

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Vienna Township	County Genesee
Fiscal Year End December 31, 2007	Opinion Date April 7, 2008	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

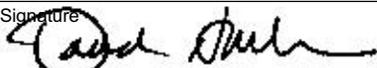
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.   The local unit has adopted a budget for all required funds.
5.   A public hearing on the budget was held in accordance with State statute.
6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.   The local unit only holds deposits/investments that comply with statutory requirements.
9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.   The local unit is free of repeated comments from previous years.
12.   The audit opinion is UNQUALIFIED.
13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.   The board or council approves all invoices prior to payment as required by charter or statute.
15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Plante & Moran, PLLC		Telephone Number 810-767-5350		
Street Address 111 East Court Street, Suite 1A		City Flint	State MI	Zip 48502
Authorizing CPA Signature 		Printed Name Tadd Harburn		License Number 1101014134

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

---

**Financial Report  
December 31, 2007**

# Charter Township of Vienna

---

## Contents

<b>List of Elected, Civil, and Appointed Officials</b>	1
<b>Report Letter</b>	2-3
<b>Management’s Discussion and Analysis</b>	4-8
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10-11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of the Balance Sheet to the Statement of Net Assets	13
Statement of Revenue, Expenditures, and Changes in Fund Balances	14-15
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	16
Proprietary Funds:	
Statement of Net Assets	17-18
Statement of Revenue, Expenses, and Changes in Net Assets	19
Statement of Cash Flows	20
Fiduciary Funds:	
Statement of Net Assets	21
Statement of Changes in Fund Net Assets	22
Notes to Basic Financial Statements	23-40

# **Charter Township of Vienna**

---

## **Contents (Continued)**

### **Required Supplementary Information**

Budgetary Comparison Schedule - General Fund	41
Budgetary Comparison Schedule - Sanitation Fund	42

### **Other Supplemental Information**

#### Fund Descriptions

#### Nonmajor governmental funds:

Combining Balance Sheet	43
Combining Statements of Revenue, Expenditures, and Changes in Fund Balances	44
Budgetary Comparison Schedule - Nonmajor Governmental Fund	45-46

# **Charter Township of Vienna**

---

## **List of Elected, Civil and Appointed Officials**

Anthony McKerchie, Supervisor

Richard Scott, Clerk

Paul Luttenbacher, Treasurer

Dennis Fuller, Trustee

Kathy Ridley, Trustee

Randy Taylor, Trustee

Michael J. Zinn, Trustee

Robert Palmer, Superintendent

## Report of Independent Auditor's

The Honorable Members  
of the Township Board  
Charter Township of Vienna  
Genesee County, Michigan

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 Vienna, Genesee County, Michigan (Township) as of December 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Vienna as of December 31, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The Honorable Members  
of the Township Board  
Charter Township of Vienna

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

April 7, 2008

## **Management's Discussion and Analysis**

---

# Charter Township of Vienna

---

## Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Vienna's performance provides an overview of Vienna Township's financial activities for the fiscal year ended December 31, 2007. Please read it in conjunction with the Township's financial statements.

### Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2007:

- Property taxes, our largest revenue source, increased by approximately \$90,954 or 7.25 percent.
- State-shared revenue, our second largest revenue source, was increased by the State of Michigan by approximately \$5,363 this year.
- Total net assets related to the Township's governmental activities increased by \$1,315. The unrestricted portion of the net assets increased by \$546,907.
- Total long-term liabilities decreased by \$1,083,188.

### Using this Annual Report

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

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

# Charter Township of Vienna

## Management's Discussion and Analysis (Continued)

Vienna Township as a whole:

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year (in thousands of dollars):

### Summary Condensed Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current assets	\$ 3,830,823	\$ 4,063,737	\$ 967,564	\$ 782,776	\$ 4,798,387	\$ 4,846,513
Noncurrent assets:						
Restricted assets	-	1,297,726	-	-	-	1,297,726
Capital assets	9,786,997	8,325,247	10,612,602	10,375,950	20,399,599	18,701,197
Total assets	13,617,820	13,686,710	11,580,166	11,158,726	25,197,986	24,845,436
Current liabilities	3,189,909	2,694,000	792,980	712,985	3,982,889	3,406,985
Long-term liabilities	5,986,356	6,552,470	1,167,694	1,684,768	7,154,050	8,237,238
Total liabilities	9,176,265	9,246,470	1,960,674	2,397,753	11,136,939	11,644,223
Net assets:						
Invested in capital assets - Net of related debt	3,235,475	2,614,722	8,930,359	8,187,597	12,165,834	10,802,319
Restricted	132,875	1,299,220	-	-	132,875	1,299,220
Unrestricted	1,073,205	526,298	689,133	573,376	1,762,338	1,099,674
Total net assets	\$ 4,441,555	\$ 4,440,240	\$ 9,619,492	\$ 8,760,973	\$14,061,047	\$13,201,213

Vienna Township's combined net assets increased 6.5 percent from a year ago - increasing from \$13,201,213 to \$14,061,047. As we look at the governmental activities separately from the business-type activities, we can see that they increased .03 percent and 9.8 percent respectively.

Business-type activities current assets increased \$184,788. Business-type capital assets increased \$236,652 from a year ago. This large increase is mainly due to the Linden Road Sewer Replacement being added to the business-type activities capital assets. The Vienna Township Business Development Authority has agreed to contribute the annual debt payment on the Linden Road sewer extension and the Vienna Road sewer extension note to the Township.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations - increased by \$546,907 for the governmental activities. This represents a increase of approximately 104.2 percent. The current level of unrestricted net assets of our governmental activities stands at \$1,073,205, or about 14 percent of total expenses. This is within the targeted range set by Vienna Township during its last budget process.

# Charter Township of Vienna

## Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets (in thousands of dollars) as of December 31, 2007 and the prior year.

### Summary Condensed Income Statement

	Governmental Activities		Business-type Activities		2007	Total 2006
	2007	2006	2007	2006		
<b>Revenue</b>						
Program Revenue:						
Charges for services	\$1,058,414	\$1,091,882	\$1,323,891	\$1,184,623	\$2,382,305	\$2,276,505
Operating grants and contributions	289,171	119,051	-	-	289,171	119,051
Capital grants and contributions	56,563	-	787,509	303,973	844,072	303,973
General revenue:						
Property taxes	1,345,970	1,255,016	-	-	1,345,970	1,255,016
State-shared revenue	1,000,406	995,043	-	-	1,000,406	995,043
Unrestricted investment earnings	129,369	126,830	21,107	15,791	150,476	142,621
Franchise fees	122,945	115,551	-	-	122,945	115,551
Miscellaneous revenue	104	190,000	-	-	104	190,000
Transfers	(200,000)	(249,035)	200,000	249,035	-	-
Total revenue	3,802,942	3,644,338	2,332,507	1,753,422	6,135,449	5,397,760
<b>Program Expenses</b>						
General government	820,354	802,388	-	-	820,354	802,388
Public safety	1,616,823	1,543,029	-	-	1,616,823	1,543,029
Public works	922,087	934,924	-	-	922,087	934,924
Recreation and cultural	177,372	109,808	-	-	177,372	109,808
Interest on long-term debt	264,991	116,356	-	-	264,991	116,356
Water and sewer	-	-	1,473,988	1,335,049	1,473,988	1,335,049
Total expenses	3,801,627	3,506,505	1,473,988	1,335,049	5,275,615	4,841,554
<b>Change in Net Assets</b>	1,315	137,833	858,519	418,373	859,834	556,206
<b>Net Assets - Beginning of year</b>	4,440,240	4,302,407	8,760,973	8,342,600	13,201,213	12,645,007
<b>Net Assets - End of year</b>	\$4,441,555	\$4,440,240	\$9,619,492	\$8,760,973	\$14,061,047	\$13,201,213

# **Charter Township of Vienna**

---

## **Management's Discussion and Analysis (Continued)**

### **Governmental Activities**

Vienna Township's total governmental revenues increased by \$158,604, despite the decrease in charges for services. The increase, which represents 4.4 percent, was primarily due to the continuing increase in property taxes and an increase in operating grants and contributions.

Expenses increased by \$295,122 during the year. The main factor for this was that Vienna Township closely monitored its spending.

### **Business Type Activities**

Vienna Township's business-type activities consist of the Water and Sewer Funds. We provide water to residents from the Genesee County Water System. We provide sewage treatment through a sewage treatment plant operated by Genesee County Water and Waste. Sewer and water expenses increased in 2007 by approximately \$138,949.

### **Vienna Township Funds**

Our analysis of Vienna Township's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not Vienna Township as a whole. The Vienna Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. Vienna Township's major governmental funds for 2007 include the General Fund, the Sanitation Fund, and the Capital Projects Fund.

The General Fund pays for most of Vienna Township's governmental services. The most significant are police and fire, which incurred expenses of approximately \$1,378,306 in 2007. Of the two services, the Township's share of the Fire Authority costs is supported by a 1 mill fire millage, which is recorded in the Public Safety Department.

### **General Fund Budgetary Highlights**

Over the course of the year, Vienna Township amended the budget to take into account events during the year. The most significant changes were to increase the Cemetery budget by \$33,600 mainly due to the installation of a curb and gutter and driveway repairs at the West Vienna Cemetery. The Township Board budget was decreased by \$27,750 due to decreases in legal fees and insurance expenses. Other than Public Safety, Vienna Township's departments stayed below budget, resulting in total expenditures \$31,251 below budget. Vienna Township anticipated a \$611,394 decrease in fund balance at the end of 2007. However, fund balance only decreased \$588,310 resulting in a difference of \$23,290 less than what was originally anticipated.

# Charter Township of Vienna

## Management’s Discussion and Analysis (Continued)

### Capital Asset and Debt Administration

At the end of 2007, Vienna Township had \$20,399,599 invested in a broad range of capital assets, including buildings, machinery, equipment and water and sewer lines. In addition, Vienna Township has invested significantly in roads within Vienna Township.

### Economic Factors and Next Year’s Budgets and Rates

- In recent years, Vienna Township has averaged approximately 100 new housing units constructed annually. 2007 was a particularly down year with only 11 new home starts, and it is probable that the low levels will continue in 2008. However, there are currently 4 major active developments. This will still result in some residential growth but nowhere near early 2000 levels. This growth will be reflected in a smaller increase in state equalized value, tax revenues, sewer and water tap-in and building fee revenues.
- Vienna Township is a major commercial center for northern Genesee County. Currently there are 2 major commercial developments going under construction and over 200 additional acres under the control of developers in the planning and marketing stages. However, there aren’t any projects in the preconstruction phase, which indicates that commercial construction and the revenues created by it should be down in 2008.

The negative trends have resulted in an actual decline in 2008 values. However, 2008 taxable values still had a small increase.

<u>Year</u>	<u>Total State Equalized Value</u>
2001	\$299,280,000
2002	\$328,830,000
2003	\$355,540,000
2004	\$379,770,000
2005	\$414,070,000
2006	\$439,400,000
2007	\$462,200,000
2008	\$448,900,000

Over the last 5 years, Vienna Township has averaged over \$250,000 annually in contributions (primarily tap-in fees) to finance the construction of additional water and sewer lines. In 2007, tap-in fess amounted to \$139,000. Vienna Township has no plans to construct sewer and water infrastructure in the upcoming year. There isn’t any expectation that construction will increase thereby increasing tap-in revenues to earlier levels.

### Contacting the Vienna Township Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of Vienna Township’s finances and to show Vienna 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 Office of the Supervisor, 3400 W. Vienna Road, Vienna Township, Clio MI, 48420.

## **Basic Financial Statements**

---

## **Government-wide Financial Statements**

---

# Charter Township of Vienna

## Statement of Net Assets December 31, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Building Development Authority
<b>Assets</b>				
Cash and equivalents	\$ 1,801,421	\$ 493,567	\$ 2,294,988	\$ 327,718
Investments	528,416	-	528,416	109,200
Receivables	1,176,354	452,327	1,628,681	-
Due from other governments	342,191	-	342,191	-
Internal balances	(21,670)	21,670	-	-
Prepaid items	4,111	-	4,111	-
Capital assets (not depreciated)	495,758	55,200	550,958	15,000
Capital assets (net of accumulated depreciation)	9,291,239	10,557,402	19,848,641	108,547
<b>Total assets</b>	<b>13,617,820</b>	<b>11,580,166</b>	<b>25,197,986</b>	<b>560,465</b>
<b>Liabilities</b>				
Accounts payable	27,564	29,402	56,966	7,210
Accrued liabilities	151,677	36,323	188,000	-
Due to other governments	140,238	212,706	352,944	-
Deferred revenue	2,305,264	-	2,305,264	-
Noncurrent liabilities:				
Due within one year	565,166	514,549	1,079,715	-
Due in more than one year	5,986,356	1,167,694	7,154,050	-
<b>Total liabilities</b>	<b>9,176,265</b>	<b>1,960,674</b>	<b>11,136,939</b>	<b>7,210</b>
<b>Net Assets</b>				
Invested in capital assets- Net of related debt	3,235,475	8,930,359	12,165,834	123,547
Restricted for:				
Sanitation	42,664	-	42,664	-
Senior citizens	90,211	-	90,211	-
Unrestricted	1,073,205	689,133	1,762,338	429,708
<b>Total net assets</b>	<b>\$ 4,441,555</b>	<b>\$ 9,619,492</b>	<b>\$ 14,061,047</b>	<b>\$ 553,255</b>

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

# Charter Township of Vienna

Functions\Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 820,354	\$ 204,801	\$ 80,000	\$ -
Public safety	1,616,823	196,447	30,000	-
Public works	922,087	657,166	8,998	-
Recreation and culture	177,372	-	170,173	56,563
Interest on long-term debt	264,991	-	-	-
Total governmental activities	3,801,627	1,058,414	289,171	56,563
Business-type activities:				
Sewer	883,250	723,552	-	720,509
Water	590,738	600,339	-	67,000
Total business-type activities	1,473,988	1,323,891	-	787,509
Total primary government	<b>\$ 5,275,615</b>	<b>\$ 2,382,305</b>	<b>\$ 289,171</b>	<b>\$ 844,072</b>
Component units:				
Business Development Authority	\$ 901,600	\$ -	\$ -	\$ 45,800
Total component units	<b>\$ 901,600</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 45,800</b>
General revenues:				
Property taxes				
State shared revenues				
Unrestricted investment earnings				
Franchise fees				
Miscellaneous				
Transfers				
Total general revenues and transfers				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - Ending of year</b>				

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

**Statement of Activities**  
**Year Ended December 31, 2007**

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Business Development Authority
\$ (535,553)	\$ -	\$ (535,553)	\$ -
(1,390,376)	-	(1,390,376)	-
(255,923)	-	(255,923)	-
49,364	-	49,364	-
(264,991)	-	(264,991)	-
(2,397,479)	-	(2,397,479)	-
-	560,811	560,811	-
-	76,601	76,601	-
-	637,412	637,412	-
(2,397,479)	637,412	(1,760,067)	-
-	-	-	(855,800)
-	-	-	(855,800)
1,345,970	-	1,345,970	596,303
1,000,406	-	1,000,406	-
129,369	21,107	150,476	12,137
122,945	-	122,945	-
104	-	104	-
(200,000)	200,000	-	-
2,398,794	221,107	2,619,901	608,440
1,315	858,519	859,834	(247,360)
4,440,240	8,760,973	13,201,213	800,615
<b>\$ 4,441,555</b>	<b>\$ 9,619,492</b>	<b>\$ 14,061,047</b>	<b>\$ 553,255</b>

## **Fund Financial Statements**

---

# Charter Township of Vienna

## Governmental Funds Balance Sheet December 31, 2007

	General Fund	Sanitation Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 1,302,205	\$ 387,659	\$ -	\$ 111,557	\$ 1,801,421
Investments	528,416	-	-	-	528,416
Receivables:					
Property taxes	789,200	-	-	-	789,200
Accounts	80,999	-	-	1,189	82,188
Special assessments	-	304,966	-	-	304,966
Due from other funds	166,365	-	1,250	-	167,615
Due from other governments	342,191	-	-	-	342,191
Prepaid items	4,111	-	-	-	4,111
<b>Total assets</b>	<b>\$ 3,213,487</b>	<b>\$ 692,625</b>	<b>\$ 1,250</b>	<b>\$ 112,746</b>	<b>\$ 4,020,108</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 5,761	\$ -	\$ 1,250	\$ 467	\$ 7,478
Deposits	-	-	-	20,086	20,086
Due to other funds	187,303	-	-	1,982	189,285
Due to other governments	140,238	-	-	-	140,238
Deferred revenue	1,655,303	649,961	-	-	2,305,264
<b>Total liabilities</b>	<b>1,988,605</b>	<b>649,961</b>	<b>1,250</b>	<b>22,535</b>	<b>2,662,351</b>
<b>Fund Balances</b>					
Reserved for prepaid items	4,111	-	-	-	4,111
Unreserved reported in:					
General fund	1,220,771	-	-	-	1,220,771
Special revenue funds	-	42,664	-	90,211	132,875
<b>Total fund balances</b>	<b>1,224,882</b>	<b>42,664</b>	<b>-</b>	<b>90,211</b>	<b>1,357,757</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,213,487</b>	<b>\$ 692,625</b>	<b>\$ 1,250</b>	<b>\$ 112,746</b>	<b>\$ 4,020,108</b>

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

# Charter Township of Vienna

---

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets Year Ended December 31, 2007

Fund balances reported in governmental funds	\$ 1,357,757
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	9,786,997
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(6,551,522)
Accrued interest on long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(151,677)</u>
Net assets of governmental activities	<u><u>\$ 4,441,555</u></u>

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

# Charter Township of Vienna

	General Fund	Sanitation Fund	Capital Projects
<b>Revenue</b>			
Property taxes	\$ 1,345,970	\$ -	\$ -
Special assessments	-	635,392	-
Licenses and permits	9,304	-	-
Intergovernmental:			
State shared revenues (and grants)	1,009,404	-	-
Federal grants	-	-	-
Local contributions	-	-	-
Charges for services	387,317	-	-
Interest income	78,450	18,091	27,420
Miscellaneous	146,351	5,016	-
<b>Total revenue</b>	<b>2,976,796</b>	<b>658,499</b>	<b>27,420</b>
<b>Expenditures</b>			
<b>Current:</b>			
General government:			
Township Board	223,113	-	-
Supervisor	77,693	-	-
Assessor	136,287	-	-
Elections	6,288	-	-
Clerk	73,007	-	-
Treasurer	73,005	-	-
Township hall and grounds	108,243	-	-
Cemetery	51,304	-	-
Planning department	46,139	-	-
Public safety:			
Police	1,111,945	-	-
Fire	266,361	-	-
Building inspection	-	-	-
Public works:			
Streets	128,669	-	-
Storm water drainage	28,106	-	-
Street lighting	30,002	-	-
Other public works activities	500	-	-
Sanitation	-	666,355	-
Recreation and cultural:			
Parks and recreation	18,638	-	-
Library	25,626	-	-
Senior citizens	-	-	-
Debt service:			
Principal	456,729	-	-
Interest	113,314	-	-
Capital outlay	-	-	1,616,170
<b>Total expenditures</b>	<b>2,974,969</b>	<b>666,355</b>	<b>1,616,170</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>1,827</b>	<b>(7,856)</b>	<b>(1,588,750)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	329,217
Transfers out	(590,137)	-	-
<b>Total other financing sources (uses)</b>	<b>(590,137)</b>	<b>-</b>	<b>329,217</b>
<b>Net Change in Fund Balances</b>	<b>(588,310)</b>	<b>(7,856)</b>	<b>(1,259,533)</b>
<b>Fund Balances - Beginning of year</b>	<b>1,813,192</b>	<b>50,520</b>	<b>1,259,533</b>
<b>Fund Balances - End of year</b>	<b>\$ 1,224,882</b>	<b>\$ 42,664</b>	<b>\$ -</b>

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

**Governmental Funds**

**Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**Year Ended December 31, 2007**

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,345,970
-	635,392
105,886	115,190
-	1,009,404
75,063	75,063
151,673	151,673
-	387,317
5,408	129,369
2,197	153,564
<u>340,227</u>	<u>4,002,942</u>
-	223,113
-	77,693
-	136,287
-	6,288
-	73,007
-	73,005
-	108,243
-	51,304
-	46,139
-	1,111,945
-	266,361
169,098	169,098
-	128,669
-	28,106
-	30,002
-	500
-	666,355
-	18,638
-	25,626
141,838	141,838
-	456,729
-	113,314
-	1,616,170
<u>310,936</u>	<u>5,568,430</u>
<u>29,291</u>	<u>(1,565,488)</u>
60,920	390,137
-	(590,137)
<u>60,920</u>	<u>(200,000)</u>
<u>90,211</u>	<u>(1,765,488)</u>
-	3,123,245
<u><b>\$ 90,211</b></u>	<u><b>\$ 1,357,757</b></u>

# Charter Township of Vienna

## 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, 2007

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ (1,765,488)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	1,830,172
Depreciation expense	(368,421)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	456,729
Increase in accrued interest on long-term debt does not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	<u>(151,677)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u><u>\$ 1,315</u></u></b>

# Charter Township of Vienna

## Proprietary Funds Statement of Net Assets December 31, 2007

	Sewer Utility	Water Utility	Totals
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 60,786	\$ 432,781	\$ 493,567
Receivables:			
Accounts	70,415	-	70,415
Unbilled utility charges	291,997	-	291,997
Delinquent fees	71,414	1,655	73,069
Customer assessments	8,680	170	8,850
Due from other funds	27	241,038	241,065
Total current assets	503,319	675,644	1,178,963
Noncurrent assets:			
Capital assets:			
Land	55,200	-	55,200
Utility system	9,171,364	4,367,418	13,538,782
Office equipment	4,275	-	4,275
Total	9,230,839	4,367,418	13,598,257
Less accumulated depreciation	1,901,891	1,083,764	2,985,655
Net capital assets	7,328,948	3,283,654	10,612,602
Other assets:			
Tap-in contracts receivable - Long-term	3,869	4,127	7,996
Total noncurrent assets	7,332,817	3,287,781	10,620,598
Total assets	<b>\$ 7,836,136</b>	<b>\$ 3,963,425</b>	<b>\$ 11,799,561</b>

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

# Charter Township of Vienna

## Proprietary Funds Statement of Net Assets December 31, 2007

	Sewer Utility	Water Utility	Totals
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 10,497	\$ 18,905	\$ 29,402
Accrued interest payable	22,862	13,461	36,323
Due to other funds	219,395	-	219,395
Due to other governments	131,418	81,288	212,706
Notes payable - current	446,189	68,360	514,549
Total current liabilities	830,361	182,014	1,012,375
Noncurrent liabilities:			
Long-term - notes payable	880,608	287,086	1,167,694
Total liabilities	1,710,969	469,100	2,180,069
<b>Net Assets</b>			
Invested in capital assets, net of related debt	6,002,151	2,928,208	8,930,359
Unrestricted	123,016	566,117	689,133
Total net assets	<b>\$ 6,125,167</b>	<b>\$ 3,494,325</b>	<b>\$ 9,619,492</b>

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

# Charter Township of Vienna

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2007

	Sewer Utility	Water Utility	Totals
<b>Operating Revenue</b>			
Charges for services	\$ 688,662	\$ 600,147	\$ 1,288,809
Late charges/penalties	34,890	21	34,911
Miscellaneous	-	171	171
Total operating revenue	723,552	600,339	1,323,891
<b>Operating Expenses</b>			
Cost of sewage treatment	502,939	-	502,939
Cost of water purchased	-	438,820	438,820
Depreciation	91,714	72,791	164,505
Maintenance and repair	125,438	-	125,438
Professional services	7,365	1,271	8,636
Salaries and fringe benefits	43,865	27,090	70,955
Computer billing charge	4,496	4,128	8,624
Office supplies and postage	944	-	944
Insurance	126	71	197
Miscellaneous	597	11,986	12,583
Total operating expenses	777,484	556,157	1,333,641
<b>Operating Income (Loss)</b>	(53,932)	44,182	(9,750)
<b>Nonoperating Revenue (Expenses)</b>			
Interest on investments	2,272	17,754	20,026
Interest on tap-ins	315	766	1,081
Interest expense	(105,766)	(34,581)	(140,347)
Total non-operating expenses	(103,179)	(16,061)	(119,240)
<b>Income (Loss) - Before contributions and transfers</b>	(157,111)	28,121	(128,990)
Capital contributions	720,509	67,000	787,509
Transfers in	200,000	-	200,000
<b>Change in Net Assets</b>	763,398	95,121	858,519
<b>Net Assets - Beginning of year</b>	5,361,769	3,399,204	8,760,973
<b>Net Assets - End of year</b>	<b>\$ 6,125,167</b>	<b>\$ 3,494,325</b>	<b>\$ 9,619,492</b>

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

# Charter Township of Vienna

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2007

	Sewer Utility	Water Utility	Totals
<b>Operating Revenue</b>			
Charges for services	\$ 688,662	\$ 600,147	\$ 1,288,809
Late charges/penalties	34,890	21	34,911
Miscellaneous	-	171	171
Total operating revenue	723,552	600,339	1,323,891
<b>Operating Expenses</b>			
Cost of sewage treatment	502,939	-	502,939
Cost of water purchased	-	438,820	438,820
Depreciation	91,714	72,791	164,505
Maintenance and repair	125,438	-	125,438
Professional services	7,365	1,271	8,636
Salaries and fringe benefits	43,865	27,090	70,955
Computer billing charge	4,496	4,128	8,624
Office supplies and postage	944	-	944
Insurance	126	71	197
Miscellaneous	597	11,986	12,583
Total operating expenses	777,484	556,157	1,333,641
<b>Operating Income (Loss)</b>	(53,932)	44,182	(9,750)
<b>Nonoperating Revenue (Expenses)</b>			
Interest on investments	2,272	17,754	20,026
Interest on tap-ins	315	766	1,081
Interest expense	(105,766)	(34,581)	(140,347)
Total non-operating expenses	(103,179)	(16,061)	(119,240)
<b>Income (Loss) - Before contributions and transfers</b>	(157,111)	28,121	(128,990)
Capital contributions	720,509	67,000	787,509
Transfers in	200,000	-	200,000
<b>Change in Net Assets</b>	763,398	95,121	858,519
<b>Net Assets - Beginning of year</b>	5,361,769	3,399,204	8,760,973
<b>Net Assets - End of year</b>	<b>\$ 6,125,167</b>	<b>\$ 3,494,325</b>	<b>\$ 9,619,492</b>

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

# Charter Township of Vienna

## Proprietary Funds Statement of Cash Flows Year Ended December 31, 2007

	Sewer Utility	Water Utility	Totals
<b>Cash Flows from Operating Activities</b>			
Receipts from customers and users	\$ 706,487	\$ 606,281	\$ 1,312,768
Payments to vendors	(611,967)	(454,848)	(1,066,815)
Payments to employees	(43,865)	(27,090)	(70,955)
Net cash provided by operating activities	<u>50,655</u>	<u>124,343</u>	<u>174,998</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers from other funds	200,000	-	200,000
<b>Cash Flows from Capital and Related Financing Activities</b>			
Capital contributions	346,873	111,434	458,307
Purchase of capital assets	(20,000)	(2,052)	(22,052)
Principal payments on capital debt	(436,725)	(69,385)	(506,110)
Interest paid on capital debt	(82,904)	(21,120)	(104,024)
Net cash provided by (used in) capital and related financing activities	<u>(192,756)</u>	<u>18,877</u>	<u>(173,879)</u>
<b>Cash Flows from Investing Activities</b>			
Interest on investments	2,272	17,754	20,026
Interest on tap-ins	315	766	1,081
Net cash provided by investing activities	<u>2,587</u>	<u>18,520</u>	<u>21,107</u>
<b>Net Increase in Cash and Cash Equivalents</b>	60,486	161,740	222,226
<b>Cash and Cash Equivalents - Beginning of year</b>	300	271,041	271,341
<b>Cash and Cash Equivalents - End of year</b>	<u><b>\$ 60,786</b></u>	<u><b>\$ 432,781</b></u>	<u><b>\$ 493,567</b></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>			
Operating income (loss)	\$ (53,932)	\$ 44,182	\$ (9,750)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	91,714	72,791	164,505
Changes in assets and liabilities:			
Accounts receivable	(20,835)	8,370	(12,465)
Due from other funds	3,770	(2,428)	1,342
Accounts payable	9,216	754	9,970
Due to other funds	(1,342)	-	(1,342)
Due to other governments	22,064	674	22,738
Net cash provided by operating activities	<u><b>\$ 50,655</b></u>	<u><b>\$ 124,343</b></u>	<u><b>\$ 174,998</b></u>

### Noncash Financing and Capital Activities

During the year ended December 31, 2007, the Sewer fund received \$379,103 of lines donated by the BDA.

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

# Charter Township of Vienna

## Statement of Net Assets Fiduciary Funds December 31, 2007

	<u>Trust Fund</u> Retirement Health Care Benefit	<u>Agency Fund</u> Tax Collection Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 4,176	\$ 2,118,073
Investments:		
Long term certificate of deposit	24,177	-
Mutual funds	80,263	-
	<u>108,616</u>	<u>\$ 2,118,073</u>
<b>Liabilities</b>		
Due to other governmental units	<u>-</u>	<u>\$ 2,118,073</u>
	<u>-</u>	<u>\$ 2,118,073</u>
<b>Net Assets Held in Trust for Other Employee Benefits</b>	<u><u>\$ 108,616</u></u>	

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

# Charter Township of Vienna

## Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended December 31, 2007

	Retirement Health Care Benefit Trust Fund
<b>Additions</b>	
Interest and dividends	\$ 6,304
Contributions: Employer	<u>45,000</u>
Total additions	<u>51,304</u>
<b>Deductions</b>	
Benefit payments	32,712
Administrative expenses	<u>4,800</u>
Total expenditures	<u>37,512</u>
<b>Net Increase in Net Assets Held in Trust for Other Employee Benefits</b>	13,792
Beginning of year	<u>94,824</u>
End of year	<u><u>\$ 108,616</u></u>

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

## **Notes to Basic Financial Statements**

---

# Charter Township of Vienna

## Notes to Basic Financial Statements December 31, 2007

### Note I - Summary of Significant Accounting Policies

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

#### A. Reporting Entity

The Charter Township of Vienna, Michigan elected Charter Township status in August 1978. The Township provides the following services as authorized by its charter: public safety (police, fire, and inspections), highways and streets, sanitation, public improvements, recreation, planning, and general administrative services.

The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

#### Discretely Presented Component Unit

**Business Development Authority:** The members of the governing board are appointed by the Township Supervisor and approved by the Township Board. The Authority's operational and capital budgets must be approved by the Township Board. The Authority was created on May 23, 1992, under Act 197, Public Act of Michigan, 1975, as amended. The Business Development Authority does not issue separate financial statements. However, detailed financial information can be obtained from the Authority's administrative offices.

Administrative Office:

Business Development Authority of Vienna Township  
3400 W. Vienna Road  
Clio, Michigan 48420

#### Jointly Governed Organizations

The following organizations are not included in the Township's annual report as component units, but rather are considered joint ventures.

The organizations have the following characteristics:

#### Clio Area Library and Clio Area Fire Authority

- Financed by other communities besides the Township of Vienna
- Serve several communities outside the Township
- Vienna Township has no obligation to fund deficits of the library or guarantee its debt; nor is it responsible for approving the library's operating budget

The Clio Library and Fire Authority have June 30 and March 31 year ends, respectively. Audited financial statements of both Organizations for the years ended June 30, 2007, and March 31, 2007, are available for public inspection at the Charter Township of Vienna.

### Note I - Summary of Significant Accounting Policies (Continued)

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary 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 revenues*.

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.

#### C. 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 and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as they are 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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

### Note I - Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, licenses, state shared revenues and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The Sanitation Fund is used to account for the customer charges which are to be used to pay contracted services for rubbish collection.

The Capital Projects Fund is used to account for financial resources used for the contribution of major capital improvements.

The Township reports the following major proprietary funds:

The Water Supply and Sewer Disposal System are separate funds maintained for the operations of the water distribution system and the sewage pumping and collection system that transfer sewage to Genesee County's treatment plant.

Additionally, the Township reports the following fund types:

The Retiree Healthcare Benefit Trust Fund accounts for the accumulation of resources and payment of post retirement healthcare benefits to qualified employees.

The Agency Fund accounts for assets held by the Township as an agent for individuals, private organizations, and other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency Funds are reported as fiduciary funds.

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 or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

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. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

### Note I - Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Amounts reported as program revenues 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 revenues* rather than as program revenues. Likewise, general revenues include all property taxes and interest income.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

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

#### D. Assets, Liabilities, and Net Assets or Equity

##### 1. Deposits and investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Township are reported at fair value. Certificates of deposit with a maturity date of greater than three months at time of purchase are recorded as investments on the financial statements.

##### 2. Receivables and payables

In general, outstanding balance 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 year are referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade, notes, contracts, and property tax receivables are shown net of an allowance for uncollectibles.

##### 3. Prepaid items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### Note I - Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities, and Net Assets or Equity (Continued)

##### 4. 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 columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two (2) years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water system	60 years
Sewer system	100 years
Machinery and equipment	5-20 years
Buildings and building improvements	10-50 years
Roads and sidewalks	5-30 years
Drains	40 years

##### 5. Accumulated unpaid sick and vacation pay

Employees' unused sick time is paid out in cash at the end of the year. It is the Township's policy to permit employees to accumulate earned but unused vacation pay benefits. The balance of vacation time owed at year end is immaterial and thus not recorded in the government-wide financial statements

##### 6. Long-term obligations

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

# Charter Township of Vienna

## Notes to Basic Financial Statements December 31, 2007

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities, and Net Assets or Equity (Continued)

##### 7. Fund equity

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

##### 8. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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.

##### 9. Property tax revenue

Property taxes are levied on 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 2006 tax is levied and collectible on December 1, 2006, and is recognized as revenue in the year ended December 31, 2007, when the proceeds of the levy are budgeted and available for the financing of operation.

The 2006 taxable valuation of the Township totaled \$356.3 million (a portion of which is abated and a portion of which is captured by the TIFA). Taxes were levied as follows:

<u>Purpose</u>	<u>Millage Rate</u>	<u>Revenue</u>
General operating	2.04	\$ 663,844
Roads	1.00	325,392
Fire	1.00	355,719
Total	4.04	\$1,344,955

### Note 2 - Stewardship, Compliance, and Accountability

#### A. Budgetary Information

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

1. Prior to November 1, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue Funds. Informational summaries of projected revenues and expenditures are provided for all other Township funds, as well as estimated total costs and proposed methods of financing all capital construction projects.

# Charter Township of Vienna

## Notes to Basic Financial Statements December 31, 2007

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

#### A. Budgetary Information (Continued)

2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted on a departmental (activity) basis through passage of a resolution in accordance with Public Act 621 of the State of Michigan.
4. The Supervisor is authorized to transfer budgeted amounts within departmental appropriation accounts, however, any revisions that alter the total expenditures of any department must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. The amount of encumbrances at year end is not known. Also, all budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
6. Budget appropriations lapse at year-end except for approved contracts which are appropriated on a contract (grant) length basis.

Budgeted amounts are reported on the financial statements as originally adopted and as amended by the Township Board.

The following funds incurred expenditures in excess of appropriations:

	<u>Final Budget</u>	<u>Actual Expenditures</u>
General Fund - Police	\$1,094,700	\$1,111,945
Public works	127,300	128,669
Transfers out	512,430	590,137

#### B. 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 mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated ten 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.

# Charter Township of Vienna

## Notes to Basic Financial Statements December 31, 2007

### Note 3 - Detailed Notes on All Funds

#### A. Deposits and Investments

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

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$1,247,781 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 it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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 policy that further limits its investment choices. As of year end, the credit quality ratings of debt securities (other than U.S. government) are as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Rating</u>
Mutual fund	\$ 134,198	Not available
Sweep account	3,325,133	Not available

#### B. Receivables

Receivables as of December 31, 2007 for the Township's individual major and nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities and fiduciary funds:

	<u>General Fund</u>	<u>Sanitation Fund</u>	<u>Nonmajor Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Receivables:					
Property taxes	\$789,200	\$ -	\$ -	\$ -	\$789,200
Accounts	80,999	-	1,189	-	82,188
Special assessments	-	304,966	-	-	304,966
Due for intergovernmental	342,191	-	-	-	342,191
Gross receivables	1,212,390	304,966	1,189	-	1,518,545
Less: allowance for uncollectibles	-	-	-	-	-
Net total receivables	\$1,212,390	\$304,966	\$ 1,189	\$ -0-	\$1,518,545

# Charter Township of Vienna

## Notes to Basic Financial Statements December 31, 2007

### Note 3 - Detailed Notes on All Funds (Continued)

#### B. Receivables (Continued)

Business-type activities:

	Sewer Fund	Water Fund	Total
Receivables:			
Accounts	\$ 70,415	\$ -	\$ 70,415
Unbilled utility charges	291,997	-	291,997
Delinquent fees	71,414	1,655	73,069
Special assessments	8,680	170	8,850
Tap-in contracts	3,869	4,127	7,996
	<hr/>	<hr/>	<hr/>
Gross receivables	446,375	5,952	452,327
Less: allowance for uncollectibles	-	-	-
	<hr/>	<hr/>	<hr/>
Net total receivables	<u>\$446,375</u>	<u>\$ 5,952</u>	<u>\$452,327</u>

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

	Unavailable	Unearned
Special assessment	\$ -	\$ 649,932
Property taxes	-	1,500,593
Grant revenue	-	154,739
	<hr/>	<hr/>
	<u>\$ -</u>	<u>\$2,305,264</u>

#### C. Capital Assets

Capital asset activity for the year ended December 31, 2007 was as follows:

	Beginning Balance	Reclassification	Additions	Disposals	Ending Balance
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 495,758	\$ -	\$ -	\$ -	\$ 495,758
Construction in progress	651,300	(651,300)	-	-	-
Total capital assets, not being depreciated	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,147,058	(651,300)	-	-	495,758
Capital assets, being depreciated:					
Roads, sidewalks and drains	3,490,579	-	116,851	-	3,607,430
Buildings	4,891,784	651,300	1,713,321	-	7,256,405
Machinery and equipment	498,779	-	-	-	498,779
Total capital assets being depreciated	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	8,881,142	651,300	1,830,172	-	11,362,614

# Charter Township of Vienna

## Notes to Basic Financial Statements December 31, 2007

### Note 3 - Detailed Notes on All Funds (Continued)

#### C. Capital Assets (Continued)

	Beginning Balance	Reclassification	Additions	Disposals	Ending Balance
<b>Governmental Activities (Continued)</b>					
Less accumulated depreciation for:					
Roads, sidewalks and drains	364,649	-	180,487	-	545,136
Buildings	906,518	-	169,239	-	1,075,757
Machinery and equipment	431,787	-	18,695	-	450,482
Total accumulated depreciation	1,702,954	-	368,421	-	2,071,375
Total capital assets, being depreciated - Net	7,178,188	651,300	1,461,751	-	9,291,239
Governmental activities capital assets - Net	\$ 8,325,246	\$ -	\$ 1,461,751	\$ -	\$ 9,786,997
<b>Business-type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 55,200	\$ -	\$ -	\$ -	\$ 55,200
Total capital assets, not being depreciated	55,200	-	-	-	55,200
Capital assets, being depreciated:					
Buildings and system	13,137,627	-	401,157	-	13,538,784
Machinery and equipment	4,275	-	-	-	4,275
Total capital assets, being depreciated	13,141,902	-	401,157	-	13,543,059
Less accumulated depreciation for:					
Buildings and system	2,816,877	-	164,505	-	2,981,382
Machinery and equipment	4,275	-	-	-	4,275
Total accumulated depreciation	2,821,152	-	164,505	-	2,985,657
Total capital assets, being depreciated - Net	10,320,750	-	236,652	-	10,557,402
Business-type activities capital assets - Net	\$ 10,375,950	\$ -	\$ 236,652	\$ -	\$ 10,612,602

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

<b>Governmental activities:</b>	
General government	\$ 65,863
Public safety	69,420
Public works	185,306
Recreation and cultural	47,832
Total depreciation expense - Governmental activities	<u>\$368,421</u>
<b>Business-type activities:</b>	
Sewer	\$ 91,714
Water	72,791
Total depreciation expense - Business-type activities	<u>\$164,505</u>

# Charter Township of Vienna

## Notes to Basic Financial Statements December 31, 2007

### Note 3 - Detailed Notes on All Funds (Continued)

#### C. Capital Assets (Continued)

##### Discretely Presented Component Units

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Business-district Authority:</b>				
Capital assets, not being depreciated:				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Total capital assets, not being depreciated	15,000	-	-	15,000
Capital assets, being depreciated:				
Buildings	36,900	-	-	36,900
Equipment	72,210	26,857	-	99,067
Total capital assets, being depreciated	109,110	26,857	-	135,967
Less accumulated depreciation for:				
Buildings	2,805	922	-	3,727
Machinery and equipment	16,825	6,868	-	23,693
Total accumulated depreciation	19,630	7,790	-	27,420
Total capital assets, being depreciated - Net	89,480	19,067	-	108,547
Authority capital assets - Net	<u>\$ 104,480</u>	<u>\$ 19,067</u>	<u>\$ -</u>	<u>\$ 123,547</u>

Land was purchased from the State of Michigan in 2003 for \$15,000 for which the use is restricted as a park for ten years.

#### D. Interfund Receivables, Payables, and Transfers

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.

The composition of interfund balances at December 31, 2007, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Sewer	\$164,410
General	Building Inspection	1,955
Capital Projects	General	1,250
Water	General	186,053
Water	Sewer	54,985
Sewer	Building Inspection	27
Total		<u>\$408,680</u>

# Charter Township of Vienna

## Notes to Basic Financial Statements December 31, 2007

### Note 3 - Detailed Notes on All Funds (Continued)

#### D. Interfund Receivables, Payables, and Transfers (Continued)

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

	Fund Receiving Resources			Total
	Building Inspection Fund	Sewer Utility Fund	Capital Projects Fund	
Fund providing resources:				
General fund	\$ 60,920	\$200,000	\$ 329,217	\$590,137

The transfer from the General Fund to the Building Inspection Fund was made to cover the current year fund balance deficit; the transfer from the General Fund to the Sewer Utility Fund represents the movement of resources to be used to service Sewer debt; the transfer from the General Fund to the Capital Projects Fund represents funding of capital expenditures.

#### E. Long-term Debt

County contractual agreements and installment purchase agreements are general obligations of the Township.

The Township was a participant in the county-wide sanitary sewer and water system construction program. This program was financed by general obligation bonds issued by Genesee County. The Township is obligated to assume the portion of the total debt for the construction of the systems within its boundaries. Significant details regarding the Township's obligations are as follows:

The Township has the following long-term debt outstanding as of December 31, 2007:

	Final Payment Due	Interest Rate or Range	Balance at December 31, 2006	Retirements During Year	Balance at December 31, 2007	Due Within One Year
<b>Governmental Activities</b>						
Fire Hall installment purchase	2020	4.72%	\$2,419,956	\$ (72,686)	\$2,347,270	\$ 81,123
County road contract	2015	0.0	2,688,295	(384,043)	2,304,252	384,043
2006 Capital improvement bonds	2022	4.9	1,900,000	-	1,900,000	100,000
			<u>\$7,008,251</u>	<u>\$(456,729)</u>	<u>\$6,551,522</u>	<u>\$565,166</u>

# Charter Township of Vienna

## Notes to Basic Financial Statements December 31, 2007

### Note 3 - Detailed Notes on All Funds (Continued)

#### E. Long-term Debt (Continued)

The County road contract was entered in accordance with Act 51, Public Acts of State 1951, as amended. The act provides that the Township can levy up to 3 mills for the payment of the debt and obligate its available general fund balance.

	Final Payment <u>Due</u>	Interest Rate or <u>Range</u>	Balance at December 31, <u>2006</u>	Retirements <u>During Year</u>	Balance at December 31, <u>2007</u>	Due Within <u>One Year</u>
<b>Business-type Activities</b>						
Genesee County Sewage Disposal System No. 2 Bonds	2008	5.0%	\$ 388,000	\$ (194,000)	\$ 194,000	\$194,000
Genesee County Sewage Disposal Southeast Extensions to System No. 2 Bonds	2008	5.0	522	(261)	261	261
Genesee County Water Supply System No. 4 Bonds	2008	6.1-6.9	80,000	(40,000)	40,000	40,000
Vienna Meadows Waterline Installment Note	2016	5.44	92,504	(7,987)	84,517	7,692
Haven Street Waterline Installment Note	2016	5.40	72,652	(6,161)	66,491	5,951
Saginaw Road Waterline Installment Note	2016	5.40	179,675	(15,237)	164,438	14,717
Vienna Road Sanitary Sewer Extension Installment Note	2012	3.00	375,000	(62,500)	312,500	62,500
Linden Road Sanitary Sewer Extension Installment Note	2011	5.30	1,000,000	(179,964)	820,036	189,428
Total business type activities			<u>\$2,188,353</u>	<u>\$ (506,110)</u>	<u>\$1,682,243</u>	<u>\$514,549</u>

The Vienna Road Sanitary Sewer Extension installment note is supported by the Business Development Authority tax increment financing revenues.

# Charter Township of Vienna

## Notes to Basic Financial Statements December 31, 2007

### Note 3 - Detailed Notes on All Funds (Continued)

#### E. Long-term Debt (Continued)

##### County Contractual Obligations

The above contractual obligations to the County are a result of the County issuance of bonds on the Township's behalf. The Township has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the obligations; in addition, it has pledged to raise property taxes, to the extent permitted by law, if necessary to fund the obligation to repay the County. The remaining principal and interest to be paid on the bonds is \$241,369. During the current year, net loss of the system was \$128,990 compared to annual debt requirements of \$255,585.

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

Year End December 31,	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 565,166	\$ 216,285	\$ 514,549	\$ 77,953
2009	575,995	195,248	291,921	57,223
2010	587,335	186,008	304,130	43,028
2011	600,211	176,232	316,919	28,185
2012	613,694	165,849	97,640	12,685
2013-2017	1,900,573	637,220	157,084	22,342
2018-2022	1,708,548	211,742	-	-
Total	<u>\$6,551,522</u>	<u>\$1,788,584</u>	<u>\$1,682,243</u>	<u>\$241,416</u>

Act 359, Public Acts of State 1947, as amended, provides that net indebtedness of townships cannot exceed 10 percent of the assessed real and personal property in the Township. As of December 31, 2007, the Charter Township of Vienna had not incurred any indebtedness which would be limited under Act 359. The Township's existing general long-term debt obligation contracts are specifically exempt from consideration in the 10 percent limit computation.

Act 99, Public Acts of State 1933, authorizes the Township to use installment purchase agreements. However, the contracts outstanding for the Township may not exceed 1.25 percent of the Township's assessed value. As of December 31, 2007, the Charter Township of Vienna had the following legal debt margin for installment purchase agreements:

Total assessed valuation	<u>\$439,527,800</u>
Debt limit - 1.25 percent of total assessed valuation	\$ 5,494,098
Less amount of debt applicable to debt limit	<u>2,347,270</u>
Unused debt limitation	<u>\$ 3,146,828</u>

# Charter Township of Vienna

## Notes to Basic Financial Statements December 31, 2007

### Note 4 - Other Information

#### A. Retirement Plans

1. The Township has an employer defined contribution pension plan administered by Nationwide Retirement Services, covering substantially all full-time employees. Fourteen (14) percent of projected base wages plus administrative costs is contributed to the plan by the Township at the beginning of the year. The employee is required to contribute a minimum of 5 percent. The Township's policy is to fund pension costs accrued on an annual basis.

The Township total payroll during the current year was \$569,787. The current year contribution was calculated based on covered payroll of \$151,521, resulting in employer contributions of \$28,789 and employee contributions of \$6,576. The pension, as established, does not recognize prior service costs, as it is based exclusively on current compensation earned by participants.

2. Defined benefit pension plan

#### Plan description:

The Township participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Township. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes the financial statements and required supplementary 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 the Township's board and requires a contribution from the employees of 5 percent of gross wages for general employees.

#### Annual pension cost:

For year ended December 31, 2007 the Township's annual pension cost of \$54,990 for the plan was equal to the Township's required and actual contribution.

#### Pension cost:

	<u>Fiscal Year Ended</u>		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual pension cost	\$ 33,623	\$ 51,910	\$ 54,990
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

#### Funded status and funding progress:

	<u>Actuarial Valuation as of December 31</u>	
	<u>2005</u>	<u>2006</u>
Actuarial value of assets	\$405,696	\$493,125
Actuarial accrued liability (entry age)	555,312	633,401
Unfunded AAL	149,616	140,276
Funded ratio	73.1%	77.9%
Covered payroll	\$312,593	\$375,606
UAAL as a percentage of covered payroll	47.9%	37.3%

### Note 4 - Other Information (Continued)

#### A. Retirement Plans (Continued)

##### 2. Defined benefit pension plan (continued)

Actuarial methods and assumptions:

In the December 31, 2007 actuarial valuation (the most recent actuarial evaluation), the entry age actuarial cost method was used.

Significant actuarial assumptions used include (a) a 8.0 percent investment rate of return, and (b) projected salary increases of 4.5 - 12.90 percent per year. 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 five year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 29 years.

#### B. Joint Ventures

Clio Area Fire Authority:

In April 1976, the Charter Township of Vienna entered into a joint venture with the City of Clio and the Township of Thetford to create the Clio Area Fire Authority. The purpose of this joint venture was to obtain adequate fire protection for residents of the municipalities. The agreement calls for each of the three municipalities to pay the Fire Authority such amounts as are necessary to cover one-third of the fixed operational costs of the Fire Authority. During 1992, the three members approved a 1 mill levy to be collected from their respective property owners, to be used to fund operations of the Authority. Effective April 1, 2007, each participating municipality has the option to retain up to ¼ mill for the limited purpose of the construction, remodeling, or restoration of a fire hall or to retire any debt incurred for the acquisition or construction of a fire hall commencing with the December 2006 levy. The agreement does not state any fixed shares of interest to be owned by the municipalities. However, if a municipality should withdraw from the Authority, the distribution of equipment or cash equivalent to the withdrawing unit's share shall be determined by unanimous consent of the members. The one mill levied by the Authority during 2007 was \$559,527. Vienna Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

The following is a summary of selected financial information from the last available statement of the Clio Area Fire Authority:

	Year Ended <u>March 31, 2007</u>
Total assets	\$1,489,207
Total liabilities	39,452
Total net assets	1,449,755
Total revenues	599,502
Total expenditures	513,740

# Charter Township of Vienna

## Notes to Basic Financial Statements December 31, 2007

### Note 4 - Other Information (Continued)

#### B. Joint Ventures (Continued)

Clio Area Fire Authority (Continued):

Clio Area Library:

The Clio Area Library was formed by the City of Clio, Charter Township of Vienna, and Thetford Township effective March 20, 1978, replacing the library fund previously operated by the City of Clio.

The Library's operation is funded by contributions made by the participating units. Each unit's contribution is based on the usage rate of the library system by its residents. The contribution paid by Vienna Township during 2007 was \$25,626.

Should any participating municipality decide to withdraw from the Clio Area Library, it is to give written notice and, upon a favorable vote of the majority, will be released from the agreement.

The agreement does not state any fixed shares of interest to be owned by the municipalities. However, if a municipality should withdraw from the Township, the distribution of equipment or cash equivalent to the withdrawing unit's share would be determined by unanimous consent of the members. Vienna Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

The following is selected financial information of the Clio Area Library from the latest audited financial statements:

	Year Ended <u>June 30, 2007</u>
Total assets	\$260,231
Total liabilities	-
Total net assets	260,231
Total revenues	45,273
Total expenditures	52,558

#### C. Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance for these claims. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

#### D. Other Post-employment Benefits

Post-employment benefits are offered in accordance with Public Employee Health Care Fund Investment Act (Act No. 149 of 1999). Employees who meet certain point requirements (based on age and years of service) are eligible to receive post-employment benefits upon retirement in the form of health care, vision, and dental insurance benefits. The Township funds these costs on a pay-as-you-go basis. The amounts are recorded as expenditures when the fund liability is incurred. The benefit amounts incurred totaled \$32,712 during the year ended December 31, 2007. The total number of eligible retirees amounted to 3 individuals at December 31, 2007 with 3 participating. There are no provisions for employee contributions.

### Note 4 - Other Information (Continued)

#### E. Construction Code Revenue/Expenditures

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. These rules allowed for monitoring these funds in a separate activity center within the General Fund if the expenditures would normally exceed the revenues. The Township chose the former presentation. The activity related to construction code activity is shown in the Building Inspection Special Revenue Fund.

#### F. Restatements

The Township restated the following items at December 31, 2007 - for correction of errors due to clarification of the restricted nature of Retiree Health Care Benefits as adopted by Public Act 149 of 1999. Net assets of the governmental activities at the government-wide level were restated from \$4,535,063 to \$4,440,240 and the governmental funds fund balance was restated from \$3,218,069 to \$3,123,245 to report the Retiree Health Care Benefits Fund as a trust fund instead of a special revenue fund according to PA 149 of 1999.

#### G. Sale of Future Revenue

The Township annually sells its delinquent real property taxes and special assessments to the County, which then becomes responsible for collecting the taxes, and taking any uncollected tax parcels through the tax reversion process. The County purchases these taxes at 100% of face value, and in return the County is allowed to retain all interest and penalties it collects. The estimated present value of the future delinquent collections to the Township is less than the face value that has been received, because of the time value of money; however, the net present value to the County is greater than this amount, because of the statutory provision that allows the County to retain all penalties and interest. During the current year, the Township received \$245,739 from this sale. At the end of the tax reversion process (approximately 3 years), the County charges the Township back for any uncollected taxes. Historically, this amount has not been significant.

#### H. Upcoming Reporting Changes

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pension*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009. Management is currently assessing the impact of this new accounting standard on the Township's financial statement for future reporting periods.

## **Required Supplementary Information**

---

# Charter Township of Vienna

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2007

	Budget		Actual	Variance with Amended Budget
	Original	Amended		
<b>Revenue</b>				
Property taxes	\$ 1,348,200	\$ 1,350,200	\$ 1,345,970	\$ (4,230)
Licenses and permits	7,300	7,300	9,304	2,004
Intergovernmental - state	1,013,500	988,500	1,009,404	20,904
Charges for services	363,550	368,800	387,317	18,517
Interest income	50,000	70,000	78,450	8,450
Miscellaneous	124,500	122,250	146,351	24,101
Total revenue	2,907,050	2,907,050	2,976,796	69,746
<b>Expenditures</b>				
General government:				
Township Board	271,500	243,750	223,113	20,637
Supervisor	78,450	78,450	77,693	757
Assessor	139,865	139,870	136,287	3,583
Elections	9,050	9,050	6,288	2,762
Clerk	71,450	77,000	73,007	3,993
Treasurer	71,000	75,400	73,005	2,395
Township hall and grounds	90,000	112,300	108,243	4,057
Cemetery	19,600	53,200	51,304	1,896
Planning department	53,300	53,300	46,139	7,161
Public safety:				
Police	1,011,200	1,094,700	1,111,945	(17,245)
Fire	350,000	266,500	266,361	139
Public works:				
Streets	57,900	127,300	128,669	(1,369)
Storm water drainage	42,000	29,000	28,106	894
Street lighting	31,200	30,100	30,002	98
Other public works activities	41,500	1,100	500	600
Recreation and cultural:				
Parks and recreation	12,900	19,300	18,638	662
Library	28,000	25,700	25,626	74
Debt service:				
Principal	456,800	456,800	456,729	71
Interest	113,400	113,400	113,314	86
Total expenditures	2,949,115	3,006,220	2,974,969	31,251
<b>Excess of Revenue Over (Under) Expenditures</b>	(42,065)	(99,170)	1,827	100,997
<b>Other Financing Uses</b>				
Transfers out	(569,329)	(512,430)	(590,137)	(77,707)
<b>Net Change in Fund Balances</b>	(611,394)	(611,600)	(588,310)	23,290
<b>Fund Balances - Beginning of year</b>	1,813,192	1,813,192	1,813,192	-
<b>Fund Balances - End of year</b>	<b>\$ 1,201,798</b>	<b>\$ 1,201,592</b>	<b>\$ 1,224,882</b>	<b>\$ 23,290</b>

Note - The budget is prepared in accordance with generally accepted accounting principles.

# Charter Township of Vienna

## Required Supplemental Information Budgetary Comparison Schedule - Sanitation Fund Year Ended December 31, 2007

	Sanitation Fund			
	Budget		Actual	Variance with Amended Budget
	Original	Amended		
<b>Revenue</b>				
Special assessments	\$ 635,000	\$ 635,000	\$ 635,392	\$ 392
Interest income	15,000	15,000	18,091	3,091
Miscellaneous	5,550	5,550	5,016	(534)
Total revenue	655,550	655,550	658,499	2,949
<b>Expenditures</b>				
Sanitation	671,750	671,750	666,355	5,395
Total expenditures	671,750	671,750	666,355	5,395
<b>Excess of Revenue Over (Under) Expenditures</b>	(16,200)	(16,200)	(7,856)	8,344
<b>Fund Balances - Beginning of year</b>	50,520	50,520	50,520	-
<b>Fund Balances - End of year</b>	\$ 34,320	\$ 34,320	\$ 42,664	\$ 8,344

Note - The budget is prepared in accordance with generally accepted accounting principles.

## **Supplementary Section**

---

# **Charter Township of Vienna**

---

## **Nonmajor Governmental Funds Summary Descriptions December 31, 2007**

The Township reports the following nonmajor governmental funds:

### Special Revenue Funds:

Community Development Fund - accounts for revenues and expenditures incurred by the Township as a sub-grantee.

Building Inspection Fund - to account for revenues and expenditures related to building inspection activities.

Senior Citizens Fund - accounts for the revenues and expenditures incurred by the Township as a recipient of a portion of the Genesee County Senior Citizens millage.

# Charter Township of Vienna

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2007

	Special Revenue Funds			Total
	Community Development	Building Inspection	Senior Citizens	Nonmajor Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 21,175	\$ 90,382	\$ 111,557
Accounts receivable	-	1,189	-	1,189
Total assets	\$ -	\$ 22,364	\$ 90,382	\$ 112,746
 <b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 296	\$ 171	\$ 467
Deposits	-	20,086	-	20,086
Due to other funds	-	1,982	-	1,982
Total liabilities	-	22,364	171	22,535
 <b>Fund Balances</b>				
Unreserved	-	-	90,211	90,211
Total fund balances	-	-	90,211	90,211
Total liabilities and fund balances	\$ -	\$ 22,364	\$ 90,382	\$ 112,746

# Charter Township of Vienna

## Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended December 31, 2007

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Community Development	Building Inspection	Senior Citizens	
<b>Revenue</b>				
Licenses and permits	\$ -	\$ 105,886	\$ -	\$ 105,886
Intergovernmental:				
Federal grants	75,063	-	-	75,063
Local contributions	-	-	151,673	151,673
Interest	-	95	5,313	5,408
Miscellaneous	-	2,197	-	2,197
Total revenue	75,063	108,178	156,986	340,227
<b>Expenditures</b>				
Public safety-building inspection	-	169,098	-	169,098
Recreation and cultural	75,063	-	66,775	141,838
Total expenditures	75,063	169,098	66,775	310,936
<b>Excess of Revenue Over (Under) Expenditures</b>	-	(60,920)	90,211	29,291
<b>Other Financing Sources</b>				
Transfers in		60,920	-	60,920
<b>Net change in fund balances</b>	-	-	90,211	90,211
<b>Fund Balances - Beginning of year</b>	-	-	-	-
<b>Fund Balances - End of year</b>	\$ -	\$ -	\$ 90,211	\$ 90,211

# Charter Township of Vienna

	Community Development			
	Budget		Actual	Variance with Amended Budget
	Original	Amended		
<b>Revenue</b>				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Federal grants	-	75,063	75,063	-
Local contributions	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenue</b>	-	75,063	75,063	-
<b>Expenditures</b>				
Public safety-building inspection	-	-	-	-
Recreation and cultural	-	75,063	75,063	-
<b>Total expenditures</b>	-	75,063	75,063	-
<b>Excess of Revenue Over (Under) Expenditures</b>	-	-	-	-
<b>Other Financing Sources</b>				
Transfers in	-	-	-	-
<b>Net change in fund balances</b>	-	-	-	-
<b>Fund Balances - Beginning of year</b>	-	-	-	-
<b>Fund Balances - End of year</b>	\$ -	\$ -	\$ -	\$ -

**Budgetary Comparison - Nonmajor Governmental Funds  
Special Revenue Funds  
Year Ended December 31, 2007**

Building Inspection Fund				Senior Citizens			
Budget		Actual	Variance with Amended Budget	Budget		Actual	Variance with Amended Budget
Original	Amended			Original	Amended		
\$ 174,340	\$ 104,230	\$ 105,886	\$ 1,656	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	151,670	151,670	151,673	3
500	100	95	(5)	-	5,200	5,313	113
2,000	2,000	2,197	197	-	-	-	-
176,840	106,330	108,178	1,848	151,670	156,870	156,986	116
202,660	178,760	169,098	9,662	-	-	-	-
-	-	-	-	72,600	70,000	66,775	3,225
202,660	178,760	169,098	9,662	72,600	70,000	66,775	3,225
(25,820)	(72,430)	(60,920)	11,510	79,070	86,870	90,211	3,341
25,820	72,430	60,920	-	-	-	-	-
-	-	-	11,510	79,070	86,870	90,211	3,341
-	-	-	-	-	-	-	-
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,510</b>	<b>\$ 79,070</b>	<b>\$ 86,870</b>	<b>\$ 90,211</b>	<b>\$ 3,341</b>

# **Charter Township of Vienna**

---

**Report to the Board of Trustees  
December 31, 2007**



To the Board of Trustees  
Charter Township of Vienna

We have recently completed our audit of the basic financial statements of Charter Township of Vienna (the “Vienna Township”) for the year ended December 31, 2007. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, summary of unrecorded possible adjustments, recommendations, and informational comments which impact the Vienna Township:

	<u>Page</u>
<b>Report on Internal Control</b>	1-2
<b>Results of the Audit</b>	3-5
<b>Other Recommendations</b>	7
<b>Informational - Legislative matters, etc.</b>	9-10

We are grateful for the opportunity to be of service to Vienna Township. Should you have any questions regarding the comments in this report, please do not hesitate to call.

*Plante & Moran, PLLC*

April 7, 2008



Plante & Moran, PLLC  
Suite 1A  
111 E. Court St.  
Flint, MI 48502  
Tel: 810.767.5350  
Fax: 810.767.8150  
plantemoran.com

## Report on Internal Control

April 7, 2008

To the Board of Trustees  
Charter Township of Vienna

Dear Board Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Charter Township of Vienna's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards are to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this **Report on Internal Control** will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Charter Township of Vienna as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Vienna Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Vienna Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles (GAAP) such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to meet the technical definition of significant deficiencies in internal control.

To the Board of Trustee  
Charter Township of Vienna

**Retiree Health Care Fund Reclassification-** A restatement was made in the financial statements to reclassify the Retiree Health Care Fund as a trust fund rather than be presented as a special revenue fund. This restatement was needed due to a clarification of the restricted nature of the Retiree Health Care Fund which was established by the Township Board adopting Public Act 149 of 1999 and that the State recognizes that these funds, once segregated from the governmental entity's unrestricted surplus funds, should be treated as a trust fund for reporting purposes rather than a special revenue fund.

**Date of Recognition of Grant Advance Deposit-** Immediately prior to year end a large grant receipt for a project that was to commence on January 1, 2008 was received and deposited in the bank on December 30, 2007; however, the transaction was not reflected in the general ledger until 2008 due to the thought that the project wasn't starting until January 1. Due to the size of the grant receipt this technically is considered a significant deficiency. We recommend that all cash receipt transactions be recorded in the general ledger in the period (fiscal month or year) it was received. It would follow that the date of receipt reflected in the general ledger would be the date when it was physically received by the Township or its agent. The bank deposit should be made on or close to the date of actual physical receipt.

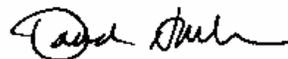
**Accrued Interest Expense at Government-wide Financial Statement Level-** This year, at the government-wide financial statements level, accrued interest expense on long-term debt was recorded in accordance with GAAP, however, in prior years the adjustment was not recorded. While the expense amount is not material to the government-wide level financial statements it is considered more than inconsequential and therefore, the Township's management chose to begin recording the expense.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Due to the relatively material size of the reclassification of the Retiree Health Care Fund as it relates to the total of the "Aggregate Remaining Governmental Funds" we believe the deficiency technically meets the definition to be considered a material weakness. We do not believe that the other deficiencies noted above constitute material weaknesses.

This communication is intended solely for the information and use of management, the board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Plante & Moran, PLLC**



Tadd A. Harburn, CPA

## Results of the Audit

April 7, 2008

To the Board of Trustees  
Charter Township of Vienna

We have audited the financial statements of Charter Township of Vienna for the year ended December 31, 2007, and have issued our report thereon dated April 7, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated January 10, 2008, 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. We are responsible for planning and performing 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 Vienna. Our consideration of internal control was 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 and our audit of the financial statements does not relieve you or management of your responsibilities.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in about planning matters in a letter dated March 10, 2008.

### **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 Charter Township of Vienna 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 2007.

To the Board of Trustee  
Charter Township of Vienna

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 estimate affecting the financial statements was the estimate of useful lives for capital assets.

Useful lives of capital assets are based upon management's estimate of their life. We evaluated the key factors and assumptions used to develop the estimate of useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

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.

***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 adjustments. The following material misstatement detected as a result of audit procedures was corrected by management:

A restatement was made in the financial statements to reclassify the Retiree Health Care Fund as a trust fund rather than be presented as a special revenue fund. This restatement was needed due to a clarification of the restricted nature of the Retiree Health Care Fund which was established by the Township Board adopting Public Act 149 of 1999 and that the State recognizes that these funds, once segregated from the governmental entity's unrestricted surplus funds, should be treated as a trust fund for reporting purposes rather than a special revenue fund.

***Disagreements with Management***

For purposes 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

To the Board of Trustee  
Charter Township of Vienna

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated April 7, 2008.

***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 organization’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

***Other Audit Findings or Issues***

In the normal course of our professional association with the organization we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the organization, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the organization’s auditors

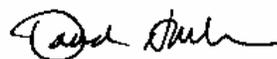
**Other Information in Documents Containing Audited Financial Statements**

Our responsibility relates to the organization’s financial statements and other information as identified in the auditor’s report. We have no responsibility for any other information that may be included in documents containing those audited statements. We do not have an obligation to perform any procedures to corroborate other information contained in these documents. We read the management’s discussion and analysis and budgetary comparison schedules and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information or manner of its presentation appearing in the financial statements.

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

Very truly yours,

**Plante & Moran, PLLC**



Tadd A. Harburn, CPA

## **Other Recommendations**

---

The useful lives of the sewer fund infrastructure assets were established when initial construction of the system occurred in the late 70's and the life of the system was estimated by management to be 100 years. We would recommend that management reevaluate the estimate for the useful lives of the sewer infrastructure and the potential need in the future to replace the system. The estimate will allow management to plan for future repairs and replacement and the required funding necessary.

# **Informational**

---

### **Municipal Finance Act Revisions - REMINDER**

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old ten day “exemption from prior approval” process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the Township’s year end (December 31, 2007) and is good for one year thereafter. The Township should consider the need to file a qualifying statement for each of its component units.

### **RETIREE HEALTH CARE BENEFITS**

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the government wide financial statements, rather than the individual fund level. The Township currently pays for premiums on a pay-as-you-go basis. The Township will need to decide how much of the total obligation to fund which may have an impact on the manner in which the benefit is budgeted.

The new pronouncement will require a valuation of the obligation to provide retiree health care benefits, including an amortization of the past service cost over a period of up to 30 years. The valuation must include an annual recommended contribution (ARC). While the ARC does not need to be funded each year, any under funding must be reported as a liability on the government wide statement of net assets. This valuation will need to be performed by an actuary only if the total participants exceed 100. Participants are defined as employees in active service, terminated employees not yet receiving benefits, plus retirees and beneficiaries currently receiving benefits. Plans with fewer than 100 participants may either hire an actuary, or perform the calculation themselves (at least every three years).

This statement is effective for the fiscal year beginning January 1, 2009. Remember that planning to make the annual recommended contribution generally requires up to three to six months for an actuarial valuation plus six months lead time to work the numbers into the budget. Therefore, we recommend that you begin the actuarial valuation at least one year prior to the above dates. The GASB statement has provided substantial incentive to fund the obligation in accordance with the annual recommended contribution. In addition to the “interperiod equity” issue of paying for a service as you use it, the GASB has directed that lower rates of return be used for evaluating the annual recommended contribution in situations where the recommended contribution is not being funded. This will significantly increase the calculation of the following year’s contribution. So - funding the contribution will actually reduce your long run cost.

### Property Tax Legislation

A series of House bills were introduced in 2007 dealing with the treatment of the uncapping of value on sale or transfer of property. With the passage of Proposal A in 1994, changes to the taxable value of an individual property are limited to the lesser of the rate of inflation or 5 percent – until the property is sold or transferred. The difference between the capped taxable value amount and state equalized value at the time of transfer is referred to as the “uncapped” value or the “pop-up” value. As several published studies and reports have demonstrated, the treatment of “uncapped” values or the “pop up” amount when a property is transferred or sold as growth on existing property, subject to the Headlee rollback calculation, has resulted in continued downward pressure on millage rates. This treatment is due to definitional changes made to the General Property Tax Act in 1994.

The three bills in the package are House Bills 4440, 4441, and 4442 and would propose to do the following:

- House Bill 4440 - This bill establishes an 18 month moratorium on the “pop-up” or “uncapping” of taxable value to state equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the timeframe of the moratorium would continue to pay property taxes at the previous taxable value amount. The “pop-up” or “uncapping” of taxable value would be delayed until the property was sold or transferred in later years.
- House Bill 4441 - This bill increases the real estate transfer tax by .10% and earmarks the money to be returned to local government for potential loss in revenue occurring from House Bill 4440.
- House Bill 4442 - This bill would change the General Property Tax Act to exempt the “pop-up” or “uncapped” value from the Headlee rollback calculation. If this legislation were enacted, increases in taxable value resulting from property sales or transfers would be treated as “additions” to taxable value or new growth versus growth on existing property.

House Bills 4440 and 4441 passed the House on March 14 (HB 4440 has been assigned to the Senate Finance Committee). House Bill 4442 has not been voted on yet in the House. The bills are not tie barred.