

CHARTER TOWNSHIP OF INDEPENDENCE

FINANCIAL REPORT WITH SUPPLEMENTAL INFORMATION

December 31, 2013

CHARTER TOWNSHIP OF INDEPENDENCE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Charter Township of Independence

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Independence (the "Township") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We did not audit the financial statements of the Clarkston Independence District Library, which represent 85.8 percent, 87.6 percent, and 87.7 percent, respectively, of the assets, net position, and revenues of aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Clarkston Independence District Library, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion on Discretely Presented Component Unit – Clarkston Independence District Library

The Charter Township of Independence previously established another post-employment benefit trust that specifically included a division for the employees of the Library. The separation agreement between the recently created Clarkston Independence District Library and the Township stated that the Library is responsible for providing its remaining active employees with other post-employment benefits. The Township has not obtained a separate actuarial valuation for the other post-employment benefits plan as it relates only to division for the employees of the Library; however contributions have been made by the Library to the plan. The Library's net other post-employment benefits asset or liability in the governmental activities as of December 31, 2013, cannot be determined without such an actuarial valuation. Accounting principles generally accepted in the United States of America require an actuarial valuation at least biennially for other post-employment benefit plans with a total membership of 200 or more, or at least triennially for plans with a total membership of fewer than 200. The amount by which this departure would affect the assets or liabilities, net position, and expenses of the governmental activities has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Discretely Presented Component Unit – Clarkston Independence District Library" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Clarkston Independence District Library as of December 31, 2013, and the changes in the financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that Clarkston Independence District Library will continue as a going concern. The Library may not be able to continue as a going concern if a property tax levy of at least 1.25 mills is not approved by the voters by August 10, 2014, which will result in dissolution of the Library whereby all assets will revert back to the Township based on the separation agreement dated August 1, 2012. These conditions raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustment that might result from the outcome of this uncertainty. Our opinions are not modified with respect to this matter.

Unmodified Opinions

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Independence, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules on page 5 and 44–48 respectively, 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, who 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 Independence's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

To the Board of Trustees
Charter Township of Independence
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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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

UHY LLP

Farmington Hills, Michigan
August 5, 2014

CHARTER TOWNSHIP OF INDEPENDENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

Our discussion and analysis of the Charter Township of Independence's (the "Township") financial performance provides an overview of the Township's financial activities for the year ended December 31, 2013. Please read it in conjunction with the Township's financial statements.

Township Financial Highlights

The following represents the most significant financial highlights for the year ended December 31, 2013:

- Over the last year the Township has increased the fund balance for each of the dedicated millage, which includes the General Operating Fund, Police Fund, Fire Fund and the Safety Path Fund. The General Fund revenue has increased approximately \$239,000 and the expenditures have decreased approximately \$464,000 under budget. The Township is still looking at areas to be fiscally responsible.
- The property tax values for both residential and commercial properties have stabilized in 2013. The Township has also seen a 58% increase of new home building permits issued through our building department over 2012. These are good indicators for the growth of our township.
- The State of Michigan has approved the I-75 and Sashabaw Road improvement project. We have secured funding for this project as well. Our Township continues to attract new home owners and businesses to our quaint community.
- The Township has implemented a capital improvement plan to upgrade the parks, while the \$300,000 Senior Center expansion project is nearly secured with private funding. Our partnership between the Independence Television and Clarkston Community Schools is generating an increase to the local television content. This has been a positive endeavor for our community.
- As the Township continues to improve, our bond rating is at AA+ which is the second highest possible rating. We feel all these factors are significant to the growth and health of our great community.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Township as a whole and present a long-term view of the Township's finances. This long-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.

CHARTER TOWNSHIP OF INDEPENDENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

Using this Annual Report (Continued)

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statement provides financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Governmental Activities

The following table shows, in a condensed format, the current year's net position and changes in net position compared to the prior year:

| | 2011 | 2012 | 2013 | <u>Change from Prior Year</u> | |
|--|----------------------|----------------------|----------------------|-------------------------------|----------------|
| | | | | <u>Amount</u> | <u>Percent</u> |
| Assets | | | | | |
| Non-capital assets | \$ 23,073,393 | \$ 22,898,385 | \$ 24,614,910 | \$ 1,716,525 | 7.5 % |
| Capital assets | <u>16,308,045</u> | <u>16,716,144</u> | <u>14,772,192</u> | <u>(1,943,952)</u> | (11.6) |
| Total assets | 39,381,438 | 39,614,529 | 39,387,102 | (227,427) | (.6) |
| Liabilities | | | | | |
| Current liabilities | 12,425,317 | 12,258,480 | 11,539,222 | (719,258) | (5.9) |
| Long-term liabilities | <u>550,783</u> | <u>452,695</u> | <u>427,085</u> | <u>(25,610)</u> | (5.7) |
| Total liabilities | 12,976,100 | 12,711,175 | 11,966,307 | (744,868) | (5.9) |
| Net Position | | | | | |
| Invested in capital assets - Net of related debt | 16,121,462 | 16,584,878 | 14,618,410 | (1,966,468) | (11.9) |
| Restricted | 6,684,955 | 5,617,037 | 6,499,969 | 882,932 | 15.7 |
| Unrestricted | <u>3,598,921</u> | <u>4,701,439</u> | <u>6,302,416</u> | <u>1,600,977</u> | 34.1 |
| Total net position | <u>\$ 26,405,338</u> | <u>\$ 26,903,354</u> | <u>\$ 27,420,795</u> | <u>\$ 517,441</u> | 1.9 % |

CHARTER TOWNSHIP OF INDEPENDENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

| | 2011 | 2012 | 2013 | <u>Change from Prior Year</u> | |
|------------------------------------|---------------------|-------------------|---------------------|-------------------------------|----------------|
| | | | | <u>Amount</u> | <u>Percent</u> |
| Revenue | | | | | |
| Program revenue: | | | | | |
| Charges for services | \$ 3,037,966 | \$ 2,529,274 | \$ 2,325,826 | \$ (203,448) | (8.0) % |
| Operating grants and contributions | 68,591 | 204,175 | 59,337 | (144,838) | (70.9) |
| Capital grants and contributions | 136,777 | - | - | - | - |
| General revenue: | | | | | |
| Property taxes | 11,483,329 | 10,652,679 | 10,222,485 | (430,194) | (4.0) |
| State-shared revenue | 2,517,188 | 2,528,796 | 2,578,172 | 49,376 | 2.0 |
| Investment earnings | 463,490 | 197,854 | 49,488 | (148,366) | (75.0) |
| Franchise fees | 748,548 | 762,996 | 874,374 | 111,378 | 14.6 |
| Other miscellaneous income | 485,153 | 1,250,830 | 1,357,646 | 106,816 | 8.5 |
| Total revenue | <u>18,941,042</u> | <u>18,126,604</u> | <u>17,467,328</u> | <u>(659,276)</u> | |
| Program Expenses | | | | | |
| General government | 2,817,907 | 2,778,764 | 3,094,369 | 315,605 | 11.4 |
| Public safety | 10,047,571 | 9,855,728 | 9,506,864 | (348,864) | (3.5) |
| Public works | 525,663 | 419,539 | 351,593 | (67,946) | (16.2) |
| Community and economic development | 51,461 | 166,280 | 29,023 | (137,257) | (82.5) |
| Recreation and culture | 3,877,495 | 4,000,674 | 2,531,605 | (1,469,069) | (36.7) |
| Interest on long-term debt | 3,346 | 2,168 | 2,168 | - | - |
| Total program expenses | <u>17,323,443</u> | <u>17,223,153</u> | <u>15,515,622</u> | <u>(1,707,531)</u> | (9.9) |
| Change in Net Position | <u>\$ 1,617,599</u> | <u>\$ 903,451</u> | <u>\$ 1,951,706</u> | <u>\$ 1,048,255</u> | 116.0 % |

The Township's governmental revenue has decreased \$659,276 compared to 2012, primarily attributable to significant decreases in property tax revenue. The Township does not anticipate continuing decreases in the property tax revenue and in fact expects revenue to stabilize for 2014.

Expenses decreased by \$1,707,531 from last fiscal year. The decrease is primarily attributable to the movement of the library activity from the Township to the component unit.

CHARTER TOWNSHIP OF INDEPENDENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

Business-type Activities

The following table shows, in a condensed format, the current year's net position and changes in net position compared to the prior year:

| | 2011 | 2012 | 2013 | Change from Prior Year | |
|------------------------------|----------------------|----------------------|----------------------|------------------------|----------------|
| | | | | Amount | Percent |
| Assets | | | | | |
| Current assets | \$ 9,501,303 | \$ 10,084,047 | \$ 11,473,636 | \$ 1,389,589 | 13.8 % |
| Capital assets | 59,175,122 | 57,659,845 | 56,191,372 | (1,468,473) | (2.5) |
| Other noncurrent assets | <u>2,440,577</u> | <u>2,184,707</u> | <u>2,051,681</u> | <u>(133,026)</u> | <u>(6.1)</u> |
| Total assets | 71,117,002 | 69,928,599 | 69,716,689 | (211,910) | (.3) |
| Liabilities | | | | | |
| Current liabilities | 1,988,589 | 2,017,121 | 2,521,266 | 504,145 | 25.0 |
| Long-term liabilities | <u>14,712,386</u> | <u>13,869,160</u> | <u>13,342,749</u> | <u>(526,411)</u> | <u>(3.8)</u> |
| Total liabilities | 16,700,975 | 15,886,281 | 15,864,015 | (22,266) | (.1) |
| Net Position | | | | | |
| Invested in capital assets - | | | | | |
| Net of related debt | 43,575,457 | 42,770,367 | 41,763,374 | (1,006,993) | (2.4) |
| Restricted | - | - | - | - | - |
| Unrestricted | <u>10,840,570</u> | <u>11,271,951</u> | <u>12,089,300</u> | <u>817,349</u> | <u>7.3</u> |
| Total net position | <u>\$ 54,416,027</u> | <u>\$ 54,042,318</u> | <u>\$ 53,852,674</u> | <u>\$ (189,644)</u> | <u>(.4) %</u> |

CHARTER TOWNSHIP OF INDEPENDENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

| | 2011 | 2012 | 2013 | Change from Prior Year | |
|--|---------------------|---------------------|---------------------|------------------------|-----------|
| | | | | Amount | Percent |
| Changes in Net Position | | | | | |
| Operating revenue | \$ 6,198,094 | \$ 6,858,409 | \$ 6,856,042 | \$ (2,367) | (.0) % |
| Operating expenses - Before depreciation | <u>4,903,340</u> | <u>5,190,110</u> | <u>5,376,892</u> | <u>186,782</u> | 3.6 |
| Operating Income (Loss) - Before depreciation | 1,294,754 | 1,668,299 | 1,479,150 | (189,149) | (11.3) |
| Depreciation Expense | <u>2,346,347</u> | <u>2,347,468</u> | <u>2,324,304</u> | <u>(23,164)</u> | (1.0) |
| Operating Loss | (1,051,593) | (679,169) | (845,154) | (165,985) | 24.4 |
| Nonoperating Revenue | (148,246) | (302,685) | (323,869) | (21,184) | 7.0 |
| (Expense) | | | | | |
| Capital Contributions | <u>574,225</u> | <u>575,545</u> | <u>979,379</u> | <u>403,834</u> | 70.2 |
| Change in Net Position | <u>\$ (625,614)</u> | <u>\$ (406,309)</u> | <u>\$ (189,644)</u> | <u>\$ 216,665</u> | (53.3) % |

The Township's business-type activities consist of the Water and Sewer Funds. The Township provides water to the residents using a community well system owned, operated, and maintained by the Township. The Township provides sewage treatment through the Clinton-Oakland sewage system. In 2013, both operating revenue and expenses have remained relatively consistent.

The Township's Funds

Our analysis of the Township's major funds begins on page 13, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax mileages. The Township's major funds for 2013 include the General Fund, Police Millage Fund, Fire Millage Fund, and the Safety Paths Fund.

The General Fund pays for the Township's governmental services. The most significant expenditure of the General Fund is the support of Parks and Recreation. Parks and Recreation charges for participation in many of the programs it offers; however, these charges do not cover all costs. Also, there are some programs and activities of Parks and Recreation for which the participants are not charged.

CHARTER TOWNSHIP OF INDEPENDENCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

General Fund Budgetary Highlights

Over the course of the year, the Township administration and the Township board monitored and amended the budgets to take into account unanticipated events that occurred during the year. At year end, actual General Fund revenue was \$207,548 higher than budget. Expenditures were \$671,373 under budget.

Capital Asset and Debt Administration

At the end of 2013, the Township had approximately \$71.0 million invested in a broad range of capital assets, including land, building, fire equipment, safety paths, water and sewer lines, and roads. Total capital assets decreased by approximately \$3.4 million from 2012. The main components of this change are the transfer of assets to the District Library and the sale and refurbishment of three fire engines and a sewer truck.

At December 31, 2013, the Township owed approximately \$14.9 million related to long-term bonds and contracts payable, compared to approximately \$15.3 million owed at December 31, 2012. The decrease is primarily due to bond payments in the business type activities of approximately \$1.0 million exceeding the additional drawdowns of \$558,838 on the Oakland Macomb Interceptor Drain Bonds.

Economic Factors and Next Year's Budget and Rates

Independence Township (population 36,600) is primarily a residential community located in northern Oakland County, Michigan. During the late 1990s and early 2000s, the Township was experiencing increases in assessed and taxable value of property. Beginning in 2008, the taxable values began to decline and this trend continued into the 2013 fiscal year. Currently, the Township is anticipating a change in this trend for 2014, the taxable value is anticipated to remain or experience a slight increase.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

CHARTER TOWNSHIP OF INDEPENDENCE
STATEMENT OF NET POSITION
December 31, 2013

| | Primary Government | | | Component Units |
|--|------------------------------------|-------------------------------------|----------------------|----------------------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 19,429,990 | \$ 9,676,577 | \$ 29,106,567 | \$ 996,999 |
| Receivables - Net: | | | | |
| Property taxes | 4,764,781 | - | 4,764,781 | - |
| Customers | - | 1,454,236 | 1,454,236 | - |
| Other receivables | 206,300 | 26,440 | 232,740 | 4,552 |
| Due from other governmental units | 428,737 | 519 | 429,256 | 806,781 |
| Special assessments and other receivables | 551,190 | 294,788 | 845,978 | - |
| Internal balances | (1,906,526) | 1,906,526 | - | - |
| Prepaid expenses | 640,975 | 21,076 | 662,051 | 22,816 |
| Assets held for resale | 268,228 | - | 268,228 | - |
| Net other postemployment benefits assets | 231,235 | 145,155 | 376,390 | - |
| Capital assets - Net | | | | |
| Assets not subject to depreciation | 2,149,701 | 2,468,842 | 4,618,543 | 3,625 |
| Assets subject to depreciation | 12,622,491 | 53,722,530 | 66,345,021 | 1,268,208 |
| Total assets | <u>39,387,102</u> | <u>69,716,689</u> | <u>109,103,791</u> | <u>3,102,981</u> |
| LIABILITIES | | | | |
| Accounts payable | 897,648 | 866,603 | 1,764,251 | 160,403 |
| Due to other governmental units | 906 | - | 906 | - |
| Accrued and other liabilities | 355,715 | 370,154 | 725,869 | 35,153 |
| Property taxes | - | - | - | 27,094 |
| Unearned revenue | - | 199,260 | 199,260 | - |
| Noncurrent liabilities | | | | |
| Due within one year | | | | |
| Compensated absences | 35,000 | - | 35,000 | - |
| Current portion of long-term debt | 44,740 | 1,085,249 | 1,129,989 | - |
| Due in more than one year | | | | |
| Compensated absences | 238,303 | - | 238,303 | - |
| Long-term debt | 109,042 | 13,342,749 | 13,451,791 | - |
| Total liabilities | <u>1,681,354</u> | <u>15,864,015</u> | <u>17,545,369</u> | <u>222,650</u> |
| Deferred inflows of resources | 10,284,953 | - | 10,284,953 | 935,768 |
| NET POSITION | | | | |
| Invested in capital assets | 14,618,410 | 41,763,374 | 56,381,784 | - |
| Restricted: | | | | |
| Police and fire services | 3,864,484 | - | 3,864,484 | - |
| Library | - | - | - | 1,271,833 |
| Safety path millage | 1,431,387 | - | 1,431,387 | - |
| Cemetery permanent funds- expendable | 686,291 | - | 686,291 | - |
| Public access studio capital projects | 517,807 | - | 517,807 | - |
| Unrestricted | 6,302,416 | 12,089,300 | 18,391,716 | 672,730 |
| Total net position | <u>\$ 27,420,795</u> | <u>\$ 53,852,674</u> | <u>\$ 81,273,469</u> | <u>\$ 1,944,563</u> |

CHARTER TOWNSHIP OF INDEPENDENCE

Statement of Activities

Year Ended December 31, 2013

| Functions/ Programs | Expenses | Program Revenues | | |
|------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 3,094,369 | \$ 2,435 | \$ - | \$ - |
| Public safety | 9,506,864 | 1,225,151 | - | - |
| Public works | 351,593 | - | - | - |
| Community and economic development | 29,023 | - | 56,337 | - |
| Recreation and culture | 2,531,605 | 1,098,240 | 3,000 | - |
| Interest on long-term debt | 2,168 | - | - | - |
| Total governmental activities | <u>15,515,622</u> | <u>2,325,826</u> | <u>59,337</u> | <u>-</u> |
| Business-type activities | | | | |
| Water Fund | 3,199,036 | 3,058,203 | - | 383,357 |
| Sewer Fund | <u>4,862,335</u> | <u>3,797,839</u> | <u>-</u> | <u>596,022</u> |
| Total business-type activities | <u>8,061,371</u> | <u>6,856,042</u> | <u>-</u> | <u>979,379</u> |
| Total primary government | <u>\$ 23,576,993</u> | <u>\$ 9,181,868</u> | <u>\$ 59,337</u> | <u>\$ 979,379</u> |
| Component units | <u>\$ 1,306,493</u> | <u>\$ 72,958</u> | <u>\$ -</u> | <u>\$ 100,000</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

Transfer to District Library

Net Position - End of year

| Net (Expense) Revenue and Changes in Net Position | | | |
|--|-------------------------------------|----------------------|----------------------------|
| Primary Government | | | |
| Governmental Activities | Business-type Activities | Total | Component Units |
| \$ (3,091,934) | \$ - | \$ (3,091,934) | \$ - |
| (8,281,713) | - | (8,281,713) | - |
| (351,593) | - | (351,593) | - |
| 27,314 | - | 27,314 | - |
| (1,430,365) | - | (1,430,365) | - |
| (2,168) | - | (2,168) | - |
| <u>(13,130,459)</u> | <u>-</u> | <u>(13,130,459)</u> | <u>-</u> |
| - | 242,524 | 242,524 | - |
| - | (468,474) | (468,474) | - |
| - | (225,950) | (225,950) | - |
| <u>(13,130,459)</u> | <u>(225,950)</u> | <u>(13,356,409)</u> | <u>-</u> |
| - | - | - | (1,133,535) |
| 10,222,485 | - | 10,222,485 | 924,003 |
| 2,578,172 | - | 2,578,172 | - |
| 49,488 | 36,306 | 85,794 | 3,016 |
| 874,374 | - | 874,374 | - |
| 1,357,646 | - | 1,357,646 | 71,066 |
| <u>15,082,165</u> | <u>36,306</u> | <u>15,118,471</u> | <u>998,085</u> |
| 1,951,706 | (189,644) | 1,762,062 | (135,450) |
| 26,903,354 | 54,042,318 | 80,945,672 | 645,748 |
| <u>(1,434,265)</u> | <u>-</u> | <u>(1,434,265)</u> | <u>1,434,265</u> |
| <u>\$ 27,420,795</u> | <u>\$ 53,852,674</u> | <u>\$ 81,273,469</u> | <u>\$ 1,944,563</u> |

CHARTER TOWNSHIP OF INDEPENDENCE

Governmental Funds

Balance Sheet

December 31, 2013

| | General Fund | Police Millage Fund | Fire Millage Fund | Safety Paths Fund | Nonmajor Governmental Funds | Total |
|--------------------------------------|---------------------|------------------------|----------------------|----------------------|-----------------------------------|----------------------|
| Assets | | | | | | |
| Cash and cash equivalents | \$ 6,072,303 | \$ 3,858,032 | \$ 5,084,419 | \$ 1,648,875 | \$ 2,766,361 | \$ 19,429,990 |
| Receivables - Net: | | | | | | |
| Property taxes | 691,129 | 1,771,971 | 2,113,648 | 181,560 | - | 4,758,308 |
| Special assessments and other | 241,977 | - | - | - | 309,213 | 551,190 |
| Other receivables | 2,706 | 7,437 | 113,776 | 4,029 | 78,352 | 206,300 |
| Due from other governmental units | 428,737 | - | - | - | - | 428,737 |
| Due from other funds | 11,508 | - | - | - | - | 11,508 |
| Prepaid expenses and other assets | 270,664 | - | 131,115 | 2,544 | - | 404,323 |
| Assets held for resale | - | - | - | - | 268,228 | 268,228 |
| | <u>\$ 7,719,024</u> | <u>\$ 5,637,440</u> | <u>\$ 7,442,958</u> | <u>\$ 1,837,008</u> | <u>\$ 3,422,154</u> | <u>\$ 26,058,584</u> |
| Liabilities and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 373,519 | \$ 377,797 | \$ 138,970 | \$ 3,937 | \$ 3,425 | \$ 897,648 |
| Due to other governmental units | 906 | - | - | - | - | 906 |
| Due to other funds | - | - | - | - | 11,508 | 11,508 |
| Accrued liabilities and other | 175,789 | 4,601 | 166,816 | 3,221 | 5,288 | 355,715 |
| | <u>550,214</u> | <u>382,398</u> | <u>305,786</u> | <u>7,158</u> | <u>20,221</u> | <u>1,265,777</u> |
| Deferred inflows of resources | 1,361,673 | 3,888,926 | 4,638,804 | 398,463 | 182,773 | 10,470,639 |
| Fund Balances | | | | | | |
| Nonspendable-Prepays | 270,664 | - | - | - | - | 270,664 |
| Restricted | | | | | | |
| Safety Paths | - | - | - | 1,431,387 | - | 1,431,387 |
| Police | - | 1,366,116 | - | - | - | 1,366,116 |
| Fire | - | - | 2,498,368 | - | - | 2,498,368 |
| Capital projects | - | - | - | - | 517,807 | 517,807 |
| Cemetery care | 686,291 | - | - | - | - | 686,291 |
| Assigned | | | | | | |
| Debt Service Funds | - | - | - | - | 466,483 | 466,483 |
| Capital Projects Funds | - | - | - | - | 2,252,776 | 2,252,776 |
| Unassigned | 4,850,182 | - | - | - | (17,906) | 4,832,276 |
| | <u>5,807,137</u> | <u>1,366,116</u> | <u>2,498,368</u> | <u>1,431,387</u> | <u>3,219,160</u> | <u>14,322,168</u> |
| Total liabilities and fund balances | <u>\$ 7,719,024</u> | <u>\$ 5,637,440</u> | <u>\$ 7,442,958</u> | <u>\$ 1,837,008</u> | <u>\$ 3,422,154</u> | <u>\$ 26,058,584</u> |

CHARTER TOWNSHIP OF INDEPENDENCE

Governmental Funds

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

December 31, 2013

| | |
|--|-----------------------------------|
| Fund Balance Reported in Governmental Funds | \$14,322,168 |
| 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 | 12,385,827 |
| Special assessment and receivables for other charges for services are not expected to be collected currently and are not available to pay for current expenditures | 185,686 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds | (153,782) |
| 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 recorded as fund liabilities | (273,303) |
| Other postemployment benefits are not financial resources and are not reported in the funds | 231,235 |
| Delinquent personal property taxes are not recognized as revenue in the funds until received; the government-wide statements recognize an estimate of the amount that will ultimately be collected | 6,473 |
| Expenses are normally expensed when paid in the funds; the government-wide statements allocate prepaid expenses over future periods | 236,652 |
| Internal service funds are included as part of governmental activities | <u>479,839</u> |
| Net Position of Governmental Activities | <u><u>\$27,420,795</u></u> |

CHARTER TOWNSHIP OF INDEPENDENCE
Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2013

| | General Fund | Police Millage Fund | Fire Millage Fund | Safety Paths Fund | Nonmajor Governmental Funds | Total |
|--|-------------------------|--------------------------------|------------------------------|------------------------------|--|----------------------|
| Revenue | | | | | | |
| Property taxes | \$ 1,386,780 | \$3,885,727 | \$ 4,756,072 | \$ 263,586 | \$ - | \$10,292,165 |
| Licenses and permits | 725,460 | - | - | - | - | 725,460 |
| Federal grants | - | - | - | - | 56,337 | 56,337 |
| State-shared revenue and grants | 2,594,357 | 24,498 | - | - | - | 2,618,855 |
| Charges for services | 1,103,675 | 386,358 | 838,793 | - | - | 2,328,826 |
| Fines and forfeitures | 590 | 122,053 | 1,768 | - | - | 124,411 |
| Interest and rentals | 38,670 | - | 1,400 | 3,237 | 35,023 | 78,330 |
| Other revenue | | | | | | |
| Special assessments | - | - | - | - | 71,370 | 71,370 |
| Cable franchise fees | 624,552 | - | - | - | 249,822 | 874,374 |
| Other miscellaneous income | 425,257 | - | 101,145 | 16,511 | 932 | 543,845 |
| Total revenue | <u>6,899,341</u> | <u>4,418,636</u> | <u>5,699,178</u> | <u>283,334</u> | <u>413,484</u> | <u>17,713,973</u> |
| Expenditures | | | | | | |
| Current | | | | | | |
| General government | 2,605,559 | - | - | - | - | 2,605,559 |
| Public safety | 560,095 | 4,255,048 | 4,534,093 | - | - | 9,349,236 |
| Public works | 170,066 | - | - | - | - | 170,066 |
| Community and economic development | - | - | - | - | 29,023 | 29,023 |
| Recreation and culture | 2,163,697 | - | - | 145,022 | 290,997 | 2,599,716 |
| Capital outlay | 420,332 | - | 216,866 | - | 41,060 | 678,258 |
| Debt service | - | - | - | - | 30,728 | 30,728 |
| Total expenditures | <u>5,919,749</u> | <u>4,255,048</u> | <u>4,750,959</u> | <u>145,022</u> | <u>391,808</u> | <u>15,462,586</u> |
| Excess of Revenue Over Expenditures | <u>979,592</u> | <u>163,588</u> | <u>948,219</u> | <u>138,312</u> | <u>21,676</u> | <u>2,251,387</u> |
| Other Financing Sources (Uses) | | | | | | |
| Proceeds from debt | 36,134 | - | - | - | - | 36,134 |
| Transfer in | 342,314 | - | - | - | 1,582,538 | 1,924,852 |
| Transfer out | (1,119,160) | - | (463,378) | - | (342,314) | (1,924,852) |
| Total other financing sources (uses) | <u>(740,712)</u> | <u>-</u> | <u>(463,378)</u> | <u>-</u> | <u>1,240,224</u> | <u>36,134</u> |
| Net Changes in Fund Balance | <u>238,880</u> | <u>163,588</u> | <u>484,841</u> | <u>138,312</u> | <u>1,261,900</u> | <u>2,287,521</u> |
| Fund Balances - Beginning of year | <u>5,568,257</u> | <u>1,202,528</u> | <u>2,013,527</u> | <u>1,293,075</u> | <u>1,957,260</u> | <u>12,034,647</u> |
| Fund Balances - End of year | <u>\$ 5,807,137</u> | <u>\$ 1,366,116</u> | <u>\$ 2,498,368</u> | <u>\$ 1,431,387</u> | <u>\$ 3,219,160</u> | <u>\$ 14,322,168</u> |

CHARTER TOWNSHIP OF INDEPENDENCE

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 \$ 2,287,521

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 | 678,258 |
| Depreciation expense | (1,032,597) |

| | |
|---|----------|
| Proceeds from sale of capital assets is revenue in the governmental funds; but not in the statement of activities | (98,490) |
|---|----------|

| | |
|--|--------|
| Gain from sale of capital assets is not recorded in the governmental funds, but is recorded in the statement of activities | 11,324 |
|--|--------|

| | |
|--|-----------|
| Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end | (143,046) |
|--|-----------|

| | |
|--|-------|
| Delinquent personal property tax revenues are recorded in the government-wide statements based on estimated collectability; they are not reported in the funds until collected | 1,996 |
|--|-------|

| | |
|---|---------|
| Expenses are normally expensed when paid in the funds; the government-wide statements allocate prepaid expenses over future periods | (3,738) |
|---|---------|

| | |
|--|--------|
| Changes in the net postemployment benefit asset reported in the statement of activities is not a current resource and therefore is not reported in the fund statements until they are realized | 95,038 |
|--|--------|

| | |
|--|----------|
| Proceeds of bond principal is income in the governmental funds, but not in the statement of activities (where it increases long-term debt) | (72,400) |
|--|----------|

| | |
|---|--------|
| Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) | 49,884 |
|---|--------|

| | |
|--|-----|
| Interest expense is recorded in the statement of activities when a liability is incurred; it is reported in the funds only when payment is due | 231 |
|--|-----|

| | |
|---|--------|
| Decrease in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities | 48,127 |
|---|--------|

| | |
|--|---------|
| Internal service funds are included as part of governmental activities | 129,598 |
|--|---------|

| | |
|--|---------------------|
| Change in Net Position of Governmental Activities | \$ 1,951,706 |
|--|---------------------|

CHARTER TOWNSHIP OF INDEPENDENCE

Proprietary Funds Statement of Net Position December 31, 2013

| | Enterprise Funds | | | Governmental Activities |
|---|------------------|---------------|---------------|---|
| | Water Fund | Sewer Fund | Total | Proprietary Internal Service Fund |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 2,957,079 | \$ 6,719,498 | \$ 9,676,577 | \$ - |
| Receivables | | | | |
| Special assessments and other | 91,127 | 203,661 | 294,788 | - |
| Customer usage | 613,809 | 840,427 | 1,454,236 | - |
| Other receivables | 9,930 | 16,510 | 26,440 | - |
| Due from other governmental units | 519 | - | 519 | - |
| Prepaid assets | 9,404 | 11,672 | 21,076 | - |
| Total current assets | 3,681,868 | 7,791,768 | 11,473,636 | - |
| Noncurrent assets | | | | |
| Advances to other funds | 934,425 | 972,101 | 1,906,526 | - |
| Net other postemployment benefits asset | 32,694 | 112,461 | 145,155 | - |
| Capital assets: | | | | |
| Assets not subject to depreciation | 24,620 | 2,444,222 | 2,468,842 | - |
| Assets subject to depreciation | 35,559,123 | 18,163,407 | 53,722,530 | 2,386,365 |
| Total noncurrent assets | 36,550,862 | 21,692,191 | 58,243,053 | 2,386,365 |
| Total assets | 40,232,730 | 29,483,959 | 69,716,689 | 2,386,365 |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 155,638 | 710,965 | 866,603 | - |
| Accrued and other liabilities | 149,205 | 220,949 | 370,154 | - |
| Unearned revenue | - | 199,260 | 199,260 | - |
| Current portion of long-term debt | 1,005,000 | 80,249 | 1,085,249 | - |
| Total current liabilities | 1,309,843 | 1,211,423 | 2,521,266 | - |
| Noncurrent liabilities | | | | |
| Advances from other funds | - | - | - | 1,906,526 |
| Long-term debt | 11,635,000 | 1,707,749 | 13,342,749 | - |
| Total noncurrent liabilities | 11,635,000 | 1,707,749 | 13,342,749 | 1,906,526 |
| Total liabilities | 12,944,843 | 2,919,172 | 15,864,015 | 1,906,526 |
| NET POSITION | | | | |
| Invested in capital assets - Net of related debt | 22,943,743 | 18,819,631 | 41,763,374 | 2,386,365 |
| Unrestricted | 4,344,144 | 7,745,156 | 12,089,300 | (1,906,526) |
| Total net position | \$ 27,287,887 | \$ 26,564,787 | \$ 53,852,674 | \$ 479,839 |

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

| | <u>Enterprise Funds</u> | | | <u>Governmental</u> |
|---|-------------------------|----------------------|----------------------|---|
| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Total</u> | <u>Activities</u> <u>Proprietary</u> <u>Internal Service</u> <u>Fund</u> |
| Operating Revenue | | | | |
| Customer usage | \$ 2,651,987 | \$ 3,352,164 | \$ 6,004,151 | \$ - |
| Meters and installation charges | 213,825 | - | 213,825 | - |
| Other services and charges | 192,391 | 445,675 | 638,066 | - |
| Rental income | - | - | - | 302,995 |
| Total operating revenue | 3,058,203 | 3,797,839 | 6,856,042 | 302,995 |
| Operating Expenses | | | | |
| Cost of sewage treatment | - | 2,477,252 | 2,477,252 | - |
| Personal services | 686,274 | 734,478 | 1,420,752 | - |
| Supplies | 66,940 | 188,343 | 255,283 | - |
| Other services and charges | 874,631 | 348,974 | 1,223,605 | - |
| Depreciation | 1,249,846 | 1,074,458 | 2,324,304 | 68,182 |
| Total operating expenses | 2,877,691 | 4,823,505 | 7,701,196 | 68,182 |
| Operating Income (Loss) | 180,512 | (1,025,666) | (845,154) | 234,813 |
| Nonoperating Revenue (Expense) | | | | |
| Investment income | 14,754 | 21,552 | 36,306 | - |
| Interest expense | (321,345) | (38,830) | (360,175) | (105,215) |
| Total nonoperating (expense) revenue | (306,591) | (17,278) | (323,869) | (105,215) |
| Income (Loss) - Before contributions | (126,079) | (1,042,944) | (1,169,023) | 129,598 |
| Capital Contributions - | | | | |
| Capital charge/tap-in fees | 383,357 | 596,022 | 979,379 | - |
| Change in Net Position | 257,278 | (446,922) | (189,644) | 129,598 |
| Net Position - Beginning of year | 27,030,609 | 27,011,709 | 54,042,318 | 350,241 |
| Net Position - End of year | <u>\$ 27,287,887</u> | <u>\$ 26,564,787</u> | <u>\$ 53,852,674</u> | <u>\$ 479,839</u> |

CHARTER TOWNSHIP OF INDEPENDENCE

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

| | Enterprise Funds | | | Governmental Activities |
|--|---------------------|---------------------|---------------------|---|
| | Water Fund | Sewer Fund | Total | Proprietary Internal Service Fund |
| Cash Flows from Operating Activities | | | | |
| Receipts from customers | \$ 3,127,435 | \$ 3,816,630 | \$6,944,065 | \$ 302,995 |
| Payments to suppliers | (892,189) | (2,854,898) | (3,747,087) | - |
| Payments to employees | (700,658) | (774,711) | (1,475,369) | - |
| Net cash provided by operating activities | 1,534,588 | 187,021 | 1,721,609 | 302,995 |
| Cash Flows from Noncapital Financing Activities | | | | |
| Repayments of loans made to other funds | 100,659 | 97,121 | 197,780 | - |
| Repayments of loans from other funds | - | - | - | (197,780) |
| Net cash provided by (used in) noncapital financing activities | 100,659 | 97,121 | 197,780 | (197,780) |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Special assessment collections | 59,485 | (6,224) | 53,261 | - |
| Capital charges and tap-in fees | 383,357 | 795,283 | 1,178,640 | - |
| Purchase of capital assets | (209,768) | (87,223) | (296,991) | - |
| Proceeds from sale of fixed assets | 3,238 | - | 3,238 | - |
| Principal and interest paid on capital debt | (1,297,280) | (83,527) | (1,380,807) | (105,215) |
| Net cash provided by (used in) capital and related financing activities | (1,060,968) | 618,309 | (442,659) | (105,215) |
| Cash Flows from Investment Activities | | | | |
| Interest received on investments | 15,850 | 23,643 | 39,493 | - |
| Net Increase in Cash and Cash Equivalents | 590,129 | 926,094 | 1,516,223 | - |
| Cash and Cash Equivalents - Beginning of year | 2,366,950 | 5,793,404 | 8,160,354 | - |
| Cash and Cash Equivalents - End of year | <u>\$ 2,957,079</u> | <u>\$ 6,719,498</u> | <u>\$ 9,676,577</u> | <u>\$ -</u> |
| Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities | | | | |
| Operating income (loss) | \$ 180,512 | \$ (1,025,666) | \$ (845,154) | \$ 234,813 |
| Adjustments to reconcile operating income (loss) to net cash from operating activities | | | | |
| Depreciation and amortization | 1,249,846 | 1,074,458 | 2,324,304 | 68,182 |
| Gain on sale of fixed assets | (3,238) | - | (3,238) | - |
| Changes in assets and liabilities: | | | | |
| Receivables | 72,470 | 18,791 | 91,261 | - |
| Other postemployment benefits | (11,186) | (53,568) | (64,754) | - |
| Prepaid assets | (9,404) | (11,672) | (21,076) | - |
| Accounts payable | 49,382 | 159,671 | 209,053 | - |
| Accrued and other liabilities | 6,206 | 25,007 | 31,213 | - |
| Net cash provided by operating activities | <u>\$ 1,534,588</u> | <u>\$ 187,021</u> | <u>\$ 1,721,609</u> | <u>\$ 302,995</u> |

Noncash Investing, Capital and Financing Activities - During the year ended December 31, 2013, the Sewer Fund recorded debt draw-downs totaling, \$558,838. The Sewer Fund also spent \$558,938 for construction related to the new Oakland-Macomb Interceptor Drain Drainage District project. This activity is all considered noncash since it is administered by the Oakland-Macomb Interceptor Drain Drainage District.

CHARTER TOWNSHIP OF INDEPENDENCE
Fiduciary Fund
Statement of Fiduciary Assets and Liabilities
December 31, 2013

| | <u>Agency Funds</u> |
|---------------------------------|---------------------|
| Assets | |
| Cash and cash equivalents | \$ 1,837,637 |
| Receivables | <u>20,301</u> |
| Total assets | <u>\$ 1,857,938</u> |
| Liabilities | |
| Due to other governmental units | \$ 904,178 |
| Accrued liabilities and other | 11,448 |
| Cash bonds and deposits | <u>942,312</u> |
| Total liabilities | <u>\$ 1,857,938</u> |

CHARTER TOWNSHIP OF INDEPENDENCE

Component Units Statement of Net Position December 31, 2013

| | Component Units | | |
|------------------------------------|---|--|---------------------|
| | Sashabaw Road Corridor Improvement Authority | Clarkston Independence District Library | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 438,698 | \$ 558,301 | \$ 996,999 |
| Receivables - Net: | | | |
| Other receivables | 1,169 | 3,383 | 4,552 |
| Due from other governmental units | - | 806,781 | 806,781 |
| Prepays | - | 22,816 | 22,816 |
| Assets not subject to depreciation | - | 3,625 | 3,625 |
| Assets subject to depreciation | - | 1,268,208 | 1,268,208 |
| | <u>\$ 439,867</u> | <u>\$ 2,663,114</u> | <u>\$ 3,102,981</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 147,657 | \$ 12,746 | \$ 160,403 |
| Accrued and other liabilities | 6,940 | 28,213 | 35,153 |
| Property taxes | 27,094 | - | 27,094 |
| | <u>181,691</u> | <u>40,959</u> | <u>222,650</u> |
| Deferred inflows of resources | <u>17,189</u> | <u>918,579</u> | <u>935,768</u> |
| NET POSITION | | | |
| Restricted - library | - | 1,271,833 | 1,271,833 |
| Unrestricted | 240,987 | 431,743 | 672,730 |
| | <u>\$ 240,987</u> | <u>\$ 1,703,576</u> | <u>\$ 1,944,563</u> |

CHARTER TOWNSHIP OF INDEPENDENCE

Component Units Statement of Activities December 31, 2013

| | Component Units | | |
|---|---|--|---------------------|
| | Sashabaw Road Corridor Improvement Authority | Clarkston Independence District Library | Total |
| General Revenues | | | |
| Property taxes | \$ - | \$ 924,003 | \$ 924,003 |
| Contributions | 100,000 | - | 100,000 |
| Reimbursements | 44,000 | - | 44,000 |
| Investment income | 454 | 2,562 | 3,016 |
| Program revenues | - | 72,958 | 72,958 |
| Other miscellaneous income | - | 27,066 | 27,066 |
| Total revenue | <u>144,454</u> | <u>1,026,589</u> | <u>1,171,043</u> |
| Expenses | <u>250,015</u> | <u>1,056,478</u> | <u>1,306,493</u> |
| Change in Net Position | <u>(105,561)</u> | <u>(29,889)</u> | <u>(135,450)</u> |
| Net Position - Beginning of year | 346,548 | 299,200 | 645,748 |
| Transfer from Library Fund | <u>-</u> | <u>1,434,265</u> | <u>1,434,265</u> |
| Net Position - End of year | <u>\$ 240,987</u> | <u>\$ 1,703,576</u> | <u>\$ 1,944,563</u> |

CHARTER TOWNSHIP OF INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Charter Township of Independence is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. The discretely presented component units are reported in total in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township (see discussion below for description).

Discretely Presented Component Units

The Sashabaw Road Corridor Improvement Authority (the "CIA") was created to enhance existing business districts and promote economic development efforts within these districts. One of the features of the CIA is the ability to fund improvements through tax increment financing. The CIA has focused its attention on identifying those public improvements that are needed in the development area and which, if provided, will result in the enhancement of existing business activity and stimulation of new private investment that is in keeping with the policies of Independence Township.

In August 2012, the Library became its own authority and is now reported as a discretely presented component unit of the Township. The Township collects the dedicated millage and transfers it to the Library. Once the Library is able to get their own separate millage, they will no longer be presented in the Township's financial statements.

Government-wide and Fund Financial Statements

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

CHARTER TOWNSHIP OF INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Government-wide and Fund Financial Statements (Continued)

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 who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenues 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."

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

CHARTER TOWNSHIP OF INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

The Township reports the following major governmental funds:

The General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. General Fund activities are financed by revenues from general property taxes, state-shared revenue, and other sources.

Police Millage Fund - The Police Millage Fund accounts for all financial resources of public safety. Activities are financed through a dedicated millage and other sources.

Fire Millage Fund - The Fire Millage Fund accounts for all financial resources of the fire department. Activities are financed through a dedicated millage and other sources.

Safety Paths Millage Fund - The Safety Paths Millage Fund accounts for finances related to the construction and maintenance of sidewalks and pathways. Activities are funded through a dedicated millage and other sources.

The Township reports the following major proprietary funds:

Water and Sewer Funds - The Water and Sewer Funds are used to account for the provision of water and sewer services to the residents of the Township financed primarily by user charges. All activities necessary to provide such services are accounted for in these funds including, but not limited to, administration, operations, maintenance, billings, and collections.

Additionally, the Township reports the following internal service and fiduciary activities:

Internal Service Fund - The Internal Service Fund accounts for the purchase of the new Township hall.

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

CHARTER TOWNSHIP OF INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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

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

When an expense is incurred for purposes for which both restricted and unrestricted net assets or fund balance are available, the Township's policy is to first apply restricted resources, except in the Police Millage Fund, Fire Millage Fund, Library Fund, and Safety Paths Fund. In these funds, the Township's policy is to first apply unrestricted resources.

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

Property Tax Revenue

Property taxes are assessed as of December 31. The related property taxes become a lien on December 1 of the following year and are due February 14 with the final collection date of February 28 before they are added to the county tax roll.

Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred inflows of resources in each respective fund at December 31. After December 31, 2013, additional Michigan Tax Tribunal cases of approximately \$3 million were filed resulting in a possible additional liability of approximately \$20,000 spread across the various funds that are supported by a millage.

CHARTER TOWNSHIP OF INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Property Tax Revenue (Continued)

The 2013 taxable valuation of the Township totaled \$1.329 billion. Taxes were levied and the resulting revenue by fund was as follows:

| | Millage Rate | Revenue |
|---|-------------------|----------------------|
| | <u> </u> | <u> </u> |
| Operating millage (General Fund) | 1.0193 | \$ 1,386,780 |
| Special Revenue Funds: | | |
| Fire millage - Operations and advanced life support | 3.5188 | 4,756,072 |
| Library operating | 0.6910 | - |
| Police millage - Operations | 2.9500 | 3,885,727 |
| Safety paths millage - Construction | 0.3023 | 263,586 |
| | <u> </u> | <u> </u> |
| Total | <u>8.4814</u> | <u>\$ 10,292,165</u> |

Assets, Liabilities, and Net Position or Fund Balance

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

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

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

CHARTER TOWNSHIP OF INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,500 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:

| | |
|---|----------------|
| Land improvements | 15 to 20 years |
| Safety paths | 20 years |
| Buildings and building improvements | 20 to 30 years |
| Library books | 10 years |
| Machinery and equipment, including leased equipment | 3 to 10 years |
| Office equipment | 3 to 7 years |
| Vehicles | 3 to 20 years |
| Infrastructure - Roads | 30 years |
| Utility systems | 40 years |

Compensated Absences (Vacation and Sick Leave) – The Township’s policy is to permit employees to accumulate earned, but unused paid time off in accordance with the applicable employee contract, but vacation pay is paid out after 40 hours. A liability for these amounts is reported in governmental funds only for employee terminations as of yearend.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. The face amount of debt issued is reported as other financing sources in the governmental funds. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Pension and Other Postemployment Benefit Costs - The Township offers both pension and retiree healthcare benefits to retirees. The Township receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the Township reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

CHARTER TOWNSHIP OF INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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

- Nonspendable - Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- Committed - Amounts that have been formally set aside by the board of trustees for use for specific purposes. Commitments are made and can be rescinded only via a resolution of the board of trustees.
- Assigned - Intent to spend resources on specific purposes expressed by the Township supervisor or finance director, who is authorized by Resolution 2011-56, *Fund Balance Classification Policies and Procedures*, and is approved by the board of trustees to make assignments.
- Unassigned - Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

When multiple classifications of fund balance are available, fund balance will be used first from the most restrictive category, in order, to the least restrictive, except in the Police Millage Fund, Fire Millage Fund, Library Fund, and Safety Paths Fund. In these funds, the Township's policy is to first apply unrestricted resources.

Use of Estimates

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

CHARTER TOWNSHIP OF INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Construction Code Fees

The 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 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:

| | | | |
|---|------------|----------------|------------------------------|
| Cumulative shortfall at January 1, 2013 | | | \$ (1,766,521) |
| Current year building permit revenue | | | 604,807 |
| Related expenses: | | | |
| Direct costs | \$ 560,677 | | |
| Estimated indirect costs | <u>-</u> | <u>560,677</u> | |
| Current year surplus | | | <u>44,130</u> |
| Cumulative shortfall at December 31, 2013 | | | <u><u>\$ (1,722,391)</u></u> |

Fund Deficits

The Township has accumulated fund deficits in the following individual funds: the Community Development Block Grant Fund, the Library Fund, the Eastview/Westview Debt Service Fund, the Sashabaw Drain Capital Projects Fund, and the Townsend Capital Projects Fund. The deficits will be funded primarily by special assessment collections, recognition of unearned/unavailable revenue, and operating transfers from other funds.

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 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.

CHARTER TOWNSHIP OF INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The Township has designated 6 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in the state statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The 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 a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had bank deposits of \$8,663,191 (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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 Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a maximum 270-day maturity. At year end, the average maturities of investments are as follows:

| Investment | Fair Value | Weighted Average Maturity |
|-------------------------------|---------------|---------------------------------|
| U.S. agency securities | \$ 780,597 | 5.18 years |
| U.S. government securities | \$ 10,641,358 | 2.30 years |
| State of Michigan Kent County | \$ 1,000,000 | 0.25 years |

CHARTER TOWNSHIP OF INDEPENDENCE
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 Township has an investment policy that further limits its investment choices. As of yearend, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

| Investment | Fair Value | Rating | Rating Organization |
|-------------------------------|---------------|-----------|------------------------|
| Interlocal agreement fund | \$ 4,997,544 | Not rated | N/A |
| State of Michigan Kent County | \$ 1,000,000 | SP-1+ | S&P |
| U.S. agency securities | \$ 780,597 | AAA | Moody's |
| U.S. government securities | \$ 10,641,358 | AAA | Moody's |

Concentration of Credit Risk

The Township's investment policy limits the amount that may be invested in a single issuer to no more than 10 percent of the market value of the portfolio with the exception of U.S. Treasury or U.S. agency obligations. As of December 31, 2013, the Township had no more than 5 percent of its portfolio invested in a single issuer except for approximately \$1,200,000, 7.2 percent of the portfolio, invested in the Federal National Mortgage Association and approximately \$2,500,000, 14.7 percent of the portfolio, invested in the Federal Home Loan Mortgage Corporation.

Risks and Uncertainties

Due to the level of risk associated with certain investment securities, as described above, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets.

NOTE 4 - DEFINED CONTRIBUTION RETIREMENT PLAN

The Township provides a defined contribution pension plan to all of its full-time employees, excluding full-time employees of the fire department, who have elected to be covered under the Municipal Employees' Retirement System of Michigan (MERS). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township board, the Township contributes up to 10 percent of employees' gross earnings. In accordance with these requirements, the Township contributed approximately \$215,766 and the employee contributions were immaterial.

CHARTER TOWNSHIP OF INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 5 – CAPITAL ASSETS

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

| Governmental Activities | Balance January 1, 2013 | Additions | Disposals | Balance December 31, 2013 |
|---------------------------------------|-------------------------------|---------------------|---------------------|---------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,153,326 | \$ - | \$ 3,625 | \$ 1,149,701 |
| Development rights | 1,000,000 | - | - | 1,000,000 |
| Subtotal | <u>2,153,326</u> | <u>-</u> | <u>3,625</u> | <u>2,149,701</u> |
| Capital assets being depreciated: | | | | |
| Building and improvements | 11,812,140 | 160,697 | 2,458,220 | 9,514,617 |
| Machinery and equipment | 3,997,330 | 217,108 | 38,029 | 4,176,409 |
| Vehicles | 5,904,015 | 215,266 | 1,115,546 | 5,003,735 |
| Office equipment | 1,724,031 | 77,096 | 168,352 | 1,632,775 |
| Land improvements | 2,879,258 | 8,091 | 7,850 | 2,879,499 |
| Infrastructure - Roads | 990,412 | - | - | 990,412 |
| Library books | 3,296,216 | - | 3,296,216 | - |
| Safety paths | 8,188,219 | - | - | 8,188,219 |
| Subtotal | <u>38,791,621</u> | <u>678,258</u> | <u>7,084,213</u> | <u>32,385,666</u> |
| Accumulated depreciation: | | | | |
| Building and improvements | 5,065,912 | 281,917 | 1,541,299 | 3,806,530 |
| Machinery and equipment | 3,690,439 | 183,513 | 36,844 | 3,837,108 |
| Vehicles | 3,006,702 | 239,182 | 1,028,380 | 2,217,504 |
| Office furnishings | 1,481,669 | 53,848 | 164,106 | 1,371,411 |
| Land improvements | 2,010,310 | 78,853 | 6,280 | 2,082,883 |
| Infrastructure - Roads | 231,103 | 33,017 | - | 264,120 |
| Library books | 2,789,498 | - | 2,789,498 | - |
| Safety paths | 5,953,170 | 230,449 | - | 6,183,619 |
| Subtotal | <u>24,228,803</u> | <u>1,100,779</u> | <u>5,566,407</u> | <u>19,763,175</u> |
| Net capital assets being depreciated | <u>14,562,818</u> | <u>(422,521)</u> | <u>1,517,806</u> | <u>12,622,491</u> |
| Net capital assets | <u>\$ 16,716,144</u> | <u>\$ (422,521)</u> | <u>\$ 1,521,431</u> | <u>\$ 14,772,192</u> |

CHARTER TOWNSHIP OF INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 5 – CAPITAL ASSETS (Continued)

| Business-type Activities | Balance January 1, 2013 | Additions | Disposals | Balance December 31, 2013 |
|---------------------------------------|-------------------------------|-----------------------|------------------|---------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 34,873 | \$ - | \$ - | \$ 34,873 |
| Construction in progress | 1,875,131 | 558,838 | - | 2,433,969 |
| Subtotal | 1,910,004 | 558,838 | - | 2,468,842 |
| Capital assets being depreciated: | | | | |
| Utility system | 99,547,271 | 59,396 | - | 99,606,667 |
| Buildings and improvement | 1,158,174 | - | - | 1,158,174 |
| Machinery and equipment | 1,372,432 | 86,255 | - | 1,458,687 |
| Vehicles | 842,411 | 205,840 | 307,325 | 740,926 |
| Office equipment | 133,354 | 3,690 | - | 137,044 |
| Land improvements | 61,392 | - | - | 61,392 |
| Subtotal | 103,115,034 | 355,181 | 307,325 | 103,162,890 |
| Accumulated depreciation: | | | | |
| Utility system | 44,207,129 | 2,215,913 | - | 46,423,042 |
| Buildings and improvement | 1,007,047 | 46,373 | - | 1,053,420 |
| Machinery and equipment | 1,305,986 | 4,190 | 12,687 | 1,297,489 |
| Vehicles | 714,807 | 53,983 | 236,450 | 532,340 |
| Office equipment | 130,224 | 3,845 | - | 134,069 |
| Subtotal | 47,365,193 | 2,324,304 | 249,137 | 49,440,360 |
| Net capital assets being depreciated | 55,749,841 | (1,969,123) | 58,188 | 53,722,530 |
| Net capital assets | <u>\$ 57,659,845</u> | <u>\$ (1,410,285)</u> | <u>\$ 58,188</u> | <u>\$ 56,191,372</u> |

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

| | |
|-------------------------------|---------------------|
| Governmental Activities: | |
| General government | \$ 202,260 |
| Public safety | 428,531 |
| Public works | 36,504 |
| Recreation and culture | 433,484 |
| Total governmental activities | <u>\$ 1,100,779</u> |

CHARTER TOWNSHIP OF INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 5 – CAPITAL ASSETS (Continued)

| | | |
|--------------------------------|----|-------------------------|
| Water | \$ | 1,249,846 |
| Sewer | | <u>1,074,458</u> |
| Total business-type activities | \$ | <u><u>2,324,304</u></u> |

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of Interfund balances is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------------------|---------------------|---------------|
| Due to/from Other Funds | | |

| | | |
|--------------|--------------------------|-----------|
| General Fund | Other governmental funds | \$ 11,508 |
|--------------|--------------------------|-----------|

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-------------------------------------|---------------------|---------------|
| Advances from/to Other Funds | | |

| | | |
|------------|-----------------------|------------|
| Water Fund | Internal Service Fund | \$ 934,425 |
|------------|-----------------------|------------|

| | | |
|------------|-----------------------|------------|
| Sewer Fund | Internal Service Fund | \$ 972,101 |
|------------|-----------------------|------------|

The advance from the Water and Sewer funds to the Internal Service Fund relates to a loan from the Water and Sewer Funds for the purchase of the Township hall.

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

| <u>Fund Providing Resources</u> | <u>Fund Receiving Resources</u> | <u>Amount</u> |
|---------------------------------|---------------------------------|----------------------------|
| General Fund | Other governmental funds | \$ 1,119,160 |
| Fire Fund | Capital projects fund | 463,378 |
| Capital Projects Fund | General fund | <u>342,314</u> |
| | | <u><u>\$ 1,924,852</u></u> |

The Township transferred funds from the General Fund to the Cable Television Fund to help cover operating expenses that are not covered by the charges for services. The Township transferred funds from the Fire Fund and General Fund to the Capital Projects Fund for the purchases of capital items.

CHARTER TOWNSHIP OF INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 7 – UNEARNED/UNAVAILABLE REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. All funds and governmental and business-type activities also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned/unavailable revenue are as follows:

| | <u>Unavailable</u> | <u>Unearned</u> |
|----------------------|--------------------|----------------------|
| Property taxes | \$ - | \$ 10,284,953 |
| Special assessment | 165,589 | - |
| Grants | 2,125 | - |
| Tap in fees | - | 199,260 |
| Charges for services | <u>17,972</u> | <u>-</u> |
| Total | <u>\$ 185,686</u> | <u>\$ 10,484,213</u> |

In addition to the unearned/unavailable revenue shown above, the Corridor Improvement Authority has \$17,189 of unearned revenue related to property taxes at December 31, 2013.

NOTE 8 - LONG-TERM DEBT

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the district) are received.

CHARTER TOWNSHIP OF INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 8 - LONG-TERM DEBT (Continued)

Long-term debt activity can be summarized as follows:

| | Interest Rate Ranges | Principal Maturity Ranges | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|-------------------------|---------------------------------|----------------------|-------------------|---------------------|----------------------|------------------------|
| Governmental Activities | | | | | | | |
| Financing contract | | | \$ 101,266 | \$ 72,400 | \$ 19,884 | \$ 153,782 | \$ 44,740 |
| Special assessment bonds | | | | | | | |
| Townsend Lake Bond Issue | | | | | | | |
| Series 1996-A: | | | | | | | |
| Amount of issue \$375,000 | 4.45% - | | | | | | |
| Maturing through 2013 | 4.85% | \$ 30,000 | 30,000 | - | 30,000 | - | - |
| Other long-term obligations - | | | | | | | |
| Accumulated employee benefits | | | 321,429 | - | 48,126 | 273,303 | 35,000 |
| Total governmental activities | | | <u>\$ 452,695</u> | <u>\$ 72,400</u> | <u>\$ 98,010</u> | <u>\$ 427,085</u> | <u>\$ 79,740</u> |
| Business-type Activities | | | | | | | |
| DEQ - Drinking Water Revolving Fund: | | | | | | | |
| Amount of issue \$18,625,000 | | \$820,000 - | | | | | |
| Maturing through 2025 | 2.215% | \$1,130,000 | \$ 12,155,000 | \$ - | \$ 895,000 | \$ 11,260,000 | \$ 915,000 |
| Capital Improvement Bonds Series 2005-B: | | | | | | | |
| Amount of issue: \$2,000,000 | 3.90% - | \$85,000 - | | | | | |
| Maturing through 2025 | 4.25% | \$145,000 | 1,465,000 | - | 85,000 | 1,380,000 | 90,000 |
| Oakland-Macomb Interceptor Drain Drainage District Drain Bond Series 2010 A: | | | | | | | |
| Amount issued: \$824,575 | | \$32,128 - | | | | | |
| Maturing through 2030 | 2.50% | \$51,702 | 764,170 | 28,277 | 33,045 | 759,402 | 33,836 |
| Oakland-Macomb Interceptor Drain Drainage District Drain Bond Series 2010 B: | | | | | | | |
| Amount issued: \$211,867 | | \$6,008 - | | | | | |
| Maturing through 2030 | 2.50% | \$16,443 | 198,744 | - | 7,273 | 191,471 | 7,589 |
| Oakland-Macomb Interceptor Drain Drainage District Drain Bond Series 2011 A: | | | | | | | |
| Amount issued: \$624,517 | | \$38,824 - | | | | | |
| net of \$366,666 not yet drawn | | \$61,925 | | | | | |
| Maturing through 2030 | 2.50% | | 306,564 | 317,953 | - | 624,517 | 38,824 |
| Oakland-Macomb Interceptor Drain Drainage District Drain Bond Series 2013 A: | | | | | | | |
| Amount issued: \$212,608 | | \$38,824 - | | | | | |
| net of \$1,950,292 not yet drawn | | \$61,925 | | | | | |
| Maturing through 2034 | 2.50% | | - | 212,608 | - | 212,608 | - |
| Total business-type activities | | | <u>\$ 14,889,478</u> | <u>\$ 558,838</u> | <u>\$ 1,020,318</u> | <u>\$ 14,427,998</u> | <u>\$ 1,085,249</u> |

CHARTER TOWNSHIP OF INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 8 - LONG-TERM DEBT (Continued)

Debt Service Requirements

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

| Year Ending December 31, | Governmental Activities | | | Business-type Activities | | |
|-----------------------------|-------------------------|-------------|-------------------|--------------------------|---------------------|----------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2014 | \$ 44,740 | \$ - | \$ 44,740 | \$ 1,085,249 | \$ 391,292 | \$ 1,476,541 |
| 2015 | 48,600 | - | 48,600 | 1,206,313 | 366,282 | 1,572,595 |
| 2016 | 60,442 | - | 60,442 | 1,235,375 | 338,659 | 1,574,034 |
| 2017 | - | - | - | 1,259,436 | 310,302 | 1,569,738 |
| 2018 | - | - | - | 1,505,972 | 281,310 | 1,787,282 |
| 2019-2023 | - | - | - | 6,926,251 | 946,274 | 7,872,525 |
| 2024-2028 | - | - | - | 2,572,179 | 261,551 | 2,833,730 |
| 2029-2033 | - | - | - | 824,520 | 80,294 | 904,814 |
| 2034-2037 | - | - | - | 129,661 | 2,593 | 132,254 |
| Total | <u>\$ 153,782</u> | <u>\$ -</u> | <u>\$ 153,782</u> | <u>\$ 16,744,956</u> | <u>\$ 2,978,557</u> | <u>\$ 19,723,513</u> |

County Contractual Obligations

During 2009, Macomb and Oakland counties jointly established the Oakland-Macomb Interceptor Drain -Drainage District (OMID), an inter-county drainage district, under Chapter 21 of the Drain Code. The OMID was created to acquire, operate, and maintain the Oakland-Macomb Interceptor (OMI); title to the OMI was transferred from the City of Detroit to the OMID as part of a settlement agreement with the City of Detroit reached in May 2009. The OMID apportioned the responsibility to pay the debt required to finance this project to the participating cities, townships, and villages located in the two counties.

Below is a table describing the amount that can be drawn on the OMID bonds, the amount drawn, and the amount remaining to be drawn as of December 31, 2013.

| Bond Issuance | Total Amount to Draw | Total Amount Drawn | Remaining |
|-----------------|-------------------------|-----------------------|--------------|
| OMID 2010A Bond | \$ 824,575 | \$ 824,575 | \$ - |
| OMID 2010B Bond | \$ 211,867 | \$ 211,867 | \$ - |
| OMID 2011A Bond | \$ 991,183 | \$ 624,517 | \$ 366,666 |
| OMID 2013A Bond | \$ 2,162,900 | \$ 212,608 | \$ 1,950,292 |

CHARTER TOWNSHIP OF INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 9 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefits and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to general liability and property, unemployment compensation, and employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 10 - DEFINED BENEFIT PENSION PLAN

Plan Description

The Township participates in the Michigan Municipal Employees' Retirement System (the "System"), an agent multiple-employer defined benefit pension plan that covers only full-time firefighters of the Township. The System provides retirement benefits, as well as death and disability benefits. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy

The obligation to contribute to and maintain the System for these employees was established by negotiation with the Township's collective bargaining units and requires a contribution from the employees of the Township.

Annual Pension Cost

For the year ended December 31, 2013, the Township's annual pension cost of \$215,280 for the plan was equal to the Township's required and actual contribution.

Actuarial Methods and Assumptions

The annual required contribution was determined as part of an actuarial valuation at December 31, 2010, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) 0 percent to 8.4 percent merit and longevity adjustments. Both (a) and (b) include an inflation component of 4.5 percent.

CHARTER TOWNSHIP OF INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

For calendar years 2010 through 2014, the wage inflations assumption is 1 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 10-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 26 years.

The assumptions used in the December 31, 2011 actuarial valuation mirrored those in the December 31, 2010 valuation, except as follows: (a) for calendar years 2011 through 2014, the wage inflation assumption is 1 percent, instead of 4.5 percent, and (b) the remaining amortization period remained 27 years.

Three-year Trend Information

| | Year Ended December 31, | | |
|--|--|--------------|--------------|
| | 2011 | 2012 | 2013 |
| Annual pension cost (APC) | \$ 227,569 | \$ 220,944 | \$ 215,280 |
| Percentage of APC contributed | 100% | 100% | 100% |
| | Actuarial Valuation as of December 31, | | |
| | 2010 | 2011 | 2012 |
| Actuarial value of assets | \$ 5,800,075 | \$ 6,391,120 | \$ 6,855,093 |
| Actuarial accrued liability (AAL) (entry age) | \$ 7,260,435 | \$ 8,063,578 | \$ 8,854,347 |
| Unfunded AAL (UAAL) | \$ 1,460,360 | \$ 1,672,458 | \$ 1,999,254 |
| Funded ratio | 79.9% | 79.3% | 77.4% |
| Covered payroll | \$ 2,280,741 | \$ 2,285,725 | \$ 2,197,676 |
| UAAL as a percentage of covered payroll | 64.0% | 73.2% | 91.0% |

NOTE 11 – POSTEMPLOYMENT BENEFITS

Plan Description

The Township provides retiree healthcare benefits to eligible employees and their spouses. This is an agent multiple employer defined benefit plan administered by the Municipal Employees' Retirement System of Michigan Health Funding Vehicle. The benefits are provided under collective bargaining agreements. As of December 31, 2013, the market value of assets held in the Health Funding Vehicle was \$5,340,809.

CHARTER TOWNSHIP OF INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 11 – POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy

The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). However, as shown below, the Township has made contributions to advance-fund these benefits, as determined by the Township through annual budget resolutions. AFSCME and nonunion employees are not required to make a contribution into the plan; however, all employees covered by the Independence Professional Fire Fighters Association (IAFF) labor agreement are required to contribute 1 percent of their base wage into this plan annually.

Funding Progress

For the year ended December 31, 2013, the Township has estimated the cost of providing retiree health care benefits through an actuarial valuation as of December 31, 2011. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

The total net OPEB asset of \$376,390 at the end of the year consists of a Business-type Activities asset of \$145,155 and a Governmental Activities asset of \$231,235.

| | | |
|---|----------------|--------------------------|
| Annual required contribution (recommended) | | \$ 448,749 |
| Interest on the prior year's net OPEB asset | | <u>-</u> |
| Annual OPEB cost | | 448,749 |
| Amounts contributed: | | |
| Payments of current premiums | \$ 448,749 | |
| Advance funding | <u>159,791</u> | <u>608,540</u> |
| Increase in net OPEB asset | | 159,791 |
| OPEB asset - Beginning of year | | <u>216,599</u> |
| OPEB asset - End of year | | <u><u>\$ 376,390</u></u> |

CHARTER TOWNSHIP OF INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current year are as follows:

| <u>Year Ended</u> | <u>Actuarial Valuation Date</u> | <u>Annual OPEB Cost</u> | <u>Percentage Contributed</u> | <u>Net OPEB Asset (Liability)</u> |
|-------------------|---------------------------------|-------------------------|-------------------------------|-----------------------------------|
| 12/31/2009 | 9/30/2005 | \$ 486,206 | 84% | \$ 82,883 |
| 12/31/2010 | 12/31/2008 | \$ 552,294 | 121% | \$ 199,457 |
| 12/31/2011 | 12/31/2008 | \$ 568,120 | 63% | \$ (8,009) |
| 12/31/2012 | 12/31/2011 | \$ 448,749 | 150% | \$ 216,599 |
| 12/31/2013 | 12/31/2011 | \$ 448,749 | 136% | \$ 376,390 |

The funding progress of the plan is as follows:

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) (b)</u> | <u>Unfunded AAL (UAAL) (b-a)</u> | <u>Funded Ratio (Percent) (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll</u> |
|---------------------------------|--------------------------------------|--|----------------------------------|-------------------------------------|----------------------------|--|
| 9/30/2005 | \$ - | \$ 4,772,934 | \$ 4,772,934 | - | \$ 4,960,617 | 96% |
| 12/31/2008 | \$ 1,906,147 | \$ 7,536,207 | \$ 5,630,060 | 25.3% | \$ 5,478,060 | 103% |
| 12/31/2011 | \$ 3,601,908 | \$ 7,307,273 | \$ 3,705,365 | 49.3% | \$ 4,659,233 | 80% |

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, mortality, and the healthcare cost trend. 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.

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 INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions (Continued)

In the December 31, 2011 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included (a) an 8 percent investment rate of return (net of administrative expenses), which is the rate of the expected long-term investment returns on plan assets and (b) an annual health care cost trend rate of 8.3 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. All rates included a 4.5 percent inflation assumption. The UAAL is being amortized on a level dollar normal cost basis. The remaining amortization period at December 31, 2011 was 26 years.

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement 67, *Financial Reporting for Pension Plans* an amendment of GASB Statement No. 25 was issued to establish standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. The requirements of GASB 67 are effective for the Township's 2014 year end. The Township is currently evaluating the impact that GASB 67 may have on its financial statements.

GASB Statement 68, *Accounting and Financial Reporting for Pensions* an amendment of GASB Statement No. 27. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. The requirements of GASB 68 are effective for the Township's 2015 year end. The Township is currently evaluating the impact that GASB 68 may have on its financial statements.

GASB Statement 69, *Government Combinations and Disposals of Government Operations* was issued to improve accounting and financial reporting for US, State and local governments' combinations and disposals of government operations. The requirements of GASB 69 are effective for the Townships 2014 year end. The Township is currently evaluating the impact that GASB 69 may have on its financial statements.

CHARTER TOWNSHIP OF INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 13 – CONTINGENCIES AND COMMITMENTS

The Township is involved in legal actions and claims arising in the ordinary course of activities. Although the amount of the potential liability at December 31, 2013 with respect to the outcomes of these litigations cannot be ascertained, in the opinions of Township management, any resulting liability should not materially affect the financial position or results of future activities.

NOTE 14 – SUBSEQUENT EVENTS

The Township management has performed a review of events subsequent to the balance sheet date through August 5, 2014, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

CHARTER TOWNSHIP OF INDEPENDENCE

Required Supplemental Information

Budgetary Comparison Schedule - General Fund (Excluding Parks
and Recreation Department)

Year Ended December 31, 2013

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|---|---------------------|---------------------|---------------------|------------------------------------|
| Revenue | | | | |
| Property taxes | \$ 1,388,909 | \$ 1,388,909 | \$ 1,386,780 | \$ (2,129) |
| Licenses and permits | 188,500 | 659,000 | 725,460 | 66,460 |
| State-shared revenue and grants | 2,400,000 | 2,400,000 | 2,594,357 | 194,357 |
| Charges for services | 19,200 | 72,986 | 2,435 | (70,551) |
| Fines and forfeitures | 750 | 750 | 590.00 | (160) |
| Interest and rentals | 86,744 | 86,744 | 38,670 | (48,074) |
| Other revenue | 808,214 | 982,164 | 1,049,809 | 67,645 |
| Total revenue | 4,892,317 | 5,590,553 | 5,798,101 | 207,548 |
| Expenditures | | | | |
| Current | | | | |
| Township board | | | | |
| Township board | 251,638 | 524,988 | 358,228 | 166,760 |
| Supervisor | 176,774 | 203,324 | 200,876 | 2,448 |
| Data processing | 34,400 | 34,400 | 28,171 | 6,229 |
| Treasurer | 357,756 | 324,761 | 324,216 | 545 |
| Assessing | 430,997 | 430,997 | 416,118 | 14,879 |
| Board of review | 6,625 | 6,625 | (66,314) | 72,939 |
| Clerk | 540,526 | 569,476 | 506,234 | 63,242 |
| Elections | 22,140 | 27,640 | 18,229 | 9,411 |
| Buildings and grounds | 15,000 | - | - | - |
| Legal | 135,000 | 135,000 | 164,506 | (29,506) |
| Human resources | 142,592 | 83,332 | 69,949 | 13,383 |
| Township hall | 497,663 | 533,126 | 503,005 | 30,121 |
| Building | 588,193 | 645,760 | 560,095 | 85,665 |
| Public works | 173,012 | 173,012 | 170,066 | 2,946 |
| Cemetery | 96,148 | 107,104 | 82,341 | 24,763 |
| Total expenditures | 3,468,464 | 3,799,545 | 3,335,720 | 463,825 |
| Excess of Revenue Over Expenditures | 1,423,853 | 1,791,008 | 2,462,381 | 671,373 |
| Other Financing Sources (Uses) | | | | |
| Proceeds from debt | - | - | 36,134 | 36,134 |
| Transfer in | 1,185,751 | 1,250,611 | 342,314 | (908,297) |
| Transfer out | (135,695) | (1,119,160) | (1,119,160) | - |
| Total other financing sources (uses) | 1,050,056 | 131,451 | (740,712) | (872,163) |
| Net Change in Fund Balance | 2,473,909 | 1,922,459 | 1,721,669 | (200,790) |
| Fund Balances - Beginning of year | 5,633,488 | 5,633,488 | 5,633,488 | - |
| Fund Balances - End of year | \$ 8,107,397 | \$ 7,555,947 | \$ 7,355,157 | \$ (200,790) |

CHARTER TOWNSHIP OF INDEPENDENCE

Required Supplemental Information

Budgetary Comparison Schedule - Major Special Revenue Funds -

Police Millage Fund

Year Ended December 31, 2013

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance with Amended Budget</u> |
|---|----------------------------|----------------------------|----------------------------|---|
| Revenue | | | | |
| Property taxes | \$ 3,901,042 | \$ 3,901,042 | \$ 3,885,727 | \$ (15,315) |
| State-shared revenue and grants | 23,000 | 23,000 | 24,498 | 1,498 |
| Charges for services | 390,000 | 401,520 | 386,358 | (15,162) |
| Fines and forfeitures | 80,000 | 89,000 | 122,053 | 33,053 |
| Investment income | 50,000 | 50,000 | - | (50,000) |
| | <u>4,444,042</u> | <u>4,464,562</u> | <u>4,418,636</u> | <u>(45,926)</u> |
| Expenditures - Current - Public safety | <u>4,260,253</u> | <u>4,360,523</u> | <u>4,255,048</u> | <u>105,475</u> |
| Net Change in Fund Balance | 183,789 | 104,039 | 163,588 | 59,549 |
| Fund Balances - Beginning of year | <u>1,202,528</u> | <u>1,202,528</u> | <u>1,202,528</u> | <u>-</u> |
| Fund Balances - End of year | <u><u>\$ 1,386,317</u></u> | <u><u>\$ 1,306,567</u></u> | <u><u>\$ 1,366,116</u></u> | <u><u>\$ 59,549</u></u> |

CHARTER TOWNSHIP OF INDEPENDENCE

Required Supplemental Information

Budgetary Comparison Schedule - Major Special Revenue Funds -

Fire Millage Fund

Year Ended December 31, 2013

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance with Amended Budget</u> |
|--|----------------------------|---------------------------|---------------------|---|
| Revenue | | | | |
| Property taxes | \$ 4,785,455 | \$ 4,785,455 | \$ 4,756,072 | \$ (29,383) |
| Charges for services | 665,693 | 665,693 | 838,793 | 173,100 |
| Fines and forfeitures | 2,000 | 2,000 | 1,768 | (232) |
| Investment income | 50,000 | 50,000 | 1,400 | (48,600) |
| Other revenue | 131,500 | 131,500 | 101,145 | (30,355) |
| | <u>5,634,648</u> | <u>5,634,648</u> | <u>5,699,178</u> | <u>64,530</u> |
| Expenditures | | | | |
| Current - Public safety | 5,437,403 | 5,155,300 | 4,534,093 | 621,207 |
| Capital outlay | 40,000 | 34,000 | 216,866 | (182,866) |
| | <u>5,477,403</u> | <u>5,189,300</u> | <u>4,750,959</u> | <u>438,341</u> |
| Other Financing Sources (Uses) | | | | |
| Transfer in | - | 12,085 | - | (12,085) |
| Transfer out | (500,000) | (463,378) | (463,378) | - |
| | <u>(500,000)</u> | <u>(451,293)</u> | <u>(463,378)</u> | <u>(12,085)</u> |
| Net Change in Fund Balance | (342,755) | (5,945) | 484,841 | 490,786 |
| Fund Balances - Beginning of year | <u>2,013,527</u> | <u>2,013,527</u> | <u>2,013,527</u> | <u>-</u> |
| Fund Balances - End of year | <u>\$ 1,670,772</u> | <u>\$ 2,007,582</u> | <u>\$ 2,498,368</u> | <u>\$ 490,786</u> |

CHARTER TOWNSHIP OF INDEPENDENCE

Required Supplemental Information

Budgetary Comparison Schedule - Major Special Revenue Funds -

Safety Paths Fund

Year Ended December 31, 2013

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance with Amended Budget</u> |
|--|----------------------------|---------------------------|---------------------|---|
| Revenue | | | | |
| Property taxes | \$ 267,519 | \$ 267,519 | \$ 263,586 | \$ (3,933) |
| Investment income | 20,000 | 20,000 | 3,237 | (16,763) |
| Other revenue | - | 14,500 | 16,511 | 2,011 |
| Total revenue | 287,519 | 302,019 | 283,334 | (18,685) |
| Expenditures - Current - Recreation and culture | <u>177,236</u> | <u>159,471</u> | <u>145,022</u> | <u>14,449</u> |
| Net Change in Fund Balance | 110,283 | 142,548 | 138,312 | (4,236) |
| Fund Balances - Beginning of year | <u>1,293,075</u> | <u>1,293,075</u> | <u>1,293,075</u> | <u>-</u> |
| Fund Balances - End of year | <u>\$ 1,403,358</u> | <u>\$ 1,435,623</u> | <u>\$ 1,431,387</u> | <u>\$ (4,236)</u> |

CHARTER TOWNSHIP OF INDEPENDENCE
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
December 31, 2013

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds. All annual appropriations lapse at year end.

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. Each Special Revenue Fund represents a separate department.

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.

The General Fund, as presented in the basic financial statements, includes the Parks and Recreation Department. However, the Township Board adopts the Parks and Recreation Department budget separately from the General Fund budget. The reconciliation of the General Fund budgetary comparison schedule to the General Fund statement of revenue, expenditures, and changes in fund balance is as follows:

| | <u>Total Revenue</u> | <u>Total Expenditures</u> | <u>Fund Balance</u> |
|--|----------------------|-------------------------------|---------------------|
| General Fund - Amounts per budget statement | \$ 5,798,101 | \$ 3,335,720 | \$ 7,355,157 |
| Parks and recreation department | <u>1,101,240</u> | <u>2,163,697</u> | <u>(1,548,020)</u> |
| General Fund - Amounts per operating statement | <u>\$ 6,899,341</u> | <u>\$ 5,499,417</u> | <u>\$ 5,807,137</u> |

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Charter Township of Independence incurred expenditures that were in excess of the amounts budgeted in the General Fund, as follows:

| | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-------|---------------------------|---------------|-----------------|
| Legal | \$ 135,000 | \$ 164,506 | \$ (29,506) |

The above expenditure category was insignificantly over budget due to increased workers' compensation cases.

OTHER SUPPLEMENTAL INFORMATION

CHARTER TOWNSHIP OF INDEPENDENCE
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2013

| | <u>Various</u> | <u>Special Revenue Funds</u> | | | <u>Debt Service Funds</u> | <u>Library Fund</u> | <u>Capital Projects Funds</u> | |
|-------------------------------------|----------------------------|--|-------------------|---------------------|---------------------------|-------------------------|--|--|
| | <u>Special Assessments</u> | <u>Community Development Block Grant</u> | <u>Cable TV</u> | <u>Debt Service</u> | <u>Library</u> | <u>Capital Projects</u> | <u>Total Nonmajor Governmental Funds</u> | |
| Assets | | | | | | | | |
| Cash and investments | \$ 1,102,434 | \$ - | \$ 463,025 | \$ 5,580 | \$ - | \$ 1,195,322 | \$ 2,766,361 | |
| Receivables - Net: | | | | | | | | |
| Special assessments and other | 309,213 | - | - | - | - | - | 309,213 | |
| Other receivables | - | 12,958 | 62,045 | 15 | - | 3,334 | 78,352 | |
| Assets held for resale | 268,228 | - | - | - | - | - | 268,228 | |
| | <u>\$ 1,679,875</u> | <u>\$ 12,958</u> | <u>\$ 525,070</u> | <u>\$ 5,595</u> | <u>\$ -</u> | <u>\$ 1,198,656</u> | <u>\$ 3,422,154</u> | |
| Liabilities and Fund Balance | | | | | | | | |
| Liabilities | | | | | | | | |
| Accounts payable | \$ - | \$ 1,450 | \$ 1,975 | \$ - | \$ - | \$ - | \$ 3,425 | |
| Due to other funds | - | 11,508 | - | - | - | - | 11,508 | |
| Accrued and other liabilities: | - | - | 5,288 | - | - | - | 5,288 | |
| | <u>-</u> | <u>12,958</u> | <u>7,263</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>20,221</u> | |
| Total liabilities | - | 12,958 | 7,263 | - | - | - | 20,221 | |
| Deferred inflows of resources | 165,588 | 2,125 | - | - | 15,060 | - | 182,773 | |
| | <u>165,588</u> | <u>2,125</u> | <u>-</u> | <u>-</u> | <u>15,060</u> | <u>-</u> | <u>182,773</u> | |
| Fund Balances | | | | | | | | |
| Restricted - capital projects | - | - | 517,807 | - | - | - | 517,807 | |
| Assigned | | | | | | | | |
| Debt Service Funds | 460,888 | - | - | 5,595 | - | - | 466,483 | |
| Capital Projects Funds | 1,054,120 | - | - | - | - | 1,198,656 | 2,252,776 | |
| Unassigned | (721) | (2,125) | - | - | (15,060) | - | (17,906) | |
| | <u>1,514,287</u> | <u>(2,125)</u> | <u>517,807</u> | <u>5,595</u> | <u>(15,060)</u> | <u>1,198,656</u> | <u>3,219,160</u> | |
| Total fund balances | 1,514,287 | (2,125) | 517,807 | 5,595 | (15,060) | 1,198,656 | 3,219,160 | |
| | <u>\$ 1,679,875</u> | <u>\$ 12,958</u> | <u>\$ 525,070</u> | <u>\$ 5,595</u> | <u>\$ -</u> | <u>\$ 1,198,656</u> | <u>\$ 3,422,154</u> | |
| Total liabilities and fund balances | <u>\$ 1,679,875</u> | <u>\$ 12,958</u> | <u>\$ 525,070</u> | <u>\$ 5,595</u> | <u>\$ -</u> | <u>\$ 1,198,656</u> | <u>\$ 3,422,154</u> | |

CHARTER TOWNSHIP OF INDEPENDENCE
Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances (Deficit)
Nonmajor Governmental Funds
December 31, 2013

| | <u>Various</u> | <u>Special Revenue Funds</u> | | | <u>Debt Service Funds</u> | <u>Library Fund</u> | <u>Capital Projects Funds</u> | <u>Total Nonmajor Governmental Funds</u> |
|--|----------------------------|--|-------------------|---------------------|---------------------------|-------------------------|-------------------------------|--|
| | <u>Special Assessments</u> | <u>Community Development Block Grant</u> | <u>Cable TV</u> | <u>Debt Service</u> | <u>Library</u> | <u>Capital Projects</u> | | |
| Revenue | | | | | | | | |
| Federal grants | \$ - | \$ 56,337 | \$ - | \$ - | \$ - | \$ - | \$ 56,337 | |
| Interest and rentals | 18,684 | - | 2,516 | 11 | - | 13,812 | 35,023 | |
| Other revenue: | | | | | | | | |
| Special assessments | 71,370 | - | - | - | - | - | 71,370 | |
| PEG fees | - | - | 249,822 | - | - | - | 249,822 | |
| Other miscellaneous income | - | - | 932 | - | - | - | 932 | |
| Total revenue | 90,054 | 56,337 | 253,270 | 11 | - | 13,812 | 413,484 | |
| Expenditures - Current: | | | | | | | | |
| Community and economic development | - | 29,023 | - | - | - | - | 29,023 | |
| Recreation and culture | - | - | 290,997 | - | - | - | 290,997 | |
| Capital Outlay | - | - | - | - | - | 41,060 | 41,060 | |
| Debt service | 30,728 | - | - | - | - | - | 30,728 | |
| Total expenditures | 30,728 | 29,023 | 290,997 | - | - | 41,060 | 391,808 | |
| Other Financing Sources | | | | | | | | |
| Transfers in | - | - | 119,160 | - | - | 1,463,378 | 1,582,538 | |
| Transfers out | - | - | - | - | - | (342,314) | (342,314) | |
| Total other financing sources | - | - | 119,160 | - | - | 1,121,064 | 1,240,224 | |
| Net Change in Fund Balances | 59,326 | 27,314 | 81,433 | 11 | - | 1,093,816 | 1,261,900 | |
| Fund Balances (Deficit) - Beginning of year | 1,454,961 | (29,439) | 436,374 | 5,584 | (15,060) | 104,840 | 1,957,260 | |
| Fund Balances (Deficit) - End of year | \$ 1,514,287 | \$ (2,125) | \$ 517,807 | \$ 5,595 | \$(15,060) | \$1,198,656 | \$ 3,219,160 | |

CHARTER TOWNSHIP OF INDEPENDENCE

Other Supplemental Information

Special Assessment Schedules

Consolidating Balance Sheet

December 31, 2013

| | <u>Baycourt Capital Projects</u> | <u>Bowpointe Capital Projects</u> | <u>Bowpointe Debt Service</u> | <u>Curtis Lane Capital Projects</u> | <u>Cranberry Pointe Lights Capital Projects</u> |
|--|--|---|---------------------------------------|---|---|
| Assets | | | | | |
| Cash and cash equivalents | \$ 222,972 | \$ 60,069 | \$ 995 | \$ 45,752 | \$ 1,424 |
| Receivables - Net: | | | | | |
| Special assessments | - | - | - | - | - |
| Property taxes and other | 624 | 168 | 2 | 129 | 626 |
| Assets held for resale | - | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 223,596</u> | <u>\$ 60,237</u> | <u>\$ 997</u> | <u>\$ 45,881</u> | <u>\$ 2,050</u> |
| Liabilities and Fund Balance (Deficit) | | | | | |
| Deferred inflows of resources | \$ - | \$ - | \$ 1 | \$ - | \$ - |
| Fund Balances (Deficit) | | | | | |
| Assigned: | | | | | |
| Debt service | - | - | 996 | - | - |
| Capital projects | 223,596 | 60,237 | - | 45,881 | 2,050 |
| Unassigned (deficit) | - | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total fund balances (deficit) | <u>223,596</u> | <u>60,237</u> | <u>996</u> | <u>45,881</u> | <u>2,050</u> |
| | | | | | |
| Total liabilities and fund balances (deficit) | <u>\$ 223,596</u> | <u>\$ 60,237</u> | <u>\$ 997</u> | <u>\$ 45,881</u> | <u>\$ 2,050</u> |

| <u>Deerwood Manors Capital Projects</u> | <u>Deerwood 8 and 9 Capital Projects</u> | <u>Deerwood Capital Projects</u> | <u>Eastview/ Westview/ Debt Service</u> | <u>Flemings Lake Capital Projects</u> | <u>Rohr Road Debt Service</u> | <u>Sashabaw Road Debt Service</u> | <u>Sashabaw Drain Capital Projects</u> |
|---|--|--|---|---|---------------------------------------|---|--|
| \$ 23,500 | \$ 12,899 | \$ 5,158 | \$ (721) | \$ 312,432 | \$ 15 | \$ (56,126) | \$ (212,108) |
| - | - | - | - | 47,914 | - | - | - |
| 66 | 36 | 15 | - | 878 | - | - | - |
| - | - | - | - | - | - | 56,126 | 212,102 |
| <u>\$ 23,566</u> | <u>\$ 12,935</u> | <u>\$ 5,173</u> | <u>\$ (721)</u> | <u>\$ 361,224</u> | <u>\$ 15</u> | <u>\$ -</u> | <u>\$ (6)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 47,913</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| - | - | - | - | - | 15 | - | - |
| 23,566 | 12,935 | 5,173 | - | 313,311 | - | - | (6) |
| - | - | - | (721) | - | - | - | - |
| <u>23,566</u> | <u>12,935</u> | <u>5,173</u> | <u>(721)</u> | <u>313,311</u> | <u>15</u> | <u>-</u> | <u>(6)</u> |
| <u>\$ 23,566</u> | <u>\$ 12,935</u> | <u>\$ 5,173</u> | <u>\$ (721)</u> | <u>\$ 361,224</u> | <u>\$ 15</u> | <u>\$ -</u> | <u>\$ (6)</u> |

CHARTER TOWNSHIP OF INDEPENDENCE

Other Supplemental Information

Special Assessment Schedules

Consolidating Balance Sheet

December 31, 2013

| | <u>Sashabaw Drain Debt Service</u> | <u>Silverman- Sashabaw Capital Projects</u> | <u>Silverman- Sashabaw II Capital Projects</u> | <u>Simler Drive Capital Projects</u> | <u>Thendara Road Debt Service</u> |
|---|--|---|--|--|---|
| Assets | | | | | |
| Cash and cash equivalents | \$ 322,834 | \$ 49,900 | \$ 12,685 | \$ 155,904 | \$ (50) |
| Receivables - Net: | | | | | |
| Special assessments | 193,136 | - | - | - | 50 |
| Property taxes and other | 53,086 | 140 | 36 | 438 | - |
| Assets held for resale | - | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 569,056</u> | <u>\$ 50,040</u> | <u>\$ 12,721</u> | <u>\$ 156,342</u> | <u>\$ -</u> |
| Liabilities and Fund Balance (Deficit) | | | | | |
| Deferred inflows of resources | <u>\$ 119,719</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund Balances (Deficit) | | | | | |
| Assigned: | | | | | |
| Debt service | 449,337 | - | - | - | - |
| Capital projects | - | 50,040 | 12,721 | 156,342 | - |
| Unassigned (deficit) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total fund balances (deficit) | <u>449,337</u> | <u>50,040</u> | <u>12,721</u> | <u>156,342</u> | <u>-</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities and fund balances (deficit) | <u>\$ 569,056</u> | <u>\$ 50,040</u> | <u>\$ 12,721</u> | <u>\$ 156,342</u> | <u>\$ -</u> |

| <u>Townsend Capital Projects</u> | <u>Woodhull Capital Projects</u> | <u>Special Assessment Debt Service</u> | <u>Walters Lake Board Capital Projects</u> | <u>Total Special Assessments</u> |
|--|--|--|--|--|
| \$ (49,717) | \$ 44,521 | \$ 10,503 | \$ 139,593 | \$ 1,102,434 |
| - | - | - | - | 241,100 |
| (1) | 126 | 37 | 11,707 | 68,113 |
| - | - | - | - | 268,228 |
| <u>\$ (49,718)</u> | <u>\$ 44,647</u> | <u>\$ 10,540</u> | <u>\$ 151,300</u> | <u>\$ 1,679,875</u> |
| <u>\$ -</u> | <u>\$ 100</u> | <u>\$ -</u> | <u>\$ (2,145)</u> | <u>\$ 165,588</u> |
| - | - | 10,540 | - | 460,888 |
| (49,718) | 44,547 | - | 153,445 | 1,054,120 |
| - | - | - | - | (721) |
| <u>(49,718)</u> | <u>44,547</u> | <u>10,540</u> | <u>153,445</u> | <u>1,514,287</u> |
| <u>\$ (49,718)</u> | <u>\$ 44,647</u> | <u>\$ 10,540</u> | <u>\$ 151,300</u> | <u>\$ 1,679,875</u> |

CHARTER TOWNSHIP OF INDEPENDENCE

Other Supplemental Information

Special Assessment Schedules

Consolidating Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit)

December 31, 2013

| | <u>Baycourt Capital Projects</u> | <u>Bowpointe Capital Projects</u> | <u>Bowpointe Debt Service</u> | <u>Curtis Lane Capital Projects</u> | <u>Cranberry Pointe Lights Capital Projects</u> |
|--|--|---|---------------------------------------|---|---|
| Revenue | | | | | |
| Special assessments | \$ - | \$ - | \$ - | \$ - | \$ - |
| Interest and rentals | 471 | 209 | 3 | 102 | 4 |
| Total revenue | 471 | 209 | 3 | 102 | 4 |
| Expenditures - Debt service | - | - | - | - | - |
| Total expenditures | - | - | - | - | - |
| Excess of Revenue Over (Under) Expenditures | 471 | 209 | 3 | 102 | 4 |
| Fund Balances (Deficit) - Beginning of year | 223,125 | 60,028 | 993 | 45,779 | 2,046 |
| Fund Balances (Deficit) - End of year | <u>\$223,596</u> | <u>\$ 60,237</u> | <u>\$ 996</u> | <u>\$ 45,881</u> | <u>\$ 2,050</u> |

| <u>Deerwood Manors Capital Projects</u> | <u>Deerwood 8 and 9 Capital Projects</u> | <u>Deerwood Capital Projects</u> | <u>East view/ Westview Debt Service</u> | <u>Flemings Lake Capital Projects</u> | <u>Rohr Road Debt Service</u> | <u>Sasha Baw Road Debt Service</u> | <u>Sasha Baw Drain Capital Projects</u> |
|---|--|--|---|---|---------------------------------------|--|---|
| \$ - 50 | \$ - 28 | \$ - 11 | \$ - - | \$ - 662 | \$ - - | \$ - (255) | \$ - 72 |
| 50 | 28 | 11 | - | 662 | - | (255) | 72 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 50 | 28 | 11 | - | 662 | - | (255) | 72 |
| 23,516 | 12,907 | 5,162 | (721) | 312,649 | 15 | 255 | (78) |
| <u>\$ 23,566</u> | <u>\$ 12,935</u> | <u>\$ 5,173</u> | <u>\$ (721)</u> | <u>\$ 313,311</u> | <u>\$ 15</u> | <u>\$ -</u> | <u>\$ (6)</u> |

CHARTER TOWNSHIP OF INDEPENDENCE

Other Supplemental Information

Special Assessment Schedules

Consolidating Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit)

December 31, 2013

| | <u>Sashabaw Drain Debt Service</u> | <u>Silverman- Sashabaw Capital Projects</u> | <u>Silverman- Sashabaw II Capital Projects</u> | <u>Simler Drive Capital Projects</u> | <u>Thendara Road Debt Service</u> |
|--|--|---|--|--|---|
| Revenue | | | | | |
| Special assessments | \$ 50,232 | \$ 36,534 | \$ 2,145 | \$ - | \$ - |
| Interest and rentals | 13,792 | 2,887 | 28 | 329 | - |
| Total revenue | 64,024 | 39,421 | 2,173 | 329 | - |
| Expenditures - Debt service | - | - | - | - | - |
| Total expenditures | - | - | - | - | - |
| Excess of Revenue Over (Under) Expenditures | 64,024 | 39,421 | 2,173 | 329 | - |
| Fund Balances (Deficit) - Beginning of year | 385,313 | 10,619 | 10,548 | 156,013 | - |
| Fund Balances (Deficit) - End of year | <u>\$ 449,337</u> | <u>\$ 50,040</u> | <u>\$ 12,721</u> | <u>\$ 156,342</u> | <u>\$ -</u> |

| <u>Townsend Capital Projects</u> | <u>Woodhull Capital Projects</u> | <u>Special Assessment Debt Service</u> | <u>Walters Lake Board Capital Projects</u> | <u>Total Special Assessments</u> |
|--|--|--|--|--|
| \$ 2,361 124 | \$ - 96 | \$ - 19 | \$ (19,902) 52 | \$ 71,370 18,684 |
| 2,485 | 96 | 19 | (19,850) | 90,054 |
| <u>30,728</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>30,728</u> |
| <u>30,728</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>30,728</u> |
| <u>(28,243)</u> | <u>96</u> | <u>19</u> | <u>(19,850)</u> | <u>59,326</u> |
| <u>(21,475)</u> | <u>44,451</u> | <u>10,521</u> | <u>173,295</u> | <u>1,454,961</u> |
| <u>\$ (49,718)</u> | <u>\$ 44,547</u> | <u>\$ 10,540</u> | <u>\$ 153,445</u> | <u>\$ 1,514,287</u> |

CHARTER TOWNSHIP OF INDEPENDENCE

Other Supplemental Information Statement of Assets and Liabilities Fiduciary Funds December 31, 2013

| | Agency Funds | | |
|---------------------------------|-------------------------------------|-----------------------------|-------------------------------|
| | <u>Trust and Agency - Taxes</u> | <u>Trust and Agency</u> | <u>Total Agency Funds</u> |
| Assets | | | |
| Cash and cash equivalents | \$ 904,178 | \$ 933,459 | \$ 1,837,637 |
| Receivables | <u>-</u> | <u>20,301</u> | <u>20,301</u> |
| Total assets | <u>\$ 904,178</u> | <u>\$ 953,760</u> | <u>\$ 1,857,938</u> |
| Liabilities | | | |
| Due to other governmental units | \$ 904,178 | \$ - | \$ 904,178 |
| Accrued liabilities and other | - | 11,448 | 11,448 |
| Cash bonds and deposits | <u>-</u> | <u>942,312</u> | <u>942,312</u> |
| Total liabilities | <u>\$ 904,178</u> | <u>\$ 953,760</u> | <u>\$ 1,857,938</u> |

August 5, 2014

To the Board of Trustees and management of
The Charter Township of Independence

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Charter Township of Independence (the "Township") as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in internal control to be a material weakness.

During the audit UHY noted that the bank reconciliations were not completed on a timely basis or reviewed prior to being provided to us. As a result, numerous adjustments had to be made in order to reconcile the cash accounts per the general ledger to the bank reconciliations. UHY recommends that the bank reconciliations be performed monthly and reconciled to the general ledger. Additionally, there should be clear notation on the reconciliations of the preparer and reviewer sign off.

To the Board of Trustees and management of
The Charter Township of Independence
August 5, 2014
Page Two

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

During the audit UHY noted that there were aged outstanding checks. UHY recommends that outstanding checks be reviewed and any payroll checks greater than one year old and any non-payroll checks greater than three years old be escheated to the State of Michigan, in accordance with state law.

During the audit UHY noted that the investment accounts were not reconciled to the investment statement on a timely basis. UHY recommends that the investment accounts per the general ledger be reconciled to the investment statement on a monthly basis.

In addition, we have made the following recommendations that we feel should be brought to your attention:

During the audit UHY noted that there were account balances that had not changed from the prior year. Some of these amounts were deemed material and UHY recommended that management prepare an analysis/reconciliation of the account resulting in adjusting journal entries being booked. UHY recommends that account balances be reconciled on a monthly basis.

During the audit UHY noted that initial support provided for account balances was not reconciled to the account balances due to either the reconciliation being incorrect or the general ledger not being updated. This resulted in multiple versions of reconciliations/additional journal entries in order to adjust the accounts. UHY recommends that account balances be reconciled on a timely basis and the support provided for account balances agree to the year-end general ledger balance.

This communication is intended solely for the information and use of management, Board of Trustees, and others within the Township, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

The image shows a handwritten signature in dark ink that reads "UHY LLP". The letters are stylized and cursive.

UHY LLP
Farmington Hills, Michigan