

# 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 type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	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.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input type="checkbox"/>	
The letter of Comments and Recommendations	<input type="checkbox"/>	
Other (Describe)	<input type="checkbox"/>	
Certified Public Accountant (Firm Name)		Telephone Number
Street Address		City      State      Zip
Authorizing CPA Signature 	Printed Name	License Number

# **Charter Township of Redford Wayne County, Michigan**

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**Financial Report  
with Supplemental Information  
March 31, 2007**

# Charter Township of Redford

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# Charter Township of Redford

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## Independent Auditor's Report

To the Board of Trustees  
Charter Township of Redford  
Wayne County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Redford as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Redford'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Redford as of March 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, pension system schedule of funding progress, and the budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Trustees  
Charter Township of Redford  
Wayne County, Michigan

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2007 on our consideration of the Charter Township of Redford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Plante & Moran, PLLC*

August 27, 2007

# **Charter Township of Redford**

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

Our discussion and analysis of the Charter Township of Redford's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 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 March 31, 2007:

- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$103,000 this year from the 2006 fiscal year and over \$1,690,000 since the 2001 fiscal year.
- Short-term interest rates have continued the upward trend that began in the 2006 fiscal year. Investment earnings increased substantially for the 2007 fiscal year by about \$300,000 above 2006, and are at the levels enjoyed in the 2000-2001 fiscal years.
- Employee and postemployment health care costs for fiscal year 2007 surpassed \$5,600,000, of which \$2,600,000 paid for retiree health care and \$3,000,000 paid for active employees. Since 2001, fiscal year health care costs have increased by \$2,100,000 from an annual amount of \$3,500,000. This increase of over 60 percent is well above the CPI inflation rate.
- The Township continues its proactive approach to reorganizing and downsizing in response to revenue challenges and disproportionate cost increases for items such as health care, vehicle fuels, and utilities. In total, General Fund expenditures are back in line with revenues. The capital expenditure programs continue at amounts below historic levels. With those challenges facing us, the Township's General Fund realized a current year surplus of approximately \$144,000.
- Total net assets related to the Township's governmental activities increased by approximately \$26,000.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the 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.

# Charter Township of Redford

## Management's Discussion and Analysis (Continued)

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

### The Township as a Whole

The following table shows, in a condensed format, the approximate net assets as of March 31, 2007 and 2006:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Current assets	\$ 31,427,000	\$ 28,463,000	\$ 10,532,000	\$ 7,147,000	\$ 41,959,000	\$ 35,610,000
Noncurrent assets	13,743,000	13,441,000	47,176,000	48,471,000	60,919,000	61,912,000
Total assets	45,170,000	41,904,000	57,708,000	55,618,000	102,878,000	97,522,000
<b>Liabilities</b>						
Current liabilities	7,205,000	5,496,000	2,119,000	1,839,000	9,324,000	7,335,000
Long-term liabilities	11,687,000	10,156,000	13,681,000	14,700,000	25,368,000	24,856,000
Total liabilities	18,892,000	15,652,000	15,800,000	16,539,000	34,692,000	32,191,000
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	7,003,000	6,517,000	31,505,000	31,733,000	38,508,000	38,250,000
Restricted	7,835,000	7,286,000	1,082,000	993,000	8,917,000	8,279,000
Unrestricted	11,440,000	12,449,000	9,321,000	6,353,000	20,761,000	18,802,000
Total net assets	<b>\$ 26,278,000</b>	<b>\$ 26,252,000</b>	<b>\$ 41,908,000</b>	<b>\$ 39,079,000</b>	<b>\$ 68,186,000</b>	<b>\$ 65,331,000</b>

The current level of unrestricted net assets for our governmental activities stands at \$11,440,000, or about 31 percent of expenditures.

# Charter Township of Redford

## Management's Discussion and Analysis (Continued)

The following table shows the approximate changes of net assets for the years ended March 31, 2007 and 2006:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 8,770,000	\$ 8,166,000	\$ 15,248,000	\$ 15,303,000	\$ 24,018,000	\$ 23,469,000
Operating grants and contributions	1,294,000	1,121,000	-	-	1,294,000	1,121,000
Capital grants and contributions	110,000	40,000	-	-	110,000	40,000
General revenue:						
Property taxes	19,547,000	19,009,000	-	-	19,547,000	19,009,000
State-shared revenue	5,569,000	5,674,000	-	-	5,569,000	5,674,000
Unrestricted investment earnings	1,299,000	838,000	343,000	185,000	1,642,000	1,023,000
Miscellaneous - Refunds	101,000	70,000	1,692,000	-	1,793,000	70,000
Gain on sale of assets	63,000	8,000	9,000	19,000	72,000	27,000
Transfers and other revenue	60,000	-	(60,000)	-	-	-
Total revenue	36,813,000	34,926,000	17,232,000	15,507,000	54,045,000	50,433,000
<b>Program Expenses</b>						
General government	6,702,000	6,844,000	-	-	6,702,000	6,844,000
Public safety	19,227,000	18,075,000	-	-	19,227,000	18,075,000
Public works	7,530,000	5,849,000	-	-	7,530,000	5,849,000
Health and welfare	461,000	528,000	-	-	461,000	528,000
Community and economic development	1,357,000	1,044,000	-	-	1,357,000	1,044,000
Recreation and culture	1,145,000	1,024,000	-	-	1,145,000	1,024,000
Interest on long-term debt	365,000	349,000	-	-	365,000	349,000
Indoor ice rink	-	-	55,000	71,000	55,000	71,000
Water and sewer	-	-	11,771,000	11,838,000	11,771,000	11,838,000
Golf course	-	-	1,419,000	1,369,000	1,419,000	1,369,000
Senior housing	-	-	472,000	530,000	472,000	530,000
Protective inspection	-	-	826,000	860,000	826,000	860,000
Total program expenses	36,787,000	33,713,000	14,543,000	14,668,000	51,330,000	48,381,000
<b>Change in Net Assets</b>	<b>\$ 26,000</b>	<b>\$ 1,213,000</b>	<b>\$ 2,689,000</b>	<b>\$ 839,000</b>	<b>\$ 2,715,000</b>	<b>\$ 2,052,000</b>

The Township is a mature community that developed post-World War II as an early suburban community. Because of our fully developed status, there is little space for new development and tax-base growth. Our efforts are being directed at redevelopment, especially of commercial, industrial, and public lands.

### Governmental Activities

Local property taxes and state-shared revenues make up approximately 68 percent, or \$25,115,000, of the Township's total governmental revenues of \$36,813,000. The largest area of expenditures is in the public safety and criminal justice activities, costing approximately \$19,227,000, or 5 percent of the total governmental revenues. The public works activities, including solid waste disposal, cost approximately \$7,530,000, or 20 percent of revenues. The remaining \$10,030,000 of expenses, or 27 percent of revenues, pay for recreation, community development, health and welfare, general government activities, and interest on debt. Of the total \$6,702,000 expenditures in the general government activities, approximately \$2,683,000, or 40 percent, are expenditures for the district court and criminal justice departments.

# Charter Township of Redford

## Management's Discussion and Analysis (Continued)

### Business-type Activities

The business-type activities consist of the Water and Sewer Fund, Indoor Ice Rink Fund, Golf Course Fund, Senior Citizen Housing Fund, and the Protective Inspection Fund.

- The Township provides water and sewer services to residents and businesses connected to the system. The system generates revenues from customers of the system, such that the system is financially self-sufficient and not reliant on taxes. The Township purchases water as a wholesale customer of the Detroit water and sewer department. The Township, through our engineering consultants, developed a system of controls to monitor non-revenue water on a continual timely basis. The methodology identifies changes in water volume, pressure, and source locations that can be evaluated daily or more often if needed. Implementation of these controls resulted in a significant reduction in the water loss percentage. As a result, the Water and Sewer Fund had an operating surplus for the third consecutive year in 2007. The Township operates a combined sewerage transmission system that collects sanitary sewerage from customers and storm water run-off during rain events for delivery to the Detroit sewerage treatment facility. The fund realized an operating surplus of approximately \$1,117,000 and an increase in net assets of approximately \$2,647,000.
- As of July 1, 2005, the operations of the Township Ice Arena were contracted to a private firm. The decision to privatize resulted from several years of growing operating deficits that required General Fund subsidies that reached \$167,000 in the 2005 fiscal year. Under the terms of the contract, the Township will realize revenues from the facility lease and a share of certain other revenues. This arrangement provides the continuation of the recreation programs for our citizens and mitigates the exposure to operating losses.
- The Township owns and operates Glenhurst Municipal Golf Course as a business-type activity. The operations of the golf course have continually generated sufficient surpluses to provide resources for major reinvestment in the golf course infrastructure. Three years ago, an \$800,000 renovation project was completed on the course. The improvements have been well received by our regular patrons. The capital improvements and renovations were paid from retained earnings. The existing debt of \$576,000 is from bonds issued to purchase the course in 1989 and later refinanced to take advantage of lower interest rates. The golf course incurred an operating deficit of \$40,000 after depreciation and before debt service and a decrease in net assets of \$68,000. Of the decrease, \$60,000 represents a transfer to fund a new community splash park for children.

The Township owns and operates a 92-unit independent-living senior citizens apartment complex named Minock Meadows, available to current and former residents, and family members of residents. The facility provides reasonably priced market rate housing for self-sufficient seniors interested in remaining in the Township. The financial results show an operating surplus of \$250,000 before debt service and depreciation. The facility was opened October 1, 1993. The construction was financed by issuing bonds, of which \$3,100,000 of principal remains outstanding.

# **Charter Township of Redford**

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

- The Protective Inspection Fund is operated as a business-type activity. The fund accounts for activities related to construction code enforcement. The goal of the operation is to generate sufficient revenues from building ordinance code fees to support the cost of operations. For fiscal year 2007, the fund accomplished that with a breakeven year.

### **The Township's Funds**

Our analysis of the 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 the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as solid waste, special grants, and capital projects. The Township's major fund for fiscal year 2007 was the General Fund.

- The General Fund pays for most of the Township's governmental services. The most costly services are police and fire, which incurred expenses of approximately \$18,200,000 in fiscal year 2007. These two activities are partially funded by three police and fire millages. During the current year, this amounted to approximately \$3,900,000 for operations and \$4,122,000 for the retirement system. The remaining \$10,178,000 operating cost of the police and fire departments is funded by other revenue of the General Fund. In addition, the General Fund pays for the cost of general governmental services including district court, probation and criminal justice activities, treasury and financial operations, central staff services, recreation, public works, and various other activities totaling \$10,000,000.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township amended the budget to take into account events during the year. An amendment was passed, decreasing estimated revenues by \$352,000. Revenues from court fines and state revenue-sharing earnings were the categories with the most significant decreases.

The reduced revenues resulted in decreased appropriations in the amount of \$346,000. Most notable were decreases in appropriations for items in the general government and the police department.

### **Capital Asset and Debt Administration**

At the end of the fiscal year, the Township had over \$55,500,000 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines, net of related accumulated depreciation. The capital assets made up 54 percent of the Township's total assets amount of \$102,879,000. Capital expenditures programs remained at a modest level for the 2007 fiscal year.

# **Charter Township of Redford**

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

The long-term debt amount of \$30,250,000 is related to the investment in capital assets and a Brownfield Redevelopment project. At the end of the fiscal year, the Township had \$8.6 million in debt in the governmental-type activities while business-type activities had \$14.2 million outstanding, with 75 percent of that in the Water and Sewer Fund and \$7.5 million in component unit debt.

### **Economic Factors and Next Year's Budgets and Rates**

The Township's budget for next year calls for property tax rates slightly greater than those levied for the 2006-2007 budget due to an increase in Police and Fire Pension Special Assessment millage. The Township is a mature community with growth in taxable value limited to the inflation factors of Headlee and Proposal A. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions.

Water and sewer rates will increase in the 2008 fiscal year by approximately 5 percent.

### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township's finance department.

# Charter Township of Redford

## Statement of Net Assets (Deficit) March 31, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 2)	\$ 24,490,508	\$ 5,887,638	\$ 30,378,146	\$ 5,290,835
Receivables - Net (Note 3)	6,241,503	3,327,968	9,569,471	-
Prepaid costs and other assets	18,557	1,560,618	1,579,175	-
Internal balances	323,877	(323,877)	-	-
Due from component units	731,911	-	731,911	-
Inventories and other assets	-	79,819	79,819	-
Deposits	352,900	-	352,900	-
Unamortized bond issuance costs	37,542	327,676	365,218	241,682
Restricted assets (Notes 2 and 7)	-	1,082,427	1,082,427	-
Nondepreciable capital assets (Note 4)	720,620	2,276,046	2,996,666	75,690
Depreciable capital assets - Net (Note 4)	12,208,336	43,382,183	55,590,519	-
Net pension asset	45,029	-	45,029	-
Unamortized goodwill	-	107,760	107,760	-
<b>Total assets</b>	<b>45,170,783</b>	<b>57,708,258</b>	<b>102,879,041</b>	<b>5,608,207</b>
<b>Liabilities</b>				
Accounts payable	1,884,248	293,696	2,177,944	432,061
Accrued liabilities	505,016	528,296	1,033,312	470,180
Due to primary government	-	-	-	731,911
Due to other governmental units	248,859	-	248,859	-
Estimated insurance and other liabilities	3,471,862	74,247	3,546,109	-
Provision for compensated absences:				
Due within one year	88,748	-	88,748	-
Due in more than one year	4,073,203	750,080	4,823,283	-
Long-term debt (Note 6):				
Due within one year	1,006,645	1,223,120	2,229,765	-
Due in more than one year	7,614,127	12,930,655	20,544,782	7,475,000
<b>Total liabilities</b>	<b>18,892,708</b>	<b>15,800,094</b>	<b>34,692,802</b>	<b>9,109,152</b>
<b>Net Assets (Deficit)</b>				
Invested in capital assets - Net of related debt	7,003,184	31,504,454	38,507,638	75,690
Restricted for:				
Solid waste management	2,412,759	-	2,412,759	-
Community Development Block Grant	646,837	-	646,837	-
Drain	815,638	-	815,638	-
Drug law enforcement	1,270,995	-	1,270,995	-
Bond debt service	596,232	1,082,427	1,678,659	-
Other purposes (Note 9)	2,092,526	-	2,092,526	-
Unrestricted	11,439,904	9,321,283	20,761,187	(3,576,635)
<b>Total net assets (deficit)</b>	<b>\$ 26,278,075</b>	<b>\$ 41,908,164</b>	<b>\$ 68,186,239</b>	<b>\$ (3,500,945)</b>

# Charter Township of Redford

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 6,702,248	\$ 5,255,712	\$ 117,868	\$ -
Public safety	19,226,669	1,850,943	17,575	-
Public works	7,529,519	1,134,268	-	-
Health and welfare	461,136	24,974	123,544	-
Community and economic development	1,356,438	162,241	1,032,898	-
Recreation and culture	1,145,033	341,666	2,500	110,000
Interest on long-term debt	364,910	-	-	-
Total governmental activities	36,785,953	8,769,804	1,294,385	110,000
Business-type activities:				
Indoor ice rink	55,301	23,290	-	-
Water and sewer	11,770,772	12,440,333	-	-
Golf course	1,418,733	1,357,227	-	-
Senior housing	472,619	586,799	-	-
Protective inspection	825,746	839,980	-	-
Total business-type activities	14,543,171	15,247,629	-	-
Total primary government	<b>\$ 51,329,124</b>	<b>\$ 24,017,433</b>	<b>\$ 1,294,385</b>	<b>\$ 110,000</b>
Component units:				
Downtown Development Authority	\$ 172,526	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	3,651,362	-	-	-
Total component units	<b>\$ 3,823,888</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
General revenues:				
Property taxes				
Reimbursements				
State-shared revenues				
Investment earnings				
Miscellaneous - Refunds and rebates				
Gain on sale of assets				
Transfers				
Total general revenues				

## Change in Net Assets

**Net Assets (Deficit) - Beginning of year**

**Net Assets (Deficit) - End of year**

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

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (1,328,668)	\$ -	\$ (1,328,668)	\$ -
(17,358,151)	-	(17,358,151)	-
(6,395,251)	-	(6,395,251)	-
(312,618)	-	(312,618)	-
(161,299)	-	(161,299)	-
(690,867)	-	(690,867)	-
(364,910)	-	(364,910)	-
(26,611,764)	-	(26,611,764)	-
-	(32,011)	(32,011)	-
-	669,561	669,561	-
-	(61,506)	(61,506)	-
-	114,180	114,180	-
-	14,234	14,234	-
-	704,458	704,458	-
(26,611,764)	704,458	(25,907,306)	-
-	-	-	(172,526)
-	-	-	(3,651,362)
-	-	-	(3,823,888)
19,546,566	-	19,546,566	1,000,593
-	-	-	158,999
5,568,699	-	5,568,699	-
1,298,974	342,861	1,641,835	122,649
100,879	1,691,747	1,792,626	-
62,654	9,492	72,146	175,680
60,000	(60,000)	-	-
26,637,772	1,984,100	28,621,872	1,457,921
26,008	2,688,558	2,714,566	(2,365,967)
26,252,067	39,219,606	65,471,673	(1,134,978)
<b>\$ 26,278,075</b>	<b>\$ 41,908,164</b>	<b>\$ 68,186,239</b>	<b>\$ (3,500,945)</b>

# Charter Township of Redford

## Governmental Funds Balance Sheet March 31, 2007

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 9,956,741	\$ 10,268,321	\$ 20,225,062
Receivables - Net (Note 3)	2,047,819	3,055,213	5,103,032
Prepaid costs and other assets	18,557	-	18,557
Due from other funds (Note 5)	426,119	322,389	748,508
Due from component units	637,258	94,653	731,911
Due from other governmental units (Note 3)	1,075,923	62,548	1,138,471
Total assets	<b>\$ 14,162,417</b>	<b>\$ 13,803,124</b>	<b>\$ 27,965,541</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 334,940	\$ 1,543,742	\$ 1,878,682
Accrued liabilities	477,442	20,984	498,426
Due to other funds	15,000	409,371	424,371
Due to other governmental units	248,859	-	248,859
Deferred revenue (Note 3)	1,853,743	3,058,978	4,912,721
Deposits and other liabilities	1,374,324	-	1,374,324
Total liabilities	4,304,308	5,033,075	9,337,383
<b>Fund Balances</b>			
Reserved for:			
General Fund (Note 9)	172,320	-	172,320
911 dispatch	-	8,195	8,195
Debt service	-	931,451	931,451
Road paving	-	50,218	50,218
Unreserved, reported in General Fund - Designated (Note 9)	9,685,789	-	9,685,789
Unreserved, reported in Special Revenue Funds - Undesignated	-	3,597,640	3,597,640
Unreserved, reported in Capital Projects Funds - Designated for future capital improvements	-	4,182,545	4,182,545
Total fund balances	9,858,109	8,770,049	18,628,158
Total liabilities and fund balances	<b>\$ 14,162,417</b>	<b>\$ 13,803,124</b>	
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			12,928,956
Bond issuance costs used in governmental activities are not financial resources and are not reported in the funds			37,542
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures			1,803,900
Delinquent personal and real property taxes are expected to be collected over several years and are not available to pay for current year expenditures			2,375,559
Net pension asset not recorded on the modified accrual statements			45,029
Deferred revenue related to grants was not collected within 60 days of year end and is not available to pay for current year expenditures			733,262
Long-term liabilities are not due and payable in the current period and are not reported in the funds			(12,782,723)
Accrued interest is not due and payable in the current period and is not reported in the funds			(753)
Internal Service Funds are included as part of governmental activities			2,509,145
Net assets of governmental activities			<b>\$ 26,278,075</b>

# Charter Township of Redford

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>			
Property taxes	\$ 15,049,432	\$ 4,159,436	\$ 19,208,868
State sources	5,704,717	123,544	5,828,261
Federal sources	-	1,356,373	1,356,373
Licenses, permits, and fees	547,545	-	547,545
Charges for services	1,059,808	868,364	1,928,172
Special assessments	-	488,653	488,653
Fines and forfeitures	3,532,373	612,104	4,144,477
Interest income	939,879	427,209	1,367,088
Other	1,249,950	91,215	1,341,165
	<u>28,083,704</u>	<u>8,126,898</u>	<u>36,210,602</u>
<b>Expenditures</b>			
Current:			
General government	7,189,314	-	7,189,314
Public safety	17,868,395	667,452	18,535,847
Public works	994,828	3,527,522	4,522,350
Health and welfare	162,174	355,948	518,122
Community and economic development	252,701	1,265,033	1,517,734
Recreation and culture	1,204,291	-	1,204,291
Capital outlay	-	3,756,884	3,756,884
Debt service	-	626,087	626,087
	<u>27,671,703</u>	<u>10,198,926</u>	<u>37,870,629</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	412,001	(2,072,028)	(1,660,027)
<b>Other Financing Sources (Uses)</b>			
Proceeds from issuance of debt	-	2,695,000	2,695,000
Transfers in (Note 5)	174,900	897,877	1,072,777
Transfers out (Note 5)	(442,138)	(570,639)	(1,012,777)
	<u>(267,238)</u>	<u>3,022,238</u>	<u>2,755,000</u>
<b>Net Change in Fund Balances</b>	144,763	950,210	1,094,973
<b>Fund Balances - Beginning of year</b>	<u>9,713,346</u>	<u>7,819,839</u>	<u>17,533,185</u>
<b>Fund Balances - End of year</b>	<u>\$ 9,858,109</u>	<u>\$ 8,770,049</u>	<u>\$ 18,628,158</u>

# Charter Township of Redford

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2007

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 1,094,973
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	(328,588)
Governmental funds report bond issuance costs as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as amortization	37,542
Governmental funds report proceeds from sale of assets as revenue; in the statement of activities, the proceeds are reduced by the net book value of the assets sold to report a gain (loss)	(13,052)
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	578,098
Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)	170,896
Proceeds from the issuance of long-term debt are not reported as financing sources on the statement of activities	(2,695,000)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	827,536
Increases in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities	243,736
Net pension asset is recorded as an expenditure in the governmental funds, and as an asset and amortized in the statement of activities	(9,478)
Internal Service Funds are also included as governmental activities	119,345
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 26,008</b>

# Charter Township of Redford

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

	Water and Sewer	Senior Housing	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>Assets</b>					
Current assets:					
Cash and investments (Note 2)	\$ 4,682,394	\$ 403,885	\$ 801,359	\$ 5,887,638	\$ 4,265,446
Receivables - Net	3,293,107	-	34,861	3,327,968	-
Prepaid expenses	1,560,618	-	-	1,560,618	-
Due from other funds (Note 5)	-	-	-	-	161,000
Inventories and other assets	68,948	-	10,871	79,819	-
Deposits	-	-	-	-	352,900
Total current assets	<u>9,605,067</u>	<u>403,885</u>	<u>847,091</u>	<u>10,856,043</u>	<u>4,779,346</u>
Noncurrent assets:					
Unamortized bond issuance costs	275,203	24,560	27,913	327,676	-
Restricted assets (Note 7)	1,082,427	-	-	1,082,427	-
Capital assets (Note 4)	38,973,610	3,274,742	3,409,877	45,658,229	-
Unamortized goodwill	-	-	107,760	107,760	-
Total noncurrent assets	<u>40,331,240</u>	<u>3,299,302</u>	<u>3,545,550</u>	<u>47,176,092</u>	<u>-</u>
Total assets	<u>49,936,307</u>	<u>3,703,187</u>	<u>4,392,641</u>	<u>58,032,135</u>	<u>4,779,346</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	276,435	5,230	12,031	293,696	5,566
Accrued liabilities	459,128	55,665	13,503	528,296	5,837
Due to other funds	174,934	36,484	112,459	323,877	161,260
Other liabilities and advances	22,937	51,250	60	74,247	2,097,538
Current portion of long-term debt	876,033	174,091	172,996	1,223,120	-
Total current liabilities	<u>1,809,467</u>	<u>322,720</u>	<u>311,049</u>	<u>2,443,236</u>	<u>2,270,201</u>
Noncurrent liabilities:					
Provision for compensated absences	533,247	23,066	193,767	750,080	-
Long-term debt - Net of current portion	9,784,243	2,778,707	367,705	12,930,655	-
Total noncurrent liabilities	<u>10,317,490</u>	<u>2,801,773</u>	<u>561,472</u>	<u>13,680,735</u>	<u>-</u>
Total liabilities	<u>12,126,957</u>	<u>3,124,493</u>	<u>872,521</u>	<u>16,123,971</u>	<u>2,270,201</u>
<b>Net Assets</b>					
Investment in capital assets - Net of related debt	28,313,334	321,944	2,869,176	31,504,454	-
Restricted assets	1,082,427	-	-	1,082,427	-
Unrestricted	8,413,589	256,750	650,944	9,321,283	2,509,145
Total net assets	<u>\$ 37,809,350</u>	<u>\$ 578,694</u>	<u>\$ 3,520,120</u>	<u>\$ 41,908,164</u>	<u>\$ 2,509,145</u>

# Charter Township of Redford

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

	Water and Sewer	Senior Housing	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>Operating Revenue</b>					
Charges for services	\$ 12,440,333	\$ 586,799	\$ 1,380,517	\$ 14,407,649	\$ 281,005
Permits	-	-	839,980	839,980	-
Township contributions	-	-	-	-	5,527,886
Total operating revenue	12,440,333	586,799	2,220,497	15,247,629	5,808,891
<b>Operating Expenses</b>					
Cost of water and sewer transmission and distribution	8,161,839	-	-	8,161,839	-
General and administrative costs	1,628,588	237,878	1,960,290	3,826,756	281,005
Depreciation and amortization	1,532,769	97,275	317,541	1,947,585	-
Benefit payments, reinsurance charges, and claim administration	-	-	-	-	5,408,541
Total operating expenses	11,323,196	335,153	2,277,831	13,936,180	5,689,546
<b>Operating Income (Loss)</b>	1,117,137	251,646	(57,334)	1,311,449	119,345
<b>Nonoperating Revenue (Expense)</b>					
Interest income	286,085	11,991	44,785	342,861	-
Interest expense	(447,576)	(137,466)	(21,949)	(606,991)	-
Refunds and rebates	1,691,747	-	-	1,691,747	-
Gain on disposal of assets	-	-	9,492	9,492	-
Total nonoperating revenue (expense)	1,530,256	(125,475)	32,328	1,437,109	-
<b>Other Financing Uses - Transfers out</b>	-	-	(60,000)	(60,000)	119,345
<b>Change in Net Assets</b>	2,647,393	126,171	(85,006)	2,688,558	119,345
<b>Net Assets - Beginning of year</b>	35,161,957	452,523	3,605,126	39,219,606	2,389,800
<b>Net Assets - End of year</b>	<u>\$ 37,809,350</u>	<u>\$ 578,694</u>	<u>\$ 3,520,120</u>	<u>\$ 41,908,164</u>	<u>\$ 2,509,145</u>

# Charter Township of Redford

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

	Water and Sewer	Senior Housing	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 12,123,552	\$ 586,799	\$ 2,206,893	\$ 14,917,244	\$ -
Payments to suppliers	(7,482,518)	(147,939)	(1,236,085)	(8,866,542)	(26,744)
Payments to employees	(1,978,463)	(87,400)	(714,535)	(2,780,398)	(242,858)
Internal activity - Receipts from other funds	190,676	7,176	30,539	228,391	5,909,151
Claims paid	-	-	-	-	(5,532,060)
Net cash provided by operating activities	<u>2,853,247</u>	<u>358,636</u>	<u>286,812</u>	<u>3,498,695</u>	<u>107,489</u>
<b>Cash Flows from Noncapital and Related Financing Activities</b>					
Activities - Nonoperating refund	131,129	-	-	131,129	-
<b>Cash Flows from Capital and Related Financing Activities</b>					
Proceeds from sale of assets	-	-	16,700	16,700	-
Purchase of capital assets	(326,250)	(24,688)	(91,014)	(441,952)	-
Contributions to other fund	-	-	(60,000)	(60,000)	-
Principal and interest paid on capital debt	(1,327,576)	(308,326)	(187,355)	(1,823,257)	-
Net cash used in capital and related financing activities	<u>(1,653,826)</u>	<u>(333,014)</u>	<u>(321,669)</u>	<u>(2,308,509)</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>					
Interest received on investments	286,085	11,991	44,785	342,861	-
Purchase of investment securities	(1,063)	-	-	(1,063)	-
Net cash provided by investing activities	<u>285,022</u>	<u>11,991</u>	<u>44,785</u>	<u>341,798</u>	<u>-</u>
<b>Net Increase in Cash and Cash Equivalents</b>	1,615,572	37,613	9,928	1,663,113	107,489
<b>Cash and Cash Equivalents - Beginning of year</b>	4,125,255	366,272	791,431	5,282,958	4,157,957
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 5,740,827</u>	<u>\$ 403,885</u>	<u>\$ 801,359</u>	<u>\$ 6,946,071</u>	<u>\$ 4,265,446</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>					
Cash and investments	\$ 4,682,394	\$ 403,885	\$ 801,359	\$ 5,887,638	\$ 4,265,446
Restricted cash (Note 7)	1,058,433	-	-	1,058,433	-
Total cash and cash equivalents	<u>\$ 5,740,827</u>	<u>\$ 403,885</u>	<u>\$ 801,359</u>	<u>\$ 6,946,071</u>	<u>\$ 4,265,446</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>					
Operating income (loss)	\$ 1,117,137	\$ 251,646	\$ (57,334)	\$ 1,311,449	\$ 119,345
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	1,532,769	97,275	317,541	1,947,585	-
Changes in assets and liabilities:					
Receivables	(316,781)	-	(13,604)	(330,385)	-
Due from other funds	97,742	-	-	97,742	(20,000)
Inventory and other assets	(10,377)	-	3,388	(6,989)	-
Deposits	-	-	-	-	(32,719)
Accounts payable	90,828	(1,621)	(8,207)	81,000	5,566
Accrued and other liabilities	248,995	4,160	14,489	267,644	(84,963)
Due to other funds	92,934	7,176	30,539	130,649	120,260
Net cash provided by operating activities	<u>\$ 2,853,247</u>	<u>\$ 358,636</u>	<u>\$ 286,812</u>	<u>\$ 3,498,695</u>	<u>\$ 107,489</u>

There were no significant noncash investing, capital, or financing activities during the year ended March 31, 2007.

# Charter Township of Redford

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

	Pension Trust Fund	Private Purpose Trust Fund (HIDTA)
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 5,733,484	\$ 278,299
Investments (Note 2):		
Corporate bonds	11,510,333	-
U.S. government securities	8,456,110	-
Common and preferred stock	33,807,455	-
Foreign securities	11,007,236	-
Limited partnerships	52,128	-
Receivables - Accrued interest	301,456	-
Other assets	-	32,854
	70,868,202	311,153
Total assets		
<b>Liabilities</b>		
Accounts payable	103,700	-
Accrued and other liabilities	-	-
Due to other governmental units	-	313
Deferred revenue	-	310,840
	103,700	311,153
Total liabilities		
<b>Net Assets - Held in trust</b>	<b>\$ 70,764,502</b>	<b>\$ -</b>

# Charter Township of Redford

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

	Pension Trust Fund	Private Purpose Trust Fund (HIDTA)
<b>Additions</b>		
Investment income:		
Interest and dividends	\$ 2,156,184	\$ -
Net appreciation in fair value of investments	4,773,850	-
Investment expenses	(396,787)	-
Net investment income	6,533,247	-
Contributions	4,226,522	-
Federal grants	-	1,839,472
Total additions	10,759,769	1,839,472
<b>Deductions</b>		
Benefit payments	6,267,571	-
Refunds and withdrawals	333,363	-
Administrative expenses	171,774	-
Public safety expenses	-	1,839,472
Total deductions	6,772,708	1,839,472
<b>Net Increase</b>	3,987,061	-
<b>Net Assets Held in Trust</b>		
Beginning of year	66,777,441	-
End of year	\$ 70,764,502	\$ -

# Charter Township of Redford

## Component Units Statement of Net Assets (Deficit) March 31, 2007

	Downtown Development Authority	Brownfield Redevelopment Financing Authority	Total
<b>Assets</b>			
Current assets - Cash and investments (Note 2)	\$ 510,942	\$ 4,779,893	\$ 5,290,835
Noncurrent assets:			
Unamortized bond issuance costs	-	241,682	241,682
Nondepreciable capital assets (Note 4)	75,690	-	75,690
Total noncurrent assets	75,690	241,682	317,372
Total assets	586,632	5,021,575	5,608,207
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	7,413	424,648	432,061
Accrued expenses	-	470,180	470,180
Due to primary government	-	731,911	731,911
Total current liabilities	7,413	1,626,739	1,634,152
Noncurrent liabilities - Long-term debt	-	7,475,000	7,475,000
Total liabilities	7,413	9,101,739	9,109,152
<b>Net Assets (Deficit)</b>			
Investment in capital assets - Net of related debt	75,690	-	75,690
Unrestricted	503,529	(4,080,164)	(3,576,635)
Total net assets (deficit)	<b>\$ 579,219</b>	<b>\$ (4,080,164)</b>	<b>\$ (3,500,945)</b>

# Charter Township of Redford

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	<u>Expenses</u>
Downtown Development Authority - Public works	\$ 172,526
Brownfield Redevelopment Authority - Community development	3,421,177
Interest on long-term debt	<u>230,185</u>
Total component units	<u><u>\$ 3,823,888</u></u>
	<b>General Revenues</b>
	Property taxes
	Reimbursements
	Gain on sale of asset
	Investment earnings
	Total general revenues
	<b>Change in Net Assets (Deficit)</b>
	<b>Net Assets (Deficit) - Beginning of year</b>
	<b>Net Assets (Deficit) - End of year</b>

**Component Units  
Statement of Activities  
Year Ended March 31, 2007**

Net (Expense) Revenue and Changes in Net Assets

<u>Downtown Development Authority</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
\$ (172,526)	\$ -	\$ (172,526)
-	(3,421,177)	(3,421,177)
<u>-</u>	<u>(230,185)</u>	<u>(230,185)</u>
(172,526)	(3,651,362)	(3,823,888)
116,309	884,284	1,000,593
158,999	-	158,999
175,680	-	175,680
<u>21,241</u>	<u>101,408</u>	<u>122,649</u>
<u>472,229</u>	<u>985,692</u>	<u>1,457,921</u>
299,703	(2,665,670)	(2,365,967)
<u>279,516</u>	<u>(1,414,494)</u>	<u>(1,134,978)</u>
<b><u>\$ 579,219</u></b>	<b><u>\$ (4,080,164)</u></b>	<b><u>\$ (3,500,945)</u></b>

# Charter Township of Redford

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**Notes to Financial Statements  
March 31, 2007**

## **Note 1 - Summary of Significant Accounting Policies**

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

### **Reporting Entity**

The Charter Township of Redford is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the Township's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township (see discussion below for description).

### **Blended Component Units**

The Redford Township Building Authority is governed by a board that is appointed by the Township board. Although it is legally separate from the Township, it is reported in the General Fund as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings.

The Redford Township Police and Fire Retirement System has also been blended into the Township's financial statements. The system is governed by a five-member pension board that includes two individuals chosen by the Township board. The system is reported in a Trust Fund as if it were part of the primary government because of the fiduciary responsibility that the Township retains relative to the operations of the retirement system.

### **Discretely Presented Component Units**

The Downtown Development Authority (the "DDA") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the district. The DDA's governing body is appointed by the Township board. It is reported within the component unit column in the combined financial statements to emphasize that it is legally separate from the Township. The DDA does not publish separately issued financial statements. The DDA can be contacted at the Township offices at 15145 Beech Daly Road, Redford Township, Michigan 48239.

# Charter Township of Redford

## Notes to Financial Statements March 31, 2007

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

The Brownfield Redevelopment Financing Authority was established pursuant to Public Act 381 of 1996. The Authority was created to promote revitalization of environmentally distressed areas within the boundaries of the Township. The Authority's governing body is approved by the Township board. It is reported within the component unit column in the combined financial statements to emphasize that it is legally separate from the Township. The Authority does not publish separately issued financial statements. The Authority can be contacted at the Township offices at 15145 Beech Daly Road, Redford Township, Michigan 48239.

The Economic Development Corporation (the "EDC") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township, primarily through loans to eligible businesses. The EDC had no financial activity during the year ended March 31, 2007.

#### Government-wide and Fund Financial Statements

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

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

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

# Charter Township of Redford

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## Notes to Financial Statements March 31, 2007

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

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The Township reports the following major governmental fund:

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

The Township reports the following major proprietary funds:

**Water and Sewer Fund** - The Water and Sewer Fund accounts for the results of operations for providing water and sewer services to the citizens and businesses of the Township. The fund's primary revenues are generated through user charges from those requesting water and sewer services.

# Charter Township of Redford

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## Notes to Financial Statements March 31, 2007

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

**Senior Housing Fund** - The Senior Housing Fund accounts for the results of operations for providing senior housing facilities to elderly citizens of the Township. The revenues are generated through monthly rental payments made by tenants.

Additionally, the Township reports the following fund types:

**Internal Service Funds** - The Internal Service Funds account for the general liability insurance, health insurance, and maintenance on vehicles provided to other funds of the Township, primarily on a cost-reimbursement basis.

**Pension Trust Fund** - The Police and Fire Pension Trust Fund accounts for the activities of the police and fire employees' retirement system, which accumulates resources for pension benefit payments to qualified police and fire employees.

**Private Purpose Trust Fund (HIDTA)** - The Federal Law Enforcement Trust Fund accounts for assets held by the Township in a trustee capacity.

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

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

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

# Charter Township of Redford

**Notes to Financial Statements  
March 31, 2007**

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

### **Property Tax Revenue**

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

The Township's 2006 tax is levied and collectible on December 1, 2006 and is recognized as revenue in the year ended March 31, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the Township totaled \$1.35 billion (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 4.2306 mills for general operating purposes, 2.961 mills for police and fire operating purposes, 3.1 mills for police and fire pension, 2.5984 mills for solid waste management, 0.6017 mills for street lighting, 0.4327 mills for police station debt service, and 0.1079 mills for Dial-A-Ride operating purposes. This resulted in \$5.6 million for general operating purposes, \$3.9 million for police and fire operating purposes, \$4.1 million for police and fire pension, \$3.4 million for solid waste management, \$0.7 million for street lighting, \$0.6 million for police station debt service, and \$0.1 million for Dial-A-Ride operating purposes. These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as tax revenue.

### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. To the extent that cash from various funds has been pooled, pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

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

# Charter Township of Redford

## Notes to Financial Statements March 31, 2007

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

**Restricted Assets** - The revenue bonds of the Enterprise Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the Charter Township of Redford's water and sewer lines.

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

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads usage rights and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year, although assets purchased under that threshold may be capitalized at the Township's discretion. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Land improvements	7 to 50 years
Road usage rights	15 years
Buildings and improvements	7 to 50 years
Water and sewer facilities	50 to 100 years
Water meters	20 to 60 years
CSO basin	30 years
Vehicles	3 to 10 years
Equipment	5 to 10 years
Office equipment	5 to 7 years
Furniture and fixtures	7 years

**Goodwill** - The Township purchased a golf course and is recording the activity in the Golf Course Fund (business-type activity). The excess of the purchase price over the fair market value of tangible assets was recorded as goodwill.

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

**Amortization** - Bond issuance costs and discounts recorded in the governmental-type and business-type activities are being amortized over the life of the bonds. In addition, a portion of the purchase price of the golf course has been recorded as goodwill in the Golf Course Fund and is being amortized over 20 years. For the year ended March 31, 2007, amortization of \$2,888 and \$203,007 has been included in the operating expenses of the governmental and business-type activities, respectively, and accumulated amortization totaled \$2,888 and \$1,845,037 for governmental and business-type activities, respectively.

In addition, bond issuance costs in the component units are also being amortized over the life of the bonds. For the year ended March 31, 2007, amortization of \$13,201 has been included in the community development expenses, and accumulated amortization totaled \$22,326.

**Compensated Absences (Vacation and Sick Leave)** - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**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.

**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.

# Charter Township of Redford

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## Notes to Financial Statements March 31, 2007

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

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

**Comparative Data/Reclassifications** - Comparative data is not included in the Township's financial statements.

### **Note 2 - Deposits and Investments**

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

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

The Township has designated 10 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 Charter Township of Redford's deposits and investment policies are in accordance with statutory authority.

# Charter Township of Redford

## Notes to Financial Statements March 31, 2007

### Note 2 - Deposits and Investments (Continued)

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

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does have a deposit policy for custodial credit risk. At year end, the Township had \$24,442,011 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. At year end, the component units had \$866,390 of bank deposits that were uninsured and uncollateralized.

**Custodial Credit Risk of Investments** - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township does have a policy for custodial credit risk. At year end, the Township had no investment securities which were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in Years)</u>
U.S. agency securities (pension)	\$ 8,456,110	26.75
Corporate bonds (pension)	11,510,333	9.10

# Charter Township of Redford

## Notes to Financial Statements March 31, 2007

### Note 2 - Deposits and Investments (Continued)

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

Investment	Fair Value	Rating	Rating Organization
<b>Government-wide</b>			
National City Municipal Investment Fund	\$ 2,564,835	Not Rated	
Ambassador Investments	503,591	Not Rated	
Comerica J-Fund	4,898,017	AI, PI	S&P, Moody's
MBIA Pooled Accounts	1,572,854	AAA	Fitch
Allegiant Money Market Fund (pension)	5,445,068	AAA	S&P, Moody's
Government securities (pension)	8,118,552	AAA	S&P
Corporate bonds (pension)	2,997,003	A	S&P
Corporate bonds (pension)	1,983,571	A+	S&P
Corporate bonds (pension)	1,324,438	A-	S&P
Corporate bonds (pension)	741,017	AA-	S&P
Corporate bonds (pension)	592,249	AAA	S&P
Corporate bonds (pension)	3,152,109	BBB	S&P
Corporate bonds (pension)	404,878	BBB+	S&P
Corporate bonds (pension)	315,068	BBB-	S&P
<b>Component Units</b>			
Comerica J-Fund	4,224,446	AI, PI	S&P, Moody's

**Concentration of Credit Risk** - The Township limits the amount the Township may invest in any one issuer to 5 percent. No more than 5 percent of the Township's investments are invested in any one issuer.

# Charter Township of Redford

## Notes to Financial Statements March 31, 2007

### Note 3 - Receivables and Deferred Revenue

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

	Governmental Activities			Business-type Activities			Total
	General Fund	Nonmajor Funds	Total	Water and Sewer	Nonmajor Funds	Total	
Receivables:							
Taxes	\$ 1,932,253	\$ 533,133	\$ 2,465,386	\$ -	\$ -	\$ -	\$ 2,465,386
Accounts	78,714	9,766	88,480	3,096,237	-	3,096,237	3,184,717
Interest and other	117,322	6,514	123,836	-	-	-	123,836
Special assessments	-	1,870,280	1,870,280	196,870	34,861	231,731	2,102,011
Housing rehabilitation loans	-	646,836	646,836	-	-	-	646,836
Intergovernmental	1,075,923	62,548	1,138,471	-	-	-	1,138,471
Less allowance for uncollectibles	(80,470)	(11,316)	(91,786)	-	-	-	(91,786)
Net receivables	\$ 3,123,742	\$ 3,117,761	\$ 6,241,503	\$ 3,293,107	\$ 34,861	\$ 3,327,968	\$ 9,569,471

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, of which all was unavailable, are as follows:

Delinquent property taxes	\$ 2,375,559
Special assessments	1,803,900
Community Development Block Grant	646,837
Home grant	<u>86,425</u>
Total	<u>\$ 4,912,721</u>

# Charter Township of Redford

## Notes to Financial Statements March 31, 2007

### Note 4 - Capital Assets

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

	Balance April 1, 2006	Additions	Disposals and Adjustments	Reclassifications	Balance March 31, 2007
<b>Governmental Activities</b>					
Capital assets not being depreciated -					
Land	\$ 720,620	\$ -	\$ -	\$ -	\$ 720,620
Capital assets being depreciated:					
Land improvements	1,779,435	204,444	-	(20,000)	1,963,879
Road usage rights*	169,464	-	-	-	169,464
Buildings and improvements	14,933,788	58,213	-	20,000	15,012,001
Vehicles	2,518,878	162,063	20,586	395,073	3,055,428
Equipment	774,656	-	-	(395,073)	379,583
Office equipment	1,634,923	59,366	15,060	-	1,679,229
Furniture and fixtures	45,592	-	-	-	45,592
Subtotal	21,856,736	484,086	35,646	-	22,305,176
Accumulated depreciation:					
Land improvements	520,993	69,130	-	(15,375)	574,748
Road usage rights*	20,328	10,164	-	-	30,492
Buildings and improvements	5,339,924	316,807	-	15,375	5,672,106
Vehicles	1,697,882	248,118	20,586	236,356	2,161,770
Equipment	601,566	4,622	-	(236,356)	369,832
Office equipment	1,087,987	160,233	2,008	-	1,246,212
Furniture and fixtures	38,080	3,600	-	-	41,680
Subtotal	9,306,760	812,674	22,594	-	10,096,840
Net capital assets being depreciated	12,549,976	(328,588)	13,052	-	12,208,336
Net capital assets	\$ 13,270,596	\$ (328,588)	\$ 13,052	\$ -	\$ 12,928,956

\* Road usage rights represent the Township's contribution to roads owned and operated by the County, use of which will be amortized over 15 years.

# Charter Township of Redford

## Notes to Financial Statements March 31, 2007

### Note 4 - Capital Assets (Continued)

	Balance April 1, 2006	Additions	Disposals and Adjustments	Balance March 31, 2007
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 809,259	\$ -	\$ -	\$ 809,259
Construction in progress	<u>1,295,062</u>	<u>171,725</u>	<u>-</u>	<u>1,466,787</u>
Subtotal	2,104,321	171,725	-	2,276,046
Capital assets being depreciated:				
Water and sewer facilities	31,012,912	-	-	31,012,912
Water meters	1,972,103	-	-	1,972,103
CSO basin	18,950,477	-	-	18,950,477
Buildings and improvements	9,924,416	-	-	9,924,416
Vehicles	996,661	154,525	-	1,151,186
Equipment	<u>2,599,512</u>	<u>115,702</u>	<u>1,173,117</u>	<u>1,542,097</u>
Subtotal	65,456,081	270,227	1,173,117	64,553,191
Accumulated depreciation:				
Water and sewer facilities	6,731,231	490,521	-	7,221,752
Water meters	1,663,914	57,630	-	1,721,544
CSO basin	5,364,452	631,683	-	5,996,135
Buildings and improvements	3,840,725	278,378	-	4,119,103
Vehicles	830,524	105,121	-	935,645
Other equipment	<u>2,161,495</u>	<u>181,246</u>	<u>1,165,912</u>	<u>1,176,829</u>
Subtotal	<u>20,592,341</u>	<u>1,744,579</u>	<u>1,165,912</u>	<u>21,171,008</u>
Net capital assets being depreciated	<u>44,863,740</u>	<u>(1,474,352)</u>	<u>7,205</u>	<u>43,382,183</u>
Net capital assets	<u>\$ 46,968,061</u>	<u>\$ (1,302,627)</u>	<u>\$ 7,205</u>	<u>\$ 45,658,229</u>

Capital asset activity for the Charter Township of Redford's component units for the year consisted of a land acquisition in the amount of \$75,690.

# Charter Township of Redford

## Notes to Financial Statements March 31, 2007

### Note 4 - Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 129,038
Public safety		498,949
Public works		94,846
Community and economic development		31,728
Recreation and culture		<u>58,113</u>
Total governmental activities		<u>\$ 812,674</u>
Business-type activities:		
Water and sewer		\$ 1,408,902
Senior housing		76,238
Ice rink		41,897
Golf course		<u>217,542</u>
Total business-type activities		<u>\$ 1,744,579</u>

### Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
<b>Governmental Funds</b>		
General Fund	Nonmajor governmental funds	\$ 74,362
	Water and Sewer Fund	87,934
	Senior Housing Fund	34,484
	Nonmajor Enterprise Funds	68,079
	Internal Service Fund - Self insurance	<u>161,260</u>
	Total General Fund	426,119
Nonmajor governmental funds	General Fund	15,000
	Nonmajor governmental funds	302,009
	Nonmajor Enterprise Funds	<u>5,380</u>
	Total nonmajor governmental funds	<u>322,389</u>
	Total governmental funds	748,508

# Charter Township of Redford

## Notes to Financial Statements March 31, 2007

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

Receivable Fund	Payable Fund	Amount
<b>Internal Service Funds</b>	Nonmajor governmental funds	\$ 33,000
	Water and Sewer Fund	87,000
	Senior Housing Fund	2,000
	Nonmajor Enterprise Funds	<u>39,000</u>
	Total Internal Service Funds	<u>161,000</u>
	Total	<u><u>\$ 909,508</u></u>

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

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

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Capital Improvement Fund	(1) \$ 417,138
	Dial-A-Ride	(2) <u>25,000</u>
	Total General Fund	442,138
Glenhurst Golf Course Fund	General Fund	(1) 60,000
Capital Improvement Fund	Road Improvement Fund	(1) 100,000
	General Fund	(1) <u>114,900</u>
	Total Capital Improvement Fund	214,900
Road Paving Debt Service Fund	Road Improvement Fund	(3) <u>355,739</u>
	Total	<u><u>\$ 1,072,777</u></u>

- (1) Transfer for capital improvements
- (2) Transfer for operations
- (3) Transfer for debt service

# Charter Township of Redford

## Notes to Financial Statements March 31, 2007

### Note 6 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. The Building Authority bond commitments are limited by the Township's legal ability to levy property taxes.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
General obligation bonds - 1991 Refunded Bonds - Unlimited Tax Bonds (Police station): Amount of issue - \$4,180,000 Maturing through 2011	5.00%	\$445,000 - \$590,000	\$ 2,560,000	\$ -	\$ 450,000	\$ 2,110,000	\$ 445,000
2006 Capital Improvement Bonds: Amount of issue - \$2,695,000 Maturing through 2021	3.75% - 4.00%	\$150,000- \$200,000	-	2,695,000	-	2,695,000	200,000
Building Authority bonds:							
1998A Fire Station: Amount of issue - \$3,000,000 Maturing through 2018	4.40% - 4.50%	\$150,000 - \$250,000	2,225,000	-	125,000	2,100,000	150,000
1998B Service Building: Amount of issue - \$1,500,000 Maturing through 2018	4.40% - 4.50%	\$75,000 - \$125,000	1,200,000	-	75,000	1,125,000	75,000
1999 Service Building: Amount of issue - \$500,000 Maturing through 2017	4.30% - 5.00%	\$25,000 - \$55,000	390,000	-	20,000	370,000	25,000
1999 Township Hall/District Court Renovations: Amount of issue - \$968,326 Maturing through 2009	4.64%	\$109,127 - \$111,645	327,403	-	106,631	220,772	111,645
2000 Fire Truck: Amount of issue - \$310,000 Maturing through 2007	-	-	50,905	-	50,905	-	-
Total governmental activities			<u>\$ 6,753,308</u>	<u>\$ 2,695,000</u>	<u>\$ 827,536</u>	<u>\$ 8,620,772</u>	<u>\$ 1,006,645</u>

(1) The bank equipment note payable is secured by specific equipment.

# Charter Township of Redford

## Notes to Financial Statements March 31, 2007

### Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>						
General obligation bonds:						
2004 Combined Sewer Overflow Refunding Bonds:	2.50% - 3.625%	\$450,000 - \$575,000	\$ 5,180,000	\$ 460,000	\$ 4,720,000	\$ 450,000
Amount of issue - \$5,495,000						
Maturing through 2016						
Building Authority bonds:						
1997 (Refunded Bonds) Golf Course Purchase:	4.60% - 5.10%	\$1,825 - \$180,476	343,254	157,302	185,952	180,476
Amount of issue - \$1,297,857						
Maturing through 2009						
1997 (Refunded Bonds) Senior Housing Project:	4.60% - 5.10%	\$162,698 - \$245,000	1,606,746	162,697	1,444,049	184,524
Amount of issue - \$2,257,143						
Maturing through 2013						
2004 Refunding Bonds Golf Course Purchase:	2.13% - 2.50%	\$10,000 - \$205,000	395,000	5,000	390,000	5,000
Amount of issue - \$410,000						
Maturing through 2009						
2004 Refunding Bonds Senior Housing Project:	2.13% - 4.00%	\$5,000 - \$350,000	1,660,000	5,000	1,655,000	10,000
Amount of issue - \$1,695,000						
Maturing through 2018						
Revenue bonds:						
Water Bonds Series 1998 - 1990 (Refunded Bonds):						
Revenue and Phase 7:	4.20% - 5.00%	\$125,000 - \$205,000	1,915,000	125,000	1,790,000	130,000
Amount of issue - \$4,490,000						
Maturing through 2018						
2001 Water Supply & Sewage Disposal System Bonds:	4.00% - 6.00%	\$175,000 - \$400,000	3,750,000	175,000	3,575,000	200,000
Amount of issue - \$4,200,000						
Maturing through 2020						
1994 Combined Sewer Overflow (1) State Revolving Fund Debt - Maturing through 2014	2.00%	\$130,000 - \$140,000	937,897	120,000	817,897	130,000
Deferred charge on refunding						
			(553,049)	128,926	(424,123)	(66,880)
Total business-type activities			<u>\$ 15,234,848</u>	<u>\$ 1,338,925</u>	<u>\$ 14,153,775</u>	<u>\$ 1,223,120</u>

- (1) This represents preliminary draws on the Michigan Municipal Bond Authority. The total financing is expected to be \$2,740,000. Principal payments began in 1997, with interest charged at 2 percent.

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Component Units</b>							
2005 American Legion Hall - Land Contract							
Amount of issue - \$230,000							
Maturing through 2007							
Limited Tax General Obligation Bonds, Series 2007	4.00% - 5.00%	\$0 to \$320,000	-	3,805,000	-	3,805,000	-
Amount of issue - \$3,805,000							
Maturing through 2027							
Limited Tax General Obligation Bonds, Series 2006A	5.15% - 5.7%	\$0 to \$400,000	3,670,000	-	-	3,670,000	-
Amount of issue - \$3,670,000							
Maturing through 2026							
Total component unit activities			<u>\$ 3,900,000</u>	<u>\$ 3,805,000</u>	<u>\$ 230,000</u>	<u>\$ 7,475,000</u>	<u>\$ -</u>

# Charter Township of Redford

## Notes to Financial Statements March 31, 2007

### Note 6 - Long-term Debt (Continued)

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

	Governmental Activities			Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 1,006,645	\$ 382,612	\$ 1,389,257	\$ 1,290,000	\$ 570,984	\$ 1,860,984	\$ -	\$ 289,256	\$ 289,256
2009	1,049,127	336,647	1,385,774	1,345,000	522,318	1,867,318	-	360,505	360,505
2010	1,045,000	289,198	1,334,198	1,420,000	476,437	1,896,437	45,000	359,344	404,344
2011	1,090,000	240,223	1,330,223	1,230,000	426,611	1,656,611	100,000	355,612	455,612
2012	510,000	189,218	699,218	1,225,000	379,119	1,604,119	270,000	347,013	617,013
2013-2017	2,850,000	596,888	3,446,888	6,042,898	1,129,335	7,172,233	1,680,000	1,521,194	3,201,194
2018-2022	1,070,000	79,815	1,149,815	2,025,000	143,850	2,168,850	2,450,000	1,024,861	3,474,861
2023-2027	-	-	-	-	-	-	2,930,000	324,825	3,254,825
Total	<u>\$ 8,620,772</u>	<u>\$ 2,114,601</u>	<u>\$ 10,735,373</u>	<u>\$ 14,577,898</u>	<u>\$ 3,648,654</u>	<u>\$ 18,226,552</u>	<u>\$ 7,475,000</u>	<u>\$ 4,582,610</u>	<u>\$ 12,057,610</u>

**Interest** - Total interest incurred by the Township for the year was approximately \$1,215,000.

In prior years, the Township defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At March 31, 2007, \$8,805,000 of bonds outstanding are considered defeased.

### Note 7 - Restricted Assets

Restricted assets of the Water and Sewer Fund at March 31, 2007 consist of the following:

Cash and cash equivalents	\$ 1,058,433
Assets held at Wayne County for sewer line construction	<u>23,994</u>
Total restricted assets	<u>\$ 1,082,427</u>

The assets are restricted for the following purposes:

1998 Revenue Bonds debt	\$ 215,250
2001 Revenue Bonds debt	395,000
Sewage transmission line construction	23,994
Combined sewer overflow - Bond debt	<u>448,183</u>
Total	<u>\$ 1,082,427</u>

# Charter Township of Redford

## Notes to Financial Statements March 31, 2007

### Note 8 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for workers' compensation claims and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss, torts, and errors and omissions; the Township is self-insured for medical benefits provided to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Township.

The Township estimates the liability for general liability and medical benefit claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the Self-insurance Internal Service Fund. Changes in the estimated liability for the past two fiscal years were as follows:

	General Liability	Medical Benefits
Unpaid claims - April 1, 2005	\$ 971,388	\$ 1,000,000
Incurred claims (including claims incurred but not reported)	1,269,512	3,781,215
Claim payments	<u>(1,052,561)</u>	<u>(3,781,215)</u>
Unpaid claims - March 31, 2006	1,188,339	1,000,000
Incurred claims (including claims incurred but not reported)	948,589	4,488,496
Claim payments	<u>(1,039,390)</u>	<u>(4,488,496)</u>
Unpaid claims - March 31, 2007	<u>\$ 1,097,538</u>	<u>\$ 1,000,000</u>

# Charter Township of Redford

## Notes to Financial Statements March 31, 2007

### Note 9 - Fund Balance and Net Asset Reservations and Restrictions

The General Fund has reserved fund balance in the following amounts:

Reserved for vehicle forfeiture	\$ 20,136
Reserved for police resource program	33,308
Reserved for ACT 302 training	15,266
Reserved for street lighting	79,679
Reserved for probation work release program	6,890
Reserved for youth program	11,472
Other reserves	<u>5,569</u>
Total	<u>\$ 172,320</u>

The General Fund has designated fund balance for working capital needs of \$9,685,789. The working capital designation represents amounts needed to finance Township operations from April 1 until property taxes are collected again in December. Approximately two-thirds or \$10 million of the annual property tax levy and, in addition, a percentage of the annual budgeted expenditures are needed for this purpose.

Net assets restricted for other purposes are composed of the following:

Street lighting	\$ 79,679
Probation work release program	6,890
Other General Fund restrictions	85,751
Dial-A-Ride	49,616
911 dispatch	320,382
Police station	228,430
Home grant	86,425
Court building improvement	<u>1,235,353</u>
Total	<u>\$ 2,092,526</u>

## **Note 10 - Single-employer Defined Benefit Pension Plan**

### **Police and Fire Retirement System**

**Plan Description** - The Police and Fire Pension Plan is a combination of a single-employer defined benefit pension plan and a single-employer defined contribution plan. The defined contribution portion of the plan was set up for the annual employees' contribution. The assets of the defined contribution plan are used to fund the defined benefit pension plan. Therefore, the two plans work together as a defined benefit pension plan. The plan is administered by the Redford Township Police and Fire Employees Retirement System; this plan covers substantially all police and fire employees of the Township. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At March 31, 2006, the date of the most recent actuarial valuation, membership consisted of 131 retirees and beneficiaries currently receiving benefits. The plan does not issue a separate financial report.

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

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's competitive bargaining units. The Township has assumed the responsibility to contribute 5 percent of employees' covered wages on behalf of the police and fire employees.

**Annual Pension Cost** - For the year ended March 31, 2007, the Township's annual pension cost was \$4,229,974. The actuarial valuation required a contribution of \$4,220,496; the interest on the cumulative prior year overpayments (net pension asset) was \$3,815 and the effect of the net pension asset on normal cost was \$13,294. The Township's actual contribution was \$4,220,496. The annual required contribution was determined as part of an actuarial valuation at March 31, 2006, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.5 investment rate of return, (b) projected salary increases of 4.5 percent per year, attributable to inflation, and (c) additional projected salary increases ranging from 0 percent to 4.40 percent per year, attributable to merit/seniority. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 27 years.

# Charter Township of Redford

## Notes to Financial Statements March 31, 2007

### Note 10 - Single-employer Defined Benefit Pension Plan (Continued)

Three-year trend information is as follows:

	Fiscal Year Ended March 31		
	2007	2006	2005
Annual pension costs (APC)	\$ 4,229,974	\$ 3,808,649	\$ 3,270,092
Percentage of APC contributed	99.78%	99.77%	99.75%
Net pension obligation (asset)	\$ (45,029)	\$ (54,507)	\$ (63,365)

#### Municipal Employees' Retirement System of Michigan

**Plan Description** - The Township also participates in the Municipal Employees' Retirement System of Michigan, an agent multiple-employer defined benefit pension plan that covers a substantial number of employees of the Township other than police and fire employees. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Municipal Employees' Retirement System of Michigan issues a publicly available financial report that includes 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 negotiation with the Township's competitive bargaining units and requires a contribution from the employees of 3 percent to 5 percent, which is paid by the Township.

**Annual Pension Cost** - For the year ended March 31, 2007, the Township's annual pension cost of \$1,093,038 for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year attributable to inflation, and (c) additional projected salary increases ranging from 0 percent to 8.4 percent per year, attributable to seniority/merit. 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 30 years.

# Charter Township of Redford

## Notes to Financial Statements March 31, 2007

### Note 10 - Single-employer Defined Benefit Pension Plan (Continued)

Three-year trend information is as follows:

	Fiscal Year Ended March 31		
	2007	2006	205
Annual pension costs (APC)	\$ 1,093,038	\$ 1,196,321	\$ 1,104,980
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

	Valuation Year Ended December 31		
	2005	2004	2003
Actuarial value of assets	\$ 30,416,492	\$ 28,552,081	\$ 27,131,886
Actuarial accrued liability (AAL)	\$ 37,381,341	\$ 34,418,686	\$ 33,515,397
Unfunded AAL (UAAL)	\$ 6,964,849	\$ 5,866,605	\$ 6,383,511
Funded ratio	81%	83%	81%
Covered payroll	\$ 5,997,613	\$ 6,088,153	\$ 6,593,419
UAAL as a percentage of covered payroll	116%	96%	97%

### Note 11 - Commitments

The Township has entered into a contract with a corporation that will manage the operations of the Glenhurst Golf Course. Under the terms of this contract, the Township has agreed to pay the corporation from its golf course (Enterprise) Fund a minimum fee of \$626,500 between April 1, 2007 and March 31, 2008 for services rendered during calendar year 2007. The Township has agreed to pay additional fees if certain golf course revenue is attained.

### Note 12 - Other Postemployment Benefits

The Township provides health care benefits to all full-time employees upon retirement in accordance with labor contracts. Currently, 231 retirees are eligible. The Township includes pre-Medicare retirees and their dependents in its health care plan, with no contribution required by the participant. The Township provides Medicare supplemental coverage for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the claims become due; during the year, this amounted to approximately \$3,042,000.

# Charter Township of Redford

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**Notes to Financial Statements  
March 31, 2007**

## **Note 12 - Other Postemployment Benefits (Continued)**

**Upcoming Reporting Change** - 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 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 March 31, 2009.

## **Required Supplemental Information**

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# Charter Township of Redford

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Fund Balance - Beginning of year</b>	\$ 9,277,908	\$ 9,713,346	\$ 9,713,346	\$ -
<b>Resources (Inflows)</b>				
Property taxes	15,616,182	15,255,482	15,049,432	(206,050)
Permits and licenses	503,800	515,300	547,545	32,245
State sources	5,839,000	5,839,000	5,704,717	(134,283)
Charges for services	941,200	979,000	1,059,808	80,808
Fines and forfeitures	3,932,070	3,349,970	3,532,373	182,403
Interest income	485,000	782,000	939,879	157,879
Other	1,427,200	1,671,100	1,649,850	(21,250)
Total resources (inflows)	28,744,452	28,391,852	28,483,604	91,752
<b>Charges to Appropriations (Outflows)</b>				
General government:				
Legislative	71,431	71,431	72,703	(1,272)
District court	1,677,375	1,677,375	1,665,795	11,580
Criminal justice	708,000	752,000	751,176	824
Probation	227,864	200,864	204,539	(3,675)
Work program	55,344	59,344	61,155	(1,811)
Executive	297,309	217,309	205,194	12,115
Elections	133,363	133,363	125,049	8,314
Accounting	464,209	464,209	455,102	9,107
Assessor	276,111	320,111	349,794	(29,683)
Attorney	132,000	137,000	144,780	(7,780)
Clerk	397,441	422,441	434,980	(12,539)
Civil service	191,282	191,282	187,982	3,300
Police and fire civil service	8,100	8,100	13,300	(5,200)
Treasurer	427,033	460,033	450,118	9,915
Information systems department	451,336	451,336	457,635	(6,299)
Public service building maintenance	235,380	235,380	227,188	8,192
Board of Review	7,650	7,650	3,828	3,822
Buildings and grounds	494,172	444,172	454,374	(10,202)
General government	1,328,250	1,160,251	1,054,622	105,629
Public safety:				
Police	10,698,776	10,385,776	10,574,874	(189,098)
Old library MTCE	9,750	4,750	1,356	3,394
School resource officer	225,021	225,021	251,227	(26,206)
School crossing guard	61,631	53,631	52,150	1,481
Central dispatch	361,464	311,464	281,882	29,582
Fire	6,904,116	7,018,616	7,018,399	217

The Township's budget was adopted on a fund basis. The budget comparison shown above for the General Fund is more detailed than the General Appropriations Act. Information in this schedule is presented for the purpose of additional analysis.

# Charter Township of Redford

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended March 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Charges to Appropriations (Outflows) (Continued)</b>				
Public safety (Continued):				
Transportation	\$ 37,500	\$ 37,500	\$ 40,645	\$ (3,145)
Public works:				
Department of Public Works	173,781	176,381	173,818	2,563
Highways and streets	864,887	824,887	821,010	3,877
Health and welfare - Animal control	176,789	170,239	162,174	8,065
Recreation and culture:				
Recreation and parks	408,692	392,692	387,524	5,168
Parks facilities	603,435	710,885	671,693	39,192
Senior citizens	88,543	88,543	98,013	(9,470)
Cultural	50,000	60,000	67,061	(7,061)
Boards and commission:				
Planning	52,469	77,469	75,927	1,542
Board of Appeals	36,262	38,262	34,800	3,462
Site	5,500	5,500	5,236	264
Historical	22,700	22,700	22,255	445
Sister city commission	9,775	9,775	8,157	1,618
Beautification commission	17,500	17,500	17,103	397
Youth commission	3,000	4,000	4,004	(4)
Senior citizens commission	24,610	24,610	14,908	9,702
Community promotion	43,000	43,000	50,553	(7,553)
Redford redevelopment	275,000	275,000	184,758	90,242
Total charges to appropriations (outflows)	<u>28,737,851</u>	<u>28,391,852</u>	<u>28,338,841</u>	<u>53,011</u>
<b>Fund Balance - End of year</b>	<b><u>\$ 9,284,509</u></b>	<b><u>\$ 9,713,346</u></b>	<b><u>\$ 9,858,109</u></b>	<b><u>\$ 144,763</u></b>

The Township's budget was adopted on a fund basis. The budget comparison shown above for the General Fund is more detailed than the General Appropriations Act. Information in this schedule is presented for the purpose of additional analysis.

# Charter Township of Redford

## Required Supplemental Information Pension System Schedule of Funding Progress March 31, 2007

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
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### Police and Fire Retirement System

03/31/01	\$ 65,300,000	\$ 64,000,000	\$ (1,300,000)	102.0	\$ 6,400,000	(20.3)
03/31/02	64,500,000	66,000,000	1,500,000	97.7	6,600,000	22.7
03/31/03	63,000,000	69,600,000	6,600,000	90.5	6,200,000	106.5
03/31/04	62,100,000	73,700,000	11,600,000	84.3	6,500,000	178.5
03/31/05	62,700,000	77,200,000	14,500,000	81.2	6,700,000	216.4
03/31/06	64,400,000	80,900,000	16,500,000	79.6	6,800,000	242.6

The schedule of employer contributions is as follows:

### Police and Fire Retirement System

Fiscal Year Ended March 31	Annual Required Contribution*	Percentage Contributed	Net Pension Obligation (Asset)
2002	\$ 2,154,679	99.69	\$ (86,612)
2003	2,759,080	99.74	(79,381)
2004	3,061,809	99.75	(71,644)
2005	3,270,092	99.75	(63,365)
2006	3,808,649	99.77	(54,507)
2007	4,229,974	99.78	(45,029)

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

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of March 31, 2006, the latest actuarial valuation, follows:

Actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent of payroll
Remaining amortization period	27 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases*	4.5%-8.9%
*Includes inflation at	4.5%
Cost of living adjustments	N/A

# Charter Township of Redford

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## Note to Required Supplemental Information March 31, 2007

### Note - Budgetary Information

The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following is a summary of the requirements of this Act according to the State Treasurer's *Bulletin for Audits of Local Units of Government in Michigan* dated April 1982:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. Budgeted expenditures cannot exceed budgeted revenues and fund balance.
3. The budgets must be amended when necessary.
4. Public hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

The Township adopts its budget on a fund-total basis for all funds, which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations. The Community Development Block Grant Fund's budget is adopted on a project basis, and does not lapse at year end. A comparison of actual results of operations to the General Fund budget adopted by the Township board is included as required supplemental information. This comparison includes expenditure budget overruns. A comparison of actual results of operations, including budget overruns, to the nonmajor fund budgets as adopted by the Township board is available at the clerk's office for inspection.

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

1. The Township supervisor on or before 75 days prior to the commencement of the fiscal and budgetary year (April 1) shall prepare and submit to the board a complete itemized proposed budget for the next fiscal year.
2. A public hearing on the budget shall be held before its final adoption, at such time and place as the board shall direct, and notice of such public hearing shall be published at least 10 days in advance thereof by the clerk.
3. The board shall, on or before 15 days prior to the commencement of the next fiscal year, adopt a budget for the ensuing fiscal year.

# Charter Township of Redford

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## Note to Required Supplemental Information March 31, 2007

### Note - Budgetary Information (Continued)

The annual budget is prepared by the Township management and adopted by the Township board; subsequent amendments are approved by the Township board. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that transfers to/from other funds have been included in revenue and expenditures, rather than as other financing sources (uses), grant revenue to reimburse capital expenditures has been included in expenditures rather than revenue, and reimbursements from other funds for wage expense have been included as other revenue rather than as an offset to expenditures.

The budget statements are presented on the same basis of accounting used in preparing the adopted budget.

**Fund Deficit** - The Township has an accumulated deficit in the Brownfield Redevelopment Financing Authority in the amount of \$67,311 at March 31, 2007 on a modified accrual basis that will be eliminated with future property tax capture. A deficit elimination plan is currently on file with the Department of Treasury.

## **Other Supplemental Information**

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# Charter Township of Redford

## Special Revenue Funds

	Community Development		Home Grant	Drug Law Enforcement	Solid Waste Management	911 Dispatch	Local Law Enforcement
	Dial-A-Ride	Block Grant					
<b>Assets</b>							
Cash and investments	\$ 49,474	\$ 2,791	\$ 86,425	\$ 1,292,983	\$ 2,241,411	\$ 334,064	\$ 7,032
Receivables - Net	27,435	646,836	-	-	430,415	-	-
Due from other funds	-	5,380	-	-	-	-	-
Due from component units	-	-	-	-	-	-	-
Due from other governmental units	-	23,772	-	-	-	-	-
<b>Total assets</b>	<b>\$ 76,909</b>	<b>\$ 678,779</b>	<b>\$ 86,425</b>	<b>\$ 1,292,983</b>	<b>\$ 2,671,826</b>	<b>\$ 334,064</b>	<b>\$ 7,032</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 2,194	\$ 6,704	\$ -	\$ 21,988	\$ 196,449	\$ -	\$ 6,507
Accrued liabilities	4,391	2,015	-	-	8,523	6,055	-
Due to other funds	20,708	23,223	-	-	54,095	7,627	359
Deferred revenue	17,668	646,837	86,425	-	430,415	-	-
<b>Total liabilities</b>	<b>44,961</b>	<b>678,779</b>	<b>86,425</b>	<b>21,988</b>	<b>689,482</b>	<b>13,682</b>	<b>6,866</b>
<b>Fund Balances</b>							
Reserved	-	-	-	-	-	8,195	-
Unreserved:							
Designated	-	-	-	-	-	-	-
Undesignated	31,948	-	-	1,270,995	1,982,344	312,187	166
<b>Total fund balances</b>	<b>31,948</b>	<b>-</b>	<b>-</b>	<b>1,270,995</b>	<b>1,982,344</b>	<b>320,382</b>	<b>166</b>
<b>Total liabilities and fund balances</b>	<b>\$ 76,909</b>	<b>\$ 678,779</b>	<b>\$ 86,425</b>	<b>\$ 1,292,983</b>	<b>\$ 2,671,826</b>	<b>\$ 334,064</b>	<b>\$ 7,032</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
March 31, 2007**

Debt Service Funds			Capital Projects Funds					
Police Station	Road Paving Debt Service	Capital Improvement	Police Station	Drain	Public Improvement - Storm Water	Sidewalk Improvement	Road Improvement	Road Paving
\$ 522,499	\$ 12,290	\$ 1,008,138	\$ 228,430	\$ 809,124	\$ 488,315	\$ 468,744	\$ 391,039	\$ 1,128,985
73,733	-	-	-	6,514	-	1,291,300	578,980	-
-	302,009	-	-	-	-	-	15,000	-
-	94,653	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<b>\$ 596,232</b>	<b>\$ 408,952</b>	<b>\$ 1,008,138</b>	<b>\$ 228,430</b>	<b>\$ 815,638</b>	<b>\$ 488,315</b>	<b>\$ 1,760,044</b>	<b>\$ 985,019</b>	<b>\$ 1,128,985</b>
\$ -	\$ -	\$ 15,106	\$ -	\$ -	\$ 104,091	\$ -	\$ 113,286	\$ 1,077,417
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	302,009	1,350
73,733	-	-	-	-	-	1,240,827	563,073	-
73,733	-	15,106	-	-	104,091	1,240,827	978,368	1,078,767
-	-	-	-	-	-	-	-	-
-	-	993,032	228,430	815,638	384,224	519,217	-	-
522,499	408,952	-	-	-	-	-	6,651	50,218
522,499	408,952	993,032	228,430	815,638	384,224	519,217	6,651	50,218
<b>\$ 596,232</b>	<b>\$ 408,952</b>	<b>\$ 1,008,138</b>	<b>\$ 228,430</b>	<b>\$ 815,638</b>	<b>\$ 488,315</b>	<b>\$ 1,760,044</b>	<b>\$ 985,019</b>	<b>\$ 1,128,985</b>

# Charter Township of Redford

## Other Supplemental Information Combining Balance Sheet (Continued) Nonmajor Governmental Funds March 31, 2007

	Capital Projects Funds	
<b>Assets</b>	Court Building Improvement	Total Nonmajor Governmental Funds
Cash and investments	\$ 1,196,577	\$ 10,268,321
Receivables - Net	-	3,055,213
Due from other funds	-	322,389
Due from component units	-	94,653
Due from other governmental units	38,776	62,548
Total assets	<b>\$ 1,235,353</b>	<b>\$ 13,803,124</b>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 1,543,742
Accrued liabilities	-	20,984
Due to other funds	-	409,371
Deferred revenue	-	3,058,978
Total liabilities	-	5,033,075
<b>Fund Balances</b>		
Reserved	-	8,195
Unreserved:		
Designated	1,235,353	4,175,894
Undesignated	-	4,585,960
Total fund balances	1,235,353	8,770,049
Total liabilities and fund balances	<b>\$ 1,235,353</b>	<b>\$ 13,803,124</b>

# Charter Township of Redford

## Special Revenue Funds

	Dial-A-Ride	Community Development Block Grant	Home Grant	Drug Law Enforcement	Solid Waste Management	911 Dispatch	Local Law Enforcement
<b>Revenue</b>							
Property taxes	\$ 143,078	\$ -	\$ -	\$ -	\$ 3,435,628	\$ -	\$ -
State sources	123,544	-	-	-	-	-	-
Federal sources	-	1,353,873	2,500	-	-	-	-
Charges for services	17,796	-	-	-	-	264,767	-
Special assessments	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	198,719	-	-	-
Interest income	-	-	-	70,614	10,000	16,161	-
Other	75,094	-	-	200	9,520	-	-
<b>Total revenue</b>	<b>359,512</b>	<b>1,353,873</b>	<b>2,500</b>	<b>269,533</b>	<b>3,455,148</b>	<b>280,928</b>	<b>-</b>
<b>Expenditures</b>							
Current:							
Public safety	-	-	-	428,489	-	238,925	38
Public works	-	-	-	-	3,354,045	-	-
Health and welfare	355,948	-	-	-	-	-	-
Community and economic development	-	1,262,533	2,500	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>355,948</b>	<b>1,262,533</b>	<b>2,500</b>	<b>428,489</b>	<b>3,354,045</b>	<b>238,925</b>	<b>38</b>
<b>Excess of Revenue Over (Under)</b>							
<b>Expenditures</b>	3,564	91,340	-	(158,956)	101,103	42,003	(38)
<b>Other Financing Sources (Uses)</b>							
Proceeds from issuance of debt	-	-	-	-	-	-	-
Transfers in	25,000	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>25,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>28,564</b>	<b>91,340</b>	<b>-</b>	<b>(158,956)</b>	<b>101,103</b>	<b>42,003</b>	<b>(38)</b>
<b>Fund Balances (Deficit) - Beginning of year</b>	<b>3,384</b>	<b>(91,340)</b>	<b>-</b>	<b>1,429,951</b>	<b>1,881,241</b>	<b>278,379</b>	<b>204</b>
<b>Fund Balances - End of year</b>	<b>\$ 31,948</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,270,995</b>	<b>\$ 1,982,344</b>	<b>\$ 320,382</b>	<b>\$ 166</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances (Deficit) - Nonmajor Governmental Funds**  
**Year Ended March 31, 2007**

Debt Service Funds			Capital Projects Funds					
Police Station	Road Paving Debt Service	Capital Improvement	Police Station	Drain	Public Improvement - Storm Water	Sidewalk Improvement	Road Improvement	Road Paving
\$ 580,730	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	585,801	-	-
-	94,653	-	-	-	-	-	394,000	-
-	-	-	-	-	-	-	-	-
25,329	246	-	11,251	44,248	26,447	84,777	49,902	37,817
-	6,401	-	-	-	-	-	-	-
606,059	101,300	-	11,251	44,248	26,447	670,578	443,902	37,817
-	-	-	-	-	-	-	-	-
-	-	-	-	-	170,027	-	-	-
-	-	-	-	-	-	-	-	-
-	-	33,878	-	-	-	815,429	224,978	2,682,599
578,000	48,087	-	-	-	-	-	-	-
578,000	48,087	33,878	-	-	170,027	815,429	224,978	2,682,599
28,059	53,213	(33,878)	11,251	44,248	(143,580)	(144,851)	218,924	(2,644,782)
-	-	-	-	-	-	-	-	2,695,000
-	355,739	417,138	-	-	-	-	100,000	-
-	-	(214,900)	-	-	-	-	(355,739)	-
-	355,739	202,238	-	-	-	-	(255,739)	2,695,000
28,059	408,952	168,360	11,251	44,248	(143,580)	(144,851)	(36,815)	50,218
494,440	-	824,672	217,179	771,390	527,804	664,068	43,466	-
<b>\$ 522,499</b>	<b>\$ 408,952</b>	<b>\$ 993,032</b>	<b>\$ 228,430</b>	<b>\$ 815,638</b>	<b>\$ 384,224</b>	<b>\$ 519,217</b>	<b>\$ 6,651</b>	<b>\$ 50,218</b>

# Charter Township of Redford

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) - Nonmajor Governmental Funds (Continued) Year Ended March 31, 2007

	Capital Projects Funds	
	Court Building Improvement	Total Nonmajor Governmental Funds
<b>Revenue</b>		
Property taxes	\$ -	\$ 4,159,436
State sources	-	123,544
Federal sources	-	1,356,373
Charges for services	-	868,364
Special assessments	-	488,653
Fines and forfeitures	413,385	612,104
Interest income	50,417	427,209
Other	-	91,215
	<u>463,802</u>	<u>8,126,898</u>
<b>Total revenue</b>		
<b>Expenditures</b>		
Current:		
Public safety	-	667,452
Public works	3,450	3,527,522
Health and welfare	-	355,948
Community and economic development	-	1,265,033
Capital outlay	-	3,756,884
Debt service	-	626,087
	<u>3,450</u>	<u>10,198,926</u>
<b>Total expenditures</b>		
<b>Excess of Revenue Over (Under)</b>		
<b>Expenditures</b>	460,352	(2,072,028)
<b>Other Financing Sources (Uses)</b>		
Proceeds from issuance of debt	-	2,695,000
Transfers in	-	897,877
Transfers out	-	(570,639)
	<u>-</u>	<u>3,022,238</u>
<b>Total other financing sources (uses)</b>		
<b>Net Change in Fund Balances</b>	460,352	950,210
<b>Fund Balances (Deficit) - Beginning of year</b>	<u>775,001</u>	<u>7,819,839</u>
<b>Fund Balances - End of year</b>	<u>\$ 1,235,353</u>	<u>\$ 8,770,049</u>

# Charter Township of Redford

## Other Supplemental Information Combining Statement of Net Assets Nonmajor Enterprise Funds March 31, 2007

	Indoor Ice Rink	Golf Course	Protective Inspection	Total Nonmajor Enterprise Funds
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 17,105	\$ 551,484	\$ 232,770	\$ 801,359
Receivables - Net	-	-	34,861	34,861
Inventories and other assets	-	10,871	-	10,871
Total current assets	17,105	562,355	267,631	847,091
Noncurrent assets:				
Unamortized bond issuance costs	-	27,913	-	27,913
Capital assets	364,529	3,045,348	-	3,409,877
Unamortized goodwill	-	107,760	-	107,760
Total noncurrent assets	364,529	3,181,021	-	3,545,550
Total assets	381,634	3,743,376	267,631	4,392,641
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	-	10,085	1,946	12,031
Accrued liabilities	-	7,700	5,803	13,503
Due to other funds	32,677	44,968	34,814	112,459
Other liabilities and advances	-	60	-	60
Current portion of long-term debt	-	172,996	-	172,996
Total current liabilities	32,677	235,809	42,563	311,049
Noncurrent liabilities:				
Provision for compensated absences	-	-	193,767	193,767
Long-term debt - Net of current portion	-	367,705	-	367,705
Total noncurrent liabilities	-	367,705	193,767	561,472
Total liabilities	32,677	603,514	236,330	872,521
<b>Net Assets</b>				
Investment in capital assets - Net of related debt	364,529	2,504,647	-	2,869,176
Unrestricted	(15,572)	635,215	31,301	650,944
Total net assets	<u>\$ 348,957</u>	<u>\$ 3,139,862</u>	<u>\$ 31,301</u>	<u>\$ 3,520,120</u>

# Charter Township of Redford

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Nonmajor Enterprise Funds Year Ended March 31, 2007

	Indoor Ice Rink	Golf Course	Protective Inspection	Total Nonmajor Enterprise Funds
<b>Operating Revenue</b>				
Charges for services	\$ 23,290	\$ 1,357,227	\$ -	\$ 1,380,517
Permits	-	-	839,980	839,980
Total operating revenue	23,290	1,357,227	839,980	2,220,497
<b>Operating Expenses</b>				
General and administrative costs	13,404	1,121,140	825,746	1,960,290
Depreciation and amortization	41,897	275,644	-	317,541
Total operating expenses	55,301	1,396,784	825,746	2,277,831
<b>Operating Income (Loss)</b>	(32,011)	(39,557)	14,234	(57,334)
<b>Nonoperating Revenue (Expense)</b>				
Interest income	641	44,144	-	44,785
Interest expense	-	(21,949)	-	(21,949)
Gain on disposal of assets	-	9,492	-	9,492
Total nonoperating revenue	641	31,687	-	32,328
<b>Other Financing Uses - Transfers out</b>	-	(60,000)	-	(60,000)
<b>Change in Net Assets</b>	(31,370)	(67,870)	14,234	(85,006)
<b>Net Assets - Beginning of year</b>	380,327	3,207,732	17,067	3,605,126
<b>Net Assets - End of year</b>	<u>\$ 348,957</u>	<u>\$ 3,139,862</u>	<u>\$ 31,301</u>	<u>\$ 3,520,120</u>

# Charter Township of Redford

## Other Supplemental Information Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended March 31, 2007

	Indoor Ice Rink	Golf Course	Protective Inspection	Total Nonmajor Enterprise Funds
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 25,170	\$ 1,357,227	\$ 824,496	\$ 2,206,893
Payments to suppliers	(13,404)	(1,126,829)	(95,852)	(1,236,085)
Payments to employees	-	-	(714,535)	(714,535)
Internal activity - Receipts from other funds	-	725	29,814	30,539
Net cash provided by operating activities	<u>11,766</u>	<u>231,123</u>	<u>43,923</u>	<u>286,812</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from sale of assets	-	16,700	-	16,700
Purchase of capital assets	-	(91,014)	-	(91,014)
Contribution to other fund	-	(60,000)	-	(60,000)
Principal and interest paid on capital debt	-	(187,355)	-	(187,355)
Net cash used in capital and related financing activities	-	(321,669)	-	(321,669)
<b>Cash Flows from Investing Activities</b> - Interest received on investments	<u>641</u>	<u>44,144</u>	<u>-</u>	<u>44,785</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>12,407</u>	<u>(46,402)</u>	<u>43,923</u>	<u>9,928</u>
<b>Cash and Cash Equivalents</b> - Beginning of year	<u>4,698</u>	<u>597,886</u>	<u>188,847</u>	<u>791,431</u>
<b>Cash and Cash Equivalents</b> - End of year	<u><b>\$ 17,105</b></u>	<u><b>\$ 551,484</b></u>	<u><b>\$ 232,770</b></u>	<u><b>\$ 801,359</b></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ (32,011)	\$ (39,557)	\$ 14,234	\$ (57,334)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	41,897	275,644	-	317,541
Changes in assets and liabilities:				
Receivables	1,880	-	(15,484)	(13,604)
Inventory and other assets	-	3,388	-	3,388
Accounts payable	-	(8,468)	261	(8,207)
Accrued and other liabilities	-	(609)	15,098	14,489
Due to other funds	-	725	29,814	30,539
Net cash provided by operating activities	<u><b>\$ 11,766</b></u>	<u><b>\$ 231,123</b></u>	<u><b>\$ 43,923</b></u>	<u><b>\$ 286,812</b></u>

# Charter Township of Redford

## Other Supplemental Information Combining Statement of Net Assets Internal Service Funds March 31, 2007

	Internal Service Fund	Vehicle Maintenance Internal Service Fund	Total Internal Service Funds
	<u>Fund</u>	<u>Fund</u>	<u>Service Funds</u>
<b>Assets - Current</b>			
Cash and investments	\$ 4,253,783	\$ 11,663	\$ 4,265,446
Due from other funds	161,000	-	161,000
Deposits	352,900	-	352,900
	<u>4,767,683</u>	<u>11,663</u>	<u>4,779,346</u>
<b>Liabilities - Current</b>			
Accounts payable	-	5,566	5,566
Accrued liabilities	-	5,837	5,837
Due to other funds	161,000	260	161,260
Other liabilities and advances	2,097,538	-	2,097,538
	<u>2,258,538</u>	<u>11,663</u>	<u>2,270,201</u>
<b>Net Assets - Unrestricted</b>	<b><u>\$ 2,509,145</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,509,145</u></b>

# Charter Township of Redford

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended March 31, 2007

	Internal Service Fund	Vehicle Maintenance Internal Service Fund	Total Internal Service Funds
<b>Operating Revenue</b>			
Charges for services	\$ -	\$ 281,005	\$ 281,005
Township contributions	5,527,886	-	5,527,886
	<u>5,527,886</u>	<u>-</u>	<u>5,527,886</u>
Total operating revenue	5,527,886	281,005	5,808,891
<b>Operating Expenses</b>			
General and administrative costs	-	281,005	281,005
Benefit payments, reinsurance charges, and claim administration	5,408,541	-	5,408,541
	<u>5,408,541</u>	<u>-</u>	<u>5,408,541</u>
Total operating expenses	5,408,541	281,005	5,689,546
<b>Operating Income/Change in Net Assets</b>	119,345	-	119,345
<b>Net Assets - Beginning of year</b>	<u>2,389,800</u>	<u>-</u>	<u>2,389,800</u>
<b>Net Assets - End of year</b>	<u><u>\$ 2,509,145</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,509,145</u></u>

# Charter Township of Redford

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended March 31, 2007

	Internal Service Fund	Vehicle Maintenance Internal Service Fund	Total Internal Service Funds
<b>Cash Flows from Operating Activities</b>			
Internal activity - Payments from other funds	\$ 5,627,886	\$ 281,265	\$ 5,909,151
Payments to suppliers	-	(26,744)	(26,744)
Payments to employees	-	(242,858)	(242,858)
Claims paid	<u>(5,532,060)</u>	<u>-</u>	<u>(5,532,060)</u>
Net cash provided by operating activities	95,826	11,663	107,489
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>4,157,957</u>	<u>-</u>	<u>4,157,957</u>
<b>Cash and Cash Equivalents - End of year</b>	<u><b>\$ 4,253,783</b></u>	<u><b>\$ 11,663</b></u>	<u><b>\$ 4,265,446</b></u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>			
Operating income	\$ 119,345	\$ -	\$ 119,345
Adjustments to reconcile operating income to net cash from operating activities - Changes in assets and liabilities:			
Due from other funds	(20,000)	-	(20,000)
Deposits	(32,719)	-	(32,719)
Accounts payable	-	5,566	5,566
Accrued and other liabilities	(90,800)	5,837	(84,963)
Due to other funds	<u>120,000</u>	<u>260</u>	<u>120,260</u>
Net cash provided by operating activities	<u><b>\$ 95,826</b></u>	<u><b>\$ 11,663</b></u>	<u><b>\$ 107,489</b></u>

There were no significant noncash investing, capital, or financing activities during the year ended March 31, 2007.

# **Charter Township of Redford**

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**Federal Awards**

**Supplemental Information**

**March 31, 2007**

# Charter Township of Redford

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## Independent Auditor's Report

To the Board of Trustees  
Charter Township of Redford

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Redford as of and for the year ended March 31, 2007, which collectively comprise the Charter Township of Redford's basic financial statements, and have issued our report thereon dated August 27, 2007. Those basic financial statements are the responsibility of the management of the Charter Township of Redford. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Redford's basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

August 27, 2007

Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

To the Board of Trustees  
Charter Township of Redford

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Redford as of and for the year ended March 31, 2007, which collectively comprise the Charter Township of Redford's basic financial statements, and have issued our report thereon dated August 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Charter Township of Redford's internal control over financial reporting 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 Charter Township of Redford's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter Township of Redford's internal control over financial reporting.

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 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 control deficiency described in the accompanying schedule of findings and questioned costs as item 07-01 to be a significant deficiency in internal control over financial reporting.

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.

To the Board of Trustees  
Charter Township of Redford

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter Township of Redford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Charter Township of Redford's response to the significant deficiency and finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Charter Township of Redford's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the township board, federal awarding agencies, and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

August 27, 2007

## Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Trustees  
Charter Township of Redford

### **Compliance**

We have audited the compliance of the Charter Township of Redford with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended March 31, 2007. The major federal program of the Charter Township of Redford is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Charter Township of Redford's management. Our responsibility is to express an opinion on the Charter Township of Redford's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Charter Township of Redford's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Charter Township of Redford's compliance with those requirements.

In our opinion, the Charter Township of Redford complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended March 31, 2007.

To the Board of Trustees  
Charter Township of Redford

### **Internal Control Over Compliance**

The management of the Charter Township of Redford is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Charter Township of Redford's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

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 noncompliance with a type of compliance requirement for a major program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a major federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement for a major program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance that is material to a type of compliance requirement for a major program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance and its operation that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the township board, federal awarding agencies, and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

August 27, 2007

# Charter Township of Redford

## Schedule of Expenditures of Federal Awards Year Ended March 31, 2007

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Community Development Block Grant:			
Program Year 2004 - B-04-MC-26-0029	14.218	N/A	\$ 19,855
Program Year 2005 - B-05-MC-26-0029	14.218	N/A	61,079
Program Year 2006 - B-06-MC-26-0029	14.218	N/A	<u>1,181,599</u>
Total Community Development Block Grant			1,262,533
HOME Investment Partnership Program - Passed through the State of Michigan	14.239	M-2002-5542	<u>2,500</u>
Total U.S. Department of Housing and Urban Development			1,265,033
Office of National Drug Control Policy - Southeastern Michigan:			
HIDTA - 2003 administrative support initiative	07.000	13PSMP502	353
HIDTA - 2004 administrative support initiative	07.000	14PSMP501Z	282,326
HIDTA - 2005 administrative support initiative	07.000	15PSMP502Z	<u>950,125</u>
Total HIDTA			1,232,804
Passed through the Michigan State Police - HIDTA - 2006 administrative support initiative	07.000	16PSMP503Z	<u>606,669</u>
Total Office of National Drug Control Policy			<u>1,839,473</u>
Total federal awards			<u><b>\$ 3,104,506</b></u>

# Charter Township of Redford

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## Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended March 31, 2007

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 3,195,845
Less federal revenue not received within 60 days of year end in prior year in the governmental funds	<u>(91,339)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><b>\$ 3,104,506</b></u>

# Charter Township of Redford

## Notes to Schedule of Expenditures of Federal Awards Year Ended March 31, 2007

### Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter Township of Redford and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant	14.218	\$ 17,500

# Charter Township of Redford

## Schedule of Findings and Questioned Costs Year Ended March 31, 2007

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?        \_\_\_ Yes     X  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  X  Yes    \_\_\_ None reported

Noncompliance material to financial statements noted?        \_\_\_ Yes     X  No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified?        \_\_\_ Yes     X  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_ Yes     X  None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?        \_\_\_ Yes     X  No

Identification of major program(s):

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?         X  Yes    \_\_\_ No

# Charter Township of Redford

## Schedule of Findings and Questioned Costs (Continued) Year Ended March 31, 2007

### Section II - Financial Statement Audit Findings

Reference Number	Findings
07-01	<p><b>Finding Type</b> - Significant deficiency</p> <p><b>Criteria</b> - Management's goal is to present the trial balance ready for audit in accordance with generally accepted accounting principles.</p> <p><b>Condition</b> - In connection with the Charter Township of Redford's financial statement audit of the year ended March 31, 2007, the Charter Township of Redford was required to post various entries in order for its financial statements to be correctly stated.</p> <p><b>Context</b> - Historically, the Charter Township of Redford's auditors have recommended journal entries as part of the audit. For the audit of the Charter Township of Redford's year ended March 31, 2007, Statement on Auditing Standards (SAS) No. 112, <i>Communicating Internal Control Related Matters Identified in an Audit</i>, was effective. SAS 112 now defines entries of this nature to be a significant deficiency.</p> <p><b>Cause</b> - The Charter Township of Redford should attempt to post all entries prior to the start of the audit.</p> <p><b>Effect</b> - As a result, certain transactions were not originally recorded in audit records prior to the audit process.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The Charter Township of Redford will focus on attempting to record all entries prior to the start of future audits.</p>

### Section III - Federal Program Audit Findings

None

August 27, 2007

To the Board of Trustees  
Charter Township of Redford  
15145 Beech Daly Road  
Redford, MI 48239

Dear Board Members:

New auditing rules effective December 31, 2006 have resulted in some changes in the communications that we are required to provide following our audit. These rules require us to more formally communicate matters we note about your accounting procedures and internal controls. While we have always provided our observations in these areas as part of our audit, we are now required to tell you about more items than we may have in the past and to communicate them in writing.

The new auditing standards (Statement on Auditing Standards Number 112, referred to as SAS 112) require us to inform you about any matters noted in your accounting procedures or internal controls that the new auditing standards define as a significant deficiency. The new threshold for a significant deficiency is a low one - a significant deficiency is any flaw that creates more than a remote risk of errors in your financial statements that could matter to a user of the statements. Matters that may be immaterial to the financial statements still may be classified by the new auditing standards as a significant deficiency. For example, the requirements of SAS 112 go so far as to classify certain journal entries proposed by your auditor as a significant deficiency.

We are also required to communicate these matters to more people. In the past, we have provided our comments and observations as part of a meeting or discussion at the end of our work directly to management. Under these new rules, we are obligated to communicate these matters in writing to all individuals involved in overseeing strategic direction and accountability for your operations, including the board of trustees, in addition to our communications with management. This communication is intended to comply with the requirements of the new auditing standards.

In planning and performing our audit of the financial statements of the Charter Township of Redford (the "Township") as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the 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 the 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 a deficiency in internal control that we consider to be a significant deficiency.

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 accounting principles generally accepted in the United States of America 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 deficiency to be a significant deficiency in internal control:

- Journal entries were required during the audit to ensure the financial statement presentation was in conformity with generally accepted accounting principles. It should be noted that a number of these journal entries were related to transactions that were unusual and infrequent in nature.

Additionally, we offer the following comments and recommendations relating to legislative matters for your consideration:

### **Revenue Sharing**

The future of the State's revenue-sharing program continues to be directly tied to the condition of the State's budget. Reductions to statutory revenue sharing started in 2001 as shortfalls began occurring in the State's budget. The State's budget shortfalls continue to be significant. The magnitude of the State's deficit has become even more pronounced after the State's January and May 2007 revenue estimating conferences. According to economists, Michigan is still approximately \$1.8 billion short of the revenue needed to cover basic services for the State's upcoming fiscal year 2007/2008 budget. It is not completely clear whether the State's fiscal year 2006/2007 budget has been completely balanced as well. The outcome of other matters will also impact revenue sharing and those matters include:

- **Future of County Participation in Statutory Revenue Sharing** - In 2004, the State terminated payment of statutory revenue sharing to counties (which was approximately \$182 million) but allowed counties to move their operating tax levy to July from December. Counties are required to deposit the additional monies from the earlier levy into a "reserve fund" which is to be used by the counties to replace lost statutory revenue sharing in future years. The question that remains is when the reserve funds established by counties are depleted, will counties come back into the "revenue-sharing formula" and to what extent? Will the size of the statutory pot grow to accommodate counties or will there be a shift of the same monies from cities, villages, and townships to the counties?
- **Statutory Revenue-sharing Formula Expires in 2007** - Legislative action is required on this Act for appropriations to continue into 2008 and beyond.

- **Changes to Michigan's Tax Structure** - The Michigan single business tax has been eliminated effective December 31, 2007 which will result in the loss of \$1.9 billion from the State's budget in 2008. In June 2007, a replacement for the single business tax - called the new Michigan business tax - was approved by the legislature. More details on this new tax structure are included below. In the overview, the plan creates a new tax structure for Michigan businesses, provides further personal property tax relief to business taxpayers, and is forecasted by the State to generate about the same revenue (\$1.9 billion) as the single business tax. Technical corrections on this recently passed law are still pending and the law is lengthy and complex. The true financial impact on the State's budget is hard to predict. Rumors of further changes to Michigan's tax structure continue to circulate around Lansing as the legislature continues its work on the State's fiscal year 2007/2008 budget and solving the estimated \$1.8 billion deficit that exists.

As introduced, the governor's budget for fiscal year 2007/2008 includes a revenue-sharing increase of \$27 million to be distributed using the three-part formula currently contained in the revenue-sharing act (taxable value per capita, population/unit type, and yield equalization) with an additional \$14.5 million for public safety funding. While specific details have not yet been announced, communities would only be eligible for the increase if they can demonstrate service sharing with other local governments.

While the debate is in process and all indications point to a very busy September for the legislature, there still remain considerably more questions than answers regarding long-term funding of statutory revenue sharing. Decisions still remain on the ultimate funding level for revenue sharing for the State's fiscal years 2006/2007 and 2007/2008. Local governments may need to react with budget amendments when these final decisions are made by the State.

The table below details state-shared revenue for the Township since 2000 broken out by statutory and constitutional portions.

<u>State Fiscal Year</u>	<u>Statutory</u>	<u>Constitutional</u>	<u>Total</u>	<u>Decrease from 2000</u>
2000	\$ 3,599,108	\$ 3,686,742	\$ 7,285,850	\$ -
2001	3,834,941	3,349,865	7,184,806	101,044
2002	3,498,214	3,383,987	6,882,201	403,649
2003	3,104,691	3,441,277	6,545,968	739,882
2004	2,479,309	3,403,898	5,883,207	1,402,643
2005	2,333,950	3,485,130	5,819,080	1,466,770
2006	2,209,865	3,543,149	5,753,014	1,532,836
2007	2,112,127	3,485,688	5,597,815	1,688,035
2008*	2,085,432	3,512,383	5,597,815	1,688,035

\*Estimated

If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the Township has \$2,209,865 at risk in its General Fund budget based on 2006 funding levels. In light of the current environment, we strongly encourage local governments to be conservative when budgeting or projecting the revenue-sharing line item.

### **New Cable Franchise Legislation**

The governor signed cable franchise legislation (House Bill 6456) into law effective January 1, 2007. The new law (Public Act 480 of 2006) creates the "Uniform Video Services Local Franchise Act," which provides a statewide framework for franchising agreements instead of individual community agreements. This Act requires video service providers to obtain a local franchise, good for 10 years, from the franchising entity (the local unit of government). As part of the local franchise, the provider is required to pay an annual video service provider fee, not to exceed 5 percent of gross revenue, as well as an annual fee for the costs of the PEG access facilities, not to exceed 2 percent of gross revenue. The Act allows providers to terminate the current franchise contracts before their expiration date, in order to enter into this new local franchise agreement under the statewide framework.

Local units of government will be impacted in the following ways:

- Under the Act, no additional fees or charges other than those stipulated under the Act may be written into the local franchise agreements.
- To the extent existing cable franchise agreements provided more funding than provided for under the new Act, municipalities will see reduced fees from these new local franchise agreements.
- A credit, based on annual maintenance fees paid for use of public rights of way, to video service providers is allowed under the Act. This credit could eliminate or significantly reduce any revenue the local unit might receive under the bill's franchise fee.
- Audits of the video service providers' calculation of gross revenue is limited to once every two years.

It was expected that local governments would receive their first payment under the new Act beginning in May 2007. We strongly encourage you to review this payment compared to payments previously received and follow up with your provider as required.

### **Property Assessment Cap**

As you recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is as follows:

<u>Year</u>	<u>Percentage</u>
2007	3.7
2006	3.3
2005	2.3
2004	2.3
2003	1.5
2002	3.2
2001	3.2
2000	1.9
1999	1.6
1998	2.7
1997	2.8

As indicated above, growth in existing property taxes can be significantly limited due to Proposal A. This factor should be considered when the Township is involved in long-term financial planning.

### **Personal Property Tax**

Over the last seven years, the State's personal property tax laws and regulations have changed substantially. In 2000, the State Tax Commission updated the general business depreciation tables that are used to calculate personal property taxes, resulting in approximately a 10 percent drop in property tax revenue. In addition, the State Tax Commission also approved new personal property tax tables for utilities which made drastic changes to transmission and distribution property of utilities (resulting in approximately 30 percent revenue loss to local units of government). Also, the Michigan Supreme Court in WPW Acquisition Co. vs. City of Troy ruled that the Proposal A cap prevents assessors from increasing the taxable value of commercial rental property above the rate of inflation using the occupancy methodology even when reductions in taxable value were previously granted due to a decrease in occupancy.

The new Michigan business tax also provides more personal property tax relief to business taxpayers (see details below). Even with this most recent relief provided in June 2007 in the MBT, further reductions to personal property tax remain part of the State's tax structure discussions. Personal property taxes are a significant revenue source to many local governments. If the State's new business tax structure provides personal property tax relief, the question is will local governments be held harmless by the State and to what extent? The governor's tax plan as introduced proposes to change the property tax system to mitigate the impact of the WPW case. Similar attempts to make this correction occurred in 2005 and 2006 with no success.

## **New Michigan Business Tax**

As previously indicated, the new Michigan business tax (MBT) was approved by the legislature in June 2007 and replaces the single business tax (SBT) which expires on December 31, 2007. According to the State, the new MBT is intended to generate about the same \$1.9 billion generated by the expiring SBT.

While the MBT intended to simplify the old SBT, the MBT is a very lengthy and complicated new law. The new MBT imposes two taxes - a modified gross receipts tax and a business income tax. The modified gross receipts tax is imposed at .8 percent on a tax base composed of gross receipts less certain purchases. The business income tax will be imposed at a rate of less than 5 percent on business income. The MBT provides for new investment, compensation, and research and development credits to businesses. The MBT also allows certain qualified small businesses to opt out of the MBT and pay a straight 1.8 percent tax on adjusted business income.

More personal property tax relief is also part of the new MBT. Business personal property classified as "industrial" or "commercial" will be exempt from certain personal property taxes - specifically from the state education tax (SET) and local school operating mills. "Industrial" personal property will receive exemptions from the six SET mills and the 18 school operating mills (for a total 24 mill exemption). "Commercial" personal property will be exempt from 12 of the 18 school operating mills.

These newly enacted personal property tax exemptions will mean that local governments will collect less school taxes on these properties. For local governments that have enacted an administrative fee on tax collections, they will likely see a decrease in the administration fees that have traditionally been collected. Also, for those local governments with tax increment financing authorities that continue to have existing eligible obligations outstanding and are therefore allowed to capture school taxes (to the extent of these eligible obligations), the personal property tax exemptions on school millages will likely decrease the amount of school taxes available to capture.

Given the favorable tax treatment of industrial versus commercial personal property, it is expected that businesses will be re-reviewing the classification of their personal property. Your assessor will likely receive more frequent inquiries and requests to change classification of personal property to take the most advantage of the tax break afforded to industrial property and commercial property and the additional relief available for industrial property.

As we understand it now, these are the areas at the local governmental level (i.e., impact on administrative fees, impact on school dollars available for capture for certain tax increment financing authorities, property classifications) that are the most directly impacted by the new MBT.

We will keep you updated as we continue to explore these and other issues regarding the impact of the MBT on local units of government.

## Other Legislative Items

In addition to the legislature's main focus on the business tax structure and solving the budget deficit, the following are a summary of a few other matters impacting local government finance receiving attention in Lansing these days:

- **Act 312** - Several articles have been written about recent discussions on potential revisions to Act 312 which governs collective bargaining between local governments and their police and fire bargaining units.
- **Local Government Consolidation** - Two bills to eliminate potential barriers to consolidation efforts have received attention by the legislature (House Bills 4266 and 4246).
- **Drain Code Revisions** - A series of bills dealing with revisions to the drain code were voted on by the House in August (House Bills 4641, 4642, 4643, 4644, and 4688).
- **Transportation Tax Increase** - There continues to be ongoing discussion about the need for additional monies to properly fund Michigan transportation system. More information can be found at [http://www.drivemi.org/mtt\\_members.php](http://www.drivemi.org/mtt_members.php).

## 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 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 percent 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.

### **911 Surcharge Sunset Extended Temporarily**

Local governments receiving monies under the Emergency Service Enabling Act to support 911 operations faced the potential elimination or change in the funding formula at December 31, 2006. To allow further analysis of this issue, the sunset of the Act was extended one year to December 31, 2007 (Public Act 249 of 2006). The surcharge to fund 911 operations has been the subject of considerable discussions over the last several months with the approaching expiration at December 31, 2007. Action is required by the legislature to continue this charge beyond December 31, 2007 so discussions will continue on this subject into September and perhaps the remainder of the fall legislative session.

### **Municipal Finance Act Revisions**

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 10-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 following the end of the Township’s year ended March 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.

### **Funding of Postemployment Benefit Obligations**

As mentioned in previous years, the Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The pronouncement provides guidance for local units of government in recognizing the cost of retiree health care benefits. 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. As a result, the Township will need to continue to budget for contributions to a pre-funding plan. For many communities, the funding of postemployment benefits is the most significant financial challenge they will face in coming years. The statement, as previously mentioned, will be effective for the Township’s fiscal year ending March 31, 2009. The Township will need to perform an actuarial valuation during the fiscal year ending March 31, 2008 to provide an estimate as to what these annual costs may amount to. The cost of health care currently paid each year as premiums become due has been increasing and the trend is expected to continue.

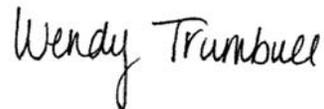
We would like to thank the board of trustees, supervisor, clerk, treasurer, and other departmental staff for the courtesy and cooperation extended to us during the audit. We appreciate the continued opportunity to serve as your auditors for the Township. We would be happy to answer any questions you have regarding the annual financial report or the above comments and recommendations at your convenience.

Very truly yours,

**Plante & Moran, PLLC**



David H. Helisek



Wendy N. Trumbull