

**Charter Township of Chesterfield
Macomb County, Michigan**

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

Charter Township of Chesterfield

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Chesterfield,
Macomb County, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Charter Township of Chesterfield, Macomb County, Michigan as of December 31, 2012 and the respective changes in its financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Charter Township of Chesterfield,
Macomb County, Michigan

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and major fund budgetary comparison schedules on pages 3-6 and 40-43, respectively, 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Plante & Moran, PLLC

May 14, 2013

Charter Township of Chesterfield

Management's Discussion and Analysis

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

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the 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.

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 Charter Township of Chesterfield as a Whole

The following table shows, in a condensed format, the net position as of the current date and compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current and other assets	\$ 33,574,685	\$ 34,356,450	\$ 17,320,560	\$ 18,408,595	\$ 50,895,245	\$ 52,765,045
Capital assets	<u>22,294,687</u>	<u>23,590,405</u>	<u>73,295,311</u>	<u>70,832,093</u>	<u>95,589,998</u>	<u>94,422,498</u>
Total assets	55,869,372	57,946,855	90,615,871	89,240,688	146,485,243	147,187,543
Liabilities						
Long-term liabilities	4,206,500	4,856,500	27,959,623	27,789,634	32,166,123	32,646,134
Other liabilities	<u>13,083,042</u>	<u>14,103,415</u>	<u>3,427,501</u>	<u>3,112,329</u>	<u>16,510,543</u>	<u>17,215,744</u>
Total liabilities	<u>17,289,542</u>	<u>18,959,915</u>	<u>31,387,124</u>	<u>30,901,963</u>	<u>48,676,666</u>	<u>49,861,878</u>
Net Position						
Net investment in capital assets	17,438,187	18,098,905	44,168,938	44,319,941	61,607,125	62,418,846
Restricted	10,647,675	12,109,213	10,108,802	9,819,184	20,756,477	21,928,397
Unrestricted	<u>10,493,968</u>	<u>8,778,822</u>	<u>4,951,007</u>	<u>4,199,600</u>	<u>15,444,975</u>	<u>12,978,422</u>
Total net position	<u>\$ 38,579,830</u>	<u>\$ 38,986,940</u>	<u>\$ 59,228,747</u>	<u>\$ 58,338,725</u>	<u>\$ 97,808,577</u>	<u>\$ 97,325,665</u>

Charter Township of Chesterfield

Management's Discussion and Analysis (Continued)

The Township's combined net position increased 0.5 percent from a year ago - increasing from \$97,325,665 to \$97,808,577. As we look at the governmental activities separately from the business-type activities, we can see that unrestricted net position, the part of net position that can be used to finance day-to-day operations, increased by \$1,715,146 for the governmental activities. This represents an increase of approximately 19.5 percent. The current level of unrestricted net position for our governmental activities stands at \$10,493,968, or about 53 percent of expenses. Taking a look at the business-type activities, unrestricted net position increased by \$751,407. This represents an increase of approximately 17.9 percent.

The following table shows the changes of the net position during the current year and as compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue						
Program revenue:						
Charges for services	\$ 3,488,067	\$ 3,410,400	\$ 12,629,863	\$ 11,272,388	\$ 16,117,930	\$ 14,682,788
Operating grants and contributions	227,272	227,071	-	-	227,272	227,071
Capital grants and contributions	163,663	197,705	984,826	764,395	1,148,489	962,100
General revenue:						
Property taxes	11,674,770	12,165,784	-	-	11,674,770	12,165,784
State-shared revenues	3,163,164	3,059,817	-	-	3,163,164	3,059,817
Investment earnings	72,306	106,022	43,233	40,423	115,539	146,445
Franchise fees	727,236	670,085	-	-	727,236	670,085
Proceeds from sale of fixed assets	170	500	-	-	170	500
Transfers and other revenue	6,766	24,350	-	-	6,766	24,350
Total revenue	19,523,414	19,861,734	13,657,922	12,077,206	33,181,336	31,938,940
Program Expenses						
General government	3,885,337	3,656,346	-	-	3,885,337	3,656,346
Public safety	13,271,657	12,980,666	-	-	13,271,657	12,980,666
Street, sidewalks, and drains	1,719,567	1,882,005	-	-	1,719,567	1,882,005
Recreation and culture	828,127	842,536	-	-	828,127	842,536
Interest on long-term debt	225,836	248,534	-	-	225,836	248,534
Water and sewer	-	-	12,686,413	11,964,109	12,686,413	11,964,109
Brandenburg Park	-	-	81,487	83,390	81,487	83,390
Total program expenses	19,930,524	19,610,087	12,767,900	12,047,499	32,698,424	31,657,586
Change in Net Position	\$ (407,110)	\$ 251,647	\$ 890,022	\$ 29,707	\$ 482,912	\$ 281,354

Property taxes are the primary source of revenue for the governmental activities, providing approximately 59.8 percent of total revenue. State-shared revenue provides another 16.2 percent and charges for services provided 17.9 percent, leaving just 6.1 percent being provided by all other sources.

Governmental Activities

The Township's total governmental revenue decreased by \$338,320. The overall decrease, which represents 1.7 percent, is primarily due to reductions in property taxes. Further reductions in property taxes and the continued decrease in building permits are concerns. The total governmental expenses increased by \$320,437.

Charter Township of Chesterfield

Management's Discussion and Analysis (Continued)

Business-type Activities

The Township has two business-type activities. These include the Water and Sewer Fund and the Brandenburg Memorial Park Fund. Revenue for business-type activities was \$13,657,922. Revenue increased by \$1,580,716, or about 13.1 percent. The increase in revenue was primarily due to an increase in charges for water and sewer services and capital contributions. Expenses increased by \$720,401 from prior year. Water and sewer treatment is provided to the Township's residents through the Detroit water and sewer department. Revenue from water and sewer operations was \$13,340,498, including contributions from developers. Revenue from the Township's operation of Brandenburg Memorial Park was \$317,424, including capital contributed by donation.

The Township's Funds

Our analysis of the Township's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detailed 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 special property tax mileages. The Township's major funds for 2012 include the General Fund, Fire Department Operating Fund, Fire Department Equipment Fund, and Police Department Equipment Fund.

The General Fund pays for a majority of the Township's governmental services. The General Fund ended 2012 with a fund balance of \$9,507,054. Revenue decreased by \$79,039 due primarily to a decrease in state-shared revenue. Expenditures had a mild decrease of \$6,006.

The Fire Department Operating Fund is funded through a property tax millage. These funds are expended exclusively for the operations of the fire department. The Fire Department Operating Fund ended 2012 with a fund balance of \$1,005,499. Revenue decreased by \$130,728 due primarily to a decrease in property taxes. Expenditures increased by \$54,766 due to an increase in employee-related costs.

The Fire Department Equipment Fund is funded through a property tax millage. These funds are expended exclusively for the housing, vehicles, and equipment used to support the Township fire department. The Fire Department Equipment Fund ended 2012 with a fund balance of \$5,838,398. Revenue decreased by \$82,727 primarily due to a decrease in property taxes. Expenditures increased \$122,425 primarily due to an increase in equipment and capital outlay purchases.

The Police Department Fund is funded by a special assessment. These funds are expended exclusively for the operations of the police department. The police department ended 2012 with a fund balance of \$3,464,117. Revenue decreased by \$332,783 primarily due to a decrease in property taxes. Expenditures increased by \$171,572 primarily due to an increase in capital outlay and personnel costs.

Charter Township of Chesterfield

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account unanticipated events during the year. Actual revenue was above budgeted revenue by 13 percent. Actual expenditures were 8.4 percent below budget. The Township completed the year with actual revenue over expenditures of \$1,555,334 as compared to the budgeted amount of \$159,516, a variance of a positive \$1,395,818.

Capital Asset and Debt Administration

At the end of 2012, the Township had \$95,589,998 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines.

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 Chesterfield Township Finance Department or the clerk's office at 47275 Sugarbush, Chesterfield Township, Michigan 48047.

Charter Township of Chesterfield

Statement of Net Position December 31, 2012

	Primary Government			Component Unit - Economic Development Corporation
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 2)	\$ 24,573,860	\$ 3,813,749	\$ 28,387,609	\$ 4,501
Receivables - Net:				
Property taxes receivable	6,075,082	-	6,075,082	-
Receivables from sales to customers on account	-	2,630,390	2,630,390	-
Accrued interest receivable	7,542	11,690	19,232	-
Due from other governmental units	1,354,453	101,289	1,455,742	-
Special assessments receivable	144,582	-	144,582	-
Internal balances (Note 4)	(207,049)	207,049	-	-
Inventory	-	213,968	213,968	-
Prepaid expenses and other assets	311,638	31,087	342,725	-
Restricted assets (Note 7)	-	10,108,802	10,108,802	-
Net pension asset (Note 9)	734,235	100,123	834,358	-
OPEB asset (Note 10)	580,342	102,413	682,755	-
Capital assets (Note 3):				
Assets not subject to depreciation	3,440,172	1,443,853	4,884,025	-
Assets subject to depreciation	18,854,515	71,851,458	90,705,973	-
Total assets	55,869,372	90,615,871	146,485,243	4,501
Liabilities				
Accounts payable	253,998	1,284,957	1,538,955	-
Accrued liabilities and other	483,332	439,942	923,274	-
Deferred revenue (Note 5)	11,049,820	453,330	11,503,150	-
Noncurrent liabilities (Note 6):				
Due within one year:				
Compensated absences - < 1 yr.	645,892	82,522	728,414	-
Current portion of long-term debt	650,000	1,166,750	1,816,750	-
Due in more than one year	4,206,500	27,959,623	32,166,123	-
Total liabilities	17,289,542	31,387,124	48,676,666	-
Net Position				
Net investment in capital assets	17,438,187	44,168,938	61,607,125	-
Restricted for:				
Water and sewer bond ordinance	-	9,490,328	9,490,328	-
Water and sewer construction and maintenance	-	618,474	618,474	-
Fire operating	1,005,499	-	1,005,499	-
Fire equipment	5,838,398	-	5,838,398	-
Police fund	3,464,117	-	3,464,117	-
Debt service	339,661	-	339,661	-
Unrestricted	10,493,968	4,951,007	15,444,975	4,501
Total net position	\$ 38,579,830	\$ 59,228,747	\$ 97,808,577	\$ 4,501

Charter Township of Chesterfield

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,885,337	\$ 1,885,098	\$ 15,131	\$ -
Public safety	13,271,657	1,227,288	136,829	-
Public works	1,719,567	104,405	-	2,695
Recreation and culture	828,127	271,276	75,312	160,968
Interest on long-term debt	225,836	-	-	-
Total governmental activities	19,930,524	3,488,067	227,272	163,663
Business-type activities:				
Sewer and Water Operations Fund	12,686,413	12,560,683	-	736,826
Brandenburg Park Fund	81,487	69,180	-	248,000
Total business-type activities	12,767,900	12,629,863	-	984,826
Total primary government	<u>\$ 32,698,424</u>	<u>\$ 16,117,930</u>	<u>\$ 227,272</u>	<u>\$ 1,148,489</u>
Economic Development Corporation	<u>\$ 407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Gain on sale of fixed assets				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities
Year Ended December 31, 2012

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit - Economic Development Corporation
Governmental Activities	Business-type Activities	Total	
\$ (1,985,108)	\$ -	\$ (1,985,108)	\$ -
(11,907,540)	-	(11,907,540)	-
(1,612,467)	-	(1,612,467)	-
(320,571)	-	(320,571)	-
(225,836)	-	(225,836)	-
(16,051,522)	-	(16,051,522)	-
-	611,096	611,096	-
-	235,693	235,693	-
-	846,789	846,789	-
(16,051,522)	846,789	(15,204,733)	-
-	-	-	(407)
11,674,770	-	11,674,770	-
3,163,164	-	3,163,164	-
72,306	43,233	115,539	29
727,236	-	727,236	-
170	-	170	-
6,766	-	6,766	-
15,644,412	43,233	15,687,645	29
(407,110)	890,022	482,912	(378)
38,986,940	58,338,725	97,325,665	4,879
\$ 38,579,830	\$ 59,228,747	\$ 97,808,577	\$ 4,501

Charter Township of Chesterfield

Governmental Funds Balance Sheet December 31, 2012

	General Fund	Police Department Fund	Fire Department Operating Fund	Fire Department Equipment Fund	Nonmajor Funds	Total
Assets						
Cash and cash equivalents	\$ 8,908,602	\$ 6,685,307	\$ 2,203,026	\$ 6,190,998	\$ 585,927	\$ 24,573,860
Receivables:						
Property taxes receivable	714,705	3,486,797	1,505,063	368,517	-	6,075,082
Special assessments receivable	50,648	-	-	-	93,934	144,582
Accrued interest receivable	4,022	149	1,309	1,829	233	7,542
Due from other governmental units	1,338,596	15,857	-	-	-	1,354,453
Due from other funds (Note 4)	43	-	52,562	-	28,890	81,495
Prepaid expenses	58,189	204,126	40,223	630	8,470	311,638
Total assets	\$ 11,074,805	\$ 10,392,236	\$ 3,802,183	\$ 6,561,974	\$ 717,454	\$ 32,548,652
Liabilities						
Accounts payable	\$ 98,679	\$ 104,216	\$ 28,794	\$ 8,957	\$ 13,352	\$ 253,998
Due to other funds (Note 4)	73,493	117,494	30,639	52,562	14,356	288,544
Accrued liabilities and other	74,661	233,830	80,685	11,652	18,408	419,236
Deferred revenue (Note 5)	1,320,918	6,472,579	2,656,566	650,405	93,934	11,194,402
Total liabilities	1,567,751	6,928,119	2,796,684	723,576	140,050	12,156,180
Fund Balances						
Nonspendable - Prepays	58,189	204,126	40,223	630	8,470	311,638
Restricted:						
Police	-	3,259,991	-	-	-	3,259,991
Fire operating	-	-	965,276	-	-	965,276
Debt service	-	-	-	-	245,727	245,727
Fire equipment	-	-	-	5,837,768	-	5,837,768
Committed - Parks and recreation	-	-	-	-	323,207	323,207
Unassigned	9,448,865	-	-	-	-	9,448,865
Total fund balances	9,507,054	3,464,117	1,005,499	5,838,398	577,404	20,392,472
Total liabilities and fund balances	\$ 11,074,805	\$ 10,392,236	\$ 3,802,183	\$ 6,561,974	\$ 717,454	\$ 32,548,652

Charter Township of Chesterfield

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

Fund Balance Reported in Governmental Funds	\$ 20,392,472
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	22,294,687
Certain receivables are expected to be collected over several years in the General Fund and are not available to pay for current year expenditures	144,582
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(4,856,500)
Accrued interest is not due and payable in the current period and is not reported in the funds	(64,096)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(645,892)
Pension contributions in excess of actuarial required contribution and the asset is not reported in the funds	734,235
Other postemployment benefits are contributed in excess of requirement and the asset is not reported in the funds	<u>580,342</u>
Net Position of Governmental Activities	<u>\$ 38,579,830</u>

Charter Township of Chesterfield

Governmental Funds

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

	General Fund	Police Department Fund	Fire Department Operating Fund	Fire Department Equipment Fund	Nonmajor Funds	Total
Revenue						
Property taxes	\$ 1,224,298	\$ 6,903,318	\$ 2,826,944	\$ 714,467	\$ -	\$ 11,669,027
Nonfederal grants and reimbursements	1,071,858	152,269	-	-	-	1,224,127
Licenses and permits	35,998	-	-	-	653,237	689,235
Federal grants	160,968	-	-	-	-	160,968
State-shared revenue	3,163,164	-	-	-	-	3,163,164
Charges for services	906,937	285,957	-	-	255,240	1,448,134
Fines and forfeitures	-	70,891	-	-	-	70,891
Investment income	28,359	17,170	6,915	7,529	12,191	72,164
Other revenue:						
Special assessments	28,532	-	-	-	92,890	121,422
Cable franchise fees	727,236	-	-	-	-	727,236
Other miscellaneous income	86,932	171,317	27,518	144	9,862	295,773
Total revenue	<u>7,434,282</u>	<u>7,600,922</u>	<u>2,861,377</u>	<u>722,140</u>	<u>1,023,420</u>	<u>19,642,141</u>
Expenditures						
Current:						
General government	4,623,735	-	-	-	-	4,623,735
Public safety	-	8,688,376	3,064,519	134,795	888,713	12,776,403
Public works	233,208	-	-	-	-	233,208
Recreation and culture	471,307	-	-	-	225,646	696,953
Capital outlay	168,291	287,349	-	-	11,195	466,835
Debt service:						
Principal	275,000	-	-	175,000	185,000	635,000
Interest on long-term debt	107,407	-	-	110,154	12,338	229,899
Total expenditures	<u>5,878,948</u>	<u>8,975,725</u>	<u>3,064,519</u>	<u>419,949</u>	<u>1,322,892</u>	<u>19,662,033</u>
Excess of Revenue Over (Under) Expenditures	1,555,334	(1,374,803)	(203,142)	302,191	(299,472)	(19,892)
Other Financing Sources (Uses)						
Transfers in (Note 4)	-	-	-	-	234,020	234,020
Transfers out (Note 4)	(234,020)	-	-	-	-	(234,020)
Total other financing sources (uses)	<u>(234,020)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>234,020</u>	<u>-</u>
Net Change in Fund Balances	1,321,314	(1,374,803)	(203,142)	302,191	(65,452)	(19,892)
Fund Balances - Beginning of year	<u>8,185,740</u>	<u>4,838,920</u>	<u>1,208,641</u>	<u>5,536,207</u>	<u>642,856</u>	<u>20,412,364</u>
Fund Balances - End of year	<u>\$ 9,507,054</u>	<u>\$ 3,464,117</u>	<u>\$ 1,005,499</u>	<u>\$ 5,838,398</u>	<u>\$ 577,404</u>	<u>\$ 20,392,472</u>

Charter Township of Chesterfield

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

Net Change in Fund Balances - Total Governmental Funds	\$ (19,892)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	466,852
Depreciation expense	(1,762,570)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(118,727)
Pension contributions in excess of requirement is recorded in the statement of activities	387,896
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	635,000
Interest expense is recorded when incurred in the statement of activities	4,064
Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	(23,676)
Annual required contribution related to other postemployment benefits is recorded on the statement of activities based on the actuarial method	23,944
Change in Net Position of Governmental Activities	<u>\$ (407,109)</u>

Charter Township of Chesterfield

Proprietary Funds Statement of Net Position December 31, 2012

	Enterprise Funds		
	Major Enterprise Fund - Sewer and Water Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	Total
Assets			
Current assets:			
Cash and cash equivalents (Note 2)	\$ 3,707,123	\$ 106,626	\$ 3,813,749
Receivables:			
Receivables from sales to customers on account	2,630,390	-	2,630,390
Accrued interest receivable	11,690	-	11,690
Due from other governmental units	101,289	-	101,289
Due from other funds (Note 4)	207,092	-	207,092
Inventory	213,968	-	213,968
Prepaid expenses and other assets	31,087	-	31,087
Total current assets	<u>6,902,639</u>	<u>106,626</u>	<u>7,009,265</u>
Noncurrent assets:			
Restricted assets (Note 7)	10,108,802	-	10,108,802
Net pension asset (Note 9)	100,123	-	100,123
OPEB asset (Note 10)	102,413	-	102,413
Capital assets (Note 3):			
Assets not subject to depreciation	1,187,842	256,011	1,443,853
Assets subject to depreciation	70,900,506	950,952	71,851,458
Total noncurrent assets	<u>82,399,686</u>	<u>1,206,963</u>	<u>83,606,649</u>
Total assets	<u>89,302,325</u>	<u>1,313,589</u>	<u>90,615,914</u>
Liabilities			
Current liabilities:			
Accounts payable	1,278,743	6,214	1,284,957
Due to other funds (Note 4)	-	43	43
Accrued liabilities and other	439,942	-	439,942
Deferred revenue (Note 5)	453,330	-	453,330
Compensated absences - < 1 yr.	82,522	-	82,522
Current portion of long-term debt	1,166,750	-	1,166,750
Total current liabilities	<u>3,421,287</u>	<u>6,257</u>	<u>3,427,544</u>
Noncurrent liabilities - Long-term debt (Note 6)	<u>27,959,623</u>	<u>-</u>	<u>27,959,623</u>
Total liabilities	<u>31,380,910</u>	<u>6,257</u>	<u>31,387,167</u>
Net Position			
Net investment in capital assets	42,961,975	1,206,963	44,168,938
Restricted:			
Water and sewer bond ordinance	9,490,328	-	9,490,328
Water and sewer construction and maintenance	618,474	-	618,474
Unrestricted	4,850,638	100,369	4,951,007
Total net position	<u>\$ 57,921,415</u>	<u>\$ 1,307,332</u>	<u>59,228,747</u>
Net Position of Business-type Activities			<u>\$ 59,228,747</u>

Charter Township of Chesterfield

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

	Enterprise Funds		
	Major Enterprise Fund - Sewer and Water Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	Total
Operating Revenue			
Sale of water	\$ 5,905,289	\$ -	\$ 5,905,289
Sewage disposal charges	6,655,394	-	6,655,394
Fees	-	67,399	67,399
Other	-	1,781	1,781
Total operating revenue	12,560,683	69,180	12,629,863
Operating Expenses			
Cost of water	3,403,280	-	3,403,280
Cost of sewage treatment	3,164,771	-	3,164,771
Repairs and maintenance	98,066	-	98,066
Billing and administrative costs	227,830	-	227,830
Personnel services	1,948,019	26,262	1,974,281
Supplies	161,832	2,112	163,944
Other services and charges	513,860	28,092	541,952
Depreciation	2,220,217	25,021	2,245,238
Total operating expenses	11,737,875	81,487	11,819,362
Operating Income (Loss)	822,808	(12,307)	810,501
Nonoperating Revenue (Expense)			
Investment income	42,989	244	43,233
Interest expense	(948,538)	-	(948,538)
Total nonoperating (expense) revenue	(905,549)	244	(905,305)
Loss - Before contributions	(82,741)	(12,063)	(94,804)
Capital Contributions			
Capital contributed by donation	-	248,000	248,000
Tap fees	495,950	-	495,950
Benefit fees	213,915	-	213,915
Capital contributed by developers	26,961	-	26,961
Total capital contributions	736,826	248,000	984,826
Change in Net Position	654,085	235,937	890,022
Net Position - Beginning of year	57,267,330	1,071,395	58,338,725
Net Position - End of year	<u>\$ 57,921,415</u>	<u>\$ 1,307,332</u>	<u>\$ 59,228,747</u>

Charter Township of Chesterfield

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

	Enterprise Funds		
	Major Enterprise Fund - Sewer and Water Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 12,395,847	\$ 69,180	\$ 12,465,027
Payments to suppliers	(7,417,435)	(30,204)	(7,447,639)
Payments to employees	(1,948,019)	(26,262)	(1,974,281)
Other (payments) receipts	(23,648)	5,314	(18,334)
Net cash provided by operating activities	3,006,745	18,028	3,024,773
Cash Flows from Capital and Related Financing Activities			
Tap fees	495,950	-	495,950
Benefit fees	213,915	-	213,915
Purchase of capital assets	(731,310)	(8,011)	(739,321)
Principal and interest paid on capital debt	(2,029,395)	-	(2,029,395)
Net cash used in capital and related financing activities	(2,050,840)	(8,011)	(2,058,851)
Cash Flows from Investing Activities - Interest received on investments	40,595	244	40,839
Net Increase in Cash and Cash Equivalents	996,500	10,261	1,006,761
Cash and Cash Equivalents - Beginning of year	12,200,951	96,365	12,297,316
Cash and Cash Equivalents - End of year	<u>\$ 13,197,451</u>	<u>\$ 106,626</u>	<u>\$ 13,304,077</u>
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and investments	\$ 3,707,123	\$ 106,626	\$ 3,813,749
Restricted cash	9,490,328	-	9,490,328
Total cash and cash equivalents	<u>\$ 13,197,451</u>	<u>\$ 106,626</u>	<u>\$ 13,304,077</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating income (loss)	\$ 822,808	\$ (12,307)	\$ 810,501
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	2,220,217	25,021	2,245,238
Changes in assets and liabilities:			
Receivables	(236,748)	5,271	(231,477)
Due from others	(1,219)	43	(1,176)
Inventories	(48,858)	-	(48,858)
Prepaid and other assets	(34,529)	-	(34,529)
Accounts payable	148,111	-	148,111
Accrued and other liabilities	136,963	-	136,963
Net cash provided by operating activities	<u>\$ 3,006,745</u>	<u>\$ 18,028</u>	<u>\$ 3,024,773</u>

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2012, the Water and Sewer Fund received approximately \$27,000 in lines donated by developers. In addition, Macomb County finished construction on an additional \$3.7 million of assets, through the end of the year, for various water and sewer projects. The Township also incurred additional long-term debt of \$1.34 million. No unspent bond proceeds were held by the County as of December 31, 2012. The Brandenburg Fund received a donation of \$248,000 of assets related to the Brandenburg Splash Park.

Charter Township of Chesterfield

Fiduciary Funds Statement of Fiduciary Assets and Liabilities December 31, 2012

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 5,578,104
Receivables	<u>33</u>
Total assets	<u>\$ 5,578,137</u>
Liabilities	
Due to other governmental units	\$ 2,707,729
Cash held on behalf of the Library	1,901,074
Refundable deposits and bonds	<u>969,334</u>
Total liabilities	<u>\$ 5,578,137</u>

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2012

Note I - Nature of Business and Significant Accounting Policies

The accounting policies of the Charter Township of Chesterfield, Macomb County, Michigan (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 Chesterfield, Macomb County, Michigan:

Reporting Entity

The Charter Township of Chesterfield was organized on December 4, 1989 under the provisions of Act 359 of P.A. 1947, as amended (Charter Township Act). The Charter Township of Chesterfield, Macomb County, Michigan is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component unit, for which the Township is considered to be financially accountable. The 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).

Discretely Presented Component Unit - The Economic Development Corporation (EDC) was formed to alleviate and prevent conditions of unemployment, and to assist and retain local industries and commercial enterprises in order to strengthen and revitalize the economy of Chesterfield Township. The EDC board is comprised of nine members, of which not more than three can be members of the Township board. The EDC does not issue separate financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenue, 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 revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (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 revenue are reported instead as general revenue.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2012

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue 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. All other revenue items are considered to be available only when cash is received by the Township.

The Township reports the following major governmental funds:

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.

Police Department Fund - The Police Department Fund is a full-service department that provides public safety needs for the Township and its residents. The main source of revenue for the police department comes from a voter-approved special assessment millage on all real property.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2012

Note I - Nature of Business and Significant Accounting Policies (Continued)

Fire Department Operating Fund - The Fire Department Operating Fund accounts for the operations related to its full-service fire department. The main source of revenue for the Fire Department Operating Fund comes from a voter-approved millage on real and personal property. The approved millage for the Fire Department Operating Fund is to be used for fire operations.

Fire Department Equipment Fund - The Fire Department Equipment Fund accounts for the purchase of fire equipment related to its full-service fire department. The main source of revenue for the Fire Department Equipment Fund comes from a voter-approved millage on real and personal property. The approved millage for the Fire Department Equipment Fund is to be used for the purchase of fire equipment.

The Township reports the following major proprietary fund:

Water and Sewer Fund - The Water and Sewer Fund accounts for the results of operations that provide water and sewer services to citizens, financed primarily by a user charge for the provision of those services.

Additionally, the Township reports the following fund types:

Agency Funds - The agency funds account for assets held by the Township in a trustee capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2012

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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

Property Tax Revenue

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

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

The 2011 taxable valuation of the Township totaled \$1.487 billion, on which ad valorem taxes levied consisted of 0.8061 mills for operating purposes, 5.0 mills for police operating purposes, 1.8858 mills for fire operating purposes, and 0.4617 mills for acquisition of fire equipment. This resulted in \$1.2 million for operating, \$3.54 million for fire purposes, and \$6.9 million for police purposes. These amounts are recognized in the respective General and Special Revenue 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.

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

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2012

Note I - Nature of Business and Significant Accounting Policies (Continued)

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.

Restricted Assets - A Township ordinance requires amounts to be set aside in the Water and Sewer Major Enterprise Fund for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, along with amounts on deposit at the County being held for the construction or debt service of the Township's sewer lines.

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

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

Infrastructure	20 to 50 years
Buildings and improvements	20 years
Machinery and equipment	5 to 20 years

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick, vacation pay, and comp time benefits. A liability for unused sick leave is reported in the governmental funds because the Township has a policy to pay employees for unused sick time at the beginning of each year. All unused sick, vacation pay, and comp time are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations and unused sick leave as of year end. The liability in the proprietary fund financial statements is reported in the "accrued liabilities and other" category as it is all current.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2012

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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

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

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

- **Nonspendable:** Amounts that are not in spendable 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 Township board for use for specific purposes. 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 Township board to make assignments

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2012

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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

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

Reporting Change - During the year, the Township adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. The statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The statement impacts the format and reporting of the balance sheet.

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 law also allows investments outside the state of Michigan when fully insured. The Township is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated nine banks for the deposit of its funds.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2012

Note 2 - Deposits and Investments (Continued)

The investment policy adopted by the Township board in accordance with Public Act 196 of 1997 has authorized investment in U.S. treasuries, U.S. agencies, instrumentalities, certificates of deposit, commercial paper (meeting certain rating and maturity requirements), investment pools, and mutual funds. The Township's deposits and investment policies are in accordance with statutory authority.

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$41,334,795 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$4,447,257 was covered by federal depository insurance and \$36,887,538 was 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 the end of the year, the EDC had \$4,501 of bank deposits, all of which were covered by federal deposit insurance.

Credit Risk - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. 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 place additional limitations relating to credit risk. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pool	\$ 2,557,441	PI	Moody's

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2012

Note 3 - Capital Assets

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

	Balance January 1, 2012	Reclassifications	Additions	Disposals	Balance December 31, 2012
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 3,274,576	\$ -	\$ -	\$ -	\$ 3,274,576
Construction in progress	183,075	(17,479)	-	-	165,596
Subtotal	3,457,651	(17,479)	-	-	3,440,172
Capital assets being depreciated:					
Infrastructure	15,207,425	-	18,632	-	15,226,057
Buildings and improvements	16,742,537	6,530	285,034	-	17,034,101
Machinery and equipment	8,112,456	10,949	163,186	-	8,286,591
Subtotal	40,062,418	17,479	466,852	-	40,546,749
Accumulated depreciation:					
Infrastructure	4,655,027	-	440,755	-	5,095,782
Buildings and improvements	9,461,401	-	665,469	-	10,126,870
Machinery and equipment	5,813,236	-	656,346	-	6,469,582
Subtotal	19,929,664	-	1,762,570	-	21,692,234
Net capital assets being depreciated	20,132,754	17,479	(1,295,718)	-	18,854,515
Net governmental activities capital assets	<u>\$ 23,590,405</u>	<u>\$ -</u>	<u>\$ (1,295,718)</u>	<u>\$ -</u>	<u>\$ 22,294,687</u>
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 409,484	\$ -	\$ -	\$ -	\$ 409,484
Construction in progress	-	-	1,034,369	-	1,034,369
Subtotal	409,484	-	1,034,369	-	1,443,853
Capital assets being depreciated:					
Infrastructure	79,173,480	-	3,674,087	-	82,847,567
Buildings and improvements	7,095,435	-	-	-	7,095,435
Machinery and equipment	3,769,666	-	-	-	3,769,666
Subtotal	90,038,581	-	3,674,087	-	93,712,668
Accumulated depreciation:					
Infrastructure	15,000,804	-	1,765,525	-	16,766,329
Buildings and improvements	2,206,509	-	401,079	-	2,607,588
Machinery and equipment	2,408,659	-	78,634	-	2,487,293
Subtotal	19,615,972	-	2,245,238	-	21,861,210
Net capital assets being depreciated	70,422,609	-	1,428,849	-	71,851,458
Net business-type capital assets	<u>\$ 70,832,093</u>	<u>\$ -</u>	<u>\$ 2,463,218</u>	<u>\$ -</u>	<u>\$ 73,295,311</u>

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2012

Note 3 - Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 368,716
Public safety		898,953
Public works		440,755
Recreation and culture		54,146
	Total governmental activities	<u>\$ 1,762,570</u>
Business-type activities:		
Water and Sewer Fund		\$ 2,220,217
Brandenburg Memorial Park Fund		25,021
	Total business-type activities	<u>\$ 2,245,238</u>

Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Nonmajor enterprise fund	\$ 43
Fire Department Operating Fund	Fire Department Equipment Fund	52,562
Nonmajor governmental fund	General Fund	28,890
Water and Sewer Fund	General Fund	44,603
	Fire Department Operating Fund	30,639
	Police Department Fund	117,494
	Nonmajor governmental funds	14,356
	Total Water and Sewer Fund	<u>207,092</u>
	Total	<u>\$ 288,587</u>

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2012

Note 4 - Interfund Receivables, Payables, and Transfers (Continued)

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

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

Transfer to	Transfer from	Amount
Nonmajor governmental funds	General Fund	\$ 234,020

The transfers from the General Fund to the nonmajor governmental funds represent the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations.

Note 5 - Deferred Revenue

Statement of Net Position - On the statement of net position, the deferred revenue in the governmental activities represents property taxes levied on December 1, 2012, but recognized as revenue in the year ending December 31, 2013 when the proceeds of the levy are budgeted and available for financing operations. The deferred revenue in the business-type activities represents money paid by customers for the right to tap into the Township's water and sewer lines. However, as of December 31, 2012, the right has not been exercised.

Governmental Fund Balance Sheet - 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.

Proprietary Funds Balance Sheet - Proprietary funds 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 recorded on the governmental and proprietary funds balance sheet are as follows:

	Governmental Funds			Enterprise Funds
	Unavailable	Unearned	Total	Unearned
Property taxes	\$ -	\$ 11,049,820	\$ 11,049,820	\$ -
Special assessments	144,582	-	144,582	-
Water and sewer taps	-	-	-	453,330
Total	<u>\$ 144,582</u>	<u>\$ 11,049,820</u>	<u>\$ 11,194,402</u>	<u>\$ 453,330</u>

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2012

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. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the Township) are received.

Long-term debt activity can be summarized as follows:

	Interest Rate Range	Principal Maturity Range	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds:							
Fire Station Building Bonds	3.25% - 5.25%	\$140,000 - \$315,000	\$ 2,831,500	\$ -	\$ (175,000)	\$ 2,656,500	\$ 175,000
2007 Capital Improvement Bonds	4.00% - 4.25%	\$50,000 - \$100,000	1,300,000	-	(50,000)	1,250,000	50,000
Installment purchase agreements - Police building	6.10% - 6.25%	\$155,000 - \$275,000	1,000,000	-	(225,000)	775,000	250,000
Special assessment bonds:							
Paving District 140 and 143	4.125% - 4.50%	\$35,000 - \$40,000	35,000	-	(35,000)	-	-
Paving District 148	2.25% - 3.50%	\$150,000 - \$175,000	325,000	-	(150,000)	175,000	175,000
Total bonds and notes payable			5,491,500	-	(635,000)	4,856,500	650,000
Compensated absences			622,216	645,892	(622,216)	645,892	645,892
Total governmental activities			\$ 6,113,716	\$ 645,892	\$ (1,257,216)	\$ 5,502,392	\$ 1,295,892

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2012

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
General obligation bonds - D.P.W.							
Building Bonds	3.25% - 5.25%	\$130,000 - \$546,000	\$ 5,258,500	\$ -	\$ (325,000)	\$ 4,933,500	\$ 325,000
Installment purchase agreements -							
Water and sewer improvements	2.25%	\$102,694 - \$122,255	596,605	-	(112,475)	484,130	117,365
Drainage District Drain Bonds:							
North Gratiot Drain	3.25% - 4.75%	\$193,636 - \$474,356	8,241,941	-	(197,649)	8,044,292	197,649
North Gratiot Interceptor -							
Series 1	3.25% - 4.75%	\$14,257 - \$34,915	606,651	-	(14,548)	592,103	14,548
North Gratiot Interceptor -							
Series 2, 3, and 4	3.25% - 4.75%	\$79,553 - \$238,659	4,073,107	-	(127,284)	3,945,823	127,285
North Gratiot Interceptor -							
Series 2, 3, and 4	3.25% - 4.75%	\$1,158 - \$3,474	59,284	-	(1,853)	57,431	1,853
Oakland-Macomb Interceptor -							
Series 2010B	2.5%	\$40,067 - \$64,474	1,028,280	-	(40,063)	988,217	41,209
Oakland-Macomb Interceptor -							
Series 2010B	1.15% - 5.9%	\$7,492 - \$20,506	256,716	-	(8,873)	247,843	9,070
Macomb Interceptor Drainage							
District	1.25% - 5.375%	\$199,512 - \$376,299	6,391,068	-	(199,513)	6,191,555	201,516
Oakland-Macomb Interceptor -							
Series 2011	2.00% - 4.50%	\$48,416 - \$77,223	-	1,236,048	-	1,236,048	-
Clintondale Pump Station Improvements	2.00% - 4.50%	\$53,599 - \$191,454	2,358,341	-	(53,598)	2,304,743	61,255
State Revolving Fund Loan 2012	2.50%	\$1,805,000	-	100,688	-	100,688	70,000
Total business-type activities			28,870,493	1,336,736	(1,080,856)	29,126,373	1,166,750
Compensated absences			92,647	82,522	(92,647)	82,522	82,522
Total business-type activities			\$ 28,963,140	\$ 1,419,258	\$ (1,173,503)	\$ 29,208,895	\$ 1,249,272

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

Years Ending December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 650,000	\$ 200,061	\$ 850,061	\$ 1,166,750	\$ 1,027,921	\$ 2,194,671
2014	510,000	169,082	679,082	1,361,877	994,391	2,356,268
2015	535,000	143,116	678,116	1,341,519	956,183	2,297,702
2016	285,000	124,200	409,200	1,357,789	913,934	2,271,723
2017-2020	1,667,500	438,984	2,106,484	7,135,476	3,876,351	11,011,827
2021-2026	1,109,000	98,466	1,207,466	6,755,480	2,462,415	9,217,895
2027 and thereafter	100,000	2,075	102,075	10,007,482	1,494,234	11,501,716
Total	\$ 4,856,500	\$ 1,175,984	\$ 6,032,484	\$ 29,126,373	\$ 11,725,429	\$ 40,851,802

Commitments - During February 2013, the Township refinanced its Fire Station Building Bonds and Department of Public Works Building Bonds in the amount of approximately \$6,775,000. The debt has a maturity of 10 years and bears an interest rate of 2 percent through April 2017 and increases to 3 percent until maturity.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2012

Note 6 - Long-term Debt (Continued)

Subsequent to year end, Oakland-Macomb Interceptor Drain Drainage District was advertising bids for the Contract 4-Segment 3 project. The district scheduled to sell its Drain Bond, Series 2013A in an amount not to exceed \$70,000,000 during June 2013 to finance the project. The Township's share of the bond issuance is estimated at \$2,760,000. The debt has a maturity of 20 years and bears a 2 percent rate of interest.

Note 7 - Restricted Assets

Specific assets of the Water and Sewer Fund have been restricted for operations and maintenance and debt service. Restricted assets at December 31, 2012 consist of cash and cash equivalents and money held on deposit with other governmental units and are reserved in accordance with the water and sewer bond ordinance requirements. The following is the detail of restricted assets at December 31, 2012:

Restricted assets from bond ordinance:

Cash and cash equivalents	\$ 9,490,328
Less current liabilities payable from restricted assets	<u>(1,166,750)</u>
Net restricted assets from bond ordinances	8,323,578
Cash held at County for construction and maintenance	<u>618,474</u>
Total Water and Sewer Fund restricted assets - Net of related current liabilities payable	<u>\$ 8,942,052</u>

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 medical claims and participates in the Michigan Municipal League Risk Pool for claims relating to workers' compensation and participates in the Michigan Townships Participating Plan for claims relating to property and general liability. 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 League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2012

Note 9 - Defined Benefit Pension Plan

General Employees

Plan Description - The Township participates in the Michigan Municipal Employees' Retirement System (the "System"), an agent multiple-employer defined benefit pension plan that covers all employees of the Township. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The System issues a publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the System for these employees was established by the Township's board of trustees and requires a contribution from the employees of 2 percent of base wages and a contribution from the employer set at 9.97 percent of participating employees' base wages.

Annual Pension Cost - For the year ended December 31, 2012, the Township's annual pension cost of \$454,217 for the plan was less than the Township's actual contribution of \$688,503. The annual required contribution was determined as part of an actuarial valuation at December 31, 2010 using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return and (b) projected salary increases of 4.5 percent per year plus a percentage based on age-related scale to reflect merit, longevity, and promotional salary increases. 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 for the general administration division, and on an open basis for the public works, public safety dispatch, public safety officers, public safety sergeants, and executive divisions. The remaining amortization period is 30 years.

Three-year Trend Information

	Fiscal Year Ended December 31		
	2012	2011	2010
Annual pension cost (APC)	\$ 454,217	\$ 479,946	\$ 536,327
Percentage of APC contributed	152 %	146 %	100 %
Net pension asset	\$ 442,210	\$ 220,814	-

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2012

Note 9 - Defined Benefit Pension Plan (Continued)

	Actuarial Valuation Date - December 31		
	2011	2010	2009
Actuarial value of assets	\$ 9,573,243	\$ 8,473,503	\$ 7,592,379
Actuarial accrued liability (AAL)	\$ 12,272,826	\$ 11,224,540	\$ 10,691,524
Unfunded AAL (UAAL)	\$ 2,699,583	\$ 2,751,037	\$ 3,099,145
Funded ratio	78.0 %	75.5 %	71.0 %
Covered payroll	\$ 4,836,345	\$ 4,857,652	\$ 4,953,646
UAAL as a percentage of covered payroll	55.8 %	56.6 %	62.6 %

Police Employees

Plan Description - Beginning in 2007, the Township began participating in the Michigan Municipal Employees' Retirement System (the "System"), an agent multiple-employer defined benefit pension plan for the police union employees. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The System issues a publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the System for these employees was established by negotiation with the Township's collective bargaining units. The police agreement requires a contribution from the employer of 10.91 percent and a contribution from the employee of 4.5 percent of gross wages.

Annual Pension Cost - For the year ended December 31, 2012, the Township's annual pension cost of \$290,869 for the plan was less than the Township's actual contribution of \$435,436. The annual required contribution was determined as part of an actuarial valuation at December 31, 2010, using the entry age normal 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, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 3 percent to 4 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The standard amortization period to fund the unfunded liability is 25 years for positive unfunded liabilities and 10 years for negative unfunded liabilities (the amortization period is re-established with each valuation).

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2012

Note 9 - Defined Benefit Pension Plan (Continued)

Three-year Trend Information

	Fiscal Year Ended December 31		
	2012	2011	2010
Annual pension cost (APC)	\$ 290,869	\$ 265,238	\$ 280,331
Percentage of APC contributed	150 %	148 %	100 %
Net pension asset	\$ 292,025	\$ 126,217	\$ -

	Actuarial Valuation Date - December 31		
	2011	2010	2009
Actuarial value of assets	\$ 5,821,401	\$ 5,040,580	\$ 4,561,329
Actuarial accrued liability (AAL)			
(entry age)	\$ 7,682,334	\$ 6,759,740	\$ 5,975,435
Unfunded AAL (UAAL)	\$ 1,860,933	\$ 1,719,160	\$ 1,414,106
Funded ratio	75.8 %	74.6 %	76.3 %
Covered payroll	\$ 3,041,192	\$ 2,888,417	\$ 3,137,510
UAAL as a percentage of covered payroll	61.2 %	59.5 %	45.1 %

Command Employees

Plan Description - Beginning in 2007, the Township began participating in the Michigan Municipal Employees' Retirement System (the "System"), an agent multiple-employer defined benefit pension plan for the command union employees. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The System issues a publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the System for these employees was established by negotiation with the Township's collective bargaining units. The police agreement requires a contribution from the employer of 13.71 percent and a contribution from the employee of 4.5 percent of gross wages.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2012

Note 9 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost - For the year ended December 31, 2012, the Township's annual pension cost of \$121,144 for the plan was less than the Township's actual contribution of \$172,651. The annual required contribution was determined as part of an actuarial valuation at December 31, 2010 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, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 3 percent to 4 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The standard amortization period to fund the unfunded liability is 25 years for positive unfunded liabilities and 10 years for negative unfunded liabilities (the amortization period is re-established with each valuation).

Three-year Trend Information

	Fiscal Year Ended December 31		
	2012	2011	2010
Annual pension cost (APC)	\$ 121,144	\$ 107,796	\$ 167,294
Percentage of APC contributed	143 %	143 %	143 %
Net pension asset	\$ 100,123	\$ 46,480	\$ -

	Actuarial Valuation Date - December 31		
	2011	2010	2009
Actuarial value of assets	\$ 3,271,786	\$ 2,931,808	\$ 2,533,059
Actuarial accrued liability (AAL)			
(entry age)	\$ 4,215,941	\$ 3,928,848	\$ 3,406,664
Unfunded AAL (UAAL)	\$ 944,155	\$ 997,040	\$ 873,605
Funded ratio	77.6 %	74.6 %	74.4 %
Covered payroll	\$ 1,021,335	\$ 1,072,908	\$ 1,093,609
UAAL as a percentage of covered payroll	92.4 %	92.9 %	79.9 %

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2012

Note 10 - Other Postemployment Benefits

Plan Description - The Township provides postretirement benefits, other than pension benefits, to all full-time employees of the Township through the Chesterfield Township Retiree Health Care Plan. These benefits include certain healthcare and life insurance benefits. All employees with 15 years of service and who are at least 55 years old at retirement are eligible to receive these benefits. This plan is an agent-sponsored multiple employer plan administered by the Michigan Municipal Employees' Retirement System. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the System for these employees was established by negotiation with the Township's collective bargaining units. 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). However, as shown below, the Township has made contributions to advance-fund these benefits, as determined by the board of trustees through annual budget resolutions. Currently, the retirees are not required to contribute.

Funding Progress - For the year ended December 31, 2012, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2010. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 1,702,303
Interest on the prior year's net OPEB asset	(52,367)
Plus adjustment to the annual required contribution	<u>34,922</u>
Annual OPEB cost	1,684,858
Amounts contributed:	
Payments of current premiums	382,087
Advance funding	<u>1,330,940</u>
Increase in net OPEB asset	28,169
OPEB asset - Beginning of year	<u>654,586</u>
OPEB asset - End of year	<u>\$ 682,755</u>

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2012

Note 10 - Other Postemployment Benefits (Continued)

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and prior year were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage Contributed	Net OPEB Asset
12/31/10	12/31/08	\$ 1,254,696	113.1	\$ 495,115
12/31/11	12/31/08	1,307,168	112.1	654,586
12/31/12	12/31/10	1,684,858	101.7	682,755

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Annual Covered Payroll (c)	Ratio of UAAL to Covered Payroll
12/31/04	\$ -	\$ 9,996,375	\$ 9,996,375	- %	\$ -	-
12/31/08	2,392,850	15,120,552	12,727,702	15.8	-	-
12/31/10	5,721,742	22,094,781	16,373,039	25.9	-	-

Actuarial Methods and Assumptions - The valuations used the entry age normal 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, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial accrued liability is amortized as a level of percent of active member payroll over a period of 30 years.

Note 11 - Upcoming Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement No. 14 and Statement No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the Township's 2013 fiscal year.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2012

Note 11 - Upcoming Accounting Pronouncements (Continued)

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

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending December 31, 2015.

Required Supplemental Information

Charter Township of Chesterfield

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,181,360	\$ 1,181,360	\$ 1,224,298	\$ 42,938
Income taxes	1,062,620	1,062,620	1,071,858	9,238
Licenses and permits	31,980	31,980	35,998	4,018
Federal grants	76,600	156,600	160,968	4,368
State-shared revenue	2,600,000	2,600,000	3,163,164	563,164
Charges for services	780,910	780,910	906,937	126,027
Investment income	29,780	29,780	28,359	(1,421)
Other revenue	733,180	733,180	842,700	109,520
Total revenue	6,496,430	6,576,430	7,434,282	857,852
Expenditures				
Current:				
General government:				
Township board	44,500	44,500	50,188	(5,688)
Township supervisor	118,230	118,230	117,253	977
Accounting	245,070	245,070	238,909	6,161
Planning commission	51,270	51,270	29,563	21,707
Zoning Board of Appeals	6,570	6,570	6,757	(187)
Treasurer	324,750	324,750	315,384	9,366
Assessing	339,830	339,830	342,454	(2,624)
Board of review	3,800	3,800	2,009	1,791
Clerk	259,924	259,924	257,553	2,371
Elections	251,770	264,770	255,756	9,014
Buildings and grounds	959,060	959,060	874,284	84,776
Human resources	76,595	76,595	77,330	(735)
Planning and zoning administration	132,210	132,210	131,739	471
General administration	1,957,220	2,044,220	1,915,037	129,183
Anchor Bay Harbor storm sewer	59,000	59,000	9,519	49,481
Total general government	4,829,799	4,929,799	4,623,735	306,064
Streets, sidewalks, and drains	324,550	324,550	233,208	91,342
Recreation and culture	555,555	555,555	471,307	84,248
Capital outlay	224,600	224,600	168,291	56,309
Debt service	382,410	382,410	382,407	3
Total expenditures	6,316,914	6,416,914	5,878,948	537,966
Excess of Revenue Over Expenditures	179,516	159,516	1,555,334	1,395,818
Other Financing Uses - Transfers out	(405,920)	(405,920)	(234,020)	171,900
Net Change in Fund Balance	(226,404)	(246,404)	1,321,314	1,567,718
Fund Balance - Beginning of year	8,185,740	8,185,740	8,185,740	-
Fund Balance - End of year	\$ 7,959,336	\$ 7,939,336	\$ 9,507,054	\$ 1,567,718

Charter Township of Chesterfield

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Police Department Fund Year Ended December 31, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 6,809,590	\$ 6,809,590	\$ 6,903,318	\$ 93,728
Nonfederal grants and reimbursements	113,820	113,820	152,269	38,449
Charges for services	280,000	280,000	285,957	5,957
Fines and forfeitures	40,500	40,500	70,891	30,391
Investment income	55,000	15,000	17,170	2,170
Other revenue	164,000	164,000	171,317	7,317
Total revenue	7,462,910	7,422,910	7,600,922	178,012
Expenditures - Current - Public safety	9,065,320	9,065,320	8,975,725	89,595
Net Change in Fund Balance	(1,602,410)	(1,642,410)	(1,374,803)	267,607
Fund Balance - Beginning of year	4,838,920	4,838,920	4,838,920	-
Fund Balance - End of year	<u>\$ 3,236,510</u>	<u>\$ 3,196,510</u>	<u>\$ 3,464,117</u>	<u>\$ 267,607</u>

Charter Township of Chesterfield

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Department Operating Fund Year Ended December 31, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,810,600	\$ 2,810,600	\$ 2,826,944	\$ 16,344
Investment income	6,900	6,900	6,915	15
Other revenue	25,300	25,300	27,518	2,218
Total revenue	2,842,800	2,842,800	2,861,377	18,577
Expenditures - Current - Public safety	3,181,660	3,181,660	3,064,519	117,141
Net Change in Fund Balance	(338,860)	(338,860)	(203,142)	135,718
Fund Balance - Beginning of year	1,208,641	1,208,641	1,208,641	-
Fund Balance - End of year	<u>\$ 869,781</u>	<u>\$ 869,781</u>	<u>\$ 1,005,499</u>	<u>\$ 135,718</u>

Charter Township of Chesterfield

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Department Equipment Fund Year Ended December 31, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 688,000	\$ 710,000	\$ 714,467	\$ 4,467
Investment income	12,000	12,000	7,529	(4,471)
Other revenue	-	-	144	144
Total revenue	700,000	722,000	722,140	140
Expenditures - Current - Public safety	788,160	788,160	419,949	368,211
Net Change in Fund Balance	(88,160)	(66,160)	302,191	368,351
Fund Balance - Beginning of year	5,536,207	5,536,207	5,536,207	-
Fund Balance - End of year	<u>\$ 5,448,047</u>	<u>\$ 5,470,047</u>	<u>\$ 5,838,398</u>	<u>\$ 368,351</u>

Charter Township of Chesterfield

Note to Required Supplemental Information Year Ended December 31, 2012

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end; encumbrances are not included as expenditures. During the year, the budget was amended in a legally permissible manner.

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

1. On or before September 1, the Township supervisor, finance department, and respective department heads prepare a proposed operating budget for the fiscal year commencing January 1 and submit it to the board. One to two study sessions are held at an open meeting with the board in order to answer any questions. The budget must be adopted through a passage of a budget resolution no later than the last board meeting in December.
2. Public hearings are conducted to obtain citizen comments.
3. The legislative budget is adopted by fund on a departmental basis. Line item detail is provided as a general guideline. Throughout the year, the board receives requests to amend the activity budget. All amendments by departments must be approved by a vote of the Township board.

Other Supplemental Information

Charter Township of Chesterfield

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

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Building Inspection Fund	Parks and Recreation Fund	Debt Service Fund	
Assets				
Cash and investments	\$ 8,112	\$ 327,191	\$ 250,624	\$ 585,927
Receivables:				
Special assessments receivable	-	-	93,934	93,934
Accrued interest receivable	-	233	-	233
Due from other funds	28,890	-	-	28,890
Prepaid expenses and other assets	8,236	234	-	8,470
Total assets	\$ 45,238	\$ 327,658	\$ 344,558	\$ 717,454
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 9,135	\$ 4,217	\$ -	\$ 13,352
Due to other funds	9,459	-	4,897	14,356
Accrued liabilities and other	18,408	-	-	18,408
Deferred revenue	-	-	93,934	93,934
Total liabilities	37,002	4,217	98,831	140,050
Fund Balances				
Nonspendable - Prepays	8,236	234	-	8,470
Restricted - Debt service	-	-	245,727	245,727
Committed - Parks and recreation	-	323,207	-	323,207
Total fund balances	8,236	323,441	245,727	577,404
Total liabilities and fund balances	\$ 45,238	\$ 327,658	\$ 344,558	\$ 717,454

Charter Township of Chesterfield

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

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Building Inspection Fund	Parks and Recreation Fund	Debt Service Fund	
Revenue				
Licenses and permits	\$ 653,237	\$ -	\$ -	\$ 653,237
Charges for services	-	255,240	-	255,240
Investment income	-	638	11,553	12,191
Other revenue	9,692	170	92,890	102,752
Total revenue	<u>662,929</u>	<u>256,048</u>	<u>104,443</u>	<u>1,023,420</u>
Expenditures				
Current:				
Public safety	888,713	-	-	888,713
Recreation and culture	-	225,646	-	225,646
Capital outlay	-	11,195	-	11,195
Debt service:				
Principal	-	-	185,000	185,000
Interest on long-term debt	-	-	12,338	12,338
Total expenditures	<u>888,713</u>	<u>236,841</u>	<u>197,338</u>	<u>1,322,892</u>
Excess of Revenue (Under) Over Expenditures	(225,784)	19,207	(92,895)	(299,472)
Other Financing Sources - Transfers in	<u>234,020</u>	-	-	<u>234,020</u>
Net Change in Fund Balances	8,236	19,207	(92,895)	(65,452)
Fund Balances - Beginning of year	<u>-</u>	<u>304,234</u>	<u>338,622</u>	<u>642,856</u>
Fund Balances - End of year	<u>\$ 8,236</u>	<u>\$ 323,441</u>	<u>\$ 245,727</u>	<u>\$ 577,404</u>