# To set the record straight ...

## About the Bedford Memorial Garden Project and Cemetery Fund Deficit

**By Paul Francis, Bedford Township Treasurer**

After reading all the negative, misleading, and sometimes completely incorrect articles and letters to the editor in the newspaper over the past few weeks regarding the township cemetery fund deficit issues, I feel I simply must respond to set the record straight. If no one responds to these untruths being spread around, some may think that maybe they are actually true – and that is not the case at all. We are all entitled to have our own opinions, but we are certainly NOT entitled to have our own facts. The following is an attempt to explain exactly what happened, and how the Bedford Township Board has been fiscally responsible by investing township funds in the new cemetery project.

For several years prior to 2006, the Bedford Township Clerk at the time (Bob Schockman), the cemetery sexton, had been searching for suitable land to purchase for cemetery development because its three cemeteries were full. In early 2005, the approximately 70-acre parcel located at the southeast corner of Lewis Avenue and M-151 became available. After much negotiation, on February 14, 2006 the township partnered with the Bedford Township Park Commission to purchase the 70-acre parcel for $350,000, with the Park Commission acquiring approximately 56 acres for use as future park land (later named the Ansted Community Park), and the remaining approximately 14 acres to be utilized for the new Bedford Memorial Garden Cemetery. The allocation of the total purchase price for the cemetery acreage was $69,887, with the remaining $280,113 allocated to the future park land. The cemetery land (14 acres) was paid for with cemetery funds already on hand reserved for that purpose. The park land (56 acres) was paid for with Park millage funds on hand plus Park millage funds collected over the next two years after the purchase (Park millage funds were restricted for land acquisition purposes only).

A Cemetery Committee (Bob Schockman, Bill Urbanski, Jack Zieler, Jim Neorr, Barry Buschmann) was formed shortly thereafter to begin planning for the development of the new cemetery. The committee met many, many times, and utilized the professional expertise of the Mannik & Smith Group for engineering and design work. Vital statistics indicate that on average we lose about one hundred Bedford township residents by death each year. One could make a fair argument that most of them would want their final resting place to be in Bedford Township. The final design developed by the Cemetery Committee, and approved by the Township Board, consists of approximately 9,700 burial spaces (flat and monument burial sites, cremation burial sites, infant burial sites, et al) to be developed in four phases as sites are sold in the future. Costs for engineering, design, and construction of Phase One began in early 2011, and was completed by June 2012. Total cost recorded to date for the Bedford Memorial Garden Cemetery amount to $669,478, including the land purchased in February 2006. The total cost of $669,478 was paid for as follows: $69,887 (from reserved cemetery funds in 2006), $550,000 (borrowed from the Sewer Operating & Maintenance Fund, repayable over a ten-year period at 2% interest rate, with payments to begin about two years after completion of construction of Phase One), and the remaining $49,591 (from the sale of burial sites). These costs are recorded in the official accounting records of Bedford Township in the Cemetery Operating Fund in the account titled "Capital Outlay." The $550,000 borrowed from the Sewer Operation and Maintenance Fund is not an additional cost of the cemetery project, but simply a method of financing the project. Those who have said otherwise in previous letters to the editor or in various blogs have not bothered to check the facts, and are deliberately deceiving the public by spreading untrue statements. No one has bothered to contact anyone at the township to check the facts. These and all township records are audited annually by an independent certified public accounting firm. The $550,000 borrowed from the Sewer Operation and Maintenance Fund was not "stolen" or "misappropriated" as some have alleged in previous letters to the editor or in blogs that I have read. The funds were in fact borrowed at an interest rate (2%) which is about ten times higher than what is currently being earned on other funds held in the Sewer O & M Fund.

Now, let me set the record straight about the deficit situation in the Cemetery Fund. Deficits occur when expenditures are greater than revenues in a particular fund within a governmental entity. In governmental accounting, buying or constructing assets (such as our new cemetery) must be recorded as expenses, whereas in for-profit enterprises, assets are not recorded as expenses. Obviously, when a governmental entity is required to record the construction of a $669,478 cemetery project as an expense, it is going to create an excess of expenditures over revenues during that period of time. That is what occurred here. During the fiscal year ended June 30, 2011, the Cemetery Fund incurred a deficit of $64,893 (expenditures exceeded revenues by $64,893), and for the fiscal year ended June 30, 2012, incurred a deficit of $430,289 (expenditures exceeded revenues by $430,289). The combined deficit over the two fiscal years ending June 30, 2011 and 2012 totals $495,182. During those two fiscal years, cemetery construction costs amounted to $102,119 and $497,472, respectively, for a total of $599,591. The deficits were caused by the (governmental fund accounting) requirement that construction costs be recorded as expenses, rather than be recorded as assets. Over time, as burial lots are sold, the deficits will disappear because revenues will exceed expenditures. The original projection (May 2010) anticipated that about 100 burial sites would be sold each year, generating enough funds by the second year after completion of construction to begin the ten-year repayment of the Sewer O & M Fund loan. To date, a total of 271 burial sites have been sold (141 monument sites, 68 flat sites, 62 cremains sites), which puts us ahead of the original projections for site sales.

What was not anticipated (back in May 2010) was the need for bonding (in March 2013) by the township General Fund to secure the Special Assessments for road improvement projects requested by the residents of two subdivisions in the township. In order to qualify for bonding, the township could not have a deficit in any fund, unless it would be eliminated within a five-year period. Our original plan would have eliminated the cemetery fund deficit within a ten-year period through the anticipated sales of burial spaces as explained above, but that plan was not acceptable (to the State) because it did not meet the State's five-year requirement. The township's only viable option to satisfy the State was to merge the Cemetery Fund into the General Fund. Therefore, in order to qualify for bonding, on February 19, 2013 the township board voted to merge the Cemetery Fund into the General Fund effective July 1, 2013. All the general ledger accounts will remain the same; they will simply be reported in the General Fund instead of the Cemetery Fund. The $550,000 note payable to the Sewer Operation and Maintenance Fund will be reported as a liability in the General Fund from that date forward until it is paid in full.

If you have any questions or comments regarding any of the above information, please feel free to contact me at the Bedford Township Government Center by telephone (734) 847-6791, ext. 7324, or e-mail at pfrancis@bedfordmi.org.