

# **Charter Township of Benton, Michigan**

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

# Charter Township of Benton

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# **Charter Township of Benton**

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## Independent Auditor's Report

To the Members of the Township Board  
Charter Township of Benton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Benton, Michigan (the "Charter Township") as of and for the year ended December 31, 2011, which collectively comprise the Charter Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Benton, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, and the aggregate remaining fund information of the Charter Township of Benton, Michigan, as of December 31, 2011 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, retirement system schedules of funding progress, and the budgetary comparison schedules, 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.

To the Members of the Township Board  
Charter Township of Benton, Michigan

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

During the year, the Charter Township implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note 1. As a result of this required implementation, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB No. 54.

*Plante & Moran, PLLC*

June 20, 2012

# **Charter Township of Benton**

## **Management's Discussion and Analysis**

Our discussion and analysis of the Charter Township of Benton, Michigan's (the "Charter Township") financial performance provides an overview of the Charter Township's financial activities for the fiscal year ended December 31, 2011. Please read it in conjunction with the Charter Township's financial statements.

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2011:

- During 2011, the Charter Township settled taxable value petitions relating to the 2009 and 2010 tax years, resulting in a taxable value reduction of approximately \$6.3 million dollars each year. Based on the outstanding 2010 petitions, the Charter Township anticipates an additional reduction of \$1.1 million dollars. The Charter Township also received back charges from Berrien County related to the unpaid taxes on parcels that were sold at the Berrien County Foreclosure Auction. The reductions had a significant impact on the General Fund, Police Fund, and Fire Fund, resulting in expense of \$19,900, \$129,900, and \$82,200, respectively. The General Fund transferred funds to the Police and Fire Funds to offset the impact on the funds. Prior to the transfers, the General Fund was approximately \$244,500 under budget.
- In March 2011, the Charter Township laid off three full-time firefighters to alleviate the need for the Fire Fund to use a significant portion of its fund balance for general operation. The layoffs saved the Charter Township approximately \$200,000 in 2011.
- The Water System Fund sold additional bonds of \$1,475,000 through Berrien County for the completion of the water plant construction.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Charter Township as a whole and present a longer-term view of the Charter 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 Charter Township's operations in more detail than the government-wide financial statements by providing information about the Charter Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Charter Township acts solely as a trustee or agent for the benefit of those outside of the government.

# Charter Township of Benton

## Management's Discussion and Analysis (Continued)

### Charter Township of Benton as a Whole

The following table shows, in a condensed format, the current year's net assets compared to the prior two years:

#### Summary Condensed Statement of Net Assets

	Governmental Activities			Business-type Activities			Total		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
<b>Assets</b>									
Current assets	\$ 8,191,339	\$ 7,670,745	\$ 7,292,365	\$ 6,234,241	\$ 7,042,787	\$ 10,159,840	\$ 14,425,580	\$ 14,713,532	\$ 17,452,205
Noncurrent assets	-	-	-	1,488,521	12,467,233	290,829	1,488,521	12,467,233	290,829
Capital assets:									
Assets not subject to depreciation	811,936	935,617	1,626,555	1,427,612	11,671,208	1,573,510	2,239,548	12,606,825	3,200,065
Assets subject to depreciation	<u>4,516,084</u>	<u>4,563,671</u>	<u>3,825,446</u>	<u>31,241,780</u>	<u>8,053,681</u>	<u>6,768,063</u>	<u>35,757,864</u>	<u>12,617,352</u>	<u>10,593,509</u>
Total assets	13,519,359	13,170,033	12,744,366	40,392,154	39,234,909	18,792,242	53,911,513	52,404,942	31,536,608
<b>Liabilities</b>									
Current liabilities	6,749,713	6,567,811	7,090,252	1,461,680	1,044,954	581,496	8,211,393	7,612,765	7,671,748
Long-term liabilities	<u>1,793,470</u>	<u>1,753,367</u>	<u>1,731,510</u>	<u>22,877,818</u>	<u>22,236,241</u>	<u>2,822,788</u>	<u>24,671,288</u>	<u>23,989,608</u>	<u>4,554,298</u>
Total liabilities	<u>8,543,183</u>	<u>8,321,178</u>	<u>8,821,762</u>	<u>24,339,498</u>	<u>23,281,195</u>	<u>3,404,284</u>	<u>32,882,681</u>	<u>31,602,373</u>	<u>12,226,046</u>
<b>Net Assets - Invested in capital assets</b>									
Net of related debt	4,495,053	4,580,582	4,452,001	9,841,164	9,007,240	5,431,574	14,336,217	13,587,822	9,883,575
Restricted	159,189	137,065	95,272	-	-	-	159,189	137,065	95,272
Unrestricted	<u>321,934</u>	<u>131,208</u>	<u>(624,669)</u>	<u>6,211,492</u>	<u>6,946,474</u>	<u>9,956,384</u>	<u>6,533,426</u>	<u>7,077,682</u>	<u>9,331,715</u>
Total net assets	<u>\$ 4,976,176</u>	<u>\$ 4,848,855</u>	<u>\$ 3,922,604</u>	<u>\$ 16,052,656</u>	<u>\$ 15,953,714</u>	<u>\$ 15,387,958</u>	<u>\$ 21,028,832</u>	<u>\$ 20,802,569</u>	<u>\$ 19,310,562</u>

The financial position of the governmental and business-type activities has increased during the year. The governmental activities net assets increased \$127,321, or approximately 2.6 percent, over the prior year, while business-type activities increased \$98,942, or approximately .6 percent, over the prior year. The Charter Township of Benton's board of trustees has maintained the net asset levels by continuing to operate conservatively in light of the current economy.

# Charter Township of Benton

## Management's Discussion and Analysis (Continued)

The following table shows the current year's changes in net assets compared to the prior two years:

### Summary Condensed Statement of Activities

	Governmental Activities			Business-type Activities			Total		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
<b>Revenue</b>									
Program revenue:									
Charges for services	\$ 928,383	\$ 968,411	\$ 926,404	\$ 5,106,169	\$ 5,141,478	\$ 4,488,886	\$ 6,034,552	\$ 6,109,889	\$ 5,415,290
Operating grants and contributions	68,864	47,386	338,345	-	-	-	68,864	47,386	338,345
Capital grants and contributions	-	-	10,000	146,599	671,080	16,418	146,599	671,080	26,418
General revenue:									
Property taxes	5,840,917	5,933,640	5,666,419	-	-	-	5,840,917	5,933,640	5,666,419
State-shared revenue	1,227,744	1,255,648	1,314,594	-	-	-	1,227,744	1,255,648	1,314,594
Unrestricted investment income	72,023	90,904	91,209	139,916	137,638	185,922	211,939	228,542	277,131
Cable franchise fees	109,787	96,877	94,507	-	-	-	109,787	96,877	94,507
Other general revenue	256,258	302,034	123,644	-	-	-	256,258	302,034	123,644
Sale of fixed assets	-	4,763	-	-	1,507	-	-	6,270	-
<b>Total revenue</b>	<b>8,503,976</b>	<b>8,699,663</b>	<b>8,565,122</b>	<b>5,392,684</b>	<b>5,951,703</b>	<b>4,691,226</b>	<b>13,896,660</b>	<b>14,651,366</b>	<b>13,256,348</b>
<b>Program Expenses</b>									
General government	1,699,513	1,336,457	1,488,032	-	-	-	1,699,513	1,336,457	1,488,032
Public safety	5,856,601	5,902,457	5,922,478	-	-	-	5,856,601	5,902,457	5,922,478
Public works	712,838	735,903	910,304	-	-	-	712,838	735,903	910,304
Community and economic development	3,329	7,143	4,502	-	-	-	3,329	7,143	4,502
Recreation and culture	41,761	38,320	35,170	-	-	-	41,761	38,320	35,170
Interest on long-term debt	62,613	69,689	33,274	-	-	-	62,613	69,689	33,274
Water and sewer	-	-	-	5,293,742	5,069,390	4,216,810	5,293,742	5,069,390	4,216,810
<b>Total program expenses</b>	<b>8,376,655</b>	<b>8,089,969</b>	<b>8,393,760</b>	<b>5,293,742</b>	<b>5,069,390</b>	<b>4,216,810</b>	<b>13,670,397</b>	<b>13,159,359</b>	<b>12,610,570</b>
<b>Transfers</b>	<b>-</b>	<b>316,557</b>	<b>-</b>	<b>-</b>	<b>(316,557)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>\$ 127,321</b>	<b>\$ 926,251</b>	<b>\$ 171,362</b>	<b>\$ 98,942</b>	<b>\$ 565,756</b>	<b>\$ 474,416</b>	<b>\$ 226,263</b>	<b>\$ 1,492,007</b>	<b>\$ 645,778</b>

During the past fiscal year, governmental activities expenses increased \$286,686, or approximately 3.5 percent. Business-type activities expenses increased \$224,352, or approximately 4.4 percent.



# Charter Township of Benton

## Management's Discussion and Analysis (Continued)

### Budget Overruns

	Budget	Actual	Overrun
Fire Fund - Transfers out	\$ 125,225	\$ 197,575	\$ 72,350
General Fund - Transfers out	71,950	206,382	134,432

The Fire Fund had a budget overrun in other financing uses. Due to continued declining revenue, it was determined to be in the Charter Township's best interests not to have the General Fund subsidize one of the Fire Fund's debt payments. Upon the layoffs of three firefighters, the Fire Fund was able to transfer funds to the Debt Service Fund to make the debt payment without using fund balance. In 2012, the Fire Fund has budgeted to make transfers to the Debt Service Fund for all of its debt payments related to the construction of the fire stations.

The General Fund also had a budget overrun in other financing uses. At year end, it was determined that it was in the Charter Township's best interests to transfer funds from the General Fund to the Police and Fire Funds to offset the impact of the taxable value reductions.

### The Charter Township's Funds

The General Fund had an increase in fund balance of \$149,580. The Police Fund had an increase in fund balance of \$38,513 and the Fire Fund had a slight increase in fund balance of \$5,361.

The Debt Service Fund deficit has been eliminated. The Debt Service Fund received transfers totaling \$269,457. The transfers in exceeded the current debt service payments by \$121,105 which resulted in fund balance of \$26,697.

Of the enterprise funds, the Sanitary Sewage System Fund had an increase in net assets of \$89,232 and the Water System Fund had a slight increase in net assets of \$9,710.

### Long-term Debt and Capital Assets

The Charter Township sold \$1,475,000 in additional bonds through the County in September 2011. The debt is to be repaid to the County in the form of a capital lease over the next 20 years. The construction of the Charter Township's water plant was substantially completed in 2011. The water plant was operational in October 2011. Minor projects and some restoration will be completed in 2012.

The Charter Township completed the construction of the Willow Creek and North Shore Sanitary Sewer projects.

The Charter Township also made other various acquisitions for equipment needed for operation as well as three new police cars.

# **Charter Township of Benton**

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

### **The Future**

The Charter Township will see a decrease in the 2012 taxable values which will impact the current property tax revenue recognized in 2013. The Renaissance Zone tax incentive for the Woodridge and Carolyn Manor development projects will expire in 2012. The values are phased in at 25 percent over a four-year period with 2012 being 100 percent of the taxable value. This revenue will help offset the property tax that will be lost as a result of declining property values.

The Charter Township anticipates ongoing participation in the Economic Vitality Incentive Program to continue receiving the maximum state-shared revenue available.

With continued declining revenue on the horizon, the Charter Township is continuing to implement cost-saving measures while trying to maintain a high level of service to its residents.

The 2011 audit report is on file with the Charter Township of Benton's clerk. If you have any questions about this report, please contact the Charter Township of Benton clerk's office.

# Charter Township of Benton

## Statement of Net Assets December 31, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments (Note 3)	\$ 3,928,490	\$ 3,907,148	\$ 7,835,638
Receivables:			
Property taxes receivable	4,505,595	-	4,505,595
Other receivables - Net	148,572	1,028,955	1,177,527
Special assessments receivable	117,110	530,619	647,729
Internal balances	(755,496)	755,496	-
Prepaid expenses	-	12,023	12,023
Due from other governmental units	247,068	-	247,068
Capital assets:			
Assets not subject to depreciation (Note 5)	811,936	1,427,612	2,239,548
Assets subject to depreciation (Note 5)	4,516,084	31,241,780	35,757,864
Bond issuance costs	-	88,489	88,489
Long-term intergovernmental receivable - Net	-	553,260	553,260
Restricted assets - Funds held by county	-	846,772	846,772
Total assets	13,519,359	40,392,154	53,911,513
<b>Liabilities</b>			
Accounts payable	126,885	239,437	366,322
Due to other governmental units	170,929	-	170,929
Accrued liabilities and other	285,517	168,856	454,373
Deferred revenue (Note 4)	5,729,743	186,408	5,916,151
Noncurrent liabilities:			
Due within one year:			
Compensated absences - < 1 yr. (Note 8)	344,586	6,979	351,565
Capital leases - < 1 yr. (Note 7)	-	730,000	730,000
Current portion of long-term debt (Note 8)	92,053	130,000	222,053
Due in more than one year:			
Compensated absences - > 1 yr. (Note 8)	596,468	62,818	659,286
Net OPEB obligation (Note 10)	456,088	-	456,088
Capital leases - > 1 yr. (Note 7)	-	20,280,000	20,280,000
Long-term debt (Note 8)	740,914	2,535,000	3,275,914
Total liabilities	8,543,183	24,339,498	32,882,681
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	4,495,053	9,841,164	14,336,217
Restricted for:			
Community development projects	105,613	-	105,613
Rental ordinances	53,576	-	53,576
Unrestricted	321,934	6,211,492	6,533,426
Total net assets	\$ 4,976,176	\$ 16,052,656	\$ 21,028,832

# Charter Township of Benton

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,699,513	\$ 75,268	\$ 5,000	\$ -
Public safety	5,856,601	225,831	50,745	-
Public works	712,838	627,284	13,119	-
Community and economic development	3,329	-	-	-
Recreation and culture	41,761	-	-	-
Interest on long-term debt	62,613	-	-	-
Total governmental activities	8,376,655	928,383	68,864	-
Business-type activities:				
Sanitary sewage system	2,262,891	2,200,993	-	100,239
Water system	3,030,851	2,905,176	-	46,360
Total business-type activities	5,293,742	5,106,169	-	146,599
Total primary government	<u>\$ 13,670,397</u>	<u>\$ 6,034,552</u>	<u>\$ 68,864</u>	<u>\$ 146,599</u>
General revenue:				
Property taxes				
State-shared revenue				
Unrestricted investment income				
Cable franchise fees				
Other general revenue				
Total general revenue				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - End of year</b>				

**Statement of Activities**  
**Year Ended December 31, 2011**

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,619,245)	\$ -	\$ (1,619,245)
(5,580,025)	-	(5,580,025)
(72,435)	-	(72,435)
(3,329)	-	(3,329)
(41,761)	-	(41,761)
(62,613)	-	(62,613)
(7,379,408)	-	(7,379,408)
-	38,341	38,341
-	(79,315)	(79,315)
-	(40,974)	(40,974)
(7,379,408)	(40,974)	(7,420,382)
5,840,917	-	5,840,917
1,227,744	-	1,227,744
72,023	139,916	211,939
109,787	-	109,787
256,258	-	256,258
7,506,729	139,916	7,646,645
127,321	98,942	226,263
4,848,855	15,953,714	20,802,569
<b>\$ 4,976,176</b>	<b>\$ 16,052,656</b>	<b>\$ 21,028,832</b>

# Charter Township of Benton

## Governmental Funds Balance Sheet December 31, 2011

	General Fund	Police Fund	Fire Fund	Debt Service Fund	Nonmajor Funds	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 828,493	\$ 1,011,616	\$ 766,012	\$ -	\$ 150,315	\$ 2,756,436
Investments	1,172,054	-	-	-	-	1,172,054
Receivables:						
Property taxes receivable	491,148	2,420,003	1,594,444	-	-	4,505,595
Special assessments receivable	117,110	-	-	-	-	117,110
Other receivables	129,091	-	-	-	8,874	137,965
Due from other funds	27,417	-	-	809,610	200,619	1,037,646
Due from other governmental units	247,068	-	-	-	-	247,068
<b>Total assets</b>	<b>\$ 3,012,381</b>	<b>\$ 3,431,619</b>	<b>\$ 2,360,456</b>	<b>\$ 809,610</b>	<b>\$ 359,808</b>	<b>\$ 9,973,874</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 79,969	\$ 29,831	\$ 17,085	\$ -	\$ -	\$ 126,885
Due to other governmental units	13,292	94,787	62,850	-	-	170,929
Due to other funds	1,010,229	-	-	-	-	1,010,229
Advances from other funds	-	-	-	782,913	-	782,913
Accrued liabilities and other	102,313	110,844	63,361	-	-	276,518
Deferred revenue	763,663	2,998,480	1,976,868	-	-	5,739,011
<b>Total liabilities</b>	<b>1,969,466</b>	<b>3,233,942</b>	<b>2,120,164</b>	<b>782,913</b>	<b>-</b>	<b>8,106,485</b>
<b>Fund Balances</b>						
Restricted:						
Community development	-	-	-	-	105,613	105,613
Rental ordinance	-	-	-	-	53,576	53,576
Assigned:						
Capital improvements	-	-	-	-	200,619	200,619
Public safety	-	197,677	240,292	-	-	437,969
Debt service	-	-	-	26,697	-	26,697
Unassigned - General Fund	1,042,915	-	-	-	-	1,042,915
<b>Total fund balances</b>	<b>1,042,915</b>	<b>197,677</b>	<b>240,292</b>	<b>26,697</b>	<b>359,808</b>	<b>1,867,389</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,012,381</b>	<b>\$ 3,431,619</b>	<b>\$ 2,360,456</b>	<b>\$ 809,610</b>	<b>\$ 359,808</b>	<b>\$ 9,973,874</b>

# Charter Township of Benton

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

<b>Fund Balance Reported in Governmental Funds</b>	<b>\$ 1,867,389</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	5,328,020
Other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	10,607
Special assessments shown as deferred revenue in the funds	9,268
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(832,967)
Accrued interest is not due and payable in the current period and is not reported in the funds	(8,999)
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	(941,054)
Net postemployment benefit obligation does not present a claim on current financial resources and is not reported as fund liabilities	<u>(456,088)</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 4,976,176</u></b>

# Charter Township of Benton

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Year Ended December 31, 2011

	General Fund	Police Fund	Fire Fund	Debt Service Fund	Nonmajor Funds	Total
<b>Revenue</b>						
Property taxes	\$ 601,914	\$ 3,158,021	\$ 2,080,982	\$ -	\$ -	\$ 5,840,917
Licenses and permits	217,452	14,504	-	-	25,874	257,830
Federal grants	-	46,223	-	-	-	46,223
State-shared revenue and grants	1,240,863	4,522	-	-	-	1,245,385
Other charges for services	625,862	-	6,509	-	-	632,371
Other fines and forfeitures	-	36,760	-	-	-	36,760
Investment income	70,377	743	-	-	356	71,476
Other revenue	248,758	79,496	50,870	-	7,777	386,901
<b>Total revenue</b>	<b>3,005,226</b>	<b>3,340,269</b>	<b>2,138,361</b>	<b>-</b>	<b>34,007</b>	<b>8,517,863</b>
<b>Expenditures</b>						
General government	1,525,349	-	-	-	11,883	1,537,232
Public safety	403,216	3,352,556	1,969,125	-	-	5,724,897
Public works	648,485	-	-	-	60,000	708,485
Community and economic development	3,329	-	-	-	-	3,329
Recreation and culture	68,885	-	-	-	-	68,885
Debt service	-	-	-	148,352	-	148,352
<b>Total expenditures</b>	<b>2,649,264</b>	<b>3,352,556</b>	<b>1,969,125</b>	<b>148,352</b>	<b>71,883</b>	<b>8,191,180</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>355,962</b>	<b>(12,287)</b>	<b>169,236</b>	<b>(148,352)</b>	<b>(37,876)</b>	<b>326,683</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	50,800	33,700	269,457	50,000	403,957
Transfers out	(206,382)	-	(197,575)	-	-	(403,957)
<b>Net Change in Fund Balances</b>	<b>149,580</b>	<b>38,513</b>	<b>5,361</b>	<b>121,105</b>	<b>12,124</b>	<b>326,683</b>
<b>Fund Balances (Deficit) - Beginning of year</b>	<b>893,335</b>	<b>159,164</b>	<b>234,931</b>	<b>(94,408)</b>	<b>347,684</b>	<b>1,540,706</b>
<b>Fund Balances - End of year</b>	<b>\$ 1,042,915</b>	<b>\$ 197,677</b>	<b>\$ 240,292</b>	<b>\$ 26,697</b>	<b>\$ 359,808</b>	<b>\$ 1,867,389</b>



# Charter Township of Benton

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities Year Ended December 31, 2011

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 326,683
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	260,100
Depreciation expense	(296,786)
Net book value of assets disposed of	(134,582)
Special assessment revenue is recorded in the statement of activities when the assessment is set; it is not reported in the funds until collected or collectible within 60 days of year end	(14,434)
Interest on investments is recorded as income in the governmental funds when it is received; however, it is recognized within the statement of activities as it accrues	547
Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	85,739
Interest on long-term debt is recorded as an expenditure in the governmental funds when it is due; however, it is recognized within the statement of activities as it accrues	1,302
Changes in accumulated employee sick and vacation pay 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	57,250
Annual required postemployment benefit plan contributions not paid do not require the use of current resources and, therefore, are not reported in the fund statements until paid	(158,498)
<b>Change in Net Assets of Governmental Activities</b>	<u><u>\$ 127,321</u></u>

# Charter Township of Benton

## Proprietary Funds Statement of Net Assets December 31, 2011

	Enterprise Funds		
	Sanitary Sewage System Fund	Water System Fund	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 2,173,484	\$ 1,733,664	\$ 3,907,148
Receivables:			
Special assessments receivable - Due within one year	11,109	68,712	79,821
Other receivables	615,664	413,291	1,028,955
Due from other funds	44,009	-	44,009
Prepaid expenses	12,023	-	12,023
Total current assets	<u>2,856,289</u>	<u>2,215,667</u>	<u>5,071,956</u>
Noncurrent assets:			
Advances to other funds	-	782,913	782,913
Special assessment receivables - Greater than one year	82,636	368,162	450,798
Capital assets	6,153,638	26,515,754	32,669,392
Bond issuance costs	88,489	-	88,489
Long-term intergovernmental receivable	-	553,260	553,260
Restricted assets - Funds held by county	-	846,772	846,772
Total noncurrent assets	<u>6,324,763</u>	<u>29,066,861</u>	<u>35,391,624</u>
Total assets	<u>9,181,052</u>	<u>31,282,528</u>	<u>40,463,580</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	128,440	110,997	239,437
Due to other funds	27,417	44,009	71,426
Accrued liabilities and other	8,310	160,546	168,856
Deferred revenue	186,408	-	186,408
Compensated absences	3,870	3,109	6,979
Capital leases - < 1 yr.	-	730,000	730,000
Long-term debt	130,000	-	130,000
Total current liabilities	<u>484,445</u>	<u>1,048,661</u>	<u>1,533,106</u>
Noncurrent liabilities:			
Compensated absences	34,833	27,985	62,818
Capital lease	-	20,280,000	20,280,000
Long-term debt - Net of current portion	2,535,000	-	2,535,000
Total noncurrent liabilities	<u>2,569,833</u>	<u>20,307,985</u>	<u>22,877,818</u>
Total liabilities	<u>3,054,278</u>	<u>21,356,646</u>	<u>24,410,924</u>
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	3,488,638	6,352,526	9,841,164
Unrestricted	2,638,136	3,573,356	6,211,492
Total net assets	<u>\$ 6,126,774</u>	<u>\$ 9,925,882</u>	<u>\$ 16,052,656</u>

# Charter Township of Benton

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

	Enterprise Funds		Total
	Sanitary Sewage System Fund	Water System Fund	
<b>Operating Revenue</b>			
Sale of water	\$ -	\$ 2,905,176	\$ 2,905,176
Sewage disposal charges	2,200,993	-	2,200,993
Total operating revenue	2,200,993	2,905,176	5,106,169
<b>Operating Expenses</b>			
Cost of water	-	2,282,154	2,282,154
Cost of sewage treatment	1,920,113	-	1,920,113
Depreciation and amortization	194,854	561,315	756,169
Total operating expenses	2,114,967	2,843,469	4,958,436
<b>Operating Income</b>	86,026	61,707	147,733
<b>Nonoperating Revenue (Expenses)</b>			
Interest income	50,891	89,025	139,916
Interest expense	(147,924)	(187,382)	(335,306)
Total nonoperating expenses	(97,033)	(98,357)	(195,390)
<b>Loss - Before contributions</b>	(11,007)	(36,650)	(47,657)
<b>Capital Contributions</b>			
Capital grants	100,239	-	100,239
Other capital contributions	-	46,360	46,360
Total capital contributions	100,239	46,360	146,599
<b>Change in Net Assets</b>	89,232	9,710	98,942
<b>Net Assets - Beginning of year</b>	6,037,542	9,916,172	15,953,714
<b>Net Assets - End of year</b>	<u>\$ 6,126,774</u>	<u>\$ 9,925,882</u>	<u>\$ 16,052,656</u>

# Charter Township of Benton

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

	Enterprise Funds		
	Sanitary Sewage System Fund	Water System Fund	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 2,976,588	\$ 3,087,170	\$ 6,063,758
Payments to suppliers	(1,982,749)	(1,768,266)	(3,751,015)
Payments to employees	(316,866)	(612,491)	(929,357)
Net cash provided by operating activities	676,973	706,413	1,383,386
<b>Cash Flows from Noncapital Financing Activities - Transfers from other funds</b>	244,420	460,879	705,299
<b>Cash Flows from Capital and Related Financing Activities</b>			
Collection of customer assessments (principal and interest)	56,463	44,756	101,219
Purchase of capital assets	(505,016)	(391,611)	(896,627)
Principal and interest paid on capital debt	(272,924)	(749,528)	(1,022,452)
Proceeds from capital grants	100,239	-	100,239
Proceeds from contributed capital	-	46,360	46,360
Net cash used in capital and related financing activities	(621,238)	(1,050,023)	(1,671,261)
<b>Cash Flows from Investing Activities - Interest received on investments</b>	9,039	89,025	98,064
<b>Net Increase in Cash and Cash Equivalents</b>	309,194	206,294	515,488
<b>Cash and Cash Equivalents - Beginning of year</b>	1,864,290	1,527,370	3,391,660
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 2,173,484</u>	<u>\$ 1,733,664</u>	<u>\$ 3,907,148</u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>			
Operating income	\$ 86,026	\$ 61,707	\$ 147,733
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization	194,854	561,315	756,169
Changes in assets and liabilities:			
Receivables	589,187	181,994	771,181
Deferred revenue	186,408	-	186,408
Accounts payable	(377,295)	(149,582)	(526,877)
Accrued and other liabilities	(2,207)	50,979	48,772
Net cash provided by operating activities	<u>\$ 676,973</u>	<u>\$ 706,413</u>	<u>\$ 1,383,386</u>

**Noncash Transaction** - During the year, the Charter Township entered into a lease agreement to finance the water plant totaling \$1,475,000.

# Charter Township of Benton

## Fiduciary Funds Statement of Fiduciary Net Assets December 31, 2011

	Trust Fund - Pension and Other Employee Benefits	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 404,840
Investments:		
Certificates of deposit	225,000	-
U.S. government or agency securities	982,695	-
Common stock	5,709,345	-
Corporate bonds	4,132,847	-
Bank investment pool funds	3,496,238	-
Other assets	80,338	-
	<u>14,626,463</u>	<u>\$ 404,840</u>
<b>Liabilities - Due to other governmental units</b>	<u>-</u>	<u>\$ 404,840</u>
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>	<u>\$ 14,626,463</u>	

# Charter Township of Benton

## Fiduciary Funds

### Statement of Changes in Fiduciary Net Assets - Trust Fund Year Ended December 31, 2011

#### Additions

Investment income:	
Interest and dividends	\$ 406,498
Net change in fair value of investments	(195,567)
Contributions:	
Employer	805,493
Employee	160,886
Total contributions	<u>966,379</u>
Total additions	1,177,310

#### Deductions

Benefit payments	1,090,674
Administrative expenses	44,243
Total deductions	<u>1,134,917</u>

**Net Increase in Net Assets Held in Trust for Pension and Other Employee Benefits**

42,393

**Net Assets Held in Trust for Pension and Other Employee Benefits -  
Beginning of year**

14,584,070

**Net Assets Held in Trust for Pension and Other Employee Benefits -  
End of year**

\$ 14,626,463

# Charter Township of Benton

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## Notes to Financial Statements December 31, 2011

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

The accounting policies of the Charter Township of Benton, Michigan (the "Charter Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Benton, Michigan.

#### **Reporting Entity**

The Charter Township of Benton is governed by an elected seven-member board of trustees. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in the financial statements.

The Police and Fire Retirement System has been blended into the Charter Township's financial statements as the Pension Trust Fund. The system is governed by a five-member pension board that includes three individuals chosen by the Charter Township board. The system is reported as if it were part of the primary government because of the fiduciary responsibility that the Charter Township retains relative to the operations of the retirement system.

The Charter Township has excluded the Housing Commission from this report since the Charter Township is not able to impose its will on the Housing Commission. The Housing Commission was created by ordinance of the Charter Township of Benton, Michigan. The purpose is to provide safe, sanitary, and decent housing for qualifying senior and low-income families.

In August 2003, the Charter Township created a Brownfield Redevelopment Authority (the "Authority") to revitalize selected environmentally distressed areas within the Charter Township limits. The Authority had no assets as of December 31, 2011 and no activity for the year then ended.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

# Charter Township of Benton

## Notes to Financial Statements December 31, 2011

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

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.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter Township considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Charter Township's policy is to first apply restricted resources.



# Charter Township of Benton

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## Notes to Financial Statements December 31, 2011

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

The Charter Township reports the following major governmental funds:

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

**Police Fund** - The Police Fund accounts for the activities of the police protection department.

**Fire Fund** - The Fire Fund accounts for the activities of the fire protection department.

**Debt Service Fund** - The Debt Service Fund accounts for capital construction and subsequent debt service for major capital projects of the Charter Township.

The Charter Township reports the following major proprietary funds:

**Sanitary Sewage System Fund** - The Sanitary Sewage System Fund accounts for the activities of the sewage collection system.

**Water System Fund** - The Water System Fund accounts for the activities of the water distribution system.

Additionally, the Charter Township reports the following fiduciary fund types:

**Trust Funds** - The trust funds account for the activities of the Police and Fire Employees' Retirement System and Retiree Health Insurance Fund by accumulating resources for pension benefit payments and health insurance premium payments to qualified police and fire employees.

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

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

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

# Charter Township of Benton

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## Notes to Financial Statements December 31, 2011

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

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

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

#### **Property Tax Revenue**

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

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

The 2010 taxable valuation of the Charter Township totaled \$437 million, of which \$27 million is within the Renaissance Zone. In 2010, the property within the Renaissance Zone was only taxed at 50 percent of the millage levied. Taxes levied consisted of .9796 mills for general operating purposes and 7.42 mills and 4.92 mills for police and fire operations, respectively. This resulted in approximately \$402,000 in ad valorem property tax revenue and \$12,000 in Renaissance Zone property tax revenue for operating services and \$2.95 million and \$1.95 million in ad valorem property tax revenue and \$66,000 and \$42,000 in Renaissance Zone property tax revenue for police and fire services, respectively. These amounts are recognized in the respective General Fund and special revenue funds financial statements as tax revenue.

# Charter Township of Benton

## Notes to Financial Statements December 31, 2011

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

#### Assets, Liabilities, and Net Assets or Equity

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

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

**Restricted Assets** - Restricted assets include the remaining cost of the water plant construction financed through Berrien County bonds. The County holds title to the water plant and leases it to the Charter Township until the bonds are fully repaid, at which time the ownership of the asset will transfer to the Charter Township. See Note 7 for additional information regarding the capital lease.

**Capital Assets** - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Charter Township as assets with an initial individual cost of more than \$1,000 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.

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

Water and sewer treatment systems	10 to 50 years
Buildings and building improvements	15 to 50 years
Vehicles	5 to 7 years
Tools and equipment	5 to 7 years

# Charter Township of Benton

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## Notes to Financial Statements December 31, 2011

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

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

**Pension and Other Postemployment Benefit Costs** - The Charter Township offers both pension and retiree healthcare benefits to retirees. The Charter 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 Charter Township reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

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

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

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

# Charter Township of Benton

## Notes to Financial Statements December 31, 2011

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

- Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- Committed: Amounts that have been formally set aside by the Township board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Township board.
- Assigned: Intent to spend resources on specific purposes expressed by the Township board or by the comptroller, who is authorized by resolution and approved by the Township board, to make assignments
- Unassigned: Amounts that can be used for any purpose

When multiple components of fund balance are available for the same expenditure (for example, a project has both restricted and unrestricted funds available for it), spending will occur in this order: restricted, committed, assigned, and unassigned.

**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 - Stewardship, Compliance, and Accountability

**Construction Code Fees** - The Charter Township oversees building construction in accordance with the State's Construction Code Act, including inspection of building construction and renovation, to ensure compliance with the building codes. The Charter Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2011 is as follows:

Shortfall at January 1, 2011	\$ (1,972,785)
Current year permit revenue	168,058
Related expenses - Direct costs	<u>(234,737)</u>
Current year shortfall	<u>(66,679)</u>
Cumulative shortfall at December 31, 2011	<u>\$ (2,039,464)</u>

# Charter Township of Benton

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## Notes to Financial Statements December 31, 2011

### Note 3 - 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 local unit 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 Pension Trust Fund and Retiree Health Care Fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The Charter Township has designated five financial institutions for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments with the state statutory authority as listed above.

The Charter Township's deposits and investment policies are in accordance with statutory authority.

The Charter Township's cash and investments are subject to several 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 the failure of the counterparty, the Charter Township's deposits may not be returned to it. The Charter Township does not have a deposit policy for custodial credit risk. At year end, the Charter Township had approximately \$7,400,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Charter Township believes that due to the dollar amounts of cash deposits and the limits of FDIC/NCUA insurance, it is impractical to insure all deposits. As a result, the Charter 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 Benton

## Notes to Financial Statements December 31, 2011

### Note 3 - Deposits and Investments (Continued)

**Custodial Credit Risk of Investments** - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Charter Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Charter Township does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Charter Township's name.

Investment Type	Carrying Value	How Held
Mutual funds	\$ 2,782,193	Counterparty's trust department
Corporate bonds	4,132,847	Counterparty's trust department
Corporate stocks	5,709,345	Counterparty's trust department
U.S. government or agency bond or notes	982,695	Counterparty's trust department

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Charter Township's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity.

At year end, the Charter Township had the following investments:

Investment	Fair Value	Weighted Average Maturity (Years)
Mutual funds	\$ 2,782,193	0.89
Corporate bonds	4,132,847	3.81
U.S. government or agency bond or notes	982,695	3.14

# Charter Township of Benton

## Notes to Financial Statements December 31, 2011

### Note 3 - Deposits and Investments (Continued)

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Charter Township has no investment policy that would further limit its investment choices. 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
Corporate bonds	\$ 275,839	AA+	S&P
Corporate bonds	1,003,937	AA-	S&P
Corporate bonds	397,532	A+	S&P
Corporate bonds	973,833	A	S&P
Corporate bonds	262,695	A-	S&P
Corporate bonds	1,219,011	Not rated	FDIC insured

**Concentration of Credit Risk** - The Charter Township places no limit on the amount it may invest in any one issuer. No more than 5 percent of the Charter Township's investments are invested in any one issuer.

### Note 4 - Deferred Revenue

The Charter Township reports deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. The Charter Township also defers revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds		Enterprise Funds
	Unavailable	Unearned	
Property taxes	\$ -	\$ 5,388,376	\$ -
Special assessments	9,268	109,412	-
Utility billing	-	41,038	186,408
Administrative fees and other	-	190,917	-
Total	<u>\$ 9,268</u>	<u>\$ 5,729,743</u>	<u>\$ 186,408</u>



# Charter Township of Benton

## Notes to Financial Statements December 31, 2011

### Note 5 - Capital Assets

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

<b>Governmental Activities</b>	Balance January 1, 2011	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2011
Capital assets not being depreciated:					
Land	\$ 925,592	\$ -	\$ -	\$ (113,656)	\$ 811,936
Construction in progress	10,025	(10,025)	-	-	-
Subtotal	935,617	(10,025)	-	(113,656)	811,936
Capital assets being depreciated:					
Buildings and improvements	4,760,544	-	35,707	-	4,796,251
Vehicles	1,937,479	-	91,045	(44,933)	1,983,591
Land improvements	75,665	-	9,505	-	85,170
Tools and equipment	1,543,719	-	14,482	(324,678)	1,233,523
Office equipment	-	10,025	26,647	-	36,672
Cost of others' storm drains	31,414	-	82,714	-	114,128
Subtotal	8,348,821	10,025	260,100	(369,611)	8,249,335
Accumulated depreciation:					
Buildings and improvements	1,130,801	-	97,221	-	1,228,022
Vehicles	1,618,354	-	75,000	(35,683)	1,657,671
Land improvements	12,335	-	5,836	-	18,171
Tools and equipment	1,022,403	-	109,242	(313,002)	818,643
Office equipment	-	-	4,922	-	4,922
Cost of others' storm drains	1,257	-	4,565	-	5,822
Subtotal	3,785,150	-	296,786	(348,685)	3,733,251
Net capital assets being depreciated	4,563,671	10,025	(36,686)	(20,926)	4,516,084
Net capital assets	<u>\$ 5,499,288</u>	<u>\$ -</u>	<u>\$ (36,686)</u>	<u>\$ (134,582)</u>	<u>\$ 5,328,020</u>

# Charter Township of Benton

## Notes to Financial Statements December 31, 2011

### Note 5 - Capital Assets (Continued)

<b>Business-type Activities</b>	Balance January 1, 2011	Reclassifications	Additions	Balance December 31, 2011
Capital assets not being depreciated:				
Land	\$ 1,423,612	\$ -	\$ 4,000	\$ 1,427,612
Construction in progress	10,247,596	(10,247,596)	-	-
Subtotal	11,671,208	(10,247,596)	4,000	1,427,612
Capital assets being depreciated:				
Utility system	19,348,755	10,247,596	2,385,116	31,981,467
Buildings	133,443	-	8,641,990	8,775,433
Other tools and equipment	818,756	-	2,621,457	3,440,213
Vehicles	304,060	-	41,790	345,850
Subtotal	20,605,014	10,247,596	13,690,353	44,542,963
Accumulated depreciation:				
Utility system	12,244,360	-	565,610	12,809,970
Buildings	4,522	-	63,388	67,910
Other tools and equipment	192,019	-	87,041	279,060
Vehicles	110,433	-	33,810	144,243
Subtotal	12,551,334	-	749,849	13,301,183
Net capital assets being depreciated	8,053,680	10,247,596	12,940,504	31,241,780
Net capital assets	\$ 19,724,888	\$ -	\$ 12,944,504	\$ 32,669,392

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

Governmental activities:

General government	\$ 75,124
Public safety	214,936
Public works	4,353
Recreation and culture	2,373
Total governmental activities	<u>\$ 296,786</u>

Business-type activities:

Sanitary Sewage System Fund	\$ 188,534
Water System Fund	561,315
Total business-type activities	<u>\$ 749,849</u>

**Contingent Liabilities** - The Charter Township is currently in dispute over several construction invoices. The Charter Township does not anticipate incurring any additional costs related to dispute.

# Charter Township of Benton

## Notes to Financial Statements December 31, 2011

### Note 6 - 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>		
Debt Service Fund	General Fund	\$ 809,610
Capital Projects Fund	General Fund	200,619
General Fund	Sanitary Sewage System Fund	27,417
Sanitary Sewage System Fund	Water System Fund	44,009
Receivable Fund	Payable Fund	Amount
<b>Advances from/to Other Funds</b>		
Water System Fund	Debt Service Fund	<u>\$ 782,913</u>

The due to and from other fund 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.

The advance owing from the Debt Service Fund to the Water System Fund resulted from a loan made to pay off the outstanding balance on the municipal building and fire station 2 loans.

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

Receiving Fund	Paying Fund	Amount
Debt Service Fund	Fire Fund	\$ 197,575
Debt Service Fund	General Fund	71,882
Capital Projects Fund	General Fund	50,000
Police Fund	General Fund	50,800
Fire Fund	General Fund	<u>33,700</u>
	Total	<u>\$ 403,957</u>

The transfers from the Fire Fund and General Fund to the Debt Service Fund, Capital Projects Fund, Police Fund, and Fire Fund are to subsidize operating costs of each fund.

# Charter Township of Benton

## Notes to Financial Statements December 31, 2011

### Note 7 - Capital Lease

The Charter Township has entered into a lease agreement with the County of Berrien, Michigan (the "County") to finance the construction of water facilities to service the Charter Township (see Note 1). The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. No principal payments are due on the lease until May 2012. The future minimum lease obligations and the net present value are as follows:

<u>Years Ending December 31</u>	<u>Amount</u>
2012	\$ 1,516,025
2013	1,518,395
2014	1,528,265
2015	1,511,786
2016	1,521,113
2017-2021	7,673,935
2022-2026	7,677,146
2027-2031	<u>7,824,852</u>
Total minimum lease payments	30,771,517
Less amount representing interest	<u>(9,761,517)</u>
Present value	<u>\$ 21,010,000</u>

### Note 8 - Long-term Debt

The Charter 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 Charter Township. Municipal contractual agreements and leases are also general obligations of the government.

# Charter Township of Benton

## Notes to Financial Statements December 31, 2011

### Note 8 - Long-term Debt (Continued)

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>							
Fire station # 1 loan	4.49%	2019	\$ 918,706	\$ -	\$ (85,739)	\$ 832,967	\$ 92,053
Accumulated compensated absences			<u>998,304</u>	<u>-</u>	<u>(57,250)</u>	<u>941,054</u>	<u>344,586</u>
Total governmental activities			<u>\$ 1,917,010</u>	<u>\$ -</u>	<u>\$ (142,989)</u>	<u>\$ 1,774,021</u>	<u>\$ 436,639</u>
<b>Business-type Activities</b>							
General obligation bonds	5.0% - 5.5%	2025	<u>\$ 2,790,000</u>	<u>\$ -</u>	<u>\$ (125,000)</u>	<u>\$ 2,665,000</u>	<u>\$ 130,000</u>

Total interest expense for the year, including interest on the capital lease, was approximately \$942,000. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Year Ending December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 92,053	\$ 33,189	\$ 125,242	\$ 130,000	\$ 144,276	\$ 274,276
2013	98,076	27,166	125,242	140,000	137,778	277,778
2014	102,524	22,718	125,242	145,000	130,568	275,568
2015	107,174	18,068	125,242	155,000	123,028	278,028
2016	112,034	13,208	125,242	160,000	114,810	274,810
2017-2021	321,106	10,943	332,049	955,000	432,914	1,387,914
2022-2025	-	-	-	980,000	138,325	1,118,325
Total	<u>\$ 832,967</u>	<u>\$ 125,292</u>	<u>\$ 958,259</u>	<u>\$ 2,665,000</u>	<u>\$ 1,221,699</u>	<u>\$ 3,886,699</u>

### Note 9 - Risk Management

The Charter 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 Charter Township participates in the Michigan Municipal League (risk pool) for claims relating to workers' compensation and in the Michigan Townships Participating Plan for all other claims.

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.

# **Charter Township of Benton**

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**Notes to Financial Statements  
December 31, 2011**

## **Note 9 - Risk Management (Continued)**

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

# Charter Township of Benton

## Notes to Financial Statements December 31, 2011

### Note 10 - Other Postemployment Benefits

**Plan Description** - The Charter Township provides healthcare benefits at retirement to all employees who meet the minimum eligibility criteria set forth in their respective employment agreements. Upon retirement and attainment of eligibility, the police and fire labor contracts provide for a benefit not to exceed \$400 per month toward healthcare plan premiums while the Municipal employee handbook provides for a benefit not to exceed \$800 per month toward healthcare plan premiums. The retiree may elect to enroll in the Charter Township retirement healthcare plan and then must pay any premiums exceeding the monthly benefit. The retiree may also elect to obtain coverage outside of the Charter Township and receive reimbursement for the healthcare premium up to the earned benefit amount. The healthcare plan may include coverage of the spouse and eligible dependents. A surviving spouse is entitled to the earned benefit. Currently, 27 retirees or surviving spouses are eligible.

**Funding Policy** - Retiree healthcare costs are recognized when paid by the Charter Township on a "pay-as-you-go" basis. The Charter Township has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended December 31, 2011, the Charter Township made payments for postemployment health benefit premiums of \$115,167.

**Funding Progress** - For the year ended December 31, 2011, the Charter 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 costs 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)	\$ 261,761
Interest on the prior year's net OPEB obligation	<u>11,904</u>
Annual OPEB cost	273,665
Amounts contributed - Payments of current premiums	<u>(115,167)</u>
Increase in net OPEB obligation	158,498
OPEB obligation - Beginning of year	<u>297,590</u>
OPEB obligation - End of year	<u>\$ 456,088</u>

# Charter Township of Benton

## Notes to Financial Statements December 31, 2011

### Note 10 - Other Postemployment Benefits (Continued)

Employer contributions and annual OPEB cost data for the current and two preceding years were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage of ARC Contributed	Net OPEB Obligation
12/31/11	12/31/10	\$ 261,761	44.0	\$ 456,088
12/31/10	12/31/07	211,578	51.2	297,590
12/31/09	12/31/07	203,440	60.6	174,916

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)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/10	\$ 718,223	\$ 4,030,218	\$ 3,311,995	17.8	\$ -	-
12/31/07	751,248	2,889,841	2,138,593	26.0	-	-

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.



# Charter Township of Benton

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## Notes to Financial Statements December 31, 2011

### Note 10 - Other Postemployment Benefits (Continued)

In the December 31, 2010 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The mortality rates were determined using the 1971 Group Annuity Mortality Table set back five years for women (police and fire employees) and the 1994 Group Annuity Mortality Tables blended 50 percent male and 50 percent female (other municipal employees). The actuarial value of assets is equal to the reported market value of the assets. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010 was 30 years.

### Note 11 - Pension Plan

**Plan Description** - The Police and Fire Pension Plan is a single-employer defined benefit pension plan that is administered by the Charter Township of Benton Police and Fire Employees' Retirement System; this plan covers all full-time police and fire employees of the Charter Township. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2010, the date of the most recent actuarial valuation, membership consisted of 42 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 41 current active employees. The plan does not issue a separate financial report.

**Contributions** - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Charter Township's competitive bargaining units and requires a contribution from the employees of 6.5 percent. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

# Charter Township of Benton

## Notes to Financial Statements December 31, 2011

### Note 11 - Pension Plan (Continued)

**Annual Pension Cost** - For the year ended December 31, 2011, the Charter Township's annual pension cost of \$690,326 for the plan was equal to the Charter Township's required and actual contribution. The pension cost for the three most recent years is as follows:

	Fiscal Year Ended December 31		
	2011	2010	2009
Annual pension cost (APC)	\$ 690,326	\$ 690,524	\$ 584,344
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	-	-	-

**Funded Status and Funding Progress** - The funding status for the three most recent years is as follows:

	Actuarial Valuation as of December 31		
	2010	2009	2008
Actuarial value of assets	\$ 14,757,586	\$ 14,329,369	\$ 14,049,158
Actuarial accrued liability (AAL)	\$ 19,781,849	\$ 18,929,918	\$ 18,443,475
Unfunded AAL (UAAL)	\$ 5,024,263	\$ 4,600,549	\$ 4,394,317
Funded ratio	74.6 %	75.7 %	76.2 %
Covered payroll	\$ 2,484,037	\$ 2,461,434	\$ 2,407,082
UAAL as a percentage of covered payroll	202.3 %	186.9 %	182.6 %

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Actuarial Methods and Assumptions** - The annual required contribution was determined as part of an actuarial valuation at December 31, 2010 using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.00 investment rate of return, (b) projected salary increases of 4.00 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4.00 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2010 was 24 years.

# Charter Township of Benton

## Notes to Financial Statements December 31, 2011

### Note 11 - Pension Plan (Continued)

**Reserves** - As of December 31, 2011, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 2,654,669
Reserve for retired benefit payments	11,249,617

### Note 12 - Defined Contribution Pension Plan

The Charter Township provides pension benefits to all of its full-time employees (except for police and fire) through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment (or other date). As established by the Charter Township of Benton's board, the Charter Township contributes 10 percent of employees' gross earnings and employees contribute 5 percent in mandatory contributions. The employees may also elect to contribute additional voluntary contributions. In accordance with these requirements, the Charter Township contributed approximately \$159,750 during the current year and employees contributed approximately \$82,300.

### Note 13 - Sale of Delinquent Property Taxes

The Charter Township annually sells its delinquent real property taxes to the County, which then becomes responsible for collecting the taxes and taking uncollected tax parcels through the tax reversion process. The County purchases these taxes at 100 percent of face value and in return, the County is allowed to retain all interest and penalties it collects. The estimated present value of the future delinquent collections to the Charter Township is less than the face value that has been received because of the time value of money; however, the net present value to the County is greater than this amount because of the statutory provision that allows the County to retain all penalties and interest. As of December 31, 2011, the Charter Township has no accrual for this sale. At the end of the tax reversion process (approximately three years), the County charges the Charter Township back for any uncollected taxes. Historically, this amount has not been significant.

# Charter Township of Benton

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## Notes to Financial Statements December 31, 2011

### Note 14 - Upcoming Accounting Pronouncements

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses financial reporting related to service concession arrangements which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (whether a government or nongovernment) in which the transferor conveys to an operator the right and relation obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and the operator collects and is compensated by fees from third parties. The Charter Township is currently evaluating the impact this standard will have on the financial statements when adopted during the Charter Township's 2012 fiscal year.

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

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the Charter Township's (2012 calendar year or 2012-2013 fiscal year). The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the Charter Township as of December 31, 2013.

## **Required Supplemental Information**

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# Charter Township of Benton

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

	Original Budget	Actual	Variance
<b>Revenue</b>			
Property taxes	\$ 598,500	\$ 601,914	\$ 3,414
Licenses and permits	117,600	217,452	99,852
State-shared revenue and grants	1,213,500	1,240,863	27,363
Charges for services	632,000	625,862	(6,138)
Investment income	75,000	70,377	(4,623)
Other revenue	229,250	248,758	19,508
Total revenue	2,865,850	3,005,226	139,376
<b>Expenditures</b>			
General government:			
Township board	636,555	535,206	101,349
Supervisor	65,100	63,486	1,614
Treasurer	162,275	137,417	24,858
Assessing	304,550	312,227	(7,677)
Board of review	4,170	2,660	1,510
Clerk	341,300	315,044	26,256
Elections	39,550	25,138	14,412
Buildings and grounds	122,450	134,171	(11,721)
Public safety:			
Building department	312,550	302,887	9,663
Ordinance officer	105,075	100,329	4,746
Public works:			
Other street costs	50,250	17,959	32,291
Trash and rubbish	453,850	449,124	4,726
Street lighting	129,000	131,730	(2,730)
Garage	67,650	49,672	17,978
Community and economic development:			
Redevelopment and housing	8,000	-	8,000
Planning	7,300	3,098	4,202
Zoning	3,250	231	3,019
Recreation and culture - Parks and recreation	81,025	68,885	12,140
Total expenditures	2,893,900	2,649,264	244,636
<b>Excess of Revenue (Under) Over Expenditures</b>	(28,050)	355,962	384,012
<b>Other Financing Uses - Transfers out</b>	(71,950)	(206,382)	(134,432)
<b>Net Change in Fund Balance</b>	(100,000)	149,580	249,580
<b>Fund Balance - Beginning of year</b>	893,335	893,335	-
<b>Fund Balance - End of year</b>	<u>\$ 793,335</u>	<u>\$ 1,042,915</u>	<u>\$ 249,580</u>

# Charter Township of Benton

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

	Original Budget	Actual	Variance
<b>Revenue</b>			
Property taxes	\$ 3,148,900	\$ 3,158,021	\$ 9,121
Licenses and permits	14,000	14,504	504
Federal grants	-	46,223	46,223
State-shared revenue and grants	3,000	4,522	1,522
Fines and forfeitures	18,600	36,760	18,160
Investment income	950	743	(207)
Other revenue	45,000	79,496	34,496
Total revenue	3,230,450	3,340,269	109,819
<b>Expenditures - Public safety</b>	3,304,200	3,352,556	(48,356)
<b>Excess of Revenue (Under) Over Expenditures</b>	(73,750)	(12,287)	61,463
<b>Other Financing Sources</b>			
Proceeds from sale of capital assets	5,000	-	(5,000)
Transfers in	64,750	50,800	(13,950)
Total other financing sources	69,750	50,800	(18,950)
<b>Net Change in Fund Balance</b>	(4,000)	38,513	42,513
<b>Fund Balance - Beginning of year</b>	159,164	159,164	-
<b>Fund Balance - End of year</b>	<b>\$ 155,164</b>	<b>\$ 197,677</b>	<b>\$ 42,513</b>

# Charter Township of Benton

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

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenue</b>			
Property taxes	\$ 2,072,900	\$ 2,080,982	\$ 8,082
Charges for services	9,000	6,509	(2,491)
Other revenue	<u>20,000</u>	<u>50,870</u>	<u>30,870</u>
Total revenue	2,101,900	2,138,361	36,461
<b>Expenditures - Public safety</b>	<u>2,066,675</u>	<u>1,969,125</u>	<u>97,550</u>
<b>Excess of Revenue Over Expenditures</b>	35,225	169,236	134,011
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of capital assets	500	-	(500)
Transfers in	-	33,700	33,700
Transfers out	<u>(125,225)</u>	<u>(197,575)</u>	<u>(72,350)</u>
Total other financing uses	<u>(124,725)</u>	<u>(163,875)</u>	<u>(39,150)</u>
<b>Net Change in Fund Balance</b>	(89,500)	5,361	94,861
<b>Fund Balance - Beginning of year</b>	<u>234,931</u>	<u>234,931</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 145,431</u></u>	<u><u>\$ 240,292</u></u>	<u><u>\$ 94,861</u></u>



# Charter Township of Benton

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## Note to Required Supplemental Information Year Ended December 31, 2011

### Note - Budgetary Information

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds. The budgets are prepared by the Charter Township comptroller and approved by the Charter Township's board prior to the start of the fiscal year. The budget was not amended during the year.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the Charter Township incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>
Fire Fund - Transfers out	\$ 125,225	\$ 197,575
General Fund - Transfers out	71,950	206,382

# Charter Township of Benton

## Required Supplemental Information Police and Fire Pension System Schedule of Funding Progress Year Ended December 31, 2011

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
12/31/03	\$ 14,561,567	\$ 13,288,345	\$ (1,273,222)	109.6	\$ 2,288,623	(55.6)
12/31/04	14,057,892	14,691,688	633,796	95.7	2,437,753	26.0
12/31/05	13,784,029	16,222,657	2,438,628	85.0	2,248,702	108.4
12/31/06	13,979,840	17,281,070	3,301,230	80.9	2,307,557	143.1
12/31/07	14,713,312	17,531,081	2,817,769	83.9	2,287,276	123.2
12/31/08	14,049,158	18,443,475	4,394,317	76.2	2,407,082	182.6
12/31/09	14,329,369	18,929,918	4,600,549	75.7	2,461,434	186.9
12/31/10	14,757,586	19,781,849	5,024,263	74.6	2,484,037	202.3

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
12/31/04	12/31/03	\$ -	100.0
12/31/05	12/31/04	193,359	100.0
12/31/06	12/31/05	416,676	100.0
12/31/07	12/31/06	546,157	100.0
12/31/08	12/31/07	609,511	100.0
12/31/09	12/31/08	584,344	100.0
12/31/10	12/31/09	690,524	100.0
12/31/11	12/31/10	690,326	100.0

\* The required contribution is expressed to the Charter 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, 2010, the latest actuarial valuation, follows:

Amortization cost method	Entry age
Amortization method	Level percent
Amortization period (perpetual)	30 years
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases	4.0%
*Includes inflation at	4.0%
Cost of living adjustments	None

## **Other Supplemental Information**

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# Charter Township of Benton

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds December 31, 2011

	Special Revenue Funds			Total
	Rental Ordinance Fund	Community Development Fund	Capital Projects Fund	Nonmajor Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 53,576	\$ 96,739	\$ -	\$ 150,315
Receivables	-	8,874	-	8,874
Due from other funds	-	-	200,619	200,619
	<b>\$ 53,576</b>	<b>\$ 105,613</b>	<b>\$ 200,619</b>	<b>\$ 359,808</b>
<b>Fund Balances</b>				
Restricted	\$ 53,576	\$ 105,613	\$ -	\$ 159,189
Assigned	-	-	200,619	200,619
	<b>\$ 53,576</b>	<b>\$ 105,613</b>	<b>\$ 200,619</b>	<b>\$ 359,808</b>
Total fund balances	<b>\$ 53,576</b>	<b>\$ 105,613</b>	<b>\$ 200,619</b>	<b>\$ 359,808</b>

# Charter Township of Benton

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

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Rental Ordinance Fund	Community Development Fund	Capital Projects Fund	
<b>Revenue</b>				
Licenses and permits	\$ 25,874	\$ -	\$ -	\$ 25,874
Investment income	-	356	-	356
Other revenue	-	7,777	-	7,777
Total revenue	25,874	8,133	-	34,007
<b>Expenditures</b>				
General government	11,883	-	-	11,883
Public works	-	-	60,000	60,000
Total expenditures	11,883	-	60,000	71,883
<b>Excess of Revenue Over (Under) Expenditures</b>	13,991	8,133	(60,000)	(37,876)
<b>Other Financing Sources -</b>				
Transfers in	-	-	50,000	50,000
<b>Net Change in Fund Balances</b>	13,991	8,133	(10,000)	12,124
<b>Fund Balances - Beginning of year</b>	39,585	97,480	210,619	347,684
<b>Fund Balances - End of year</b>	\$ 53,576	\$ 105,613	\$ 200,619	\$ 359,808

# Charter Township of Benton

## Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds December 31, 2011

	Pension Trust Funds			Agency Funds		
	Pension Trust Fund	Retiree Health Insurance Fund	Total Pension Trust Funds	Current Tax Collections Fund	Delinquent Tax Fund	Total Agency Funds
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 206,519	\$ 198,321	\$ 404,840
Investments	13,823,948	722,177	14,546,125	-	-	-
Prepaid expenses and other current assets	80,338	-	80,338	-	-	-
Total assets	13,904,286	722,177	14,626,463	<u>\$ 206,519</u>	<u>\$ 198,321</u>	<u>\$ 404,840</u>
<b>Liabilities</b> - Due to other governmental units	-	-	-	<u>\$ 206,519</u>	<u>\$ 198,321</u>	<u>\$ 404,840</u>
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<u>\$ 13,904,286</u>	<u>\$ 722,177</u>	<u>\$ 14,626,463</u>			

# Charter Township of Benton

## Other Supplemental Information Combining Statement of Changes in Fiduciary Net Asset Trust Funds Year Ended December 31, 2011

	Pension Trust Fund	Retiree Health Insurance Fund	Total
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 387,561	\$ 18,937	\$ 406,498
Net change in fair value of investments	(182,781)	(12,786)	(195,567)
Contributions:			
Employer	690,326	115,167	805,493
Employee	160,886	-	160,886
Total contributions	851,212	115,167	966,379
Total additions	1,055,992	121,318	1,177,310
<b>Deductions</b>			
Benefit payments	975,508	115,166	1,090,674
Administrative expenses	42,045	2,198	44,243
Total deductions	1,017,553	117,364	1,134,917
<b>Net Increase in Net Assets Held in Trust</b>	38,439	3,954	42,393
<b>Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	13,865,847	718,223	14,584,070
<b>Net Assets Held in Trust for Pension and Other Employee Benefits - End of year</b>	<b>\$ 13,904,286</b>	<b>\$ 722,177</b>	<b>\$ 14,626,463</b>