

Charter Township of Benton, Michigan

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

Charter Township of Benton

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9-10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of the Balance Sheet to the Statement of Net Position	12
Statement of Revenue, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Proprietary Funds:	
Statement of Net Position	15
Statement of Revenue, Expenses, and Changes in Net Position	16
Statement of Cash Flows	17
Fiduciary Funds:	
Statement of Fiduciary Net Position	18
Statement of Changes in Fiduciary Net Position - Trust Fund	19
Notes to Financial Statements	20-42
Required Supplemental Information	43
Budgetary Comparison Schedule - General Fund	44
Budgetary Comparison Schedule - Major Special Revenue Funds - Police Fund	45
Budgetary Comparison Schedule - Major Special Revenue Funds - Fire Fund	46
Note to Required Supplemental Information	47
Police and Fire Pension System Schedule of Funding Progress	48
OPEB System Schedule	49

Charter Township of Benton

Contents (Continued)

Other Supplemental Information	50
Nonmajor Governmental Funds:	
Combining Balance Sheet	51
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	52
Fiduciary Funds:	
Combining Statement of Net Position - Fiduciary Funds	53
Combining Statement of Changes in Fiduciary Net Position - Trust Funds	54

Independent Auditor's Report

To the Members of the Township Board
Charter Township of Benton

Report on the Basic Financial Statements

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 (the "Charter Township"), as of and for the year ended December 31, 2013 and the related notes to the financial statements, which collectively comprise the Charter Township of Benton's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these basic 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 basic financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the basic 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 as of December 31, 2013, and the respective changes in its financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Members of the Township Board
Charter Township of Benton

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, in 2013, the entity adopted new accounting guidance GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of January 1, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension system schedules of funding progress, and the major fund budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Benton's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

May 21, 2014

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, 2013. 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, 2013:

- The Charter Township implemented the following cost-cutting initiatives which resulted in over \$550,000 in savings in 2013.
 - In January 2013, the Charter Township rehired the police and fire chiefs, who retired in December 2012, as contractual employees with reduced salary and benefits.
 - Due to financial constraints, the Charter Township did not fill the police detective lieutenant position which was vacated by a retirement in December 2012.
 - The Charter Township did not fill the comptroller position but reallocated the roles and responsibilities between the Township superintendent and a contracted accountant.
 - Effective January 2013, the Charter Township reduced the municipal employees' sick days from 12 to 6 days per year.
 - In February 2013, the Charter Township merged the Building and Assessing Departments, eliminating one administrative assistant II position which was vacated in January 2013.
 - In February 2013, the Charter Township renegotiated the Police Command Labor Agreement to include yearly increases in the employees' contributions to their pension and health insurance plans while also changing the health insurance plan to include a higher deductible of \$3,000/\$6,000 for single and family plans, respectively.
 - The Charter Township did not fill the fire lieutenant position which was vacated by retirement.
- The Charter Township's General Fund transferred \$290,000 to the Police Fund to avoid a deficit situation in the Police Fund.
- In 2013, the Charter Township adopted a policy to no longer provide Retiree Health Insurance Cost Reimbursement to municipal employees hired after January 1, 2013. The Charter Township has also assigned \$550,000 of the General Fund balance to be used to offset future retirees' health insurance costs.

Charter Township of Benton

Management's Discussion and Analysis (Continued)

- A Memorandum of Understanding was reached with the police patrol unit to allow three full-time patrol positions to be filled with part-time employees and well as allowing the hiring of part-time clerical staff which will provide costs saving as part-time employees do not receive benefits.
- 2013 General, Police, and Fire Fund tax revenue decreased, in total, by nearly \$175,000 from 2012.
- A Special Assessment Business Patrol District was established in 2013 allowing for the collection of approximately \$194,000.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the 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 position compared to the prior two years:

Summary Condensed Statement of Net Position

	Governmental Activities			Business-type Activities			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Assets									
Current assets	\$ 8,897,462	\$ 8,112,486	\$ 8,191,339	\$ 7,662,133	\$ 6,903,895	\$ 6,234,241	\$ 16,559,595	\$ 15,016,381	\$ 14,425,580
Noncurrent assets	27,150	-	-	-	936,094	1,488,521	27,150	936,094	1,488,521
Capital assets:									
Assets not subject to depreciation	813,614	835,233	811,936	1,479,415	1,442,664	1,427,612	2,293,029	2,277,897	2,239,548
Assets subject to depreciation	4,488,798	4,579,050	4,516,084	29,819,079	30,616,150	31,241,780	34,307,877	35,195,200	35,757,864
Total assets	14,227,024	13,526,769	13,519,359	38,960,627	39,898,803	40,392,154	53,187,651	53,425,572	53,911,513
Liabilities									
Current liabilities	1,072,714	974,525	1,061,008	1,752,025	1,606,537	1,461,680	2,824,739	2,581,062	2,522,688
Long-term liabilities	1,459,390	1,568,213	1,793,470	21,127,913	22,179,611	22,877,818	22,587,303	23,747,824	24,671,288
Total liabilities	2,532,104	2,542,738	2,854,478	22,879,938	23,786,148	24,339,498	25,412,042	26,328,886	27,193,976
Deferred Inflows of Resources	5,701,280	5,436,677	5,688,705	-	-	-	5,701,280	5,436,677	5,688,705
Net Position									
Net investment in capital assets	4,770,366	4,784,331	4,495,053	9,187,271	9,627,481	9,841,164	13,957,637	14,411,812	14,336,217
Restricted	440,642	287,061	159,189	-	-	-	440,642	287,061	159,189
Unrestricted	782,632	475,962	321,934	6,893,418	6,485,174	6,211,492	7,676,050	6,961,136	6,533,426
Total net position	\$ 5,993,640	\$ 5,547,354	\$ 4,976,176	\$ 16,080,689	\$ 16,112,655	\$ 16,052,656	\$ 22,074,329	\$ 21,660,009	\$ 21,028,832

The total financial position of the governmental and business-type activities has increased during the year. The governmental activities net position increased \$446,286, or approximately 8.0 percent, over the prior year, while business-type activities decreased \$31,966, or approximately 0.2 percent, over the prior year. The Charter Township of Benton's board of trustees has maintained the net position 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 position compared to the prior two years:

Summary Condensed Statement of Activities

	Governmental Activities			Business-type Activities			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Revenue									
Program revenue:									
Charges for services	\$ 1,011,796	\$ 1,043,907	\$ 928,383	\$ 5,157,133	\$ 5,181,828	\$ 5,106,169	\$ 6,168,929	\$ 6,225,735	\$ 6,034,552
Operating grants and contributions	28,460	31,691	68,864	-	-	-	28,460	31,691	68,864
Capital grants and contributions	-	-	-	45,135	35,861	146,599	45,135	35,861	146,599
General revenue:									
Property taxes	5,549,065	5,870,395	5,840,917	-	-	-	5,549,065	5,870,395	5,840,917
State-shared revenue	1,257,427	1,430,417	1,227,744	-	-	-	1,257,427	1,430,417	1,227,744
Investment income	4,795	62,121	72,023	99,739	133,551	139,916	104,534	195,672	211,939
Cable franchise fees	119,133	114,980	109,787	-	-	-	119,133	114,980	109,787
Other miscellaneous income	301,977	278,324	256,258	-	-	-	301,977	278,324	256,258
Sale of fixed assets	-	200	-	-	-	-	-	200	-
Total revenue	8,272,653	8,832,035	8,503,976	5,302,007	5,351,240	5,392,684	13,574,660	14,183,275	13,896,660
Program Expenses									
General government	1,464,659	1,494,667	1,699,513	-	-	-	1,464,659	1,494,667	1,699,513
Public safety	5,584,537	5,851,415	5,856,601	-	-	-	5,584,537	5,851,415	5,856,601
Public works	644,606	796,928	712,838	-	-	-	644,606	796,928	712,838
Community and economic development	23,187	7,274	3,329	-	-	-	23,187	7,274	3,329
Recreation and culture	71,226	64,476	41,761	-	-	-	71,226	64,476	41,761
Interest on long-term debt	38,152	46,097	62,613	-	-	-	38,152	46,097	62,613
Water and sewer	-	-	-	5,333,973	5,291,241	5,293,742	5,333,973	5,291,241	5,293,742
Total program expenses	7,826,367	8,260,857	8,376,655	5,333,973	5,291,241	5,293,742	13,160,340	13,552,098	13,670,397
Transfers	-	-	-	-	-	-	-	-	-
Change in Net Position	\$ 446,286	\$ 571,178	\$ 127,321	\$ (31,966)	\$ 59,999	\$ 98,942	\$ 414,320	\$ 631,177	\$ 226,263

During the past fiscal year, governmental activities expenses decreased \$434,490, or approximately 5.3 percent. Business-type activities expenses increased \$42,732, or approximately 0.8 percent.

Charter Township of Benton

Management's Discussion and Analysis (Continued)

Budget Overruns

The General Fund had a budget overrun of approximately \$223,000 in transfers out. This was mainly due to an additional transfer to the Capital Projects Fund for the future purchase of computer and voting equipment.

The Charter Township's Funds

The General Fund had an increase in fund balance of \$118,449. The Police Fund had an increase in fund balance of \$815 and the Fire Fund had an increase in fund balance of \$96,650.

The Debt Service Fund had an increase of \$16,634. The Debt Service Fund received transfers totaling \$152,692, which resulted in fund balance of \$27,558.

Of the enterprise funds, the Sanitary Sewage System Fund had a slight increase in net position of \$19,997 and the Water System Fund had a decrease in net position of \$51,963.

Long-term Debt and Capital Assets

The Charter Township purchased approximately \$185,000 of governmental-type fixed assets, and \$500,000 of business-type fixed assets, which includes \$41,000 of construction in progress, in the current year.

The Future

The steady decline in property tax revenues since 2010 combined with the uncertainty of the State of Michigan's proposal to eliminate personal property tax will challenge the Charter Township's ability to maintain the same level of police and fire service that is currently provided. Large expenditure cuts will continue to be necessary in order to prevent major cutbacks in the services offered to the residents of the Charter Township. New accounting standards will soon require recognition of the unfunded pension and retiree healthcare benefit obligations as a liability in the financial statements.

In the summer of 2014, the Charter Township intends to issue Sewer Replacement Bonds which will allow the Township to begin replacing worn out sewer lines. The Township will borrow these funds while the interest rates remain at historical lows, thereby reducing the total project costs which will help avoid large sewer rate increases.

The 2013 audit report is on file with the Charter Township'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 Position December 31, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 4,642,581	\$ 5,748,707	\$ 10,391,288
Receivables:			
Property taxes receivable	4,212,108	-	4,212,108
Other receivables - Net	110,869	992,865	1,103,734
Due from other governmental units	260,673	-	260,673
Special assessments receivable	158,276	357,854	516,130
Internal balances	(550,734)	550,734	-
Prepaid expenses	63,689	11,973	75,662
Land held for resale	27,150	-	27,150
Capital assets:			
Assets not subject to depreciation (Note 4)	813,614	1,479,415	2,293,029
Assets subject to depreciation (Note 4)	4,488,798	29,819,079	34,307,877
Total assets	<u>14,227,024</u>	<u>38,960,627</u>	<u>53,187,651</u>
Liabilities			
Accounts payable	211,876	270,243	482,119
Due to other governmental units	27,401	-	27,401
Accrued liabilities and other	423,380	212,497	635,877
Unearned revenue	39,776	208,674	248,450
Noncurrent liabilities:			
Due within one year:			
Compensated absences - < 1 yr (Note 7)	267,756	7,730	275,486
Capital leases - < 1 yr (Note 6)	-	780,000	780,000
Current portion of long-term debt (Note 7)	102,525	272,881	375,406
Due in more than one year:			
Compensated absences - > 1 yr (Note 7)	421,920	69,571	491,491
Capital leases - > 1 yr (Note 6)	-	18,745,000	18,745,000
Net OPEB obligation - > 1 yr (Note 9)	607,949	-	607,949
Long-term debt (Note 7)	429,521	2,313,342	2,742,863
Total liabilities	<u>2,532,104</u>	<u>22,879,938</u>	<u>25,412,042</u>
Deferred Inflows of Resources (Note 12)	5,701,280	-	5,701,280
Net Position			
Net investment in capital assets	4,770,366	9,187,271	13,957,637
Restricted for:			
Community development	81,554	-	81,554
Rental ordinance	100,701	-	100,701
Fire	258,387	-	258,387
Unrestricted	782,632	6,893,418	7,676,050
Total net position	<u>\$ 5,993,640</u>	<u>\$ 16,080,689</u>	<u>\$ 22,074,329</u>

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	\$ 1,464,659	\$ 103,064	\$ 10,000	\$ -
Public safety	5,584,537	288,065	4,482	-
Public works	644,606	620,667	13,978	-
Community and economic development	23,187	-	-	-
Recreation and culture	71,226	-	-	-
Interest on long-term debt	38,152	-	-	-
Total governmental activities	7,826,367	1,011,796	28,460	-
Business-type activities:				
Sanitary sewage system	2,303,189	2,279,923	-	-
Water system	3,030,784	2,877,210	-	45,135
Total business-type activities	5,333,973	5,157,133	-	45,135
Total primary government	<u>\$ 13,160,340</u>	<u>\$ 6,168,929</u>	<u>\$ 28,460</u>	<u>\$ 45,135</u>
General revenues:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Total general revenues				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

Statement of Activities
Year Ended December 31, 2013

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,351,595)	\$ -	\$ (1,351,595)
(5,291,990)	-	(5,291,990)
(9,961)	-	(9,961)
(23,187)	-	(23,187)
(71,226)	-	(71,226)
<u>(38,152)</u>	<u>-</u>	<u>(38,152)</u>
(6,786,111)	-	(6,786,111)
-	(23,266)	(23,266)
<u>-</u>	<u>(108,439)</u>	<u>(108,439)</u>
-	(131,705)	(131,705)
<u>(6,786,111)</u>	<u>(131,705)</u>	<u>(6,917,816)</u>
5,549,065	-	5,549,065
1,257,427	-	1,257,427
4,795	99,739	104,534
119,133	-	119,133
301,977	-	301,977
<u>7,232,397</u>	<u>99,739</u>	<u>7,332,136</u>
446,286	(31,966)	414,320
<u>5,547,354</u>	<u>16,112,655</u>	<u>21,660,009</u>
<u>\$ 5,993,640</u>	<u>\$ 16,080,689</u>	<u>\$ 22,074,329</u>

Charter Township of Benton

Governmental Funds Balance Sheet December 31, 2013

	General Fund	Police Fund	Fire Fund	Debt Service Fund	Nonmajor Funds	Total
Assets						
Cash and cash equivalents (Note 3)	\$ 2,260,320	\$ 1,088,748	\$ 1,104,913	\$ -	\$ 188,600	\$ 4,642,581
Receivables:						
Property taxes receivable	433,877	2,346,103	1,432,128	-	-	4,212,108
Special assessments receivable	158,276	-	-	-	-	158,276
Other receivables	110,869	-	-	-	-	110,869
Due from other governmental units	260,673	-	-	-	-	260,673
Due from other funds (Note 5)	-	-	-	578,292	301,048	879,340
Prepaid expenses	22,642	19,088	21,959	-	-	63,689
Land held for resale	27,150	-	-	-	-	27,150
Total assets	\$ 3,273,807	\$ 3,453,939	\$ 2,559,000	\$ 578,292	\$ 489,648	\$ 10,354,686
Liabilities						
Accounts payable	\$ 118,477	\$ 61,744	\$ 31,655	\$ -	\$ -	\$ 211,876
Due to other governmental units	2,403	15,031	9,967	-	-	27,401
Due to other funds (Note 5)	844,340	-	35,000	-	-	879,340
Advances from other funds (Note 5)	-	-	-	550,734	-	550,734
Accrued liabilities and other	125,199	181,716	104,156	-	6,345	417,416
Unearned revenue	39,776	-	-	-	-	39,776
Total liabilities	1,130,195	258,491	180,778	550,734	6,345	2,126,543
Deferred Inflows of Resources (Note 12)	770,149	3,098,250	1,914,543	-	-	5,782,942
Fund Balances						
Nonspendable:						
Assets held for resale	27,150	-	-	-	-	27,150
Prepays	22,642	19,088	21,959	-	-	63,689
Restricted:						
Community Development	-	-	-	-	81,554	81,554
Fire	-	-	223,387	-	35,000	258,387
Rental Ordinance	-	-	-	-	100,701	100,701
Assigned:						
Police	-	78,110	-	-	-	78,110
Fire	-	-	218,333	-	-	218,333
Debt Service	-	-	-	27,558	-	27,558
Capital Improvements	-	-	-	-	266,048	266,048
Retiree Health Obligations	550,000	-	-	-	-	550,000
Unassigned - General Fund	773,671	-	-	-	-	773,671
Total fund balances	1,373,463	97,198	463,679	27,558	483,303	2,445,201
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,273,807	\$ 3,453,939	\$ 2,559,000	\$ 578,292	\$ 489,648	\$ 10,354,686

Charter Township of Benton

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

Fund Balance Reported in Governmental Funds	\$ 2,445,201
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	5,302,412
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	81,662
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(532,046)
Accrued interest is not due and payable in the current period and is not reported in the funds	(5,964)
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	(689,676)
Net postemployment benefit obligations do not present a claim on current financial resources and are not reported as fund liabilities	<u>(607,949)</u>
Net Position of Governmental Activities	<u>\$ 5,993,640</u>

Charter Township of Benton

Governmental Funds

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

	General Fund	Police Fund	Fire Fund	Debt Service Fund	Nonmajor Funds	Total
Revenue						
Property taxes	\$ 574,826	\$ 2,999,003	\$ 1,975,236	\$ -	\$ -	\$ 5,549,065
Licenses and permits	284,721	14,953	-	-	73,427	373,101
State-shared revenue and grants	1,271,405	4,482	-	-	-	1,275,887
Charges for services	620,667	-	-	-	-	620,667
Fines and forfeitures	-	18,028	-	-	-	18,028
Investment income	4,508	287	-	-	-	4,795
Other revenue	309,663	64,201	67,027	-	86	440,977
Total revenue	3,065,790	3,100,954	2,042,263	-	73,513	8,282,520
Expenditures						
General government	1,366,641	-	-	-	30,566	1,397,207
Public safety	397,705	3,390,139	1,820,371	-	-	5,608,215
Public works	614,490	-	-	-	-	614,490
Community and economic development	2,171	-	-	-	21,016	23,187
Recreation and culture	68,034	-	-	-	-	68,034
Debt service	-	-	-	136,058	-	136,058
Total expenditures	2,449,041	3,390,139	1,820,371	136,058	51,582	7,847,191
Excess of Revenue Over (Under) Expenditures	616,749	(289,185)	221,892	(136,058)	21,931	435,329
Other Financing Sources (Uses)						
Transfers in	-	290,000	-	152,692	180,850	623,542
Transfers out	(498,300)	-	(125,242)	-	-	(623,542)
Net Change in Fund Balances	118,449	815	96,650	16,634	202,781	435,329
Fund Balances - Beginning of year	1,255,014	96,383	367,029	10,924	280,522	2,009,872
Fund Balances - End of year	\$ 1,373,463	\$ 97,198	\$ 463,679	\$ 27,558	\$ 483,303	\$ 2,445,201

Charter Township of Benton

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ 435,329
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	183,376
Depreciation expense	(295,247)
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	(9,867)
Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	97,906
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	1,099
Change 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	102,300
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	(68,610)
Change in Net Position of Governmental Activities	<u>\$ 446,286</u>

Charter Township of Benton

Proprietary Funds Statement of Net Position December 31, 2013

	Enterprise Funds		
	Sanitary Sewage System Fund	Water System Fund	Total
Assets			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 2,206,956	\$ 3,541,751	\$ 5,748,707
Receivables:			
Special assessments receivable - Due within one year	9,822	49,619	59,441
Other receivables - Net	614,550	378,315	992,865
Prepaid expenses	6,385	5,588	11,973
Total current assets	<u>2,837,713</u>	<u>3,975,273</u>	<u>6,812,986</u>
Noncurrent assets:			
Advances to other funds (Note 5)	-	550,734	550,734
Special assessment receivables - Greater than one year	66,161	232,252	298,413
Capital assets (Note 4)	6,068,724	25,229,770	31,298,494
Total noncurrent assets	<u>6,134,885</u>	<u>26,012,756</u>	<u>32,147,641</u>
Total assets	<u>8,972,598</u>	<u>29,988,029</u>	<u>38,960,627</u>
Liabilities			
Current liabilities:			
Accounts payable	140,051	130,192	270,243
Accrued liabilities and other	25,565	186,932	212,497
Unearned revenue	208,674	-	208,674
Compensated absences - < 1 yr (Note 7)	3,902	3,828	7,730
Capital leases - < 1 yr (Note 6)	-	780,000	780,000
Current portion of long-term debt (Note 7)	230,000	42,881	272,881
Total current liabilities	<u>608,192</u>	<u>1,143,833</u>	<u>1,752,025</u>
Noncurrent liabilities:			
Compensated absences - > 1 yr (Note 7)	35,120	34,451	69,571
Capital leases - > 1 yr (Note 6)	-	18,745,000	18,745,000
Long-term debt (Note 7)	2,180,000	133,342	2,313,342
Total noncurrent liabilities	<u>2,215,120</u>	<u>18,912,793</u>	<u>21,127,913</u>
Total liabilities	<u>2,823,312</u>	<u>20,056,626</u>	<u>22,879,938</u>
Net Position			
Net investment in capital assets	3,658,724	5,528,547	9,187,271
Unrestricted	2,490,562	4,402,856	6,893,418
Total net position	<u>\$ 6,149,286</u>	<u>\$ 9,931,403</u>	<u>\$ 16,080,689</u>

Charter Township of Benton

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

	Enterprise Funds		Total
	Sanitary Sewage System Fund	Water System Fund	
Operating Revenue			
Sewage disposal charges	\$ 2,279,923	\$ -	\$ 2,279,923
Sale of water	-	2,877,210	2,877,210
Total operating revenue	<u>2,279,923</u>	<u>2,877,210</u>	<u>5,157,133</u>
Operating Expenses			
Cost of sewage treatment	2,007,762	-	2,007,762
Cost of water	-	1,226,571	1,226,571
Depreciation and amortization	255,344	1,039,901	1,295,245
Total operating expenses	<u>2,263,106</u>	<u>2,266,472</u>	<u>4,529,578</u>
Operating Income	16,817	610,738	627,555
Nonoperating Revenue (Expenses)			
Interest income	43,263	56,476	99,739
Interest expense	(40,083)	(764,312)	(804,395)
Total nonoperating revenue (expenses)	<u>3,180</u>	<u>(707,836)</u>	<u>(704,656)</u>
Income (Loss) - Before contributions	19,997	(97,098)	(77,101)
Capital Contributions	-	45,135	45,135
Change in Net Position	19,997	(51,963)	(31,966)
Net Position - Beginning of year	<u>6,129,289</u>	<u>9,983,366</u>	<u>16,112,655</u>
Net Position - End of year	<u><u>\$ 6,149,286</u></u>	<u><u>\$ 9,931,403</u></u>	<u><u>\$ 16,080,689</u></u>

Charter Township of Benton

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

	Enterprise Funds		
	Sanitary Sewage System Fund	Water System Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 2,370,079	\$ 3,111,446	\$ 5,481,525
Payments to suppliers	(1,673,038)	(456,314)	(2,129,352)
Payments to employees	(396,044)	(721,738)	(1,117,782)
Net cash provided by operating activities	300,997	1,933,394	2,234,391
Cash Flows from Noncapital Financing Activities - Transfers from other funds	-	104,842	104,842
Cash Flows from Capital and Related Financing Activities			
Collection of customer assessments (principal and interest)	49,423	87,316	136,739
Purchase of capital assets	(220,588)	(248,739)	(469,327)
Principal and interest paid on capital debt	(195,083)	(1,561,431)	(1,756,514)
Receipt of escrow funds	-	632,009	632,009
Proceeds from contributed capital	-	45,135	45,135
Net cash used in capital and related financing activities	(366,248)	(1,045,710)	(1,411,958)
Cash Flows from Investing Activities - Interest received on investments	2,046	36,787	38,833
Net Increase in Cash and Cash Equivalents	(63,205)	1,029,313	966,108
Cash and Cash Equivalents - Beginning of year	2,270,161	2,512,438	4,782,599
Cash and Cash Equivalents - End of year	<u>\$ 2,206,956</u>	<u>\$ 3,541,751</u>	<u>\$ 5,748,707</u>
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating income	\$ 16,817	\$ 610,738	\$ 627,555
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization	255,344	1,039,901	1,295,245
Changes in assets and liabilities:			
Receivables	62,802	234,236	297,038
Unearned revenue	27,354	-	27,354
Accounts payable	(17,413)	9,375	(8,038)
Accrued and other liabilities	(43,907)	39,144	(4,763)
Net cash provided by operating activities	<u>\$ 300,997</u>	<u>\$ 1,933,394</u>	<u>\$ 2,234,391</u>

Noncash Transactions - During the year, the Charter Township had fixed asset purchases of approximately \$31,000 that were included in accounts payable at year end.

Charter Township of Benton

Fiduciary Funds Statement of Fiduciary Net Position December 31, 2013

	Trust Fund - Pension and Retiree Health Insurance	Agency Funds
Assets		
Cash and cash equivalents	\$ -	\$ 628,602
Investments:		
Certificates of deposit	100,000	-
U.S. government or agency securities	1,012,453	-
Common stock	6,060,266	-
Corporate bonds	3,994,025	-
Bank investment pool funds	6,354,390	-
Other assets	74,304	-
	<u>17,595,438</u>	<u>\$ 628,602</u>
Liabilities - Due to other governmental units	<u>-</u>	<u>\$ 628,602</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 17,595,438</u>	

Charter Township of Benton

Fiduciary Funds

Statement of Changes in Fiduciary Net Position - Trust Fund Year Ended December 31, 2013

	<u>Trust Fund</u>
Additions	
Investment income:	
Interest and dividends	\$ 400,948
Net change in fair value of investments	<u>1,850,135</u>
Net investment income	2,251,083
Contributions:	
Employer	885,227
Employee	<u>141,733</u>
Total contributions	<u>1,026,960</u>
Total additions	3,278,043
Deductions	
Benefit payments	1,416,482
Administrative expenses	<u>49,747</u>
Total deductions	<u>1,466,229</u>
Net Increase in Net Position Held in Trust	1,811,814
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>15,783,624</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 17,595,438</u></u>

Charter Township of Benton

Notes to Financial Statements December 31, 2013

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, 2013 and no activity for the year then ended.

Fund Accounting

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

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

- **General Fund** - The General Fund, which is the Charter Township's primary operating fund. It accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.

Charter Township of Benton

Notes to Financial Statements December 31, 2013

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

- **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.

Proprietary Funds include enterprise funds (which provide goods or services to users in exchange for charges or fees). The Charter Township reports the following funds as “major” enterprise 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.

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

- **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 and liabilities) and do not involve the measurement of results of operations.

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

Charter Township of Benton

Notes to Financial Statements December 31, 2013

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

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

Basis of Accounting

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

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

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the Township considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, 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 inflow of resources."

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

Charter Township of Benton

Notes to Financial Statements December 31, 2013

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

Report Presentation

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

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

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Specific Balances and Transactions

Cash and Cash Equivalents - 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.

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Charter Township of Benton

Notes to Financial Statements December 31, 2013

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

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that 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 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.

Land Held for Resale - Land held for resale includes land and pre-development costs, and is stated at the lower of cost or market value.

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.

Capital assets are depreciated using the straight-line method over the following useful lives:

Capital asset class	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

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The general fund, fire fund, and debt service fund are generally used to liquidate governmental long-term debt.

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

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has only two types of items that qualify for reporting in this category. One item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Property taxes received in advance of the period levied are reported as deferred inflows of resources in the governmental-wide statement of net position and governmental funds balance sheet.

Net Position Flow Assumption

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

Fund Balance Flow Assumption

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

Charter Township of Benton

Notes to Financial Statements December 31, 2013

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Charter Township Board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Charter Township Board has by resolution authorized the superintendent to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

The 2012 taxable valuation of the Charter Township totaled \$420 million. Taxes levied consisted of .9796 mills for operating purposes, and 7.42 mills and 4.92 mills for police and fire operations, respectively. This resulted in \$398,000 in ad valorem property tax revenue; \$153,000 in administrative fees for operating services; and \$2.89 million and \$1.90 million in ad valorem 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, 2013

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

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

Compensated Absences (Vacation and Sick Leave) - It is the Charter Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. All other accrued compensated absences are reported in the government wide financial statements; generally the funds that report each employee's compensation (the General Fund, Fire Fund, Police Fund, Sanitary Sewage System Fund, and Water System Fund, primarily) are used to liquidate the obligation.

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

Use of Estimates - The preparation of basic 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 basic financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Charter Township of Benton

Notes to Financial Statements December 31, 2013

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, 2000 is as follows:

Shortfall at January 1, 2013	\$ (2,175,596)
Current year permit revenue	255,084
Related expenses - Direct costs	<u>(328,998)</u>
Current year shortfall	<u>(73,914)</u>
Cumulative shortfall at December 31, 2013	<u>\$ (2,249,510)</u>

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 four 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.

Charter Township of Benton

Notes to Financial Statements December 31, 2013

Note 3 - Deposits and Investments (Continued)

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 \$9,800,000 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.

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	\$ 5,379,942	Counterparty's trust department
Corporate bonds	3,994,025	Counterparty's trust department
Corporate stocks	6,060,266	Counterparty's trust department
U.S. government or agency bond or notes	1,012,453	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)
Corporate bonds	\$ 3,994,025	3.25
U.S. government or agency bond or notes	1,012,453	3.71

Charter Township of Benton

Notes to Financial Statements December 31, 2013

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	\$ 914,328	AAA	FDIC insured
Corporate bonds	246,881	AA+	S&P
Corporate bonds	431,618	AA	S&P
Corporate bonds	1,243,215	AA-	S&P
Corporate bonds	414,803	A+	S&P
Corporate bonds	743,180	A	S&P

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.

Charter Township of Benton

Notes to Financial Statements December 31, 2013

Note 4 - Capital Assets

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

Governmental Activities	Balance January 1, 2013	Additions	Disposals And Adjustments	Balance December 31, 2013
Capital assets not being depreciated:				
Land	\$ 811,936	\$ 1,678	\$ -	\$ 813,614
Construction in progress	23,297	-	(23,297)	-
Subtotal	835,233	1,678	(23,297)	813,614
Capital assets being depreciated:				
Buildings and improvements	4,797,716	-	-	4,797,716
Vehicles	2,036,595	60,461	23,297	2,120,353
Land improvements	85,170	2,949	-	88,119
Tools and equipment	1,261,449	6,476	-	1,267,925
Office equipment	39,597	39,271	-	78,868
Cost of others' storm drains	282,452	72,541	-	354,993
Subtotal	8,502,979	181,698	23,297	8,707,974
Accumulated depreciation:				
Buildings and improvements	1,328,487	100,587	-	1,429,074
Vehicles	1,626,653	75,225	-	1,701,878
Land improvements	25,117	7,486	-	32,603
Tools and equipment	910,831	82,810	-	993,641
Cost of others' storm drains	18,038	15,118	-	33,156
Office equipment	14,803	14,021	-	28,824
Subtotal	3,923,929	295,247	-	4,219,176
Net capital assets being depreciated	4,579,050	(113,549)	23,297	4,488,798
Net capital assets	<u>\$ 5,414,283</u>	<u>\$ (111,871)</u>	<u>\$ -</u>	<u>\$ 5,302,412</u>

Charter Township of Benton

Notes to Financial Statements December 31, 2013

Note 4 - Capital Assets (Continued)

Business-type Activities	Balance January 1, 2013	Additions	Disposals And Adjustments	Balance December 31, 2013
Capital assets not being depreciated:				
Land	\$ 1,429,112	\$ -	\$ -	\$ 1,429,112
Construction in progress	13,552	40,785	(4,034)	50,303
Subtotal	1,442,664	40,785	(4,034)	1,479,415
Capital assets being depreciated:				
Utility system	32,235,520	290,069	4,034	32,529,623
Buildings	8,862,688	9,436	-	8,872,124
Other tools and equipment	3,615,481	142,758	(9,220)	3,749,019
Vehicles	429,677	17,027	-	446,704
Subtotal	45,143,366	459,290	(5,186)	45,597,470
Accumulated depreciation:				
Utility system	13,568,875	766,125	-	14,335,000
Buildings	296,459	230,362	-	526,821
Other tools and equipment	476,731	213,548	(9,220)	681,059
Vehicles	185,151	50,360	-	235,511
Subtotal	14,527,216	1,260,395	(9,220)	15,778,391
Net capital assets being depreciated	<u>30,616,150</u>	<u>(801,105)</u>	<u>4,034</u>	<u>29,819,079</u>
Net capital assets	<u>\$ 32,058,814</u>	<u>\$ (760,320)</u>	<u>\$ -</u>	<u>\$ 31,298,494</u>

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

Governmental activities:

General government	\$ 62,791
Public safety	181,081
Public works	45,234
Recreation and culture	6,141
Total governmental activities	<u>\$ 295,247</u>

Business-type activities:

Sanitary Sewage System Fund	\$ 220,494
Water System Fund	1,039,901
Total business-type activities	<u>\$ 1,260,395</u>

Charter Township of Benton

Notes to Financial Statements December 31, 2013

Note 4 - Capital Assets (Continued)

Construction Liabilities - The Charter Township is currently in dispute over several construction invoices. The Charter Township does not anticipate incurring any additional costs related to the disputes, other than \$34,000 which is currently accrued at December 31, 2013.

At December 31, 2013, the Charter Township had a signed construction contract for approximately \$250,000 for the Higman Park Sewer Project.

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
Debt Service Fund	General Fund	\$ 578,292
Capital Projects Fund	General Fund	266,048
	Fire Fund	35,000
	Total Capital Projects Fund	301,048
	Total	<u>\$ 879,340</u>
Receivable Fund	Payable Fund	Amount
Advances from/to Other Funds		
Water System Fund	Debt Service Fund	<u>\$ 550,734</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.

Charter Township of Benton

Notes to Financial Statements December 31, 2013

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

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

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
Debt Service Fund	Fire Fund	\$ 125,242
	General Fund	<u>27,450</u>
	Total Debt Service Fund	152,692
Capital Projects Fund	General Fund	180,850
Police Fund	General Fund	<u>290,000</u>
	Total	<u>\$ 623,542</u>

The transfers from the Fire Fund and General Fund to the Debt Service Fund and Capital Projects Fund are for capital acquisitions and debt service, and the transfer from the General Fund to the Police Fund is to subsidize operating costs of this fund.

Charter Township of Benton

Notes to Financial Statements December 31, 2013

Note 6 - 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. 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. The future minimum lease obligations and the net present value are as follows:

Years Ending December 31	Amount
2014	\$ 1,528,265
2015	1,511,786
2016	1,521,113
2017	1,520,829
2018	1,542,238
2019-2023	7,683,261
2024-2028	7,718,225
2029-2031	4,711,381
Total minimum lease payments	27,737,098
Less amount representing interest	<u>(8,212,098)</u>
Present value	<u>\$ 19,525,000</u>

Note 7 - 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.

	Interest Rate Range	Principal Maturity Range	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
Fire station #1 loan	4.49%	2019	\$ 629,952	\$ -	\$ (97,906)	\$ 532,046	\$ 102,525
Accumulated compensated absences			791,976	-	(102,300)	689,676	267,756
Total governmental activities			<u>\$ 1,421,928</u>	<u>\$ -</u>	<u>\$ (200,206)</u>	<u>\$ 1,221,722</u>	<u>\$ 370,281</u>

Charter Township of Benton

Notes to Financial Statements December 31, 2013

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
General obligation bonds - 2012 - Refinanced	0.5 - 1.9%	2023	\$ 2,565,000	\$ -	\$ (155,000)	\$ 2,410,000	\$ 230,000
Installment purchase agreement	1.80%	2017	218,342	-	(42,119)	176,223	42,881
Total debt			\$ 2,783,342	\$ -	\$ (197,119)	\$ 2,586,223	\$ 272,881
Accumulated compensated absences			75,986	1,315	-	77,301	7,730
Total business-type activities			\$ 2,859,328	\$ 1,315	\$ (197,119)	\$ 2,663,524	\$ 280,611

Total interest expense for the year, including interest on the capital lease, was approximately \$843,000. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 102,525	\$ 22,718	\$ 125,243	\$ 272,881	\$ 31,150	\$ 304,031
2015	107,147	18,068	125,215	273,656	35,073	308,729
2016	112,034	13,208	125,242	284,441	37,268	321,709
2017	117,115	8,127	125,242	290,245	38,500	328,745
2018	93,225	2,816	96,041	250,000	21,755	271,755
2019-2023	-	-	-	1,215,000	45,910	1,260,910
Total	\$ 532,046	\$ 64,937	\$ 596,983	\$ 2,586,223	\$ 209,656	\$ 2,795,879

Note 8 - 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.

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, 2013

Note 9 - 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. Municipal employees hired after January 1, 2013 are no longer eligible for the reimbursement benefit. 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, 2013, the Charter Township made payments for postemployment health benefit premiums of \$155,065.

Funding Progress - For the year ended December 31, 2013, 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)	\$ 202,101
Interest on the prior year's net OPEB obligation	<u>21,574</u>
Annual OPEB cost	223,675
Amounts contributed - Payments of current premiums	<u>(155,065)</u>
Increase in net OPEB obligation	68,610
OPEB obligation - Beginning of year	<u>539,339</u>
OPEB obligation - End of year	<u>\$ 607,949</u>

Charter Township of Benton

Notes to Financial Statements December 31, 2013

Note 9 - 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
12/31/13	12/31/10	\$ 202,101	76.7 %	\$ 607,949
12/31/12	12/31/10	201,945	67.8	539,339
12/31/11	12/31/10	261,761	44.0	456,088

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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 multi-year 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

Notes to Financial Statements December 31, 2013

Note 9 - 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 10 - 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, 2012, the date of the most recent actuarial valuation, membership consisted of 46 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 37 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 I 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, except for police department command employees from whom a contribution of 7.5 percent is required. 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, 2013

Note 10 - Pension Plan (Continued)

Annual Pension Cost - For the year ended December 31, 2013, the Charter Township's annual pension cost of \$730,162 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		
	2013	2012	2011
Annual pension cost (APC)	\$ 730,162	\$ 701,266	\$ 690,326
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		
	2012	2011	2010
Actuarial value of assets	\$ 15,251,523	\$ 14,993,504	\$ 14,757,586
Actuarial accrued liability (AAL)	\$ 22,973,719	\$ 22,665,239	\$ 19,781,849
Unfunded AAL (UAAL)	\$ 7,722,196	\$ 7,671,735	\$ 5,024,263
Funded ratio	66.4 %	66.2 %	74.6 %
Covered payroll	\$ 2,250,626	\$ 2,480,399	\$ 2,484,037
UAAL as a percentage of covered payroll	343.1 %	309.3 %	202.3 %

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, 2012 using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.00 percent 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, 2012 was 23 years.

Charter Township of Benton

Notes to Financial Statements December 31, 2013

Note 10 - Pension Plan (Continued)

Reserves - As of December 31, 2013, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 2,843,143
Reserve for retired benefit payments	12,146,037

Note 11 - 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 \$151,700 during the current year and employees contributed approximately \$78,200.

Note 12 - Deferred Inflows of Resources

Governmental funds report deferred inflows of resources in connection with receivables that are not collectible soon enough after the end of the year (60 days) that they are considered to be available to liquidate liabilities of the current period. In addition, property taxes that have been levied on December 1 to support the following year's budget are deferred and recognized in the following year (in both the government-wide and fund-based statements). At the end of the current fiscal year, the various components of deferred inflows of resources are as follows:

	Governmental Funds	Governmental Activities
Property taxes and special assessments levied for the next fiscal year	\$ 5,701,280	\$ 5,701,280
Special assessments - Unavailable	81,662	-
Total deferred inflows	<u>\$ 5,782,942</u>	<u>\$ 5,701,280</u>

Charter Township of Benton

Notes to Financial Statements December 31, 2013

Note 13 - Change in Accounting

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

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

Item	Amount	Prior Reporting Classification/Treatment	New Classification after Adoption of GASB No. 65
Bond issuance costs	\$ 34,213	Asset	Outflow of resources (an expense)
Property taxes billed, but which were levied for next year's budget	5,701,280	Liability	Deferred inflow of resources
Revenue in governmental funds not collected within 60 days of year end	81,662	Liability	Deferred inflow of resources

Note 14 - Upcoming Accounting Pronouncements

In June 2012, the GASB issued two new pension standards, Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions*. These new standards significantly revise the current accounting and reporting for pensions, both from an employer perspective as well as from a plan perspective. Employers providing defined benefit pensions to its employees must now, under these new standards, recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised and expanded note disclosures and required supplemental information (RSI). Statement No. 67 is required to be adopted for the year ending December 31, 2014 and Statement No. 68 one year later.

Required Supplemental Information

Charter Township of Benton

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

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue			
Property taxes	\$ 579,775	\$ 574,826	\$ (4,949)
Licenses and permits	160,600	284,721	124,121
State-shared revenue and grants	1,233,000	1,271,405	38,405
Charges for services	627,375	620,667	(6,708)
Investment income	6,500	4,508	(1,992)
Other revenue	211,650	309,663	98,013
Total revenue	<u>2,818,900</u>	<u>3,065,790</u>	<u>246,890</u>
Expenditures			
General government:			
Township board	575,725	577,404	(1,679)
Supervisor	69,800	63,913	5,887
Treasurer	150,375	132,797	17,578
Assessing	313,175	290,900	22,275
Board of review	5,255	3,394	1,861
Clerk	177,000	107,315	69,685
Elections	35,150	6,264	28,886
Buildings and grounds	195,420	184,654	10,766
Public safety:			
Building department	391,010	328,998	62,012
Ordinance officer	76,100	68,707	7,393
Public works:			
Other street costs	40,000	16,431	23,569
Community action programs	-	130	(130)
Trash and rubbish	442,215	421,285	20,930
Street lighting	129,500	114,520	14,980
Garage	59,370	62,124	(2,754)
Community and economic development:			
Planning	6,485	1,335	5,150
Zoning	3,055	836	2,219
Recreation and culture - Parks and recreation	74,215	68,034	6,181
Total expenditures	<u>2,743,850</u>	<u>2,449,041</u>	<u>294,809</u>
Excess of Revenue Over Expenditures	75,050	616,749	541,699
Other Financing Uses - Transfers out	<u>(275,000)</u>	<u>(498,300)</u>	<u>(223,300)</u>
Net Change in Fund Balance	(199,950)	118,449	318,399
Fund Balance - Beginning of year	<u>1,255,014</u>	<u>1,255,014</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 1,055,064</u></u>	<u><u>\$ 1,373,463</u></u>	<u><u>\$ 318,399</u></u>

Charter Township of Benton

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

	Original Budget	Actual	Variance
Revenue			
Property taxes	\$ 2,982,375	\$ 2,999,003	\$ 16,628
Licenses and permits	14,250	14,953	703
State-shared revenue and grants	4,500	4,482	(18)
Fines and forfeitures	22,000	18,028	(3,972)
Investment income	300	287	(13)
Other revenue	62,750	64,201	1,451
Total revenue	3,086,175	3,100,954	14,779
Expenditures - Public safety	3,417,400	3,390,139	27,261
Excess of Expenditures Over Revenue	(331,225)	(289,185)	42,040
Other Financing Sources - Transfers in	275,000	290,000	15,000
Net Change in Fund Balance	(56,225)	815	57,040
Fund Balance - Beginning of year	96,383	96,383	-
Fund Balance - End of year	<u>\$ 40,158</u>	<u>\$ 97,198</u>	<u>\$ 57,040</u>

Charter Township of Benton

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

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue			
Property taxes	\$ 1,947,555	\$ 1,975,236	\$ 27,681
Charges for services	10,000	-	(10,000)
Other revenue	48,000	67,027	19,027
Total revenue	2,005,555	2,042,263	36,708
Expenditures - Public safety	<u>1,870,900</u>	<u>1,820,371</u>	<u>50,529</u>
Excess of Revenue Over Expenditures	134,655	221,892	87,237
Other Financing Uses - Transfers out	<u>(180,250)</u>	<u>(125,242)</u>	<u>55,008</u>
Net Change in Fund Balance	(45,595)	96,650	142,245
Fund Balance - Beginning of year	<u>367,029</u>	<u>367,029</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 321,434</u></u>	<u><u>\$ 463,679</u></u>	<u><u>\$ 142,245</u></u>

Charter Township of Benton

Note to Required Supplemental Information Year Ended December 31, 2013

Note - 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 follow:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund - Transfers out	\$ (275,000)	\$ (498,330)	\$ 223,330

Charter Township of Benton

Required Supplemental Information Police and Fire Pension System Schedule of Funding Progress Year Ended December 31, 2013

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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
12/31/11	14,993,504	22,665,239	7,671,735	66.2	2,480,399	309.3
12/31/12	15,251,523	22,973,719	7,722,196	66.4	2,250,626	343.1

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
12/31/12	12/31/11	701,266	100.0
12/31/13	12/31/12	730,162	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, 2012, the latest actuarial valuation, follows:

Amortization cost method	Entry age
Amortization method	Level percent
Remaining amortization period (perpetual)	23 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

Charter Township of Benton

Required Supplemental Information OPEB System Schedule Year Ended December 31, 2013

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/07	\$ 751,248	\$ 2,889,841	\$ 2,138,593	26.0	\$ -	-
12/31/10	718,223	4,030,218	3,311,995	17.8	-	-

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
12/31/11	12/31/10	\$ 261,761	44.0
12/31/12	12/31/10	201,945	67.8
12/31/13	12/31/10	202,101	76.7

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

Other Supplemental Information

Charter Township of Benton

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

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	<u>Rental Ordinance Fund</u>	<u>Community Development Fund</u>	<u>Capital Projects Fund</u>	
Assets				
Cash and cash equivalents	\$ 107,046	\$ 81,554	\$ -	\$ 188,600
Due from other funds	-	-	301,048	301,048
Total assets	<u>\$ 107,046</u>	<u>\$ 81,554</u>	<u>\$ 301,048</u>	<u>\$ 489,648</u>
Liabilities - Accrued liabilities and other	\$ 6,345	\$ -	\$ -	\$ 6,345
Fund Balances				
Restricted	100,701	81,554	35,000	217,255
Assigned	-	-	266,048	266,048
Total fund balances	<u>100,701</u>	<u>81,554</u>	<u>301,048</u>	<u>483,303</u>
Total liabilities and fund balances	<u>\$ 107,046</u>	<u>\$ 81,554</u>	<u>\$ 301,048</u>	<u>\$ 489,648</u>

Charter Township of Benton

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

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	<u>Rental Ordinance Fund</u>	<u>Community Development Fund</u>	<u>Capital Projects Fund</u>	
Revenue				
Licenses and permits	\$ 73,427	\$ -	\$ -	\$ 73,427
Other revenue	-	86	-	86
Total revenue	<u>73,427</u>	<u>86</u>	<u>-</u>	<u>73,513</u>
Expenditures				
General government	30,566	-	-	30,566
Community and economic development	-	21,016	-	21,016
Total expenditures	<u>30,566</u>	<u>21,016</u>	<u>-</u>	<u>51,582</u>
Excess of Revenue Over (Under)				
Expenditures	42,861	(20,930)	-	21,931
Other Financing Sources - Transfers in	-	-	180,850	180,850
Net Change in Fund Balances	42,861	(20,930)	180,850	202,781
Fund Balances - Beginning of year	<u>57,840</u>	<u>102,484</u>	<u>120,198</u>	<u>280,522</u>
Fund Balances - End of year	<u><u>\$ 100,701</u></u>	<u><u>\$ 81,554</u></u>	<u><u>\$ 301,048</u></u>	<u><u>\$ 483,303</u></u>

Charter Township of Benton

Other Supplemental Information Combining Statement of Net Position Fiduciary Funds December 31, 2013

	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
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 489,015	\$ 139,587	\$ 628,602
Investments	16,612,836	908,298	17,521,134	-	-	-
Prepaid expenses and other current assets	74,304	-	74,304	-	-	-
Total assets	16,687,140	908,298	17,595,438	<u>\$ 489,015</u>	<u>\$ 139,587</u>	<u>\$ 628,602</u>
Liabilities - Due to other governmental units	-	-	-	<u>\$ 489,015</u>	<u>\$ 139,587</u>	<u>\$ 628,602</u>
Net Position - Held in trust for pension and other employee benefits	<u>\$ 16,687,140</u>	<u>\$ 908,298</u>	<u>\$ 17,595,438</u>			

Charter Township of Benton

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Trust Funds Year Ended December 31, 2013

	Pension Trust Fund	Retiree Health Insurance Fund	Total
Additions			
Investment income:			
Interest and dividends	\$ 383,760	\$ 17,188	\$ 400,948
Net change in fair value of investments	1,750,901	99,234	1,850,135
Contributions:			
Employer	730,162	155,065	885,227
Employee	141,733	-	141,733
Total contributions	<u>871,895</u>	<u>155,065</u>	<u>1,026,960</u>
Total additions	3,006,556	271,487	3,278,043
Deductions			
Benefit payments	1,261,417	155,065	1,416,482
Administrative expenses	47,179	2,568	49,747
Total deductions	<u>1,308,596</u>	<u>157,633</u>	<u>1,466,229</u>
Net Increase in Net Assets Held in Trust	1,697,960	113,854	1,811,814
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>14,989,180</u>	<u>794,444</u>	<u>15,783,624</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 16,687,140</u></u>	<u><u>\$ 908,298</u></u>	<u><u>\$ 17,595,438</u></u>