000,150	\$ 3,077,889	\$ 77,739
State-shared revenue and grants	-	-	17,077	17,077
Charges for services	15,700	15,700	-	(15,700)
Interest	1,000	1,000	2,652	1,652
Total revenue	3,016,850	3,016,850	3,097,618	80,768
Expenditures - Current - Public safety	3,113,050	3,113,050	2,949,130	163,920
Excess of Revenue (Under) Over Expenditures	(96,200)	(96,200)	148,488	244,688
Other Financing Sources -				
Transfers in	475,000	475,000	475,000	-
Net Change in Fund Balance	378,800	378,800	623,488	244,688
Fund Balance - Beginning of year	509,992	509,992	509,992	-
Fund Balance - End of year	\$ 888,792	\$ 888,792	\$ 1,133,480	\$ 244,688

Township of Macomb

Required Supplemental Information Pension System Schedule of Funding Progress Year Ended June 30, 2011

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/02	\$ 630,031	\$ 1,158,301	\$ 528,270	54.4 %	\$ 288,843	182.9 %
6/30/04	968,361	1,323,015	354,654	73.2	225,485	157.3
6/30/06	1,235,360	1,456,615	221,255	84.8	527,659	41.9
6/30/08	1,527,110	1,878,379	351,269	81.3	637,673	55.1
6/30/10	1,798,531	2,089,721	291,190	86.1	476,483	61.1

The schedule of employer contributions is as follows:

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
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
6/30/11	93,391	232.0

The information presented above was determined as part of the actuarial valuations at the dates indicated. The most recent valuations as of June 30, 2010 contain the following assumptions:

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

Township of Macomb

Note to Required Supplemental Information Year Ended June 30, 2011

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

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

Encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2011 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.

	<u>Fund Balance - Beginning of Year</u>
General Fund:	
Amount per governmental funds statement of revenue, expenditures, and changes in fund balances	\$ 25,528,501
The fund balance of the previous Budget Stabilization Fund was not included in the beginning fund balance of the General Fund for the year ended June 30, 2011 budget	<u>(70,000)</u>
Amounts per General Fund budget statement	<u>\$ 25,458,501</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund - Transfers out	\$ 970,050	\$ 976,900	\$ (6,850)
General Fund - Capital outlay	750,000	1,032,679	(282,679)
Parks and Recreation Operating Fund - Debt service	-	67,879	(67,879)

Other Supplemental Information

Township of Macomb

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2011

	Nonmajor Capital Projects Funds					Total Nonmajor Governmental Funds
	Parks and Recreation Revolving - Debt Service Fund	Public Improvement	Fire Improvement	Municipal Streets	Building Authority Capital Projects	
Assets						
Cash and investments	\$ 636,612	\$ 3,001,381	\$ 2,005,593	\$ 2,657,735	\$ -	\$ 8,301,321
Receivables - Restricted assets	-	-	-	-	366,908	366,908
Total assets	<u>\$ 636,612</u>	<u>\$ 3,001,381</u>	<u>\$ 2,005,593</u>	<u>\$ 2,657,735</u>	<u>\$ 366,908</u>	<u>\$ 8,668,229</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 685	\$ -	\$ 2,028	\$ 2,713
Accrued liabilities and other	-	-	-	1,487,030	-	1,487,030
Total liabilities	-	-	685	1,487,030	2,028	1,489,743
Fund Balances						
Restricted:						
Fire	-	-	2,004,908	-	-	2,004,908
Debt service	636,612	-	-	-	-	636,612
Capital projects	-	-	-	-	364,880	364,880
Assigned:						
Capital outlay	-	3,001,381	-	-	-	3,001,381
Road projects	-	-	-	1,170,705	-	1,170,705
Total fund balances	<u>636,612</u>	<u>3,001,381</u>	<u>2,004,908</u>	<u>1,170,705</u>	<u>364,880</u>	<u>7,178,486</u>
Total liabilities and fund balances	<u>\$ 636,612</u>	<u>\$ 3,001,381</u>	<u>\$ 2,005,593</u>	<u>\$ 2,657,735</u>	<u>\$ 366,908</u>	<u>\$ 8,668,229</u>

Township of Macomb

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2011

	Parks and Recreation Revolving - Debt Service Fund	Nonmajor Capital Projects Funds				Total Nonmajor Governmental Funds
		Public Improvement	Fire Improvement	Municipal Streets	Building Authority Capital Projects	
Revenue						
Interest	\$ 2,871	\$ 13,739	\$ 3,720	\$ 1,524	\$ 6,349	\$ 28,203
Other	-	-	-	23,717	-	23,717
Total revenue	2,871	13,739	3,720	25,241	6,349	51,920
Expenditures - Current - Capital outlay	-	-	99,121	189,423	2,114,678	2,403,222
Excess of Revenue Over (Under) Expenditures	2,871	13,739	(95,401)	(164,182)	(2,108,329)	(2,351,302)
Other Financing Sources (Uses)						
Transfers in	-	-	200,000	-	-	200,000
Transfers out	-	(17,000)	(365,090)	-	(1,159)	(383,249)
Total other financing uses	-	(17,000)	(165,090)	-	(1,159)	(183,249)
Net Change in Fund Balances	2,871	(3,261)	(260,491)	(164,182)	(2,109,488)	(2,534,551)
Fund Balances - Beginning of year	633,741	3,004,642	2,265,399	1,334,887	2,474,368	9,713,037
Fund Balances - End of year	\$ 636,612	\$ 3,001,381	\$ 2,004,908	\$ 1,170,705	\$ 364,880	\$ 7,178,486

Township of Macomb

Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds June 30, 2011

	Pension and Other Retirement Benefit Funds			Bond Escrow Agency Fund
	Retirement System	Retiree Health Care	Total	
Assets				
Cash and cash equivalents	\$ 139,663	\$ 9,535,036	\$ 9,674,699	\$ 316,426
Investments:				
U.S. Treasury bonds	-	25,735	25,735	-
Equities	1,159,366	738,930	1,898,296	-
Corporate bonds	753,164	52,450	805,614	-
Money market funds	504	-	504	-
Mutual funds	-	488,064	488,064	-
Total assets	<u>2,052,697</u>	<u>10,840,215</u>	<u>12,892,912</u>	<u>\$ 316,426</u>
Liabilities				
Accounts payable	39	5,400	5,439	\$ -
Cash bonds and deposits	-	-	-	316,426
Total liabilities	<u>39</u>	<u>5,400</u>	<u>5,439</u>	<u>\$ 316,426</u>
Net Assets - Held in trust for pension and other employee benefits	<u>\$ 2,052,658</u>	<u>\$ 10,834,815</u>	<u>\$ 12,887,473</u>	

Township of Macomb

Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended June 30, 2011

	Pension and Other Retirement Benefit Funds		Total
	Retirement System	Retiree Health Care	
Additions			
Investment income:			
Interest and dividends	\$ 59,639	\$ 70,569	\$ 130,208
Net increase in fair value of investments	138,407	208,150	346,557
Investment-related expenses	<u>(8,227)</u>	<u>(15,139)</u>	<u>(23,366)</u>
Net investment income	189,819	263,580	453,399
Contributions:			
Employer	216,930	966,286	1,183,216
Employee	<u>22,654</u>	<u>-</u>	<u>22,654</u>
Total contributions	<u>239,584</u>	<u>966,286</u>	<u>1,205,870</u>
Total additions	429,403	1,229,866	1,659,269
Deductions			
Benefit payments	169,336	293,247	462,583
Administrative expenses	<u>5,940</u>	<u>5,400</u>	<u>11,340</u>
Total deductions	<u>175,276</u>	<u>298,647</u>	<u>473,923</u>
Net Increase	254,127	931,219	1,185,346
Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>1,798,531</u>	<u>9,903,596</u>	<u>11,702,127</u>
Net Assets Held in Trust for Pension and Other Employee Benefits - End of year	<u>\$ 2,052,658</u>	<u>\$ 10,834,815</u>	<u>\$ 12,887,473</u>