

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

**Financial Report
with Supplemental Information
December 31, 2011**

Charter Township of Chesterfield

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Chesterfield, Macomb County, Michigan (the "Township") as of and for the year ended December 31, 2011, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Chesterfield, Macomb County, Michigan's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Chesterfield, Macomb County, Michigan as of December 31, 2011 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison schedules, as identified on pages 40-42 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Charter Township of Chesterfield, Macomb County, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

During the year, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note I and Note II. As a result of this requirement implementation, one special revenue fund has been eliminated and the fund's remaining resources have been reported within the General Fund. The Fire Department Equipment Fund is now classified as a capital projects fund. In addition, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB No. 54.

Plante & Morse, PLLC

June 5, 2012

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, 2011. 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 assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

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 assets as of the current date and compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and other assets	\$ 34,356,450	\$ 34,386,471	\$ 18,408,595	\$ 18,507,472	\$ 52,765,045	\$ 52,893,943
Capital assets	<u>23,590,405</u>	<u>24,914,643</u>	<u>70,832,093</u>	<u>67,782,679</u>	<u>94,422,498</u>	<u>92,697,322</u>
Total assets	57,946,855	59,301,114	89,240,688	86,290,151	147,187,543	145,591,265
Liabilities						
Long-term liabilities	4,856,500	5,491,500	27,789,634	25,483,872	32,646,134	30,975,372
Other liabilities	<u>14,103,415</u>	<u>15,074,321</u>	<u>3,112,329</u>	<u>2,497,261</u>	<u>17,215,744</u>	<u>17,571,582</u>
Total liabilities	<u>18,959,915</u>	<u>20,565,821</u>	<u>30,901,963</u>	<u>27,981,133</u>	<u>49,861,878</u>	<u>48,546,954</u>
Net Assets						
Invested in capital assets -						
Net of related debt	18,098,905	18,828,143	44,319,941	44,741,412	62,418,846	63,569,555
Restricted	12,109,213	12,368,978	9,819,184	9,747,972	21,928,397	22,116,950
Unrestricted	<u>8,778,822</u>	<u>7,538,172</u>	<u>4,199,600</u>	<u>3,819,634</u>	<u>12,978,422</u>	<u>11,357,806</u>
Total net assets	<u>\$ 38,986,940</u>	<u>\$ 38,735,293</u>	<u>\$ 58,338,725</u>	<u>\$ 58,309,018</u>	<u>\$ 97,325,665</u>	<u>\$ 97,044,311</u>

Charter Township of Chesterfield

Management's Discussion and Analysis (Continued)

The Township's combined net assets increased 0.3 percent from a year ago - increasing from \$97,044,311 to \$97,325,665, before the implementation of GASB No. 51. As we look at the governmental activities separately from the business-type activities, we can see that unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, increased by \$1,240,650 for the governmental activities. This represents an increase of approximately 16.5 percent. The current level of unrestricted net assets for our governmental activities stands at \$8,778,822, or about 45 percent of expenses. Taking a look at the business-type activities, unrestricted net assets increased by \$379,966. This represents a increase of approximately 9.9 percent.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue						
Program revenue:						
Charges for services	\$ 3,410,400	\$ 2,998,808	\$ 11,272,388	\$ 10,300,749	\$ 14,682,788	\$ 13,299,557
Operating grants and contributions	227,071	442,128	-	-	227,071	442,128
Capital grants and contributions	197,705	5,457	764,395	733,478	962,100	738,935
General revenue:						
Property taxes	12,165,784	13,370,545	-	-	12,165,784	13,370,545
State-shared revenues	3,059,817	2,618,744	-	-	3,059,817	2,618,744
Investment earnings	106,022	124,519	40,423	125,351	146,445	249,870
Franchise fees	670,085	643,215	-	-	670,085	643,215
Proceeds from sale of fixed assets	500	35,406	-	-	500	35,406
Transfers and other revenue	24,350	57,476	-	-	24,350	57,476
Total revenue	19,861,734	20,296,298	12,077,206	11,159,578	31,938,940	31,455,876
Program Expenses						
General government	3,656,346	3,662,508	-	-	3,656,346	3,662,508
Public safety	12,980,666	13,024,748	-	-	12,980,666	13,024,748
Street, sidewalks, and drains	1,882,005	1,403,061	-	-	1,882,005	1,403,061
Recreation and culture	842,536	1,062,442	-	-	842,536	1,062,442
Interest on long-term debt	248,534	275,968	-	-	248,534	275,968
Water and sewer	-	-	11,964,109	11,106,884	11,964,109	11,106,884
Brandenburg Park	-	-	83,390	79,679	83,390	79,679
Total program expenses	19,610,087	19,428,727	12,047,499	11,186,563	31,657,586	30,615,290
Change in Net Assets	\$ 251,647	\$ 867,571	\$ 29,707	\$ (26,985)	\$ 281,354	\$ 840,586

Property taxes are the primary source of revenue for the governmental activities, providing approximately 61.3 percent of total revenue. State-shared revenue provides another 15.4 percent and charges for services provided 17.2 percent, leaving just 6.1 percent being provided by all other sources.

Governmental Activities

The Township's total governmental revenue decreased by \$434,564. The overall decrease, which represents 2.1 percent, is primarily due to reductions in property taxes. Further reductions in property taxes and the continued decrease in building permits is a concern. The total governmental expenses increased by \$181,360.

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 \$12,077,206. Revenue increased by \$917,628, or about 8.2 percent. The increase in revenue was primarily due to an increase in charges for water and sewer services. Expenses increased by \$860,936 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 \$12,007,837, including contributions from developers. Revenue from the Township's operation of Brandenburg Memorial Park was \$69,369.

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 millages. The Township's major funds for 2011 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 2011 with a fund balance of \$8,185,740. Revenue increased by \$803,231 due primarily to an increase in state-shared revenue. Expenditures increased by \$246,305 due primarily to personnel costs.

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 2011 with a fund balance of \$1,208,641. Revenue decreased by \$307,244 due primarily to a decrease in property taxes. Expenditures increased by \$170,250 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 2011 with a fund balance of \$5,536,207. Revenue decreased by \$10,260 primarily due to a decrease in property taxes. Expenditures decreased \$480,304 primarily due to a decrease 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 2011 with a fund balance of \$4,838,920. Revenue decreased by \$661,687 primarily due to a decrease in property taxes. Expenditures decreased by \$73,834 primarily due to a decrease in 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 18.9 percent. Actual expenditures were 10.6 percent below budget. The Township completed the year with actual revenue over expenditures of \$1,273,906.

Capital Asset and Debt Administration

At the end of 2011, the Township had \$94,422,498 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 Assets December 31, 2011

	Primary Government			Component Unit - Economic Development Corporation
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 2)	\$ 23,989,391	\$ 3,095,703	\$ 27,085,094	\$ 4,879
Receivables - Net:				
Property taxes receivable	8,089,099	-	8,089,099	-
Receivables from sales to customers on account	-	2,465,554	2,465,554	-
Accrued interest receivable	7,904	9,294	17,198	-
Due from other governmental units	1,282,704	102,162	1,384,866	-
Special assessments receivable	263,497	-	263,497	-
Internal balances (Note 4)	(194,153)	194,153	-	-
Inventory	-	218,061	218,061	-
Prepaid expenses and other assets	15,271	783	16,054	-
Restricted assets (Note 7)	-	12,177,525	12,177,525	-
Net pension asset (Note 9)	346,339	47,172	393,511	-
OPEB asset (Note 10)	556,398	98,188	654,586	-
Capital assets: (Note 3)				
Assets not subject to depreciation	3,457,651	409,484	3,867,135	-
Assets subject to depreciation	20,132,754	70,422,609	90,555,363	-
Total assets	57,946,855	89,240,688	147,187,543	4,879
Liabilities				
Accounts payable	434,740	1,131,575	1,566,315	-
Accrued liabilities and other	717,240	385,500	1,102,740	-
Deferred revenue (Note 5)	11,694,219	514,395	12,208,614	-
Noncurrent liabilities (Note 6):				
Due within one year	1,257,216	1,080,859	2,338,075	-
Due in more than one year	4,856,500	27,789,634	32,646,134	-
Total liabilities	18,959,915	30,901,963	49,861,878	-
Net Assets				
Invested in capital assets - Net of related debt	18,098,905	44,319,941	62,418,846	-
Restricted for:				
Restricted for water and sewer bond ordinance	-	9,201,613	9,201,613	-
Water and sewer construction and maintenance	-	617,571	617,571	-
Fire operating	1,208,641	-	1,208,641	-
Fire equipment	5,536,207	-	5,536,207	-
Police fund	4,838,920	-	4,838,920	-
Debt service	525,445	-	525,445	-
Unrestricted	8,778,822	4,199,600	12,978,422	4,879
Total net assets	\$ 38,986,940	\$ 58,338,725	\$ 97,325,665	\$ 4,879

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

Charter Township of Chesterfield

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 3,723,391	\$ 1,870,975	\$ 14,545	\$ 165,138
Public safety	13,008,991	1,181,672	113,916	-
Public works	1,764,345	77,881	-	32,567
Recreation and culture	864,826	279,872	98,610	-
Interest on long-term debt	248,534	-	-	-
Total governmental activities	<u>19,610,087</u>	<u>3,410,400</u>	<u>227,071</u>	<u>197,705</u>
Business-type activities:				
Sewer and Water Operations Fund	11,964,109	11,203,228	-	764,395
Brandenburg Park Fund	83,390	69,160	-	-
Total business-type activities	<u>12,047,499</u>	<u>11,272,388</u>	<u>-</u>	<u>764,395</u>
Total primary government	<u>\$ 31,657,586</u>	<u>\$ 14,682,788</u>	<u>\$ 227,071</u>	<u>\$ 962,100</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 Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended December 31, 2011

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit - Economic Development Corporation
\$ (1,672,733)	\$ -	\$ (1,672,733)	\$ -
(11,713,403)	-	(11,713,403)	-
(1,653,897)	-	(1,653,897)	-
(486,344)	-	(486,344)	-
(248,534)	-	(248,534)	-
(15,774,911)	-	(15,774,911)	-
-	3,514	3,514	-
-	(14,230)	(14,230)	-
-	(10,716)	(10,716)	-
(15,774,911)	(10,716)	(15,785,627)	-
12,165,784	-	12,165,784	-
3,059,817	-	3,059,817	-
106,022	40,423	146,445	32
670,085	-	670,085	-
500	-	500	(750)
24,350	-	24,350	-
16,026,558	40,423	16,066,981	(718)
251,647	29,707	281,354	(718)
38,735,293	58,309,018	97,044,311	5,597
\$ 38,986,940	\$ 58,338,725	\$ 97,325,665	\$ 4,879

Charter Township of Chesterfield

Governmental Funds Balance Sheet December 31, 2011

	General Fund	Police Department Fund	Fire Department Operating Fund	Fire Department Equipment Fund	Nonmajor Funds	Total
Assets						
Cash and cash equivalents	\$ 7,691,636	\$ 7,587,582	\$ 2,279,177	\$ 5,770,785	\$ 660,211	\$ 23,989,391
Receivables:						
Property taxes receivable	934,893	4,740,106	1,939,277	474,823	-	8,089,099
Special assessments receivable	76,674	-	-	-	186,823	263,497
Accrued interest receivable	3,554	188	800	3,008	354	7,904
Due from other governmental units	1,264,259	18,445	-	-	-	1,282,704
Due from other funds (Note 4)	-	-	-	-	25,510	25,510
Prepaid expenses	120	15,151	-	-	-	15,271
Total assets	\$ 9,971,136	\$ 12,361,472	\$ 4,219,254	\$ 6,248,616	\$ 872,898	\$ 33,673,376
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 199,433	\$ 178,843	\$ 43,368	\$ 269	\$ 12,827	\$ 434,740
Due to other funds (Note 4)	68,894	107,758	29,448	-	13,563	219,663
Accrued liabilities and other	97,348	379,766	130,345	24,793	16,829	649,081
Deferred revenue (Note 5)	1,419,721	6,856,185	2,807,452	687,347	186,823	11,957,528
Total liabilities	1,785,396	7,522,552	3,010,613	712,409	230,042	13,261,012
Fund Balances						
Nonspendable - Prepays	120	15,151	-	-	-	15,271
Restricted:						
Police	-	4,823,769	-	-	-	4,823,769
Fire operating	-	-	1,208,641	-	-	1,208,641
Debt service	-	-	-	-	338,622	338,622
Fire equipment	-	-	-	5,536,207	-	5,536,207
Committed - Parks and recreation	-	-	-	-	304,234	304,234
Unassigned	8,185,620	-	-	-	-	8,185,620
Total fund balances	8,185,740	4,838,920	1,208,641	5,536,207	642,856	20,412,364
Total liabilities and fund balances	\$ 9,971,136	\$ 12,361,472	\$ 4,219,254	\$ 6,248,616	\$ 872,898	\$ 33,673,376

Charter Township of Chesterfield

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets December 31, 2011

Fund Balance Reported in Governmental Funds	\$ 20,412,364
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	23,590,405
Certain receivables are expected to be collected over several years in the General Fund and are not available to pay for current year expenditures	263,309
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(5,491,500)
Accrued interest is not due and payable in the current period and is not reported in the funds	(68,159)
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	(622,216)
Pension contributions in excess of actuarial required contribution and the asset is not reported in the funds	346,339
Other postemployment benefits are contributed in excess of requirement and the asset is not reported in the funds	556,398
Net Assets of Governmental Activities	<u>\$ 38,986,940</u>

Charter Township of Chesterfield

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2011

	General Fund	Police Department Fund	Fire Department Operating Fund	Fire Department Equipment Fund	Nonmajor Funds	Total
Revenue						
Property taxes	\$ 1,279,141	\$ 7,195,086	\$ 2,948,822	\$ 736,744	\$ -	\$ 12,159,793
Non-federal grants and reimbursements	1,082,356	127,230	-	-	-	1,209,586
Licenses and permits	44,276	-	-	-	514,381	558,657
Federal grants	187,428	-	-	-	-	187,428
State-shared revenue	3,261,517	-	-	-	-	3,261,517
Charges for services	825,740	338,258	-	-	265,449	1,429,447
Fines and forfeitures	-	97,449	-	-	275	97,724
Investment income	28,107	29,740	7,717	11,106	22,424	99,094
Other revenue:						
Special assessments	26,908	-	-	-	136,521	163,429
Cable franchise fees	670,085	-	-	-	-	670,085
Other miscellaneous income	107,763	145,942	35,566	57,017	11,245	357,533
Total revenue	<u>7,513,321</u>	<u>7,933,705</u>	<u>2,992,105</u>	<u>804,867</u>	<u>950,295</u>	<u>20,194,293</u>
Expenditures						
Current:						
General government	4,515,985	-	-	-	-	4,515,985
Public safety	-	8,651,144	3,009,753	4,131	879,862	12,544,890
Public works	256,687	-	-	-	-	256,687
Recreation and culture	455,877	-	-	-	241,995	697,872
Capital outlay	283,717	153,009	-	37,508	10,949	485,183
Debt service:						
Principal	250,000	-	-	140,000	205,000	595,000
Interest on long-term debt	122,688	-	-	115,885	19,184	257,757
Total expenditures	<u>5,884,954</u>	<u>8,804,153</u>	<u>3,009,753</u>	<u>297,524</u>	<u>1,356,990</u>	<u>19,353,374</u>
Excess of Revenue Over (Under) Expenditures	1,628,367	(870,448)	(17,648)	507,343	(406,695)	840,919
Other Financing Sources (Uses)						
Transfers in (Note 4)	-	-	-	-	354,461	354,461
Transfers out (Note 4)	(354,461)	-	-	-	-	(354,461)
Net Change in Fund Balances	1,273,906	(870,448)	(17,648)	507,343	(52,234)	840,919
Fund Balances - Beginning of year (as restated in Note 11)	6,911,834	5,709,368	1,226,289	5,028,864	695,090	19,571,445
Fund Balances - End 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>

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, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ 840,919
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	479,111
Depreciation expense	(1,803,349)
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	(332,561)
Pension contributions in excess of requirement is recorded in the statement of activities	346,339
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	595,000
Interest expense is recorded when incurred in the statement of activities	9,223
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	(13,181)
Annual required contribution related to other postemployment benefits is recorded on the statement of activities based on the actuarial method	130,146
Change in Net Assets of Governmental Activities	<u>\$ 251,647</u>

Charter Township of Chesterfield

Proprietary Funds Statement of Net Assets December 31, 2011

	Enterprise Funds		Total
	Major Enterprise Fund - Sewer and Water Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	
Assets			
Current assets:			
Cash and cash equivalents (Note 2)	\$ 2,999,338	\$ 96,365	\$ 3,095,703
Receivables:			
Receivables from sales to customers on account	2,465,554	-	2,465,554
Accrued interest receivable	9,294	-	9,294
Due from other governmental units	102,162	-	102,162
Due from other funds (Note 4)	194,153	-	194,153
Inventory	218,061	-	218,061
Prepaid expenses and other assets	783	-	783
Total current assets	<u>5,989,345</u>	<u>96,365</u>	<u>6,085,710</u>
Noncurrent assets:			
Restricted assets (Note 7)	12,177,525	-	12,177,525
Net pension asset (Note 9)	47,172	-	47,172
OPEB asset (Note 10)	98,188	-	98,188
Capital assets: (Note 3)			
Assets not subject to depreciation	409,484	-	409,484
Assets subject to depreciation	69,446,636	975,973	70,422,609
Total noncurrent assets	<u>82,179,005</u>	<u>975,973</u>	<u>83,154,978</u>
Total assets	<u>88,168,350</u>	<u>1,072,338</u>	<u>89,240,688</u>
Liabilities			
Current liabilities:			
Accounts payable	1,130,632	943	1,131,575
Accrued liabilities and other	385,500	-	385,500
Deferred revenue (Note 5)	514,395	-	514,395
Total current liabilities	<u>2,030,527</u>	<u>943</u>	<u>2,031,470</u>
Noncurrent liabilities:			
Long-term debt payable from restricted assets (Note 6)	1,080,859	-	1,080,859
Long-term debt (Note 6)	27,789,634	-	27,789,634
Total noncurrent liabilities	<u>28,870,493</u>	<u>-</u>	<u>28,870,493</u>
Total liabilities	<u>30,901,020</u>	<u>943</u>	<u>30,901,963</u>
Net Assets			
Invested in capital assets - Net of related debt	43,343,968	975,973	44,319,941
Restricted:			
Restricted for water and sewer bond ordinance	9,201,613	-	9,201,613
Water and sewer construction and maintenance	617,571	-	617,571
Unrestricted	4,104,178	95,422	4,199,600
Total net assets	<u>\$ 57,267,330</u>	<u>\$ 1,071,395</u>	<u>58,338,725</u>
Net Assets of Business-type Activities			<u>\$ 58,338,725</u>

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

Charter Township of Chesterfield

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2011

	Enterprise Funds		Total
	Major Enterprise Fund - Sewer and Water Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	
Operating Revenue			
Sale of water	\$ 5,260,697	\$ -	\$ 5,260,697
Sewage disposal charges	5,942,531	-	5,942,531
Fees	-	66,417	66,417
Other	-	2,743	2,743
Total operating revenue	11,203,228	69,160	11,272,388
Operating Expenses			
Cost of water	2,949,052	-	2,949,052
Cost of sewage treatment	3,193,434	-	3,193,434
Repairs and maintenance	111,376	-	111,376
Billing and administrative costs	210,950	-	210,950
Personnel services	1,971,891	24,235	1,996,126
Supplies	129,016	4,617	133,633
Other services and charges	394,044	29,517	423,561
Depreciation	2,110,452	25,021	2,135,473
Operating Loss	11,070,215	83,390	11,153,605
Operating Income (Loss)	133,013	(14,230)	118,783
Nonoperating Revenue (Expense)			
Investment income	40,214	209	40,423
Interest expense	(893,894)	-	(893,894)
Loss	(853,680)	209	(853,471)
Income (Loss) - Before contributions	(720,667)	(14,021)	(734,688)
Capital Contributions			
Tap fees	219,599	-	219,599
Benefit fees	63,625	-	63,625
Capital contributed by developers	481,171	-	481,171
Total capital contributions	764,395	-	764,395
Change in Net Assets	43,728	(14,021)	29,707
Net Assets - Beginning of year	57,223,602	1,085,416	58,309,018
Net Assets - End of year	\$ 57,267,330	\$ 1,071,395	\$ 58,338,725

Charter Township of Chesterfield

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2011

	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	\$ 10,943,950	\$ 69,160	\$ 11,013,110
Payments to suppliers	(6,772,175)	(34,134)	(6,806,309)
Payments to employees	(2,019,063)	(24,235)	(2,043,298)
Other (payments) receipts	(139,187)	(733)	(139,920)
Net cash provided by operating activities	2,013,525	10,058	2,023,583
Cash Flows from Capital and Related Financing Activities			
Tap fees	219,599	-	219,599
Benefit fees	63,625	-	63,625
Purchase of capital assets	(553,584)	-	(553,584)
Principal and interest paid on capital debt	(1,566,769)	-	(1,566,769)
Net cash used in capital and related financing activities	(1,837,129)	-	(1,837,129)
Cash Flows from Investing Activities - Interest received on investments	45,605	209	45,814
Net Increase in Cash and Cash Equivalents	222,001	10,267	232,268
Cash and Cash Equivalents - Beginning of year	11,978,950	86,098	12,065,048
Cash and Cash Equivalents - End of year	<u>\$ 12,200,951</u>	<u>\$ 96,365</u>	<u>\$ 12,297,316</u>
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and investments	\$ 2,999,338	\$ 96,365	\$ 3,095,703
Restricted cash	9,201,613	-	9,201,613
Total cash and cash equivalents	<u>\$ 12,200,951</u>	<u>\$ 96,365</u>	<u>\$ 12,297,316</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating income (loss)	\$ 133,013	\$ (14,230)	\$ 118,783
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation and amortization	2,110,452	25,021	2,135,473
Changes in assets and liabilities:			
Receivables	(425,242)	(733)	(425,975)
Due from others	(3,215)	-	(3,215)
Inventories	(76,769)	-	(76,769)
Prepaid and other assets	(26,199)	-	(26,199)
Accounts payable	245,294	-	245,294
Accrued and other liabilities	56,191	-	56,191
Net cash provided by operating activities	<u>\$ 2,013,525</u>	<u>\$ 10,058</u>	<u>\$ 2,023,583</u>

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2011, the Water and Sewer Fund received approximately \$480,000 in lines donated by developers. In addition, Macomb County finished construction on an additional \$4.2 million of assets, through the end of the year, for various water and sewer projects. The Township also incurred additional long-term debt of \$3.4 million, of which \$2.4 million related to the Clintondale Pump Station project. Approximately \$2.4 million of unspent bond proceeds are held by the County.

Charter Township of Chesterfield

Fiduciary Funds Statement of Fiduciary Assets and Liabilities December 31, 2011

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 4,257,437
Accrued interest receivable	<u>617</u>
Total assets	<u>\$ 4,258,054</u>
Liabilities	
Due to other governmental units	\$ 1,731,204
Cash held on behalf of the Library	1,847,342
Deposits and bonds	<u>679,508</u>
Total liabilities	<u>\$ 4,258,054</u>

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2011

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 assets 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, 2011

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, 2011

Note 1 - 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 type:

Agency Funds - The Agency Funds record primarily tax collections received and remitted to other units of government (the county, school districts, etc.) as well as building bonds and deposits, and cash held on behalf of the Chesterfield Township Library, held for temporary periods. The Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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

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

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, 2011

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 2010 tax is levied and collectible on December 1, 2010 and is recognized as revenue in the year ended December 31, 2011, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2010 taxable valuation of the Township totaled \$1.593 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 \$1.26 million for operating, \$3.67 million for fire purposes, and \$7.2 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, 2011

Note 1 - 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. In the current year, unspent bond proceeds related to the Clintondale Pump Station Improvement project have been restricted as well.

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, 2011

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

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 March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned. The Township implemented Statement No. 54 during the year.

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

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2011

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

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

Unassigned: All other amounts, available for any purpose

When an expense is incurred for purposes for which both restricted and unassigned fund balance is available, the Township's policy is to first apply unassigned resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the Township's policy to spend funds in the order of committed, assigned, and then unassigned. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Township's policy is to first apply restricted resources.

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.

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 10 banks for the deposit of its funds.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2011

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 \$38,540,796 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$5,264,904 was covered by federal depository insurance and \$33,275,892 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 \$4,879 of bank deposits, which all 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	\$ 2,555,579	PI	Moody's

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2011

Note 3 - Capital Assets

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

	Balance January 1, 2011	Reclassifications	Additions	Disposals	Balance December 31, 2011
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 3,274,576	\$ -	\$ -	\$ -	\$ 3,274,576
Construction in progress	152,136	(152,136)	183,075	-	183,075
Subtotal	3,426,712	(152,136)	183,075	-	3,457,651
Capital assets being depreciated:					
Infrastructure	15,153,794	-	53,631	-	15,207,425
Buildings and improvements	16,559,072	152,136	31,329	-	16,742,537
Machinery and equipment	8,467,828	-	211,076	(566,448)	8,112,456
Subtotal	40,180,694	152,136	296,036	(566,448)	40,062,418
Accumulated depreciation:					
Infrastructure	4,214,344	-	440,683	-	4,655,027
Buildings and improvements	8,742,220	-	719,181	-	9,461,401
Machinery and equipment	5,736,199	-	643,485	(566,448)	5,813,236
Subtotal	18,692,763	-	1,803,349	(566,448)	19,929,664
Net capital assets being depreciated	21,487,931	152,136	(1,507,313)	-	20,132,754
Net governmental activities capital assets	\$ 24,914,643	\$ -	\$ (1,324,238)	\$ -	\$ 23,590,405
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 409,484	\$ -	\$ -	\$ -	\$ 409,484
Construction in progress	1,607,913	(1,607,913)	-	-	-
Subtotal	2,017,397	(1,607,913)	-	-	409,484
Capital assets being depreciated:					
Infrastructure	72,441,927	1,607,913	5,123,640	-	79,173,480
Buildings and improvements	7,095,435	-	-	-	7,095,435
Machinery and equipment	3,713,369	-	61,247	(4,950)	3,769,666
Subtotal	83,250,731	1,607,913	5,184,887	(4,950)	90,038,581
Accumulated depreciation:					
Infrastructure	13,339,420	-	1,661,384	-	15,000,804
Buildings and improvements	1,857,413	-	349,096	-	2,206,509
Machinery and equipment	2,288,616	-	124,993	(4,950)	2,408,659
Subtotal	17,485,449	-	2,135,473	(4,950)	19,615,972
Net capital assets being depreciated	65,765,282	1,607,913	3,049,414	-	70,422,609
Net business-type capital assets	\$ 67,782,679	\$ -	\$ 3,049,414	\$ -	\$ 70,832,093

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2011

Note 3 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 423,415
Public safety	880,801
Public works	440,684
Recreation and culture	58,449
Total governmental activities	<u>\$ 1,803,349</u>

Business-type activities:

Water and Sewer Fund	\$ 2,110,452
Brandenburg Memorial Park Fund	25,021
Total business-type activities	<u>\$ 2,135,473</u>

Construction Commitments - The Township has an active construction project at year end related to information technology upgrades. The total cost of the project is approximately \$190,000 and the cost to complete at year end is approximately \$10,000.

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		
Nonmajor governmental funds	General Fund	\$ 25,510
Water and Sewer Fund	General Fund	43,384
	Police Department Fund	107,758
	Nonmajor governmental funds	13,563
	Fire Department Fund	29,448
	Total Water and Sewer Fund	<u>194,153</u>
	Total	<u>\$ 219,663</u>

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.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2011

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

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

Transfer to	Transfer from	Amount
Nonmajor governmental funds	General Fund	\$ 354,461

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 Assets - On the statement of net assets, the deferred revenue in the governmental activities represents property taxes levied on December 1, 2011, but recognized as revenue in the year ended December 31, 2012 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, 2011, 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	\$ -	\$ 11,694,219	\$ 11,694,219	\$ -
Special assessments	263,309	-	263,309	-
Water and sewer taps	-	-	-	514,395
Total	<u>\$ 263,309</u>	<u>\$ 11,694,219</u>	<u>\$ 11,957,528</u>	<u>\$ 514,395</u>

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2011

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
Governmental Activities							
General obligation bonds:							
Fire Station Building Bonds	3.25% - 5.25%	\$140,000 - \$315,000	\$ 2,971,500	\$ -	\$ (140,000)	\$ 2,831,500	\$ 175,000
2007 Capital Improvement Bonds	4.00% - 4.25%	\$50,000 - \$100,000	1,350,000	-	(50,000)	1,300,000	50,000
Installment purchase agreements - Police building	6.10% - 6.25%	\$155,000 - \$275,000	1,200,000	-	(200,000)	1,000,000	225,000
Special assessment bonds:							
Paving District 142	4.25%	\$15,000 - \$20,000	20,000	-	(20,000)	-	-
Paving Districts 140 and 143	4.13% - 4.50%	\$35,000 - \$40,000	70,000	-	(35,000)	35,000	35,000
Paving District 148	2.40% - 3.50%	\$150,000 - \$175,000	475,000	-	(150,000)	325,000	150,000
Total bonds and notes payable			6,086,500	-	(595,000)	5,491,500	635,000
Accumulated compensated absences			609,034	622,216	(609,034)	622,216	622,216
Total governmental activities			\$ 6,695,534	\$ 622,216	\$ (1,204,034)	\$ 6,113,716	\$ 1,257,216

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2011

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	\$ 5,518,500	\$ -	\$ (260,000)	\$ 5,258,500	\$ 325,000
Installment purchase agreements - Water and sewer improvements	2.25%	\$102,694 - \$122,255	709,080	-	(112,475)	596,605	112,475
Drainage District Drain Bonds:							
North Gratiot Drain	3.25% - 4.75%	\$193,636 - \$474,356	8,439,590	-	(197,649)	8,241,941	197,649
North Gratiot Interceptor - Series 1	3.25% - 4.75%	\$14,257 - \$34,915	621,199	-	(14,548)	606,651	14,548
North Gratiot Interceptor - Series 2, 3, and 4	3.25% - 4.75%	\$79,553 - \$238,659	4,152,660	-	(79,553)	4,073,107	127,285
North Gratiot Interceptor - Series 2, 3, and 4	3.25% - 4.75%	\$1,158 - \$3,474	60,442	-	(1,158)	59,284	1,853
Oakland-Macomb Interceptor Series 2010B	2.5%	\$40,065 to \$64,474	-	1,028,280	-	1,028,280	40,065
Oakland-Macomb Interceptor Series 2010B	1.15% - 5.9%	\$7,492 - \$20,506	264,208	-	(7,492)	256,716	8,873
Macomb Interceptor Drainage District	1.25% - 5.375%	\$199,512 - \$376,299	6,391,068	-	-	6,391,068	199,512
Clintondale Pump Station Improvements	2.00% - 4.50%	\$53,599 - \$191,454	-	2,358,341	-	2,358,341	53,599
Total business-type activities			\$ 26,156,747	\$ 3,386,621	\$ (672,875)	\$ 28,870,493	\$ 1,080,859

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
2012	\$ 635,000	\$ 229,535	\$ 864,535	\$ 1,080,859	\$ 1,060,344	\$ 2,141,203
2013	650,000	200,061	850,061	1,096,750	1,027,921	2,124,671
2014	510,000	169,082	679,082	1,282,770	994,391	2,277,161
2015	535,000	143,116	678,116	1,291,892	956,183	2,248,075
2016-2020	1,555,000	503,779	2,058,779	6,624,888	4,122,370	10,747,258
2021-2025	1,406,500	151,646	1,558,146	6,845,933	2,733,341	9,579,274
2026 and thereafter	200,000	8,300	208,300	10,647,401	1,891,222	12,538,623
Total	\$ 5,491,500	\$ 1,405,519	\$ 6,897,019	\$ 28,870,493	\$ 12,785,772	\$ 41,656,265

Commitments - In addition, the Township is in the process of being awarded a State Revolving Fund Loan in the amount of \$1,780,000.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2011

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, 2011 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, 2011:

Restricted assets from bond ordinance:	
Cash and cash equivalents	\$ 9,201,613
Less current liabilities payable from restricted assets	<u>(1,080,859)</u>
Net restricted assets from bond ordinances	8,120,754
Unspent bond proceeds held at the County	2,358,341
Cash held at County for construction and maintenance	<u>617,571</u>
Total Water and Sewer Fund Restricted Assets - Net of related current liabilities payable	<u>\$ 11,096,666</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, 2011

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, 2011, the Township's annual pension cost of \$479,946 for the plan was less than the Township's actual contribution of \$700,760. The annual required contribution was determined as part of an actuarial valuation at December 31, 2009 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		
	2011	2010	2009
Annual pension cost (APC)	\$ 479,946	\$ 536,327	\$ 541,288
Percentage of APC contributed	146 %	100 %	100 %
Net pension asset	\$ 220,814	\$ -	\$ -

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2011

Note 9 - Defined Benefit Pension Plan (Continued)

	Actuarial Valuation Date - December 31		
	2010	2009	2008
Actuarial value of assets	\$ 8,473,503	\$ 7,592,379	\$ 6,701,144
Actuarial accrued liability (AAL)	\$ 11,224,540	\$ 10,691,524	\$ 10,493,106
Unfunded AAL (UAAL)	\$ 2,751,037	\$ 3,099,145	\$ 3,791,962
Funded ratio	75.5 %	71.0 %	63.9 %
Covered payroll	\$ 4,857,652	\$ 4,953,646	\$ 5,237,268
UAAL as a percentage of covered payroll	56.6 %	62.6 %	72.4 %

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 contribution from the employee of 4.5 percent of gross wages.

Annual Pension Cost - For the year ended December 31, 2011, the Township's annual pension cost of \$265,238 for the plan was less than the Township's actual contribution of \$391,455. The annual required contribution was determined as part of an actuarial valuation at December 31, 2009, 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, 2011

Note 9 - Defined Benefit Pension Plan (Continued)

Three-year Trend Information

	Fiscal Year Ended December 31		
	2011	2010	2009
Annual pension cost (APC)	\$ 265,238	\$ 280,331	\$ 312,556
Percentage of APC contributed	148 %	100 %	100 %
Net pension asset	\$ 126,217	\$ -	\$ -

	Actuarial Valuation Date - December 31		
	2010	2009	2008
Actuarial value of assets	\$ 5,040,580	\$ 4,561,329	\$ 3,726,335
Actuarial accrued liability (AAL)			
(entry age)	\$ 6,759,740	\$ 5,975,435	\$ 6,223,205
Unfunded AAL (UAAL)	\$ 1,719,160	\$ 1,414,106	\$ 2,496,870
Funded ratio	74.6 %	76.3 %	76.3 %
Covered payroll	\$ 2,888,417	\$ 3,137,510	\$ 3,230,041
UAAL as a percentage of covered payroll	59.5 %	45.1 %	77.3 %

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 contribution from the employee of 4.5 percent of gross wages.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2011

Note 9 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost - For the year ended December 31, 2011, the Township's annual pension cost of \$107,796 for the plan was less than the Township's actual contribution of \$154,276. The annual required contribution was determined as part of an actuarial valuation at December 31, 2009 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		
	2011	2010	2009
Annual pension cost (APC)	\$ 107,796	\$ 167,294	\$ 186,528
Percentage of APC contributed	143 %	100 %	100 %
Net pension asset	\$ 46,480	\$ -	\$ -

	Actuarial Valuation Date - December 31		
	2010	2009	2008
Actuarial value of assets	\$ 2,931,808	\$ 2,533,059	\$ 2,120,446
Actuarial accrued liability (AAL) (entry age)	\$ 3,928,848	\$ 3,406,664	\$ 3,694,475
Unfunded AAL (UAAL)	\$ 997,040	\$ 873,605	\$ 1,574,029
Funded ratio	74.6 %	74.4 %	57.4 %
Covered payroll	\$ 1,072,908	\$ 1,093,609	\$ 1,212,930
UAAL as a percentage of covered payroll	92.9 %	79.9 %	129.8 %

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2011

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, 2011, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2008. 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)	\$ 1,320,363
Interest on the prior year's net OPEB asset	(39,609)
Plus adjustment to the annual required contribution	<u>26,413</u>
Annual OPEB cost	1,307,167
Amounts contributed:	
Payments of current premiums	374,108
Advance funding	<u>1,092,530</u>
Increase in net OPEB asset	159,471
OPEB asset - Beginning of year	<u>495,115</u>
OPEB asset - End of year	<u><u>\$ 654,586</u></u>

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2011

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
12/31/09	12/31/08	\$ 1,205,133	115.1 %	330,572
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

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	-	-

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 - Accounting and Reporting Change

During the year, the Township adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. In order to conform the classifications of the funds to the appropriate fund types under these new definitions, the Fire Department Equipment Fund has now been classified as a capital projects fund and the beginning balance in the General Fund was restated as follows:

Fund Balance - December 31, 2010 - As previously reported	\$ 6,881,726
Reclassifications under GASB No. 54 - Recreation Land Acquisition	
Fund no longer met the definition of a special revenue fund and has been folded into the General Fund	<u>30,108</u>
Fund Balance - December 31, 2010 - As restated	<u>\$ 6,911,834</u>

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2011

Note 12 - 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 components 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.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the Township's 2012 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the Township's 2012 calendar year. 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. This 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. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

In March 2012, the GASB issued GASB 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.

Required Supplemental Information

Charter Township of Chesterfield

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,292,770	\$ 1,292,770	\$ 1,279,141	\$ (13,629)
Income taxes	996,610	996,610	1,082,356	85,746
Licenses and permits	29,480	29,480	44,276	14,796
Federal grants	60,000	60,000	187,428	127,428
State-shared revenue	2,390,000	2,390,000	3,261,517	871,517
Charges for services	854,760	854,760	825,740	(29,020)
Investment income	35,090	35,090	28,107	(6,983)
Other revenue	661,050	661,050	804,756	143,706
Total revenue	6,319,760	6,319,760	7,513,321	1,193,561
Expenditures				
Current:				
General government:				
Township board	46,220	46,220	43,660	2,560
Township supervisor	118,380	118,380	118,037	343
Accounting	248,420	248,420	236,506	11,914
Planning commission	53,570	53,570	33,443	20,127
Zoning Board of Appeals	7,320	7,320	4,758	2,562
Treasurer	340,690	340,690	326,328	14,362
Assessing	302,820	314,820	321,146	(6,326)
Board of review	3,800	3,800	2,349	1,451
Clerk	264,670	269,670	269,292	378
Elections	194,960	194,960	135,837	59,123
Buildings and grounds	1,096,720	1,096,720	1,013,712	83,008
Human resources	77,170	77,170	76,822	348
Planning and zoning administration	132,860	132,860	128,426	4,434
General administration	2,023,770	2,023,770	1,941,333	82,437
Anchor Bay Harbor storm sewer	75,000	75,000	13,337	61,663
Community Development Block Grant	60,000	150,000	134,716	15,284
Total general government	5,046,370	5,153,370	4,799,702	353,668
Streets, sidewalks, and drains	425,630	425,630	256,687	168,943
Recreation and culture	614,310	627,550	455,877	171,673
Debt service	372,690	372,690	372,688	2
Total expenditures	6,459,000	6,579,240	5,884,954	694,286
Excess of Revenue (Under) Over Expenditures	(139,240)	(259,480)	1,628,367	1,887,847
Other Financing Uses - Transfers out	(536,860)	(536,860)	(354,461)	182,399
Net Change in Fund Balance	(676,100)	(796,340)	1,273,906	2,070,246
Fund Balance - Beginning of year	6,911,834	6,911,834	6,911,834	-
Fund Balance - End of year	\$ 6,235,734	\$ 6,115,494	\$ 8,185,740	\$ 2,070,246

Charter Township of Chesterfield

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Police Department Fund Year Ended December 31, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 7,355,270	\$ 7,355,270	\$ 7,195,086	\$ (160,184)
Income taxes	77,960	77,960	127,230	49,270
Charges for services	262,000	262,000	338,258	76,258
Fines and forfeitures	110,000	110,000	97,449	(12,551)
Investment income	80,000	80,000	29,740	(50,260)
Other revenue	98,500	98,500	145,942	47,442
Total revenue	7,983,730	7,983,730	7,933,705	(50,025)
Expenditures - Current - Public safety	8,797,710	8,797,710	8,804,153	(6,443)
Net Change in Fund Balance	(813,980)	4,895,388	(870,448)	(56,468)
Fund Balance - Beginning of year	5,709,368	5,709,368	5,709,368	-
Fund Balance - End of year	<u>\$ 4,895,388</u>	<u>\$ (813,980)</u>	<u>\$ 4,838,920</u>	<u>\$ (56,468)</u>

Charter Township of Chesterfield

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Department Operating Fund Year Ended December 31, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 3,001,460	\$ 3,001,460	\$ 2,948,822	\$ (52,638)
Investment income	10,000	10,000	7,717	(2,283)
Other revenue	27,100	27,100	35,566	8,466
Total revenue	3,038,560	3,038,560	2,992,105	(46,455)
Expenditures - Current - Public safety	3,187,480	3,187,480	3,009,753	177,727
Net Change in Fund Balance	(148,920)	(148,920)	(17,648)	131,272
Fund Balance - Beginning of year	1,226,289	1,226,289	1,226,289	-
Fund Balance - End of year	<u>\$ 1,077,369</u>	<u>\$ 1,077,369</u>	<u>\$ 1,208,641</u>	<u>\$ 131,272</u>

Charter Township of Chesterfield

Note to Required Supplemental Information Year Ended December 31, 2011

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, 2011

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Building Inspection Fund	Parks and Recreation Fund	Debt Service Fund	
Assets				
Cash and investments	\$ 6,601	\$ 310,091	\$ 343,519	\$ 660,211
Receivables:				
Special assessments receivable	-	-	186,823	186,823
Accrued interest receivable	-	354	-	354
Due from other funds	25,510	-	-	25,510
Total assets	\$ 32,111	\$ 310,445	\$ 530,342	\$ 872,898
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 6,616	\$ 6,211	\$ -	\$ 12,827
Due to other funds	8,666	-	4,897	13,563
Accrued liabilities and other	16,829	-	-	16,829
Deferred revenue	-	-	186,823	186,823
Total liabilities	32,111	6,211	191,720	230,042
Fund Balances				
Debt service	-	-	338,622	338,622
Parks and recreation	-	304,234	-	304,234
Total fund balances	-	304,234	338,622	642,856
Total liabilities and fund balances	\$ 32,111	\$ 310,445	\$ 530,342	\$ 872,898

Charter Township of Chesterfield

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended December 31, 2011

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Building Inspection Fund	Parks and Recreation Fund	Debt Service Fund	
Revenue				
Licenses and permits	\$ 514,381	\$ -	\$ -	\$ 514,381
Charges for services	-	265,449	-	265,449
Fines and forfeitures	275	-	-	275
Investment income	-	596	21,828	22,424
Other revenue	10,745	500	136,521	147,766
	525,401	266,545	158,349	950,295
Total revenue				
Expenditures				
Current:				
Public safety	879,862	-	-	879,862
Recreation and culture	-	241,995	-	241,995
Capital outlay	-	10,949	-	10,949
Debt service:				
Principal	-	-	205,000	205,000
Interest on long-term debt	-	-	19,184	19,184
	879,862	252,944	224,184	1,356,990
Total expenditures				
Excess of Revenue (Under) Over Expenditures	(354,461)	13,601	(65,835)	(406,695)
Other Financing Sources - Transfers in	354,461	-	-	354,461
Net Change in Fund Balances	-	13,601	(65,835)	(52,234)
Fund Balances - Beginning of year	-	290,633	404,457	695,090
Fund Balances - End of year	\$ -	\$ 304,234	\$ 338,622	\$ 642,856