

**SOUTHFIELD TOWNSHIP
Oakland County, Michigan**

AUDITED FINANCIAL REPORT

**For the Fiscal Year Ended
March 31, 2013**

SOUTHFIELD TOWNSHIP
For the Year Ended March 31, 2013

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FINANCIAL SECTION

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Deborah M. Cox, C.P.A.

Independent Auditor's Report

August 21, 2013

To the Board of Trustees
Southfield Township
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southfield Township, Michigan, as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Southfield Township, Michigan, as of March 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southfield Township'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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully,



PSLZ LLP

Certified Public Accountants

Management's Discussion and Analysis

As management of Southfield Township, we offer readers of Southfield Township's financial statements this narrative overview and analysis of the financial activities of Southfield Township for the fiscal year ended March 31, 2013. Please read it in conjunction with the Township's financial statements.

Financial Highlights

- The assets of Southfield Township exceeded its liabilities at the close of the most recent fiscal year by \$1,309,030 (*net position*). Of this amount, \$1,073,823 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net position decreased by \$84,850.
- As of the close of the current fiscal year, Southfield Township's governmental funds reported combined ending fund balances of \$1,050,827, a decrease of \$74,118 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Southfield Township's basic financial statements. Southfield Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Southfield Township's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of Southfield Township's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Southfield Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Southfield Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Southfield Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Southfield Township maintains 4 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other governmental funds are combined into aggregated presentations. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the annual appropriated budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Southfield Township's own programs.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Southfield Township, assets exceeded liabilities by \$1,309,030 at the close of the most recent fiscal year.

A portion of Southfield Township's net position (16 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. Southfield Township used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. An additional portion (2%) of the Township's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$1,073,823) may be used to meet the government's ongoing obligations to citizens and creditors.

Southfield Township's Net Position

	2013	2012
Current and Other Assets	\$ 1,112,607	\$ 1,187,046
Capital Assets	209,465	224,225
Total Assets	<u>1,322,072</u>	<u>1,411,271</u>
Current Liabilities	<u>13,042</u>	<u>17,391</u>
Net Position:		
Invested in Capital Assets	209,465	224,225
Restricted	25,742	33,594
Unrestricted	<u>1,073,823</u>	<u>1,136,061</u>
Total Net Position	<u><u>\$ 1,309,030</u></u>	<u><u>\$ 1,393,880</u></u>
	2013	2012
Program Revenues:		
Charges for Services	\$ 48,229	\$ 69,342
General Revenues:		
Property Taxes	548,496	549,392
State Shared Revenue	1,384	1,479
Unrestricted Investment Earnings	<u>5,974</u>	<u>7,117</u>
Total Revenues	<u>604,083</u>	<u>627,330</u>
Program Expenses:		
General Government	<u>688,933</u>	<u>703,868</u>
Change in Net Position	<u><u>\$ (84,850)</u></u>	<u><u>\$ (76,538)</u></u>

Financial Analysis of the Government's Funds

Governmental funds. The focus of Southfield Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Southfield Township's financing requirements. In particular, *unrestricted fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Southfield Township's governmental funds reported combined ending fund balances of \$1,050,827 a decrease of \$74,118 in comparison with the prior year.

The general fund is the chief operating fund of Southfield Township. At the end of the current fiscal year, total fund balance was \$971,851, all of which is unrestricted. Unrestricted fund balance represents 145% of total general fund expenditures. The fund balance of Southfield Township's general fund decreased by \$66,412 during the current fiscal year.

General Fund Budgetary Highlights

There was no change between the total beginning and final budgets in the General Fund for fiscal year 2013; budgets were amended during the year to reflect minor departmental variances.

Capital assets. Southfield Township's investment in capital assets for its governmental activities as of March 31, 2013, amounts to \$209,465 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The investment in fixed assets decreased by \$14,760 due primarily to capital outlay purchases less annual depreciation expense.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate is high in the State of Michigan, and the State is anticipating a decrease in personal property tax revenue in the next fiscal year. Southfield Township has adopted a balanced budget for fiscal year 2014.

Requests for Information

This financial report is designed to provide a general overview of Southfield Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Clerk, Southfield Township, 18550 W. Thirteen Mile Road, Southfield Township, Michigan 48025-5262.

BASIC FINANCIAL STATEMENTS

SOUTHFIELD TOWNSHIP
Statement of Net Position
March 31, 2013

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 1,018,036
Taxes Receivable	20,304
Due from Other Governmental Units	25,529
Net Other Postemployment Benefit Asset	48,738
Capital Assets (net of accumulated depreciation)	209,465
Total Assets	<u>1,322,072</u>
<u>LIABILITIES</u>	
Accounts Payable	12,799
Accrued Liabilities	243
Total Liabilities	<u>13,042</u>
<u>NET POSITION</u>	
Invested in Capital Assets	209,465
Restricted	25,742
Unrestricted	1,073,823
Total Net Position	<u>\$ 1,309,030</u>

SOUTHFIELD TOWNSHIP
Statement of Activities
For the Year Ended March 31, 2013

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
<u>Functions/Programs</u>				
Primary Government:				
Governmental Activities:				
General Government	\$ 688,933	\$ 48,229	\$ -	\$ (640,704)
	<u>688,933</u>	<u>48,229</u>	<u>-</u>	<u>(640,704)</u>
General Revenues:				
Property Taxes				548,496
State Shared Revenue				1,384
Interest				5,974
Total General Revenues				<u>555,854</u>
			Change in Net Position	(84,850)
			Net Position - Beginning	<u>1,393,880</u>
			Net Position - Ending	<u>\$ 1,309,030</u>

SOUTHFIELD TOWNSHIP
Balance Sheet
Governmental Funds
March 31, 2013

	<u>General</u>	<u>Nonmajor</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 939,060	\$ 78,976	\$ 1,018,036
Receivables (net of allowance for uncollectibles):			
Taxes	20,304	-	20,304
Due from Other Governmental Units	<u>25,529</u>	<u>-</u>	<u>25,529</u>
 Total Assets	 <u>\$ 984,893</u>	 <u>\$ 78,976</u>	 <u>\$ 1,063,869</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts Payable	\$ 12,799	\$ -	\$ 12,799
Accrued and Other Liabilities	243	-	243
Total Liabilities	<u>13,042</u>	<u>-</u>	<u>13,042</u>
 Fund Balances:			
Restricted for Capital Projects	-	25,742	25,742
Unrestricted:			
Committed for Unemployment Claims	-	53,234	53,234
Assigned for Subsequent Years			
Expenditures	107,325	-	107,325
Unassigned	<u>864,526</u>	<u>-</u>	<u>864,526</u>
Total Fund Balances	<u>971,851</u>	<u>78,976</u>	<u>1,050,827</u>
 Total Liabilities and Fund Balances	 <u>\$ 984,893</u>	 <u>\$ 78,976</u>	

Amounts reported for governmental activities in the statement of net position
are different because:

Capital Assets used in governmental activities are not financial resources
and are not reported in the funds.

Net Other Post Employment Benefit Asset	209,465
	<u>48,738</u>
Net Position of Governmental Activities	<u>\$ 1,309,030</u>

SOUTHFIELD TOWNSHIP
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended March 31, 2013

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
Property Taxes	\$ 548,496	\$ -	\$ 548,496
Licenses and Permits	4,307	-	4,307
Intergovernmental:			
Federal, State and Local	1,384	-	1,384
Charges for Services	39,260	-	39,260
Interest	5,590	384	5,974
Other	4,662	-	4,662
Total Revenues	<u>603,699</u>	<u>384</u>	<u>604,083</u>
<u>Expenditures</u>			
General Government:			
Township Board	14,348	-	14,348
Supervisor	27,594	-	27,594
Elections	44,190	-	44,190
Assessor	117,372	-	117,372
Clerk	165,244	-	165,244
Treasurer	158,473	-	158,473
Township Hall and Grounds	16,883	-	16,883
Animal Control	92,958	-	92,958
Other	33,049	8,090	41,139
Total Expenditures	<u>670,111</u>	<u>8,090</u>	<u>678,201</u>
Excess (Deficiency) of Revenues Over Expenditures	(66,412)	(7,706)	(74,118)
Fund Balances - Beginning	<u>1,038,263</u>	<u>86,682</u>	<u>1,124,945</u>
Fund Balances - Ending	<u>\$ 971,851</u>	<u>\$ 78,976</u>	<u>\$ 1,050,827</u>

SOUTHFIELD TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2013

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	(74,118)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital Outlay		12,819
Depreciation Expense		(27,579)
Change in Net Other Postemployment Benefit Asset		4,028
Change in net position of governmental activities	\$	(84,850)

SOUTHFIELD TOWNSHIP
Statement of Fiduciary Net Position
March 31, 2013

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash	\$ 25,529
	<u><u>25,529</u></u>
 <u>LIABILITIES</u>	
Due to Other	\$ 25,529
	<u><u>25,529</u></u>

SOUTHFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accounting policies of Southfield Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Township is operated under an elected Board of Trustees form of government. Southfield Township does not have any component units that would be required to be reported in its financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are 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 revenues 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.

SOUTHFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

Governmental Funds

The Township reports the following major governmental fund:

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

In addition, the Township reports on the following fund types:

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes.

Fiduciary Funds

Fiduciary Funds account for assets held by the government in a trustee capacity by the Township or as an agent on behalf of others. Fiduciary funds include the following fund types:

The Agency Funds are used to account for assets that the government holds for others in an agency capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

SOUTHFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Restricted Resources

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

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

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans).

All trade receivables are shown net of allowances for uncollectible accounts, which are recorded as follows:

Taxes Receivable	\$ 20,304
Less Allowance for Doubtful Accounts	<u>-</u>
Net Realizable Value	<u>\$ 20,304</u>

SOUTHFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drains and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	39
Building improvements	15-30
Office Equipment	5
Computer Equipment	5

4. Fund Equity

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

Nonspendable – Amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

Committed – Amounts that have been formally set aside by the Board for use for a specific purpose. Commitments are made and can be rescinded only via resolution of the Township Board.

Assigned – Intent to spend resources on specific purposes expressed by the governing body.

Unassigned – This is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

SOUTHFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net position or Equity – Continued

5. Compensated Absences

Vacation allowances are computed on a calendar year basis, beginning as of the employee's anniversary date. A regular employee who is separated from Township employment shall be entitled to pay for any unused portion of vacation allowance as of the date of separation. Annual vacation must be taken within one year from the date it was earned. There is no liability at year end for unpaid vacation since employees are not allowed to carry it over to the next year. There is no liability for unpaid accumulated sick leave since the Township does not have a policy to pay any amounts when employees separate from service with the Township.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Township is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed operating budget at a public hearing in February for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the General and Special Revenue Funds.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted on a departmental basis through passage of a resolution and in accordance with Public Act 621 of 1978 of the State of Michigan.
4. The Supervisor is authorized to transfer budgeted amounts within departmental appropriation accounts. However, any revisions that alter the total expenditures of any department must be approved by the Township Board.
5. Formal budgetary integration is employed as a management-control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
6. Budget appropriations lapse at year end.
7. Budgeted amounts are reported as originally adopted and as amended by the Township Board. The budget was amended during the fiscal year.

SOUTHFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2013

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

None of the funds have a deficit fund balance as of March 31, 2013.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

In accordance with Public Act 2, of 1968, as amended, the Township may not expend amounts over the amounts appropriated in the approved annual budget. The Township did not expend amounts over the amounts appropriated in fiscal year 2012-2013.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the Township is permitted to make deposits and invest in federally insured banks, savings and loans and credit unions that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of U.S. banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township Board approves the depositories for 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 certificates of deposit, but not the remainder of State statutory authority as listed above. Southfield Township's deposits and investment policies are in accordance with statutory authority.

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

Custodial Credit Risk. In the event of a bank failure, the Township's deposits may not be recovered. Neither State law nor the Township's investment policy requires consideration of custodial credit risk. 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 financial institution; only those institutions with an acceptable estimated risk level are used as depositories. As of March 31, 2013, the Township's book balance of its deposits was \$1,043,565. The bank balance was \$1,085,179 of which \$1,050,100 was FDIC insured.

SOUTHFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2013

III. DETAILED NOTES ON ALL FUNDS – Continued

A. 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’s investment policy does not further limit its investment choices. As of year end, all deposits and investments consist of demand accounts, pooled investments, certificates of deposit, all of which are not rated.

Concentration of Credit Risk. The Township’s investment policy places no limit on the amount the Township may invest in any one issuer. The Township does not have more than 5% of its total investments in a single issuer.

B. Capital Assets

Capital asset activity for the year ended March 31, 2013 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, not depreciated:				
Land	\$ 6,350	\$ -	\$ -	\$ 6,350
Capital Assets, being depreciated:				
Buildings	315,975	-	-	315,975
Improvements other than buildings	22,894	-	-	22,894
Machinery and Equipment	253,300	12,819	13,471	252,648
	<u>592,169</u>	<u>12,819</u>	<u>13,471</u>	<u>591,517</u>
Less: Accumulated Depreciation:				
Buildings	(166,817)	(9,745)	-	(176,562)
Improvements other than buildings	(10,364)	(1,233)	-	(11,597)
Machinery and Equipment	(197,113)	(16,601)	13,471	(200,243)
	<u>(374,294)</u>	<u>(27,579)</u>	<u>13,471</u>	<u>(388,402)</u>
Governmental Activities				
Capital Assets, net	<u>\$ 224,225</u>	<u>\$ (14,760)</u>	<u>\$ -</u>	<u>\$ 209,465</u>

Depreciation expense was charged to programs as follows:

General Government \$ 27,579

SOUTHFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2013

III. DETAILED NOTES ON ALL FUNDS – Continued

C. Property Taxes

Property taxes are assessed as of each December 31. The Township tax levy is billed on December 1 of the following year, and payable through February. Taxes are considered delinquent on March 1, at which time the applicable property is subject to lien, and penalty and interest is assessed. The 2012 taxable valuation of the Township totaled \$913,989,640 on which taxes levied consisted of .60 mills for operating purposes. This resulted in approximately \$548,000 of property tax revenue for operating purposes, which is recorded in the General Fund.

IV. OTHER INFORMATION

A. Risk Management

Southfield Township is a member of the Michigan Municipal League Liability and Property Pool for its general liability coverage. The Township pays annual premiums to the pool. The pool is self-sustaining through member premiums, and carries reinsurance through commercial companies for claims in excess of the pool loss reserve fund.

In the event that a single loss should exceed the amount of protection afforded by the pool loss reserve fund, reinsurance, or other insurance carried by the pools, or in the event that a series of losses should deplete or exhaust the loss reserve fund and reinsurance, the payment of valid losses shall be the obligation of the individual member or members of the respective pool against whom the claim was made. No such event has occurred with Southfield Township and the pools to which it belongs in any of the past three fiscal years.

The Township pays unemployment claims on a reimbursement basis and has set money aside to pay these claims in the UIA Distribution Special Revenue Fund.

SOUTHFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2013

IV. OTHER INFORMATION – Continued

B. Defined Contribution Plans

The Township maintains a defined contribution pension plan for all of its full-time employees, all permanent and part-time employees working 1,000 hours or more per year, through John Hancock Life Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan provisions and contribution requirements were established through a resolution by the Board. The Township is required to contribute a fixed percentage (10 percent) of gross wages of the participants to the plan once they have been employed for 90 days. The plan may be amended by Board resolution. The Township's current year contribution was \$19,569.

C. Post Retirement Health Care Benefits

Plan Description – All eligible elected officials, full-time and permanent part-time employees who have retired and are eligible to obtain Medicare and have the equivalent of 12 years (23,400 hours) of full-time service shall be provided with post employment benefits in the form of healthcare and dental benefits. Post employment benefits are not provided if the employee is covered by insurance from some other source. The position of Supervisor and Trustee are excluded from coverage.

These benefits are provided by contractual agreement and are paid by the General Fund. The Township pays 100 percent of these costs and there are no provisions for employee contributions. Currently, 2 individuals are receiving benefits. At the fund level, the expense is recognized by the Township as the payments to the employees are made. During the fiscal year 2013, this amounted to \$1,403.

Funding Policy – The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). The Township has budgeted to fund this obligation on an actuarial basis.

Funding Progress – For the year ended March 31, 2013, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial study that complies with the requirements of GASB 45. The study computes an annual required contribution that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

SOUTHFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2013

IV. OTHER INFORMATION – Continued

C. Post Retirement Health Care Benefits – Continued

The computed contribution and actual funding are summarized as follows:

Annual Required Contribution (recommended)	\$	10,575
Interest on the prior year's net OPEB obligation		-
Less adjustment to the annual required contribution		-
Annual OPEB Cost		10,575
 Amounts Contributed:		
Payments of current premiums		1,403
Advance funding		13,200
Total Amounts Contributed		14,603
 Increase in Net OPEB Asset		
		4,028
OPEB Asset - Beginning of Year		44,710
OPEB Asset - End of Year	\$	48,738

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

Valuation as of January 1, 2009:

Actuarial Value of Assets	\$	31,519
Actuarial Accrued Liability (AAL)		68,835
Unfunded AAL (UAAL)		37,316
Funded Ratio		45.79%
Ratio of UAAL to covered payroll		Not available

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current year and the two preceding years are as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage Contributed	Net OPEB Asset (Obligation)
3/31/2011	1/1/2009	\$ 11,732	111%	\$ 42,557
3/31/2012	1/1/2009	\$ 11,614	119%	\$ 44,710
3/31/2013	1/1/2009	\$ 10,575	138%	\$ 48,738

SOUTHFIELD TOWNSHIP
Notes to Financial Statements
March 31, 2013

IV. OTHER INFORMATION – Continued

C. Post Retirement Health Care Benefits – Continued

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

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

In the January 1, 2009 calculation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return. The unfunded actuarial accrued liabilities were amortized as a level percent of active member payroll over a period of 30 years.

D. Upcoming Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued two new pronouncements in June 2012, GASB Statement No. 67, *Financial Reporting for Pension Plans*, which amends GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans*, which amends GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and GASB Statement No. 50, *Pension Disclosures*. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and measuring and recognizing liabilities and expenses. GASB No. 68 will require employers with defined benefit pension plans to recognize their unfunded pension benefit obligation as a liability on the government-wide and proprietary financial statements. These new standards will result in additional disclosures and required supplemental information, and will be effective beginning with the Township's fiscal year ending March 31, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHFIELD TOWNSHIP
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended March 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 525,000	\$ 525,000	\$ 548,496	\$ 23,496
Licenses and Permits	4,000	4,000	4,307	307
State Shared Revenue	1,200	1,200	1,384	184
Charges for Services	36,000	36,000	39,260	3,260
Interest	4,000	4,000	5,590	1,590
Other	3,000	3,000	4,662	1,662
Total Revenues	<u>573,200</u>	<u>573,200</u>	<u>603,699</u>	<u>30,499</u>
Expenditures:				
General Government:				
Township Board	15,000	16,000	14,348	1,652
Supervisor	31,400	31,400	27,594	3,806
Elections	36,450	46,450	44,190	2,260
Assessor	149,500	137,500	117,372	20,128
Clerk	176,750	176,750	165,244	11,506
Treasurer	168,550	168,550	158,473	10,077
Township Hall and Grounds	24,000	24,000	16,883	7,117
Animal Control	94,850	95,850	92,958	2,892
Other	44,400	44,400	33,049	11,351
Total Expenditures	<u>740,900</u>	<u>740,900</u>	<u>670,111</u>	<u>70,789</u>
Excess (Deficiency) of Revenues Over Expenditures	(167,700)	(167,700)	(66,412)	101,288
Fund Balance - April 1	<u>1,038,263</u>	<u>1,038,263</u>	<u>1,038,263</u>	<u>-</u>
Fund Balance - March 31	<u>\$ 870,563</u>	<u>\$ 870,563</u>	<u>\$ 971,851</u>	<u>\$ 101,288</u>

OTHER SUPPLEMENTARY INFORMATION

SOUTHFIELD TOWNSHIP
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2013

	<u>Special Revenue</u>	<u>Capital Projects Funds</u>		
	UIA	Capital	Capital	
	<u>Distribution</u>	<u>Improvement</u>	<u>Purchase</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 53,234	\$ 7,629	\$ 18,113	\$ 78,976
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Balance:				
Committed for UIA Claims	53,234	-	-	53,234
Restricted for Capital Projects	-	7,629	18,113	25,742
Total Fund Balance	<u>53,234</u>	<u>7,629</u>	<u>18,113</u>	<u>78,976</u>
Total Liabilities and Fund Balance	<u>\$ 53,234</u>	<u>\$ 7,629</u>	<u>\$ 18,113</u>	<u>\$ 78,976</u>

SOUTHFIELD TOWNSHIP
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended March 31, 2013

	<u>Special Revenue</u>	<u>Capital Projects Funds</u>		
	UIA	Capital	Capital	
	<u>Distribution</u>	<u>Improvement</u>	<u>Purchase</u>	<u>Total</u>
Revenues:				
Interest	\$ 236	\$ 34	\$ 114	\$ 384
Expenditures:				
Other	90	-	8,000	8,090
Excess (Deficiency) of Revenues Over Expenditures	146	34	(7,886)	(7,706)
Fund Balance - April 1	53,088	7,595	25,999	86,682
Fund Balance - March 31	<u>\$ 53,234</u>	<u>\$ 7,629</u>	<u>\$ 18,113</u>	<u>\$ 78,976</u>

