

Charter Township of Flint

**Financial Report
with Supplemental Information
December 31, 2012**

Charter Township of Flint

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Independent Auditor's Report

To the Board of Directors
Charter Township of Flint

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Flint as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Charter Township of Flint's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Flint as of December 31, 2012 and the respective changes in its financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Charter Township of Flint

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the General Fund budgetary comparison schedule on page 42 presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Flint's basic financial statements. The combining statements, as identified in the table of contents and nonmajor governmental fund budgetary comparison schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

The nonmajor governmental fund budgetary comparison schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2013 on our consideration of the Charter Township of Flint's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter Township of Flint's internal control over financial reporting and compliance.

Plante & Morse, PLLC

May 16, 2013

Charter Township of Flint

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Flint's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2012. Please read it in conjunction with the Township's financial statements.

Using this Annual Report

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

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Charter Township of Flint's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Governmental and Business-type Activities

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Cash and investments	\$ 8,167,756	\$ 8,257,783	\$ 5,212,607	\$ 3,931,450	\$ 13,380,363	\$ 12,189,233
Current receivables	6,590,417	7,324,742	3,611,836	4,072,009	10,202,253	11,396,751
Prepaid items	157,928	205,414	5,892	4,945	163,820	210,359
Net pension asset	1,475,263	1,534,736	-	-	1,475,263	1,534,736
Capital assets	15,982,427	16,938,119	2,616,442	2,772,619	18,598,869	19,710,738
Total assets	32,373,791	34,260,794	11,446,777	10,781,023	43,820,568	45,041,817
Current liabilities	642,216	780,875	1,792,563	1,842,324	2,434,779	2,623,199
Deferred revenue	6,338,726	6,888,530	-	-	6,338,726	6,888,530
Long-term liabilities	6,753,627	6,697,964	652,664	632,654	7,406,291	7,330,618
Total liabilities	13,734,569	14,367,369	2,445,227	2,474,978	16,179,796	16,842,347
Net position:						
Net invested in capital assets	12,982,626	13,422,303	2,166,809	2,302,994	15,149,435	15,725,297
Restricted	3,124,764	3,235,312	-	-	3,124,764	3,235,312
Unrestricted	2,531,832	3,235,810	6,834,741	6,003,051	9,366,573	9,238,861
Total net position	<u>\$ 18,639,222</u>	<u>\$ 19,893,425</u>	<u>\$ 9,001,550</u>	<u>\$ 8,306,045</u>	<u>\$ 27,640,772</u>	<u>\$ 28,199,470</u>

Charter Township of Flint

Management's Discussion and Analysis (Continued)

The governmental net position decreased 6 percent from a year ago - decreasing from \$19,893,425 to \$18,639,222. Last year's net position increased by .45 percent.

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue						
Program revenue:						
Charges for services	\$ 3,115,656	\$ 3,272,485	\$ 10,854,183	\$ 10,703,172	\$ 13,969,839	\$ 13,975,657
Operating grants	953,429	741,881	-	-	953,429	741,881
Capital grants	290,063	1,167,630	19,850	13,020	309,913	1,180,650
General revenue:						
Property taxes	5,439,304	6,125,626	-	-	5,439,304	6,125,626
State-shared revenue	2,328,131	2,194,082	-	-	2,328,131	2,194,082
Investment earnings	107,338	87,863	5,893	12,097	113,231	99,960
Other revenue	642,134	571,563	-	-	642,134	571,563
Total revenue	<u>12,876,055</u>	<u>14,161,130</u>	<u>10,879,926</u>	<u>10,728,289</u>	<u>23,755,981</u>	<u>24,889,419</u>
Program Expenses						
General government	3,323,168	2,716,737	-	-	3,323,168	2,716,737
Public safety	7,497,350	7,971,202	-	-	7,497,350	7,971,202
Public works	2,983,323	3,166,343	-	-	2,983,323	3,166,343
Recreation and cultural	188,712	54,116	-	-	188,712	54,116
Sewer and water	-	-	10,184,421	10,147,333	10,184,421	10,147,333
Interest on long-term debt	137,705	163,866	-	-	137,705	163,866
Total expenses	<u>14,130,258</u>	<u>14,072,264</u>	<u>10,184,421</u>	<u>10,147,333</u>	<u>24,314,679</u>	<u>24,219,597</u>
Change in Net Position	<u>\$ (1,254,203)</u>	<u>\$ 88,866</u>	<u>\$ 695,505</u>	<u>\$ 580,956</u>	<u>\$ (558,698)</u>	<u>\$ 669,822</u>

Unrestricted net position - the part of net position that can be used to finance day-to-day operations - decreased by \$703,978 for governmental activities. The current level of unrestricted net position for our governmental activities stands at \$2,531,832 or about 18 percent of expenditures.

The Township's business-type activities consist of the Sewer and Water Fund. The total net position of business-type activities increased approximately \$695,000 or 8 percent. Last year's net position increased by 8 percent as well.

Unrestricted net position of the business-type activities increased by \$831,690 or approximately 14 percent.

Financial Analysis of the Township's Funds

As the Township completed the year, its General Fund reported a fund balance of \$5,043,834. This represents an increase of \$10,797 from the prior year. The Township's General Fund revenues, excluding other financing sources, were \$10.7 million. Property taxes were \$4.3 million or 40.5 percent of the total revenues. State revenue sharing made up \$2.4 million or 22 percent of total revenue.

Charter Township of Flint

Management's Discussion and Analysis (Continued)

The Township Board passed a 2012 General Fund budget anticipating a decrease of approximately \$927,000 of fund balance. However, the change in fund balance was an increase of \$10,797. The Township's actual expenditures were \$464,329 less than the final amended budget.

Budgetary Highlights

Amended to Actual - General Fund revenues totaled \$10,675,938, \$467,154 more than the final amended budget. The largest differences between budget and actual revenue were more than anticipated state-shared revenue and grants (\$228,000), federal grants (\$145,000), licenses and permits (\$73,000), and charges for services (\$56,000).

General Fund expenditures totaled \$10,673,923, \$464,329 less than the final amended budget. General government expenditures totaled \$2,696,883, \$217,677 less than the final amended budget.

Capital Assets

At the end of 2012, the Township had invested \$15.1 million in capital assets, net of related debt. This amount complies with methods established by the Governmental Accounting Standards Board (GASB).

Major capital asset events during the current fiscal year included the following:

- Numerous street paving projects totaling \$236,000
- Disposals as a result of inventory performed of the Police Department totaling approximately \$380,000. The Township also disposed of approximately \$147,000 of vehicles used in the Police and Fire Departments.

Additional information on the Township's capital assets can be found in Note 5 of this report.

Long-term Debt

At year end, the Township had \$6.8 million in governmental long-term debt, including \$1.1 million in special assessment debt. Included in long-term debt is the postemployment benefit obligation (OPEB).

At year end, \$3,530,829 and \$203,031 was the balance for OPEB liability for the governmental and business-type activities, respectively.

Charter Township of Flint

Management's Discussion and Analysis (Continued)

Economic Factors

- The unemployment rate for the Greater Flint Area (which borders Flint Township) was 9.1 percent for 2012. This compares to an unemployment rate of 11.0 percent for the previous year.

Contacting the Township's Financial Administration

This financial report is intended to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Charter Township of Flint's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk's Department, 1490 South Dye Road, Flint, Michigan 48532-4121.

Charter Township of Flint

Statement of Net Position December 31, 2012

	Primary Government			Economic Development Corporation
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 7,965,856	\$ 4,712,607	\$ 12,678,463	\$ 1,148
Investments	201,900	500,000	701,900	-
Receivables:				
Property taxes receivable	3,994,100	-	3,994,100	-
Receivables from sales to customers on account	141,057	3,631,966	3,773,023	-
Accrued interest receivable	220	333	553	-
Other receivables	6,196	-	6,196	-
Due from other governmental units	492,566	-	492,566	-
Special assessments receivable	1,935,815	-	1,935,815	-
Internal balances (Note 6)	20,463	(20,463)	-	-
Prepaid expenses and other assets	157,928	5,892	163,820	-
Capital assets (Note 5):				
Assets not subject to depreciation	2,836,802	-	2,836,802	-
Assets subject to depreciation	13,145,625	2,616,442	15,762,067	-
Net pension asset	1,475,263	-	1,475,263	-
Total assets	32,373,791	11,446,777	43,820,568	1,148
Liabilities				
Accounts payable	342,978	96,005	438,983	-
Due to other governmental units	18,166	1,669,019	1,687,185	-
Refundable deposits, bonds, etc.	8,902	19,959	28,861	-
Accrued liabilities and other	272,170	7,580	279,750	-
Deferred revenue (Note 4)	6,338,726	-	6,338,726	-
Noncurrent liabilities (Note 7):				
Due within one year	297,691	20,000	317,691	-
Due in more than one year	6,455,936	632,664	7,088,600	-
Total liabilities	13,734,569	2,445,227	16,179,796	-
Net Position				
Net investment in capital assets	12,982,626	2,166,809	15,149,435	-
Restricted for:				
Police	197,043	-	197,043	-
ROW	15,925	-	15,925	-
Fire	335,053	-	335,053	-
Roads	316,717	-	316,717	-
Debt service	983,279	-	983,279	-
Grants	1,268,937	-	1,268,937	-
Public access programming	7,810	-	7,810	-
Unrestricted	2,531,832	6,834,741	9,366,573	1,148
Total net position	\$ 18,639,222	\$ 9,001,550	\$ 27,640,772	\$ 1,148

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

Charter Township of Flint

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,323,168	\$ 890,101	\$ 577	\$ -
Public safety	7,497,350	656,760	626,865	146,306
Public works	2,983,323	1,568,795	325,987	106,157
Recreation and culture	188,712	-	-	37,600
Interest on long-term debt	137,705	-	-	-
Total governmental activities	14,130,258	3,115,656	953,429	290,063
Business-type activities	10,184,421	10,854,183	-	19,850
Total primary government	<u>\$ 24,314,679</u>	<u>\$ 13,969,839</u>	<u>\$ 953,429</u>	<u>\$ 309,913</u>
Component unit - Economic Development Corporation	<u>\$ 279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Total general revenues				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities
Year Ended December 31, 2012

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Economic Development Corporation
\$ (2,432,490)	\$ -	\$ (2,432,490)	\$ -
(6,067,419)	-	(6,067,419)	-
(982,384)	-	(982,384)	-
(151,112)	-	(151,112)	-
(137,705)	-	(137,705)	-
(9,771,110)	-	(9,771,110)	-
-	689,612	689,612	-
(9,771,110)	689,612	(9,081,498)	-
-	-	-	(279)
5,439,304	-	5,439,304	-
2,328,131	-	2,328,131	-
107,338	5,893	113,231	1
507,102	-	507,102	-
135,032	-	135,032	-
8,516,907	5,893	8,522,800	1
(1,254,203)	695,505	(558,698)	(278)
19,893,425	8,306,045	28,199,470	1,426
\$ 18,639,222	\$ 9,001,550	\$ 27,640,772	\$ 1,148

Charter Township of Flint

Governmental Funds Balance Sheet December 31, 2012

	General Fund	Nonmajor Funds	Total
Assets			
Cash and cash equivalents	\$ 5,430,431	\$ 2,535,425	\$ 7,965,856
Investments	201,900	-	201,900
Receivables:			
Property taxes receivable	3,218,288	775,812	3,994,100
Special assessments receivable	1,202,358	733,457	1,935,815
Receivables from sales to customers on account	141,057	-	141,057
Accrued interest receivable	220	-	220
Other receivables	987	5,209	6,196
Due from other governmental units	467,843	24,723	492,566
Due from other funds	45,277	18,166	63,443
Prepaid expenses and other assets	157,928	-	157,928
	\$ 10,866,289	\$ 4,092,792	\$ 14,959,081
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 265,390	\$ 77,588	\$ 342,978
Due to other governmental units	-	18,166	18,166
Due to other funds	18,166	24,814	42,980
Refundable deposits, bonds, etc.	8,902	-	8,902
Accrued liabilities and other	256,715	-	256,715
Deferred revenue	5,273,282	1,854,991	7,128,273
	5,822,455	1,975,559	7,798,014
Fund Balances			
Nonspendable - Prepays	157,928	-	157,928
Restricted:			
Roads	-	171,428	171,428
Police	194,249	2,794	197,043
Fire	-	334,952	334,952
Debt service	-	339,122	339,122
Grants	-	1,268,937	1,268,937
ROW	15,925	-	15,925
Public access programming	7,810	-	7,810
Assigned - Subsequent year's budget	1,195,162	-	1,195,162
Unassigned	3,472,760	-	3,472,760
	5,043,834	2,117,233	7,161,067
Total fund balances	5,043,834	2,117,233	7,161,067
Total liabilities and fund balances	\$ 10,866,289	\$ 4,092,792	\$ 14,959,081

Charter Township of Flint

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position December 31, 2012

Fund Balance Reported in Governmental Funds	\$ 7,161,067
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	15,982,427
Special assessment receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	789,547
Accrued interest is not due and payable in the current period and is not reported in the funds	(15,455)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(222,997)
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(2,999,801)
Other long-term assets, such as net pension assets, are not available for current financial resources and are not reported as fund assets	1,475,263
Other long-term liabilities, such as net other postemployment benefit obligations, do not present a claim on current financial resources and are not reported as fund liabilities	<u>(3,530,829)</u>
Net Assets of Governmental Activities	<u>\$ 18,639,222</u>

Charter Township of Flint

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2012

	General Fund	Nonmajor Funds	Total
Revenue			
Property taxes	\$ 4,335,018	\$ 1,104,286	\$ 5,439,304
Licenses and permits	363,072	-	363,072
Federal grants	190,035	822,986	1,013,021
State-shared revenue and grants	2,398,343	-	2,398,343
Charges for services	1,343,153	-	1,343,153
Fines and forfeitures	161,363	-	161,363
Investment income	51,400	55,938	107,338
Rental income	20,203	110,750	130,953
Other revenue:			
Special assessments	1,169,053	143,248	1,312,301
Local donations	-	148,980	148,980
Cable franchise fees	507,102	-	507,102
Other miscellaneous income	137,196	-	137,196
Total revenue	10,675,938	2,386,188	13,062,126
Expenditures - Current			
General government	2,696,883	-	2,696,883
Public safety	6,274,601	1,180,876	7,455,477
Public works	1,603,985	510,720	2,114,705
Recreation and culture	91,637	12,142	103,779
Debt service:			
Principal	6,404	475,403	481,807
Interest on long-term debt	413	140,991	141,404
Total expenditures	10,673,923	2,320,132	12,994,055
Excess of Revenue Over Expenditures	2,015	66,056	68,071
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	8,782	-	8,782
Transfers in	-	32,191	32,191
Transfers out	-	(32,191)	(32,191)
Total other financing sources	8,782	-	8,782
Net Change in Fund Balances	10,797	66,056	76,853
Fund Balances - Beginning of year - As restated	5,033,037	2,051,177	7,084,214
Fund Balances - End of year	\$ 5,043,834	\$ 2,117,233	\$ 7,161,067

Charter Township of Flint

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2012

Net Change in Fund Balances - Total Governmental Funds	\$ 76,853
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	749,166
Depreciation expense	(1,668,328)
Net book value of assets disposed of	(2,322)
Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	(298,135)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	516,015
Decrease in net pension asset is shown on the statement of net position which reduces pension expense in the statement of activities	(59,473)
Increase in net other postemployment benefit obligation	(577,841)
Decrease in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	6,163
Decrease in accrued interest on long-term debt	3,699
Change in Net Assets of Governmental Activities	<u>\$ (1,254,203)</u>

Charter Township of Flint

Proprietary Funds Statement of Net Position December 31, 2012

	<u>Enterprise Fund</u> Sewer and Water
Assets	
Current assets:	
Cash and cash equivalents	\$ 4,712,607
Investments	500,000
Receivables:	
Receivables from sales to customers on account	3,631,966
Accrued interest receivable	333
Prepaid expenses and other assets	<u>5,892</u>
Total current assets	8,850,798
Noncurrent assets - Capital assets (Note 5)	<u>2,616,442</u>
Total assets	<u>11,467,240</u>
Liabilities	
Current liabilities:	
Accounts payable	96,005
Due to other governmental units	1,669,019
Due to other funds	20,463
Refundable deposits, bonds, etc.	19,959
Accrued liabilities and other	7,580
Current portion of long-term debt (Note 7)	<u>20,000</u>
Total current liabilities	1,833,026
Noncurrent liabilities:	
Net other postemployment benefit obligation (Note 14)	203,031
Long-term debt (Note 7)	<u>429,633</u>
Total noncurrent liabilities	<u>632,664</u>
Total liabilities	<u>2,465,690</u>
Net Position	
Net investment in capital assets	2,166,809
Unrestricted	<u>6,834,741</u>
Total net position	<u>\$ 9,001,550</u>

Charter Township of Flint

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended December 31, 2012

	<u>Enterprise Fund</u> <u>Sewer and</u> <u>Water</u>
Operating Revenue	
Charges for services	\$ 10,568,847
Fines and penalties	260,680
Miscellaneous	24,656
	<hr/>
Total operating revenue	10,854,183
Operating Expenses	
Cost of water	5,181,049
Cost of sewage treatment	3,604,795
Supplies	2,541
Repairs	520,713
Personnel services	554,937
Contractual	48,087
Insurance	53,477
Other postemployment benefit expense	42,002
Professional services	8,650
Miscellaneous	2,530
Depreciation	153,310
	<hr/>
Total operating expenses	10,172,091
Operating Income	682,092
Nonoperating Revenue (Expense)	
Investment income	5,893
Interest expense	(12,330)
	<hr/>
Total nonoperating expense	(6,437)
Income - Before contributions	675,655
Capital Contributions	19,850
	<hr/>
Change in Net Position	695,505
Net Position - Beginning of year	8,306,045
	<hr/>
Net Position - End of year	<u><u>\$ 9,001,550</u></u>

Charter Township of Flint

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2012

	<u>Enterprise Fund</u> <u>Sewer and</u> <u>Water</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 11,316,363
Payments to suppliers	(9,758,040)
Payments to employees	(271,447)
Internal activity - Payments to other funds	(5,017)
	<u>1,281,859</u>
Net cash provided by operating activities	1,281,859
Cash Flows from Capital and Related Financing Activities	
Special assessment collections	25,582
Principal and interest paid on capital debt	(32,322)
	<u>(6,740)</u>
Net cash used in capital and related financing activities	(6,740)
Cash Flows from Investment Activities -	
Interest received on investments	6,038
	<u>6,038</u>
Net Increase in Cash and Cash Equivalents	1,281,157
Cash and Cash Equivalents - Beginning of year	3,431,450
	<u>3,431,450</u>
Cash and Cash Equivalents - End of year	\$ 4,712,607
	<u>4,712,607</u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 682,092
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation and amortization	153,310
Changes in assets and liabilities:	
Receivables	462,180
Prepaid and other assets	(947)
Due to other governments	(50,536)
Due to other funds	(5,017)
Accrued and other liabilities	775
Net postemployment benefit obligation	40,002
	<u>40,002</u>
Net cash provided by operating activities	\$ 1,281,859
	<u>1,281,859</u>

Charter Township of Flint

Fiduciary Funds Statement of Fiduciary Net Assets December 31, 2012

	<u>Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 63,414	\$ 321,248
Investments - Mutual funds	4,771,287	-
Receivables	-	357,419
Accrued interest	4,522	-
	<u>4,839,223</u>	<u>\$ 678,667</u>
Liabilities		
Due to other governmental units	-	\$ 248,651
Undistributed taxes	-	196,926
Refundable deposits, bonds, etc.	-	173,169
Accrued liabilities and other	-	59,921
	<u>-</u>	<u>\$ 678,667</u>
Net Assets Held in Trust for Pension and Other Employee Benefits	<u>\$ 4,839,223</u>	

Charter Township of Flint

Fiduciary Funds Statement of Changes in Fiduciary Net Assets - Trust Funds Year Ended December 31, 2012

Additions

Investment income:	
Interest and dividends	\$ 162,481
Net increase in fair value of investments	<u>392,314</u>
Net investment income	554,795
Contributions:	
Employer	843,788
Employee	<u>64,135</u>
Total contributions	<u>907,923</u>
Total additions	1,462,718

Deductions

Benefit payments	1,010,969
Administrative expenses	<u>7,523</u>
Total deductions	<u>1,018,492</u>

Net Increase in Net Assets Held in Trust 444,226

Net Assets Held in Trust for Pension and Postemployment Benefits - Beginning of year 4,394,997

Net Assets Held in Trust for Pension and Postemployment Benefits - End of year \$ 4,839,223

Charter Township of Flint

Notes to Financial Statements December 31, 2012

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

The Charter Township of Flint was incorporated July 17, 1978 under the provisions of Act 90, P.A. 1976, as amended. 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. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township (see discussion below for description).

Blended Component Units

The Charter Township of Flint Firefighters' Trust Fund - The Charter Township of Flint Firefighters' Trust Fund (the "Trust Fund") is made up of Township employees and elected officials. The Pension Board approves investment policies. The Pension Board provides services exclusively to Township employees (current and retired).

Charter Township of Flint Building Authority - The Charter Township of Flint Building Authority (the "Authority") governing board is made up of Township employees and Township residents. The Authority Board provides services exclusively to the Township for the purpose of overseeing future construction projects.

Discretely Presented Component Unit

Charter Township of Flint Economic Development Corporation - The Charter Township of Flint Economic Development Corporation (the "Corporation") board is appointed by the Township. The Township approves the annual budget and provides employees and facilities to the Corporation.

All financial information of this component unit has been included in these financial statements. There are no separately issued financial statements.

Note I - Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (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 revenues 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 major individual Enterprise Funds are reported as separate columns in the fund financial statements.

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

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

Charter Township of Flint

Notes to Financial Statements December 31, 2012

Note I - Summary of Significant Accounting Policies (Continued)

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.

The Township reports the following major governmental 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.

The Township reports the following major proprietary fund:

The Water and Sewer Fund is maintained for the operations of the water distribution system and sewage pumping and collection systems.

Additionally, the Township reports the following fiduciary activities:

The Pension Trust Fund accounts for the activities of the Fire Fighters' Trust Fund utilized to pay for Township fire fighter retirees. The Fund accumulates resources for pension benefits financed by both employer and employee contributions.

The Postemployment Benefit Trust Fund accumulates resources for postemployment benefit payments for Township retired employees.

The Agency Fund accounts for assets held by the Township in a trustee capacity. 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 activities.

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 revenues 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.

Charter Township of Flint

Notes to Financial Statements December 31, 2012

Note I - Summary of Significant Accounting Policies (Continued)

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.

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

Property Tax Revenue

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

The Township's 2011 tax is levied and collectible on December 1, 2011 and is recognized as revenue in the year ended December 31, 2012, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2011 taxable valuation of the Township totaled \$949.8 million. Taxes were levied as follows:

<u>Purpose</u>	<u>Millage Rate</u>	<u>Revenue</u>
General operating	4.6423	\$ 4,711,580
Police operating (10 years 2007-2016)	.500	441,873
Roads (10 years 2006-2015)	.500	441,610
Capital improvement (5 years 2006-2010)	.250	220,770
Total		<u>\$ 5,815,833</u>

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.

Charter Township of Flint

Notes to Financial Statements December 31, 2012

Note I - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Infrastructure	10 to 20 years
Water and sewer systems	40 years
Building improvements	7 to 20 years
Buildings and building improvements	30 years
Vehicles	2 to 15 years
Equipment and furniture	3 to 18 years
Computer equipment	5 to 10 years

Compensated Absences - It is the Township's policy to pay firefighters one-half of their unused sick days at the time of retirement. All other Township employees are paid for unused sick days on an annual basis. Employees lose any unused vacation time at the end of the year. The liability for sick time is accrued when incurred in the government-wide financial statements. A liability for this amount is reported in governmental funds only for firefighter terminations as of the year end.

Note I - Summary of 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 position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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

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

Nonspendable: Amounts that are not in spendable from 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 Township for use for specific purposes. Commitments are made and can be rescinded only via resolutions of the Township Board.

Assigned: Intent to spend resources on specific purposes expressed by the governing body. Assignments must be authorized by resolution and approved by the governing body.

Charter Township of Flint

Notes to Financial Statements December 31, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

Unassigned: Amounts that do not fall into any other category above. This is the residual classifications for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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

Note 2 - Stewardship, Compliance, and Accountability

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

Shortfall at January 1, 2012	\$ (698,588)
Current year permit revenue	118,525
Related expenses - Professional services	<u>155,385</u>
Current year shortfall	<u>(36,860)</u>
Cumulative shortfall at December 31, 2012	<u>\$ (735,448)</u>

Noncompliance with Legal or Contractual Provisions - While the original 2012 budget adopted for the Municipal Street Fund projected the available resources to be more than the expenditures, a budget amendment to the expenditures was adopted during 2012 causing a projected deficit fund balance in violation of State law. The Municipal Street Fund did conclude 2012 with a positive fund balance of \$171,428.

Charter Township of Flint

Notes to Financial Statements December 31, 2012

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

Excess of Expenditures Over Appropriations - The following fund incurred significant expenditures in excess of appropriations at the department level during the year (defined as greater than 10 percent over budget):

	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over Amended Budget</u>
Community Development Fund - Public Safety	\$ 16,000	\$ 210,518	\$ 194,518

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

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

Charter Township of Flint

Notes to Financial Statements December 31, 2012

Note 3 - Deposits and Investments (Continued)

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 \$11,039,768 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, \$2,421,179 of 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.

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
Mutual fund - Fixed income	\$ 1,597,983	4-12 years

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
Mutual fund - Fixed income	\$ 1,597,983	Not rated	N/A
Repurchase agreements (sweeps)	2,421,179	Not rated	N/A
Money market	63,414	4 stars	Morningstar

Charter Township of Flint

Notes to Financial Statements December 31, 2012

Note 4 - Receivables and Deferred Revenue

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

	Governmental Funds		
	Unavailable	Unearned	Total
Property taxes	\$ -	\$ 5,136,368	\$ 5,136,368
Special assessments	789,547	1,202,358	1,991,905
Total	\$ 789,547	\$ 6,338,726	\$ 7,128,273

Note 5 - Capital Assets

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

	Balance January 1, 2012	Adjustments	Additions	Disposals	Balance December 31, 2012
Governmental Activities					
Capital assets not being depreciated - Land	\$ 2,836,802	\$ -	\$ -	\$ -	\$ 2,836,802
Capital assets being depreciated:					
Infrastructure	24,134,676	-	235,557	-	24,370,233
Buildings and improvements	7,042,199	-	110,229	-	7,152,428
Machinery and equipment	3,387,267	-	259,535	(380,008)	3,266,794
Vehicles	2,473,419	-	143,845	(147,255)	2,470,009
Office furnishings	96,694	83,509	-	-	180,203
Subtotal	37,134,255	83,509	749,166	(527,263)	37,439,667
Accumulated depreciation:					
Infrastructure	15,654,506	-	1,134,415	-	16,788,921
Buildings and improvements	2,429,345	-	33,473	-	2,462,818
Machinery and equipment	3,383,275	-	335,901	(343,478)	3,375,698
Vehicles	1,509,687	-	164,539	(147,255)	1,526,971
Office furnishings	56,125	83,509	-	-	139,634
Subtotal	23,032,938	83,509	1,668,328	(490,733)	24,294,042
Net capital assets being depreciated	14,101,317	-	(919,162)	(36,530)	13,145,625
Net capital assets	\$ 16,938,119	\$ -	\$ (919,162)	\$ (36,530)	\$ 15,982,427

Charter Township of Flint

Notes to Financial Statements December 31, 2012

Note 5 - Capital Assets (Continued)

	Balance January 1, 2012	Adjustments	Additions	Disposals	Balance December 31, 2012
Proprietary Activities					
Capital assets being depreciated:					
Water and sewer lines	\$ 40,426,873	\$ (2,867)	\$ -	\$ -	\$ 40,424,006
Office furnishings	108,582	-	-	-	108,582
Subtotal	40,535,455	(2,867)	-	-	40,532,588
Accumulated depreciation:					
Water and sewer lines	37,694,302	-	150,602	-	37,844,904
Office furnishings	68,534	-	2,708	-	71,242
Subtotal	37,762,836	-	153,310	-	37,916,146
Net capital assets	<u>\$ 2,772,619</u>	<u>\$ (2,867)</u>	<u>\$ (153,310)</u>	<u>\$ -</u>	<u>\$ 2,616,442</u>

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

Governmental activities:

General government	\$ 282,291
Public safety	245,663
Public works	1,134,415
Recreation and culture	5,959

Total governmental activities \$ 1,668,328

Business-type activities - Water and sewer \$ 153,310

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Water and Sewer Fund	\$ 20,463
	Other governmental funds	24,814
	Total General Fund	45,277
Other governmental funds	General Fund	18,166
	Total	<u>\$ 63,443</u>

Charter Township of Flint

Notes to Financial Statements December 31, 2012

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

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

Fund Providing Resource	Fund Receiving Resource	Amount
Other governmental funds	Other governmental funds	\$ 32,191

The transfer from the Municipal Street Fund to the Road Debt Service Fund is related to the debt payment, which is paid out of the Road Debt Service Fund.

Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. County contractual agreements and installment purchase agreements are also general obligations of the government.

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							
Building Authority Bonds - Series 2002	4.3 - 5%	2031	\$ 1,475,000	\$ -	\$ 40,000	\$ 1,435,000	\$ 45,000
Capital lease - Copier	n/a	2013	7,528	-	6,404	1,124	1,124
Road assessment	n/a	2018	544,452	-	140,775	403,677	106,567
Special assessment - Capital Road Bonds	2 - 4.25%	2020	1,300,000	-	140,000	1,160,000	145,000
Installment loan - Pumper trucks			188,836	-	188,836	-	-
Total bond and note obligations			3,515,816	-	516,015	2,999,801	297,691
Accumulated compensated absences	n/a	n/a	229,160	36,836	42,999	222,997	-
Net OPEB liability	n/a	n/a	2,952,988	1,091,683	513,842	3,530,829	-
Total governmental activities			\$ 6,697,964	\$ 1,128,519	\$ 1,072,856	\$ 6,753,627	\$ 297,691
Business-type Activities							
Fenton Road Watermain Debt	2.50%	April 1, 2031	\$ 469,625	\$ -	\$ 19,992	\$ 449,633	\$ 20,000
Net OPEB liability			163,029	45,487	5,485	203,031	-
Total business-type activities			\$ 632,654	\$ 45,487	\$ 25,477	\$ 652,664	\$ 20,000

Charter Township of Flint

Notes to Financial Statements December 31, 2012

Note 7 - Long-term Debt (Continued)

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

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 297,691	\$ 125,478	\$ 423,169	\$ 20,000	\$ 10,627	\$ 30,627
2014	287,298	114,919	402,217	20,000	10,127	30,127
2015	290,436	104,086	394,522	20,000	9,627	29,627
2016	282,076	92,950	375,026	20,000	9,127	29,127
2017	217,300	81,796	299,096	20,000	8,627	28,627
2018-2022	755,000	292,425	1,047,425	112,500	34,853	147,353
2023-2027	425,000	177,500	602,500	127,501	19,978	147,479
2028-2031	445,000	57,250	502,250	109,632	4,194	113,826
Total	<u>\$ 2,999,801</u>	<u>\$ 1,046,404</u>	<u>\$ 4,046,205</u>	<u>\$ 449,633</u>	<u>\$ 107,160</u>	<u>\$ 556,793</u>

Note 8 - No Commitment Debt

The Economic Develop Corporation of the Charter Township of Flint (the "Corporation") has issued limited obligation economic development revenue bonds. Since the bonds are payable solely from the net revenues derived from the project and the bonds are not a general obligation of the Corporation or the Township, the bonds have not been reflected in the financial statements of the Township. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source. As of December 31, 2012, there is approximately \$14,000,000 no commitment debt outstanding.

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 property, liability, wrongful acts, law enforcement, automobile, bond, crime, inland marine, boiler claims, and health care. 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 Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Charter Township of Flint

Notes to Financial Statements December 31, 2012

Note 10 - Defined Benefit Pension Plan

Plan Description - The Fire Fighters' Pension Plan is a single-employer defined benefit pension plan that is administered by the Charter Township of Flint. The Fire Fighters' plan covers substantially all full-time firefighters. The plan was established in accordance with the State of Michigan's Public Act 345 of 1937. The plan is administered by a five-member board of trustees comprised of two members of the Township's administration and three other Township employees. Investments of the plan are made through JPMorgan Chase Bank Trust Department. The plan provides that the employer/employees contribute amounts necessary to fund the actuarially determined benefits. At December 31, 2011, the date of the most recent actuarial report, membership consisted of 16 retirees and beneficiaries currently receiving benefits, one inactive vested member, and 12 current active employees. The plan does not issue a separate financial report.

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 negotiation with the Township's competitive bargaining units and requires a contribution from the employees of 8 percent of gross wages. The funding policy provides for periodic employer contributions at actuarially determined rates; the current rate is 40.18 percent of covered payroll.

Annual Pension Cost - For the year ended December 31, 2012, the Township's annual pension cost of \$361,916 for the plan was more than the Township's required contribution of \$324,461 and actual contribution of \$324,461. The pension cost for the three most recent years is as follows:

	Fiscal Year Ended December 31		
	2012	2011	2010
Annual pension cost (APC)	\$ 361,916	\$ 365,608	\$ 348,022
Percentage of APC contributed	89.6 %	90.4 %	92.0 %
Net pension asset	850,135	887,592	922,677

Note 10 - Defined Benefit Pension Plan (Continued)

Funding Status and Funding Progress - As of December 31, 2011, the most recent actuarial valuation date, the plan was 54 percent funded. The actuarial accrued liability for benefits was \$7,995,528, and the actuarial value of assets was \$4,355,646, resulting in an unfunded actuarial accrued liability of \$3,639,882. The covered payroll (annual payroll to active employees covered by the plan) was \$893,306, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 407.5 percent.

The schedule of funding progress, presented as required supplemental information (RSI) 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 liability of benefits.

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at December 31, 2011, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 to 7.5 percent per year, and (c) 0 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 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 percentage of payroll on a closed basis. The remaining amortization period is 18 years.

Note 11 - Police Officers' Defined Benefit Pension Plan

Plan Description - The Township participates in the Michigan Municipal Employees' Retirement System (the "System"), an agent multiple-employer defined benefit pension plan that covers patrol officers and the prior controller of the Township. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2011, the date of the most recent actuarial report, membership consisted of 24 retirees and beneficiaries, five inactive vested members, and 32 current active employees. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the System for these employees was established by negotiation with the Township's competitive bargaining units and requires a contribution from the employees of 7 percent for the Chief of Police, 10 percent for the patrol officers, and 10 percent for the police command officers of gross wages.

Charter Township of Flint

Notes to Financial Statements December 31, 2012

Note 11 - Police Officers' Defined Benefit Pension Plan (Continued)

Annual Pension Cost and Net Pension Asset

Annual required contribution	\$ 432,661
Interest on net pension obligation	(23,814)
Adjustment to annual required contribution	<u>48,940</u>
Annual pension cost (APC)	457,787
Contributions made	<u>437,508</u>
Decrease in net pension asset	(20,279)
Net pension asset - Beginning of year	<u>595,384</u>
Net pension asset - End of year	<u><u>\$ 575,105</u></u>

For the year ended December 31, 2012, the Township's annual pension cost of \$457,786 for the plan was more than the Township's required contribution of \$432,661 and more than the Township's actual contribution of \$437,508. The annual required contribution was determined as part of an actuarial valuation at December 31, 2011, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 to 12.9 percent per year, and (c) 2.5 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 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 percentage of payroll on a closed basis. The remaining amortization period is nine years.

	Actuarial Valuation as of December 31		
	2011	2010	2009
Actuarial value of assets	\$ 15,115,647	\$ 14,707,192	\$ 13,974,863
Actuarial accrued liability (AAL) (entry age)	\$ 21,761,609	\$ 20,059,840	\$ 18,672,444
Unfunded AAL (UAAL)	\$ 6,645,962	\$ 5,352,648	\$ 4,697,581
Funded ratio	69.5 %	73.3 %	74.8 %
Covered payroll	\$ 2,121,973	\$ 2,397,368	\$ 2,813,269
UAAL as a percentage of covered payroll	313.2 %	223.3 %	167.0 %

Charter Township of Flint

Notes to Financial Statements December 31, 2012

Note 12 - Full-time Clerical/Non-Union Defined Benefit Pension Plan

Plan Description - The Township participates in the Michigan Municipal Employees' Retirement System (the "System"), an agent multiple-employer defined benefit pension plan that covers clerical/full-time and some non-union employees of the Township. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2011, the date of the most recent actuarial report, membership consisted of three retirees and beneficiaries, two inactive vested members, and 19 current active employees. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's competitive bargaining units and requires a contribution from the employees of 4.83 percent. The funding policy provides for periodic employer contributions at actuarially determined rates; the current rate is 4.83 percent. As per the collective bargaining agreement, the Township contributed 4.83 percent.

Annual Pension Cost and Net Pension Asset

Annual required contribution	\$ 36,950
Interest on net pension obligation	(2,070)
Adjustment to annual required contribution	<u>3,808</u>
Annual pension cost (APC)	38,688
Contributions made	<u>36,950</u>
Decrease in net pension asset	(1,738)
Net pension asset - Beginning of year	<u>51,761</u>
Net pension asset - End of year	<u><u>\$ 50,023</u></u>

Annual Pension Cost - For the year ended December 31, 2012, the Township's annual pension cost of \$38,688 for the plan was more than the Township's required and actual contribution of \$36,950.

Charter Township of Flint

Notes to Financial Statements December 31, 2012

Note 12 - Full-time Clerical/Non-Union Defined Benefit Pension Plan (Continued)

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at December 31, 2011, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 to 12.9 percent per year, and (c) 0 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 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 percentage of payroll on a closed basis. The remaining amortization period is 25 years.

	Actuarial Valuation as of December 31:		
	2011	2010	2009
Actuarial value of assets	\$ 2,797,623	\$ 2,608,968	\$ 2,332,894
Actuarial accrued liability (entry age)	\$ 2,810,357	\$ 2,489,011	\$ 2,262,258
Unfunded AAL	\$ 12,734	\$ (119,957)	\$ (70,636)
Funded ratio	99 %	105 %	103 %
Covered payroll	\$ 717,252	\$ 798,054	\$ 835,182
UAAL as a percentage of covered payroll	2 %	- %	- %

Note 13 - Defined Contribution Pension Plan

All other employees not described in a previous plan changed to a defined contribution plan administered through the Michigan Municipal Employees' Retirement System (MERS). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

	Elected Officials and Non-Union Employees	Police Communication Operators
Employee contribution percentage	5 %	- %
Employer contribution percentage	10	5
Vesting	Immediate	20% per Year Over 5 Years
Employee contributions for 12/31/12	\$ 30,353	\$ -
Employer contribution for 12/31/12	44,866	6,927
Covered payroll	448,658	138,549
Total payroll	4,641,355	4,641,355

Charter Township of Flint

Notes to Financial Statements December 31, 2012

Note 14 - Other Postemployment Benefits

Plan Description - The Township provides retiree health care benefits to eligible employees and their spouses. Currently, the plan has 114 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

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

Funding Policy - Retiree health care costs are recognized when paid by the Township on a "pay-as-you-go" basis. The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment. In the current year, the Township paid postemployment health care premiums of \$512,327, plus it contributed \$7,000 into a prefunded Retiree Health Care Fund.

Funding Progress - For the year ended December 31, 2012, the Township has estimated the cost of providing retiree health care benefits through an actuarial valuation as of January 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 costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 1,203,350
Interest on the prior year's net OPEB obligation	124,641
Less adjustment to the annual required contribution	<u>(190,820)</u>
Annual OPEB cost	1,137,171
Amounts contributed:	
Payments of current premiums	(512,328)
Advance funding	<u>(7,000)</u>
Increase in net OPEB obligation	617,843
OPEB obligation - Beginning of year	<u>3,116,017</u>
OPEB obligation - End of year	<u><u>\$ 3,733,860</u></u>

Charter Township of Flint

Notes to Financial Statements December 31, 2012

Note 14 - Other Postemployment Benefits (Continued)

The schedule of employer contributions and the net OPEB obligation for the current and previous three years is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
12/31/10	1/1/08	\$ 1,227,960	35.9	\$ 2,454,676
12/31/11	1/1/11	1,169,345	39.2	3,116,017
12/31/12	1/1/11	1,203,350	43.2	3,733,860

The funding progress of the plan is:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)
1/1/08	\$ 25,000	\$ 13,806,492	\$ 13,781,492	0.2
1/1/11	60,209	13,876,220	13,816,011	0.4

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, shown above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Charter Township of Flint

Notes to Financial Statements December 31, 2012

Note 14 - Other Postemployment Benefits (Continued)

In the January 1, 2011 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4 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 cost trend rate of 3 percent initially. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012 was 26 years.

Note 15 - Commitment

The Township entered into a contract with Richfield Equities to provide waste management services effective January 1, 2011 and expires December 31, 2014. During 2012, Richfield Equities filed for Chapter 11 bankruptcy and the company was subsequently purchased by Emterra Environmental. Emterra Environmental is honoring the contract Flint Township had with Richfield Equities. The following amount is to be paid to the vendor per the current contract based on the 2013 home count of 9,676, which is a decrease of eight homes from the previous year. Each year's cost will be adjusted based on the annual home count. The current annual mobile home collection fee is \$99,294. Additionally, a Michigan landfill fee totaling \$214 is paid annually to Emterra. Per the contract with Richfield Equities, the pricing for years 2012-2014 may be adjusted based upon excessive fuel price increases or decreases.

2013	\$	1,226,742
2014		1,226,742

Note 16 - Upcoming Accounting Pronouncements

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the Township for the year ending December 31, 2013.

Note 16 - Upcoming Accounting Pronouncements (Continued)

In June 2012, the GASB issued two new pension standards, GASB Statement No. 67, *Financial Reporting for Pension Plans*, and No. 68, *Accounting and Financial Reporting for Pensions*. These new standards significantly revise the current accounting and reporting for pensions, both from an employer perspective as well as from a plan perspective. Employers providing defined benefit pensions to its employees must now, under these new standards, recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised and expanded note disclosures and required supplemental information (RSI). Statement No. 67 is required to be adopted for December 31, 2013 and Statement No. 68 one year later.

Required Supplemental Information

Charter Township of Flint

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 4,421,300	\$ 4,421,300	\$ 4,335,018	\$ (86,282)
Licenses and permits	289,350	289,350	363,072	73,722
Federal grants	44,788	44,788	190,035	145,247
State-shared revenue and grants	2,174,500	2,174,500	2,398,343	223,843
Charges for services	1,287,239	1,287,239	1,343,153	55,914
Fines and forfeitures	180,500	180,500	161,363	(19,137)
Investment income	60,000	60,000	51,400	(8,600)
Rental income	19,200	19,200	20,203	1,003
Other revenue:				
Special assessments	1,175,000	1,175,000	1,169,053	(5,947)
Cable franchise fees	480,000	480,000	507,102	27,102
Other miscellaneous income	76,907	76,907	137,196	60,289
Total revenue	10,208,784	10,208,784	10,675,938	467,154
Expenditures - Current				
General government:				
Township Board	70,589	70,589	66,998	3,591
Supervisor's office	112,702	112,702	110,819	1,883
Controller's office	199,287	199,287	198,837	450
Treasurer	288,886	288,886	285,949	2,937
Assessing	313,807	315,575	311,430	4,145
Board of Review and Appeals	7,800	7,800	3,611	4,189
Clerk	156,917	156,917	130,208	26,709
Elections	223,617	223,617	146,882	76,735
Buildings and grounds	222,107	222,107	166,724	55,383
Insurance and other functions	1,211,090	1,305,381	1,269,483	35,898
Planning commission	8,949	8,949	3,408	5,541
Civil service	2,750	2,750	2,534	216
Total general government	2,818,501	2,914,560	2,696,883	217,677
Public safety:				
Police	4,261,205	4,261,205	4,081,510	179,695
Fire department	1,775,488	1,933,202	1,889,922	43,280
Building department and trade inspections	280,391	305,913	303,169	2,744
Total public safety	6,317,084	6,500,320	6,274,601	225,719
Public works				
Recreation and culture	1,644,700	1,644,700	1,603,985	40,715
Debt service:				
Principal	6,817	6,817	6,404	413
Interest on long-term debt	-	-	413	(413)
Total expenditures	10,830,152	11,138,252	10,673,923	464,329
Excess of Revenue (Under) Over Expenditures	(621,368)	(929,468)	2,015	931,483
Other Financing Sources - Sale of capital assets	2,500	2,500	8,782	6,282
Net Change in Fund Balance	(618,868)	(926,968)	10,797	937,765
Fund Balance - Beginning of year	5,033,037	5,033,037	5,033,037	-
Fund Balance - End of year	<u>\$ 4,414,169</u>	<u>\$ 4,106,069</u>	<u>\$ 5,043,834</u>	<u>\$ 937,765</u>

Charter Township of Flint

Note to Required Supplemental Information Year Ended December 31, 2012

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end. Prior to January 1, the budget is legally enacted on a departmental (activity) basis through passage of a resolution for all budgeted funds. The supervisor or designee is authorized to transfer budgeted amounts within departmental appropriation accounts; however, any revisions that alter the total expenditures of any department must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

The following is a comparison of budget on a project (grant) length basis and actual expenditures for the Community Development Fund for the year ended December 31, 2012.

	Revised Project (Grant) Length Budget	Project Funds Expended During 2012	Total Project Funds Expended Through 12-31-12	Unexpended Balance at 12-31-12
Special Revenue Fund type -				
Community Development Fund:				
Public works projects 2011	\$ 194,542	\$ 103,327	\$ 156,755	\$ 37,787
Public safety projects 2011	236,000	210,518	221,101	14,899
Recreation and cultural projects 2011	9,738	7,764	9,738	-
Recreation and cultural projects 2012	9,738	4,378	4,378	5,360
Total Community Development Fund	<u>\$ 450,018</u>	<u>\$ 325,987</u>	<u>\$ 391,972</u>	<u>\$ 58,046</u>

Charter Township of Flint

Required Supplemental Information Pension System Schedule of Funding Progress Year Ended December 31, 2012

The schedule of funding progress for the firefighters' pension plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/06	\$ 3,721,093	\$ 6,876,518	\$ 3,155,425	54.1	\$ 1,000,057	315.5
12/31/07	4,037,110	7,086,243	3,049,133	57.0	1,001,071	304.6
12/31/08	4,076,685	7,240,933	3,164,248	56.3	996,212	317.6
12/31/09	4,291,101	7,720,283	3,429,182	55.6	1,086,506	315.6
12/31/10	4,347,371	8,050,201	3,702,830	54.0	964,696	383.8
12/31/11	4,355,646	7,995,528	3,639,882	54.5	893,306	407.5

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
12/31/07	12/31/06	\$ 302,223	132.8
12/31/08	12/31/07	291,496	132.8
12/31/09	12/31/08	337,360	125.6
12/31/10	12/31/09	313,672	102.1
12/31/11	12/31/10	329,630	100.3
12/31/12	12/31/11	324,462	100.0

* The required contribution is expressed to the Township as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2011, the latest actuarial valuation, follows:

Amortization method	Entry age, closed
Amortization period (perpetual)	18 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	4.5% - 7.5%
*Includes inflation at	4.5%
Cost of living adjustments	None

Other Supplemental Information

Charter Township of Flint

	Special Revenue Funds					
	Municipal Street Fund	Community Development	JAG Grant Fund	Building Authority	Fire Safety Equipment	Police Special Millage
Assets						
Cash and investments	\$ 371,893	\$ -	\$ 1,269,028	\$ -	\$ 392,898	\$ 118,688
Receivables:						
Property taxes receivable	310,355	-	-	-	155,102	310,355
Special assessments receivable	133,096	-	-	-	-	-
Other receivables	5,209	-	-	-	-	-
Due from other governmental units	-	24,723	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	\$ 820,553	\$ 24,723	\$ 1,269,028	\$ -	\$ 548,000	\$ 429,043
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 77,588	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governmental units	-	-	-	-	-	-
Due to other funds	-	24,723	91	-	-	-
Deferred revenue	571,537	-	-	-	213,048	426,249
Total liabilities	649,125	24,723	91	-	213,048	426,249
Fund Balances - Restricted						
Roads	171,428	-	-	-	-	-
Police	-	-	-	-	-	2,794
Fire	-	-	-	-	334,952	-
Debt service	-	-	-	-	-	-
Grants	-	-	1,268,937	-	-	-
Total fund balances	171,428	-	1,268,937	-	334,952	2,794
Total liabilities and fund balances	\$ 820,553	\$ 24,723	\$ 1,269,028	\$ -	\$ 548,000	\$ 429,043

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2012**

<u>Debt Service Funds</u>			Total
Police Grants Fund	Building Authority Debt	Road Debt Service	Nonmajor Governmental Funds
\$ -	\$ 22,676	\$ 360,242	\$ 2,535,425
-	-	-	775,812
-	-	600,361	733,457
-	-	-	5,209
-	-	-	24,723
<u>18,166</u>	<u>-</u>	<u>-</u>	<u>18,166</u>
<u>\$ 18,166</u>	<u>\$ 22,676</u>	<u>\$ 960,603</u>	<u>\$ 4,092,792</u>
\$ -	\$ -	\$ -	\$ 77,588
18,166	-	-	18,166
-	-	-	24,814
<u>-</u>	<u>-</u>	<u>644,157</u>	<u>1,854,991</u>
18,166	-	644,157	1,975,559
-	-	-	171,428
-	-	-	2,794
-	-	-	334,952
-	22,676	316,446	339,122
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,268,937</u>
<u>-</u>	<u>22,676</u>	<u>316,446</u>	<u>2,117,233</u>
<u>\$ 18,166</u>	<u>\$ 22,676</u>	<u>\$ 960,603</u>	<u>\$ 4,092,792</u>

Charter Township of Flint

	Special Revenue Funds					
	Municipal Street Fund	Community Development	JAG Grant Fund	Building Authority	Fire Safety Equipment	Police Special Millage
Revenue						
Property taxes	\$ 441,610	\$ -	\$ -	\$ -	\$ 220,770	\$ 441,906
Federal grants	-	325,987	226,615	-	-	-
Investment income	10,990	-	4,197	5	1,294	531
Rental income	-	-	-	-	-	-
Other revenue	148,980	-	-	-	-	-
Total revenue	601,580	325,987	230,812	5	222,064	442,437
Expenditures - Current						
Public safety	-	210,518	275,225	-	4,701	444,635
Public works	407,393	103,327	-	-	-	-
Recreation and culture	-	12,142	-	-	-	-
Debt service:						
Principal	106,567	-	-	-	188,836	-
Interest on long-term debt	24,057	-	-	-	5,722	-
Total expenditures	538,017	325,987	275,225	-	199,259	444,635
Excess of Revenue Over (Under) Expenditures	63,563	-	(44,413)	5	22,805	(2,198)
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	-
Transfers out	(15,456)	-	-	(16,735)	-	-
Total other financing sources (uses)	(15,456)	-	-	(16,735)	-	-
Net Change in Fund Balances	48,107	-	(44,413)	(16,730)	22,805	(2,198)
Fund Balances (Deficit) - Beginning of year	123,321	-	1,313,350	16,730	312,147	4,992
Fund Balances - End of year	<u>\$ 171,428</u>	<u>\$ -</u>	<u>\$ 1,268,937</u>	<u>\$ -</u>	<u>\$ 334,952</u>	<u>\$ 2,794</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances (Deficit)
Nonmajor Governmental Funds
Year Ended December 31, 2012

Debt Service Funds			Total
Police Grants Fund	Building Authority Debt	Road Debt Service	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 1,104,286
270,384	-	-	822,986
-	23	38,898	55,938
-	110,750	-	110,750
-	-	143,248	292,228
<u>270,384</u>	<u>110,773</u>	<u>182,146</u>	<u>2,386,188</u>
245,797	-	-	1,180,876
-	-	-	510,720
-	-	-	12,142
-	40,000	140,000	475,403
-	71,025	40,187	140,991
<u>245,797</u>	<u>111,025</u>	<u>180,187</u>	<u>2,320,132</u>
24,587	(252)	1,959	66,056
-	16,735	15,456	32,191
-	-	-	(32,191)
<u>-</u>	<u>16,735</u>	<u>15,456</u>	<u>-</u>
24,587	16,483	17,415	66,056
<u>(24,587)</u>	<u>6,193</u>	<u>299,031</u>	<u>2,051,177</u>
<u>\$ -</u>	<u>\$ 22,676</u>	<u>\$ 316,446</u>	<u>\$ 2,117,233</u>

Charter Township of Flint

Other Supplemental Information Nonmajor Governmental Fund - Municipal Street Fund Budgetary Comparison Year Ended December 31, 2012

	Original Budget - Unaudited	Amended Budget - Unaudited	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 454,878	\$ 454,878	\$ 441,610	\$ (13,268)
Investment income	6,750	6,750	10,990	4,240
Other revenue - Local donations	79,180	79,180	148,980	69,800
Total revenue	540,808	540,808	601,580	60,772
Expenditures				
Current - Public works	352,450	525,627	407,393	118,234
Debt service:				
Principal	139,094	139,094	106,567	32,527
Interest on long-term debt	-	-	24,057	(24,057)
Total expenditures	491,544	664,721	538,017	126,704
Transfers Out	(15,456)	(15,456)	(15,456)	-
Net Change in Fund Balance	33,808	(139,369)	48,107	187,476
Fund Balance - Beginning of year	123,321	123,321	123,321	-
Fund Balance (Deficit) - End of year	<u>\$ 157,129</u>	<u>\$ (16,048)</u>	<u>\$ 171,428</u>	<u>\$ 187,476</u>

Charter Township of Flint

Other Supplemental Information Nonmajor Governmental Fund - JAG Grant Fund Budgetary Comparison Year Ended December 31, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Federal grants	\$ 795,500	\$ 795,500	\$ 226,615	\$ (568,885)
Investment income	4,500	4,500	4,197	(303)
Total revenue	800,000	800,000	230,812	(569,188)
Expenditures - Current - Public safety - Fire department	800,000	800,000	275,225	524,775
Net Change in Fund Balance	-	-	(44,413)	(44,413)
Fund Balance - Beginning of year	1,313,350	1,313,350	1,313,350	-
Fund Balance - End of year	<u>\$ 1,313,350</u>	<u>\$ 1,313,350</u>	<u>\$ 1,268,937</u>	<u>\$ (44,413)</u>

Charter Township of Flint

Other Supplemental Information Nonmajor Governmental Fund - Police Grants Fund Budgetary Comparison Year Ended December 31, 2012

	Original Budget - Unaudited	Amended Budget - Unaudited	Actual	Variance with Amended Budget
Revenue - Federal grants	\$ 210,000	\$ 210,000	\$ 270,384	\$ 60,384
Expenditures - Current - Public safety - Police	210,000	210,000	245,797	(35,797)
Net Change in Fund Balance	-	-	24,587	24,587
Fund Deficit - Beginning of year	(24,587)	(24,587)	(24,587)	-
Fund Deficit - End of year	<u>\$ (24,587)</u>	<u>\$ (24,587)</u>	<u>\$ -</u>	<u>\$ 24,587</u>

Charter Township of Flint

Other Supplemental Information Nonmajor Governmental Fund - Community Development Budgetary Comparison Year Ended December 31, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue - Federal grants	\$ 125,000	\$ 125,000	\$ 325,987	\$ 200,987
Expenditures - Current				
Public safety	16,000	16,000	210,518	(194,518)
Public works	98,000	98,000	103,327	(5,327)
Recreation and culture	11,000	11,000	12,142	(1,142)
Total expenditures	<u>125,000</u>	<u>125,000</u>	<u>325,987</u>	<u>(200,987)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Charter Township of Flint

Other Supplemental Information Nonmajor Governmental Fund - Building Authority Budgetary Comparison Year Ended December 31, 2012

	Original Budget - Unaudited	Amended Budget - Unaudited	Actual	Variance with Amended Budget
Revenue - Investment income	\$ -	\$ -	\$ 5	\$ 5
Transfers Out	<u>(16,730)</u>	<u>(16,730)</u>	<u>(16,735)</u>	<u>(5)</u>
Net Change in Fund Balance	(16,730)	(16,730)	(16,730)	-
Fund Balance - Beginning of year	<u>16,730</u>	<u>16,730</u>	<u>16,730</u>	<u>-</u>
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Charter Township of Flint

Other Supplemental Information Nonmajor Governmental Fund - Fire Safety Equipment Budgetary Comparison Year Ended December 31, 2012

	Original Budget - Unaudited	Amended Budget - Unaudited	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 227,290	\$ 227,290	\$ 220,770	\$ (6,520)
Investment income	1,000	1,000	1,294	294
Total revenue	228,290	228,290	222,064	(6,226)
Expenditures - Current				
Public safety - Fire department	34,100	34,100	4,701	29,399
Debt service:				
Principal	188,836	188,836	188,836	-
Interest on long-term debt	5,722	5,722	5,722	-
Total expenditures	228,658	228,658	199,259	29,399
Net Change in Fund Balance	(368)	(368)	22,805	23,173
Fund Balance - Beginning of year	312,147	312,147	312,147	-
Fund Balance - End of year	<u>\$ 311,779</u>	<u>\$ 311,779</u>	<u>\$ 334,952</u>	<u>\$ 23,173</u>

Charter Township of Flint

Other Supplemental Information Nonmajor Governmental Fund - Police Special Millage Budgetary Comparison Year Ended December 31, 2012

	Original Budget - Unaudited	Amended Budget - Unaudited	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 454,878	\$ 454,878	\$ 441,906	\$ (12,972)
Investment income	700	700	531	(169)
Total revenue	455,578	455,578	442,437	(13,141)
Expenditures - Current -				
Public safety	455,578	455,578	444,635	10,943
Net Change in Fund Balance	-	-	(2,198)	(2,198)
Fund Balance - Beginning of year	4,992	4,992	4,992	-
Fund Balance - End of year	\$ 4,992	\$ 4,992	\$ 2,794	\$ (2,198)

Charter Township of Flint

Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds December 31, 2012

	Pension and Other Employee Benefit Trust Funds			Agency Funds		
	Firefighters' Pension Trust Fund	Retiree Health Care Trust Fund	Total Pension and Other Employee Benefit Trust Funds	General Agency	Tax Collection	Total Agency Funds
Assets						
Cash and cash equivalents	\$ 63,414	\$ -	\$ 63,414	\$ 197,626	\$ 123,622	\$ 321,248
Investments - Mutual funds	4,692,426	78,861	4,771,287	-	-	-
Receivables	-	-	-	357,419	-	357,419
Accrued interest	4,522	-	4,522	-	-	-
Total assets	4,760,362	78,861	4,839,223	\$ 555,045	\$ 123,622	\$ 678,667
Liabilities						
Due to other governmental units	-	-	-	\$ 248,651	\$ -	\$ 248,651
Undistributed taxes	-	-	-	73,305	123,621	196,926
Refundable deposits, bonds, etc.	-	-	-	173,168	1	173,169
Accrued liabilities and other	-	-	-	59,921	-	59,921
Total liabilities	-	-	-	\$ 555,045	\$ 123,622	\$ 678,667
Net Assets Held in Trust for Pension and Postemployment Benefits	\$ 4,760,362	\$ 78,861	\$ 4,839,223			

Charter Township of Flint

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Asset Fiduciary Funds Year Ended December 31, 2012

	Firefighters' Pension Trust Fund	Retiree Health Care Trust fund	Total
Additions			
Investment income:			
Interest and dividends	\$ 162,481	\$ -	\$ 162,481
Net increase in fair value of investments	383,562	8,752	392,314
Net investment income	546,043	8,752	554,795
Contributions:			
Employer	324,461	519,327	843,788
Employee	64,135	-	64,135
Net contributions	388,596	519,327	907,923
Total additions	934,639	528,079	1,462,718
Deductions			
Benefit payments	498,642	512,327	1,010,969
Administrative expenses	7,189	334	7,523
Total deductions	505,831	512,661	1,018,492
Net Increase in Net Assets Held in Trust	428,808	15,418	444,226
Net Assets Held in Trust for Pension and Postemployment Benefits - Beginning of year	4,331,554	63,443	4,394,997
Net Assets Held in Trust for Pension and Postemployment Benefits - End of year	\$ 4,760,362	\$ 78,861	\$ 4,839,223

May 16, 2013

To the Township Board
Charter Township of Flint

We have audited the financial statements of the Charter Township of Flint (the "Township") as of and for the year ended December 31, 2012 and have issued our report thereon dated May 16, 2013. Professional standards require that we provide you with the following information related to our audit which is divided into the following sections:

Section I - Required Communications with Those Charged with Governance

Section II - Legislative and Related Informational Items

Section I includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the Township Board of the Charter Township of Flint.

Section II presents recommendations related to internal control, procedures, and other matters noted during our current year audit. These comments are offered in the interest of helping the Township in its efforts toward continuous improvement, not just in the areas of internal control and accounting procedures, but also in operational or administrative efficiency and effectiveness.

We would like to take this opportunity to thank the Township's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the Township Board and management of the Charter Township of Flint and is not intended to be and should not be used by anyone other than these specified parties.

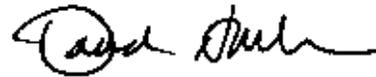
To the Township Board
Charter Township of Flint

May 16, 2013

We welcome any questions you may have regarding the following communications and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Tadd Harburn". The signature is fluid and cursive, with a large initial "T" and a long, sweeping underline.

Tadd A. Harburn, CPA

A handwritten signature in black ink, appearing to read "Chrystal Simpson". The signature is cursive and clearly legible.

Chrystal Simpson, CPA

Section I - Communications Required Under AU 260

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 28, 2013, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Charter Township of Flint. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the Charter Township of Flint's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the Charter Township of Flint, including compliance with certain provisions of laws, regulations, contracts, grant agreements, certain instances of error or fraud, illegal acts applicable to government agencies, and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter regarding our consideration of the Charter Township of Flint's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on March 19, 2013.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Charter Township of Flint are described in Note I to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2012.

We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the asset related to estimate of uncollectible property taxes, pension obligations, and the annual required contribution for postemployment benefits.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Management has corrected all such misstatements including the entry described in the material weakness section of the AU 260 letter above.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Township, and business plans and strategies that may affect the risks of material misstatement with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 16, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Section II - Legislative and Related Informational Items

Budgetary Stress

The Township has completed three years of overall revenue decline. Specifically:

- Property taxes have declined due to decreases in taxable value. After decades of relatively dependable inflationary increases, taxable valuations as of December 31 dropped approximately \$145 million since 2008, and are projected to decrease another 7.7 percent next year, subject to the final Board of Review and Michigan Tax Tribunal changes.
- State-shared revenue experienced a steady decline since 2001, as the State used it to balance its own budget. With the onset of the governor's Economic Vitality Incentive Program (EVIP), 2011 saw an additional 1/3 reduction in what was previously the statutory portion of revenue sharing.
- Building permits, interest income and most revenues have dropped off the charts.

Expected revenue for the new year, 2013, is anticipated to be 1.6 percent lower than 2012. This has permanently re-set the level of services that the Township can afford to provide. In reaction to this revenue decline, the Township has:

- Reviewed and modified employee benefits
- Reduced staffing levels through attrition
- A new garbage contract with lower costs while increasing service levels
- Consolidation of services and efficiency studies

We would like to commend the Township for the actions taken to date. Difficult decisions need to be made to remain fiscally prudent, since any cuts impact employees as well as service levels that residents had come to expect. Unfortunately, the taxable value continues to decline, and we anticipate that additional cost reductions or revenue increases will become necessary in the 2013 budget.

Revenue Sharing

One major change in the State's FY 2013 budget was moving 20 percent of the County revenue sharing to an incentive program. Total revenue sharing as compared to 2011-12 is as follows:

	<u>2012-2013</u>	<u>2011-2012 (as of 2/2012)</u>	<u>% Change</u>
Constitutional portion	\$ 725,496,300	\$ 697,500,500	+4%
EVIP **	225,000,000	210,000,000	+7%
County revenue sharing	104,480,000	115,000,000	
County incentive (EVIP-like)**	26,120,000	-	+13%
Grants *	15,000,000	5,000,000	
Total	<u>\$ 1,096,096,300</u>	<u>\$ 1,027,500,500</u>	

The EVIP, County incentive, and grants include significant one-time boilerplate appropriations of \$7.5 million, \$2.5 million, and \$10 million, respectively.

- * Includes school districts and ISDs in 2012-2013, but only if not already receiving a grant from the State School Aid Fund. Also, funds can only be used for combining operations with a city, village, township, or county.
- ** In order to receive funds for EVIP and the County incentive program, the following requirements must be met:

Category 1 - Accountability and Transparency - Due Date was October 1, 2012

- Produce a citizens guide, including recognition of unfunded liabilities
- Produce a performance dashboard
- Publish a projected budget report - Include current and succeeding year, debt service payments, and assumptions used

Category 2 - Consolidation of Services - Due Date was February 1, 2013

- Produce a consolidation plan
- If first time, include past endeavors and associated cost savings
- Must include one new initiative with savings estimate and timeline
- If no new initiatives identified, must address why it is not feasible to enter into any new consolidation efforts
- If second time, report on progress of prior plan, including barriers

Category 3 - Employee Compensation - Due Date June 1, 2013

Key point - This section has three options.

Option 1 - Modified compensation plan

- New hires that are eligible for retirement plans must be put in plans that cap employer contributions at 10 percent of base salary if eligible for Social Security or 16.2 percent if not.
- For defined benefit plans, maximum multipliers are as follows:

Eligible for Social Security?	Provided with Retiree Healthcare?	Maximum Multiplier
Yes	Yes	1.5%
Yes	No	2.25%
No	Yes	2.25%
No	No	3.00%

- For defined benefit plans, final average compensation shall use a minimum of three years and shall not include more than 240 hours of paid leave. Overtime hours shall not be included.
- Healthcare premium costs for new hires shall include a minimum 20 percent employee share or employer's share shall be cost competitive with new state preferred provider organization health plan on a per-employee basis.

Option 2 - Compliance with PA 152 of 2011 - Publicly Funded Health Insurance Contribution Act - Certify compliance with the new act that requires hard caps, or alternately 80 percent/20 percent cost sharing. This includes the opt-out provision.

Option 3 - Certify that no medical benefits are offered.

Payment Timing Has Changed (well, sort of!)

For all except counties, the way that payments are distributed has changed. In 2011-2012, a portion of the payment for each of the three categories was paid on each of the six payment dates throughout the year. Now there are only two payment dates for each of the three categories, such that each local unit will not receive payment associated with each category until the due date, and then the payment will be split between the following two months. The following is an example:

	Prior Methodology			New Methodology		
	Category			Category		
	1	2	3	1	2	3
October 31, 2012	\$10,000	\$10,000	\$10,000	\$30,000		
December 31, 2012	10,000	10,000	10,000	30,000		
February 28, 2013	10,000	10,000	10,000		\$30,000	
April 30, 2013	10,000	10,000	10,000		30,000	
June 30, 2013	10,000	10,000	10,000			\$30,000
August 31, 2013	10,000	10,000	10,000			30,000
Total	60,000	60,000	60,000	60,000	60,000	60,000

If a local unit fails to meet the initial certification timeline, there is still an opportunity to get the second of the two payments if the unit certified prior to the first month of the second distribution. For example, if you miss the October 1, 2012 deadline, a certification prior to December 1, 2012 will allow you to receive the second normally scheduled payment, but not the first.

Proposed Changes for Fiscal Year 2014

There is legislation on the table that proposes changes to the three EVIP compliance categories for the State's upcoming fiscal year. The changes have NOT been passed and remain in draft form. Proposed changes to Category 1 are ever evolving as it makes its way through committees, but generally the following provisions have been discussed, such as making available for public viewing (i.e., at the municipality or on the website) information such as salary and severance package details for all employees as well as a list of all contracts over \$25,000. One committee report did away with these provisions. Universal to all versions - Category 1 would require communities to provide a significant amount of detail related to outstanding debt issuances.

Category 2 is expected to be expanded to also allow "innovations" and privatizations to apply based on the written language. Some versions state that submission of a "new plan" is not required as long as at least one effort was implemented in the past.

Category 3 may require additional certifications related to details surrounding extended or renewed contracts. In addition, the pending legislation includes a requirement that municipalities would need to submit a plan to lower all unfunded accrued liabilities (both pension and healthcare). We will continue to monitor this legislation and inform you of any updates.

Healthcare Limitations

PA 152 of 2011, the Publicly Funded Health Insurance Contribution Act, was signed into law by the governor in late September 2011. This new law requires all public employers to place hard caps on the amounts they contribute toward healthcare with an option to elect an 80 percent contribution cap rather than a hard cap. There is also an option for a “local unit” to opt out entirely. Please note that local unit has a different definition than public employer. Not all public employers are deemed to be local units.

PA 152 would limit annual costs for medical benefit plans to the following:

- \$5,500 for single coverage
- \$11,000 for individual and spousal coverage
- \$15,000 for family coverage

These limits would apply to “contract years” beginning after January 1, 2012 (although it would not apply to employees covered by a union contract entered into before September 27, 2011 until that contract expired). Current guidance from the Treasury Department defines “contract year” as the one-year period beginning on the date that newly elected or newly renewed coverage begins for a group of persons under a medical benefit plan. (Typically this period begins soon after the close of the annual open enrollment.)

The State recently released the caps for benefit plan coverage years beginning on or after January 1, 2013. The caps were increased in response to the release of the most recent U.S. medical care component CPI data which showed a percent change of 3.5 percent. The increased caps are as follows:

- \$5,692.50 for single coverage
- \$11,385.00 for individual and spousal coverage
- \$15,525.00 for family coverage

Alternatively, given a majority vote of its governing bodies, a public employer can opt out of the hard cap and into an 80 percent contribution cap. Under this option, public employers would pay no more than 80 percent of the total annual costs for all of the medical benefit plans it offers or contributed to for its employees and elected public officials. This option would require that publicly elected officials would have to pay 20 percent or more of the total annual costs of that plan, but the employee's share of the costs could be allocated as the government sees fit.

This act does contain a complete opt-out provision, but only for local units. It would allow communities to opt out of these provisions entirely with a 2/3 vote of the governing body.

Failure to comply with the provisions in this act will result in a 10 percent reduction in each EVIP payment for the period of noncompliance. Opting out by a 2/3 vote of the governing body under the provisions of this act is not considered failure to comply.

Personal Property Tax Proposals

The personal property tax was repealed by the passing of several bills during the Legislature's lame duck session in December. This repeal is contingent upon a statewide vote in August 2014 to allow for a shifting of the Use Tax to a reimbursement fund. Key provisions of the act phase out the industrial portion of the tax over a nine-year period beginning in 2016. Also, businesses with less than \$40,000 taxable value in industrial and commercial personal property in any jurisdiction would no longer pay the tax.

As for the impact on local communities, in short, those local governments that would lose at least 2.3 percent of their property tax base as a result of the changes would be eligible to be reimbursed at 80 percent of the revenue the personal property tax currently provides. This reimbursement would come from the Metropolitan Area Authority, a newly created entity led by five governor appointees. This authority would be responsible for distributing the use tax collections as well as monies generated from expiring tax credits.

In addition, local governments would have the option to assess a special assessment on industrial property (referred to as Essential Services Assessments). This assessment would not require local voter approval and would reimburse police, fire, ambulance services, and jail operations to ensure they receive 100 percent of the funding that they now get from the personal property tax.

When working through upcoming budgets and longer-term projections, please keep these items in mind. The final act has not yet been published by the State.

The Michigan Municipal League has developed a tool to aid communities in calculating the potential impact of the personal property tax cuts:

<http://www.mml.org/advocacy/inside208/post/PPT-calculation-spreadsheet-available.aspx>

Retro-Pay Prohibition

Public Act 54 of 2011, which was signed by the governor on June 7, 2011, prohibits retroactive pay on an expired contract and calls for employees working under an expired agreement to bear the cost of any increased healthcare costs until a new contract is in effect. During that period, the public employer is authorized to make payroll deductions necessary to pay the increased cost of maintaining those benefits.

Recently, the House Local Government Committee held a second hearing on a new bill introduced this past summer that would amend PA 54 of 2012, the law prohibiting retroactive wage increases, to exempt police officers and firefighters. This proposed legislation did not pass during the lame duck session in December and will most likely be reintroduced in 2013.

Emergency Manager

Public Act 4 of 2011, which is known as the “emergency manager bill,” was repealed by voters in the November 2012 election. In response to the repeal, the Legislature passed a replacement to this bill, PA 436, the Local Financial Stability and Choice Act. This new legislation gives distressed communities the following four options:

1. Enter into a consent agreement
2. Mediation with the State
3. Emergency manager
4. Chapter 9 bankruptcy

Another key change is that under this new act, the State will be responsible to pay the salary and other related costs of the Emergency Manager and not the distressed community. In the now obsolete PA 4, this cost was covered by the State. The Act took effect in March 2013.

Deficit Elimination Plans

The Michigan Department of Treasury issued numbered letter 2012-1 in February 2012 which clarifies when a deficit elimination plan is required and how to quantify the deficit requiring elimination. In addition, it also charges local units with the responsibility to file deficit elimination plans concurrent with the submission of the audit report to the Department of Treasury. Local units should no longer be waiting for a letter from the State to file their plans. The plans are now due on or before the filing of your financial statement. Failure to file a plan can result in withholding of 25 percent of the EVIP revenue-sharing payments.

The plans should typically result in elimination of the deficit within one year but should never exceed five years. These plans should also have acceptable evidence to support the plan. The letter defines “acceptable evidence” as certified board/council resolutions approving the funding and the journal entry showing that the transfer was made in the general ledger. Additionally, if there is a projected multi-year budget, this too must be approved by the council/board and submitted. Plans and support can be emailed to Treas_MunicipalFinance@michigan.gov or mailed to the Michigan Department of Treasury.

The letter defines a fund deficit, since the law lacks any reference to generally accepted accounting terminology. It states that for governmental funds (not proprietary funds, fiduciary funds, or discretely presented component units) “a plan is necessary to eliminate any “unrestricted fund balance” deficits. Unrestricted fund balance is the sum of the committed, assigned, and unassigned balances.” Determining whether a deficit exists is more challenging for proprietary funds, fiduciary funds, and discretely presented component units and local units will be expected to apply the test that is explained in the letter. We highly recommend that local units review the letter at the following link to ensure that they comply with the requirements: http://www.michigan.gov/treasury/0,1607,7-121-1751_2194_2196---,00.html#2012.

Pension Obligation Bonds and Other Postemployment Benefits Obligation Bonds

Michigan Public Act 329 of 2012 was passed on October 17, 2012 with immediate effect. The Act allows communities who meet certain criteria to issue bonds to fund all or a portion of their unfunded pension and other postemployment benefits (OPEB) liabilities. The bonds are called Pension Obligation Bonds or Other Postemployment Benefits Obligation Bonds and are collectively referred to as "Benefit Bonds".

These bonds are subject to federal taxation but are tax exempt by the State of Michigan and must be issued prior to December 31, 2014. The bonds are issued by ordinance or resolution and do not require a vote of the people.

Municipalities must meet all of the following key requirements (the act also states additional requirements) in order to be eligible to issue benefit bonds:

- Prior to issuance, the municipality must obtain approval from the State Department of Treasury. In addition, the municipality must publish a notice of intent to issue the security.
- Be assigned a credit rating of AA rating or higher by one of the nationally recognized rating agencies (Standards & Poor's, Moody's, or Fitch)
- The issued security shall be rated investment grade by a nationally recognized rating agency.
- The property taxes necessary to meet the debt service obligation may not exceed the limit authorized by law.
- Have a legal capacity to issue the obligation as these Bonds are not exempt from legal debt limitations
- Relative to the pension plan, have partial or complete cessation of accruals to a defined benefit plan or closed the defined benefit plan to new or certain existing employee groups and implemented a defined contribution plan (this requirement does not apply to the retiree health care, or OPEB plan)
- The municipality shall covenant with bond holders and the State that it will not, after the issuance of Benefit Bonds and while the Bonds are outstanding, rescind any action taken for the cessation of accruals to a defined benefit plan or complete closure of defined benefit plans for new and existing employees.

In addition, the municipality must prepare a comprehensive financial plan which is to be made available to the public. Each of the following elements must be completed to meet this requirement:

1. An analysis of the current and future obligations of the pension or OPEB plan
2. Evidence that the issuance of the municipal bonds, together with other available revenues, will be sufficient to eliminate the unfunded liability
3. Debt service amortization schedules and a description of the actions required by the municipality to satisfy the debt service payments
4. Certification by the person preparing the plan that it is complete and accurate
5. If the bond proceeds are to be placed in a health care trust fund, the municipality must also put in place a plan to mitigate increases in health care costs, such as the implementation of a wellness program

Michigan's Public Pension Systems - Impact of PA 347 of 2012

In December 2012, Governor Rick Snyder signed Public Act 347 of 2012 into law. This legislation makes some significant changes that will impact all public retirement systems in Michigan. Amending Public Act 314 of 1965, these new rules are meant to provide greater flexibility to these systems as to how funds are invested while at the same time imposing additional requirements aimed at transparency and accountability. These changes, which went into effect in March 2013, are summarized below:

Changes to Allowable Investment Vehicles

Generally, rather than making it more restrictive, the new rules raise the maximums for several investment categories, such as real estate and global equities. As an example, the limitations within the "basket clause" are increasing by 10 percentage points, with most plans now allowed to invest between 15 percent and 20 percent within this section, depending upon plan size. Monitoring under these new limitations will continue to be important. Toward this end, plans will need to ensure their investment consultants, advisors, and managers are "on board" with the changes.

Spending Limitations

This act would limit the amount of spending on professional training, education, and travel. Under the legislation, the retirement system's board of trustees would be required to adopt an annual budget for professional training and education, including travel. This budget will be capped at the lesser of \$150,000 or an amount equal to \$12,000 multiplied by the number of board members, with professional training, education, and travel costs not to exceed \$30,000 for any one board member.

Additional Documentation and Reporting Requirements

Additional transparency reporting requirements for retirement systems, investment fiduciaries, and investment service providers are being imposed by this new public act. First, the legislation would require the publication by the plan of a Summary Annual Report (SAR). Although similar reporting requirements exist in the old legislation, this act requires more detailed reporting than what we are used to.

The SAR would include several additional disclosures, including the following: names of investment service providers, the system's itemized budget (including professional training, education, and travel), disclosure of the system's investment returns, and numerous pieces of information from the system's most recent annual actuarial valuation report. The system is required to make its SAR available to plan participants and citizens via posting to its website if the system has a website or, alternatively, would require the plan sponsor to post it to their website.

In addition, investment service providers are now required to give the investment fiduciary a complete written disclosure of all fees or other compensation associated with its relationship with the retirement system. This disclosure would be required both before providing any investment services as well as on an annual ongoing basis. Finally, financial records of the system must be retained for a minimum six-year period.

Michigan Qualifying Statement Revisions and Changes to Filing Process

Bulletin 6 was recently issued by the State Department of Treasury and is effective beginning May 1, 2013. The bulletin details out the revisions made to the form, changes in the electronic filing process, and provides information on the new process to submit a reconsideration request.

The Qualifying Statement is now Form 5047. The new form and link to the online filing are available at: www.michigan.gov/municipalfinance. You can also find Bulletin 6 by following this same link.

Several minor changes have been made to the form including the following: additional question asking for the municipality's six-digit municode, information buttons to provide added instruction, and elimination of the requirement to include SEV and population. In addition, changes were made to help ease the completion of the form such as the elimination of certain questions which were duplicative of information that the Department of Treasury already had at its disposal (i.e., audit filing date) as well as separating out compound questions to ease the process of responding to them.

The more significant change, however, is with the electronic filing process. Starting May 1, 2013, there is only one way in which a Qualifying Statement can be submitted, as follows:

1. The form is now a PDF that can be downloaded and saved. The form is fillable allowing preparers to type in responses and save the form with answers intact.
2. The PDF will be uploaded via the Department of Treasury website. The upload page is: www.michigan.gov/municipalfinance. Once you are on the webpage, choose the Online Qualifying Statement link.
3. The State has a set naming convention that should be used for each uploaded file. The file should be named as follows: municipality's six-digit municode + fiscal year + the words "QStmt" (example: 7830402012QStmt). Please note the system will only accept ONE Qualifying Statement per fiscal year per municipality.
4. Municipalities will not be able to use the same username and password that they used for filings prior to May 1, 2013. The State has directed each municipality to call the Local Audit and Finance Division at 517.373.3227 to obtain a new username and password.

The Bulletin also allows the Qualifying Statement to be filed by an individual other than the Chief Administrative Officer (CAO) as long as the CAO is made aware and takes full responsibility for the filing. The filer will be asked to indicate whether they are the CAO or the designee at the time the Qualifying Statement is filed.