

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

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**Financial Report  
with Supplemental Information  
December 31, 2014**

# 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 of the Charter Township of Chesterfield, Macomb County, Michigan as of and for the year ended December 31, 2014 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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2014 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

**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 Supplemental 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 purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, 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 other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plante & Moran, PLLC*

May 6, 2015

# 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, 2014. 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 funds statement provides 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	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current and other assets	\$ 35,665,849	\$ 34,675,161	\$ 18,942,341	\$ 19,215,247	\$ 54,608,190	\$ 53,890,408
Capital assets	19,634,475	20,937,844	73,330,287	72,186,196	92,964,762	93,124,040
Total assets	55,300,324	55,613,005	92,272,628	91,401,443	147,572,952	147,014,448
<b>Liabilities</b>						
Long-term liabilities	3,173,461	3,726,362	27,793,509	28,257,236	30,966,970	31,983,598
Other liabilities	1,828,897	1,804,128	3,572,251	3,513,712	5,401,148	5,317,840
Total liabilities	5,002,358	5,530,490	31,365,760	31,770,948	36,368,118	37,301,438
<b>Deferred Inflows of Resources</b>	12,696,001	11,174,121	-	-	12,696,001	11,174,121
<b>Net Position</b>						
Net investment in capital assets	15,908,113	16,680,081	43,960,781	42,488,031	59,868,894	59,168,112
Restricted	8,247,128	9,368,284	11,180,297	10,523,532	19,427,425	19,891,816
Unrestricted	13,446,724	12,860,029	5,765,790	6,618,932	19,212,514	19,478,961
Total net position	<b>\$ 37,601,965</b>	<b>\$ 38,908,394</b>	<b>\$ 60,906,868</b>	<b>\$ 59,630,495</b>	<b>\$ 98,508,833</b>	<b>\$ 98,538,889</b>

# Charter Township of Chesterfield

## Management's Discussion and Analysis (Continued)

The Township's combined net position increased \$30,056 from a year ago - increasing from \$98,538,889 to \$98,508,833. 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 \$586,695 for the governmental activities. This represents an increase of approximately 4.6 percent. The current level of unrestricted net position for our governmental activities stands at \$13,446,724, or about 69 percent of expenses. Taking a look at the business-type activities, unrestricted net position decreased by \$853,142. This represents a decrease of approximately 12.9 percent.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 3,497,550	\$ 3,437,076	\$ 12,655,892	\$ 12,879,561	\$ 16,153,442	\$ 16,316,637
Operating grants and contributions	179,208	633,137	-	-	179,208	633,137
Capital grants and contributions	114,674	48,961	613,474	654,194	728,148	703,155
General revenue:						
Property taxes	11,058,316	10,927,974	-	-	11,058,316	10,927,974
State-shared revenues	3,371,856	3,224,927	-	-	3,371,856	3,224,927
Investment earnings	47,405	57,254	36,345	65,020	83,750	122,274
Franchise fees	743,608	698,433	-	-	743,608	698,433
Other revenue	50,220	61,501	-	-	50,220	61,501
Proceeds from sale of fixed assets	16,150	13,223	-	-	16,150	13,223
Total revenue	19,078,987	19,102,486	13,305,711	13,598,775	32,384,698	32,701,261
<b>Program Expenses</b>						
General government	4,144,902	3,505,899	-	-	4,144,902	3,505,899
Public safety	12,145,061	12,598,594	-	-	12,145,061	12,598,594
Street, sidewalks, and drains	1,649,703	1,615,616	-	-	1,649,703	1,615,616
Recreation and culture	925,889	892,090	-	-	925,889	892,090
Interest on long-term debt	112,558	161,723	-	-	112,558	161,723
Water and sewer	-	-	13,305,083	13,064,533	13,305,083	13,064,533
Brandenburg Park	-	-	131,558	132,494	131,558	132,494
Total program expenses	18,978,113	18,773,922	13,436,641	13,197,027	32,414,754	31,970,949
Transfers	(1,407,303)	-	1,407,303	-	-	-
<b>Change in Net Position</b>	<b>\$ (1,306,429)</b>	<b>\$ 328,564</b>	<b>\$ 1,276,373</b>	<b>\$ 401,748</b>	<b>\$ (30,056)</b>	<b>\$ 730,312</b>

Property taxes are the primary source of revenue for the governmental activities, providing approximately 58 percent of total revenue. State-shared revenue provides another 17.7 percent and charges for services provided 18.3 percent, leaving just 6 percent being provided by all other sources.

# **Charter Township of Chesterfield**

## **Management's Discussion and Analysis (Continued)**

### **Governmental Activities**

The Township's total governmental revenue decreased by \$23,499. The overall decrease, which represents .1 percent, is primarily due to reductions in operating grants and contributions. The total governmental expenses increased by \$204,191 or about 1.1 percent. The largest increase related to general government which was primarily a result of an increase in transfers to other funds for capital improvement.

### **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 \$13,305,711. Revenue decreased by \$293,064, or about 2.2 percent. The decrease in revenue was primarily due to a decrease in charges for services. Expenses increased by \$239,614 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 \$13,162,078, including contributions from developers. Revenue from the Township's operation of Brandenburg Memorial Park was \$143,633.

### **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 2014 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 2014 with a fund balance of \$11,010,722. Revenue increased by \$442,926 due primarily to an increase in state-shared revenue and charges for services. Expenditures had an increase of \$318,645 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 2014 with a fund balance of \$561,116. Revenue increased by \$31,855 due primarily to a decrease in property taxes. Expenditures increased by \$84,388 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 2014 with a fund balance of \$6,185,885. Revenue increased by \$8,917 primarily due to an increase in property taxes. Expenditures decreased \$10,246 primarily due to a decrease in equipment and capital outlay purchases.

# **Charter Township of Chesterfield**

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## **Management's Discussion and Analysis (Continued)**

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 2014 with a fund balance of \$1,500,127. Revenue decreased by \$106,899 primarily due to a decrease in grants and other reimbursements. Expenditures decreased by \$332,331 primarily due to a decrease in personnel costs.

### **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 6.1 percent. Actual expenditures were 12.2 percent below budget. The Township completed the year with actual revenue over expenditures in the General Fund of \$1,650,301 as compared to the budgeted amount of \$365,555, a variance of a positive \$1,284,746.

### **Capital Asset and Debt Administration**

At the end of 2014, the Township had \$92,964,762 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, 2014

	Primary Government			Component Unit - Economic Development Corporation
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 2)	\$ 25,385,151	\$ 11,810,858	\$ 37,196,009	\$ 3,843
Receivables - Net:				
Property taxes receivable	6,482,198	-	6,482,198	-
Receivables from sales to customers on account	-	2,539,505	2,539,505	-
Accrued interest receivable	4,891	15,348	20,239	-
Due from other governmental units	857,151	315,260	1,172,411	-
Special assessments receivable	13,173	-	13,173	-
Internal balances (Note 4)	(192,559)	192,559	-	-
Inventory	-	191,949	191,949	-
Prepaid expenses and deposits	367,327	86,659	453,986	-
Restricted assets (Note 6)	-	3,365,757	3,365,757	-
Net pension asset (Note 8)	1,510,628	205,995	1,716,623	-
OPEB asset (Note 9)	1,237,889	218,451	1,456,340	-
Capital assets (Note 3):				
Assets not subject to depreciation	3,453,320	3,818,373	7,271,693	-
Assets subject to depreciation	16,181,155	69,511,914	85,693,069	-
Total assets	55,300,324	92,272,628	147,572,952	3,843
<b>Liabilities</b>				
Accounts payable	331,545	1,001,046	1,332,591	-
Accrued liabilities and other	273,714	285,736	559,450	-
Unearned revenue	-	625,570	625,570	-
Noncurrent liabilities (Note 5)				
Due within one year:				
Compensated absences	670,737	83,902	754,639	-
Current portion of long-term debt	552,901	1,575,997	2,128,898	-
Due in more than one year	3,173,461	27,793,509	30,966,970	-
Total liabilities	5,002,358	31,365,760	36,368,118	-
<b>Deferred Inflows of Resources -</b>				
Property taxes levied for the following year	12,696,001	-	12,696,001	-
<b>Net Position</b>				
Net investment in capital assets	15,908,113	43,960,781	59,868,894	-
Restricted for:				
Water and sewer bond ordinance	-	2,714,894	2,714,894	-
Water and sewer construction and maintenance	-	650,863	650,863	-
Fire operating	561,116	-	561,116	-
Fire equipment	6,185,885	-	6,185,885	-
Police fund	1,500,127	-	1,500,127	-
Unrestricted	13,446,724	13,580,330	27,027,054	3,843
Total net position	\$ 37,601,965	\$ 60,906,868	\$ 98,508,833	\$ 3,843

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	\$ 4,144,902	\$ 2,028,813	\$ 14,024	\$ -
Public safety	12,145,061	1,126,798	95,879	-
Public works	1,649,703	96,442	-	23,394
Recreation and culture	925,889	245,497	69,305	91,280
Interest on long-term debt	112,558	-	-	-
Total governmental activities	18,978,113	3,497,550	179,208	114,674
Business-type activities:				
Sewer and Water Operations Fund	13,305,083	12,512,537	-	613,474
Brandenburg Park Fund	131,558	143,355	-	-
Total business-type activities	13,436,641	12,655,892	-	613,474
Total primary government	<b>\$ 32,414,754</b>	<b>\$ 16,153,442</b>	<b>\$ 179,208</b>	<b>\$ 728,148</b>
Economic Development Corporation	<b>\$ 277</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Gain on sale of fixed assets				
Total general revenue				
Transfers				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

**Statement of Activities**  
**Year Ended December 31, 2014**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit - Economic Development Corporation
Governmental Activities	Business-type Activities	Total	
\$ (2,102,065)	\$ -	\$ (2,102,065)	\$ -
(10,922,384)	-	(10,922,384)	-
(1,529,867)	-	(1,529,867)	-
(519,807)	-	(519,807)	-
(112,558)	-	(112,558)	-
(15,186,681)	-	(15,186,681)	-
-	(179,072)	(179,072)	-
-	11,797	11,797	-
-	(167,275)	(167,275)	-
(15,186,681)	(167,275)	(15,353,956)	-
-	-	-	(277)
11,058,316	-	11,058,316	-
3,371,856	-	3,371,856	-
47,405	36,345	83,750	-
743,608	-	743,608	-
50,220	-	50,220	-
16,150	-	16,150	-
15,287,555	36,345	15,323,900	-
(1,407,303)	1,407,303	-	-
(1,306,429)	1,276,373	(30,056)	(277)
38,908,394	59,630,495	98,538,889	4,120
<b>\$ 37,601,965</b>	<b>\$ 60,906,868</b>	<b>\$ 98,508,833</b>	<b>\$ 3,843</b>

# Charter Township of Chesterfield

## Governmental Funds Balance Sheet December 31, 2014

	General Fund	Police Department Fund	Fire Department Operating Fund	Fire Department Equipment Fund	Nonmajor Funds	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 10,823,828	\$ 4,992,353	\$ 2,495,993	\$ 6,533,982	\$ 538,995	\$ 25,385,151
Receivables:						
Property taxes receivable	686,264	3,322,595	2,092,797	380,542	-	6,482,198
Special assessments receivable	13,173	-	-	-	-	13,173
Accrued interest receivable	2,461	11	968	1,313	138	4,891
Due from other governmental units	844,544	12,607	-	-	-	857,151
Due from other funds (Note 4)	165,281	-	-	-	32,087	197,368
Prepaid expenses and deposits	118,019	158,592	73,113	2,995	14,608	367,327
Total assets	<u>\$ 12,653,570</u>	<u>\$ 8,486,158</u>	<u>\$ 4,662,871</u>	<u>\$ 6,918,832</u>	<u>\$ 585,828</u>	<u>\$ 33,307,259</u>
<b>Liabilities</b>						
Accounts payable	\$ 153,351	\$ 102,359	\$ 41,849	\$ 7,227	\$ 26,759	\$ 331,545
Due to other funds (Note 4)	95,902	89,228	39,516	-	165,281	389,927
Accrued liabilities and other	60,413	120,710	41,556	2,296	15,231	240,206
Total liabilities	309,666	312,297	122,921	9,523	207,271	961,678
<b>Deferred Inflows of Resources</b>						
Unavailable special assessment revenue	13,173	-	-	-	-	13,173
Property taxes levied for the following year	1,320,009	6,673,734	3,978,834	723,424	-	12,696,001
Total deferred inflows of resources	1,333,182	6,673,734	3,978,834	723,424	-	12,709,174
<b>Fund Balances</b>						
Nonspendable - Prepaids and deposits	118,019	158,592	73,113	2,995	14,608	367,327
Restricted:						
Police	-	1,341,535	-	-	-	1,341,535
Fire operating	-	-	488,003	-	-	488,003
Fire equipment	-	-	-	6,182,890	-	6,182,890
Committed - Parks and recreation	-	-	-	-	363,949	363,949
Assigned - Senior center	42,955	-	-	-	-	42,955
Unassigned	10,849,748	-	-	-	-	10,849,748
Total fund balances	<u>11,010,722</u>	<u>1,500,127</u>	<u>561,116</u>	<u>6,185,885</u>	<u>378,557</u>	<u>19,636,407</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,653,570</u>	<u>\$ 8,486,158</u>	<u>\$ 4,662,871</u>	<u>\$ 6,918,832</u>	<u>\$ 585,828</u>	<u>\$ 33,307,259</u>

# Charter Township of Chesterfield

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position December 31, 2014

<b>Fund Balance Reported in Governmental Funds</b>	\$ 19,636,407
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	19,634,475
Certain receivables are expected to be collected over several years in the General Fund and are not available to pay for current year expenditures	13,173
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(3,726,362)
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	(670,737)
Accrued interest is not due and payable in the current period and is not reported in the funds	(33,508)
Pension contributions in excess of actuarial required contribution and the asset is not reported in the funds	1,510,628
Other post employment benefits are contributed in excess of requirement and the asset is not reported in the funds	<u>1,237,889</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 37,601,965</u></b>

# Charter Township of Chesterfield

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2014

	General Fund	Police Department Fund	Fire Department Operating Fund	Fire Department Equipment Fund	Nonmajor Funds	Total
<b>Revenue</b>						
Property taxes	\$ 1,158,626	\$ 6,547,430	\$ 2,688,263	\$ 658,131	\$ -	\$ 11,052,450
Nonfederal grants and reimbursements	1,057,317	115,451	-	-	-	1,172,768
Licenses and permits	42,721	-	-	-	591,436	634,157
Federal grants	91,280	-	-	-	-	91,280
State-shared revenue	3,371,856	-	-	-	-	3,371,856
Charges for services	1,036,119	296,715	-	-	234,321	1,567,155
Fines and forfeitures	-	62,772	-	-	50	62,822
Investment income	25,835	7,685	4,175	8,473	1,237	47,405
Rental income	50,000	-	-	-	-	50,000
Other revenue:						
Special assessments	21,321	-	-	-	7,813	29,134
Cable franchise fees	743,608	-	-	-	-	743,608
Other miscellaneous income	89,469	84,202	52,604	1,261	18,406	245,942
Total revenue	<u>7,688,152</u>	<u>7,114,255</u>	<u>2,745,042</u>	<u>667,865</u>	<u>853,263</u>	<u>19,068,577</u>
<b>Expenditures</b>						
Current:						
General government	4,628,457	-	-	-	-	4,628,457
Public safety	-	7,875,140	2,993,500	222,761	838,838	11,930,239
Public works	207,373	-	-	-	-	207,373
Recreation and culture	547,746	-	-	-	217,941	765,687
Capital outlay	281,337	118,413	-	14,225	-	413,975
Debt service:						
Principal	300,000	-	-	215,250	-	515,250
Interest on long-term debt	72,938	-	-	60,603	-	133,541
Total expenditures	<u>6,037,851</u>	<u>7,993,553</u>	<u>2,993,500</u>	<u>512,839</u>	<u>1,056,779</u>	<u>18,594,522</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	1,650,301	(879,298)	(248,458)	155,026	(203,516)	474,055
<b>Other Financing Sources (Uses)</b>						
Proceeds from sale of capital assets	-	15,575	-	575	-	16,150
Transfers in (Note 4)	165,281	-	-	-	237,201	402,482
Transfers out (Note 4)	(1,644,504)	-	-	-	(165,281)	(1,809,785)
Total other financing (uses) sources	<u>(1,479,223)</u>	<u>15,575</u>	<u>-</u>	<u>575</u>	<u>71,920</u>	<u>(1,391,153)</u>
<b>Net Change in Fund Balances</b>	171,078	(863,723)	(248,458)	155,601	(131,596)	(917,098)
<b>Fund Balances - Beginning of year</b>	<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>
<b>Fund Balances - End of year</b>	<u>\$ 11,010,722</u>	<u>\$ 1,500,127</u>	<u>\$ 561,116</u>	<u>\$ 6,185,885</u>	<u>\$ 378,557</u>	<u>\$ 19,636,407</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, 2014

**Net Change in Fund Balances - Total Governmental Funds** \$ (917,098)

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	347,515
Depreciation expense	(1,674,278)
Donated capital assets	23,394

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 (353,571)

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 372,366

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 531,401

Interest expense is recorded when incurred in the statement of activities 4,832

Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment (50,978)

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 409,988

**Change in Net Position of Governmental Activities** \$ (1,306,429)

# Charter Township of Chesterfield

## Proprietary Funds Statement of Net Position December 31, 2014

	Enterprise Funds		
	Major Enterprise Fund - Sewer and Water Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents (Note 2)	\$ 11,608,330	\$ 202,528	\$ 11,810,858
Receivables::			
Receivables from sales to customers on account	2,539,505	-	2,539,505
Accrued interest receivable	15,348	-	15,348
Due from other governmental units	315,260	-	315,260
Due from other funds (Note 4)	184,250	8,309	192,559
Inventory	191,949	-	191,949
Prepaid expenses and deposits	85,802	857	86,659
Total current assets	<u>14,940,444</u>	<u>211,694</u>	<u>15,152,138</u>
Noncurrent assets:			
Restricted assets (Note 6)	3,365,757	-	3,365,757
Net pension asset (Note 8)	205,995	-	205,995
OPEB asset (Note 9)	218,451	-	218,451
Capital assets (Note 3):			
Assets not subject to depreciation	2,411,070	1,407,303	3,818,373
Assets subject to depreciation	68,308,135	1,203,779	69,511,914
Total noncurrent assets	<u>74,509,408</u>	<u>2,611,082</u>	<u>77,120,490</u>
Total assets	<u>89,449,852</u>	<u>2,822,776</u>	<u>92,272,628</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	990,887	10,159	1,001,046
Accrued liabilities and other	285,736	-	285,736
Unearned revenue	625,570	-	625,570
Compensated absences	83,902	-	83,902
Long-term debt payable from restricted assets	1,575,997	-	1,575,997
Total current liabilities	<u>3,562,092</u>	<u>10,159</u>	<u>3,572,251</u>
Noncurrent liabilities - Long-term debt (Note 5)	<u>27,793,509</u>	<u>-</u>	<u>27,793,509</u>
Total liabilities	<u>31,355,601</u>	<u>10,159</u>	<u>31,365,760</u>
<b>Net Position</b>			
Net investment in capital assets	41,349,699	2,611,082	43,960,781
Restricted:			
Water and sewer bond ordinance	2,714,894	-	2,714,894
Water and sewer construction and maintenance	650,863	-	650,863
Unrestricted	13,378,795	201,535	13,580,330
Total net position	<u>\$ 58,094,251</u>	<u>\$ 2,812,617</u>	<u>60,906,868</u>
<b>Net Position of Business-type Activities</b>			<u><b>\$ 60,906,868</b></u>

# Charter Township of Chesterfield

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended December 31, 2014

	Enterprise Funds		Total
	Major Enterprise Fund - Sewer and Water Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	
<b>Operating Revenue</b>			
Sale of water	\$ 5,441,862	\$ -	\$ 5,441,862
Sewage disposal charges	7,066,288	-	7,066,288
Fees	-	127,402	127,402
Other	4,387	15,953	20,340
Total operating revenue	12,512,537	143,355	12,655,892
<b>Operating Expenses</b>			
Cost of water	3,226,311	-	3,226,311
Cost of sewage treatment	3,862,326	-	3,862,326
Repairs and maintenance	89,984	-	89,984
Billing and administrative costs	260,320	-	260,320
Personnel services	1,935,331	27,023	1,962,354
Supplies	267,238	5,341	272,579
Other services and charges	405,763	39,056	444,819
Depreciation	2,279,211	60,138	2,339,349
Total operating expenses	12,326,484	131,558	12,458,042
<b>Operating Income</b>	186,053	11,797	197,850
<b>Nonoperating Revenue (Expenses)</b>			
Investment income	36,067	278	36,345
Interest expense	(978,599)	-	(978,599)
Total nonoperating (expenses) revenue	(942,532)	278	(942,254)
<b>(Loss) Income - Before contributions</b>	(756,479)	12,075	(744,404)
<b>Capital Contributions</b>			
Capital contributed by grants and donation	216,750	-	216,750
Tap fees	275,744	-	275,744
Benefit fees	120,980	-	120,980
Total capital contributions	613,474	-	613,474
<b>Transfers in</b>	-	1,407,303	1,407,303
<b>Change in Net Position</b>	(143,005)	1,419,378	1,276,373
<b>Net Position - Beginning of year</b>	58,237,256	1,393,239	59,630,495
<b>Net Position - End of year</b>	<b>\$ 58,094,251</b>	<b>\$ 2,812,617</b>	<b>\$ 60,906,868</b>

# Charter Township of Chesterfield

## Proprietary Funds Statement of Cash Flows Year Ended December 31, 2014

	Enterprise Funds		
	Major Enterprise Fund - Sewer and Water Operations Fund	Nonmajor Enterprise Fund - Brandenburg Park Fund	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 12,636,532	\$ 143,355	\$ 12,779,887
Payments to suppliers	(8,358,669)	(44,397)	(8,403,066)
Payments to employees	(1,932,949)	(27,023)	(1,959,972)
Other payments	(217,779)	(973)	(218,752)
Net cash provided by operating activities	2,127,135	70,962	2,198,097
<b>Cash Flows from Capital and Related Financing Activities</b>			
Capital grants	216,750	-	216,750
Tap fees	275,744	-	275,744
Benefit fees	120,980	-	120,980
Purchase of capital assets	(1,023,358)	(1,407,303)	(2,430,661)
Principal and interest paid on capital debt	(2,419,531)	-	(2,419,531)
Debt service charge	59,494	-	59,494
Transfers in	-	1,407,303	1,407,303
Net cash used in capital and related financing activities	(2,769,921)	-	(2,769,921)
<b>Cash Flows from Investing Activities</b> - Interest received on investments	29,773	278	30,051
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(613,013)	71,240	(541,773)
<b>Cash and Cash Equivalents</b> - Beginning of year	14,936,237	131,288	15,067,525
<b>Cash and Cash Equivalents</b> - End of year	<u>\$ 14,323,224</u>	<u>\$ 202,528</u>	<u>\$ 14,525,752</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>			
Cash and investments	\$ 11,608,330	\$ 202,528	\$ 11,810,858
Restricted cash	2,714,894	-	2,714,894
Total cash and cash equivalents	<u>\$ 14,323,224</u>	<u>\$ 202,528</u>	<u>\$ 14,525,752</u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>			
Operating income	\$ 186,053	\$ 11,797	\$ 197,850
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization	2,279,211	60,138	2,339,349
Changes in assets and liabilities:			
Receivables	123,995	-	123,995
Due from others	29,546	(8,309)	21,237
Inventories	5,220	-	5,220
Prepaid and other assets	(252,054)	(791)	(252,845)
Accounts payable	(251,947)	8,127	(243,820)
Accrued and other liabilities	7,111	-	7,111
Net cash provided by operating activities	<u>\$ 2,127,135</u>	<u>\$ 70,962</u>	<u>\$ 2,198,097</u>

**Noncash Investing, Capital, and Financing Activities** - During the year ended December 31, 2014, the Township incurred additional long-term debt and recorded the corresponding capital assets of \$658,413 for the Oakland-Macomb Interceptor - Series 2013, \$394,366 for the Oakland-Macomb Interceptor - Series 2014, and \$59,494 from the State Revolving Fund Loan.

# Charter Township of Chesterfield

## Fiduciary Funds Statement of Fiduciary Assets and Liabilities December 31, 2014

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 6,405,943
Receivables - Net	<u>100</u>
Total assets	<b><u>\$ 6,406,043</u></b>
<b>Liabilities</b>	
Due to other governmental units	\$ 3,385,556
Cash held on behalf of the Library	1,933,264
Refundable deposits and bonds	<u>1,087,223</u>
Total liabilities	<b><u>\$ 6,406,043</u></b>

# Charter Township of Chesterfield

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## Notes to Financial Statements December 31, 2014

### Note I - Nature of Business and Significant Accounting Policies

#### Reporting Entity

The Charter Township of Chesterfield, Macomb County, Michigan (the "Township") 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 Governmental 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

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## Notes to Financial Statements December 31, 2014

### **Note 1 - 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 for which specific revenues were used. 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, 2014

### 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 the following:

- Agency Funds - The agency funds account for assets held by the Township in a trustee capacity. The 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.

#### **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.

# Charter Township of Chesterfield

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## Notes to Financial Statements December 31, 2014

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

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.

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 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.

#### **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.

**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 noncollection.

**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.

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2014

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

**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:

<u>Capital Asset Class</u>	<u>Life-Years</u>
Infrastructure	20 to 100
Buildings and improvements	20
Machinery and equipment	5 to 20

**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. Compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund.

# Charter Township of Chesterfield

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## Notes to Financial Statements December 31, 2014

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

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts 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 represents a consumption of net position that applies to a future period 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 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 special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### **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.

# Charter Township of Chesterfield

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## Notes to Financial Statements December 31, 2014

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

#### **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 to be used for a specific purpose.

**Committed** - Amounts that have been formally set aside by the board to be used 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.

**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.

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2014

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

#### 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. Unpaid property taxes become a lien on the property on March 1 of the second year following the year of the levy.

The Township's 2014 tax revenue is levied and collectible on December 1, 2013 and is recognized as revenue in the year ended December 31, 2014, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2013 taxable valuation of the Township totaled \$1.422 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 \$1.1 million for operating, \$3.3 million for fire purposes, and \$6.5 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. The General Fund and Water and Sewer Fund are used to liquidate these liabilities.

**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.

# Charter Township of Chesterfield

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## Notes to Financial Statements December 31, 2014

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

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

### **Note 2 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The Township is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated 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:

**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 \$43,388,980 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$3,250,000 was covered by federal depository insurance and \$40,138,980 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.

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2014

### Note 2 - Deposits and Investments (Continued)

At the end of the year, the EDC had \$3,843 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:

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 3,059,602	PI	Standard & Poor's

### Note 3 - Capital Assets

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

Governmental Activities	Balance January 1, 2014	Reclassifications	Additions	Disposals	Balance December 31, 2014
Capital assets not being depreciated:					
Land	\$ 3,274,576	\$ -	\$ 178,744	\$ -	\$ 3,453,320
Construction in progress	13,900	(13,900)	-	-	-
Subtotal	3,288,476	(13,900)	178,744	-	3,453,320
Capital assets being depreciated:					
Infrastructure	15,260,370	-	23,394	-	15,283,764
Buildings and improvements	17,199,697	-	-	-	17,199,697
Machinery and equipment	8,459,509	13,900	168,771	(379,128)	8,263,052
Subtotal	40,919,576	13,900	192,165	(379,128)	40,746,513
Accumulated depreciation:					
Infrastructure	5,537,066	-	433,585	-	5,970,651
Buildings and improvements	10,718,078	-	573,521	(379,128)	10,912,471
Machinery and equipment	7,015,064	-	667,172	-	7,682,236
Subtotal	23,270,208	-	1,674,278	(379,128)	24,565,358
Net capital assets being depreciated	17,649,368	13,900	(1,482,113)	-	16,181,155
Net governmental activities capital assets	\$ 20,937,844	\$ -	\$ (1,303,369)	\$ -	\$ 19,634,475

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2014

### Note 3 - Capital Assets (Continued)

Business-type Activities	Balance	Reclassifications	Additions	Disposals	Balance
	January 1, 2014				December 31, 2014
Capital assets not being depreciated:					
Land	\$ 409,484	\$ -	\$ -	\$ -	\$ 409,484
Construction in progress	1,765,822	(775,866)	2,418,933	-	3,408,889
Subtotal	2,175,306	(775,866)	2,418,933	-	3,818,373
Capital assets being depreciated:					
Infrastructure	82,882,538	775,866	971,658	-	84,630,062
Buildings and improvements	7,095,435	-	-	-	7,095,435
Machinery and equipment	4,046,781	-	92,849	(150,888)	3,988,742
Subtotal	94,024,754	775,866	1,064,507	(150,888)	95,714,239
Accumulated depreciation:					
Infrastructure	18,568,853	-	1,820,440	-	20,389,293
Buildings and improvements	2,956,684	-	349,096	-	3,305,780
Machinery and equipment	2,488,327	-	169,813	(150,888)	2,507,252
Subtotal	24,013,864	-	2,339,349	(150,888)	26,202,325
Net capital assets being depreciated	70,010,890	775,866	(1,274,842)	-	69,511,914
Net business-type capital assets	\$ 72,186,196	\$ -	\$ 1,144,091	\$ -	\$ 73,330,287

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

#### Governmental activities:

General government	\$ 385,275
Public safety	805,971
Public works	433,585
Recreation and culture	49,447
Total governmental activities	<u>\$ 1,674,278</u>

#### Business-type activities:

Water and Sewer Fund	\$ 2,279,211
Brandenburg Memorial Park Fund	60,138
Total business-type activities	<u>\$ 2,339,349</u>

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2014

### Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Nonmajor governmental fund	\$ 165,281
Nonmajor governmental fund	General Fund	32,087
Water and Sewer Fund	General Fund	55,506
	Fire Department Operating Fund	39,516
	Police Department Fund	<u>89,228</u>
	Total Water and Sewer Fund	184,250
Nonmajor enterprise fund	General Fund	<u>8,309</u>
	Total	<u><u>\$ 389,927</u></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.

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

Transfer to	Transfer from	Amount
General Fund	Nonmajor governmental funds	\$ 165,281
Nonmajor governmental funds	General Fund	237,201
Nonmajor enterprise fund	General Fund	<u>1,407,303</u>
	Total	<u><u>\$ 1,809,785</u></u>

The transfer from the General Fund and the nonmajor governmental funds represent the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations. The transfer from the nonmajor governmental funds to the General Fund represents a transfer of the remaining unrestricted funds from the Debt Service fund after all debt has been paid off back to the General Fund who originally financed the payments on the debt. The transfer from the General fund to the nonmajor enterprise fund represents the use of unrestricted resource to finance the Brandenburg parking lot construction.

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2014

### 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
<b>Governmental Activities</b>							
General obligation bonds:							
Refunding Fire Station Building Bonds	2.00% - 3.00%	\$201,250 - \$290,500	\$ 2,371,250	\$ -	\$ (215,250)	\$ 2,156,000	\$ 211,750
Bond Refunding Premium	2.00% - 3.00%	\$16,151 - \$16,154	161,513	-	(16,151)	145,362	16,151
2007 Capital Improvement Bonds	4.00% - 4.15%	\$50,000 - \$100,000	1,200,000	-	(50,000)	1,150,000	50,000
Installment purchase agreements - Police building	6.00% - 6.25%	\$155,000 - \$275,000	525,000	-	(250,000)	275,000	275,000
Total bonds and notes payable			4,257,763	-	(531,401)	3,726,362	552,901
Compensated absences			619,759	670,737	(619,759)	670,737	670,737
Total governmental activities			\$ 4,877,522	\$ 670,737	\$ (1,151,160)	\$ 4,397,099	\$ 1,223,638

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2014

### Note 5 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>							
General obligation bonds:							
Refunding D.P.W. Building Bonds	2.00% - 3.00%	\$373,750 - \$539,500	\$ 4,403,750	\$ -	\$ (399,750)	\$ 4,004,000	\$ 393,250
Bond Refunding Premium	2.00% - 3.00%	\$29,995 - \$29,998	299,953	-	(29,995)	269,958	29,995
Installment purchase agreements -							
Water and sewer improvements	2.25%	\$102,694 - \$122,255	366,765	-	(122,255)	244,510	122,255
Drainage District Drain Bonds:							
North Gratiot Drain	3.25% - 4.75%	\$193,636 - \$474,356	7,846,645	-	(296,472)	7,550,173	296,473
North Gratiot Interceptor - Series 1	3.25% - 4.75%	\$14,257 - \$34,915	577,555	-	(21,822)	555,733	21,822
North Gratiot Interceptor - Series 2, 3, and 4	3.25% - 4.75%	\$79,553 - \$238,659	3,818,538	-	(129,732)	3,688,806	130,956
North Gratiot Interceptor - Series 2, 3, and 4	3.25% - 4.75%	\$1,158 - \$3,474	55,579	-	(1,889)	53,690	1,906
Oakland-Macomb Interceptor - Series 2010B	2.5%	\$40,067 - \$64,474	947,008	-	(42,195)	904,813	43,180
Oakland-Macomb Interceptor - Series 2010B	1.15% - 5.9%	\$7,492 - \$20,506	238,773	-	(9,464)	229,309	9,859
Macomb Interceptor Drainage District	1.25% - 5.375%	\$199,512 - \$376,299	5,990,038	-	(203,857)	5,786,181	206,530
Oakland-Macomb Interceptor - Series 2011	2.00% - 4.50%	\$48,416 - \$77,223	1,236,048	-	(48,416)	1,187,632	49,626
Oakland-Macomb Interceptor - Series 2013	2.00%	\$110,971 - \$161,694	265,132	658,413	-	923,545	110,970
Oakland-Macomb Interceptor - Series 2014A	2.00% - 3.125%	\$15,262 - \$25,891	-	394,366	-	394,366	15,262
Clintondale Pump Station Improvements	2.00% - 4.50%	\$53,599 - \$191,454	2,243,486	-	(65,085)	2,178,401	68,913
State Revolving Fund Loan 2012	2.50%	\$70,000 - \$115,000	1,408,895	59,494	(70,000)	1,398,389	75,000
Total business-type activities			29,698,165	1,112,273	(1,440,932)	29,369,506	1,575,997
Compensated absences			81,520	83,902	(81,520)	83,902	83,902
Total business-type activities			\$ 29,779,685	\$ 1,196,175	\$ (1,522,452)	\$ 29,453,408	\$ 1,659,899

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
2015	\$ 552,901	\$ 110,864	\$ 663,765	\$ 1,575,997	\$ 988,913	\$ 2,564,910
2016	299,401	95,569	394,970	1,588,315	947,476	2,535,791
2017	294,151	88,364	382,515	1,481,134	905,842	2,386,976
2018	292,401	80,221	372,622	1,499,600	863,839	2,363,439
2019	323,901	70,711	394,612	1,686,128	815,570	2,501,698
2020-2024	1,663,607	179,503	1,843,110	8,394,838	3,203,683	11,598,521
2025-2029	300,000	18,675	318,675	6,733,550	1,882,404	8,615,954
2030-2034	-	-	-	5,791,512	600,577	6,392,089
2035 and thereafter	-	-	-	618,432	10,802	629,234
Total	\$ 3,726,362	\$ 643,907	\$ 4,370,269	\$ 29,369,506	\$ 10,219,106	\$ 39,588,612

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2014

### 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, 2014 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, 2014:

Restricted assets from bond ordinance:

Cash and cash equivalents	\$ 2,714,894
Cash held at County for construction and maintenance	<u>650,863</u>
Total Water and Sewer Fund restricted assets	<u>\$ 3,365,757</u>

### 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.

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2014

### Note 8 - Defined Benefit Pension Plan (Continued)

**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 employer of 10.11 percent of participating employees' base wages and a contribution from the employee of 2 percent of base wages.

#### Annual Pension Cost and Net Pension Asset

Annual required contribution	\$ 468,905
Interest on net pension asset	(57,297)
Adjustment to annual required contribution	38,209
Annual pension cost (APC)	449,817
Contributions made	700,811
Increase in net pension asset	250,994
Net pension asset - Beginning of year	684,212
Net pension asset - End of year	\$ 935,206

For the year ended December 31, 2014, the Township's annual pension cost of \$449,817 for the plan was less than the Township's actual contribution of \$700,811. The annual required contribution was determined as part of an actuarial valuation at December 31, 2012, 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		
	2014	2013	2012
Annual pension cost (APC)	\$ 449,817	\$ 445,624	\$ 454,217
Percentage of APC contributed	156 %	154 %	152 %
Net pension asset	\$ 935,206	\$ 684,212	\$ 442,210

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2014

### Note 8 - Defined Benefit Pension Plan (Continued)

	Actuarial Valuation Date - December 31		
	2013	2012	2011
Actuarial value of assets	\$ 11,678,743	\$ 10,620,717	\$ 9,573,243
Actuarial accrued liability (AAL)	\$ 14,046,699	\$ 13,107,075	\$ 12,272,826
Unfunded AAL (UAAL)	\$ 2,367,956	\$ 2,486,358	\$ 2,699,583
Funded ratio	83.1 %	81.0 %	78.0 %
Covered payroll	\$ 4,614,125	\$ 4,633,959	\$ 4,836,345
UAAL as a percentage of covered payroll	51.3 %	53.7 %	55.8 %

#### 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 9.83 percent and a contribution from the employee of 4.5 percent of gross wages.

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2014

### Note 8 - Defined Benefit Pension Plan (Continued)

#### Annual Pension Cost and Net Pension Asset

Annual required contribution	\$ 244,817
Interest on net pension asset	(32,741)
Adjustment to annual required contribution	<u>21,834</u>
Annual pension cost (APC)	233,910
Contributions made	<u>369,343</u>
Increase in net pension asset	135,433
Net pension asset - Beginning of year	<u>433,010</u>
Net pension asset - End of year	<u>\$ 568,443</u>

For the year ended December 31, 2014, the Township's annual pension cost of \$233,910 for the plan was less than the Township's actual contribution of \$369,343. The annual required contribution was determined as part of an actuarial valuation at December 31, 2012, 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		
	2014	2013	2012
Annual pension cost (APC)	\$ 233,910	\$ 263,949	\$ 290,869
Percentage of APC contributed	158 %	153 %	150 %
Net pension asset	\$ 568,443	\$ 433,010	\$ 292,025

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2014

### Note 8 - Defined Benefit Pension Plan (Continued)

	Actuarial Valuation Date - December 31		
	2013	2012	2011
Actuarial value of assets	\$ 7,220,095	\$ 6,634,519	\$ 5,821,401
Actuarial accrued liability (AAL) (entry age)	\$ 9,556,986	\$ 8,161,883	\$ 7,682,334
Unfunded AAL (UAAL)	\$ 2,336,891	\$ 1,527,364	\$ 1,860,933
Funded ratio	75.5 %	81.3 %	75.8 %
Covered payroll	\$ 2,481,937	\$ 2,961,680	\$ 3,041,192
UAAL as a percentage of covered payroll	94.2 %	51.6 %	61.2 %

#### 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 12.44 percent and a contribution from the employee of 4.5 percent of gross wages.

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2014

### Note 8 - Defined Benefit Pension Plan (Continued)

#### Annual Pension Cost and Net Pension Asset

Annual required contribution	\$ 117,337
Interest on net pension asset	(12,278)
Adjustment to annual required contribution	<u>8,188</u>
Annual pension cost (APC)	113,247
Contributions made	<u>164,497</u>
Increase in net pension asset	51,250
Net pension asset - Beginning of year	<u>161,724</u>
Net pension asset- End of year	<u>\$ 212,974</u>

For the year ended December 31, 2014, the Township's annual pension cost of \$113,247 for the plan was less than the Township's actual contribution of \$164,497. The annual required contribution was determined as part of an actuarial valuation at December 31, 2012, 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		
	2014	2013	2012
Annual pension cost (APC)	\$ 113,247	\$ 135,133	\$ 121,144
Percentage of APC contributed	145 %	146 %	143 %
Net pension asset	\$ 212,974	\$ 161,724	\$ 100,123

# Charter Township of Chesterfield

## Notes to Financial Statements December 31, 2014

### Note 8 - Defined Benefit Pension Plan (Continued)

	Actuarial Valuation Date - December 31		
	2013	2012	2011
Actuarial value of assets	\$ 4,053,078	\$ 3,630,551	\$ 3,271,786
Actuarial accrued liability (AAL) (entry age)	\$ 5,528,064	\$ 4,710,525	\$ 4,215,941
Unfunded AAL (UAAL)	\$ 1,474,986	\$ 1,079,974	\$ 944,155
Funded ratio	73.3 %	77.1 %	77.6 %
Covered payroll	\$ 915,293	\$ 1,115,287	\$ 1,021,335
UAAL as a percentage of covered payroll	161.1 %	96.8 %	92.4 %

### 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, 2014

### Note 9 - Other Postemployment Benefits (Continued)

**Funding Progress** - For the year ended December 31, 2014, 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)	\$ 1,818,184
Interest on the prior year's net OPEB asset	(77,920)
Plus adjustment to the annual required contribution	<u>51,962</u>
Annual OPEB cost	1,792,226
Amounts contributed:	
Payments of current premiums	456,355
Advance funding	<u>1,818,210</u>
Increase in net OPEB asset	482,339
OPEB asset - Beginning of year	<u>974,001</u>
OPEB asset - End of year	<u>\$ 1,456,340</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
12/31/12	12/31/10	\$ 1,684,858	101.7	\$ 682,755
12/31/13	12/31/10	1,741,007	116.7	974,001
12/31/14	12/31/10	1,792,226	126.9	1,456,340

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	- %	\$ 4,767,138	-
12/31/08	2,392,850	15,120,552	12,727,702	15.8	9,680,329	-
12/31/10	5,721,742	22,094,781	16,373,039	25.9	8,818,977	-

# Charter Township of Chesterfield

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## Notes to Financial Statements December 31, 2014

### 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 Governmental Accounting Standards Board (GASB) issued GASB 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 GASB. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary 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 ended December 31, 2015.

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The Township is currently evaluating the impact this standard will have on the financial statements when adopted, for the year ended December 31, 2016.

## **Required Supplemental Information**

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# Charter Township of Chesterfield

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 1,161,060	\$ 1,161,060	\$ 1,158,626	\$ (2,434)
Income taxes	1,061,250	1,061,250	1,057,317	(3,933)
Licenses and permits	31,060	31,060	42,721	11,661
Federal grants	60,000	60,000	91,280	31,280
State-shared revenue	3,240,000	3,240,000	3,371,856	131,856
Charges for services	849,410	849,410	1,036,119	186,709
Investment income	16,810	16,810	25,835	9,025
Rental income	50,000	50,000	50,000	-
Other revenue	773,320	773,320	854,398	81,078
<b>Total revenue</b>	<b>7,242,910</b>	<b>7,242,910</b>	<b>7,688,152</b>	<b>445,242</b>
<b>Expenditures</b>				
Current:				
General government:				
Township board	46,250	46,250	45,103	1,147
Township supervisor	121,700	121,700	119,654	2,046
Accounting	249,690	249,690	245,302	4,388
Planning commission	49,270	49,270	31,813	17,457
Zoning Board of Appeals	11,570	11,570	6,193	5,377
Treasurer	319,670	319,670	310,050	9,620
Assessing	356,360	356,360	369,316	(12,956)
Board of review	3,550	3,550	2,322	1,228
Clerk	258,850	258,850	238,837	20,013
Elections	180,070	180,070	168,784	11,286
Buildings and grounds	1,122,650	1,122,650	814,118	308,532
Human resources	77,435	77,435	80,428	(2,993)
Planning and zoning administration	131,960	131,960	126,572	5,388
General administration	2,064,230	2,064,230	2,012,626	51,604
Anchor Bay Harbor storm sewer	66,500	66,500	57,339	9,161
<b>Total general government</b>	<b>5,059,755</b>	<b>5,059,755</b>	<b>4,628,457</b>	<b>431,298</b>
Streets, sidewalks, and drains	298,090	298,090	207,373	90,717
Recreation and culture	561,570	561,570	547,746	13,824
Capital outlay	585,000	585,000	281,337	303,663
Debt service	372,940	372,940	372,938	2
<b>Total expenditures</b>	<b>6,877,355</b>	<b>6,877,355</b>	<b>6,037,851</b>	<b>839,504</b>
<b>Excess of Revenue Over Expenditures</b>	<b>365,555</b>	<b>365,555</b>	<b>1,650,301</b>	<b>1,284,746</b>
Transfers in	-	-	165,281	165,281
<b>Other Financing Uses - Transfers out</b>	<b>(348,300)</b>	<b>(348,300)</b>	<b>(1,644,504)</b>	<b>(1,296,204)</b>
<b>Net Change in Fund Balance</b>	<b>17,255</b>	<b>17,255</b>	<b>171,078</b>	<b>153,823</b>
<b>Fund Balance - Beginning of year</b>	<b>10,839,644</b>	<b>10,839,644</b>	<b>10,839,644</b>	<b>-</b>
<b>Fund Balance - End of year</b>	<b>\$ 10,856,899</b>	<b>\$ 10,856,899</b>	<b>\$ 11,010,722</b>	<b>\$ 153,823</b>

# Charter Township of Chesterfield

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Police Department Fund Year Ended December 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 6,552,500	\$ 6,552,500	\$ 6,547,430	\$ (5,070)
Nonfederal grants and reimbursements	89,000	89,000	115,451	26,451
Charges for services	285,000	285,000	296,715	11,715
Fines and forfeitures	75,000	75,000	62,772	(12,228)
Investment income	10,000	10,000	7,685	(2,315)
Other revenue	83,500	83,500	84,202	702
Total revenue	7,095,000	7,095,000	7,114,255	19,255
<b>Expenditures - Current - Public safety</b>	8,287,130	8,287,130	7,993,553	293,577
<b>Excess of Expenditures Over Revenue</b>	(1,192,130)	(1,192,130)	(879,298)	312,832
<b>Other Financing Sources -</b>				
Proceeds from sale of capital assets	8,000	8,000	15,575	7,575
<b>Net Change in Fund Balance</b>	(1,184,130)	(1,184,130)	(863,723)	320,407
<b>Fund Balance - Beginning of year</b>	2,363,850	2,363,850	2,363,850	-
<b>Fund Balance - End of year</b>	<u>\$ 1,179,720</u>	<u>\$ 1,179,720</u>	<u>\$ 1,500,127</u>	<u>\$ 320,407</u>

# Charter Township of Chesterfield

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Department Operating Fund Year Ended December 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 2,700,630	\$ 2,700,630	\$ 2,688,263	\$ (12,367)
Investment income	7,000	7,000	4,175	(2,825)
Other revenue	27,500	27,500	52,604	25,104
Total revenue	2,735,130	2,735,130	2,745,042	9,912
<b>Expenditures - Current - Public safety</b>	3,176,890	3,176,890	2,993,500	183,390
<b>Net Change in Fund Balance</b>	(441,760)	(441,760)	(248,458)	193,302
<b>Fund Balance - Beginning of year</b>	809,574	809,574	809,574	-
<b>Fund Balance - End of year</b>	<u>\$ 367,814</u>	<u>\$ 367,814</u>	<u>\$ 561,116</u>	<u>\$ 193,302</u>

# Charter Township of Chesterfield

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Department Equipment Fund Year Ended December 31, 2014

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 661,130	\$ 661,130	\$ 658,131	\$ (2,999)
Investment income	9,000	9,000	8,473	(527)
Other revenue	-	-	1,261	1,261
Total revenue	670,130	670,130	667,865	(2,265)
<b>Expenditures - Current - Public safety</b>	1,121,640	1,121,640	512,839	608,801
<b>Excess of Expenditures (Over) Under Revenue</b>	(451,510)	(451,510)	155,026	606,536
<b>Other Financing Sources</b>				
Proceeds from sale of capital assets	-	-	575	575
<b>Net Change in Fund Balance</b>	(451,510)	(451,510)	155,601	607,111
<b>Fund Balance - Beginning of year</b>	6,030,284	6,030,284	6,030,284	-
<b>Fund Balance - End of year</b>	<b>\$ 5,578,774</b>	<b>\$ 5,578,774</b>	<b>\$ 6,185,885</b>	<b>\$ 607,111</b>

# Charter Township of Chesterfield

## Required Supplemental Information Schedule of Funding Progress - Pension - General Year Ended December 31, 2014

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
12/31/11	\$ 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
12/31/13	11,678,743	14,046,699	2,367,956	83.1	4,614,125	51.3

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
12/31/12	12/31/10	\$ 454,217	152.0
12/31/13	12/31/11	457,187	150.0
12/31/14	12/31/12	468,905	149.5

\* 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, 2013, 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, 2014

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
12/31/11	\$ 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
12/31/14	7,220,095	9,556,986	2,336,891	75.5	2,481,937	94.2

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
12/31/12	12/31/10	\$ 290,869	150.0
12/31/13	12/31/11	271,732	149.0
12/31/14	12/31/12	244,817	150.9

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2013, 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, 2014

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
12/31/11	\$ 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
12/31/13	4,053,078	5,528,064	1,474,986	73.3	915,293	161.1

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
12/31/12	12/31/10	\$ 121,144	143.0
12/31/13	12/31/11	138,024	143.0
12/31/14	12/31/12	117,337	140.2

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2013, 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, 2014

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	-	\$ 4,767,138	209.7
12/31/08	2,392,850	15,120,552	12,727,702	15.8	9,680,329	131.5
12/31/10	5,721,742	22,094,781	16,373,039	25.9	8,818,977	185.7

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
12/31/12	12/31/10	\$ 1,702,303	101.7
12/31/13	12/31/10	1,759,202	116.7
12/31/14	12/31/10	1,818,184	126.9

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, 2014

**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 over budget:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Assessing	\$ 356,360	\$ 369,316	\$ (12,956)
Human resources	77,435	80,428	(2,993)
Transfers out	348,300	1,644,504	(1,296,204)

The budget overages related to unanticipated expenditures and transfers in which the budget was not amended.

## **Other Supplemental Information**

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# Charter Township of Chesterfield

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds December 31, 2014

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Building Inspection Fund	Parks and Recreation Fund	Debt Service Fund	
<b>Assets</b>				
Cash and investments	\$ 6,666	\$ 367,048	\$ 165,281	\$ 538,995
Receivables - Net -				
Accrued interest	-	138	-	138
Due from other funds	32,087	-	-	32,087
Prepaid expenses	14,608	-	-	14,608
	<b>\$ 53,361</b>	<b>\$ 367,186</b>	<b>\$ 165,281</b>	<b>\$ 585,828</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 23,522	\$ 3,237	\$ -	\$ 26,759
Due to other funds	-	-	165,281	165,281
Accrued liabilities and other	15,231	-	-	15,231
	38,753	3,237	165,281	207,271
<b>Fund Balances</b>				
Nonspendable - Prepaids and deposits	14,608	-	-	14,608
Committed - Parks and recreation	-	363,949	-	363,949
	14,608	363,949	-	378,557
Total liabilities and fund balances	<b>\$ 53,361</b>	<b>\$ 367,186</b>	<b>\$ 165,281</b>	<b>\$ 585,828</b>

# Charter Township of Chesterfield

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended December 31, 2014

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Building Inspection Fund	Parks and Recreation Fund	Debt Service Fund	
<b>Revenue</b>				
Licenses and permits	\$ 591,436	\$ -	\$ -	\$ 591,436
Charges for services	-	234,321	-	234,321
Fines and forfeitures	50	-	-	50
Investment income	-	532	705	1,237
Other revenue	18,186	220	7,813	26,219
Total revenue	609,672	235,073	8,518	853,263
<b>Expenditures</b>				
Current:				
Public safety	838,838	-	-	838,838
Recreation and culture	-	217,941	-	217,941
Total expenditures	838,838	217,941	-	1,056,779
<b>Excess of Revenue (Under) Over Expenditures</b>				
	(229,166)	17,132	8,518	(203,516)
<b>Other Financing Sources (Uses)</b>				
Transfers in	237,201	-	-	237,201
Transfers out	-	-	(165,281)	(165,281)
Total other financing sources (uses)	237,201	-	(165,281)	71,920
<b>Net Change in Fund Balances</b>				
	8,035	17,132	(156,763)	(131,596)
<b>Fund Balances - Beginning of year</b>				
	6,573	346,817	156,763	510,153
<b>Fund Balances - End of year</b>				
	<b>\$ 14,608</b>	<b>\$ 363,949</b>	<b>\$ -</b>	<b>\$ 378,557</b>