

**Charter Township of White Lake  
Oakland County, Michigan**

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**Financial Report  
with Supplemental Information  
December 31, 2012**

# Charter Township of White Lake

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## Independent Auditor's Report

To the Board of Trustees  
Charter Township of White Lake

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of White Lake (the "Township"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Charter Township of White Lake's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Trustees  
Charter Township of White Lake

### ***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 White Lake as of December 31, 2012 and the respective changes in its financial position and, where applicable, cash flows, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 11 to the financial statements, the Township has changed its method of accounting for the collection of cash receipts on behalf of the various lake boards within the Township as of December 31, 2011. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplemental Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the major fund budgetary comparison schedules on pages 41-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Supplemental Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of White Lake's basic financial statements. The 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.

To the Board of Trustees  
Charter Township of White Lake

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

*Plante & Moran, PLLC*

March 26, 2013

# Charter Township of White Lake

## Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of White Lake's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2012. Please read it in conjunction with the Township's financial statements.

### Using this Annual Report

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

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

### Governmental Activities

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

	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>Percent Change</u>
<b>Assets</b>				
Current assets	\$ 30,253	\$ 30,786	\$ (533)	-1.7%
Capital assets - Net	<u>19,161</u>	<u>18,359</u>	<u>802</u>	4.4%
Total assets	49,414	49,145	269	0.5%
<b>Liabilities</b>				
Current liabilities	9,627	11,482	(1,855)	-16.2%
Long-term liabilities	<u>10,709</u>	<u>9,315</u>	<u>1,394</u>	15.0%
Total liabilities	<u>20,336</u>	<u>20,797</u>	<u>(461)</u>	-2.2%
<b>Net Assets</b>				
Net investment in capital assets	12,802	11,013	1,789	16.2%
Restricted	12,671	12,698	(27)	-0.2%
Unrestricted	<u>3,605</u>	<u>4,637</u>	<u>(1,032)</u>	-22.3%
Total net position	<u>\$ 29,078</u>	<u>\$ 28,348</u>	<u>\$ 730</u>	2.6%

# Charter Township of White Lake

## Management's Discussion and Analysis (Continued)

The Township's governmental activities net position was \$29.1 million at the close of December 31, 2012. This amount represents an increase of \$730 thousand due primarily to improvements to the Township parks and a new sewer line.

### Business-type Activities - Financial Position

The following table shows, in a condensed format, the current year's net position (in thousands of dollars), compared to the prior year:

	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>Percent Change</u>
<b>Assets</b>				
Current assets	\$ 6,143	\$ 5,840	\$ 303	5.2%
Capital assets - Net	<u>6,356</u>	<u>6,589</u>	<u>(233)</u>	-3.5%
Total assets	12,499	12,429	70	0.6%
<b>Liabilities</b>				
Current liabilities	19	168	(149)	-88.7%
Long-term liabilities	<u>1,270</u>	<u>1,213</u>	<u>57</u>	4.7%
Total liabilities	<u>1,289</u>	<u>1,381</u>	<u>(92)</u>	-6.7%
<b>Net Assets</b>				
Net investment in capital assets	5,291	5,479	(188)	-3.4%
Restricted	4,662	4,361	301	6.9%
Unrestricted	<u>1,257</u>	<u>1,208</u>	<u>49</u>	4.1%
Total net position	<u>\$ 11,210</u>	<u>\$ 11,048</u>	<u>\$ 162</u>	1.5%

The Township's business-type activity consists of the Water Fund. Net position increased approximately \$162,000 from December 31, 2011 reflecting continued growth in the water customer base.

### Governmental Activities

Unrestricted net position is net position that can be used to finance day-to-day operations. Restricted net position has limitations on its use that may be the result of enabling legislation, grant, or bond covenants. The net investment in capital assets represents the Township's capital assets that provide services to citizens; accordingly, these assets are not available for future spending.

# Charter Township of White Lake

## Management's Discussion and Analysis (Continued)

### Governmental Activities - Results of Operations

The following table shows, in a condensed format, the current year's changes in net position (in thousands of dollars) compared to the prior year:

	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>Percent Change</u>
<b>Revenue</b>				
Program revenue:				
Charges for services	\$ 2,544	\$ 2,576	\$ (32)	-1.2%
Operating grants	152	412	(260)	-63.1%
Capital grants	1,215	468	747	159.6%
General revenue:				
Property taxes	7,567	8,134	(567)	-7.0%
State-shared revenue	2,293	2,211	82	3.7%
Unrestricted investment earnings	157	111	46	41.4%
Franchise fees	434	408	26	6.4%
Other revenue	<u>287</u>	<u>287</u>	<u>-</u>	<u>0.0%</u>
Total revenue	<u>14,649</u>	<u>14,607</u>	<u>42</u>	<u>0.3%</u>
<b>Program Expenses</b>				
General government	2,898	2,423	475	19.6%
Public safety	7,504	7,478	26	0.3%
Public works	2,195	2,675	(480)	-17.9%
Health and welfare	125	128	(3)	-2.3%
Community and economic development	433	424	9	2.1%
Recreation and cultural	281	225	56	24.9%
Interest on long-term debt	<u>140</u>	<u>200</u>	<u>(60)</u>	<u>-30.0%</u>
Total expenses	<u>13,576</u>	<u>13,553</u>	<u>23</u>	<u>0.2%</u>
<b>Change in Net Position</b>	<u><b>\$ 1,073</b></u>	<u><b>\$ 1,054</b></u>	<u><b>\$ 19</b></u>	<u><b>1.8%</b></u>

Government activities revenue was approximately \$14.6 million for the year ended December 31, 2012. Of these revenues, 52 percent was obtained through property taxes, 17 percent for fees charged for services, and 16 percent from state-shared revenue. Total government activities expenditures were approximately \$13.6 million, an increase of \$23,000 over 2011.



# Charter Township of White Lake

## Management's Discussion and Analysis (Continued)

### Business-type Activities - Results of Operations

The following table shows, in a condensed format, changes in net position (in thousands of dollars), compared to the prior year:

	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>Percent Change</u>
<b>Revenue</b>				
Program revenue:				
Charges for services	\$ 918	\$ 835	\$ 83	9.9%
Capital grants and contributions	119	132	(13)	-9.8%
General revenue - Unrestricted				
investment earnings	57	53	4	7.5%
Other revenue	<u>2</u>	<u>-</u>	<u>2</u>	100.0%
Total revenue	1,096	1,020	76	7.5%
<b>Program Expenses</b>	<u>934</u>	<u>916</u>	<u>18</u>	2.0%
<b>Change in Net Position</b>	<u><u>\$ 162</u></u>	<u><u>\$ 104</u></u>	<u><u>\$ 58</u></u>	55.8%

Total revenue was approximately \$1.1 million for the year ended December 31, 2012. Charges for services represented 84 percent of total revenue. At December 31, 2012, the Township was providing water to 1,894 customers.

### Township Funds

The analysis of the Township's major funds begins on page 13, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2012 include the General Fund, the Fire Fund, the Police Fund, the Special Assessment Fund, and the Pontiac Lake Sewer Debt Fund.

The General Fund is the main operating fund of the Township. Total revenue and other financing sources for the year were approximately \$4,161,000. Of this revenue, state-shared revenue accounted for 54 percent and property taxes accounted for 25 percent. Total expenditures and other financing uses for the year were approximately \$3,323,000, which included operating transfers of approximately \$15,000 to the Solid Waste Fund (to subsidize operating shortfalls in that fund). At December 31, 2012, the unassigned fund balance of \$2,398,697 represented 72 percent of the total General Fund expenditures and other financing uses for the year.

# **Charter Township of White Lake**

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

The Fire Fund is used to account for fire services to Township residents. Total revenue and other financing sources for the year were approximately \$2,560,000. Of this revenue, property taxes accounted for 92 percent. Total expenditures for the year were approximately \$2,455,000, of which 80 percent related to employee costs. The fund balance of \$6,853,053 is restricted for fire operating costs in 2013, future equipment acquisitions, and new personnel.

The Police Fund is used to account for police services to Township residents. Total revenue and other financing sources for the year were approximately \$4,459,000. Of this revenue, property taxes accounted for 93 percent. Total expenditures for the year were approximately \$3,947,000, of which 86 percent related to employee costs. The fund balance of \$1,302,294 is restricted for police operating costs for 2013-2014, and monies received from the State are restricted for future training.

The Solid Waste Special Assessment Fund is used to account for the solid waste of the Township. Total revenue and other financing sources for the year were approximately \$1,613,000 and were earned through special assessment charges. The fund balance of \$3,815 is assigned for solid waste expenditures.

The Pontiac Lake Sewer Debt Fund is a Debt Service Fund used to account for the accumulation of resources for, and the payment of, general long-term principal, interest, and related costs associated with the construction of the Pontiac Lake Sewers, as well several smaller sewer lines. The total revenue and other financing sources for the year were approximately \$361,000 and were primarily earned through special assessment charges. Expenditures for the year were approximately \$451,000 and consisted of principal and interest charges on related debt. The fund balance of \$1,877,061 is restricted for future debt-related expenditures. At December 31, 2012, the outstanding principal on the Pontiac Lake sewer debt and the other sewer lines was \$2,420,000 and \$259,625, respectively.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township board amended the budget to take into account events during the year.

Significant amendments in 2012 were for construction of a sewer line down Bogie Lake Road and for major improvements to Bloomer Park.

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

#### **Capital Assets**

At the end of 2012, the Township had \$25,517,367 invested in a broad range of capital assets (net of accumulated depreciation), including buildings, police and fire equipment, and water and sewer lines. In addition, the Township has invested significantly in roads and related infrastructure within the Township. Although these roads are the property of the Oakland County Road Commission (along with the responsibility to maintain them), the Township has invested significantly in their construction and maintenance.

# **Charter Township of White Lake**

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

### **Long-term Debt**

The Township's total long-term indebtedness as of December 31, 2012 is \$7,423,925. Of this amount, \$6,126,625 represents governmental general obligation bonds, \$157,600 represents a loan from Oakland County, \$38,000 represents governmental special assessment bonds, \$1,065,000 represents a loan from the State of Michigan's Drinking Water Revolving Fund, and \$36,700 represents governmental capital leases.

### **Economic Factors and Next Year's Budgets**

The Township's budget for 2013 is reflective of anticipated revenue and costs. The economic downturn and lowered home values have significantly impacted the revenue of the Township and, although the housing market is starting to rebound, property values and tax revenue will continue to be a major focus during the 2014 and 2015 budget processes. Three other items that will be of significant focus are first, the forecasted increases in healthcare insurance as the Federal Health Care Reform program continues to take effect, second, the funding issue of the sewer debt funds, and finally, the Township will be negotiating five union contracts that have or will be expiring at the end of 2013.

### **Request for Information**

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions or concerns about this report or need additional information, contact the clerk's office at the Township of White Lake, 7525 Highland Road, White Lake, Michigan 48383.

# Charter Township of White Lake

## Statement of Net Position December 31, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 23,662,100	\$ 729,248	\$ 24,391,348
Receivables:			
Property taxes receivable	3,573,673	79,624	3,653,297
Receivables from sales to customers on account	-	228,370	228,370
Accrued interest receivable	32,483	13,045	45,528
Other receivables	242,597	-	242,597
Due from other governmental units	911,521	17,337	928,858
Special assessments receivable	1,820,800	422,749	2,243,549
Internal balances	9,752	(9,752)	-
Prepaid expenses and other assets	579	-	579
Restricted assets	-	4,661,942	4,661,942
Capital assets (Note 4):			
Assets not subject to depreciation	2,387,875	253,080	2,640,955
Assets subject to depreciation	16,773,069	6,103,346	22,876,415
<b>Total assets</b>	<b>49,414,449</b>	<b>12,498,989</b>	<b>61,913,438</b>
<b>Liabilities</b>			
Accounts payable	348,450	4,980	353,430
Due to other governmental units	7,630	-	7,630
Accrued liabilities and other	281,147	13,842	294,989
Deferred revenue (Note 3)	8,990,535	-	8,990,535
Noncurrent liabilities:			
Due within one year:			
Compensated absences	21,555	-	21,555
Current portion of long-term debt (Note 6)	918,725	45,000	963,725
Due in more than one year:			
Compensated absences	86,221	-	86,221
Net OPEB obligation (Note 10)	4,242,089	205,138	4,447,227
Long-term debt (Note 6)	5,440,200	1,020,000	6,460,200
<b>Total liabilities</b>	<b>20,336,552</b>	<b>1,288,960</b>	<b>21,625,512</b>
<b>Net Position</b>			
Net investment in capital assets	12,802,019	5,291,426	18,093,445
Restricted for:			
Debt service	2,732,002	-	2,732,002
Capital projects	130,793	-	130,793
Fire	6,853,053	-	6,853,053
Police	1,302,294	-	1,302,294
Water debt and system improvements	-	4,661,942	4,661,942
Parks and recreation	970,367	-	970,367
Drug law enforcement	158,154	-	158,154
Building activities	523,824	-	523,824
Unrestricted	3,605,391	1,256,661	4,862,052
<b>Total net position</b>	<b>\$ 29,077,897</b>	<b>\$ 11,210,029</b>	<b>\$ 40,287,926</b>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# Charter Township of White Lake

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 2,897,459	\$ 91,161	\$ 64,420	\$ 4,021
Public safety	7,504,243	543,143	27,889	-
Public works	2,194,634	1,906,735	1,459	1,210,575
Health and welfare	124,986	-	58,443	-
Community and economic development	433,357	3,975	-	-
Recreation and culture	280,505	1,100	-	-
Interest on long-term debt	140,339	-	-	-
Total governmental activities	13,575,523	2,546,114	152,211	1,214,596
Business-type activities	934,034	917,727	-	119,098
Total primary government	<u>\$ 14,509,557</u>	<u>\$ 3,463,841</u>	<u>\$ 152,211</u>	<u>\$ 1,333,694</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Gain on sale of fixed assets				
Total general revenue				

## Change in Net Position

**Net Position** - Beginning of year - As restated (Note 11)

**Net Position** - End of year

**Statement of Activities**  
**Year Ended December 31, 2012**

Net (Expense) Revenue and Changes in Net Assets

Primary Government

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (2,737,857)	\$ -	\$ (2,737,857)
(6,933,211)	-	(6,933,211)
924,135	-	924,135
(66,543)	-	(66,543)
(429,382)	-	(429,382)
(279,405)	-	(279,405)
<u>(140,339)</u>	<u>-</u>	<u>(140,339)</u>
(9,662,602)	-	(9,662,602)
-	102,791	102,791
<u>(9,662,602)</u>	<u>102,791</u>	<u>(9,559,811)</u>
7,567,276	-	7,567,276
2,292,648	-	2,292,648
156,765	56,943	213,708
433,925	-	433,925
271,736	-	271,736
13,284	2,151	15,435
<u>10,735,634</u>	<u>59,094</u>	<u>10,794,728</u>
1,073,032	161,885	1,234,917
<u>28,004,865</u>	<u>11,048,144</u>	<u>39,053,009</u>
<b><u>\$ 29,077,897</u></b>	<b><u>\$ 11,210,029</u></b>	<b><u>\$ 40,287,926</u></b>

# Charter Township of White Lake

## Governmental Funds Balance Sheet December 31, 2012

	General Fund	Fire Fund	Police Fund	Solid Waste Special Assessment Fund	Pontiac Lake Sewer Debt Fund	Nonmajor Funds	Total
<b>Assets</b>							
Cash and cash equivalents	\$ 4,873,102	\$ 8,130,733	\$ 3,522,153	\$ 1,096,152	\$ 1,810,847	\$ 4,229,113	\$ 23,662,100
Receivables:							
Property taxes receivable	463,771	1,129,563	1,980,339	-	-	-	3,573,673
Special assessments receivable	-	-	-	669,864	880,735	270,201	1,820,800
Accrued interest receivable	-	-	-	-	32,483	-	32,483
Other receivables	180,656	24,292	36,854	-	-	795	242,597
Due from other governmental units	571,281	-	5,033	-	7,956	327,251	911,521
Due from other funds	59,627	-	-	15,000	-	586,603	661,230
Prepaid expenses and other assets	579	-	-	-	-	-	579
<b>Total assets</b>	<b>\$ 6,149,016</b>	<b>\$ 9,284,588</b>	<b>\$ 5,544,379</b>	<b>\$ 1,781,016</b>	<b>\$ 2,732,021</b>	<b>\$ 5,413,963</b>	<b>\$ 30,904,983</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 83,360	\$ 43,401	\$ 52,570	\$ 134,477	\$ -	\$ 34,642	\$ 348,450
Due to other governmental units	7,630	-	-	-	-	-	7,630
Due to other funds	572,289	-	-	-	19	66,877	639,185
Advances from other funds	12,293	-	-	-	-	-	12,293
Accrued liabilities and other	44,638	67,220	120,515	-	-	8,027	240,400
Deferred revenue	1,029,530	2,320,914	4,069,000	1,642,724	854,941	480,103	10,397,212
<b>Total liabilities</b>	<b>1,749,740</b>	<b>2,431,535</b>	<b>4,242,085</b>	<b>1,777,201</b>	<b>854,960</b>	<b>589,649</b>	<b>11,645,170</b>
<b>Fund Balances</b>							
Nonspendable	579	-	-	-	-	-	579
Restricted:							
Police	-	-	1,302,294	-	-	-	1,302,294
Fire	-	6,853,053	-	-	-	-	6,853,053
Debt service	-	-	-	-	1,877,061	-	1,877,061
Capital projects (Note 1)	-	-	-	-	-	130,793	130,793
Drug law enforcement	-	-	-	-	-	158,154	158,154
Building activity	-	-	-	-	-	523,824	523,824
Parks and recreation	-	-	-	-	-	722,764	722,764
Committed:							
Capital projects	-	-	-	-	-	2,636,514	2,636,514
Sewer	-	-	-	-	-	565,498	565,498
Assigned:							
Sewer debt service	1,000,000	-	-	-	-	86,767	1,086,767
Capital projects	500,000	-	-	3,815	-	-	503,815
OPEB	500,000	-	-	-	-	-	500,000
Unassigned	2,398,697	-	-	-	-	-	2,398,697
<b>Total fund balances</b>	<b>4,399,276</b>	<b>6,853,053</b>	<b>1,302,294</b>	<b>3,815</b>	<b>1,877,061</b>	<b>4,824,314</b>	<b>19,259,813</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,149,016</b>	<b>\$ 9,284,588</b>	<b>\$ 5,544,379</b>	<b>\$ 1,781,016</b>	<b>\$ 2,732,021</b>	<b>\$ 5,413,963</b>	<b>\$ 30,904,983</b>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# Charter Township of White Lake

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## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position December 31, 2012

<b>Fund Balance Reported in Governmental Funds</b>	\$ 19,259,813
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	19,160,944
Certain special assessment revenue is deferred and will be recognized as revenue in the fund statements in future years, when it becomes available	1,406,677
Compensated absences are not due and payable in the current period and are not reported in the funds	(107,776)
Net other postemployment benefit obligations are not reported as fund liabilities	(4,242,089)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(6,358,925)
Accrued interest is not due and payable in the current period and is not reported in the funds	<u>(40,747)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 29,077,897</u></b>



# Charter Township of White Lake

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2012

	General Fund	Fire Fund	Police Fund	Solid Waste Special Assessment Fund	Pontiac Lake Sewer Debt Fund	Nonmajor Funds	Total
<b>Revenue</b>							
Property taxes	\$ 1,055,803	\$ 2,365,997	\$ 4,145,476	\$ -	\$ -	\$ -	\$ 7,567,276
Licenses and permits	19,040	1,035	13,051	-	-	321,565	354,691
Federal grants	5,521	98,190	741	-	-	58,307	162,759
State-shared revenue and grants	2,243,472	-	11,038	-	-	-	2,254,510
Charges for services	163,615	10,689	15,443	-	31,176	1,153,006	1,373,929
Fines and forfeitures	-	-	110,267	-	-	44,625	154,892
Investment income	71,984	44,707	19,030	7,097	55,328	34,598	232,744
Rental income	24,183	-	-	-	-	-	24,183
Other revenue:							
Special assessments	16,692	-	-	1,590,586	240,265	72,702	1,920,245
Cable franchise fees	433,925	-	-	-	-	-	433,925
Other miscellaneous income	126,383	36,213	133,467	38	-	1,070	297,171
<b>Total revenue</b>	<b>4,160,618</b>	<b>2,556,831</b>	<b>4,448,513</b>	<b>1,597,721</b>	<b>326,769</b>	<b>1,685,873</b>	<b>14,776,325</b>
<b>Expenditures</b>							
Current:							
General government	2,198,449	-	-	-	-	-	2,198,449
Public safety	-	2,301,503	3,839,580	-	-	242,773	6,383,856
Public works	236,009	-	-	1,607,651	513	96,904	1,941,077
Health and welfare	124,986	-	-	-	-	-	124,986
Community and economic development	373,648	-	-	-	-	58,307	431,955
Recreation and culture	167,517	-	-	-	-	46,398	213,915
Capital outlay	200,479	153,696	75,991	-	-	1,201,575	1,631,741
Debt service	6,951	-	31,130	-	450,979	685,739	1,174,799
<b>Total expenditures</b>	<b>3,308,039</b>	<b>2,455,199</b>	<b>3,946,701</b>	<b>1,607,651</b>	<b>451,492</b>	<b>2,331,696</b>	<b>14,100,778</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>852,579</b>	<b>101,632</b>	<b>501,812</b>	<b>(9,930)</b>	<b>(124,723)</b>	<b>(645,823)</b>	<b>675,547</b>
<b>Other Financing Sources (Uses)</b>							
Proceeds from sale of capital assets	-	3,001	10,283	-	-	-	13,284
Transfers in	-	-	-	15,000	33,808	433,264	482,072
Transfers out	(15,000)	-	-	(130,793)	-	(336,279)	(482,072)
<b>Total other financing (uses) sources</b>	<b>(15,000)</b>	<b>3,001</b>	<b>10,283</b>	<b>(115,793)</b>	<b>33,808</b>	<b>96,985</b>	<b>13,284</b>
<b>Net Change in Fund Balances</b>	<b>837,579</b>	<b>104,633</b>	<b>512,095</b>	<b>(125,723)</b>	<b>(90,915)</b>	<b>(548,838)</b>	<b>688,831</b>
<b>Fund Balances - Beginning of year - As restated (Note 11)</b>	<b>3,561,697</b>	<b>6,748,420</b>	<b>790,199</b>	<b>129,538</b>	<b>1,967,976</b>	<b>5,373,152</b>	<b>18,570,982</b>
<b>Fund Balances - End of year</b>	<b>\$ 4,399,276</b>	<b>\$ 6,853,053</b>	<b>\$ 1,302,294</b>	<b>\$ 3,815</b>	<b>\$ 1,877,061</b>	<b>\$ 4,824,314</b>	<b>\$ 19,259,813</b>

# Charter Township of White Lake

## **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, 2012**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 688,831</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:	
Capital outlay	1,563,416
Depreciation expense	(760,767)
Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	(47,312)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	986,804
Change in accrued interest payable and other	6,268
Decreases in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources and therefore are not reported in the fund statements until they come due for payment	1,617
Increases in net other postemployment benefit obligations are not reported as fund liabilities	<u>(1,365,825)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 1,073,032</u></b>

# Charter Township of White Lake

## Proprietary Funds Statement of Net Position December 31, 2012

	<u>Enterprise Fund - Water Fund</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 729,248
Receivables:	
Taxes receivable	79,624
Special assessments receivable	422,749
Receivables from sales to customers on account	228,370
Accrued interest receivable	13,045
Due from other governmental units	17,337
Total current assets	<u>1,490,373</u>
Noncurrent assets:	
Restricted assets	4,661,942
Advances to other funds	12,293
Capital assets:	
Assets not subject to depreciation	253,080
Assets subject to depreciation	6,103,346
Total noncurrent assets	<u>11,030,661</u>
Total assets	<u>12,521,034</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	4,980
Due to other funds	22,045
Accrued liabilities and other	13,842
Current portion of long-term debt	45,000
Total current liabilities	<u>85,867</u>
Noncurrent liabilities:	
Net OPEB obligation	205,138
Long-term debt	1,020,000
Total noncurrent liabilities	<u>1,225,138</u>
Total liabilities	<u>1,311,005</u>
<b>Net Position</b>	
Net investment in capital assets	5,291,426
Restricted - Water debt and system improvements	4,661,942
Unrestricted	1,256,661
Total net position	<u><u>\$ 11,210,029</u></u>

# Charter Township of White Lake

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended December 31, 2012

	Enterprise Fund - Water Fund
<b>Operating Revenue</b>	
Sale of water	\$ 903,433
Interest and penalty charges	11,819
Installation fees	2,475
Total operating revenue	<u>917,727</u>
<b>Operating Expenses</b>	
Salaries and wages	174,597
Fringe benefits	158,436
Workers' compensation and general liability insurance	46,220
Other operating expenses	27,249
Utilities	77,624
Tools and supplies	90,036
Repairs and maintenance	66,094
Depreciation	266,871
Total operating expenses	<u>907,127</u>
<b>Operating Income</b>	10,600
<b>Nonoperating Revenue (Expense)</b>	
Investment income	56,943
Interest expense	(26,907)
Gain on sale of assets	2,151
Total nonoperating revenue	<u>32,187</u>
<b>Income - Before contributions</b>	42,787
<b>Capital Contributions - Tap-in and other fees</b>	<u>119,098</u>
<b>Change in Net Position</b>	161,885
<b>Net Position - Beginning of year</b>	<u>11,048,144</u>
<b>Net Position - End of year</b>	<u><u>\$ 11,210,029</u></u>

# Charter Township of White Lake

## Proprietary Funds Statement of Cash Flows Year Ended December 31, 2012

	Enterprise Fund - Water Fund
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 921,871
Receipts from interfund services and reimbursements	12,453
Payments to suppliers	(512,156)
Payments to employees	(174,367)
Internal activity - Payments to other funds	(11,509)
Other receipts	10,404
	246,696
<b>Cash Flows from Noncapital Financing Activities</b> - Receipt of loan repayments from other funds	12,293
<b>Cash Flows from Capital and Related Financing Activities</b>	
Special assessment collections	194,305
Tap-in and other capital contributions	119,098
Proceeds from sales of capital assets	2,151
Purchase of capital assets	(34,377)
Principal and interest paid on capital debt	(72,188)
	208,989
<b>Cash Flows from Investing Activities</b> - Interest received on investments	58,018
<b>Net Increase in Cash and Cash Equivalents</b>	525,996
<b>Cash and Cash Equivalents</b> - Beginning of year	4,865,194
<b>Cash and Cash Equivalents</b> - End of year	\$ 5,391,190
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>	
Cash and investments	\$ 729,248
Restricted cash	4,661,942
	\$ 5,391,190
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>	
Operating income	\$ 10,600
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation and amortization	266,871
Changes in assets and liabilities:	
Receivables	(1,791)
Due from others	12,453
Accounts payable	(87,458)
Due to others	(11,509)
Accrued and other liabilities	57,530
	\$ 246,696

# Charter Township of White Lake

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## Fiduciary Fund Statement of Fiduciary Net Position December 31, 2012

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,751,170
Receivables	<u>5,142</u>
Total assets	<u><b>\$ 1,756,312</b></u>
<b>Liabilities</b>	
Refundable deposits, bonds, etc.	\$ 1,395,931
Unremitted tax collections	<u>360,381</u>
Total liabilities	<u><b>\$ 1,756,312</b></u>

# Charter Township of White Lake

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## Notes to Financial Statements December 31, 2012

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

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

#### **Reporting Entity**

The Charter Township of White Lake is governed by an elected seven-member board. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the Township's operations.

#### **Blended Component Units**

The Charter Township of White Lake Building Authority is governed by a board appointed by the Township's governing body. Although it is legally separate from the Township, the building authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings.

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

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

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

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

# Charter Township of White Lake

## Notes to Financial Statements December 31, 2012

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

#### 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 subsequent year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The Township reports the following major governmental funds:

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

**Fire Fund** - The Fire Fund is used by the Township to account for the assets and operation of the fire department that are financed primarily by dedicated property taxes.

**Police Fund** - The Police Fund is used by the Township to account for the assets and operation of the police department that are financed primarily by dedicated property taxes.

**Solid Waste Special Assessment Fund** - The Solid Waste Special Assessment Fund is a special revenue fund used to account for the collection of special assessments and the payment for the disposal of the Township's solid waste.



# Charter Township of White Lake

## Notes to Financial Statements December 31, 2012

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

**Pontiac Lake Sewer Debt Fund** - The Pontiac Lake Sewer Debt Fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs associated with the construction of sewers for those residents of the Pontiac Lake assessment, as well as other sewer installations financed by special assessments.

The Township reports the following major proprietary funds:

**Enterprise Fund (Water Fund)** - This fund accounts for the operation, maintenance, and distribution of the water system.

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

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

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Township's policy is to first apply restricted resources, except within the Police and Fire Funds where unrestricted resources are spent first. When an expense is incurred for purposes for which the amounts in any of the unrestricted fund balance classifications could be used, it is the Township's policy to spend funds in this order: committed, assigned, and unassigned.

#### **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 Township's 2012 tax revenue is levied and collectible on December 1, 2011 and is recognized as revenue in the year ended December 31, 2012, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2011 taxable valuation of the Township totaled \$965 million, on which taxes levied consisted of .9948 mills for operating purposes, 4.2993 mills for police services, and 2.4533 mills for fire service. This resulted in \$968 thousand for operating, \$4.18 million for police services, and \$2.38 million for fire service. These amounts are recognized in the respective General Fund and Special Revenue Fund financial statements as property tax revenue.

# Charter Township of White Lake

## Notes to Financial Statements December 31, 2012

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

A provision has been recorded for potential refunds related to disputed taxable values and potential chargebacks from Oakland County, Michigan.

#### 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. Pooled investment income from the General Fund is generally allocated to each fund using a weighted average.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due 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 considered fully collectible by the Township. No provision has been made in the financial statements for noncollection.

**Restricted Assets** - Certain Township ordinances require amounts to be set aside for debt service principal and interest, operations and maintenance, and improvements and replacement of the water system. These amounts, which consist of cash and investments, have been classified as restricted assets and net assets have been restricted.

**Capital Assets** - Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, drains, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Water system	50 years
Vehicles	5-12 years
Machinery, furniture, and equipment	5-20 years
Buildings and improvements	5-50 years
Sewer system	50 years

# Charter Township of White Lake

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## Notes to Financial Statements December 31, 2012

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

**Compensated Absences (Sick Leave)** - It is the Township's policy to permit police employees to accumulate earned but unused sick pay benefits. Upon meeting all requirements for full retirement, an employee will be entitled to 50 percent with a 100-day cap (maximum payment of 50 days) of his or her sick day bank. Upon favorable separation, with a minimum of 10 years of service, an employee is entitled to a 30 percent payout with a 100-day cap (maximum payment of 30 days). A liability for these amounts is reported in governmental funds only when they have matured or come due for payment - generally when an individual's employment has terminated as of year end.

**Long-term Obligations** - In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities.

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

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

- **Nonspendable** - Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted** - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed** - Amounts that have been formally set aside by the Township board of trustees for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board of trustees.
- **Assigned** - Intent to spend resources on specific purposes expressed by the Township board as a whole or the supervisor, treasurer, and clerk, who are authorized by resolution approved by the Township board to make assignments

# Charter Township of White Lake

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## Notes to Financial Statements December 31, 2012

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

- Unassigned - Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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

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

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The 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 Township has designated four banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the allowable vehicles mentioned above, except repurchase agreements.

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

# Charter Township of White Lake

## Notes to Financial Statements December 31, 2012

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

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$6,170,936 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy restricts investment maturities as follows:

1. Commercial paper, which can only be purchased with a 270-day maturity
2. Unless matched to specific cash flow, the Township will not directly invest in securities maturing more than two years from the date of purchase.
3. Reserve funds and capital improvement funds may be invested in securities exceeding two but not more than five years if the maturity of such investments is made to coincide as nearly practicable with expected use of funds.
4. Investment maturities for operating funds shall coincide with projected cash flow needs, taking into account routine needs as well as considering anticipated revenue.

Investment	Fair Value	Weighted Average Maturity
Oakland County Local Government Investment Pool	\$ 9,833,242	118 days

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The 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
<b>Primary Government</b>			
Oakland County Local Government Investment Pool	\$ 9,833,242	Not rated	N/A

# Charter Township of White Lake

## Notes to Financial Statements December 31, 2012

### Note 3 - Receivables and Deferred Revenue

Receivables as of year end for the Township's individual major funds and the nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Fire Fund	Police Fund	Solid Waste Special Assessment Fund	Pontiac Lake Sewer Debt Fund	Nonmajor Funds	Water Fund	Total
Receivables:								
Property taxes receivable	\$ 463,771	\$ 1,129,563	\$ 1,980,339	\$ -	\$ -	\$ -	\$ 79,624	\$ 3,653,297
Special assessments receivable	-	-	-	669,864	880,735	270,201	422,749	2,243,549
Receivables from sales to customers on account	-	-	-	-	-	-	228,370	228,370
Other receivables	180,656	24,292	36,854	-	-	795	-	242,597
Due from other governmental units	571,281	-	5,033	-	7,956	327,251	17,337	928,858
Accrued interest receivable	-	-	-	-	32,483	-	13,045	45,528
Net receivables	<u>\$ 1,215,708</u>	<u>\$ 1,153,855</u>	<u>\$ 2,022,226</u>	<u>\$ 669,864</u>	<u>\$ 921,174</u>	<u>\$ 598,247</u>	<u>\$ 761,125</u>	<u>\$ 7,342,199</u>

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. The deferred revenue in the governmental activities represents property taxes levied on December 1, 2012, but recognized as revenue in the year ending December 31, 2013, when the proceeds of the levy are budgeted and available for financing operations. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds		
	Unavailable	Unearned	Total
Property taxes	\$ -	\$ 7,347,811	\$ 7,347,811
Special assessments	1,087,441	1,642,724	2,730,165
Grants and other	319,236	-	319,236
Total	<u>\$ 1,406,677</u>	<u>\$ 8,990,535</u>	<u>\$ 10,397,212</u>

# Charter Township of White Lake

## Notes to Financial Statements December 31, 2012

### Note 4 - Capital Assets

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

	Balance January 1, 2012	Reclassifications	Additions	Disposals	Balance December 31, 2012
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 1,985,999	\$ -	\$ -	\$ -	\$ 1,985,999
Construction in progress	56,626	(35,307)	380,557	-	401,876
Subtotal	2,042,625	(35,307)	380,557	-	2,387,875
Capital assets being depreciated:					
Stormwater drains	14,714,606	35,307	665,712	-	15,415,625
Buildings and improvements	4,793,862	-	234,833	9,341	5,019,354
Vehicles	3,387,690	-	117,372	78,171	3,426,891
Office furnishings	1,594,650	-	164,943	95,262	1,664,331
Subtotal	24,490,808	35,307	1,182,860	182,774	25,526,201
Accumulated depreciation:					
Stormwater drains	2,383,269	-	297,797	-	2,681,066
Buildings and improvements	1,785,974	-	125,802	9,341	1,902,435
Vehicles	2,819,836	-	206,456	78,171	2,948,121
Machinery and equipment	1,186,060	-	130,712	95,262	1,221,510
Subtotal	8,175,139	-	760,767	182,774	8,753,132
Net capital assets being depreciated	16,315,669	35,307	422,093	-	16,773,069
Net capital assets	\$ 18,358,294	\$ -	\$ 802,650	\$ -	\$ 19,160,944
<b>Business-type Activities</b>					
Capital assets not being depreciated -					
Land	\$ 253,080	\$ -	\$ -	\$ -	\$ 253,080
Capital assets being depreciated:					
Water and sewer lines	12,017,472	-	34,436	-	12,051,908
Machinery and equipment	195,503	-	-	16,532	178,971
Subtotal	12,212,975	-	34,436	16,532	12,230,879
Accumulated depreciation:					
Water and sewer lines	5,720,087	-	256,852	-	5,976,939
Machinery and equipment	157,107	-	10,019	16,532	150,594
Subtotal	5,877,194	-	266,871	16,532	6,127,533
Net capital assets being depreciated	6,335,781	-	(232,435)	-	6,103,346
Net capital assets	\$ 6,588,861	\$ -	\$ (232,435)	\$ -	\$ 6,356,426

# Charter Township of White Lake

## Notes to Financial Statements December 31, 2012

### Capital Assets (Continued)

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

Governmental activities:

General government	\$ 87,995
Public safety	316,953
Public works	314,952
Economic development	1,402
Recreation and culture	<u>39,465</u>
Total governmental activities	<u>\$ 760,767</u>
Business-type activities - Water	<u>\$ 266,871</u>

**Construction Commitments** - At year end, the Township's active construction project relates to construction at Bloomer Park. Of the Township's remaining commitment, \$106,000 will be reimbursed through grant funding.

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Bloomer Park Development	<u>\$ 367,000</u>	<u>\$ 158,000</u>

### Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Due to/from Other Funds</b>		
General Fund	Water Fund	\$ 22,045
	Nonmajor governmental funds	37,563
	Pontiac Lake Sewer Debt Fund	<u>19</u>
	Total General Fund	59,627
Solid Waste Special Assessment Fund	General Fund	15,000
	Nonmajor governmental funds	557,289
	Nonmajor governmental funds	<u>29,314</u>
	Total nonmajor governmental funds	<u>586,603</u>
	Total	<u>\$ 661,230</u>



# Charter Township of White Lake

## Notes to Financial Statements December 31, 2012

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

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. In addition, several funds do not have separate bank accounts and therefore the General Fund holds their respective cash and investments.

Additionally, the Water Fund has advanced money to the General Fund for the construction of waterlines on Township property. The balance is expected to be paid back in one year. The balance at December 31, 2012 is \$12,293.

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

Transfers In	Transfers Out	Amount
Solid Waste Special Assessment Fund	General Fund	\$ 15,000
Pontiac Lake Sewer Debt Fund	Other nonmajor governmental funds	33,808
Other nonmajor governmental funds	Solid Waste Special assessment	130,793
	Other nonmajor governmental funds	302,471
	Total	<u>\$ 482,072</u>

The transfers from the General Fund to the Solid Waste Special Assessment Fund represent the use of unrestricted resources to finance that program, in accordance with budgetary authorizations; transfers from the Solid Waste Special Assessment Fund to the other nonmajor funds is for capital projects; transfers from other nonmajor governmental funds to other nonmajor governmental funds and to the Pontiac Lake Sewer Debt Fund are primarily for the funding of capital projects and paying of debt service.

### Note 6 - Long-term Debt

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

# Charter Township of White Lake

## Notes to Financial Statements December 31, 2012

### Note 6 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
Oakland County Revolving Fund:							
Amount of issue - \$197,000							
Maturing through 2016	1.12%	\$39,400	\$ 197,000	\$ -	\$ 39,400	\$ 157,600	\$ 39,400
Special assessment bonds:							
Pontiac Lake Sewer:							
Amount of issue - \$890,000							
Maturing through 2012	5.00%	\$100,000	100,000	-	100,000	-	-
Village Lakes:							
Amount of issue - \$178,000							
Maturing through 2014	5.13%	\$38,000	75,000	-	37,000	38,000	38,000
General obligation bonds:							
2010 Sewage Disposal Bonds:							
Amount of issue - \$275,000							
Maturing through 2020	4.02%	\$25,000	250,000	-	25,000	225,000	25,000
Discount on bonds payable			(3,750)	-	(375)	(3,375)	(375)
1995 Sewage Disposal System Bonds:							
Amount of issue - \$725,000	4.80% -	\$40,000 -					
Maturing through 2016	6.00%	\$60,000	275,000	-	50,000	225,000	50,000
1996-1998 Sewage Disposal Bonds:							
Amount of issue - \$9,350,000							
Maturing through 2018	2.25%	\$490,000 - \$575,000	3,760,000	-	500,000	3,260,000	515,000
2002 Pontiac Lake Sanitary System:							
Amount of issue - \$4,121,112							
Maturing through 2022	2.50%	\$270,000	2,630,000	-	210,000	2,420,000	215,000
Capital lease obligations:							
Amount of issue - \$192,821							
Maturing through 2013	5.12%	\$36,700	62,104	-	25,404	36,700	36,700
Total bond and capital lease obligations			7,345,354	-	986,429	6,358,925	918,725
Accumulated compensated absences			109,393	8,443	10,060	107,776	21,555
Total governmental activities			\$ 7,454,747	\$ 8,443	\$ 996,489	\$ 6,466,701	\$ 940,280
<b>Business-type Activities</b>							
Drinking Water Revolving Fund -		\$45,000-					
Maturing through 2030	2.5%	\$75,000	\$ 1,110,000	\$ -	\$ 45,000	\$ 1,065,000	\$ 45,000
Total bonds payable			\$ 1,110,000	\$ -	\$ 45,000	\$ 1,065,000	\$ 45,000

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

Years Ending December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 918,725	\$ 150,096	\$ 1,068,821	\$ 45,000	\$ 26,063	\$ 71,063
2014	868,950	125,311	994,261	50,000	24,875	74,875
2015	888,950	103,266	992,216	50,000	23,625	73,625
2016	913,950	80,478	994,428	50,000	22,375	72,375
2017	834,475	59,368	893,843	50,000	21,125	71,125
2018-2022	1,933,875	93,927	2,027,802	285,000	158,112	443,112
2023-2027	-	-	-	320,000	47,125	367,125
2028-2030	-	-	-	215,000	8,187	223,187
Total	\$ 6,358,925	\$ 612,446	\$ 6,971,371	\$ 1,065,000	\$ 331,487	\$ 1,396,487

# Charter Township of White Lake

## Notes to Financial Statements December 31, 2012

### Note 7 - Risk Management

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

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

### Note 8 - Defined Contribution Pension Plan

The Township provides pension benefits to all paid on-call fire fighters 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 six months after the date of employment. As established by the Township board, contributions are calculated on employee base salary at a rate of 10 percent. The employee is also allowed to make voluntary after-tax contributions through payroll withholding, in amounts ranging from 1 percent to 10 percent of base wages.

The Township's total payroll during the current year was \$5,303,166. The current year contribution was calculated based on covered payroll of \$124,054, resulting in an employer contribution of \$12,405 and employee contributions of \$1,542.

### Note 9 - Defined Benefit Pension Plan

**Plan Description** - The Township participates in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty related death, and postretirement adjustments to plan members and their beneficiaries.

All Township full-time employees are eligible to participate in the system.

All members hired after January 1, 2010 to the police MAP union and to the fire MAFF union, who retire after age 55 with 25 years of service, are entitled to a retirement benefit, payable for life, based on a 2.25 percent multiplier and their three-year final average compensation (FAC) calculated with base salary only, excluding any payouts of compensated time. The maximum benefit is 80 percent of FAC.

# Charter Township of White Lake

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## Notes to Financial Statements December 31, 2012

### Note 9 - Defined Benefit Pension Plan (Continued)

All members of the Teamster union and nonunion general employees hired after October 1, 2008, who retire after age 55 with 25 years of service or after age 60 with 10 years of service, are entitled to a retirement benefit, payable for life, based on a 1.5 percent multiplier and their three-year final average compensation (FAC). The maximum benefit is 80 percent of FAC.

The system also provides disability benefits to a member who becomes totally and permanently disabled while employed by the Township and after acquiring 10 or more years of credited service. The service requirement is waived if the disability is from service-connected causes. If a member or vested former member with 10 or more years of service dies in a nonduty related death before retirement, a monthly survivor allowance may be payable. The service requirement is waived in a duty related death. The most recent period for which actuarial data was available was for the year ended December 31, 2012.

The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

**Funding Policy** - The obligation to contribute to and maintain the system for these employees was established primarily by negotiation by the Township's collective bargaining units and requires a contribution from the employees ranging from 5 percent to 9.6 percent of gross wages.

**Annual Pension Cost** - For the year ended December 31, 2012, the Township's annual pension cost of \$581,430 for the plan, exclusive of employee contributions, was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2010, using the entry age normal cost funding method. Significant actuarial assumptions used include (a) a 7.5 percent investment rate of return, including 4.5 percent per year, compounded annually, for inflation, (b) projected salary increases of 4.0 percent per year, compounded annually, attributable to inflation, (c) additional projected salary increases of 0 percent to 8.40 percent per year, attributable to seniority/merit, and (d) the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 10-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over 28 years. The amortization period is open.

# Charter Township of White Lake

## Notes to Financial Statements December 31, 2012

### Note 9 - Defined Benefit Pension Plan (Continued)

#### Three-year Trend Information

	Fiscal Year Ended December 31		
	2010	2011	2012
Annual pension cost (APC)	\$ 563,697	\$ 511,038	\$ 581,430
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
	Actuarial Valuation as of December 31		
	2009	2010	2011
Actuarial value of assets	\$ 15,546,987	\$ 16,739,933	\$ 17,804,414
Actuarial accrued liability (AAL)			
(entry age)	\$ 18,816,737	\$ 20,667,229	\$ 21,812,292
Unfunded AAL (UAAL)	\$ 3,269,750	\$ 3,927,296	\$ 4,007,878
Funded ratio	82.6 %	81.0 %	81.6 %
Covered payroll	\$ 5,455,399	\$ 5,204,989	\$ 5,197,037
UAAL as a percentage of covered payroll	59.9 %	75.5 %	77.1 %

### Note 10 - Other Postemployment Benefits

**Plan Description** - The Township provides postemployment healthcare benefits to all eligible employees hired prior to October 1, 2008 or January 1, 2010 as indicated below. To be eligible, employees must have attained the age of 50 with 25 years of service or the age of 60 with 10 years of service for general employees or age 60 with eight years of service for elected officials, police chief, fire chief, and deputy positions. The Township includes pre-Medicare retirees and only provides spousal coverage for qualifying elected officials, MAP, MAFF, and POLC members in its insured healthcare plan. Once the retiree is entitled to Medicare coverage, the Township shall provide the difference in coverage between coverage provided by Medicare and the retired employee's Township-provided insurance coverage. Currently, 28 retirees are eligible for healthcare benefits and there are 75 active employees that are expected to retire and receive benefits in the future.

# Charter Township of White Lake

## Notes to Financial Statements December 31, 2012

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

For all employees who are members of the police MAP and fire MAFF unions hired after January 1, 2010 and for all employees who are members of the Teamster union and nonunion employees hired after October 1, 2008, retiree health insurance has been eliminated. In its place, the Township contributes \$40 per employee per month to a health savings account. The vesting period is seven years for MAP and MAFF members and 10 years for Teamsters and nonunion general employees. Township contributions to the health savings accounts stop upon the employee's separation from the Township. As such, these employees are excluded from the calculation of the annual required contribution and net other postemployment benefit obligation described below.

**Funding Policy** - Currently, retiree healthcare costs are funded on a "pay-as-you-go" basis. Payments for postemployment healthcare benefits totaled \$259,709 for the current year. The retired employee and spouse must apply for Medicare when eligible. The Township's annual contribution rate to prefund postretirement health benefits is computed at 21 percent of active employee payroll; this would be approximately \$1,630,000 in 2012 based on the current active annual payroll. The Township has not yet started to prefund the postemployment retiree healthcare liability.

**Annual OPEB Costs and Net OPEB Obligation** - In fiscal year 2008, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement was implemented prospectively. The Township's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the component of the Township's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Township's net OPEB obligation.

Annual required contribution (recommended)	\$ 1,630,254
Interest on the prior year's net OPEB obligation	120,960
Less adjustment to the annual required contribution	<u>(68,300)</u>
Annual OPEB cost	1,682,914
Amounts contributed - Payments of current premiums	<u>(259,709)</u>
Increase in net OPEB obligation	1,423,205
OPEB obligation - Beginning of year	<u>3,024,022</u>
OPEB obligation - End of year	<u>\$ 4,447,227</u>

# Charter Township of White Lake

## Notes to Financial Statements December 31, 2012

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

**Funding Status and Funding Progress** - For the year ended December 31, 2012, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of January 1, 2012. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and prior year are as follows:

<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
12/31/12	1/1/12	\$ 1,682,914	15.4 %	\$ 4,447,227
12/31/11	1/1/09	1,098,500	18.5	3,024,022
12/31/10	1/1/09	1,063,047	16.6	2,128,540

The funding progress of the plan as of the most recent valuation dates is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (Percent) (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll</u>
1/1/12	\$ -	\$ 16,300,794	\$ 16,300,794	-	\$ -	-
1/1/09	-	9,251,244	9,251,244	-	-	-

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

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

# Charter Township of White Lake

## Notes to Financial Statements December 31, 2012

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

In the January 1, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 4 percent after eight years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2012 was 30 years.

### Note 11 - Accounting and Reporting Change

The financial statements for the year ended December 31, 2012 have been restated in order to properly reflect assets held by the Township in an agency capacity. The effect of this correction was a reduction in fund balance for the Solid Waste Special Assessment Fund, and a decrease in net position for governmental activities. Had this activity not been reported in the Solid Waste Special Assessment Fund in 2011, the net change in fund balance in 2011 would have been higher by \$25,445.

	Solid Waste Special Assessment Fund	Governmental Activities
Fund balance/Net position - December 31, 2011 - As previously reported	\$ 472,177	\$ 28,347,504
Township holds the assets in an agency capacity	<u>(342,639)</u>	<u>(342,639)</u>
Fund balance/Net position - December 31, 2011 - As restated	<u>\$ 129,538</u>	<u>\$ 28,004,865</u>

### Note 12 - Stewardship, Compliance, and Accountability

**Noncompliance with Legal or Contractual Provisions** - The budget of the Solid Waste Special Assessment Fund was amended in such a way as to project a deficit of fund balance as of December 31, 2012; however, because of 2012 year-end adjustments and a transfer from the General Fund, the fund did not end the year in a deficit. The amended budget with a deficit of fund balance is a violation of MCL 141.435, Sec. 15(2).

### Note 13 - Upcoming Accounting Pronouncements

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



# Charter Township of White Lake

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## Notes to Financial Statements December 31, 2012

### **Note 13 - Upcoming Accounting Pronouncements (Continued)**

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending December 31, 2015.

## **Required Supplemental Information**

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# Charter Township of White Lake

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Tax collections	\$ 1,001,194	\$ 1,001,194	\$ 1,015,408	\$ 14,214
Other license and permits	700	700	1,186	486
Transportation	94,541	107,741	106,472	(1,269)
Planning and development revenue	22,250	22,250	29,870	7,620
State-shared	2,000,000	2,000,000	2,184,573	184,573
Fees for service	649,150	653,460	679,534	26,074
Ordinance fees	300	300	150	(150)
Rents	20,180	20,180	24,183	4,003
Miscellaneous	74,035	85,802	121,656	35,854
Refunds and rebates	-	-	5,488	5,488
Total revenue	3,862,350	3,891,627	4,168,520	276,893
<b>Expenditures</b>				
Township board	94,150	104,655	93,209	11,446
Supervisor	203,729	204,664	196,661	8,003
Elections	106,770	148,420	138,313	10,107
Accounting department	173,300	175,050	172,706	2,344
Assessing	322,931	325,476	281,236	44,240
Legal fees	110,000	122,000	106,754	15,246
Clerk	300,855	304,750	296,182	8,568
Board of review	4,200	4,200	1,939	2,261
Postage and mailing	42,000	42,000	27,324	14,676
Office supplies	25,000	26,700	24,835	1,865
Treasurer	340,682	349,847	333,109	16,738
Township hall and grounds	828,744	796,229	526,050	270,179
Cemetery	26,775	26,775	20,340	6,435
Other Township properties	43,925	43,925	35,620	8,305
Health and welfare	32,000	37,587	12,379	25,208
Unallocated miscellaneous	20,000	20,000	10,497	9,503
Planning and community development	474,029	474,399	373,648	100,751
Highway and streets	132,000	136,100	128,870	7,230
Storm and sewer	102,108	108,983	107,139	1,844
Transportation services	122,358	128,128	124,986	3,142
Senior/Community center	183,399	197,454	167,517	29,937
Long-term sick pay/retiree healthcare	129,000	129,000	118,365	10,635
Payroll services	13,500	13,500	11,311	2,189
Other general services	6,952	23,952	21,951	2,001
Total expenditures	3,838,407	3,943,794	3,330,941	612,853
<b>Net Change in Fund Balance</b>	23,943	(52,167)	837,579	889,746
<b>Fund Balance - January 1, 2012</b>	3,561,697	3,561,697	3,561,697	-
<b>Fund Balance - December 31, 2012</b>	<b>\$ 3,585,640</b>	<b>\$ 3,509,530</b>	<b>\$ 4,399,276</b>	<b>\$ 889,746</b>

# Charter Township of White Lake

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Fund Year Ended December 31, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue - Fire revenue</b>	\$ 2,496,191	\$ 2,496,766	\$ 2,577,734	\$ 80,968
<b>Expenditures</b>				
Salaries	1,464,205	1,464,380	1,333,672	130,708
Payroll related benefits	643,703	674,408	622,106	52,302
Other	343,415	364,815	349,126	15,689
Acquisitions	502,209	458,234	168,197	290,037
Total expenditures	<u>2,953,532</u>	<u>2,961,837</u>	<u>2,473,101</u>	<u>488,736</u>
<b>Net Change in Fund Balance</b>	(457,341)	(465,071)	104,633	569,704
<b>Fund Balance - January 1, 2012</b>	<u>6,748,420</u>	<u>6,748,420</u>	<u>6,748,420</u>	-
<b>Fund Balance - December 31, 2012</b>	<u><u>\$ 6,291,079</u></u>	<u><u>\$ 6,283,349</u></u>	<u><u>\$ 6,853,053</u></u>	<u><u>\$ 569,704</u></u>

# Charter Township of White Lake

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Police Fund Year Ended December 31, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue - Police revenue</b>	\$ 4,326,171	\$ 4,367,057	\$ 4,489,605	\$ 122,548
<b>Expenditures</b>				
Civil service	3,099	3,099	2,335	764
Salaries	2,237,297	2,214,503	2,096,123	118,380
Payroll and related benefits	1,363,796	1,369,431	1,308,420	61,011
Other	709,722	767,632	559,934	207,698
Crossing guards	12,257	12,392	10,698	1,694
Total expenditures	<u>4,326,171</u>	<u>4,367,057</u>	<u>3,977,510</u>	<u>389,547</u>
<b>Net Change in Fund Balance</b>	-	-	512,095	512,095
<b>Fund Balance - January 1, 2012</b>	<u>790,199</u>	<u>790,199</u>	<u>790,199</u>	-
<b>Fund Balance - December 31, 2012</b>	<u><b>\$ 790,199</b></u>	<u><b>\$ 790,199</b></u>	<u><b>\$ 1,302,294</b></u>	<u><b>\$ 512,095</b></u>

# Charter Township of White Lake

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Solid Waste Special Assessment Fund Year Ended December 31, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue - Special assessments	\$ 1,905,723	\$ 1,603,793	\$ 1,612,721	\$ 8,928
Expenditures	<u>1,946,420</u>	<u>1,768,460</u>	<u>1,738,444</u>	<u>30,016</u>
Net Change in Fund Balance	(40,697)	(164,667)	(125,723)	38,944
Fund Balance - January 1, 2012	<u>129,538</u>	<u>129,538</u>	<u>129,538</u>	-
Fund Balance (Deficit) - December 31, 2012	<u>\$ 88,841</u>	<u>\$ (35,129)</u>	<u>\$ 3,815</u>	<u>\$ 38,944</u>

# Charter Township of White Lake

## Note to Required Supplemental Information Year Ended December 31, 2012

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for operating transfers which have been included as revenue and expenses, rather than as other financing sources (uses), and accruals for potential property tax liabilities that are budgeted as expenditures, for the General Fund and all special revenue funds. The annual budget is prepared by the Township supervisor; subsequent amendments are approved by the Township board. During the year, the budget was amended in a legally permissible manner.

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

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. A comparison of actual results of operations to the General Fund and major special revenue funds budgets as adopted by the Township board is included in the required supplemental information.

	<u>Total Revenue</u>	<u>Total Expenditures</u>
<b>General Fund:</b>		
Amounts per operating statement	\$ 4,160,618	\$ 3,308,039
Transfers out	-	15,000
Accrued property tax refunds	<u>7,902</u>	<u>7,902</u>
Amounts per budget statement	<u>\$ 4,168,520</u>	<u>\$ 3,330,941</u>
<b>Fire Fund:</b>		
Amounts per operating statement	\$ 2,556,831	\$ 2,455,199
Proceeds from sale of capital assets	3,001	-
Accrued property tax refunds	<u>17,902</u>	<u>17,902</u>
Amounts per budget statement	<u>\$ 2,577,734</u>	<u>\$ 2,473,101</u>
<b>Police Fund:</b>		
Amounts per operating statement	\$ 4,448,513	\$ 3,946,701
Proceeds from sale of capital assets	10,283	-
Accrued property tax refunds	<u>30,809</u>	<u>30,809</u>
Amounts per budget statement	<u>\$ 4,489,605</u>	<u>\$ 3,977,510</u>
<b>Solid Waste Special Assessment Fund:</b>		
Amounts per operating statement	\$ 1,597,721	\$ 1,607,651
Transfers in	15,000	-
Transfers out	<u>-</u>	<u>130,793</u>
Amounts per budget statement	<u>\$ 1,612,721</u>	<u>\$ 1,738,444</u>

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, there were no significant budget overruns.

## **Other Supplemental Information**

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# Charter Township of White Lake

	Special Revenue Funds					Debt Service
						Funds
	Drug Forfeiture Fund	Building Fund	Parks and Recreation Fund	Community Development Block Grant Fund	General Sewer Fund	Sewer Debt Fund
<b>Assets</b>						
Cash and investments	\$ 158,154	\$ -	\$ 761,886	\$ -	\$ 483,820	\$ 66,304
Receivables:						
Special assessments receivable	-	-	-	-	-	-
Other receivables	-	196	599	-	-	-
Due from other governmental units	-	-	247,603	20,020	24,477	35,151
Due from other funds	-	529,402	-	-	57,201	-
<b>Total assets</b>	<b>\$ 158,154</b>	<b>\$ 529,598</b>	<b>\$ 1,010,088</b>	<b>\$ 20,020</b>	<b>\$ 565,498</b>	<b>\$ 101,455</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 754	\$ 33,888	\$ -	\$ -	\$ -
Due to other funds	-	-	2,826	20,020	-	14,688
Accrued liabilities and other	-	5,020	3,007	-	-	-
Deferred revenue	-	-	247,603	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>5,774</b>	<b>287,324</b>	<b>20,020</b>	<b>-</b>	<b>14,688</b>
<b>Fund Balances</b>						
Restricted:						
Capital projects	-	-	-	-	-	-
Drug law enforcement	158,154	-	-	-	-	-
Building activity	-	523,824	-	-	-	-
Parks and recreation	-	-	722,764	-	-	-
Committed:						
Capital projects	-	-	-	-	-	-
Sewer	-	-	-	-	565,498	-
Assigned - Sewer debt service	-	-	-	-	-	86,767
<b>Total fund balances</b>	<b>158,154</b>	<b>523,824</b>	<b>722,764</b>	<b>-</b>	<b>565,498</b>	<b>86,767</b>
<b>Total liabilities and fund balances</b>	<b>\$ 158,154</b>	<b>\$ 529,598</b>	<b>\$ 1,010,088</b>	<b>\$ 20,020</b>	<b>\$ 565,498</b>	<b>\$ 101,455</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2012**

Capital Projects Funds			Total
Improvement Revolving Fund	Public Act 188 Fund	Sewer Construction Fund	Nonmajor Governmental Funds
\$ 2,325,020	\$ 433,020	\$ 909	\$ 4,229,113
-	270,201	-	270,201
-	-	-	795
-	-	-	327,251
-	-	-	586,603
<b>\$ 2,325,020</b>	<b>\$ 703,221</b>	<b>\$ 909</b>	<b>\$ 5,413,963</b>

\$ -	\$ -	\$ -	\$ 34,642
29,316	27	-	66,877
-	-	-	8,027
-	232,500	-	480,103
29,316	232,527	-	589,649
-	130,793	-	130,793
-	-	-	158,154
-	-	-	523,824
-	-	-	722,764
2,295,704	339,901	909	2,636,514
-	-	-	565,498
-	-	-	86,767
2,295,704	470,694	909	4,824,314
<b>\$ 2,325,020</b>	<b>\$ 703,221</b>	<b>\$ 909</b>	<b>\$ 5,413,963</b>

# Charter Township of White Lake

	Special Revenue Funds					Debt Service
						Funds
	Drug Forfeiture Fund	Building Fund	Parks and Recreation Fund	Community Development Block Grant Fund	General Sewer Fund	Sewer Debt Fund
<b>Revenue</b>						
Licenses and permits	\$ -	\$ 321,565	\$ -	\$ -	\$ -	\$ -
Federal grants	-	-	-	58,307	-	-
Charges for services	-	50,744	1,100	-	218,667	235,583
Fines and forfeitures	44,625	-	-	-	-	-
Investment income	242	2,595	9,211	-	875	366
Other revenue:						
Special assessments	-	-	-	-	-	-
Other miscellaneous income	-	265	805	-	-	-
<b>Total revenue</b>	<b>44,867</b>	<b>375,169</b>	<b>11,116</b>	<b>58,307</b>	<b>219,542</b>	<b>235,949</b>
<b>Expenditures</b>						
Current:						
Public safety	-	242,773	-	-	-	-
Public works	-	-	-	-	96,904	-
Community and economic development	-	-	-	58,307	-	-
Recreation and culture	-	-	46,398	-	-	-
Capital outlay	-	-	499,208	-	-	-
Debt service	-	-	-	-	-	644,351
<b>Total expenditures</b>	<b>-</b>	<b>242,773</b>	<b>545,606</b>	<b>58,307</b>	<b>96,904</b>	<b>644,351</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>44,867</b>	<b>132,396</b>	<b>(534,490)</b>	<b>-</b>	<b>122,638</b>	<b>(408,402)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	48,016	-
Transfers out	-	-	-	-	-	(2,644)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,016</b>	<b>(2,644)</b>
<b>Net Change in Fund Balances</b>	<b>44,867</b>	<b>132,396</b>	<b>(534,490)</b>	<b>-</b>	<b>170,654</b>	<b>(411,046)</b>
<b>Fund Balances - Beginning of year</b>	<b>113,287</b>	<b>391,428</b>	<b>1,257,254</b>	<b>-</b>	<b>394,844</b>	<b>497,813</b>
<b>Fund Balances - End of year</b>	<b>\$ 158,154</b>	<b>\$ 523,824</b>	<b>\$ 722,764</b>	<b>\$ -</b>	<b>\$ 565,498</b>	<b>\$ 86,767</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2012**

Capital Projects Fund			Total
Improvement Revolving Fund	Public Act 188 Fund	Sewer Construction Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 321,565
-	-	-	58,307
-	-	646,912	1,153,006
-	-	-	44,625
8,817	11,652	840	34,598
-	72,702	-	72,702
-	-	-	1,070
<u>8,817</u>	<u>84,354</u>	<u>647,752</u>	<u>1,685,873</u>
-	-	-	242,773
-	-	-	96,904
-	-	-	58,307
-	-	-	46,398
20,048	-	682,319	1,201,575
-	41,388	-	685,739
<u>20,048</u>	<u>41,388</u>	<u>682,319</u>	<u>2,331,696</u>
(11,231)	42,966	(34,567)	(645,823)
254,455	130,793	-	433,264
(29,316)	-	(304,319)	(336,279)
<u>225,139</u>	<u>130,793</u>	<u>(304,319)</u>	<u>96,985</u>
213,908	173,759	(338,886)	(548,838)
<u>2,081,796</u>	<u>296,935</u>	<u>339,795</u>	<u>5,373,152</u>
<u><b>\$ 2,295,704</b></u>	<u><b>\$ 470,694</b></u>	<u><b>\$ 909</b></u>	<u><b>\$ 4,824,314</b></u>

# Charter Township of White Lake

## Other Supplemental Information Statement of Assets and Liabilities Fiduciary Funds December 31, 2012

	Agency Funds		
	Trust and Agency Fund	Tax Collection Fund	Total Agency Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 1,384,985	\$ 366,185	\$ 1,751,170
Receivables	5,142	-	5,142
Total assets	<u>\$ 1,390,127</u>	<u>\$ 366,185</u>	<u>\$ 1,756,312</u>
<b>Liabilities</b>			
Refundable deposits, bonds, etc.	\$ 1,390,127	\$ 5,804	\$ 1,395,931
Unremitted tax collections	-	360,381	360,381
Total liabilities	<u>\$ 1,390,127</u>	<u>\$ 366,185</u>	<u>\$ 1,756,312</u>

**Charter Township of White Lake  
Oakland County, Michigan**

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**Report to the Township Board of Trustees  
December 31, 2012**

March 26, 2013

To the Township Board of Trustees  
Charter Township of White Lake, Michigan

We have audited the financial statements of the Charter Township of White Lake (the "Township") as of and for the year ended December 31, 2012 and have issued our report thereon dated March 26, 2013. Professional standards require that we provide you with the following information related to our audit which is divided into the following sections:

Section I - Internal Control Related Matters Identified in an Audit

Section II - Required Communications with Those Charged with Governance

Section III - Other Recommendations and Related Information

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

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 Charter Township of White Lake.

Section III presents recommendations related to internal control, procedures, and other matters noted during our current year audit. These comments are offered in the interest of helping the 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.

We would like to take this opportunity to thank the 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 members of the Township board and is not intended to be and should not be used by anyone other than these specified parties.

To the Township Board of Trustees  
Charter Township of White Lake, Michigan

March 26, 2013

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**



Leslie J. Pulver



Brian J. Camiller



### **Section I - Communications Required Under AU 265**

In planning and performing our audit of the financial statements of the Township as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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

However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 Township's internal control to be a material weakness:

- Change in accounting - Prior period adjustment - For years, the Township has accounted for various lake board association dues and other cash collections related to various lake board organizations within the Township and recorded the activity in the Solid Waste Special Assessment Fund, resulting in the Township recognizing revenue and accumulating fund balance. During the year, the Township reviewed these transactions and determined a more appropriate accounting would be to treat the held assets as though they are being held on behalf of the lake boards in a fiduciary capacity. As such, the assets are now recorded in the Trust and Agency Fund. Fund balance in the Solid Waste Special Assessment Fund and net position in the governmental activities has been restated on a retrospective basis.

## **Section II - Communications Required Under AU 260**

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

As stated in our engagement letter dated January 25, 2013, 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 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 meeting about planning matters on February 8, 2013.

### **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 Township are described in Note I to the financial statements. As described in Note II, the Township changed accounting policies related to lake board assessments that were being accounted for in the Solid Waste Special Assessment Fund, and are now being accounted and reported in the Trust and Agency Fund, as the assets are held in a fiduciary capacity. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

We noted no transactions entered into by the 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 related to the assumptions used by the Township related to other postemployment benefits (retiree health care) and the estimated property tax chargeback liability. Management's estimate of the retiree healthcare liability was calculated based on an actuarial valuation commissioned by the Township. Management's estimate for the chargeback liability is based on information obtained from Oakland County. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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

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

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

***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.

***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.

***Significant Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Township, and business plans and strategies that may affect the risks of material misstatement with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated March 26, 2013.

***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 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 and Related Information**

#### **Solid Waste Assessment**

Related to rubbish collection, the Township is billed \$13.39 per household per month from its contracted rubbish hauler. In addition, the contract calls for a fuel surcharge that fluctuates based on the price of gasoline. In fiscal year 2012, the fuel surcharge paid by the Township totaled over \$45,000. Currently, via a special assessment, the Township charges residents \$13.39 per month, which exactly matches the charge from the Township's rubbish hauler. In addition, the Township charges a \$3 per household per year administrative charge. This administrative charge generates approximately \$27,000 per year, not enough to cover the fuel surcharge and any administrative overhead incurred by the General Fund that could potentially be allocated to the Solid Waste Fund. Since fiscal year 2008, the fees paid by the Township for rubbish collection have exceeded the revenue collected from its residents by nearly \$100,000. In 2012, the General Fund subsidized the Solid Waste Fund with an operating transfer of \$15,000. The General Fund appears to have the means to continue subsidizing this operation; however, it would be prudent to perform a study of both the direct and indirect costs of providing rubbish collection and evaluate the true cost being incurred by the General Fund.

#### **Expiring Public Safety Millages**

As you are aware, funding for both the Police Fund and the Fire Fund is generated from eight separate millages. Together, these eight millages generate approximately \$6.5 million annually. Two of the eight millages were renewed in 2012. Between now and December 31, 2013, the other six of these millages will expire. This funding is imperative for providing the public safety services the Township is accustomed to. The Township has several options for replacement of this revenue including separate renewals for all millages, new millages in some form, or a public safety assessment as authorized by Public Act 33 of 1951.

Several aspects of a PA 33 public safety assessment may be favorable to the Township, including:

- The assessment is calculated based on the taxable value of real property only. If using the assessment, the impending changes to personal property tax as noted below would have no effect on the Township's ability to generate revenue for public safety.
- Unlike a dedicated millage, a public safety assessment does not expire and need to be periodically renewed.
- Although it is calculated somewhat like a millage, it is not subject to a Headlee rollback. As the local economy rebounds and development may increase, the Headlee rollback could lower the taxing ability of the Township to the point that a new or renewed millage would be unable to generate revenue sufficient to meet the Township's budgetary needs.

The Township and its residents should be very comfortable already with funding projects and services through assessments as the Township has made very regular use of assessments to pay for various construction projects and the ongoing rubbish collection.

### **Long-term Planning**

As we have discussed with the Township, the situation with declining property values will continue to play out over a number of years based on the structure of the State's property tax system. While property values have begun to rise across the southeastern Michigan region, including White Lake Township, it will likely take many years for taxable value to return to historical levels as growth on existing property is limited by the State's Constitution to the lesser of inflation or 5 percent.

Combined with the State's budget situation and changes occurring as a result of State policy changes, all of these developments are putting extreme pressure on local governments across Michigan to maintain their fiscal solvency. Although there is some evidence the local economy is improving, it will take years for local units of government revenue to return to previous levels.

In addition to normal budgeting issues, the Township is currently addressing several long-term financing issues, including postemployment benefits and sewer debt.

We continue to encourage all of our governmental clients, including the Charter Township of White Lake, to consider the long-term impact of these developments as part of its budget process. We recommend that all units prepare a comprehensive long-term financial forecast that includes such issues as retiree health care and the Township's infrastructure to be used as a tool for multi-year planning. We are willing to share our experiences in working with other communities facing similar challenges as requested by the Township.

### **Healthcare Limitations**

PA 152 of 2011, the Publicly Funded Health Insurance Contribution Act, was signed into law by the governor in late September 2011. This new law requires all public employers to place hard caps on the amounts they contribute toward healthcare with an option to elect an 80 percent contribution cap rather than a hard cap. There is also an option for a "local unit" to opt out entirely. Please note that local unit has a different definition than public employer. Not all public employers are deemed to be local units.

The State recently released the caps for benefit plan coverage years beginning on or after January 1, 2013. The caps were increased in response to the release of the most recent U.S. medical care component CPI data which showed a percent change of 3.5 percent. The increased caps are as follows:

- \$5,692.50 for single coverage
- \$11,385.00 for individual and spousal coverage
- \$15,525.00 for family coverage

Alternatively, given a majority vote of its governing bodies, a public employer can opt out of the hard cap and into an 80 percent contribution cap. Under this option, public employers would pay no more than 80 percent of the total annual costs for all of the medical benefit plans it offers or contributed to for its employees and elected public officials. This option would require that publically elected officials would have to pay 20 percent or more of the total annual costs of that plan, but the employee's share of the costs could be allocated as the government sees fit.

This act does contain a complete opt-out provision, but only for local units. It would allow communities to opt out of these provisions entirely with a 2/3 vote of the governing body.

### **Healthcare Reform and the Potential Impact on the Budget**

In March 2010, Congress passed the Patient Protection and Affordable Care Act (PPACA). Since that time many required changes have been implemented with the understanding that perhaps the most significant changes will be effective January 1, 2014, which means these changes could impact your upcoming budget. The 2014 requirements of PPACA may require that additional employees be offered healthcare benefits. The law may expose certain employers to significant noncompliance penalties if the benefit plans offered do not comply with the requirements of the law. We suggest management become thoroughly familiar with the requirements of PPACA to ensure compliance with the law and therefore avoid exposure to such noncompliance penalties.

### **Personal Property Tax Proposals**

The personal property tax was repealed by the passing of PA 397 of 2012 during the Legislature's lame duck session in December. This repeal is contingent upon a statewide vote in August 2014. Key provisions of the act phase out the industrial portion of the tax over a nine-year period beginning in 2016. Also, businesses with less than \$40,000 taxable value in industrial and commercial personal property in any jurisdiction would no longer pay the tax.

As for the impact on local communities, in short, those local governments that would lose at least 2.3 percent of their property tax base as a result of the changes would be eligible to be reimbursed at 80 percent of the revenue the personal property tax currently provides. In addition, local governments would have the option to assess a special assessment on industrial property (referred to as Essential Services Assessments). This assessment would not require local voter approval and would reimburse police, fire, ambulance services, and jail operations to ensure they receive 100 percent of the funding that they now get from the personal property tax.

When working through upcoming budgets and longer-term projections, please keep these items in mind. The final act has not yet been published by the State.

The Michigan Municipal League has developed a tool to aid communities in calculating the potential impact of the personal property tax cuts:

<http://www.mml.org/advocacy/inside208/post/PPT-calculation-spreadsheet-available.aspx>

### **Right-to-work for Public Employees**

The governor signed PA 349 in December 2012 which creates a "right-to-work" for public employees. The act will take effect in mid-March 2013. The act, which exempts police and firefighters that are PA 312 eligible, makes it illegal to require as a condition of employment for public and private sector workers that they financially support a union (this includes dues, fees, assessments, and any other charges). Requirement to make payment to a third party or a charitable organization in lieu of financial support is also prohibited. In addition, impacted workers are no longer required to become or remain a member of a union.