

# **Charter Township of Benton, Michigan**

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**Financial Report  
with Supplemental Information  
December 31, 2009**

# Charter Township of Benton

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# Charter Township of Benton

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Benton, Michigan (the "Charter Township") as of and for the year ended December 31, 2009, which collectively comprise the Charter Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Benton, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Benton, Michigan as of December 31, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, retirement system schedules of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Benton, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

June 18, 2010

# **Charter Township of Benton**

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

Our discussion and analysis of the Charter Township of Benton, Michigan's (the "Charter Township") financial performance provides an overview of the Charter Township's financial activities for the fiscal year ended December 31, 2009. Please read it in conjunction with the Charter Township's financial statements.

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlight for the year ended December 31, 2009:

- In 2009, the General Fund expenditures were approximately \$630,000 under budget. Cost-cutting measures were taken as a result of decreasing revenues. State-shared revenue was less than the budget projection by approximately \$155,000. Investment income was also less than the budget projection by approximately \$76,000. The significant cost-cutting measures taken by the Charter Township more than offset the lower than expected revenues. The net effect reduced the projected change in fund balance in the General Fund from a \$367,000 loss to a \$42,000 gain.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Charter Township as a whole and present a longer-term view of the Charter Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

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

# Charter Township of Benton

## Management's Discussion and Analysis (Continued)

### Charter Township of Benton as a Whole

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

#### Summary Condensed Statement of Net Assets

	Governmental Activities			Business-type Activities			Total		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
<b>Assets</b>									
Current assets	\$ 7,292,365	\$ 8,141,646	\$ 8,658,662	\$ 10,159,840	\$ 10,447,787	\$ 9,977,407	\$ 17,452,205	\$ 18,589,433	\$ 18,636,069
Noncurrent assets	5,452,001	4,492,849	4,193,735	8,632,402	7,757,805	8,174,430	14,084,403	12,250,654	12,368,165
Total assets	12,744,366	12,634,495	12,852,397	18,792,242	18,205,592	18,151,837	31,536,608	30,840,087	31,004,234
<b>Liabilities</b>									
Current liabilities	7,090,252	6,769,615	6,384,593	581,496	346,440	334,068	7,671,748	7,116,055	6,718,661
Long-term liabilities	1,731,510	2,113,638	2,265,228	2,822,788	2,945,610	3,075,965	4,554,298	5,059,248	5,341,193
Total liabilities	8,821,762	8,883,253	8,649,821	3,404,284	3,292,050	3,410,033	12,226,046	12,175,303	12,059,854
<b>Net Assets - Invested in capital assets</b>									
Net of related debt	4,452,001	2,923,423	2,382,325	5,431,574	4,233,359	4,180,643	9,883,575	7,156,782	6,562,968
Restricted	95,272	92,664	-	-	-	-	95,272	92,664	-
Unrestricted	(624,669)	735,155	1,820,251	9,956,384	10,680,183	10,561,161	9,331,715	11,415,338	12,381,412
Total net assets	<u>\$ 3,922,604</u>	<u>\$ 3,751,242</u>	<u>\$ 4,202,576</u>	<u>\$ 15,387,958</u>	<u>\$ 14,913,542</u>	<u>\$ 14,741,804</u>	<u>\$ 19,310,562</u>	<u>\$ 18,664,784</u>	<u>\$ 18,944,380</u>

The financial position of the governmental and business-type activities has increased during the year. The governmental activities net assets increased \$171,362 or approximately 4.6 percent over the prior year, while business-type activities increased \$474,416 or approximately 3.2 percent over the prior year. The Charter Township of Benton board of trustees has maintained net asset levels by implementing the necessary cost-cutting measures.

# Charter Township of Benton

## Management's Discussion and Analysis (Continued)

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

### Summary Condensed Statement of Activities

	Governmental Activities			Business-type Activities			Total		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
<b>Revenue</b>									
Program revenue:									
Charges for services	\$ 926,404	\$ 612,522	\$ 931,161	\$ 4,488,886	\$ 4,135,993	\$ 3,658,498	\$ 5,415,290	\$ 4,748,515	\$ 4,589,659
Operating grants and contributions	338,345	103,341	73,427	-	-	-	338,345	103,341	73,427
Capital grants and contributions	10,000	89,500	137,568	16,418	26,533	51,341	26,418	116,033	188,909
General revenue:									
Property taxes	5,666,419	5,484,079	5,182,385	-	-	-	5,666,419	5,484,079	5,182,385
State-shared revenue	1,314,594	1,481,968	1,481,065	-	-	-	1,314,594	1,481,968	1,481,065
Unrestricted investment income	91,209	188,761	302,366	185,922	335,712	469,231	277,131	524,473	771,597
Cable franchise fees	94,507	91,268	86,460	-	-	-	94,507	91,268	86,460
General revenue	123,644	153,115	149,865	-	-	-	123,644	153,115	149,865
Sale of fixed assets	-	(11,294)	-	-	-	-	-	(11,294)	-
<b>Total revenue</b>	<b>8,565,122</b>	<b>8,193,260</b>	<b>8,344,297</b>	<b>4,691,226</b>	<b>4,498,238</b>	<b>4,179,070</b>	<b>13,256,348</b>	<b>12,691,498</b>	<b>12,523,367</b>
<b>Program Expenses</b>									
General government	1,488,032	1,514,465	1,458,751	-	-	-	1,488,032	1,514,465	1,458,751
Public safety	5,922,478	6,170,429	5,655,520	-	-	-	5,922,478	6,170,429	5,655,520
Public works	910,304	831,707	688,276	-	-	-	910,304	831,707	688,276
Community and economic development	4,502	8,500	109,753	-	-	-	4,502	8,500	109,753
Recreation and culture	35,170	35,850	42,967	-	-	-	35,170	35,850	42,967
Interest on long-term debt	33,274	83,643	79,420	-	-	-	33,274	83,643	79,420
Water and sewer	-	-	-	4,216,810	4,326,500	4,063,596	4,216,810	4,326,500	4,063,596
<b>Total program expenses</b>	<b>8,393,760</b>	<b>8,644,594</b>	<b>8,034,687</b>	<b>4,216,810</b>	<b>4,326,500</b>	<b>4,063,596</b>	<b>12,610,570</b>	<b>12,971,094</b>	<b>12,098,283</b>
<b>Change in Net Assets</b>	<b>\$ 171,362</b>	<b>\$ (451,334)</b>	<b>\$ 309,610</b>	<b>\$ 474,416</b>	<b>\$ 171,738</b>	<b>\$ 115,474</b>	<b>\$ 645,778</b>	<b>\$ (279,596)</b>	<b>\$ 425,084</b>

During the past fiscal year, governmental activities expenses decreased \$250,834, or approximately 2.9 percent. Business-type activities expenses also decreased over the prior year, decreasing \$109,690, or approximately 2.5 percent.

# **Charter Township of Benton**

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

### **Budget Overruns**

The Charter Township Fire Fund had a budget overrun in other financing uses. The Fire Fund had not budgeted to transfer money to the Debt Service Fund. The Fire Fund actually transferred \$50,811 for debt service payments on Fire Station #2 before the loan was refinanced in May 2009. After the refinancing, the debt service payments on Fire Station #2 were deferred until February 2010. There were no other significant budget overruns in the current year.

### **The Charter Township's Funds**

The most significant change in fund balance occurred in the Debt Service Fund. The Debt Service Fund had a decrease in fund balance of \$1,249,794 during the year. The decrease is attributed to the refinancing of the debt related to the construction of the Municipal Building and Fire Station #2. The notes were previously held by Chemical Bank at interest rates of 4.99 percent and 4.44 percent, respectively. The debt was refinanced through interfund borrowings; the Debt Service Fund borrowed \$1,560,000 from the Water Fund. The interfund loans were structured with a nine-year term and an interest rate of 1.65 percent.

Due to the accounting treatment required by the Governmental Accounting Standards Board for the pay-off of the existing bank notes and the recording of the interfund loans, the Debt Service Fund suffered a significant decrease in fund balance in 2009 which created a fund deficit at year end. As money is transferred from the operating funds to make the established interfund loan payments, the fund deficit will diminish. Although the interfund loan appears to have a negative impact on the financial statements, the refinancing provided financial benefit to both the Debt Service and Water Funds. The interfund loan allowed the Debt Service Fund to save approximately \$138,000 in interest expense over the life of the loan, while the Water Fund will earn approximately \$131,500 in interest income.

The General Fund had an increase in fund balance of \$42,154. The Police Fund had a slight decrease in fund balance of \$2,502 and the Fire Fund had an increase in fund balance of \$48,211.

The Enterprise Funds, the Sanitary Sewage System Fund and the Water System Fund, had increases in net assets of \$86,254 and \$388,162, respectively.

### **Long-term Debt and Capital Assets**

The Charter Township issued a new note in October 2009 to Chemical Bank in the amount of \$1,000,000 for the construction of Fire Station #1. A needs assessment study was performed in 2005 which recommended that the three existing fire stations be consolidated into two new facilities. The recommendation allowed the Charter Township to be cost-effective while providing the proper level of response and service to Charter Township residents. Fire Station #1 was completed in April 2010, fulfilling the recommendation made by McGrath Consulting Group, Inc.

# **Charter Township of Benton**

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

The Water Fund made land purchases of \$1,038,875 for the future locations of the water plant and the raw water pumping station.

### **The Future**

The Charter Township has received the necessary permits to begin the construction of the Charter Township of Benton Water Plant. The Charter Township elected to sell bonds through the County of Berrien. The bonds were advertised in early June, and on June 15, an order awarding the bond contract was completed by Berrien County. The bond sale should be completed by the end of June and construction is expected to start in July 2010.

In preparation for the new water plant, the Charter Township will begin to perform the billing and collection services for water provided to Charter Township residents as of July 2010.

The Charter Township received a Community Development Block Grant from Michigan Economic Development Corporation in 2009. The grant is for \$744,000, with a local match of \$255,884. The grant will be used to replace sanitary sewer lines at the Willow Creek Interceptor. Construction is scheduled for August 2010.

The Charter Township continues to see decreases in state-shared revenue and investment income. The Charter Township plans to amend the 2010 budget as necessary to respond to the decreases in revenue.

The Charter Township will see a decrease in the 2010 taxable value which will impact the current property tax revenue recognized in 2011. In an attempt to generate tax base within the Charter Township, the Charter Township of Benton board of trustees previously offered tax incentives in the Woodbridge and Benson Road development projects in the form of a Renaissance Zone. In tax year 2009, the Renaissance Zone began to expire, adding 25 percent of the property value to the tax base providing over \$60,000 of current property tax revenue to the three operating funds: General Fund, Police Fund, and Fire Fund. Each year, 25 percent of the Renaissance Zone property value will become taxable until 100 percent is reached in 2011. This revenue will help offset the property tax that will be lost as a result of declining property values.

The 2009 audit report is on file with the Charter Township of Benton's clerk. If you have any questions about this report, please contact the Charter Township of Benton's clerk's office.

# Charter Township of Benton

## Statement of Net Assets December 31, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 4,479,291	\$ 6,436,697	\$ 10,915,988
Receivables:			
Property taxes receivable	4,385,803	-	4,385,803
Special assessments receivable	136,174	677,841	814,015
Other receivables - Net	155,464	828,451	983,915
Internal balances	(2,216,851)	2,216,851	-
Due from other governmental units	352,484	-	352,484
Capital assets:			
Assets not subject to depreciation	1,626,555	1,573,510	3,200,065
Assets subject to depreciation	3,825,446	6,768,064	10,593,510
Bond issuance costs	-	101,130	101,130
Long-term intergovernmental receivable - Net	-	189,698	189,698
<b>Total assets</b>	<b>12,744,366</b>	<b>18,792,242</b>	<b>31,536,608</b>
<b>Liabilities</b>			
Accounts payable	384,025	382,778	766,803
Accrued liabilities and other	347,085	75,075	422,160
Deferred revenue	5,895,026	-	5,895,026
Noncurrent liabilities:			
Due within one year:			
Compensated absences	382,890	3,643	386,533
Long-term debt	81,226	120,000	201,226
Due in more than one year:			
Compensated absences	637,820	32,788	670,608
Net OPEB obligation	174,916	-	174,916
Long-term debt - Net of current portion	918,774	2,790,000	3,708,774
<b>Total liabilities</b>	<b>8,821,762</b>	<b>3,404,284</b>	<b>12,226,046</b>
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	4,452,001	5,431,574	9,883,575
Restricted for community development projects	95,272	-	95,272
Unrestricted	(624,669)	9,956,384	9,331,715
<b>Total net assets</b>	<b>\$ 3,922,604</b>	<b>\$ 15,387,958</b>	<b>\$ 19,310,562</b>

# Charter Township of Benton

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,488,032	\$ 54,054	\$ 15,923	\$ 10,000
Public safety	5,922,478	224,427	308,790	-
Public works	910,304	647,923	13,632	-
Community and economic development	4,502	-	-	-
Recreation and culture	35,170	-	-	-
Interest on long-term debt	33,274	-	-	-
Total governmental activities	8,393,760	926,404	338,345	10,000
Business-type activities:				
Sanitary sewage system	2,227,472	2,225,490	-	-
Water system	1,989,338	2,263,396	-	16,418
Total business-type activities	4,216,810	4,488,886	-	16,418
Total primary government	<u>\$ 12,610,570</u>	<u>\$ 5,415,290</u>	<u>\$ 338,345</u>	<u>\$ 26,418</u>
General revenues:				
Property taxes				
State-shared revenue				
Unrestricted investment income				
Cable franchise fees				
General revenue				
Total general revenues				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - End of year</b>				

**Statement of Activities**  
**Year Ended December 31, 2009**

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,408,055)	\$ -	\$ (1,408,055)
(5,389,261)	-	(5,389,261)
(248,749)	-	(248,749)
(4,502)	-	(4,502)
(35,170)	-	(35,170)
(33,274)	-	(33,274)
(7,119,011)	-	(7,119,011)
-	(1,982)	(1,982)
-	290,476	290,476
-	288,494	288,494
(7,119,011)	288,494	(6,830,517)
5,666,419	-	5,666,419
1,314,594	-	1,314,594
91,209	185,922	277,131
94,507	-	94,507
123,644	-	123,644
7,290,373	185,922	7,476,295
171,362	474,416	645,778
3,751,242	14,913,542	18,664,784
<b>\$ 3,922,604</b>	<b>\$ 15,387,958</b>	<b>\$ 19,310,562</b>

# Charter Township of Benton

## Governmental Funds Balance Sheet December 31, 2009

	General Fund	Police Fund	Fire Fund	Debt Service Fund	Nonmajor Funds	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 1,925,509	\$ 890,840	\$ 515,861	\$ -	\$ 93,481	\$ 3,425,691
Investments	1,053,600	-	-	-	-	1,053,600
Receivables:						
Property taxes receivable	461,162	2,366,643	1,557,998	-	-	4,385,803
Special assessments receivable	136,174	-	-	-	-	136,174
Other receivables	153,673	-	-	-	1,791	155,464
Due from other funds	199,028	80,026	326,204	1,242,050	85,616	1,932,924
Due from other governmental units	252,855	60,435	39,194	-	-	352,484
<b>Total assets</b>	<b>\$ 4,182,001</b>	<b>\$ 3,397,944</b>	<b>\$ 2,439,257</b>	<b>\$ 1,242,050</b>	<b>\$ 180,888</b>	<b>\$ 11,442,140</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 62,990	\$ 118,924	\$ 67,386	\$ 134,725	\$ -	\$ 384,025
Due to other funds	2,589,775	-	-	-	-	2,589,775
Advances from other funds	-	-	-	1,560,000	-	1,560,000
Accrued liabilities and other	111,339	113,127	67,415	43,578	722	336,181
Deferred revenue	758,142	3,126,800	2,050,013	-	-	5,934,955
<b>Total liabilities</b>	<b>3,522,246</b>	<b>3,358,851</b>	<b>2,184,814</b>	<b>1,738,303</b>	<b>722</b>	<b>10,804,936</b>
<b>Fund Balances - Unreserved, reported in</b>						
General Fund	659,755	-	-	-	-	659,755
Debt Service Funds	-	-	-	(496,253)	-	(496,253)
Special Revenue Funds	-	39,093	254,443	-	114,547	408,083
Capital Projects Funds	-	-	-	-	65,619	65,619
<b>Total fund balances</b>	<b>659,755</b>	<b>39,093</b>	<b>254,443</b>	<b>(496,253)</b>	<b>180,166</b>	<b>637,204</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,182,001</b>	<b>\$ 3,397,944</b>	<b>\$ 2,439,257</b>	<b>\$ 1,242,050</b>	<b>\$ 180,888</b>	<b>\$ 11,442,140</b>

# Charter Township of Benton

## **Governmental Funds** **Reconciliation of the Balance Sheet to the Statement of Net Assets** **December 31, 2009**

<b>Fund Balance Reported in Governmental Funds</b>	\$ 637,204
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	5,452,001
Special assessments shown as deferred revenue in the funds	39,929
Interest accrued on long-term debt is not due and payable in the current period and therefore is not recorded in the funds	(10,904)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(1,000,000)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(1,020,710)
Net postemployment benefit obligation does not present a claim on current financial resources and is not reported as fund liabilities	<u>(174,916)</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 3,922,604</u></b>

# Charter Township of Benton

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2009

	General Fund	Police Fund	Fire Fund	Debt Service Fund	Nonmajor Funds	Total
<b>Revenue</b>						
Property taxes	\$ 576,953	\$ 3,067,648	\$ 2,021,818	\$ -	\$ -	\$ 5,666,419
Licenses and permits	114,371	16,041	-	-	36,120	166,532
Federal grants	-	107,489	161,176	-	-	268,665
State-shared revenue and grants	1,328,226	4,909	-	-	-	1,333,135
Revenue from sales of land	10,000	-	-	-	-	10,000
Other charges for services	640,981	-	13,223	-	-	654,204
Other fines and forfeitures	-	30,208	-	-	-	30,208
Investment income	90,209	461	-	539	-	91,209
Other revenue	239,633	103,333	20,870	-	2,608	366,444
Total revenue	<u>3,000,373</u>	<u>3,330,089</u>	<u>2,217,087</u>	<u>539</u>	<u>38,728</u>	<u>8,586,816</u>
<b>Expenditures</b>						
General government	1,427,691	-	-	-	-	1,427,691
Public safety	437,078	3,590,591	2,118,065	698,444	43,625	6,887,803
Public works	798,151	-	-	-	101,514	899,665
Community and economic development	4,502	-	-	-	-	4,502
Recreation and culture	32,797	-	-	-	-	32,797
Debt service	-	-	-	1,602,700	-	1,602,700
Total expenditures	<u>2,700,219</u>	<u>3,590,591</u>	<u>2,118,065</u>	<u>2,301,144</u>	<u>145,139</u>	<u>10,855,158</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	300,154	(260,502)	99,022	(2,300,605)	(106,411)	(2,268,342)
<b>Other Financing Sources (Uses)</b>						
Face value of debt issue	-	-	-	1,000,000	-	1,000,000
Transfers in	-	258,000	-	50,811	-	308,811
Transfers out	(258,000)	-	(50,811)	-	-	(308,811)
Total other financing sources (uses)	<u>(258,000)</u>	<u>258,000</u>	<u>(50,811)</u>	<u>1,050,811</u>	<u>-</u>	<u>1,000,000</u>
<b>Net Change in Fund Balances</b>	42,154	(2,502)	48,211	(1,249,794)	(106,411)	(1,268,342)
<b>Fund Balances - Beginning of year</b>	<u>617,601</u>	<u>41,595</u>	<u>206,232</u>	<u>753,541</u>	<u>286,577</u>	<u>1,905,546</u>
<b>Fund Balances (Deficit) - End of year (Note 2)</b>	<u>\$ 659,755</u>	<u>\$ 39,093</u>	<u>\$ 254,443</u>	<u>\$ (496,253)</u>	<u>\$ 180,166</u>	<u>\$ 637,204</u>

# Charter Township of Benton

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2009

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (1,268,342)</b>
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:	
Current year capital additions	1,259,240
Current year allocation of depreciation	(300,088)
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	(21,694)
Proceeds from issuance of debt provide financial resources to governmental funds, but increase long-term liabilities in the statement of net assets	(1,000,000)
Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,569,426
Interest on long-term debt is recorded as an expenditure in the governmental funds when it is due; however, it is recognized within the statement of activities as it accrues	(10,904)
Changes in accumulated employee sick and vacation pay reported in the statement of activities do not require the use of current resources and, therefore, are not reported in the fund statements until they come due for payment	23,857
Annual required postemployment benefit plan contributions not paid do not require the use of current resources and, therefore, are not reported in the fund statements until paid	(80,133)
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 171,362</u></b>

# Charter Township of Benton

## Proprietary Funds Statement of Net Assets December 31, 2009

	Enterprise Funds		
	Sanitary Sewage	Water	Total
	System Fund	System Fund	
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 3,537,969	\$ 2,898,728	\$ 6,436,697
Receivables:			
Special assessments - Due within one year	16,162	56,100	72,262
Other	535,539	292,912	828,451
Due from other funds	-	855,879	855,879
Total current assets	4,089,670	4,103,619	8,193,289
Noncurrent assets:			
Advances to other funds	-	1,560,000	1,560,000
Special assessment receivables - Greater than one year	105,998	499,581	605,579
Capital assets	4,053,199	4,288,375	8,341,574
Bond issuance costs	101,130	-	101,130
Long-term intergovernmental receivable	-	189,698	189,698
Total noncurrent assets	4,260,327	6,537,654	10,797,981
Total assets	8,349,997	10,641,273	18,991,270
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	123,335	259,443	382,778
Due to other funds	199,028	-	199,028
Accrued liabilities and other	72,773	2,302	75,075
Compensated absences	3,643	-	3,643
Long-term debt	120,000	-	120,000
Total current liabilities	518,779	261,745	780,524
Noncurrent liabilities:			
Compensated absences	32,788	-	32,788
Long-term debt - Net of current portion	2,790,000	-	2,790,000
Total noncurrent liabilities	2,822,788	-	2,822,788
Total liabilities	3,341,567	261,745	3,603,312
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	1,143,199	4,288,375	5,431,574
Unrestricted	3,865,231	6,091,153	9,956,384
Total net assets	<u>\$ 5,008,430</u>	<u>\$ 10,379,528</u>	<u>\$ 15,387,958</u>

# Charter Township of Benton

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2009

	Enterprise Funds		
	Sanitary Sewage System Fund	Water System Fund	Total
	<u>System Fund</u>	<u>System Fund</u>	<u>Total</u>
<b>Operating Revenue</b>			
Sale of water	\$ -	\$ 2,263,396	\$ 2,263,396
Sewage disposal charges	2,225,490	-	2,225,490
Total operating revenue	2,225,490	2,263,396	4,488,886
<b>Operating Expenses</b>			
Cost of water	-	1,659,079	1,659,079
Cost of sewage treatment	1,906,817	-	1,906,817
Depreciation and amortization	160,773	330,259	491,032
Total operating expenses	2,067,590	1,989,338	4,056,928
<b>Operating Income</b>	157,900	274,058	431,958
<b>Nonoperating Revenue (Expense)</b>			
Interest income	88,236	97,686	185,922
Interest expense	(159,882)	-	(159,882)
<b>Income - Before contributions</b>	86,254	371,744	457,998
<b>Capital Contributions</b>	-	16,418	16,418
<b>Change in Net Assets</b>	86,254	388,162	474,416
<b>Net Assets - Beginning of year</b>	4,922,176	9,991,366	14,913,542
<b>Net Assets - End of year</b>	<b><u>\$ 5,008,430</u></b>	<b><u>\$ 10,379,528</u></b>	<b><u>\$ 15,387,958</u></b>

# Charter Township of Benton

## Proprietary Funds Statement of Cash Flows Year Ended December 31, 2009

	Sanitary Sewage System Fund	Water System Fund	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 2,294,967	\$ 2,456,030	\$ 4,750,997
Payments to suppliers	(1,580,011)	(1,289,258)	(2,869,269)
Payments to employees	(342,472)	(124,525)	(466,997)
	372,484	1,042,247	1,414,731
<b>Cash Flows from Noncapital Financing Activities -</b>			
Transfers to other funds	218,976	(692,355)	(473,379)
<b>Cash Flows from Capital and Related Financing Activities</b>			
Collection of customer assessments (principal and interest)	19,816	148,039	167,855
Purchase of capital assets	(17,713)	(1,550,212)	(1,567,925)
Principal and interest paid on capital debt	(277,278)	-	(277,278)
Proceeds from contributed capital	-	16,418	16,418
	(275,175)	(1,385,755)	(1,660,930)
<b>Cash Flows from Investing Activities</b>			
Interest received on investments	81,145	61,556	142,701
Proceeds from maturities of investment securities	1,005,677	2,513,469	3,519,146
	1,086,822	2,575,025	3,661,847
<b>Net Increase in Cash and Cash Equivalents</b>	1,403,107	1,539,162	2,942,269
<b>Cash and Cash Equivalents - Beginning of year</b>	2,134,862	1,359,566	3,494,428
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 3,537,969</b>	<b>\$ 2,898,728</b>	<b>\$ 6,436,697</b>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>			
Operating income	\$ 157,900	\$ 274,058	\$ 431,958
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization	160,773	330,259	491,032
Changes in assets and liabilities:			
Receivables	69,477	192,634	262,111
Accounts payable	(23,336)	256,109	232,773
Accrued and other liabilities	7,670	(10,813)	(3,143)
	372,484	1,042,247	1,414,731
Net cash provided by operating activities	<b>\$ 372,484</b>	<b>\$ 1,042,247</b>	<b>\$ 1,414,731</b>

# Charter Township of Benton

## Fiduciary Funds Statement of Fiduciary Net Assets December 31, 2009

	Trust Funds - Pension and Other Employee Benefits	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 109,902	\$ 310,727
Investments:		
Certificates of deposit	195,000	-
U.S. government or agency securities	1,735,105	-
Common stock	5,253,798	-
Corporate bonds	3,106,472	-
Bank investment pool funds	2,993,444	-
Other assets	<u>168,642</u>	<u>-</u>
Total assets	13,562,363	<u><b>\$ 310,727</b></u>
<b>Liabilities - Due to other government units</b>	<u>-</u>	<u><b>\$ 310,727</b></u>
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>	<u><b>\$ 13,562,363</b></u>	

# Charter Township of Benton

## Fiduciary Funds Statement of Changes in Fiduciary Net Assets - Trust Funds Year Ended December 31, 2009

### Additions

Investment income:	
Interest and dividends	\$ 377,932
Net change in fair value of investments	<u>1,119,866</u>
Total investment income	1,497,798
Contributions:	
Employer	707,650
Employee	<u>159,994</u>
Total contributions	<u>867,644</u>
Total additions	2,365,442

### Deductions

Benefit payments	1,060,150
Administrative expenses	<u>36,631</u>
Total deductions	<u>1,096,781</u>

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

1,268,661

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

12,293,702

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

\$ 13,562,363

# Charter Township of Benton

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## Notes to Financial Statements December 31, 2009

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

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

#### **Reporting Entity**

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

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

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

In August 2003, the Charter Township created a Brownfield Redevelopment Authority (the "Authority") to revitalize selected environmentally distressed areas within the Charter Township limits. The Authority had no assets as of December 31, 2009 and no activity for the year then ended.

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

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

# Charter Township of Benton

## Notes to Financial Statements December 31, 2009

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program 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 and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

# Charter Township of Benton

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## Notes to Financial Statements December 31, 2009

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

The Charter Township reports the following major governmental funds:

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

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

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

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

The Charter Township reports the following major proprietary funds:

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

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

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

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

**Trust Funds** - The Trust Funds account for the activities of the police and fire employees' retirement system and retiree health insurance fund by accumulating resources for pension benefit payments and health insurance premium payments for qualified employees and retirees.

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

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

# Charter Township of Benton

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## Notes to Financial Statements December 31, 2009

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

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

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

#### **Property Tax Revenue**

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

The Charter Township's 2008 tax is levied on December 1, 2008 and is recognized as revenue in the year ended December 31, 2009, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2008 taxable valuation of the Charter Township totaled \$440 million, on which taxes levied consisted of .9796 mills for general operating purposes and 7.42 mills and 4.92 mills for police and fire operations, respectively. This resulted in approximately \$431,000 for operating services and \$3.26 million and \$2.16 million for police and fire services, respectively. These amounts are recognized in the respective General and Special Revenue Funds financial statements as tax revenue.

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

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

# Charter Township of Benton

## Notes to Financial Statements December 31, 2009

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

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between 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.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Charter Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# Charter Township of Benton

## Notes to Financial Statements December 31, 2009

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

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

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

### Note 2 - Stewardship, Compliance, and Accountability

**Construction Code Fees** - The Charter Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Charter Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2009 is as follows:

Shortfall at January 1, 2009	\$ (1,614,549)
Current year permit revenue	96,437
Related expenses - Direct costs	<u>(338,025)</u>
Current year shortfall	<u>(241,588)</u>
Cumulative shortfall at December 31, 2009	<u>\$ (1,856,137)</u>

**Fund Deficit** - The Charter Township has a fund balance deficit of \$496,253 in the Debt Service Fund. The deficit is a result of refinancing the debt related to the construction of the Municipal Building and Fire Station #2. The notes were previously held by Chemical Bank at interest rates of 4.99 percent and 4.44 percent, respectively. The debt was refinanced through interfund borrowings; the Debt Service Fund borrowed \$1,560,000 from the Water Fund. The interfund loans were structured with an interest rate of 1.65 percent.

# Charter Township of Benton

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## Notes to Financial Statements December 31, 2009

### Note 2 - Stewardship, Compliance, and Accountability (Continued)

The Governmental Accounting Standards Board requires different accounting for bank and interfund borrowings. When the Chemical Bank notes were paid off, they were recorded as debt service in the fund, an expense totaling \$1,560,000. When the interfund loan was recorded, it was recorded as an advance from other funds, a liability of \$1,560,000. Had the loan been financed through a financial institution, it would have been recorded as loan proceeds, a revenue of \$1,560,000. Since it was not recorded as a revenue, there was no offset to the debt service expense of \$1,560,000, thus creating a negative change in fund balance. The negative change in fund balance was in excess of the existing fund balance which created the deficit. As the money is transferred from the operating funds to make the debt payments over the life of the loan, the fund deficit will diminish.

Although the interfund loan appears to have a negative impact on the financial statements, the refinancing provided financial benefit to both funds. The interfund loan allowed the Debt Service Fund to save approximately \$138,000 in interest expense over the life of the loan, while the Water Fund will earn approximately \$131,500 in interest income over the life of the loan.

### 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.

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

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

# Charter Township of Benton

## Notes to Financial Statements December 31, 2009

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

The Charter Township's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Charter Township's deposits may not be returned to it. The Charter Township does not have a deposit policy for custodial credit risk. At year end, the Charter Township had approximately \$9.6 million of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Charter Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Charter Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

Type of Investment	Carrying Value	How Held
Mutual funds	\$ 2,993,443	Counterparty's trust department
Corporate bonds	3,106,472	Counterparty's trust department
Corporate stocks	5,253,798	Counterparty's trust department
U.S. government or agency bond or notes	1,735,105	Counterparty's trust department

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

Investment	Fair Value	Weighted Average Maturity
Mutual funds	\$ 2,993,443	.86 years
U.S. government or agency bonds (pension)	1,735,105	2.64 years
Corporate bonds (pension)	3,106,472	2.45 years

# Charter Township of Benton

## Notes to Financial Statements December 31, 2009

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

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Charter Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Corporate bonds	\$ 153,279	Aa	S&P
Corporate bonds	78,838	Aa-	S&P
Corporate bonds	747,835	A+	S&P
Corporate bonds	953,039	A	S&P
Corporate bonds	205,523	BBB+	S&P
Corporate bonds	967,958	Not Rated	FDIC Insured

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

### Note 4 - Deferred 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. Governmental funds 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 deferred revenue are as follows:

	Unavailable	Unearned
Property taxes	\$ -	\$ 5,582,320
Special assessments	39,929	96,245
Administrative fees and other	-	216,461
Total	\$ 39,929	\$ 5,895,026

# Charter Township of Benton

## Notes to Financial Statements December 31, 2009

### Note 5 - Capital Assets

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

	Balance January 1, 2009	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2009
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 887,892	\$ -	\$ 36,219	\$ -	\$ 924,111
Construction in progress	90,665	(90,665)	702,444	-	702,444
Subtotal	978,557	(90,665)	738,663	-	1,626,555
Capital assets being depreciated:					
Buildings and improvements	4,227,704	-	18,706	-	4,246,410
Vehicles	1,750,592	90,665	168,660	-	2,009,917
Land improvements	58,756	-	-	-	58,756
Tools and equipment	1,089,134	-	333,211	-	1,422,345
Subtotal	7,126,186	90,665	520,577	-	7,737,428
Accumulated depreciation:					
Buildings and improvements	1,267,086	-	84,153	-	1,351,239
Vehicles	1,536,072	-	112,876	-	1,648,948
Land improvements	3,794	-	3,917	-	7,711
Tools and equipment	804,942	-	99,142	-	904,084
Subtotal	3,611,894	-	300,088	-	3,911,982
Net capital assets being depreciated	3,514,292	90,665	220,489	-	3,825,446
Net capital assets	\$ 4,492,849	\$ -	\$ 959,152	\$ -	\$ 5,452,001

# Charter Township of Benton

## Notes to Financial Statements December 31, 2009

### Note 5 - Capital Assets (Continued)

<b>Business-type Activities</b>	Balance January 1, 2009	Additions	Disposals and Adjustments	Balance December 31, 2009
Capital assets not being depreciated:				
Land	\$ 34,628	\$ 1,038,876	\$ -	\$ 1,073,504
Construction in progress	-	500,006	-	500,006
Subtotal	34,628	1,538,882	-	1,573,510
Capital assets being depreciated:				
Utility system	18,349,361	4,948	-	18,354,309
Vehicles	236,769	-	-	236,769
Other tools and equipment	221,240	24,095	-	245,335
Subtotal	18,807,370	29,043	-	18,836,413
Accumulated depreciation:				
Utility system	11,360,706	441,970	-	11,802,676
Vehicles	86,369	18,800	-	105,169
Other tools and equipment	136,564	23,940	-	160,504
Subtotal	11,583,639	484,710	-	12,068,349
Net capital assets being depreciated	7,223,731	(455,667)	-	6,768,064
Net capital assets	<u>\$ 7,258,359</u>	<u>\$ 1,083,215</u>	<u>\$ -</u>	<u>\$ 8,341,574</u>

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

**Governmental activities:**

General government	\$ 63,740
Public safety	207,615
Public works	26,360
Recreation and culture	2,373

Total governmental activities \$ 300,088

**Business-type activities:**

Sanitary Sewage System Fund	\$ 154,452
Water System Fund	330,258

Total business-type activities \$ 484,710

# Charter Township of Benton

## Notes to Financial Statements December 31, 2009

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
Police Fund	General Fund	\$ 80,026
Fire Fund	General Fund	326,204
Debt Service	General Fund	1,242,050
Other governmental funds	General Fund	85,616
General Fund	Sanitary Sewage System Fund	199,028
Water System Fund	General Fund	855,879
<b>Advances from/to Other Funds</b>		
Water System	Debt Service	\$ 1,560,000

The due to and from other fund balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

The advance owing from the Debt Service Fund to the Water System Fund resulted from a loan made to pay off the outstanding balance on the Municipal Building and Fire Station #2 loans.

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

Receiving Fund	Paying Fund	Amount
Debt Service Fund	Fire Fund	\$ 50,811
Police Fund	General Fund	258,000
	Total	<u>\$ 308,811</u>

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

### Note 7 - Long-term Debt

The Charter Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Charter Township. Municipal contractual agreements and leases are also general obligations of the government.

# Charter Township of Benton

## Notes to Financial Statements December 31, 2009

### Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Maturing Through	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
Municipal contract	4.99%	2016	\$ 960,000	\$ -	\$ (960,000)	\$ -	\$ -
Fire Station #2 loan	4.44%	2013	609,426	-	(609,426)	-	-
Fire Station #1 loan	4.49%	2019	-	1,000,000	-	1,000,000	81,266
Accumulated employee benefits			1,044,567	-	(23,857)	1,020,710	382,890
Total governmental activities			2,613,993	1,000,000	(1,593,283)	2,020,710	464,156
<b>Business-type Activities -</b>							
General obligation bonds	5.0%-5.5%	2025	3,025,000	-	(115,000)	2,910,000	120,000
Total outstanding debt			\$ 5,638,993	\$ 1,000,000	\$ (1,708,283)	\$ 4,930,710	\$ 584,156

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

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 81,226	\$ 43,998	\$ 125,224	\$ 120,000	\$ 156,528	\$ 276,528
2011	84,914	40,310	125,224	125,000	150,528	275,528
2012	88,770	36,455	125,225	130,000	144,276	274,276
2013	92,800	32,424	125,224	140,000	137,778	277,778
2014	97,013	28,211	125,224	145,000	130,568	275,568
2015-2019	555,277	70,844	626,121	855,000	528,302	1,383,302
2020-2024	-	-	-	1,130,000	266,200	1,396,200
2025	-	-	-	265,000	14,575	279,575
Total	\$ 1,000,000	\$ 252,242	\$ 1,252,242	\$ 2,910,000	\$ 1,528,755	\$ 4,438,755

### Note 8 - Risk Management

The Charter Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Charter Township participates in the Michigan Municipal League (risk pool) for claims relating to workers' compensation and in the Michigan Townships Participating Plan for all other claims.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

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

# Charter Township of Benton

## Notes to Financial Statements December 31, 2009

### Note 9 - Other Postemployment Benefits

**Plan Description** - The Charter Township provides healthcare benefits at retirement to all employees covered under the police and fire retirement system, in accordance with labor contracts. Currently, 20 retirees are eligible. The Charter Township includes pre-Medicare retirees and their dependents in its insured healthcare plan and pays the monthly premium cost up to \$400 for all police and fire retirement system participants. The participant must pay any balance.

**Funding Policy** - Retiree healthcare costs are recognized when paid on a "pay-as-you-go" basis. The Charter Township has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended December 31, 2009, the Charter Township made payments for postemployment health benefit premiums of \$123,307.

**Funding Progress** - For the year ended December 31, 2009, the Charter Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2007. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 203,440
Amounts contributed - Payments of current premiums	<u>(123,307)</u>
Increase in net OPEB obligation	80,133
OPEB obligation - Beginning of year	<u>94,783</u>
OPEB obligation - End of year	<u>\$ 174,916</u>

# Charter Township of Benton

## Notes to Financial Statements December 31, 2009

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

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

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage of ARC Contributed	Net OPEB Obligation
12/31/09	12/31/07	\$ 203,440	60.6 %	\$ 174,916
12/31/08	12/31/07	195,615	51.5 %	94,783

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/07	\$ 751,248	\$ 2,889,841	\$ 2,138,593	26.0 %	\$ -	\$ -

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Significant actuarial assumptions used include (a) a 7 percent investment rate of return and (b) 1971 Group Annuity Mortality Table, set back five years for women (police and fire employees) and the 1994 Group Annuity Mortality Tables blended 50 percent male and 50 percent female (other municipal employees). 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.

### Note 10 - Pension Plan

**Plan Description** - The Police and Fire Pension Plan is a single-employer defined benefit pension plan that is administered by the Charter Township of Benton Police and Fire Employees' Retirement System; this plan covers all full-time police and fire employees of the Charter Township. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2009, the date of the most recent actuarial valuation, membership consisted of 41 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 41 current active employees. The plan does not issue a separate financial report.

# Charter Township of Benton

## Notes to Financial Statements December 31, 2009

### Note 10 - Pension Plan (Continued)

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

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

**Annual Pension Cost** - For the year ended December 31, 2009, the Charter Township's annual pension cost of \$584,344 for the plan was equal to the Charter Township's required contribution.

**Reserves** - As of December 31, 2009, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 2,418,938
Reserve for retired benefit payments	10,479,873

### Three-year Trend Information

	Fiscal Year Ended December 31		
	2009	2008	2007
Annual pension cost (APC)	\$ 584,344	\$ 609,511	\$ 546,157
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	\$ -	\$ -	\$ -

Funded status and funding progress:

	Actuarial Valuation as of December 31		
	2006	2007	2008
Actuarial value of assets	\$ 13,979,840	\$ 14,713,312	\$ 14,049,158
Actuarial accrued liability (AAL)	\$ 17,281,070	\$ 17,531,081	\$ 18,443,475
Unfunded AAL (UAAL)	\$ 3,301,230	\$ 2,817,769	\$ 4,394,317
Funded ratio (percent)	81 %	84 %	76 %
Covered payroll	\$ 2,307,557	\$ 2,287,276	\$ 2,461,432
UAAL as a percentage of covered payroll	143 %	123 %	179 %

# Charter Township of Benton

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## Notes to Financial Statements December 31, 2009

### **Note 10 - Pension Plan (Continued)**

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

**Actuarial Methods and Assumptions** - The annual required contribution was determined as part of an actuarial valuation at December 31, 2008, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.00 investment rate of return, (b) projected salary increases of 4.0 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4 percent. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis.

### **Note 11 - Defined Contribution Pension Plan**

The Charter Township provides pension benefits to all of its full-time employees (except for police and fire) through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment (or other date). As established by the Charter Township of Benton board, the Charter Township contributes 10 percent of employees' gross earnings and employees contribute 5 percent of earnings. In accordance with these requirements, the Charter Township contributed approximately \$122,000 during the current year and employees contributed approximately \$73,500.

### **Note 12 - Sale of Delinquent Property Taxes**

The Charter Township annually sells its delinquent real property taxes to the County, which then becomes responsible for collecting the taxes and taking uncollected tax parcels through the tax reversion process. The County purchases these taxes at 100 percent of face value, and in return, the County is allowed to retain all interest and penalties it collects. The estimated present value of the future delinquent collections to the Charter Township is less than the face value that has been received because of the time value of money; however, the net present value to the County is greater than this amount because of the statutory provision that allows the County to retain all penalties and interest. As of December 31, 2009, the Charter Township has no accrual for this sale. At the end of the tax reversion process (approximately three years), the County charges the Charter Township back for any uncollected taxes. Historically, this amount has not been significant.

# Charter Township of Benton

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## Notes to Financial Statements December 31, 2009

### **Note 13 - Upcoming Accounting Pronouncements**

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for the Charter Township's December 31, 2010 year end. This statement requires capitalization of identifiable intangible assets in the statement of net assets and provides guidance for amortization of intangible assets unless they are considered to have an indefinite useful life. This statement also establishes specified conditions upon which internally generated intangible assets should be recognized and amortized, including internally generated computer software. The Charter Township is currently evaluating the impact this standard will have on the financial statements when adopted.

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned. The Charter Township is currently evaluating the impact this standard will have on the financial statements when adopted. The Charter Township will implement Statement No. 54 beginning with the year beginning January 1, 2011.

### **Note 14 - Subsequent Events**

In 2009, the Charter Township entered into an agreement to sell bonds through Berrien County for the construction of the Benton Charter Township Water Plant. Berrien County has advertised bonds in the amount of \$19,535,000 and intends to sell the bonds by the end of June 2010. Construction of the water plant is schedule to begin in July 2010.

## **Required Supplemental Information**

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# Charter Township of Benton

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2009

	Original and Amended Budget	Actual	Variance
<b>Revenue</b>			
Property taxes	\$ 568,000	\$ 576,953	\$ 8,953
Licenses and permits	139,000	114,371	(24,629)
State-shared revenue and grants	1,483,000	1,328,226	(154,774)
Other charges for services	612,000	640,981	28,981
Revenue from sales of land	-	10,000	10,000
Investment income	166,000	90,209	(75,791)
Other revenue	272,000	239,633	(32,367)
Total revenue	3,240,000	3,000,373	(239,627)
<b>Expenditures</b>			
General government:			
Township board	665,000	569,540	95,460
Supervisor	92,000	85,889	6,111
Treasurer	123,000	113,238	9,762
Assessing	310,000	280,663	29,337
Board of review	4,000	2,690	1,310
Clerk	306,000	218,735	87,265
Elections	106,000	45,092	60,908
Buildings and grounds	131,000	111,844	19,156
Public safety:			
Building department	474,000	338,025	135,975
Ordinance officer	114,000	99,053	14,947
Public works:			
Other street costs	136,000	109,587	26,413
Trash and rubbish	599,000	525,250	73,750
Street lighting	124,000	113,113	10,887
Garage	69,000	50,201	18,799
Community and economic development:			
Community redevelopment	9,000	-	9,000
Planning	15,000	3,189	11,811
Zoning	3,000	1,313	1,687
Recreation and culture - Parks and recreation	50,000	32,797	17,203
Total expenditures	3,330,000	2,700,219	629,781
<b>Excess of Revenue (Under) Over Expenditures</b>	(90,000)	300,154	390,154
<b>Other Financing Uses - Transfers out</b>	(277,000)	(258,000)	19,000
<b>Net Change in Fund Balance</b>	(367,000)	42,154	409,154
<b>Fund Balance - Beginning of year</b>	617,601	617,601	-
<b>Fund Balance - End of year</b>	\$ 250,601	\$ 659,755	\$ 409,154

# Charter Township of Benton

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Police Fund Year Ended December 31, 2009

	Original and Amended Budget	Actual	Variance
<b>Revenue</b>			
Property taxes	\$ 3,065,000	\$ 3,067,648	\$ 2,648
Licenses and permits	16,000	16,041	41
Federal grants	32,000	107,489	75,489
State-shared revenue and grants	3,000	4,909	1,909
Other fines and forfeitures	20,000	30,208	10,208
Investment income	2,000	461	(1,539)
Other revenue	75,000	103,333	28,333
Total revenue	3,213,000	3,330,089	117,089
<b>Expenditures - Public safety</b>	3,580,000	3,590,591	(10,591)
<b>Excess of Expenditures Over Revenue</b>	(367,000)	(260,502)	106,498
<b>Other Financing Sources - Transfers in</b>	324,000	258,000	(66,000)
<b>Net Change in Fund Balance</b>	(43,000)	(2,502)	40,498
<b>Fund Balance - Beginning of year</b>	41,595	41,595	-
<b>Fund Balance - End of year</b>	<u>\$ (1,405)</u>	<u>\$ 39,093</u>	<u>\$ 40,498</u>

# Charter Township of Benton

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Fund Year Ended December 31, 2009

	Original and Amended Budget	Actual	Variance
<b>Revenue</b>			
Property taxes	\$ 2,014,000	\$ 2,021,818	\$ 7,818
Federal grants	-	161,176	161,176
Other charges for services	12,000	13,223	1,223
Other revenue	12,000	20,870	8,870
Total revenue	2,038,000	2,217,087	179,087
<b>Expenditures - Public safety</b>	2,164,000	2,118,065	45,935
<b>Excess of Expenditures Over (Under) Revenue</b>	(126,000)	99,022	225,022
<b>Other Financing Uses -Transfers out</b>	-	(50,811)	(50,811)
<b>Net Change in Fund Balance</b>	(126,000)	48,211	174,211
<b>Fund Balance - Beginning of year</b>	206,232	206,232	-
<b>Fund Balance - End of year</b>	<b>\$ 80,232</b>	<b>\$ 254,443</b>	<b>\$ 174,211</b>

# Charter Township of Benton

## Required Supplemental Information Police and Fire Pension System Schedule of Funding Progress Year Ended December 31, 2009

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/03	\$ 14,561,567	\$ 13,288,345	\$ (1,273,222)	109.6	\$ 2,288,623	(55.6)
12/31/04	14,057,892	14,691,688	633,796	95.7	2,437,753	26.0
12/31/05	13,784,029	16,222,657	2,438,628	85.0	2,248,702	108.4
12/31/06	13,979,840	17,281,070	3,301,230	80.9	2,307,557	143.1
12/31/07	14,713,312	17,531,081	2,817,769	83.9	2,287,276	123.2
12/31/08	14,049,158	18,443,475	4,394,317	76.2	2,461,432	178.5

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
12/31/04	12/31/02	\$ -	100.0
12/31/05	12/31/03	193,359	100.0
12/31/06	12/31/04	416,676	100.0
12/31/07	12/31/05	546,157	100.0
12/31/08	12/31/06	609,511	100.0
12/31/09	12/31/08	584,344	100.0

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

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2009, the latest date of actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Level percent
Amortization period (perpetual)	26 years
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.0%
Projected salary increases*	4.0%
Cost of living adjustments	None
*Includes inflation at	4.0%

# Charter Township of Benton

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## Note to Required Supplemental Information Year Ended December 31, 2009

### Note - Budgetary Information

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. The budgets are prepared by the Charter Township controller and approved by the Charter Township board prior to the start of the fiscal year. The budget was not amended during the year.

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

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

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

	<u>Budget</u>	<u>Actual</u>
Fire Fund - Transfers out	\$ -	\$ 50,811

## **Other Supplemental Information**

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# Charter Township of Benton

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds December 31, 2009

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Rental Ordinance Fund	Community Development Fund	Capital Projects Fund	
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 93,481	\$ -	\$ 93,481
Receivables	-	1,791	-	1,791
Due from other funds	19,997	-	65,619	85,616
Total assets	<u>\$ 19,997</u>	<u>\$ 95,272</u>	<u>\$ 65,619</u>	<u>\$ 180,888</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b> - Accrued liabilities and other	\$ 722	\$ -	\$ -	\$ 722
<b>Fund Balances</b> - Unreserved	19,275	95,272	65,619	180,166
Total liabilities and fund balances	<u>\$ 19,997</u>	<u>\$ 95,272</u>	<u>\$ 65,619</u>	<u>\$ 180,888</u>

# Charter Township of Benton

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended December 31, 2009

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Rental Ordinance Fund	Community Development Fund	Capital Projects Fund	
<b>Revenue</b>				
Licenses and permits	\$ 36,120	\$ -	\$ -	\$ 36,120
Other revenue	-	2,608	-	2,608
Total revenue	36,120	2,608	-	38,728
<b>Expenditures</b>				
Public safety	43,625	-	-	43,625
Public works	-	-	101,514	101,514
Total expenditures	43,625	-	101,514	145,139
<b>Net Change in Fund Balances</b>	(7,505)	2,608	(101,514)	(106,411)
<b>Fund Balances - Beginning of year</b>	26,780	92,664	167,133	286,577
<b>Fund Balances - End of year</b>	<b>\$ 19,275</b>	<b>\$ 95,272</b>	<b>\$ 65,619</b>	<b>\$ 180,166</b>

# Charter Township of Benton

## Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds December 31, 2009

	Pension Trust Funds			Agency Funds		
	Pension Trust	Retiree Health Insurance Fund	Total Pension Trust Funds	Current Tax Collections Fund	Delinquent Tax Fund	Total Agency Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 109,902	\$ -	\$ 109,902	\$ 142,887	\$ 167,840	\$ 310,727
Investments	12,620,267	663,552	13,283,819	-	-	-
Prepaid expenses and other assets	168,642	-	168,642	-	-	-
Total assets	12,898,811	663,552	13,562,363	<u>\$ 142,887</u>	<u>\$ 167,840</u>	<u>\$ 310,727</u>
<b>Liabilities</b> - Due to other governmental units	-	-	-	<u>\$ 142,887</u>	<u>\$ 167,840</u>	<u>\$ 310,727</u>
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<u>\$ 12,898,811</u>	<u>\$ 663,552</u>	<u>\$ 13,562,363</u>			

# Charter Township of Benton

## Other Supplemental Information Combining Statement of Changes in Net Assets Trust Funds Year Ended December 31, 2009

	Pension Trust	Retiree Health Insurance Trust	Total
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 360,213	\$ 17,719	\$ 377,932
Net change in fair value of investments	1,058,306	61,560	1,119,866
Total investment income	1,418,519	79,279	1,497,798
Contributions:			
Employer	584,344	123,306	707,650
Employee	159,994	-	159,994
Net contributions	744,338	123,306	867,644
Total additions	2,162,857	202,585	2,365,442
<b>Deductions</b>			
Benefit payments	936,844	123,306	1,060,150
Administrative expenses	34,834	1,797	36,631
Total deductions	971,678	125,103	1,096,781
<b>Net Increase in Net Assets Held in Trust for Pension and Other Employee Benefits</b>	1,191,179	77,482	1,268,661
<b>Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	11,707,632	586,070	12,293,702
<b>Net Assets Held in Trust for Pension and Other Employee Benefits - End of year</b>	<b>\$ 12,898,811</b>	<b>\$ 663,552</b>	<b>\$ 13,562,363</b>

June 18, 2010

To the Board of Trustees  
Charter Township of Benton, Michigan

We have audited the financial statements of the Charter Township of Benton, Michigan (the "Charter Township") for the year ended December 31, 2009 and have issued our report thereon dated June 18, 2010. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

Section I - Communications Required Under SAS 115

Section II - Communications Required Under SAS 114

Section III - Other Recommendations

Section IV - Legislative and Informational Items

Section I includes any deficiencies we observed in the Charter Township's accounting principles or internal controls that we believe are significant. Current auditing standards require us to formally communicate annually matters we note about the Charter Township's accounting policies and internal controls.

Section II includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the board of trustees of the Charter Township.

Section III presents recommendations related to internal controls and procedures noted during our current year audit. These comments are offered in the interest of helping the Charter Township in its efforts toward continuous improvement, not just in the areas of internal control and accounting procedures, but also in operational or administrative efficiency and effectiveness.

Section IV contains updated legislative and informational items that we believe will be of interest to you.

We would like to take this opportunity to thank the Charter Township's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the board of trustees and management of the Charter Township of Benton, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

To the Board of Trustees  
Charter Township of Benton, Michigan

June 18, 2010

We welcome any questions you may have regarding the following communications, and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink, appearing to read "Kenley Penner". The signature is written in a cursive, flowing style.

Kenley G. Penner, CPA  
Partner

## **SECTION I - Communications Required Under SAS 115**

In planning and performing our audit of the financial statements of the Charter Township as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Charter Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter 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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness and other 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 a 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 the Charter Township's internal control to be a material weakness:

### **Audit Adjustments**

While testing the Charter Township's interfund transactions, it was noted that the interfund loan between the Debt Service Fund and the Water Fund had been improperly recorded within the Debt Service Fund. The funds received were shown as loan proceeds, a revenue line item, rather than an advance payable.

During our testing of the Fire Station #1 construction project, it was noted that a liability for the subcontractor retainages was not recorded by the Charter Township, which resulted in an audit adjustment.

A significant deficiency is a deficiency, or 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 the Charter Township's internal control to be significant deficiencies:

### **Segregation of Duties**

With limited personnel, the Charter Township does not operate with a distinct segregation of duties related to the cash receipt cycle. The same individual is responsible for recording the cash receipts and investment transactions, maintaining the general ledger, preparing the bank and investment reconciliations, and posting the adjustments to the general ledger. The reconciliations and journal entries are not being independently reviewed.

### **Control Over Manual Journal Entries**

All manual journal entries, including year-end accruals and adjustments required for financial statement preparation, posted to the general ledger are initiated, entered, and reviewed by the same individual. The lack of review resulted in a misstatement of a year-end accrual balance within the Fire Fund. We continue to recommend an independent review of all manual entries and related documentation to ensure accuracy in their posting.

### **Control Over Payroll Transactions**

While the Charter Township does utilize a third party for payroll processing, the Charter Township has one individual involved in maintaining the employee database which includes employee files and pay rates. This individual provides all information to the third-party processor and receives the completed transactions and records back from the processor. The journal entry is given to a second individual for posting. However, currently there is not any independent review of the transactions related to payroll.

### **Control Over Cash Disbursements**

As a result of audit procedures performed for the cash disbursement process as of April 2010, it was noted there were former elected officials listed as approved signatories for some of the bank accounts utilized by the Charter Township. In addition, we noted that, at one of the financial institutions, there was record of only one approved signatory although all Charter Township checks require two signatures. The board and management should review the list of current authorized signatories to see if changes should be made to resolve this issue.

## **SECTION II - Communications Required Under SAS 114**

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated January 5, 2010, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Charter Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated March 26, 2010.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Charter Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009.

We noted no transactions entered into by the Charter Township during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the collectibility of customer receivables and property taxes and the ultimate collectibility of the receivable from the City of Benton Harbor.

Management's estimate of the collectibility of the taxes is based on historical collection rates and the ability to settle with the county for real taxes. Delinquent sewer and rubbish accounts are placed on the tax roll, eliminating the need for a significant reserve on the customer receivables. The position that the receivable from the City of Benton Harbor is fully collectible is based on recent payment activity and the legally binding contract established July 28, 2006. Based on discussion with the Charter Township's attorney, collection of the entire receivable should not be an issue.

The disclosures in the financial statements are neutral, consistent, and clear.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no difficulties in dealing with management in performing and completing our audit.

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

#### ***Disagreements with Management***

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated June 18, 2010.

To the Board of Trustees  
Charter Township of Benton, Michigan

June 18, 2010

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Charter Township’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **SECTION III - Other Recommendations**

During our audit, we noted areas where we believe there are opportunities for the Charter Township to further strengthen internal controls or to increase operating efficiencies. Our observations on those areas are presented for your consideration below.

- Due to inflation and rising costs, it is recommended that the Charter Township increase its capitalization threshold. It is also recommended that the Charter Township adopt a formal capitalization policy outlining the threshold, acceptable useful lives, etc.
- The Charter Township should adopt a fixed asset disposition policy. This will enable the Charter Township to more accurately track and maintain the fixed asset listings.
- A review process should be implemented to ensure utility rates are properly adjusted to the approved amount, especially when individual accounts must be manually updated by Charter Township staff.

## **SECTION IV - Legislative and Informational Items**

### **House Bills 5550-5554 - “Financial Flexibility”**

On March 15, 2010, the State House passed a series of bills that would temporarily reverse the current requirements that bond refinancing may only be done if net present value savings can be obtained. Furthermore, this legislation would permit for a municipal security to be sold at a discount rate exceeding 10 percent of the principal. Both bills apply only to securities issued prior to December 31, 2012. The purpose of the bills is to permit refunding bonds to be issued for the purpose of achieving cash flow savings, frequently caused by the sharp property value declines or other negative economic factors. The bills are intended to provide debt flow relief and restructuring in appropriate cases (i.e., special assessments, TIFs, etc.) and only applies if those securities were not originally secured by the unlimited full faith and credit pledge of the municipality. The bills have been recently submitted to the Senate for their consideration.

### **Revenue Sharing**

As you are aware, the last State budget passed in October 2009 had the effect of reducing revenue sharing to communities for 2009/2010 from a total of \$1.037 billion to \$917.4 million. After the January consensus, the executive budget recommendation for 2010/2011 was to maintain revenue sharing at the same total level of \$917.4 million, although there was a slight shift from the constitutional to the statutory portion.

In March 2010, the House General Government Committee set forth a budget for 2010/2011 that would have introduced a revenue-sharing cut of 3.1 percent. The House Appropriations Committee rejected the cut and instead recommended an increase of 1 percent. This proposal has not yet passed, but appears to have support. The \$26 million needed for this proposal would come from closing some tax loopholes that currently exist.

### **Property Tax Developments**

Many communities in Michigan are continuing to face the challenges inherent in the real estate market decline given the effects of Proposal A. Some communities are seeing a decline in overall taxable value this year - many will see similar or greater declines in future years. The impact on each community and over what period of time will vary. The one constant, however, is that there will be an impact that each community will need to consider come budget time.

The following table illustrates the time lag related to property tax valuations.

<b>Assessment date</b>	<b>12/31/07</b>	<b>12/31/08</b>	<b>12/31/09</b>	<b>12/31/10</b>
Levy date	12/1/08	12/1/09	12/1/10	12/1/11
Budget year	12/31/09	12/31/10	12/31/11	12/31/12

### **FACT Act - Potential Impact on Municipal Utility Systems**

The Fair and Accurate Credit Transactions Act was passed in 2003, with final regulations published at the end of 2007. These Federal Trade Commission (FTC) rules, and more specifically the Red Flag Rules encompassed in them, are applicable to municipal utility systems. The rules, put in place as a measure to protect against identity theft, indicate that a “creditor” with a “covered account” must implement a written identity theft prevention program to detect, prevent, and mitigate identity theft in connection with the opening of a covered account or any existing covered account.

Under the rules, a creditor is defined very broadly, encompassing any entity that defers payment for goods and services, as defined under the Red Flag Rules. This most likely includes municipalities that “defer payments” by their utility customers when water, sewer, electric, gas, trash, and the like are sold to customers day-by-day but paid for at the end of the billing cycle.

The act would require written policies and procedures to be put in place to identify and follow up on red flags. Red flags, just as an example, would be the presentation by the customer of suspicious personal information that is inconsistent with external sources or suspicious documents provided for identification that appear to be altered. The regulations appear to be flexible so that each government would have the ability to design an identity theft program that is tailored to its particular operation, given its size, technology currently utilized, and the perceived risk of identity theft in its community.

The FTC has granted several delays of enforcement regarding these Red Flag Rules, which originally had a November 1, 2008 required implementation date. Those who are required to implement these red flag provisions now have until June 1, 2010 to develop and implement written identity theft prevention programs. On June 1, 2010, the FTC granted an additional delay until December 31, 2010.

Further information on the Red Flag Rules can be found at <http://www.ftc.gov/redflagrule>