

Charter Township of Independence

**Financial Report
with Supplemental Information
December 31, 2010**

Charter Township of Independence

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Independent Auditor's Report

To the Board of Trustees
Charter Township of Independence

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Independence (the "Township") as of and for the year ended December 31, 2010, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Independence's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Independence as of December 31, 2010 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

To the Board of Trustees
Charter Township of Independence

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

As described in Note 1, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, during the year. As a result, the beginning net assets for the governmental activities were restated as of December 31, 2009, increasing by \$858,357.

As described in Note 8, the Township recorded a prior period adjustment during 2010 to reduce capital assets and long-term debt in the Sewer Fund and business-type activities by \$4,752,541.

Plante & Moran, PLLC

June 7, 2011

Charter Township of Independence

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Independence's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2010. 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 assets and the statement of activities provide information about the activities of the Township 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 Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statement provides financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Charter Township of Independence

Management's Discussion and Analysis (Continued)

Governmental Activities

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

	2008	2009	2010	Change from Prior Year	
				Amount	Percent
Assets					
Non-capital assets	\$ 20,977,887	\$ 18,426,977	\$ 20,702,547	\$ 2,275,570	12.3
Capital assets	<u>19,100,855</u>	<u>18,688,601</u>	<u>17,387,076</u>	<u>(1,301,525)</u>	(7.0)
Total assets	40,078,742	37,115,578	38,089,623	974,045	2.6
Liabilities					
Current liabilities	14,024,401	12,514,517	12,843,373	328,856	2.6
Long-term liabilities	<u>907,175</u>	<u>568,636</u>	<u>458,511</u>	<u>(110,125)</u>	(19.4)
Total liabilities	<u>14,931,576</u>	<u>13,083,153</u>	<u>13,301,884</u>	<u>218,731</u>	1.7
Net Assets					
Invested in capital assets -					
Net of related debt	18,615,855	18,528,601	17,297,076	(1,231,525)	(6.6)
Restricted	5,886,302	5,527,006	7,017,657	1,490,651	27.0
Unrestricted	<u>645,009</u>	<u>(23,182)</u>	<u>473,006</u>	<u>496,188</u>	(2,140.4)
Total net assets	<u>\$ 25,147,166</u>	<u>\$ 24,032,425</u>	<u>\$ 24,787,739</u>	<u>\$ 755,314</u>	3.1

Charter Township of Independence

Management's Discussion and Analysis (Continued)

	2008	2009	2010	Change from Prior Year	
				Amount	Percent
Revenue					
Program revenue:					
Charges for services	\$ 2,922,003	\$ 2,557,179	\$ 2,921,241	\$ 364,062	14.2
Operating grants and contributions	148,954	97,710	46,034	(51,676)	(52.9)
Capital grants and contributions	497,826	63,901	207,064	143,163	224.0
General revenue:					
Property taxes	11,759,060	11,712,012	11,086,414	(625,598)	(5.3)
State-shared revenue	2,370,768	2,060,177	2,096,806	36,629	1.8
Investment earnings	1,198,863	236,501	454,269	217,768	92.1
Franchise fees	506,151	462,006	708,035	246,029	53.3
Other miscellaneous income	67,192	195,523	431,002	235,479	120.4
Gain on the sale of capital assets	31,188	23,900	6,706	(17,194)	(71.9)
Total revenue	19,502,005	17,408,909	17,957,571	548,662	3.2
Program Expenses					
General government	2,943,280	2,733,553	2,662,759	(70,794)	(2.6)
Public safety	10,785,052	10,624,742	9,712,966	(911,776)	(8.6)
Public works	1,721,898	611,753	694,386	82,633	13.5
Community and economic development	96,577	38,873	43,377	4,504	11.6
Recreation and culture	4,236,475	4,503,082	4,083,289	(419,793)	(9.3)
Interest on long-term debt	32,903	11,647	5,480	(6,167)	(52.9)
Total program expenses	19,816,185	18,523,650	17,202,257	(1,321,393)	(7.1)
Change in Net Assets	\$ (314,180)	\$ (1,114,741)	\$ 755,314	\$ 1,870,055	(167.8)

The Township's governmental revenue has increased \$548,662 compared to 2009, primarily attributable to significant increases in charges for services, capital grants and contributions, and investment earnings. Although the revenue increased in 2010, the Township continues to anticipate a decrease in revenue in future years driven by decreasing property tax values and potential reductions in state-shared revenue as the State continues its cost-cutting measures.

Expenses decreased by \$1,321,393, or 7.1 percent, from last fiscal year. The decrease is primarily attributable to a \$911,776 decrease in public safety expenses and a \$419,793 decrease in recreation and culture expenses.

Charter Township of Independence

Management's Discussion and Analysis (Continued)

Business-type Activities

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

	2008	2009	2010	Change from Prior Year	
				Amount	Percent
Assets					
Current assets	\$ 8,957,497	\$ 7,721,687	\$ 8,384,159	\$ 662,472	8.6
Capital assets	64,472,029	66,858,263	60,718,334	(6,139,929)	(9.2)
Other noncurrent assets	<u>2,714,428</u>	<u>2,674,250</u>	<u>2,690,241</u>	<u>15,991</u>	0.6
Total assets	76,143,954	77,254,200	71,792,734	(5,461,466)	(7.1)
Liabilities					
Current liabilities	1,874,072	1,793,655	1,708,242	(85,413)	(4.8)
Long-term liabilities	<u>16,450,000</u>	<u>20,097,541</u>	<u>15,042,851</u>	<u>(5,054,690)</u>	(25.2)
Total liabilities	<u>18,324,072</u>	<u>21,891,196</u>	<u>16,751,093</u>	<u>(5,140,103)</u>	(23.5)
Net Assets					
Invested in capital assets - Net of related debt	47,127,029	45,835,722	44,887,593	(948,129)	(2.1)
Unrestricted	<u>10,692,853</u>	<u>9,527,282</u>	<u>10,154,048</u>	<u>626,766</u>	6.6
Total net assets	<u>\$ 57,819,882</u>	<u>\$ 55,363,004</u>	<u>\$ 55,041,641</u>	<u>\$ (321,363)</u>	(0.6)
Changes in Net Assets					
Change from Prior Year					
	2008	2009	2010	Amount	Percent
Operating revenue	\$ 4,867,250	\$ 4,886,538	\$ 6,081,819	\$ 1,195,281	24.5
Operating expenses - Before depreciation	<u>4,512,030</u>	<u>5,081,286</u>	<u>4,397,638</u>	<u>(683,648)</u>	(13.5)
Operating Income (Loss) - Before depreciation	355,220	(194,748)	1,684,181	1,878,929	(964.8)
Depreciation Expense	<u>2,567,715</u>	<u>2,560,987</u>	<u>2,523,662</u>	<u>(37,325)</u>	(1.5)
Operating Loss	(2,212,495)	(2,755,735)	(839,481)	1,916,254	(69.5)
Nonoperating Revenue (Expense)	204,076	(156,933)	(245,109)	(88,176)	56.2
Capital Contributions	<u>1,316,735</u>	<u>455,790</u>	<u>763,227</u>	<u>307,437</u>	67.5
Change in Net Assets	<u>\$ (691,684)</u>	<u>\$ (2,456,878)</u>	<u>\$ (321,363)</u>	<u>\$ 2,135,515</u>	(86.9)

Charter Township of Independence

Management's Discussion and Analysis (Continued)

The Township's business-type activities consist of the Water and Sewer Funds. The Township provides water to the residents using a community well system owned, operated, and maintained by the Township. The Township provides sewage treatment through the Clinton-Oakland sewage system. In 2010, operating revenue increased due to greater user consumption during 2010 along with an adjustment to usage rates while expenses decreased \$683,648 or 13.5 percent due to the deferral of some maintenance projects in order to capitalize on economics of scale by increasing the scope of future projects.

The Township's Funds

Our analysis of the Township's major funds begins on page 13, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2010 include the General Fund, Police Millage Fund, Fire Millage Fund, Library Fund, and the Safety Paths Millage Fund.

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

General Fund Budgetary Highlights

Over the course of the year, Township administration and the Township board monitor and amend the budget to take into account unanticipated events that occur during the year. At year end, actual General Fund revenue was approximately \$303,000 higher than budget. Expenditures were approximately \$196,000 under budget.

Capital Asset and Debt Administration

At the end of 2010, the Township had approximately \$78.1 million invested in a broad range of capital assets, including land, building, fire equipment, safety paths, water and sewer lines, and roads. Due to recent accounting changes, the costs for roads contributed by the Township are included in capital assets despite the roads being the property of the Road Commission for Oakland County, along with the responsibility to maintain them.

The most significant decrease in capital assets for the Township was from the business-type activities due to a prior period adjustment to reduce construction in progress related to the Oakland-Macomb Interceptor Drain Project.

Charter Township of Independence

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budget and Rates

Independence Township (population 34,500) is primarily a residential community located in northern Oakland County, Michigan. During the late 1990s and early 2000s, the Township was experiencing increases in assessed and taxable value of property. Beginning in 2008, the taxable values began to decline. For 2009, the decrease was expected to be 7 percent and that trend is expected to continue for the near future. The assessed value increase exhibited in prior years was mainly due to the development of vacant land and new housing starts which began to decline in late 2005. In addition, the retail/commercial construction is also declining.

Revenue sharing remains a significant budgetary concern at this time. The State of Michigan is experiencing significant structural budget problems, and as it looks for solutions, revenue sharing has dwindled. This trend is anticipated to continue.

Contacting the Township's Management

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

Charter Township of Independence

Statement of Net Assets December 31, 2010

	Primary Government			Component Unit - Sashabaw Road Corridor Improvement Authority
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 14,971,473	\$ 6,580,769	\$ 21,552,242	\$ 367,584
Receivables - Net:				
Property taxes	5,238,082	-	5,238,082	109,509
Customers	-	1,470,884	1,470,884	-
Other receivables	63,323	-	63,323	-
Due from other governmental units	439,846	519	440,365	-
Special assessments and other receivables	1,673,542	331,987	2,005,529	-
Internal balances	(2,484,411)	2,484,411	-	-
Prepaid expenses	380,719	-	380,719	-
Restricted assets (Note 8)	-	158,118	158,118	-
Assets held for resale	268,228	-	268,228	-
Net other postemployment benefits assets (Note 11)	151,745	47,712	199,457	-
Capital assets - Net (Note 5):				
Assets not subject to depreciation	2,153,326	846,875	3,000,201	-
Assets subject to depreciation	15,233,750	59,871,459	75,105,209	-
Total assets	38,089,623	71,792,734	109,882,357	477,093
Liabilities				
Accounts payable	910,635	505,436	1,416,071	18,161
Due to other governmental units	13,830	-	13,830	-
Accrued and other liabilities	508,973	256,798	765,771	-
Deferred revenue (Note 7)	11,409,935	-	11,409,935	140,501
Noncurrent liabilities (Note 8):				
Due within one year:				
Compensated absences	21,462	-	21,462	-
Current portion of long-term debt	30,000	946,008	976,008	-
Due in more than one year:				
Compensated absences	347,049	-	347,049	-
Long-term debt	60,000	15,042,851	15,102,851	-
Total liabilities	13,301,884	16,751,093	30,052,977	158,662

Charter Township of Independence

Statement of Net Assets (Continued) December 31, 2010

	Primary Government			Component Unit - Sashabaw Road Corridor Improvement Authority
	Governmental Activities	Business-type Activities	Total	
Net Assets				
Invested in capital assets - Net of related debt	\$ 17,297,076	\$ 44,887,593	\$ 62,184,669	\$ -
Restricted for:				
Debt service	531,512	-	531,512	-
Capital projects	1,190,148	-	1,190,148	-
Police and fire services	3,076,697	-	3,076,697	-
Library	213,496	-	213,496	-
Safety paths millage	1,128,559	-	1,128,559	-
Community development block grant	2,533	-	2,533	-
Cemetery Permanent Funds - Expendable	644,863	-	644,863	-
Public access studio capital projects	229,849	-	229,849	-
Unrestricted	473,006	10,154,048	10,627,054	318,431
Total net assets	\$ 24,787,739	\$ 55,041,641	\$ 79,829,380	\$ 318,431

Charter Township of Independence

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,662,759	\$ 205,230	\$ -	\$ 2,500
Public safety	9,712,966	1,648,288	-	-
Public works	694,386	-	-	204,564
Community and economic development	43,377	-	32,801	-
Recreation and culture	4,083,289	1,067,723	13,233	-
Interest on long-term debt	5,480	-	-	-
Total governmental activities	17,202,257	2,921,241	46,034	207,064
Business-type activities:				
Water Fund	3,422,717	2,679,862	-	75,402
Sewer Fund	3,960,390	3,401,957	-	687,825
Total business-type activities	7,383,107	6,081,819	-	763,227
Total primary government	<u>\$ 24,585,364</u>	<u>\$ 9,003,060</u>	<u>\$ 46,034</u>	<u>\$ 970,291</u>
Component unit -				
Sashabaw Corridor Improvement Authority	<u>\$ 69,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Proceeds from sale of capital assets				
Total general revenue				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended December 31, 2010

Primary Government			Component Unit - Sashabaw Road Corridor Improvement Authority
Governmental Activities	Business-type Activities	Total	
\$ (2,455,029)	\$ -	\$ (2,455,029)	\$ -
(8,064,678)	-	(8,064,678)	-
(489,822)	-	(489,822)	-
(10,576)	-	(10,576)	-
(3,002,333)	-	(3,002,333)	-
(5,480)	-	(5,480)	-
(14,027,918)	-	(14,027,918)	-
-	(667,453)	(667,453)	-
-	129,392	129,392	-
-	(538,061)	(538,061)	-
(14,027,918)	(538,061)	(14,565,979)	-
-	-	-	(69,000)
11,086,414	-	11,086,414	243,331
2,096,806	-	2,096,806	-
454,269	214,698	668,967	62
708,035	-	708,035	-
431,002	-	431,002	-
6,706	2,000	8,706	-
14,783,232	216,698	14,999,930	243,393
755,314	(321,363)	433,951	174,393
24,032,425	55,363,004	79,395,429	144,038
\$ 24,787,739	\$ 55,041,641	\$ 79,829,380	\$ 318,431

Charter Township of Independence

Governmental Funds Balance Sheet December 31, 2010

Assets	General Fund	Police Millage	Fire Millage	Library Fund	Safety Paths	Nonmajor	Total
		Fund	Fund		Fund	Governmental	
						Funds	
Cash and cash equivalents	\$ 2,813,309	\$ 2,829,174	\$ 5,466,599	\$ 812,809	\$ 1,476,930	\$ 1,572,652	\$ 14,971,473
Receivables - Net:							
Property taxes	697,684	1,901,626	2,042,926	445,420	130,385	-	5,218,041
Special assessments and other	662,798	183,202	40,685	25,170	-	761,687	1,673,542
Other receivables	-	-	-	-	-	63,323	63,323
Due from other governmental units	394,835	-	-	-	-	45,011	439,846
Due from other funds	74,460	-	-	-	-	760	75,220
Prepaid expenses and other assets	126,057	-	-	-	-	-	126,057
Assets held for resale	-	-	-	-	-	268,228	268,228
Total assets	\$ 4,769,143	\$ 4,914,002	\$ 7,550,210	\$ 1,283,399	\$ 1,607,315	\$ 2,711,661	\$ 22,835,730
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 279,684	\$ 346,226	\$ 59,770	\$ 42,108	\$ 176,611	\$ 6,236	\$ 910,635
Due to other governmental units	8,830	-	-	-	-	5,000	13,830
Due to other funds	760	-	-	-	-	47,185	47,945
Accrued liabilities and other	170,775	57,463	217,727	44,627	14,354	3,314	508,260
Deferred revenue	1,642,822	4,197,464	4,508,865	983,168	287,791	727,143	12,347,253
Total liabilities	2,102,871	4,601,153	4,786,362	1,069,903	478,756	788,878	13,827,923
Fund Balances							
Reserved for (Note 1):							
Capital projects	-	-	-	-	-	229,849	229,849
Debt service	-	-	-	-	-	166,240	166,240
Cemetery care	-	-	-	-	-	644,863	644,863
Unreserved, reported in:							
General Fund -							
Undesignated	2,666,272	-	-	-	-	-	2,666,272
Special Revenue Funds	-	312,849	2,763,848	213,496	1,128,559	14,414	4,433,166
Debt Service Funds	-	-	-	-	-	(309)	(309)
Capital Projects Funds	-	-	-	-	-	867,726	867,726
Total fund balances	2,666,272	312,849	2,763,848	213,496	1,128,559	1,922,783	9,007,807
Total liabilities and fund balances	\$ 4,769,143	\$ 4,914,002	\$ 7,550,210	\$ 1,283,399	\$ 1,607,315	\$ 2,711,661	\$ 22,835,730

Charter Township of Independence

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets December 31, 2010

Fund Balance Reported in Governmental Funds	\$ 9,007,807
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	14,796,165
Special assessment and receivables for other charges for service are not expected to be collected currently and are not available to pay for current expenditures	937,318
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(90,000)
Accrued interest is not due and payable in the current period and is not reported in the funds	(713)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(368,511)
Other postemployment benefits paid in excess of the annual required contribution are included as an asset in governmental activities	151,745
Delinquent personal property taxes are not recognized as revenue in the funds until received; the government-wide statements recognize an estimate of the amount that will ultimately be collected	20,041
Expenses are normally expensed when paid in the funds; the government-wide statements allocate prepaid expenses over future periods	254,662
Internal Service Funds are included as part of governmental activities	<u>79,225</u>
Net Assets of Governmental Activities	<u>\$ 24,787,739</u>

Charter Township of Independence

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2010

	General Fund	Police Millage Fund	Fire Millage Fund	Library Fund	Safety Paths Fund	Nonmajor Governmental Funds	Total
Revenue							
Property taxes	\$ 1,645,741	\$ 3,268,695	\$ 4,713,641	\$ 1,100,475	\$ 280,254	\$ -	\$ 11,008,806
Licenses and permits	235,918	-	-	-	-	-	235,918
Federal grants	-	-	-	-	-	32,801	32,801
State-shared revenue and grants	2,096,806	22,853	-	13,233	-	2,500	2,135,392
Charges for services	1,447,819	515,964	816,334	69,950	-	-	2,850,067
Fines and forfeitures	796	97,511	1,199	62,972	-	-	162,478
Interest and rentals	137,083	77,430	122,415	25,753	45,055	90,774	498,510
Other revenue:							
Special assessments	-	-	-	-	-	99,094	99,094
Cable franchise fees	505,131	-	-	-	-	202,904	708,035
Other miscellaneous income	415,040	-	4,490	146	-	8,480	428,156
Total revenue	6,484,334	3,982,453	5,658,079	1,272,529	325,309	436,553	18,159,257
Expenditures							
Current:							
General government	2,904,738	-	-	-	-	-	2,904,738
Public safety	402,665	4,099,524	4,752,202	-	-	-	9,254,391
Public works:	146,970	-	-	-	419,420	-	566,390
Community and economic development	-	-	-	-	-	43,377	43,377
Recreation and culture	2,194,056	-	-	1,144,873	-	119,104	3,458,033
Capital outlay	-	-	32,918	-	-	5,441	38,359
Debt service	-	-	-	-	-	76,078	76,078
Total expenditures	5,648,429	4,099,524	4,785,120	1,144,873	419,420	244,000	16,341,366
Excess of Revenue Over (Under) Expenditures	835,905	(117,071)	872,959	127,656	(94,111)	192,553	1,817,891
Other Financing Sources (Uses)							
Proceeds from sale of capital assets	6,706	-	-	-	-	-	6,706
Transfers in	-	-	-	-	-	146,520	146,520
Transfers out	(146,520)	-	-	-	-	-	(146,520)
Total other financing (uses) sources	(139,814)	-	-	-	-	146,520	6,706
Net Change in Fund Balances	696,091	(117,071)	872,959	127,656	(94,111)	339,073	1,824,597
Fund Balances - Beginning of year	1,970,181	429,920	1,890,889	85,840	1,222,670	1,583,710	7,183,210
Fund Balances - End of year	\$ 2,666,272	\$ 312,849	\$ 2,763,848	\$ 213,496	\$ 1,128,559	\$ 1,922,783	\$ 9,007,807

Charter Township of Independence

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2010

Net Change in Fund Balances - Total Governmental Funds	\$ 1,824,597
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	157,514
Depreciation expense	(1,390,857)
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(107,620)
Expenses are normally expensed when paid in the funds; the government-wide statements allocate prepaid expenses over future periods	(29,563)
Increases in the net postemployment benefit asset 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	83,750
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	70,000
Interest expense is recorded in the statement of activities when a liability is incurred; it is reported in the funds only when payment is due	600
Decrease in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities	40,125
Internal Service Funds are included as part of governmental activities	<u>106,768</u>
Change in Net Assets of Governmental Activities	<u>\$ 755,314</u>

Charter Township of Independence

Proprietary Funds Statement of Net Assets December 31, 2010

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,630,349	\$ 4,950,420	\$ 6,580,769	\$ -
Receivables:				
Special assessments and other	90,471	241,516	331,987	-
Customer usage	624,958	845,926	1,470,884	-
Due from other governmental units	519	-	519	-
Total current assets	2,346,297	6,037,862	8,384,159	-
Noncurrent assets:				
Restricted assets	-	158,118	158,118	-
Advances to other funds	1,236,853	1,247,558	2,484,411	-
Net other postemployment benefits asset	23,856	23,856	47,712	-
Capital assets:				
Assets not subject to depreciation	24,620	822,255	846,875	-
Assets subject to depreciation	39,095,334	20,776,125	59,871,459	2,590,911
Total noncurrent assets	40,380,663	23,027,912	63,408,575	2,590,911
Total assets	42,726,960	29,065,774	71,792,734	2,590,911
Liabilities				
Current liabilities:				
Accounts payable	46,485	458,951	505,436	-
Due to other funds	-	-	-	27,275
Accrued and other liabilities	104,523	152,275	256,798	-
Current portion of long-term debt	940,000	6,008	946,008	-
Total current liabilities	1,091,008	617,234	1,708,242	27,275
Noncurrent liabilities:				
Advances from other funds	-	-	-	2,484,411
Long-term debt	14,585,000	457,851	15,042,851	-
Total noncurrent liabilities	14,585,000	457,851	15,042,851	2,484,411
Total liabilities	15,676,008	1,075,085	16,751,093	2,511,686
Net Assets				
Invested in capital assets - Net of related debt	23,594,954	21,292,639	44,887,593	2,590,911
Unrestricted	3,455,998	6,698,050	10,154,048	(2,511,686)
Total net assets	<u>\$ 27,050,952</u>	<u>\$ 27,990,689</u>	<u>\$ 55,041,641</u>	<u>\$ 79,225</u>

Charter Township of Independence

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets (Deficit) Year Ended December 31, 2010

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
				Fund
Operating Revenue				
Customer usage	\$ 2,457,139	\$ 3,003,928	\$ 5,461,067	\$ -
Meters and installation charges	41,943	-	41,943	-
Other services and charges	180,780	398,029	578,809	-
Rental income	-	-	-	307,918
Total operating revenue	2,679,862	3,401,957	6,081,819	307,918
Operating Expenses				
Cost of sewage treatment	-	1,723,906	1,723,906	-
Personnel services	753,819	652,623	1,406,442	-
Supplies	46,792	148,887	195,679	-
Other services and charges	813,328	258,283	1,071,611	-
Depreciation	1,353,193	1,170,469	2,523,662	68,182
Total operating expenses	2,967,132	3,954,168	6,921,300	68,182
Operating (Loss) Income	(287,270)	(552,211)	(839,481)	239,736
Nonoperating Revenue (Expenses)				
Investment income	100,948	113,750	214,698	-
Interest expense	(455,585)	(6,222)	(461,807)	(132,968)
Gain on sale of assets	-	2,000	2,000	-
(Loss) Income - Before contributions	(641,907)	(442,683)	(1,084,590)	106,768
Capital Contributions				
Capital grants	-	505,446	505,446	-
Capital charge/tap-in fees	75,402	182,379	257,781	-
Total capital contributions	75,402	687,825	763,227	-
Change in Net Assets	(566,505)	245,142	(321,363)	106,768
Net Assets (Deficit) - Beginning of year	27,617,457	27,745,547	55,363,004	(27,543)
Net Assets - End of year	<u>\$ 27,050,952</u>	<u>\$ 27,990,689</u>	<u>\$ 55,041,641</u>	<u>\$ 79,225</u>

Charter Township of Independence

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2010

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 2,613,395	\$ 3,310,859	\$ 5,924,254	\$ 307,918
Payments to suppliers	(930,123)	(2,199,392)	(3,129,515)	-
Payments to employees	(770,054)	(672,168)	(1,442,222)	-
Net cash provided by operating activities	913,218	439,299	1,352,517	307,918
Cash Flows from Noncapital Financing Activities				
Repayments of loans made to other funds	92,828	82,123	174,951	-
Repayments of loans from other funds	-	-	-	(174,950)
Net cash provided by (used in) noncapital financing activities	92,828	82,123	174,951	(174,950)
Cash Flows from Capital and Related Financing Activities				
Special assessment collections	(41,029)	(40,300)	(81,329)	-
Capital charges and tap-in fees	75,402	182,379	257,781	-
Proceeds from sales of capital assets	-	2,000	2,000	-
Purchase of capital assets	(63,256)	(11,115)	(74,371)	-
Principal and interest paid on capital debt	(1,306,768)	(6,222)	(1,312,990)	(132,968)
Net cash (used in) provided by capital and related financing activities	(1,335,651)	126,742	(1,208,909)	(132,968)
Cash Flows from Investment Activities -				
Interest received on investments	100,948	43,034	143,982	-
Net (Decrease) Increase in Cash and Cash Equivalents	(228,657)	691,198	462,541	-
Cash and Cash Equivalents - Beginning of year	1,859,006	4,259,222	6,118,228	-
Cash and Cash Equivalents - End of year	<u>\$ 1,630,349</u>	<u>\$ 4,950,420</u>	<u>\$ 6,580,769</u>	<u>\$ -</u>

Charter Township of Independence

Proprietary Funds Statement of Cash Flows (Continued) Year Ended December 31, 2010

	Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Proprietary Internal Service Fund
	Water Fund	Sewer Fund	Total	Fund
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (287,270)	\$ (552,211)	\$ (839,481)	\$ 239,736
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation and amortization	1,353,193	1,170,469	2,523,662	68,182
Changes in assets and liabilities:				
Receivables	(66,467)	(91,098)	(157,565)	-
Prepaid and other assets	-	44	44	-
Accounts payable	(70,003)	(68,360)	(138,363)	-
Accrued and other liabilities	(16,235)	(19,545)	(35,780)	-
Net cash provided by operating activities	<u>\$ 913,218</u>	<u>\$ 439,299</u>	<u>\$ 1,352,517</u>	<u>\$ 307,918</u>

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2010, the Sewer Fund recorded debt draw-downs totaling \$463,859. The Sewer Fund also recorded \$505,446 in capital contributions and spent \$812,002 for construction related to the new Oakland-Macomb Interceptor Drain Drainage District project. The Sewer Fund also recorded interest income on unspent bond proceeds totaling \$771. This activity is all considered non-cash since it is administered by the Oakland-Macomb Interceptor Drain Drainage District.

Charter Township of Independence

Fiduciary Fund Statement of Fiduciary Assets and Liabilities December 31, 2010

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 1,472,465
Receivables	<u>78,646</u>
Total assets	<u><u>\$ 1,551,111</u></u>
Liabilities	
Due to other governmental units	\$ 643,041
Accrued and other liabilities	47,271
Cash bonds and deposits	<u>860,799</u>
Total liabilities	<u><u>\$ 1,551,111</u></u>

Charter Township of Independence

Notes to Financial Statements December 31, 2010

Note 1 - Nature of Business and Significant Accounting Policies

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

Reporting Entity

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

Discretely Presented Component Unit

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

Government-wide and Fund Financial Statements

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

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

Charter Township of Independence

Notes to Financial Statements December 31, 2010

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

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

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

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

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

The Township reports the following major governmental funds:

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

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

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

Charter Township of Independence

Notes to Financial Statements December 31, 2010

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

Library Fund - The Library Fund accounts for all financial resources of the library. Activities are financed through a dedicated millage and other sources.

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

The Township reports the following major proprietary funds:

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

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

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

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

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

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

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Township's policy is to first apply restricted resources.

Charter Township of Independence

Notes to Financial Statements December 31, 2010

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

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

Property Tax Revenue

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

Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue in each respective fund at December 31. After December 31, 2010, additional Michigan Tax Tribunal cases of approximately \$29.9 million were filed resulting in a possible additional liability of approximately \$93,000 spread across the various funds that are supported by a millage.

The 2009 taxable valuation of the Township totaled \$1.628 billion. Taxes were levied and the resulting revenue by fund was as follows:

	<u>Millage Rate</u>	<u>Revenue</u>
Operating millage (General Fund)	0.9974	\$ 1,645,741
Special Revenue Funds:		-
Fire millage - Operations and advanced life support	2.9600	4,713,641
Library operating	0.6910	1,100,475
Police millage - Operations	2.0547	3,268,695
Safety paths millage - Construction	0.1763	280,254
	<u>6.8794</u>	<u>\$ 11,008,806</u>

Charter Township of Independence

Notes to Financial Statements December 31, 2010

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

Assets, Liabilities, and Net Assets or Equity

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

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

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

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

Restricted Assets - Assets are restricted in the Sewer Fund for unspent bond proceeds at the County being held for the construction of the Oakland-Macomb Interceptor Drain Project.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Charter Township of Independence

Notes to Financial Statements December 31, 2010

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

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

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

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

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

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

Charter Township of Independence

Notes to Financial Statements December 31, 2010

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

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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.

New Accounting Pronouncement - The Township adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, for the year ended December 31, 2010. As required by GASB 51, the effects of implementation have been adopted retrospectively. As a result, the beginning net assets for the governmental activities were restated as of December 31, 2009, increasing by \$858,357.

Upcoming Reporting Change - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The Township will implement GASB Statement No. 54 beginning with the fiscal year ending December 31, 2011.

Charter Township of Independence

Notes to Financial Statements December 31, 2010

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at January 1, 2010		\$ (1,684,488)
Current year building permit revenue		154,405
Related expenses:		
Direct costs	\$ 252,821	
Estimated indirect costs	<u>-</u>	<u>252,821</u>
Current year shortfall		<u>(98,416)</u>
Cumulative shortfall at December 31, 2010		<u>\$ (1,782,904)</u>

Fund Deficits - The Township has accumulated fund deficits in the following individual funds: the Energy Efficiency Community Development Block Grant Fund, the Community Development Block Grant Fund, the Sashabaw Drain Capital Projects Fund, the Bowpointe Debt Service Fund, and the Silverman Sashabaw Capital Projects Fund. The deficits will be funded primarily by special assessment collections, recognition of deferred revenue, and operating transfers from other funds.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

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

Charter Township of Independence

Notes to Financial Statements December 31, 2010

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had no 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 does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
U.S. agency securities	\$ 5,536,544	2.36 years
U.S. agency pools	1,042,599	11.25 years
U.S. government securities	7,484,444	3.64 years

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
Bank investment pool	\$ 3,623	Not rated	N/A
Interlocal agreement fund	1,608,083	Not rated	N/A
U.S. agency securities	5,536,544	AAA	S&P
U.S. agency pools	1,042,599	AAA	S&P
U.S. government securities	7,484,444	AAA	S&P

Charter Township of Independence

Notes to Financial Statements December 31, 2010

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk - The Township's investment policy limits the amount that may be invested in a single issuer to no more than 10 percent of the market value of the portfolio with the exception of U.S. Treasury or U.S. agency obligations. As of December 31, 2010, the Township had no more than 5 percent of its portfolio invested in a single issuer except for U.S. agency obligations, as follows: 7 percent, or approximately \$1.7 million, was invested in the Federal Home Loan Mortgage Corporation and 13 percent, or approximately \$3.1 million, was invested in the Federal National Mortgage Association.

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

Note 4 - Defined Contribution Retirement Plan

The Township provides a defined contribution pension plan to all of its full-time employees, excluding full-time employees of the fire department, who have elected to be covered under the Municipal Employees' Retirement System of Michigan (MERS). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township board, the Township contributes up to 10 percent of employees' gross earnings. In accordance with these requirements, the Township contributed approximately \$297,000 and the employee contributions were immaterial.

Charter Township of Independence

Notes to Financial Statements December 31, 2010

Note 5 - Capital Assets

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

Governmental Activities	Balance January 1, 2010	Additions	Disposals	Balance December 31, 2010
Capital assets not being depreciated:				
Land	\$ 1,153,326	\$ -	\$ -	\$ 1,153,326
Development rights	1,000,000	-	-	1,000,000
Subtotal	2,153,326	-	-	2,153,326
Capital assets being depreciated:				
Buildings and improvements	11,808,070	-	-	11,808,070
Machinery and equipment	3,610,517	38,541	-	3,649,058
Vehicles	4,796,358	-	(55,717)	4,740,641
Office equipment	1,612,455	-	-	1,612,455
Land improvements	2,859,671	2,638	-	2,862,309
Infrastructure - Roads	990,412	-	-	990,412
Library books	3,238,397	116,335	(148,614)	3,206,118
Safety paths	8,129,365	-	-	8,129,365
Subtotal	37,045,245	157,514	(204,331)	36,998,428
Accumulated depreciation:				
Buildings and improvements	3,903,865	367,814	-	4,271,679
Machinery and equipment	3,200,193	163,968	-	3,364,161
Vehicles	2,667,509	201,297	(55,717)	2,813,089
Office furnishings	1,332,477	71,628	-	1,404,105
Land improvements	1,707,165	106,916	-	1,814,081
Infrastructure - Roads	132,055	33,014	-	165,069
Library books	2,424,642	189,489	(148,614)	2,465,517
Safety paths	5,142,064	324,913	-	5,466,977
Subtotal	20,509,970	1,459,039	(204,331)	21,764,678
Net capital assets being depreciated	16,535,275	(1,301,525)	-	15,233,750
Net capital assets	\$ 18,688,601	\$ (1,301,525)	\$ -	\$ 17,387,076

Charter Township of Independence

Notes to Financial Statements December 31, 2010

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance January 1, 2010	Additions	Disposals	Balance December 31, 2010
Capital assets not being depreciated:				
Land	\$ 34,873	\$ -	\$ -	\$ 34,873
Construction in progress	-	812,002	-	812,002
Subtotal	34,873	812,002	-	846,875
Capital assets being depreciated:				
Utility system	98,914,991	84,135	-	98,999,126
Buildings and improvements	1,151,624	-	-	1,151,624
Machinery and equipment	1,320,616	30,921	-	1,351,537
Vehicles	828,535	29,216	(15,340)	842,411
Office equipment	126,737	-	-	126,737
Land improvements	61,392	-	-	61,392
Subtotal	102,403,895	144,272	(15,340)	102,532,827
Accumulated depreciation:				
Utility system	37,371,787	2,381,300	-	39,753,087
Buildings and improvements	810,136	39,974	-	850,110
Machinery and equipment	1,278,004	28,096	-	1,306,100
Vehicles	564,501	66,462	(15,340)	615,623
Office equipment	71,551	6,194	-	77,745
Land improvements	57,067	1,636	-	58,703
Subtotal	40,153,046	2,523,662	(15,340)	42,661,368
Net capital assets being depreciated	62,250,849	(2,379,390)	-	59,871,459
Net capital assets	\$ 62,285,722	\$ (1,567,388)	\$ -	\$ 60,718,334

Charter Township of Independence

Notes to Financial Statements December 31, 2010

Note 5 - Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 216,895
Public safety		407,634
Public works		49,071
Public services		11,236
Recreation and culture		<u>774,203</u>
	Total governmental activities	<u>\$ 1,459,039</u>
Business-type activities:		
Water		\$ 1,353,193
Sewer		<u>1,170,469</u>
	Total business-type activities	<u>\$ 2,523,662</u>

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
Other governmental funds	General Fund	<u>\$ 760</u>
Receivable Fund	Payable Fund	Amount
Advances from/to Other Funds		
Water Fund	Internal Service Fund	<u>\$ 1,247,558</u>
Sewer Fund	Internal Service Fund	<u>\$ 1,236,853</u>

The due to/due from between the General Fund and other governmental funds is the result of a time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made

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

Charter Township of Independence

Notes to Financial Statements December 31, 2010

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

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

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
General Fund	Other governmental funds	<u>\$ 146,520</u>

The Township transferred funds from the General Fund to the Cable Television Fund as well as the Capital Projects Fund to help cover operating expenses that are not covered by the charges for services.

Note 7 - Deferred Revenue

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

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes	\$ 164,928	\$ 11,409,935
Special assessment	643,220	-
Grants	45,012	-
Charges for service	84,158	-
Total	<u>\$ 937,318</u>	<u>\$ 11,409,935</u>

In addition to the deferred revenue shown above, the Corridor Improvement Authority has \$140,501 of deferred revenue related to unearned property taxes at December 31, 2010.

Note 8 - Long-term Debt

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

Charter Township of Independence

Notes to Financial Statements December 31, 2010

Note 8 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
Special assessment bonds:							
Bow Pointe Bond Issue Series							
1996-B:							
Amount of issue: \$490,000							
Maturing through 2010			\$ 40,000	\$ -	\$ 40,000	\$ -	\$ -
Townsend Lake Bond Issue Series							
1996-A:							
Amount of issue: \$375,000	4.45% -						
Maturing through 2013	4.85%	\$30,000	120,000	-	30,000	90,000	30,000
Total Special Assessment Bonds			160,000	-	70,000	90,000	30,000
Other long-term obligations -							
Accumulated employee benefits							
Total governmental activities			\$ 408,636	\$ 571,909	\$ 612,034	\$ 368,511	\$ 21,462
			\$ 568,636	\$ 571,909	\$ 682,034	\$ 458,511	\$ 51,462
Business-type Activities							
DEQ - Drinking Water Revolving Fund:							
Amount of issue: \$18,625,000		\$820,000 -					
Maturing through 2024	2.215%	\$1,130,000	\$ 14,740,000	\$ -	\$ 845,000	\$ 13,895,000	\$ 860,000
Capital Improvement Bonds Series							
2005-B:							
Amount of issue: \$2,000,000	3.90% -	\$85,000 -					
Maturing through 2025	4.25%	\$145,000	1,710,000	-	80,000	1,630,000	80,000
Oakland-Macomb Interceptor Drain Drainage District Drain Bond Series 2010 B:							
Amount issued: \$211,866		\$6,008 -					
Maturing through 2030	2.50%	\$16,443	-	211,867	-	211,867	6,008
Oakland-Macomb Interceptor Drain Drainage District Bonds Series 2010A:							
Amount issued: \$824,575, net of \$572,583 not yet drawn		\$32,128 -					
Maturing through 2031	2.50%	\$51,702	-	251,992	-	251,992	-
Total business-type activities			\$ 16,450,000	\$ 463,859	\$ 925,000	\$ 15,988,859	\$ 946,008

Special assessment bonds represent the financing of public improvements that benefit specific districts; these districts are specially assessed, at least in part, for the cost of improvements. At December 31, 2010, the Township has \$160,551 set aside in Debt Service Funds for repayment of these bonds. In addition, there is \$682,132 of special assessments receivable in the future; the amount of receivables delinquent at December 31, 2010 is not significant.

Charter Township of Independence

Notes to Financial Statements December 31, 2010

Note 8 - Long-term Debt (Continued)

Debt Service Requirements

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

Years Ending December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 30,000	\$ 3,578	\$ 33,578	\$ 946,008	\$ 389,588	\$ 1,335,596
2012	30,000	2,168	32,168	1,004,243	368,107	1,372,350
2013	30,000	728	30,728	1,020,318	345,158	1,365,476
2014	-	-	-	1,046,425	321,825	1,368,250
2015	-	-	-	1,077,532	297,795	1,375,327
2016-2020	-	-	-	5,751,789	1,105,275	6,857,064
2021-2025	-	-	-	5,349,103	406,306	5,755,409
2026-2030	-	-	-	314,322	36,166	350,488
2031	-	-	-	51,702	1,293	52,995
Total	\$ 90,000	\$ 6,474	\$ 96,474	\$ 16,561,442	\$ 3,271,513	\$ 19,832,955

County Contractual Obligations - During 2009, Macomb and Oakland counties jointly established the Oakland-Macomb Interceptor Drain - Drainage District (OMID), an inter-county drainage district, under Chapter 21 of the Drain Code. The OMID was created to acquire, operate, and maintain the Oakland-Macomb Interceptor (OMI); title to the OMI was transferred from the City of Detroit to the OMID as part of a settlement agreement with the City of Detroit reached in May 2009. The OMID apportioned the responsibility to pay the debt required to finance this project to the participating cities, townships, and villages located in the two counties. As of December 31, 2010, the Township's portion of debt issued to date is \$251,992 for the Series 2010A Bonds and \$211,866 for the Series 2010B Bonds. Series 2010B was fully issued at year end, while \$572,583 remained to be issued on the Series 2010A Bonds. The principal and interest payments above reflect the future payment amounts for the Township's share of the Series 2010A OMID debt once it is fully issued. At December 31, 2010, the Township's share of unspent bond proceeds held by the County was \$158,074. This amount is reflected on the Sewer Fund's balance sheet as a restricted asset.

Prior Period Adjustment - As of December 31, 2009, the Township recorded long-term debt related to the OMID drain project of \$4,572,541 based on the belief that this represented the Township's share of debt issued by the OMID through December 31, 2009. Actual debt issued by the OMID through December 31, 2009 was \$0. As a result, a prior period adjustment was recorded during 2010 to decrease the beginning of year long-term debt and capital assets in the Sewer Fund and business-type activities by \$4,752,541. There was no impact on beginning of year net assets.

Charter Township of Independence

Notes to Financial Statements December 31, 2010

Note 9 - Risk Management

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

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

Note 10 - Defined Benefit Pension Plan

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

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

Annual Pension Cost - For the year ended December 31, 2010, the Township's annual pension cost of \$228,074 for the plan was equal to the Township's required and actual contribution.

Actuarial Methods and Assumptions

The annual required contribution was determined as part of an actuarial valuation at December 31, 2008, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) 0 percent to 8.4 percent merit and longevity adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 10-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 28 years.

Charter Township of Independence

Notes to Financial Statements December 31, 2010

Note 10 - Defined Benefit Pension Plan (Continued)

Three-year Trend Information

	Fiscal Year Ended December 31		
	2008	2009	2010
Annual pension cost (APC)	\$ 233,315	\$ 228,589	\$ 228,074
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
	Actuarial Valuation as of December 31		
	2007	2008	2009
Actuarial value of assets	\$ 4,158,424	\$ 4,671,522	\$ 5,230,125
Actuarial accrued liability (AAL) (entry age)	\$ 5,624,260	\$ 6,135,889	\$ 6,794,098
Unfunded AAL (UAAL)	\$ 1,465,836	\$ 1,464,367	\$ 1,563,973
Funded ratio	73.9 %	76.1 %	76.9 %
Covered payroll	\$ 2,278,766	\$ 2,258,274	\$ 2,289,689
UAAL as a percentage of covered payroll	64.3 %	64.8 %	68.3 %

Note 11 - Postemployment Benefits

Plan Description - The Township provides retiree healthcare benefits to eligible employees and their spouses. This is an agent multiple employer defined benefit plan administered by the the Municipal Employees' Retirement System of Michigan Health Funding Vehicle. The benefits are provided under collective bargaining agreements.

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

Charter Township of Independence

Notes to Financial Statements December 31, 2010

Note 11 - Postemployment Benefits (Continued)

Funding Progress - For the year ended December 31, 2010, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2008. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 558,925
Interest on the prior year's net OPEB asset	<u>(6,631)</u>
Annual OPEB cost	552,294
Amounts contributed:	
Payments of current premiums	254,754
Advance funding	<u>414,114</u>
Increase in net OPEB asset	116,574
OPEB asset - Beginning of year	<u>82,883</u>
OPEB asset - End of year	<u>\$ 199,457</u>

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

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Cost	Percentage Contributed	Net OPEB Asset
12/31/08	9/30/05	\$ 503,182	122	\$ 109,625
12/31/09	9/30/05	486,206	84	82,883
12/31/10	12/31/08	552,294	121	199,457

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
9/30/05	\$ -	\$4,772,934	\$4,772,934	-	\$4,960,617	96
12/31/08	1,906,147	7,536,207	5,630,060	25.3	5,478,060	103

Charter Township of Independence

Notes to Financial Statements December 31, 2010

Note 11 - Postemployment Benefits (Continued)

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

In the December 31, 2008 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included (a) an 8 percent investment rate of return (net of administrative expenses), which is the rate of the expected long-term investment returns on plan assets, (b) an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years, and (c) projected salary increases of 4.5 to 12.9 percent per year. All rates included a 4.5 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2008 was 30 years.

Required Supplemental Information

Charter Township of Independence

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,565,000	\$ 1,565,000	\$ 1,645,741	\$ 80,741
Licenses and permits	288,500	288,500	235,918	(52,582)
State-shared revenue and grants	1,900,000	2,053,000	2,096,806	43,806
Charges for services	1,360,650	1,481,338	1,447,819	(33,519)
Fines and forfeitures	-	-	796	796
Interest earnings and rent	77,800	77,800	137,083	59,283
Other revenue	692,700	713,700	920,171	206,471
Total revenue	5,884,650	6,179,338	6,484,334	304,996
Expenditures - Current				
General government:				
Township board	243,280	265,389	271,079	(5,690)
Supervisor	235,265	240,062	216,144	23,918
Data processing	105,494	103,993	99,540	4,453
Treasurer	349,801	373,296	357,134	16,162
Assessing	507,870	527,799	507,599	20,200
Board of Review	8,400	8,400	5,823	2,577
Clerk	429,950	437,372	448,526	(11,154)
Elections	180,865	184,870	140,752	44,118
Facilities maintenance	116,605	76,486	61,951	14,535
Legal	140,500	140,500	119,185	21,315
Human resources	99,450	102,840	108,185	(5,345)
Township hall	530,215	535,264	499,389	35,875
Fringe benefits	-	-	18,792	(18,792)
Cemetery	98,663	98,373	50,639	47,734
Total general government	3,046,358	3,094,644	2,904,738	189,906
Buildings	453,100	518,232	402,665	115,567
Public works:				
Drains	15,000	15,000	12,565	2,435
Street lighting	100,000	100,000	134,405	(34,405)
Total public works	115,000	115,000	146,970	(31,970)
Recreation and culture	1,986,428	2,255,494	2,194,056	61,438
Total expenditures	5,600,886	5,983,370	5,648,429	334,941
Excess of Revenue Over Expenditures	283,764	195,968	835,905	639,937
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	6,706	6,706
Transfers out	(146,520)	(146,520)	(146,520)	-
Net Change in Fund Balance	137,244	49,448	696,091	646,643
Fund Balance - Beginning of year	1,970,181	1,970,181	1,970,181	-
Fund Balance - End of year	\$ 2,107,425	\$ 2,019,629	\$ 2,666,272	\$ 646,643

Charter Township of Independence

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Police Millage Fund Year Ended December 31, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 3,187,000	\$ 3,187,000	\$ 3,268,695	\$ 81,695
State-shared revenue and grants	-	-	22,853	22,853
Charges for services	295,000	295,000	515,964	220,964
Fines and forfeitures	105,000	105,000	97,511	(7,489)
Interest and rentals	50,000	50,000	77,430	27,430
Total revenue	3,637,000	3,637,000	3,982,453	345,453
Expenditures - Current -				
Public safety	3,986,660	3,986,660	4,099,524	(112,864)
Net Change in Fund Balance	(349,660)	(349,660)	(117,071)	232,589
Fund Balance - Beginning of year	429,920	429,920	429,920	-
Fund Balance - End of year	<u>\$ 80,260</u>	<u>\$ 80,260</u>	<u>\$ 312,849</u>	<u>\$ 232,589</u>

Charter Township of Independence

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Fire Millage Fund Year Ended December 31, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 4,592,088	\$ 4,592,088	\$ 4,713,641	\$ 121,553
Charges for services	682,000	682,000	816,334	134,334
Fines and forfeitures	3,000	3,000	1,199	(1,801)
Interest and rentals	300,000	300,000	122,415	(177,585)
Other revenue	8,000	8,000	4,490	(3,510)
Total revenue	5,585,088	5,585,088	5,658,079	72,991
Expenditures - Current				
Public safety	5,526,370	5,537,041	4,752,202	784,839
Capital outlay	80,000	69,329	32,918	36,411
Total expenditures	5,606,370	5,606,370	4,785,120	821,250
Excess of Revenue (Under) Over Expenditures	(21,282)	(21,282)	872,959	894,241
Other Financing Sources -				
Proceeds from sale of capital assets	50,000	50,000	-	(50,000)
Net Change in Fund Balance	28,718	28,718	872,959	844,241
Fund Balance - Beginning of year	1,890,889	1,890,889	1,890,889	-
Fund Balance - End of year	<u>\$ 1,919,607</u>	<u>\$ 1,919,607</u>	<u>\$ 2,763,848</u>	<u>\$ 844,241</u>

Charter Township of Independence

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Library Fund Year Ended December 31, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,072,000	\$ 1,072,000	\$ 1,100,475	\$ 28,475
State-shared revenue and grants	-	-	13,233	13,233
Charges for services	29,000	29,000	69,950	40,950
Fines and forfeitures	62,000	62,000	62,972	972
Interest and rentals	30,000	30,000	25,753	(4,247)
Other revenue	-	-	146	146
Total revenue	1,193,000	1,193,000	1,272,529	79,529
Expenditures - Current -				
Recreation and culture	1,192,955	1,192,955	1,144,873	48,082
Net Change in Fund Balance	45	45	127,656	127,611
Fund Balance - Beginning of year	85,840	85,840	85,840	-
Fund Balance - End of year	<u>\$ 85,885</u>	<u>\$ 85,885</u>	<u>\$ 213,496</u>	<u>\$ 127,611</u>

Charter Township of Independence

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Safety Paths Fund Year Ended December 31, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 273,000	\$ 273,000	\$ 280,254	\$ 7,254
Interest and rentals	-	-	45,055	45,055
Total revenue	273,000	273,000	325,309	52,309
Expenditures - Current -				
Public works	315,370	506,618	419,420	87,198
Net Change in Fund Balance	(42,370)	(233,618)	(94,111)	139,507
Fund Balance - Beginning of year	1,222,670	1,222,670	1,222,670	-
Fund Balance - End of year	<u>\$ 1,180,300</u>	<u>\$ 989,052</u>	<u>\$ 1,128,559</u>	<u>\$ 139,507</u>

Charter Township of Independence

Note to Required Supplemental Information Year Ended December 31, 2010

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

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level. Each Special Revenue Fund represents a separate department.

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

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

	Amended Budget	Actual	Variance
Township board	\$ 265,389	\$ 271,079	\$ (5,690)
Human resources	102,840	108,185	(5,345)
Clerk	437,372	448,526	(11,154)
Street lighting	100,000	134,405	(34,405)
Fringe benefits	-	18,792	(18,792)

All of the above expenditure categories were insignificantly over budget due to unforeseen expenses that were not included in the budget.

During the year, the Charter Township of Independence incurred expenditures that were in excess of the amounts budgeted in the following Major Special Revenue Fund:

	Amended Budget	Actual	Variance
Police Millage Fund	\$ 3,986,660	\$ 4,087,825	\$ (101,165)

Other Supplemental Information

Charter Township of Independence

	Special Revenue Funds					Debt Service
	Various				Energy	Funds
	Special	Pension	Community		Efficiency	
Assets	Assessments	Stabilization	Development Block Grant	Cable TV	Community Block Grant	Debt Service
Cash and investments	\$ 655,346	\$ 6,254	\$ 2	\$ 232,120	\$ 1,490	\$ 5,380
Receivables - Net:						
Special assessments receivable	761,687	-	-	-	-	-
Other receivables	-	-	10,424	52,899	-	-
Due from other governmental units	-	-	42,070	-	2,941	-
Due from other funds	-	-	-	-	760	-
Assets held for resale	268,228	-	-	-	-	-
Total assets	\$ 1,685,261	\$ 6,254	\$ 52,496	\$ 285,019	\$ 5,191	\$ 5,380
Liabilities and Fund Balances (Deficit)						
Liabilities						
Accounts payable	\$ 2,049	\$ -	\$ 2,778	\$ 1,218	\$ 191	\$ -
Due to other governmental units	-	-	-	-	5,000	-
Due to other funds	-	-	47,185	-	-	-
Accrued and other liabilities	-	-	-	3,314	-	-
Deferred revenue	682,132	-	42,070	-	2,941	-
Total liabilities	684,181	-	92,033	4,532	8,132	-
Fund Balances (Deficit)						
Reserved for:						
Capital projects	-	-	-	229,849	-	-
Debt service	166,240	-	-	-	-	-
Cemetery Perpetual Care	-	-	-	-	-	-
Unreserved, reported in:						
Special Revenue Funds	-	6,254	(39,537)	50,638	(2,941)	-
Debt Service Funds	(5,689)	-	-	-	-	5,380
Capital Projects Funds	840,529	-	-	-	-	-
Total fund balances (deficit)	1,001,080	6,254	(39,537)	280,487	(2,941)	5,380
Total liabilities and fund balances (deficit)	\$ 1,685,261	\$ 6,254	\$ 52,496	\$ 285,019	\$ 5,191	\$ 5,380

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2010**

Capital Projects Funds	Permanent Funds		Total Nonmajor Governmental Funds
	Lakeview Cemetery Trust	Sashabaw Plains Cemetery Trust	
\$ 27,197	\$ 605,191	\$ 39,672	\$ 1,572,652
-	-	-	761,687
-	-	-	63,323
-	-	-	45,011
-	-	-	760
-	-	-	268,228
\$ 27,197	\$ 605,191	\$ 39,672	\$ 2,711,661

\$ -	\$ -	\$ -	\$ 6,236
-	-	-	5,000
-	-	-	47,185
-	-	-	3,314
-	-	-	727,143
-	-	-	788,878
-	-	-	229,849
-	-	-	166,240
-	605,191	39,672	644,863
-	-	-	14,414
-	-	-	(309)
27,197	-	-	867,726
27,197	605,191	39,672	1,922,783
\$ 27,197	\$ 605,191	\$ 39,672	\$ 2,711,661

Charter Township of Independence

	Various	Special Revenue Funds				Debt Service Funds
	Special Assessments	Pension Stabilization	Community Development Block Grant	Cable TV	Energy Efficiency Community Block Grant	Debt Service
Revenue						
Federal grants	\$ -	\$ -	\$ 32,801	\$ -	\$ -	\$ -
State-shared revenue and grants	-	-	-	-	2,500	-
Interest and rentals	76,320	-	-	949	-	125
Other revenue:						
Special assessments	99,094	-	-	-	-	-
PEG fees	-	-	-	202,904	-	-
Other miscellaneous income	-	-	-	-	-	-
Total revenue	175,414	-	32,801	203,853	2,500	125
Expenditures - Current						
Community and economic development	-	-	43,377	-	-	-
Recreation and culture	-	-	-	119,104	-	-
Capital outlay	-	-	-	-	5,441	-
Debt service	76,078	-	-	-	-	-
Total expenditures	76,078	-	43,377	119,104	5,441	-
Other Financing Sources -						
Transfers in	-	-	-	126,520	-	-
Net Change in Fund Balances	99,336	-	(10,576)	211,269	(2,941)	125
Fund Balances (Deficit) - Beginning of year	901,744	6,254	(28,961)	69,218	-	5,255
Fund Balances (Deficit) - End of year	<u>\$ 1,001,080</u>	<u>\$ 6,254</u>	<u>\$ (39,537)</u>	<u>\$ 280,487</u>	<u>\$ (2,941)</u>	<u>\$ 5,380</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances (Deficit)
Nonmajor Governmental Funds
Year Ended December 31, 2010

Capital Projects Fund	Permanent Funds		Total Nonmajor Governmental Funds
	Lakeview Cemetery Trust	Sashabaw Plains Cemetery Trust	
\$ -	\$ -	\$ -	\$ 32,801
-	-	-	2,500
187	13,193	-	90,774
-	-	-	99,094
-	-	-	202,904
-	8,480	-	8,480
<u>187</u>	<u>21,673</u>	<u>-</u>	<u>436,553</u>
-	-	-	43,377
-	-	-	119,104
-	-	-	5,441
-	-	-	76,078
<u>-</u>	<u>-</u>	<u>-</u>	<u>244,000</u>
<u>20,000</u>	<u>-</u>	<u>-</u>	<u>146,520</u>
20,187	21,673	-	339,073
<u>7,010</u>	<u>583,518</u>	<u>39,672</u>	<u>1,583,710</u>
<u>\$ 27,197</u>	<u>\$ 605,191</u>	<u>\$ 39,672</u>	<u>\$ 1,922,783</u>

Charter Township of Independence

	Baycourt	Bowpointe	Bowpointe	Curtis Lane	Cranberry Pointe Lights
	Capital	Capital	Debt	Capital	Capital
	Projects	Projects	Service	Projects	Projects
Assets					
Cash and investments	\$ 214,984	\$ 57,916	\$ (5,689)	\$ 41,781	\$ 1,385
Receivables - Net:					
Special assessments	-	-	-	-	-
Property taxes and other	-	-	-	2,510	622
Assets held for resale	-	-	-	-	-
Total assets	<u>\$ 214,984</u>	<u>\$ 57,916</u>	<u>\$ (5,689)</u>	<u>\$ 44,291</u>	<u>\$ 2,007</u>
Liabilities and Fund Balances (Deficit)					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	279	-
Total liabilities	-	-	-	279	-
Fund Balances (Deficit)					
Reserved - Debt service	-	-	-	-	-
Unreserved - Reported in:					
Debt Service Funds	-	-	(5,689)	-	-
Capital Projects Funds	214,984	57,916	-	44,012	2,007
Total fund balances (deficit)	<u>214,984</u>	<u>57,916</u>	<u>(5,689)</u>	<u>44,012</u>	<u>2,007</u>
Total liabilities and fund balances (deficit)	<u>\$ 214,984</u>	<u>\$ 57,916</u>	<u>\$ (5,689)</u>	<u>\$ 44,291</u>	<u>\$ 2,007</u>

**Other Supplemental Information
Special Assessment Schedules
Balance Sheet
December 31, 2010**

Deerwood Manors Capital Projects	Deerwood 8 and 9 Capital Projects	Deerwood Deerwood Capital Projects	Eastview/ Westview Debt Service	Flemings Lake Capital Projects	Rohr Road Debt Service	Sashabaw Road Debt Service	Sashabaw Drain Capital Projects
\$ 22,656	\$ 12,439	\$ 4,974	\$ 4,076	\$ 301,237	\$ 812	\$ (56,126)	\$ (212,108)
-	-	-	-	47,913	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	56,126	212,102
\$ 22,656	\$ 12,439	\$ 4,974	\$ 4,076	\$ 349,150	\$ 812	\$ -	\$ (6)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 175
-	-	-	-	47,913	-	-	-
-	-	-	-	47,913	-	-	175
-	-	-	4,076	-	812	-	-
-	-	-	-	-	-	-	-
22,656	12,439	4,974	-	301,237	-	-	(181)
22,656	12,439	4,974	4,076	301,237	812	-	(181)
\$ 22,656	\$ 12,439	\$ 4,974	\$ 4,076	\$ 349,150	\$ 812	\$ -	\$ (6)

Charter Township of Independence

	Sashabaw Drain	Silverman- Sashabaw	Silverman- Sashabaw II	Simler Drive	Thendara Road
	Debt Service	Capital Projects	Capital Projects	Capital Projects	Debt Service
Assets					
Cash and investments	\$ 92,523	\$ (203,704)	\$ -	\$ 150,435	\$ (51)
Receivables - Net:					
Special assessments	358,653	149,662	7,369	-	51
Property taxes and other	59,930	90,545	4,458	-	-
Other assets	-	-	-	-	-
Total assets	<u>\$ 511,106</u>	<u>\$ 36,503</u>	<u>\$ 11,827</u>	<u>\$ 150,435</u>	<u>\$ -</u>
Liabilities and Fund Balances (Deficit)					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	359,892	240,207	11,827	-	-
Total liabilities	359,892	240,207	11,827	-	-
Fund Balances (Deficit)					
Reserved - Debt service	151,214	-	-	-	-
Unreserved - Reported in:					
Debt Service Funds	-	-	-	-	-
Capital Projects Funds	-	(203,704)	-	150,435	-
Total fund balances (deficit)	151,214	(203,704)	-	150,435	-
Total liabilities and fund balances (deficit)	<u>\$ 511,106</u>	<u>\$ 36,503</u>	<u>\$ 11,827</u>	<u>\$ 150,435</u>	<u>\$ -</u>

**Other Supplemental Information
Special Assessment Schedules
Balance Sheet (Continued)
December 31, 2010**

Townsend	Woodhull	Special Assessment	Walters Lake Board	Total
Capital Projects	Capital Projects	Debt Service	Capital Projects	Special Assessments
\$ 19,481	\$ 42,942	\$ 10,138	\$ 155,245	\$ 655,346
20,392	-	-	-	584,040
4,583	-	-	14,999	177,647
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>268,228</u>
<u>\$ 44,456</u>	<u>\$ 42,942</u>	<u>\$ 10,138</u>	<u>\$ 170,244</u>	<u>\$ 1,685,261</u>
\$ -	\$ -	\$ -	\$ 1,874	\$ 2,049
<u>24,058</u>	<u>100</u>	<u>-</u>	<u>(2,144)</u>	<u>682,132</u>
24,058	100	-	(270)	684,181
-	-	10,138	-	166,240
-	-	-	-	(5,689)
<u>20,398</u>	<u>42,842</u>	<u>-</u>	<u>170,514</u>	<u>840,529</u>
<u>20,398</u>	<u>42,842</u>	<u>10,138</u>	<u>170,514</u>	<u>1,001,080</u>
<u>\$ 44,456</u>	<u>\$ 42,942</u>	<u>\$ 10,138</u>	<u>\$ 170,244</u>	<u>\$ 1,685,261</u>

Charter Township of Independence

	Baycourt Capital Projects	Bowpointe Capital Projects	Bowpointe Debt Service	Curtis Lane Capital Projects	Cranberry Pointe Lights Capital Projects
Revenue					
Special assessments	\$ -	\$ -	\$ -	\$ 5,496	\$ -
Interest and rentals	<u>4,994</u>	<u>1,345</u>	<u>2,358</u>	<u>779</u>	<u>-</u>
Total revenue	4,994	1,345	2,358	6,275	-
Expenditures - Debt service	<u>-</u>	<u>-</u>	<u>41,120</u>	<u>-</u>	<u>-</u>
Excess of Revenue Over (Under) Expenditures	4,994	1,345	(38,762)	6,275	-
Fund Balances (Deficit) - Beginning of year, as adjusted	<u>209,990</u>	<u>56,571</u>	<u>33,073</u>	<u>37,737</u>	<u>2,007</u>
Fund Balances (Deficit) - End of year	<u>\$ 214,984</u>	<u>\$ 57,916</u>	<u>\$ (5,689)</u>	<u>\$ 44,012</u>	<u>\$ 2,007</u>

**Other Supplemental Information
Special Assessment Schedules
Consolidating Statement of Revenue, Expenditures, and
Changes in Fund Balances (Deficit)
Year Ended December 31, 2010**

Deerwood Manors	Deerwood 8 and 9	Deerwood	Eastview/ Westview	Flemings Lake	Rohr Road	Sashabaw Road	Sashabaw Drain
Capital Projects	Capital Projects	Capital Projects	Debt Service	Capital Projects	Debt Service	Debt Service	Capital Projects
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>532</u>	<u>292</u>	<u>107</u>	<u>95</u>	<u>6,999</u>	<u>19</u>	<u>-</u>	<u>-</u>
532	292	107	95	6,999	19	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
532	292	107	95	6,999	19	-	-
<u>22,124</u>	<u>12,147</u>	<u>4,867</u>	<u>3,981</u>	<u>294,238</u>	<u>793</u>	<u>-</u>	<u>(181)</u>
<u>\$ 22,656</u>	<u>\$ 12,439</u>	<u>\$ 4,974</u>	<u>\$ 4,076</u>	<u>\$ 301,237</u>	<u>\$ 812</u>	<u>\$ -</u>	<u>\$ (181)</u>

Charter Township of Independence

	Sashabaw Drain	Silverman- Sashabaw	Silverman- Sashabaw II	Simler Drive	Thendara Road
	Debt Service	Capital Projects	Capital Projects	Capital Projects	Debt Service
Revenue					
Special assessments	\$ 53,507	\$ 70,557	\$ -	\$ -	\$ -
Interest and rentals	<u>25,569</u>	<u>19,901</u>	<u>-</u>	<u>4,327</u>	<u>-</u>
Total revenue	79,076	90,458	-	4,327	-
Expenditures - Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenue Over (Under) Expenditures	79,076	90,458	-	4,327	-
Fund Balances (Deficit) - Beginning of year	<u>72,138</u>	<u>(294,162)</u>	<u>-</u>	<u>146,108</u>	<u>-</u>
Fund Balances (Deficit) - End of year	<u>\$ 151,214</u>	<u>\$ (203,704)</u>	<u>\$ -</u>	<u>\$ 150,435</u>	<u>\$ -</u>

Charter Township of Independence

Other Supplemental Information Special Assessment Schedules Consolidating Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) (Continued) Year Ended December 31, 2010

Townsend	Woodhull	Special Assessment	Walters Lake Board	Total
Capital Projects	Capital Projects	Debt Service	Capital Projects	Special Assessments
\$ 14,141	\$ -	\$ -	\$ (44,607)	\$ 99,094
<u>3,237</u>	<u>966</u>	<u>236</u>	<u>4,564</u>	<u>76,320</u>
17,378	966	236	(40,043)	175,414
<u>34,958</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,078</u>
(17,580)	966	236	(40,043)	99,336
<u>37,978</u>	<u>41,876</u>	<u>9,902</u>	<u>210,557</u>	<u>901,744</u>
<u>\$ 20,398</u>	<u>\$ 42,842</u>	<u>\$ 10,138</u>	<u>\$ 170,514</u>	<u>\$ 1,001,080</u>

Charter Township of Independence

Other Supplemental Information Statement of Assets and Liabilities Fiduciary Funds December 31, 2010

	Agency Funds		
	Trust and Agency - Taxes	Trust and Agency	Total Agency Funds
Assets			
Cash and cash equivalents	\$ 643,311	\$ 829,127	\$ 1,472,438
Delinquent taxes receivable	-	78,673	78,673
Total assets	<u>\$ 643,311</u>	<u>\$ 907,800</u>	<u>\$ 1,551,111</u>
Liabilities			
Due to other governmental units	\$ 643,041	-	\$ 643,041
Accrued and other liabilities	270	47,001	47,271
Cash bonds and deposits	-	860,799	860,799
Total liabilities	<u>\$ 643,311</u>	<u>\$ 907,800</u>	<u>\$ 1,551,111</u>