

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

**Financial Report
with Supplemental Information
December 31, 2013**

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, the discretely presented component unit, and the aggregate remaining fund information for the Charter Township of Chesterfield, Macomb County, Michigan (the "Township"), as of and for the year ended December 31, 2013 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 governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Charter Township of Chesterfield, Macomb County, Michigan as of December 31, 2013 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

Emphasis of Matter

As disclosed in Note 12 to the basic financial statements, in 2013, the Township adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result, property tax revenue levied for the following year is reported as a deferred inflow of resources, rather than as a liability, and revenue that is not collected soon enough to be considered available in the governmental funds (such as special assessment receivables) are reported as deferred inflows. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, major fund budgetary comparison schedules, and schedules of funding progress, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 20, 2014

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, 2013. 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	
	2013	2012	2013	2012	2013	2012
Assets						
Current and other assets	\$ 34,675,161	\$ 33,574,685	\$ 19,215,247	\$ 17,320,560	\$ 53,890,408	\$ 50,895,245
Capital assets	20,937,844	22,294,687	72,186,196	73,295,311	93,124,040	95,589,998
Total assets	55,613,005	55,869,372	91,401,443	90,615,871	147,014,448	146,485,243
Liabilities						
Long-term liabilities	3,726,362	4,206,500	28,257,236	27,959,623	31,983,598	32,166,123
Other liabilities	1,804,128	2,033,222	3,513,712	3,427,501	5,317,840	5,460,723
Total liabilities	5,530,490	6,239,722	31,770,948	31,387,124	37,301,438	37,626,846
Deferred Inflows of Resources	11,174,121	11,049,820	-	-	11,174,121	11,049,820
Net Position						
Net investment in capital assets	16,680,081	17,438,187	42,488,031	44,168,938	59,168,112	61,607,125
Restricted	9,368,284	10,647,675	10,523,532	10,108,802	19,891,816	20,756,477
Unrestricted	12,860,029	10,493,968	6,618,932	4,951,007	19,478,961	15,444,975
Total net position	<u>\$ 38,908,394</u>	<u>\$ 38,579,830</u>	<u>\$ 59,630,495</u>	<u>\$ 59,228,747</u>	<u>\$ 98,538,889</u>	<u>\$ 97,808,577</u>

Charter Township of Chesterfield

Management's Discussion and Analysis (Continued)

The Township's combined net position increased 0.8 percent from a year ago - increasing from \$97,808,577 to \$98,538,889. 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 \$2,366,061 for the governmental activities. This represents an increase of approximately 22.6 percent. The current level of unrestricted net position for our governmental activities stands at \$12,860,026, or about 69 percent of expenses. Taking a look at the business-type activities, unrestricted net position increased by \$1,667,925. This represents an increase of approximately 33.7 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	
	2013	2012	2013	2012	2013	2012
Revenue						
Program revenue:						
Charges for services	\$ 3,437,076	\$ 3,488,067	\$ 12,879,561	\$ 12,629,863	\$ 16,316,637	\$ 16,117,930
Operating grants and contributions	633,137	227,272	-	-	633,137	227,272
Capital grants and contributions	48,961	163,663	654,194	984,826	703,155	1,148,489
General revenue:						
Property taxes	10,927,974	11,674,770	-	-	10,927,974	11,674,770
State-shared revenues	3,224,927	3,163,164	-	-	3,224,927	3,163,164
Investment earnings	57,254	72,306	65,020	43,233	122,274	115,539
Franchise fees	698,433	727,236	-	-	698,433	727,236
Transfers and other revenue	61,501	170	-	-	61,501	170
Proceeds from sale of fixed assets	13,223	6,766	-	-	13,223	6,766
Total revenue	19,102,486	19,523,414	13,598,775	13,657,922	32,701,261	33,181,336
Program Expenses						
General government	3,505,899	3,885,337	-	-	3,505,899	3,885,337
Public safety	12,598,594	13,271,657	-	-	12,598,594	13,271,657
Street, sidewalks, and drains	1,615,616	1,719,567	-	-	1,615,616	1,719,567
Recreation and culture	892,090	828,127	-	-	892,090	828,127
Interest on long-term debt	161,723	225,836	-	-	161,723	225,836
Water and sewer	-	-	13,064,533	12,686,413	13,064,533	12,686,413
Brandenburg Park	-	-	132,494	81,487	132,494	81,487
Total program expenses	18,773,922	19,930,524	13,197,027	12,767,900	31,970,949	32,698,424
Change in Net Position	\$ 328,564	\$ (407,110)	\$ 401,748	\$ 890,022	\$ 730,312	\$ 482,912

Property taxes are the primary source of revenue for the governmental activities, providing approximately 57.2 percent of total revenue. State-shared revenue provides another 16.9 percent and charges for services provided 18.0 percent, leaving just 7.9 percent being provided by all other sources.

Governmental Activities

The Township's total governmental revenue decreased by \$420,928. The overall decrease, which represents 2.2 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 decreased by \$1,156,602. The largest decrease related to public safety which was primarily a result of a decrease in the salaries and fringe expenses.

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 \$13,598,775. Revenue decreased slightly by \$59,147, or about .4 percent. The decrease in revenue was primarily due to a decrease in capital contributions. Expenses increased by \$429,127 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 \$13,380,374, including contributions from developers. Revenue from the Township's operation of Brandenburg Memorial Park was \$218,401, 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 millages. The Township's major funds for 2013 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 2013 with a fund balance of \$10,839,644. Revenue decreased by \$189,056 due primarily to a decrease in property tax revenue and charges for services. Expenditures had a decrease of \$159,742 due to employee related 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 2013 with a fund balance of \$809,574. Revenue decreased by \$148,190 due primarily to a decrease in property taxes. Expenditures decreased by \$155,407 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 2013 with a fund balance of \$6,030,284. Revenue decreased by \$63,192 primarily due to a decrease in property taxes. Expenditures increased \$103,136 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 2013 with a fund balance of \$2,363,850. Revenue decreased by \$379,768 primarily due to a decrease in property taxes. Expenditures decreased by \$649,841 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 6.7 percent. Actual expenditures were 12.8 percent below budget. The Township completed the year with actual revenue over expenditures in the General Fund of \$1,526,020 as compared to the budgeted amount of \$233,639, a variance of a positive \$1,292,381.

Capital Asset and Debt Administration

At the end of 2013, the Township had \$93,124,040 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, 2013

	Primary Government			Component Unit - Economic Development Corporation
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 2)	\$ 22,685,633	\$ 5,193,722	\$ 27,879,355	\$ 4,120
Receivables - Net:				
Property taxes receivable	8,169,656	-	8,169,656	-
Receivables from sales to customers on account	-	2,663,500	2,663,500	-
Accrued interest receivable	6,387	10,188	16,575	-
Due from other governmental units	1,703,740	100,056	1,803,796	-
Special assessments receivable	38,523	-	38,523	-
Internal balances (Note 4)	(180,397)	180,397	-	-
Inventory	-	197,169	197,169	-
Prepaid expenses and deposits	285,456	59,899	345,355	-
Restricted assets (Note 6)	-	10,523,532	10,523,532	-
Net pension asset (Note 8)	1,138,262	140,684	1,278,946	-
OPEB asset (Note 9)	827,901	146,100	974,001	-
Capital assets (Note 3):				
Assets not subject to depreciation	3,288,476	2,175,306	5,463,782	-
Assets subject to depreciation	17,649,368	70,010,890	87,660,258	-
Total assets	55,613,005	91,401,443	147,014,448	4,120
Liabilities				
Accounts payable	325,454	1,244,866	1,570,320	-
Accrued liabilities and other	327,514	253,007	580,521	-
Unearned revenue	-	493,390	493,390	-
Noncurrent liabilities (Note 5)				
Due within one year:				
Compensated absences	619,759	81,520	701,279	-
Current portion of long-term debt	531,401	1,440,929	1,972,330	-
Due in more than one year	3,726,362	28,257,236	31,983,598	-
Total liabilities	5,530,490	31,770,948	37,301,438	-
Deferred Inflows of Resources -				
Property taxes levied for the following year	11,174,121	-	11,174,121	-
Net Position				
Net investment in capital assets	16,680,081	42,488,031	59,168,112	-
Restricted for:				
Water and sewer bond ordinance	-	9,873,803	9,873,803	-
Water and sewer construction and maintenance	-	649,729	649,729	-
Fire operating	809,574	-	809,574	-
Fire equipment	6,030,284	-	6,030,284	-
Police fund	2,363,850	-	2,363,850	-
Debt service	164,576	-	164,576	-
Unrestricted	12,860,029	6,618,932	19,478,961	4,120
Total net position	\$ 38,908,394	\$ 59,630,495	\$ 98,538,889	\$ 4,120

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

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	\$ 3,505,899	\$ 1,797,278	\$ 410,461	\$ -
Public safety	12,598,594	1,293,818	144,353	-
Public works	1,615,616	86,649	-	34,315
Recreation and culture	892,090	259,331	78,323	14,646
Interest on long-term debt	161,723	-	-	-
Total governmental activities	18,773,922	3,437,076	633,137	48,961
Business-type activities:				
Sewer and Water Operations Fund	13,064,533	12,751,389	-	564,194
Brandenburg Park Fund	132,494	128,172	-	90,000
Total business-type activities	13,197,027	12,879,561	-	654,194
Total primary government	<u>\$ 31,970,949</u>	<u>\$ 16,316,637</u>	<u>\$ 633,137</u>	<u>\$ 703,155</u>
Economic Development Corporation	<u>\$ 393</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, 2013

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit - Economic Development Corporation
Governmental Activities	Business-type Activities	Total	
\$ (1,298,160)	\$ -	\$ (1,298,160)	\$ -
(11,160,423)	-	(11,160,423)	-
(1,494,652)	-	(1,494,652)	-
(539,790)	-	(539,790)	-
(161,723)	-	(161,723)	-
(14,654,748)	-	(14,654,748)	-
-	251,050	251,050	-
-	85,678	85,678	-
-	336,728	336,728	-
(14,654,748)	336,728	(14,318,020)	-
-	-	-	(393)
10,927,974	-	10,927,974	-
3,224,927	-	3,224,927	-
57,254	65,020	122,274	12
698,433	-	698,433	-
61,501	-	61,501	-
13,223	-	13,223	-
14,983,312	65,020	15,048,332	12
328,564	401,748	730,312	(381)
38,579,830	59,228,747	97,808,577	4,501
\$ 38,908,394	\$ 59,630,495	\$ 98,538,889	\$ 4,120

Charter Township of Chesterfield

Governmental Funds Balance Sheet December 31, 2013

	General Fund	Police Department Fund	Fire Department Operating Fund	Fire Department Equipment Fund	Nonmajor Funds	Total
Assets						
Cash and cash equivalents	\$ 9,959,116	\$ 4,415,167	\$ 1,580,613	\$ 6,214,934	\$ 515,803	\$ 22,685,633
Receivables:						
Property taxes receivable	956,056	4,732,890	1,992,780	487,930	-	8,169,656
Special assessments receivable	30,710	-	-	-	7,813	38,523
Accrued interest receivable	3,897	125	1,255	1,029	81	6,387
Due from other governmental units	1,686,078	17,662	-	-	-	1,703,740
Due from other funds (Note 4)	-	-	-	-	20,507	20,507
Prepaid expenses and deposits	104,846	125,225	48,812	-	6,573	285,456
Total assets	<u>\$ 12,740,703</u>	<u>\$ 9,291,069</u>	<u>\$ 3,623,460</u>	<u>\$ 6,703,893</u>	<u>\$ 550,777</u>	<u>\$ 32,909,902</u>
Liabilities						
Accounts payable	\$ 123,429	\$ 146,430	\$ 38,090	\$ 8,488	\$ 9,017	\$ 325,454
Due to other funds (Note 4)	69,672	96,202	30,133	-	4,897	200,904
Accrued liabilities and other	59,002	152,533	52,891	5,851	18,897	289,174
Total liabilities	252,103	395,165	121,114	14,339	32,811	815,532
Deferred Inflows of Resources						
Unavailable revenue	358,931	-	-	-	7,813	366,744
Property taxes levied for the following year	1,290,025	6,532,054	2,692,772	659,270	-	11,174,121
Total deferred inflows of resources	1,648,956	6,532,054	2,692,772	659,270	7,813	11,540,865
Fund Balances						
Nonspendable - Prepaids and deposits	104,846	125,225	48,812	-	6,573	285,456
Restricted:						
Police	-	2,238,625	-	-	-	2,238,625
Fire operating	-	-	760,762	-	-	760,762
Debt service	-	-	-	-	156,763	156,763
Fire equipment	-	-	-	6,030,284	-	6,030,284
Committed - Parks and recreation	-	-	-	-	346,817	346,817
Assigned - Senior center	25,571	-	-	-	-	25,571
Unassigned	10,709,227	-	-	-	-	10,709,227
Total fund balances	<u>10,839,644</u>	<u>2,363,850</u>	<u>809,574</u>	<u>6,030,284</u>	<u>510,153</u>	<u>20,553,505</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,740,703</u>	<u>\$ 9,291,069</u>	<u>\$ 3,623,460</u>	<u>\$ 6,703,893</u>	<u>\$ 550,777</u>	<u>\$ 32,909,902</u>

Charter Township of Chesterfield

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position December 31, 2013

Fund Balance Reported in Governmental Funds	\$ 20,553,505
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	20,937,844
Certain receivables are expected to be collected over several years in the General Fund and are not available to pay for current year expenditures	366,744
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(4,257,763)
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	(619,759)
Accrued interest is not due and payable in the current period and is not reported in the funds	(38,340)
Pension contributions in excess of actuarial required contribution and the asset is not reported in the funds	1,138,262
Other postemployment benefits are contributed in excess of requirement and the asset is not reported in the funds	<u>827,901</u>
Net Position of Governmental Activities	<u><u>\$ 38,908,394</u></u>

Charter Township of Chesterfield

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2013

	General Fund	Police Department Fund	Fire Department Operating Fund	Fire Department Equipment Fund	Nonmajor Funds	Total
Revenue						
Property taxes	\$ 1,147,428	\$ 6,470,006	\$ 2,655,185	\$ 649,824	\$ -	\$ 10,922,443
Nonfederal grants and reimbursements	1,059,741	166,004	-	-	-	1,225,745
Licenses and permits	42,976	-	-	-	620,240	663,216
Federal grants	81,646	-	-	-	-	81,646
State-shared revenue	3,224,927	-	-	-	-	3,224,927
Charges for services	766,706	290,936	-	-	241,226	1,298,868
Fines and forfeitures	-	71,535	-	-	-	71,535
Investment income	25,893	11,753	4,974	7,809	6,825	57,254
Rental income	45,833	-	-	-	-	45,833
Other revenue:						
Special assessments	19,940	-	-	-	86,121	106,061
Cable franchise fees	698,433	-	-	-	-	698,433
Other miscellaneous income	131,703	210,920	53,028	1,315	39,861	436,827
Total revenue	<u>7,245,226</u>	<u>7,221,154</u>	<u>2,713,187</u>	<u>658,948</u>	<u>994,273</u>	<u>18,832,788</u>
Expenditures						
Current:						
General government	4,185,714	-	-	-	-	4,185,714
Public safety	-	8,302,802	2,909,112	257,519	842,050	12,311,483
Public works	243,827	-	-	-	-	243,827
Recreation and culture	537,193	-	-	-	218,465	755,658
Capital outlay	361,909	23,082	-	-	17,089	402,080
Debt service:						
Principal	300,000	-	-	175,000	175,000	650,000
Interest on long-term debt	90,563	-	-	90,566	6,350	187,479
Total expenditures	<u>5,719,206</u>	<u>8,325,884</u>	<u>2,909,112</u>	<u>523,085</u>	<u>1,258,954</u>	<u>18,736,241</u>
Excess of Revenue Over (Under) Expenditures	1,526,020	(1,104,730)	(195,925)	135,863	(264,681)	96,547
Other Financing Sources (Uses)						
Face value of debt issue	-	-	-	2,371,250	-	2,371,250
Debt premium or discount	-	-	-	161,513	-	161,513
Proceeds from sale of capital assets	4,000	4,463	-	4,760	-	13,223
Transfers in (Note 4)	-	-	-	-	197,430	197,430
Transfers out (Note 4)	(197,430)	-	-	-	-	(197,430)
Payment to bond refunding escrow agent	-	-	-	(2,481,500)	-	(2,481,500)
Total other financing (uses) sources	<u>(193,430)</u>	<u>4,463</u>	<u>-</u>	<u>56,023</u>	<u>197,430</u>	<u>64,486</u>
Net Change in Fund Balances	1,332,590	(1,100,267)	(195,925)	191,886	(67,251)	161,033
Fund Balances - Beginning 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>
Fund Balances - End of year	<u>\$10,839,644</u>	<u>\$ 2,363,850</u>	<u>\$ 809,574</u>	<u>\$ 6,030,284</u>	<u>\$ 510,153</u>	<u>\$ 20,553,505</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, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 161,033

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	323,270
Depreciation expense	(1,714,426)
Donated capital assets	34,313

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

	222,162
--	---------

Pension contributions in excess of ARC which are recorded as an expenditure in governmental funds, but an addition to assets in the statement of net position

	404,027
--	---------

Bond proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position

	(2,532,763)
--	-------------

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)

	3,131,500
--	-----------

Interest expense is recorded when incurred in the statement of activities

	25,756
--	--------

Decrease 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

	26,133
--	--------

OPEB contributions in excess of ARC which are recorded as an expenditure in governmental funds, but an addition to assets in the statement of net position

	247,559
--	---------

Change in Net Position of Governmental Activities \$ 328,564

Charter Township of Chesterfield

Proprietary Funds Statement of Net Position December 31, 2013

	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)	\$ 5,062,434	\$ 131,288	\$ 5,193,722
Receivables:			
Receivables from sales to customers on account	2,663,500	-	2,663,500
Accrued interest receivable	10,188	-	10,188
Due from other governmental units	100,056	-	100,056
Due from other funds (Note 4)	180,397	-	180,397
Inventory	197,169	-	197,169
Prepaid expenses	59,833	66	59,899
Total current assets	8,273,577	131,354	8,404,931
Noncurrent assets:			
Restricted assets (Note 6)	10,523,532	-	10,523,532
Net pension asset (Note 8)	140,684	-	140,684
OPEB asset (Note 9)	146,100	-	146,100
Capital assets (Note 3):			
Assets not subject to depreciation	2,175,306	-	2,175,306
Assets subject to depreciation	68,746,973	1,263,917	70,010,890
Total noncurrent assets	81,732,595	1,263,917	82,996,512
Total assets	90,006,172	1,395,271	91,401,443
Liabilities			
Current liabilities:			
Accounts payable	1,242,834	2,032	1,244,866
Accrued liabilities and other	253,007	-	253,007
Unearned revenue	493,390	-	493,390
Compensated absences	81,520	-	81,520
Long-term debt payable from restricted assets	1,440,929	-	1,440,929
Total current liabilities	3,511,680	2,032	3,513,712
Noncurrent liabilities - Long-term debt (Note 5)	28,257,236	-	28,257,236
Total liabilities	31,768,916	2,032	31,770,948
Net Position			
Net investment in capital assets	41,224,114	1,263,917	42,488,031
Restricted:			
Water and sewer bond ordinance	9,873,803	-	9,873,803
Water and sewer construction and maintenance	649,729	-	649,729
Unrestricted	6,489,610	129,322	6,618,932
Total net position	\$ 58,237,256	\$ 1,393,239	59,630,495
Net Position of Business-type Activities			\$ 59,630,495

Charter Township of Chesterfield

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended December 31, 2013

	Enterprise Funds		Total
	Major Enterprise Fund - Sewer and Water Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	
Operating Revenue			
Sale of water	\$ 5,455,160	\$ -	\$ 5,455,160
Sewage disposal charges	6,817,169	-	6,817,169
Fees	-	117,461	117,461
Other	479,060	10,711	489,771
	<u>12,751,389</u>	<u>128,172</u>	<u>12,879,561</u>
Total operating revenue			
Operating Expenses			
Cost of water	3,394,785	-	3,394,785
Cost of sewage treatment	3,497,434	-	3,497,434
Repairs and maintenance	93,351	-	93,351
Billing and administrative costs	233,710	-	233,710
Personnel services	1,724,112	39,517	1,763,629
Supplies	196,459	5,400	201,859
Other services and charges	711,254	45,206	756,460
Depreciation	2,264,851	42,371	2,307,222
	<u>12,115,956</u>	<u>132,494</u>	<u>12,248,450</u>
Total operating expenses			
Operating Income (Loss)	635,433	(4,322)	631,111
Nonoperating Revenue (Expenses)			
Investment income	64,791	229	65,020
Interest expense	(948,577)	-	(948,577)
	<u>(883,786)</u>	<u>229</u>	<u>(883,557)</u>
Total nonoperating (expenses) revenue			
Loss - Before contributions	(248,353)	(4,093)	(252,446)
Capital Contributions			
Capital contributed by grants and donation	103,510	90,000	193,510
Tap fees	350,358	-	350,358
Benefit fees	97,525	-	97,525
Capital contributed by developers	12,801	-	12,801
	<u>564,194</u>	<u>90,000</u>	<u>654,194</u>
Total capital contributions			
Change in Net Position	315,841	85,907	401,748
Net Position - Beginning of year	57,921,415	1,307,332	59,228,747
Net Position - End of year	<u>\$ 58,237,256</u>	<u>\$ 1,393,239</u>	<u>\$ 59,630,495</u>

Charter Township of Chesterfield

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2013

	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	\$ 12,718,279	\$ 128,172	\$ 12,846,451
Payments to suppliers	(8,146,103)	(50,606)	(8,196,709)
Payments to employees	(1,725,114)	(39,517)	(1,764,631)
Other payments	(231,941)	(4,291)	(236,232)
Net cash provided by operating activities	2,615,121	33,758	2,648,879
Cash Flows from Capital and Related Financing Activities			
Capital grants	103,510	-	103,510
Tap fees	350,358	-	350,358
Benefit fees	97,525	-	97,525
Purchase of capital assets	(820,849)	(9,325)	(830,174)
Principal and interest paid on capital debt	(2,115,327)	-	(2,115,327)
Debt service charge	1,442,155	-	1,442,155
Net cash used in capital and related financing activities	(942,628)	(9,325)	(951,953)
Cash Flows from Investing Activities - Interest received on investments	66,293	229	66,522
Net Increase in Cash and Cash Equivalents	1,738,786	24,662	1,763,448
Cash and Cash Equivalents - Beginning of year	13,197,451	106,626	13,304,077
Cash and Cash Equivalents - End of year	<u>\$ 14,936,237</u>	<u>\$ 131,288</u>	<u>\$ 15,067,525</u>
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and investments	\$ 5,062,434	\$ 131,288	\$ 5,193,722
Restricted cash	9,873,803	-	9,873,803
Total cash and cash equivalents	<u>\$ 14,936,237</u>	<u>\$ 131,288</u>	<u>\$ 15,067,525</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating income (loss)	\$ 635,433	\$ (4,322)	\$ 631,111
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	2,264,851	42,371	2,307,222
Changes in assets and liabilities:			
Receivables	7,395	(4,182)	3,213
Due from others	1,233	(109)	1,124
Inventories	(23,762)	-	(23,762)
Prepaid and other assets	(46,183)	-	(46,183)
Accounts payable	(35,909)	-	(35,909)
Accrued and other liabilities	(187,937)	-	(187,937)
Net cash provided by operating activities	<u>\$ 2,615,121</u>	<u>\$ 33,758</u>	<u>\$ 2,648,879</u>

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2013, the Water and Sewer Fund received approximately \$13,000 in lines donated by developers. The Township also incurred additional long-term debt of \$4.27 million through a bond refunding, \$265,132 for the Oakland-Macomb Interceptor - Series 2013, and \$1,378,207 from the State Revolving Fund Loan. The Brandenburg Fund received a donation of \$90,000 of assets related to the Brandenburg Splash Park.

Charter Township of Chesterfield

Fiduciary Funds Statement of Fiduciary Assets and Liabilities December 31, 2013

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 4,579,085
Receivables	<u>25</u>
Total assets	<u>\$ 4,579,110</u>
Liabilities	
Accounts payable	\$ 11,436
Due to other governmental units	1,728,111
Cash held on behalf of the Library	1,946,768
Refundable deposits and bonds	<u>892,795</u>
Total liabilities	<u>\$ 4,579,110</u>

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2013

Note I - Nature of Business and Significant Accounting Policies

Reporting Entity

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, an entity 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.

Accounting and Reporting Principles

The Township follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives the government wide perspective and the fund-based perspective. 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 units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2013

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

For the most part, the effect of interfund activity has been removed from these 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.

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

Fund Accounting

The Township accounts for its various activities in several different funds, in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures that specific revenues were used for. The various funds are aggregated into three broad fund types:

Governmental Funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The Township reports the following funds as "major" governmental funds:

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

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2013

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

Proprietary Funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the Township). The Township reports the following fund as a "major" enterprise 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.

Fiduciary Funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include:

- 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

Interfund Activity - During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Specific Balances and Transactions

Cash, Cash Equivalents, 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.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2013

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

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is 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." No provision has been made in the financial statements for non- collection.

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

Capital Asset Class	Lives
Infrastructure	20 to 100 years
Buildings and improvements	20 years
Machinery and equipment	5 to 20 years

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2013

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

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.

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 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 expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has no deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Township has only two types of items that qualify for reporting in this category. Deferred inflows are reported in the governmental funds and on the government-wide financial statements related to property taxes levied for the following year's budget. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: grants and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2013

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

Net Position Flow Assumption

Sometimes the Township will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

Sometimes the Township will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

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

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

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

Committed - Amounts that have been formally set aside by the board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board of trustees.

Assigned - Intent to spend resources on specific purposes expressed by the governing body or the finance director in conjunction with the Township superintendent, who is authorized by resolution approved by the governing body to make assignments.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2013

Note I - 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.

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 2013 tax revenue is levied and collectible on December 1, 2012 and is recognized as revenue in the year ended December 31, 2013, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2012 taxable valuation of the Township totaled \$1.407 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 \$1.3 million for operating, \$3.3 million for fire purposes, and \$6.4 million for police purposes. These amounts are recognized in the respective General and Special Revenue Funds financial statements as tax revenue. A provision has been recorded for potential refunds related to disputed taxable values.

Pension and Other Postemployment Benefit Costs - The Township offers both pension and retiree health care 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.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2013

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

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Comparative Data/Reclassifications - Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2013

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

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the Township considers amounts collected within 60 days of year end to be available for recognition. 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 inflow of resources".

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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.

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:

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2013

Note 2 - Deposits and Investments (Continued)

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 \$39,035,067 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$3,250,000 was covered by federal depository insurance and \$35,785,067 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 \$4,120 of bank deposits, all of which was 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	\$ 3,058,610	PI	Standard & Poor's

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2013

Note 3 - Capital Assets

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

	Balance January 1, 2013	Reclassifications	Additions	Disposals	Balance December 31, 2013
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 3,274,576	\$ -	\$ -	\$ -	\$ 3,274,576
Construction in progress	165,596	(165,596)	13,900	-	13,900
Subtotal	3,440,172	(165,596)	13,900	-	3,288,476
Capital assets being depreciated:					
Infrastructure	15,226,057	-	34,313	-	15,260,370
Buildings and improvements	17,034,101	165,596	-	-	17,199,697
Machinery and equipment	8,286,591	-	309,370	(136,452)	8,459,509
Subtotal	40,546,749	165,596	343,683	(136,452)	40,919,576
Accumulated depreciation:					
Infrastructure	5,095,782	-	441,284	-	5,537,066
Buildings and improvements	10,126,870	-	591,208	-	10,718,078
Machinery and equipment	6,469,582	-	681,934	(136,452)	7,015,064
Subtotal	21,692,234	-	1,714,426	(136,452)	23,270,208
Net capital assets being depreciated	18,854,515	165,596	(1,370,743)	-	17,649,368
Net governmental activities capital assets	\$ 22,294,687	\$ -	\$ (1,356,843)	\$ -	\$ 20,937,844
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 409,484	\$ -	\$ -	\$ -	\$ 409,484
Construction in progress	1,034,369	(256,010)	987,463	-	1,765,822
Subtotal	1,443,853	(256,010)	987,463	-	2,175,306
Capital assets being depreciated:					
Infrastructure	82,847,567	-	34,971	-	82,882,538
Buildings and improvements	7,095,435	-	-	-	7,095,435
Machinery and equipment	3,769,666	256,010	175,673	(154,568)	4,046,781
Subtotal	93,712,668	256,010	210,644	(154,568)	94,024,754
Accumulated depreciation:					
Infrastructure	16,766,329	-	1,802,524	-	18,568,853
Buildings and improvements	2,607,588	-	349,096	-	2,956,684
Machinery and equipment	2,487,293	-	155,602	(154,568)	2,488,327
Subtotal	21,861,210	-	2,307,222	(154,568)	24,013,864
Net capital assets being depreciated	71,851,458	256,010	(2,096,578)	-	70,010,890
Net business-type capital assets	\$ 73,295,311	\$ -	\$ (1,109,115)	\$ -	\$ 72,186,196

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2013

Note 3 - Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 346,462
Public safety		875,623
Public works		441,285
Recreation and culture		51,056
	Total governmental activities	<u>\$ 1,714,426</u>
Business-type activities:		
Water and Sewer Fund		\$ 2,264,851
Brandenburg Memorial Park Fund		42,371
	Total business-type activities	<u>\$ 2,307,222</u>

Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Nonmajor governmental fund	General Fund	\$ 20,507
Water and Sewer Fund	General Fund	49,165
	Fire Department Operating Fund	30,133
	Police Department Fund	96,202
	Nonmajor governmental funds	4,897
	Total Water and Sewer Fund	<u>180,397</u>
	Total	<u>\$ 200,904</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, 2013

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	\$ 197,430

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 - 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%	\$70,000 - \$315,000	\$ 2,656,500	\$ -	\$ (2,656,500)	\$ -	\$ -
Refunding Fire Station Building Bonds	2.00% - 3.00%		-	2,371,250	-	2,371,250	215,250
Bond Refunding Premium	2.00% - 3.00%		-	161,513	-	161,513	16,151
2007 Capital Improvement Bonds	4.00% - 4.15%	\$50,000 - \$100,000	1,250,000	-	(50,000)	1,200,000	50,000
Installment purchase agreements - Police building	6.00% - 6.25%	\$155,000 - \$275,000	775,000	-	(250,000)	525,000	250,000
Special assessment bonds -							
Paving District 148	2.25% - 3.50%	\$150,000 - \$175,000	175,000	-	(175,000)	-	-
Total bonds and notes payable			4,856,500	2,532,763	(3,131,500)	4,257,763	531,401
Compensated absences			645,892	619,759	(645,892)	619,759	619,759
Total governmental activities			<u>\$ 5,502,392</u>	<u>\$3,152,522</u>	<u>\$ (3,777,392)</u>	<u>\$ 4,877,522</u>	<u>\$ 1,151,160</u>

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2013

Note 5 - 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	\$ 4,933,500	\$ -	\$ (4,933,500)	\$ -	\$ -
Refunding D.P.W. Building Bonds	2.00% - 3.00%		-	4,403,750	-	4,403,750	399,750
Bond Refunding Premium	2.00% - 3.00%		-	299,953	-	299,953	29,995
Installment purchase agreements -							
Water and sewer improvements	2.25%	\$102,694 - \$122,255	484,130	-	(117,365)	366,765	122,255
Drainage District Drain Bonds:							
North Gratiot Drain	3.25% - 4.75%	\$193,636 - \$474,356	8,044,292	-	(197,647)	7,846,645	296,473
North Gratiot Interceptor - Series I	3.25% - 4.75%	\$14,257 - \$34,915	592,103	-	(14,548)	577,555	21,822
North Gratiot Interceptor - Series 2, 3, and 4	3.25% - 4.75%	\$79,553 - \$238,659	3,945,823	-	(127,285)	3,818,538	129,732
North Gratiot Interceptor - Series 2, 3, and 4	3.25% - 4.75%	\$1,158 - \$3,474	57,431	-	(1,852)	55,579	1,888
Oakland-Macomb Interceptor - Series 2010B	2.5%	\$40,067 - \$64,474	988,217	-	(41,209)	947,008	42,194
Oakland-Macomb Interceptor - Series 2010B	1.15% - 5.9%	\$7,492 - \$20,506	247,843	-	(9,070)	238,773	9,464
Macomb Interceptor Drainage District	1.25% - 5.375%	\$199,512 - \$376,299	6,191,555	-	(201,517)	5,990,038	203,856
Oakland-Macomb Interceptor - Series 2011	2.00% - 4.50%	\$48,416 - \$77,223	1,236,048	-	-	1,236,048	48,416
Oakland-Macomb Interceptor - Series 2013	2.00%		-	265,132	-	265,132	-
Clintondale Pump Station Improvements	2.00% - 4.50%	\$53,599 - \$191,454	2,304,743	-	(61,257)	2,243,486	65,084
State Revolving Fund Loan 2012	2.50%	\$1,805,000	100,688	1,378,207	(70,000)	1,408,895	70,000
Total business-type activities			29,126,373	6,347,042	(5,775,250)	29,698,165	1,440,929
Compensated absences			82,522	81,520	(82,522)	81,520	81,520
Total business-type activities			\$ 29,208,895	\$ 6,428,562	\$ (5,857,772)	\$ 29,779,685	\$ 1,522,449

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2013

Note 5 - Long-term Debt (Continued)

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
2014	\$ 531,401	\$ 133,539	\$ 664,940	\$ 1,440,929	\$ 993,706	\$ 2,434,635
2015	552,901	110,864	663,765	1,560,737	966,795	2,527,532
2016	299,401	95,569	394,970	1,572,781	925,940	2,498,721
2017	294,151	88,364	382,515	1,390,717	881,982	2,272,699
2018	292,401	80,221	372,622	1,365,445	841,439	2,206,884
2019-2023	1,887,508	235,714	2,123,222	8,298,541	3,425,285	11,723,826
2024-2028	400,000	33,175	433,175	6,352,717	2,093,957	8,446,674
2029 and thereafter	-	-	-	7,716,298	866,994	8,583,292
Total	<u>\$ 4,257,763</u>	<u>\$ 777,446</u>	<u>\$ 5,035,209</u>	<u>\$ 29,698,165</u>	<u>\$ 10,996,098</u>	<u>\$ 40,694,263</u>

Advance and Current Refundings - During February 2013, the Township refinanced its Fire Station Building Bonds and Department of Public Works Building Bonds in the amount of \$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. The proceeds of \$7,090,000 (after payment of \$146,466 in issuance costs and a bond premium of \$461,466) were used to pay off the old debt.

The advance refunding reduced total debt service payments over the next years by \$918,664, which represents an economic gain of \$843,013.

Note 6 - 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, 2013 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, 2013:

Restricted assets from bond ordinance -	
Cash and cash equivalents	\$ 9,873,803
Cash held at County for construction and maintenance	<u>649,729</u>
Total Water and Sewer Fund restricted assets	<u>\$ 10,523,532</u>

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2013

Note 7 - 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.

Note 8 - 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.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2013

Note 8 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost and Net Pension Asset

Annual required contribution	\$ 457,187
Interest on net pension asset	(34,710)
Adjustment to annual required contribution	<u>23,147</u>
Annual pension cost (APC)	445,624
Contributions made	<u>687,626</u>
Increase in net pension asset	242,002
Net pension asset - Beginning of year	<u>442,210</u>
Net pension asset - End of year	<u>\$ 684,212</u>

For the year ended December 31, 2013, the Township's annual pension cost of \$445,624 for the plan was less than the Township's actual contribution of \$687,626. The annual required contribution was determined as part of an actuarial valuation at December 31, 2011, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 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		
	2013	2012	2011
Annual pension cost (APC)	\$ 445,624	\$ 454,217	\$ 479,946
Percentage of APC contributed	154 %	152 %	146 %
Net pension asset	\$ 684,212	\$ 442,210	\$ 220,814

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2013

Note 8 - Defined Benefit Pension Plan (Continued)

	Actuarial Valuation Date - December 31		
	2012	2011	2010
Actuarial value of assets	\$ 10,620,717	\$ 9,573,243	\$ 8,473,503
Actuarial accrued liability (AAL)	\$ 13,107,075	\$ 12,272,826	\$ 11,224,540
Unfunded AAL (UAAL)	\$ 2,486,358	\$ 2,699,583	\$ 2,751,037
Funded ratio	81.0 %	78.0 %	75.5 %
Covered payroll	\$ 4,633,959	\$ 4,836,345	\$ 4,857,652
UAAL as a percentage of covered payroll	53.7 %	55.8 %	56.6 %

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.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2013

Note 8 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost and Net Pension Asset

Annual required contribution	\$ 271,732
Interest on net pension asset	(23,362)
Adjustment to annual required contribution	<u>15,579</u>
Annual pension cost (APC)	263,949
Contributions made	<u>404,934</u>
Increase in net pension asset	140,985
Net pension asset - Beginning of year	<u>292,025</u>
Net pension asset - End of year	<u><u>\$ 433,010</u></u>

For the year ended December 31, 2013, the Township's annual pension cost of \$263,949 for the plan was less than the Township's actual contribution of \$404,934. The annual required contribution was determined as part of an actuarial valuation at December 31, 2011, 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		
	2013	2012	2011
Annual pension cost (APC)	\$ 263,949	\$ 290,869	\$ 265,238
Percentage of APC contributed	153 %	150 %	148 %
Net pension asset	\$ 433,010	\$ 292,025	\$ 126,217

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2013

Note 8 - Defined Benefit Pension Plan (Continued)

	Actuarial Valuation Date - December 31		
	2012	2011	2010
Actuarial value of assets	\$ 6,634,519	\$ 5,821,401	\$ 5,040,580
Actuarial accrued liability (AAL) (entry age)	\$ 8,161,883	\$ 7,682,334	\$ 6,759,740
Unfunded AAL (UAAL)	\$ 1,527,364	\$ 1,860,933	\$ 1,719,160
Funded ratio	81.3 %	75.8 %	74.6 %
Covered payroll	\$ 2,961,680	\$ 3,041,192	\$ 2,888,417
UAAL as a percentage of covered payroll	51.6 %	61.2 %	59.5 %

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, 2013

Note 8 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost and Net Pension Asset

Annual required contribution	\$ 138,024
Interest on net pension asset	(8,677)
Adjustment to annual required contribution	<u>5,787</u>
Annual pension cost (APC)	135,134
Contributions made	<u>196,735</u>
Increase in net pension asset	61,601
Net pension asset - Beginning of year	<u>100,123</u>
Net pension asset- End of year	<u><u>\$ 161,724</u></u>

For the year ended December 31, 2013, the Township's annual pension cost of \$135,134 for the plan was less than the Township's actual contribution of \$196,735. The annual required contribution was determined as part of an actuarial valuation at December 31, 2011, 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		
	2013	2012	2011
Annual pension cost (APC)	\$ 135,133	\$ 121,144	\$ 107,796
Percentage of APC contributed	146 %	143 %	143 %
Net pension asset	\$ 161,724	\$ 100,123	\$ 46,480

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2013

Note 8 - Defined Benefit Pension Plan (Continued)

	Actuarial Valuation Date - December 31		
	2012	2011	2010
Actuarial value of assets	\$ 3,630,551	\$ 3,271,786	\$ 2,931,808
Actuarial accrued liability (AAL) (entry age)	\$ 4,710,525	\$ 4,215,941	\$ 3,928,848
Unfunded AAL (UAAL)	\$ 1,079,974	\$ 944,155	\$ 997,040
Funded ratio	77.1 %	77.6 %	74.6 %
Covered payroll	\$ 1,115,287	\$ 1,021,335	\$ 1,072,908
UAAL as a percentage of covered payroll	96.8 %	92.4 %	92.9 %

Note 9 - 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.

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2013

Note 9 - Other Postemployment Benefits (Continued)

Funding Progress - For the year ended December 31, 2013, 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)	\$ 1,759,202
Interest on the prior year's net OPEB asset	(54,620)
Plus adjustment to the annual required contribution	<u>36,425</u>
Annual OPEB cost	1,741,007
Amounts contributed:	
Payments of current premiums	314,953
Advance funding	<u>1,717,300</u>
Increase in net OPEB asset	291,246
OPEB asset - Beginning of year	<u>682,755</u>
OPEB asset - End of year	<u><u>\$ 974,001</u></u>

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
12/31/11	12/31/08	\$ 1,307,168	112.1	\$ 654,586
12/31/12	12/31/10	1,684,858	101.7	682,755
12/31/13	12/31/10	1,741,007	116.7	974,001

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	-	-

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2013

Note 9 - Other Postemployment Benefits (Continued)

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 10 - Upcoming Accounting Pronouncements

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.

Note 11 - Deferred Inflows/Outflows of Resources

At the end of the current fiscal year, the various components of deferred inflows of resources are as follows:

	<u>Governmental Funds</u>	<u>Governmental Activities</u>
Property taxes levied for 2014 operations	\$ 11,174,121	\$ 11,174,121
Grant revenue not collected within the period of availability	328,221	-
Special assessments billed in 2013 but not yet collected	<u>38,523</u>	<u>-</u>
Total deferred inflows	<u>\$ 11,540,865</u>	<u>\$ 11,174,121</u>

Charter Township of Chesterfield

Notes to Financial Statements December 31, 2013

Note 12 - Change in Accounting

During the current year, the Township adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as deferred inflows of resources, deferred outflows of resources, or as outflows of resources.

As a result of implementing this statement, the following assets and liabilities have been reclassified, as indicated:

<u>Item</u>	<u>Amount</u>	<u>Prior Reporting Classification/Treatment</u>	<u>New Classification After Adoption of GASB No. 65</u>
Property taxes billed, but which were levied for next year's budget	\$ 11,174,121	Liability	Deferred inflow of resources
Special assessments billed, but which have not been collected soon enough after year end to be considered available	38,523	Liability	Deferred inflow of resources
Grant revenue that is reportable, but has not been collected soon enough after year end to be considered available	328,221	Liability	Deferred inflow of resources

Required Supplemental Information

Charter Township of Chesterfield

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,044,430	\$ 1,044,430	\$ 1,147,428	\$ 102,998
Income taxes	1,055,840	1,055,840	1,059,741	3,901
Licenses and permits	32,360	32,360	42,976	10,616
Federal grants	60,000	60,000	81,646	21,646
State-shared revenue	3,000,000	3,000,000	3,224,927	224,927
Charges for services	780,270	780,270	766,706	(13,564)
Investment income	18,230	18,230	25,893	7,663
Rental income	50,000	50,000	45,833	(4,167)
Other revenue	747,950	747,950	850,076	102,126
Total revenue	6,789,080	6,789,080	7,245,226	456,146
Expenditures				
Current:				
General government:				
Township board	46,250	46,250	45,428	822
Township supervisor	121,550	121,550	118,354	3,196
Accounting	244,500	244,500	240,586	3,914
Planning commission	44,270	44,270	28,966	15,304
Zoning Board of Appeals	6,570	6,570	5,593	977
Treasurer	325,110	325,110	324,077	1,033
Assessing	356,360	356,360	340,957	15,403
Board of review	3,550	3,550	2,134	1,416
Clerk	264,910	264,910	228,700	36,210
Elections	153,556	153,556	109,766	43,790
Buildings and grounds	992,410	992,410	798,263	194,147
Human resources	76,895	76,895	78,815	(1,920)
Planning and zoning administration	131,960	131,960	100,466	31,494
General administration	2,185,900	2,185,900	1,751,251	434,649
Anchor Bay Harbor storm sewer	66,500	66,500	12,358	54,142
Total general government	5,020,291	5,020,291	4,185,714	834,577
Streets, sidewalks, and drains	288,090	288,090	243,827	44,263
Recreation and culture	598,490	598,490	537,193	61,297
Capital outlay	258,000	258,000	361,909	(103,909)
Debt service	390,570	390,570	390,563	7
Total expenditures	6,555,441	6,555,441	5,719,206	836,235
Excess of Revenue Over Expenditures	233,639	233,639	1,526,020	1,292,381
Proceeds from Sale of Capital Assets	-	-	4,000	4,000
Other Financing Uses - Transfers out	(346,290)	(346,290)	(197,430)	148,860
Net Change in Fund Balance	(112,651)	(112,651)	1,332,590	1,445,241
Fund Balance - Beginning of year	9,507,054	9,507,054	9,507,054	-
Fund Balance - End of year	\$ 9,394,403	\$ 9,394,403	\$ 10,839,644	\$ 1,445,241

Charter Township of Chesterfield

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Police Department Fund Year Ended December 31, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 6,500,000	\$ 6,500,000	\$ 6,470,006	\$ (29,994)
Nonfederal grants and reimbursements	89,000	89,000	166,004	77,004
Charges for services	282,000	282,000	290,936	8,936
Fines and forfeitures	100,000	100,000	71,535	(28,465)
Investment income	22,000	22,000	11,753	(10,247)
Other revenue	96,500	96,500	210,920	114,420
Total revenue	7,089,500	7,089,500	7,221,154	131,654
Expenditures - Current - Public safety	9,045,070	9,045,070	8,325,884	719,186
Excess of Expenditures Over Revenue	(1,955,570)	(1,955,570)	(1,104,730)	850,840
Other Financing Sources -				
Proceeds from sale of capital assets	12,000	12,000	4,463	(7,537)
Net Change in Fund Balance	(1,943,570)	(1,943,570)	(1,100,267)	843,303
Fund Balance - Beginning of year	3,464,117	3,464,117	3,464,117	-
Fund Balance - End of year	<u>\$ 1,520,547</u>	<u>\$ 1,520,547</u>	<u>\$ 2,363,850</u>	<u>\$ 843,303</u>

Charter Township of Chesterfield

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Department Operating Fund Year Ended December 31, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,662,300	\$ 2,662,300	\$ 2,655,185	\$ (7,115)
Investment income	8,000	8,000	4,974	(3,026)
Other revenue	27,500	27,500	53,028	25,528
Total revenue	2,697,800	2,697,800	2,713,187	15,387
Expenditures - Current - Public safety	3,144,750	3,144,750	2,909,112	235,638
Net Change in Fund Balance	(446,950)	(446,950)	(195,925)	251,025
Fund Balance - Beginning of year	1,005,499	1,005,499	1,005,499	-
Fund Balance - End of year	<u>\$ 558,549</u>	<u>\$ 558,549</u>	<u>\$ 809,574</u>	<u>\$ 251,025</u>

Charter Township of Chesterfield

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Department Equipment Fund Year Ended December 31, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 651,760	\$ 651,760	\$ 649,824	\$ (1,936)
Investment income	10,000	10,000	7,809	(2,191)
Other revenue	-	-	1,315	1,315
Total revenue	661,760	661,760	658,948	(2,812)
Expenditures - Current - Public safety	1,044,380	1,044,380	523,085	521,295
Excess of Revenue (Under) Over Expenditures	(382,620)	(382,620)	135,863	518,483
Other Financing Sources (Uses)				
Face value of debt issue	-	-	2,371,250	2,371,250
Debt premium or discount	-	-	161,513	161,513
Proceeds from sale of capital assets	-	-	4,760	4,760
Payment to bond refunding escrow agent	-	-	(2,481,500)	(2,481,500)
Total other financing sources	-	-	56,023	56,023
Net Change in Fund Balance	(382,620)	(382,620)	191,886	574,506
Fund Balance - Beginning of year	5,838,398	5,838,398	5,838,398	-
Fund Balance - End of year	<u>\$ 5,455,778</u>	<u>\$ 5,455,778</u>	<u>\$ 6,030,284</u>	<u>\$ 574,506</u>

Charter Township of Chesterfield

Required Supplemental Information Schedule of Funding Progress - Pension - General Year Ended December 31, 2013

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/10	\$ 8,473,503	\$ 11,224,540	\$ 2,751,037	75.5	\$ 4,857,652	56.6
12/31/11	9,573,243	12,272,826	2,699,583	78.0	4,836,345	55.8
12/31/12	10,620,717	13,107,075	2,486,358	81.0	4,633,959	53.7

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
12/31/11	12/31/09	\$ 479,946	146.0
12/31/12	12/31/10	454,217	152.0
12/31/13	12/31/11	457,187	150.0

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

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2012, the latest actuarial valuation, follows:

Amortization method	Level percent
Amortization period (perpetual)	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	4.5% - 17.5%
*Includes inflation at	4.5%
Cost of living adjustments	None

Charter Township of Chesterfield

Required Supplemental Information Schedule of Funding Progress - Pension - Police Year Ended December 31, 2013

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/10	\$ 5,040,580	\$ 6,759,740	\$ 1,719,160	74.6	\$ 2,888,417	59.5
12/31/11	5,821,401	7,682,334	1,860,933	75.8	3,041,192	61.2
12/31/12	6,634,519	8,161,883	1,527,364	81.3	2,961,680	51.6

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
12/31/11	12/31/09	\$ 265,238	148.0
12/31/12	12/31/10	290,869	150.0
12/31/13	12/31/11	271,732	149.0

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2012, the latest actuarial valuation, follows:

Amortization method	Level percent
Amortization period (perpetual)	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	4.5% - 17.5%
*Includes inflation at	4.5%
Cost of living adjustments	None

Charter Township of Chesterfield

Required Supplemental Information Schedule of Funding Progress - Pension - Command Year Ended December 31, 2013

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/10	\$ 2,931,808	\$ 3,928,848	\$ 997,040	74.6	\$ 1,072,908	92.9
12/31/11	3,271,786	4,215,941	944,155	77.6	1,021,335	92.4
12/31/12	3,630,551	4,710,525	1,079,974	77.1	1,115,287	96.8

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
12/31/11	12/31/09	\$ 107,796	143.0
12/31/12	12/31/10	121,144	143.0
12/31/13	12/31/11	138,024	143.0

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2012, the latest actuarial valuation, follows:

Amortization method	Level percent
Amortization period (perpetual)	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	4.5% - 17.5%
*Includes inflation at	4.5%
Cost of living adjustments	None

Charter Township of Chesterfield

Required Supplemental Information Schedule of Funding Progress - OPEB Year Ended December 31, 2013

The schedule of funding progress is as follows:

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

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
12/31/11	12/31/08	\$ 1,320,363	112.1
12/31/12	12/31/10	1,702,303	101.7
12/31/13	12/31/10	1,759,202	116.7

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2010, the latest actuarial valuation, follows:

Amortization method	Level percent
Amortization period (perpetual)	30 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	4.8% - 12.9%
*Includes inflation at	4.5%
Cost of living adjustments	None

Charter Township of Chesterfield

Note to Required Supplemental Information Year Ended December 31, 2013

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.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Township had the following expenditures significantly over budget:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund - Capital outlay expenditures that were not originally budgeted for	<u>\$ 258,000</u>	<u>\$ 361,909</u>	<u>\$ (103,909)</u>

Other Supplemental Information

Charter Township of Chesterfield

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds December 31, 2013

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Building Inspection Fund	Parks and Recreation Fund	Debt Service Fund	
Assets				
Cash and investments	\$ 5,352	\$ 348,791	\$ 161,660	\$ 515,803
Receivables:				
Special assessments	-	-	7,813	7,813
Accrued interest	-	81	-	81
Due from other funds	20,507	-	-	20,507
Prepaid expenses	6,573	-	-	6,573
	\$ 32,432	\$ 348,872	\$ 169,473	\$ 550,777
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 6,962	\$ 2,055	\$ -	\$ 9,017
Due to other funds	-	-	4,897	4,897
Accrued liabilities and other	18,897	-	-	18,897
	25,859	2,055	4,897	32,811
Deferred Inflows of Resources -				
Unavailable revenue	-	-	7,813	7,813
Fund Balances				
Nonspendable - Prepays	6,573	-	-	6,573
Restricted - Debt service	-	-	156,763	156,763
Committed - Parks and recreation	-	346,817	-	346,817
	6,573	346,817	156,763	510,153
Total liabilities, deferred inflows of resources, and fund balances	\$ 32,432	\$ 348,872	\$ 169,473	\$ 550,777

Charter Township of Chesterfield

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended December 31, 2013

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Building Inspection Fund	Parks and Recreation Fund	Debt Service Fund	
Revenue				
Licenses and permits	\$ 620,240	\$ -	\$ -	\$ 620,240
Charges for services	-	241,226	-	241,226
Investment income	-	560	6,265	6,825
Other revenue	39,806	55	86,121	125,982
Total revenue	660,046	241,841	92,386	994,273
Expenditures				
Current:				
Public safety	842,050	-	-	842,050
Recreation and culture	-	218,465	-	218,465
Capital outlay	17,089	-	-	17,089
Debt service:				
Principal	-	-	175,000	175,000
Interest on long-term debt	-	-	6,350	6,350
Total expenditures	859,139	218,465	181,350	1,258,954
Excess of Revenue (Under) Over Expenditures	(199,093)	23,376	(88,964)	(264,681)
Other Financing Sources - Transfers in	197,430	-	-	197,430
Net Change in Fund Balances	(1,663)	23,376	(88,964)	(67,251)
Fund Balances - Beginning of year	8,236	323,441	245,727	577,404
Fund Balances - End of year	\$ 6,573	\$ 346,817	\$ 156,763	\$ 510,153