

**CHARTER TOWNSHIP OF
CHOCOLAY, MICHIGAN**

AUDITED FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Charter Township of Chocolay, Michigan
5010 US Highway 41 South
Marquette, Michigan 49855

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Chocolay, Michigan, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Charter Township of Chocolay, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Chocolay, Michigan, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Chocolay, Michigan's basic financial statements. The individual major and non-major fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual and Fiduciary Funds Combining Statement of Net Position are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual major and non-major fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual and Fiduciary Funds Combining Statement of Net Position are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual major and non-major fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual and Fiduciary Funds Combining Statement of Net Position are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Board of Trustees of the
Charter Township of Chocolay, Michigan

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2015 on our consideration of the Charter Township of Chocolay, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Charter Township of Chocolay, Michigan's internal control over financial reporting and compliance.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

March 31, 2015

Charter Township of Chocolay, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Charter Township of Chocolay, Michigan's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2014. Please read it in conjunction with the financial statements, as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- Net position for the Township as a whole increased by \$165,098 as a result of this year's operations. Net position of our business-type activities increased by \$39,603, or 3 percent, and net position of our governmental activities increased by \$125,495, or 2 percent.
- During the year, the Township had expenses for governmental activities that were \$1,892,769 and expenses for business-type activities that were \$234,376.
- The General Fund reported a fund balance of \$1,146,665. The increase in fund balance was \$189,139 higher than the forecasted decrease of \$164,300.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities as listed in the table of contents provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start as listed in the table of contents. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds.

The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Reporting the Township as a Whole

Our analysis of the Township as a whole begins as listed on the table of contents. One of the most important questions asked about the Township's finances is "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include *all* assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements present financial information on all of the Township's assets/deferred outflows of resources and liabilities/deferred inflows of resources with the difference reported as net position. Over time, *increases* or *decreases* in the Township's net position are one indicator

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's patron base and the condition of the Township's capital assets, to assess the *overall financial health* of the Township.

In the Statement of Position and the Statement of Activities, we divide the Township into two kinds of activities:

- **Governmental Activities** – Most of the Township's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- **Business-Type Activities** – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Wastewater Treatment operations are reported here.

Reporting the Township's Most Significant Funds

Our analysis of the Township's major funds begins in the section entitled "The Township as a Whole". The fund financial statements begin as listed in the table of contents and provide detailed information on the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The Township's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- **Governmental Funds** – Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- **Proprietary Funds** – When the Township charges customers for the services it provides – whether to outside customers or to other units of the Township – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Township's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The Township as Trustee

The Township is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Position as listed in the Table of Contents. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Township as a Whole

Table 1 provides a summary of the Township's net position as of December 31, 2014 and 2013.

Table 1
Net Position

	Governmental Activities – 2014	Business-Type Activities – 2014	Total Primary Government – 2014	Total Primary Government – 2013
Current and other assets	\$2,318,995	\$1,919,610	\$4,238,605	\$3,842,536
Capital assets	5,099,228	458,345	5,557,573	5,742,959
Total Assets	<u>7,418,223</u>	<u>2,377,955</u>	<u>9,796,178</u>	<u>9,585,495</u>
Deferred outflows of resources	-	-	-	-
Current liabilities	59,989	4,566	64,555	196,992
Non-current liabilities	103,265	-	103,265	92,486
Total Liabilities	<u>163,254</u>	<u>4,566</u>	<u>167,820</u>	<u>289,478</u>
Deferred inflows of resources	1,194,138	-	1,194,138	1,026,895
Net Position:				
Net investment in				
capital assets	5,099,228	458,345	5,557,573	5,742,959
Restricted	(392,619)	-	(392,619)	914,035
Unrestricted	<u>1,354,222</u>	<u>1,915,044</u>	<u>3,269,266</u>	<u>1,612,128</u>
Total Net Position	<u>\$6,060,831</u>	<u>\$2,373,389</u>	<u>\$8,434,220</u>	<u>\$8,269,122</u>

Net Position of the Township's governmental activities stood at \$6,060,831. *Unrestricted* net position—the part of net position that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$1,354,222.

The \$1,354,222 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net position of our business-type activities stood at \$2,373,389. The Township can generally only use the net position to finance continuing operations of the Wastewater Treatment Facility operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The results of this year's operations for the Township as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net position for fiscal year 2014 and 2013.

**Table 2
Change in Net Position**

	Governmental Activities – 2014	Business-Type Activities – 2014	Total Primary Government – 2014	Total Primary Government – 2013
Revenues				
Program Revenues:				
Charges for services	\$255,947	\$267,667	\$523,614	\$484,162
Operating grants and contributions	15,665	-	15,665	16,237
Capital grants and contributions	26,329	-	26,329	83,569
General Revenues:				
Property taxes	1,227,667	-	1,227,667	1,062,019
State sources	447,897	-	447,897	442,177
Interest	9,924	6,312	16,236	21,025
Miscellaneous	34,835	-	34,835	26,718
Total Revenues	2,018,264	273,979	2,292,243	2,135,987
Program Expenses:				
Legislative	71,459	-	71,459	86,697
General services and administration	336,641	-	336,641	324,043
Public safety	502,044	-	502,044	554,615
Public works	140,802	-	140,802	349,346
Community and economic development	60,449	-	60,449	56,372
Recreation and culture	315,282	-	315,282	173,869
Other	331,592	-	331,592	309,873
Capital outlay	134,500	-	134,500	26,791
Wastewater treatment	-	234,376	234,376	239,572
Total Expenses	1,892,769	267,667	2,127,145	2,121,178
Excess (deficiency) before transfers	125,495	39,603	165,098	14,809
Transfers	-	-	-	-
Increase (decrease) in net position	125,495	39,603	165,098	14,809
Net Position, Beginning	5,935,336	2,333,786	8,269,122	8,254,313
Net Position, Ending	\$6,060,831	\$2,373,389	\$8,434,220	\$8,269,122

The Township's total revenues were \$2,292,243. The total cost of all programs and services was \$2,127,145, leaving an increase in net position of \$165,098. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

The Governmental Type activities had a net increase of \$125,495, which is made up of net gain of \$266,999 from the governmental funds less \$130,725 of net expenses relating to capital assets, and an additional decrease of \$10,779 relating to the change in compensated absences.

Business-type Activities

During the year ended December 31, 2014, the net position of the Township's business-type activities increased by \$39,603.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The net increase of \$39,603 is due primarily to a gain in the investment of the Wastewater Treatment Facility of \$32,134.

Table 3 presents the cost of each of the three largest programs, General Services and Administration, Public Safety, and Public Works, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each program placed on the Township's operation.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
Public safety	\$502,044	\$486,379
Recreation and culture	315,282	31,2825
Other	331,592	331,592

THE TOWNSHIP'S FUNDS

As the Township completed the year, its governmental funds (as presented in the balance sheet as listed in the table of contents) reported a *combined* fund balance of \$1,064,868 which is an increase of \$266,999 from the beginning of the year.

The governmental funds had a net gain of \$266,999 which was made up by: a \$24,839 gain in the General Fund due to conservative budgeting, a \$312 loss in the Road Fund due to no additional property taxes being levied, a \$311,251 gain in the Fire Fund due to the property tax millage for the construction of a new fire hall, a \$68,779 loss in the Capital Projects Fund due to a \$134,500 capital outlay.

General Fund Budgetary Highlights

Over the course of the year, the Township Board revised the budget. Amendments resulted in a net increase of \$-0-. With these adjustments, actual charges to expenditures were \$181,058 less than the final amended budget. Similarly, actual revenues were \$8,081 more than the final budget projection.

The positive difference between the final budget and actual revenues of \$8,081 was due to overall conservative budgeting.

The positive difference between the final budget and actual expenditures of \$181,058 was due to overall conservative spending and insurance savings. Other General Government was \$58,908 less than budget due to lower fringe benefit costs. The additional \$122,150 positive variance was due to across the board immaterial differences.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2014, the Township had \$5,557,573 invested in a variety of capital assets including land, buildings, and other equipment. (See Table 4 below)

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities – 2014	Business-Type Activities – 2014	Total Primary Government – 2014	Total Primary Government – 2013
Land	\$190,000	\$5,555	\$195,555	\$195,555
Construction in progress	20,000	-	20,000	20,000
Land improvements	2,032,719	-	2,032,719	2,113,268
Buildings and improvements	2,742,098	448,590	3,190,688	3,322,718
Equipment and furnishings	114,411	4,200	118,611	91,418
	<u>\$5,099,228</u>	<u>\$458,345</u>	<u>\$5,557,573</u>	<u>\$5,742,959</u>

Capital Asset additions in the current year were \$76,216 for various equipment purchases. Depreciation expense was recorded for \$206,941 for governmental activities and \$54,661 for business-type activities. Disposals consisted of net book value of \$-0- for a completely depreciated plow truck.

Debt

At year-end, the Township had \$-0- in bonds and notes outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the Township's budget for the year ending December 31, 2015 we anticipate a normal increase in expenditures being offset by normal increases in revenue.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors 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 financial information, contact the Charter Township of Chocolay, 5010 US Highway 41 South, Marquette, MI 49855.

Charter Township of Chocolay, Michigan

STATEMENT OF NET POSITION

December 31, 2014

	Primary Government		Total
	Governmental Activities	Business - Type Activities	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,561,701	\$ 873,749	\$ 2,435,450
Receivables	1,227,670	103,522	1,331,192
Internal balances	(495,000)	495,000	-
Prepaid expense	24,624	751	25,375
Non-current Assets:			
Investment in treatment facility	-	446,588	446,588
Capital Assets			
Land and construction in progress	210,000	5,555	215,555
Other capital assets, net	4,889,228	452,790	5,342,018
Total Capital Assets	5,099,228	458,345	5,557,573
TOTAL ASSETS	7,418,223	2,377,955	9,796,178
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
LIABILITIES			
Current Liabilities:			
Accounts payable	19,930	1,614	21,544
Accrued liabilities	40,059	2,952	43,011
Security deposits	-	-	-
Non-current Liabilities:			
Portion due or payable within one year			
Bonds payable	-	-	-
Compensated absences	25,816	-	25,816
Portion due or payable after one year			
Bonds payable	-	-	-
Compensated absences	77,449	-	77,449
TOTAL LIABILITIES	163,254	4,566	167,820
DEFERRED INFLOWS OF RESOURCES			
Taxes levied for a subsequent period	1,194,138	-	1,194,138
TOTAL DEFERRED INFLOWS OF RESOURCES	1,194,138	-	1,194,138
NET POSITION			
Net investment in capital assets	5,099,228	458,345	5,557,573
Restricted	(392,619)	-	(392,619)
Unrestricted	1,354,222	1,915,044	3,269,266
TOTAL NET POSITION	\$ 6,060,831	\$ 2,373,389	\$ 8,434,220

The accompanying notes are an integral part of these financial statements.

Charter Township of Chocolay, Michigan

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2014

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Legislative	\$ 71,459	\$ -	\$ -	\$ -	\$ (71,459)	\$ -	\$ (71,459)
General services and administration	336,641	88,148	-	-	(248,493)	-	(248,493)
Public safety	502,044	-	15,665	-	(486,379)	-	(486,379)
Public works	140,802	167,799	-	-	26,997	-	26,997
Community and economic development	60,449	-	-	-	(60,449)	-	(60,449)
Recreation and culture	315,282	-	-	-	(315,282)	-	(315,282)
Other	331,592	-	-	-	(331,592)	-	(331,592)
Capital outlay	134,500	-	-	26,329	(108,171)	-	(108,171)
Total Governmental Activities	1,892,769	255,947	15,665	26,329	(1,594,828)	-	(1,594,828)
Business-Type Activities:							
Wastewater treatment	234,376	267,667	-	-	-	33,291	33,291
Total Business-Type Activities	234,376	267,667	-	-	-	33,291	33,291
TOTAL PRIMARY GOVERNMENT	\$ 2,127,145	\$ 523,614	\$ 15,665	\$ 26,329	(1,594,828)	33,291	(1,561,537)
General Revenues:							
Taxes					1,227,667	-	1,227,667
Unrestricted State sources					447,897	-	447,897
Interest and investment earnings					9,924	6,312	16,236
Miscellaneous					34,835	-	34,835
Transfers					-	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					1,720,323	6,312	1,726,635
CHANGE IN NET POSITION					125,495	39,603	165,098
Net position, beginning of year					5,935,336	2,333,786	8,269,122
NET POSITION, END OF YEAR					\$ 6,060,831	\$ 2,373,389	\$ 8,434,220

The accompanying notes are an integral part of these financial statements.

Charter Township of Chocoley, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

December 31, 2014

	General Fund	Road Fund	Fire Fund	Capital Improvement Fund	Non-major		Total Governmental Funds
					Drug Law Enforcement Fund	Library Millage Fund	
ASSETS							
Cash and cash equivalents	\$ 618,049	\$ 774	\$ 125,385	\$ 815,032	\$ 2,461	\$ -	\$ 1,561,701
Receivables	157,346	-	-	-	-	-	157,346
Taxes receivable	647,370	1,031	289,326	-	-	129,597	1,067,324
Due from other funds	3,000	-	-	-	-	-	3,000
Advance due from other funds	495,000	-	-	-	-	-	495,000
Prepaid expense	9,210	-	-	-	-	15,414	24,624
TOTAL ASSETS	1,929,975	1,805	414,711	815,032	2,461	145,011	3,308,995
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,929,975	\$ 1,805	\$ 414,711	\$ 815,032	\$ 2,461	\$ 145,011	\$ 3,308,995
LIABILITIES							
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	18,980	-	950	-	-	-	19,930
Accrued payroll and related	40,059	-	-	-	-	-	40,059
Advance due to other funds	-	-	990,000	-	-	-	990,000
TOTAL LIABILITIES	59,039	-	990,950	-	-	-	1,049,989
DEFERRED INFLOWS OF RESOURCES							
Taxes levied for a subsequent period	724,271	1,031	323,825	-	-	145,011	1,194,138
TOTAL DEFERRED INFLOWS OF RESOURCES	724,271	1,031	323,825	-	-	145,011	1,194,138
FUND BALANCE							
Non-spendable	504,210	-	-	-	-	15,414	519,624
Restricted	-	774	(900,064)	-	2,461	(15,414)	(912,243)
Committed	-	-	-	815,032	-	-	815,032
Assigned	-	-	-	-	-	-	-
Unassigned	642,455	-	-	-	-	-	642,455
TOTAL FUND BALANCE	1,146,665	774	(900,064)	815,032	2,461	-	1,064,868
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 1,929,975	\$ 1,805	\$ 414,711	\$ 815,032	\$ 2,461	\$ 145,011	\$ 3,308,995

The accompanying notes are an integral part of these financial statements.

Charter Township of Chocolay, Michigan

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

December 31, 2014

Total Fund Balances for Governmental Funds **\$ 1,064,868**

*Amounts reported for governmental activities in the statement
of net position are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 5,099,228

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Current portion of compensated absences	\$ 25,816	
Compensated absences	77,449	
Bonds payable	<u>-</u>	<u>(103,265)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 6,060,831**

The accompanying notes are an integral part of these financial statements.

Charter Township of Choccolay, Michigan

GOVERNMENTAL FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 2014

	General Fund	Road Fund	Fire Fund	Capital Improvement Fund	Non-Major		Total Governmental Funds
					Drug Law Enforcement Fund	Library Millage Fund	
REVENUES:							
Taxes	\$ 769,205	\$ (312)	\$ 316,836	\$ -	\$ -	\$ 141,938	\$ 1,227,667
Licenses and permits	6,502	-	-	-	-	-	6,502
Federal sources	-	-	-	-	-	-	-
State sources	463,562	-	-	-	-	-	463,562
Local sources	-	-	-	26,329	-	-	26,329
Charges for services	249,445	-	-	-	-	-	249,445
Interest	5,732	-	-	4,192	-	-	9,924
Other	33,635	-	-	1,200	-	-	34,835
TOTAL REVENUES	1,528,081	(312)	316,836	31,721	-	141,938	2,018,264
EXPENDITURES:							
Current operations:							
Legislative	71,459	-	-	-	-	-	71,459
General services and administration	295,858	-	-	-	-	-	295,858
Public safety	453,297	-	5,585	-	-	-	458,882
Public works	168,491	-	-	-	-	-	168,491
Community and economic development	60,449	-	-	-	-	-	60,449
Recreation and culture	88,096	-	-	-	-	141,938	230,034
Other	331,592	-	-	-	-	-	331,592
Capital outlay	-	-	-	134,500	-	-	134,500
TOTAL EXPENDITURES	1,469,242	-	5,585	134,500	-	141,938	1,751,265
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	58,839	(312)	311,251	(102,779)	-	-	266,999
OTHER FINANCING SOURCES (USES):							
Transfers in	-	-	-	34,000	-	-	34,000
Transfers (out)	(34,000)	-	-	-	-	-	(34,000)
TOTAL OTHER FINANCING SOURCES (USES)	(34,000)	-	-	34,000	-	-	-
CHANGE IN FUND BALANCE	24,839	(312)	311,251	(68,779)	-	-	266,999
Fund balance, beginning of year	1,121,826	1,086	(1,211,315)	883,811	2,461	-	797,869
FUND BALANCE, END OF YEAR	\$ 1,146,665	\$ 774	\$ (900,064)	\$ 815,032	\$ 2,461	\$ -	\$ 1,064,868

The accompanying notes are an integral part of these financial statements.

Charter Township of Chocolay, Michigan

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 266,999

*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, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 76,216		
Depreciation expense	(206,941)		
Gain (loss) on disposal	-		(130,725)

Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position.

-

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(10,779)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 125,495

The accompanying notes are an integral part of these financial statements.

Charter Township of Chocolay, Michigan

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

December 31, 2014

	Business - Type Activities Enterprise Funds Wastewater Treatment Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 873,749
Accounts receivable	103,522
Advance due from other funds	495,000
Prepaid expense	751
Non-current Assets:	
Investment in wastewater treatment facility	446,588
Capital assets:	
Land and construction in progress	5,555
Other capital assets, net	452,790
Total Capital Assets	<u>904,933</u>
TOTAL ASSETS	<u>2,377,955</u>
DEFERRED OUTFLOWS OF RESOUCES	<u>-</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	1,614
Accrued payroll and related liabilities	2,952
Security deposits	-
Non-current Liabilities:	
Portion due or payable within one year	
Bond payable	-
Portion due or payable after one year	
Bond payable	-
TOTAL LIABILITIES	<u>4,566</u>
DEFERRED INFLOWS OF RESOUCES	<u>-</u>
NET POSITION	
Net investment in capital assets	458,345
Restricted	-
Unrestricted	1,915,044
TOTAL NET POSITION	<u><u>\$ 2,373,389</u></u>

The accompanying notes are an integral part of these financial statements.

Charter Township of Chocolay, Michigan

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2014

	Business - Type Activities Enterprise Funds Wastewater Treatment Fund
OPERATING REVENUES:	
Charges for services, net	\$ 266,998
Miscellaneous income	669
	<hr/>
TOTAL OPERATING REVENUES	267,667
	<hr/>
OPERATING EXPENSES:	
Personnel services	82,448
Supplies	5,486
Other services and charges	123,915
Depreciation	54,661
	<hr/>
TOTAL OPERATING EXPENSES	266,510
	<hr/>
OPERATING INCOME (LOSS)	1,157
	<hr/>
NON-OPERATING REVENUES (EXPENSES):	
Investment income	6,312
Gain (loss) on investment in wastewater treatment facility	32,134
Interest expense	-
	<hr/>
TOTAL NON-OPERATING REVENUES (EXPENSES)	38,446
	<hr/>
CHANGE IN NET POSITION	39,603
	<hr/>
Net position, beginning of year	2,333,786
	<hr/>
NET POSITION, END OF YEAR	\$ 2,373,389
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

Charter Township of Chocolay, Michigan

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2014

	Business - Type Activities Enterprise Funds Wastewater Treatment Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from charges for services	\$ 261,919
Other operating revenue	670
Cash payments to employees for services and fringe benefits	(82,250)
Cash payments to suppliers for goods and services	<u>(158,112)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>22,227</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Cash payments for capital assets	-
Gain (loss) on investment in wastewater treatment facility	-
Interest payments on bonds	-
Principal payments on bonds	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	6,312
(Additions) deductions to advances to other funds	105,000
(Additions) deductions to restricted assets	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>111,312</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	133,539
Cash and cash equivalents, beginning of year	<u>740,210</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 873,749</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	<u>\$ 1,157</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	54,661
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(5,079)
(Increase) decrease in prepaid expense	89
Increase (decrease) in accounts payable	(28,799)
Increase (decrease) in accrued payroll and related liabilities	198
NET ADJUSTMENTS	<u>21,070</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 22,227</u></u>

The accompanying notes are an integral part of these financial statements.

Charter Township of Chocolay, Michigan

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

December 31, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 43,467
TOTAL ASSETS	<u>\$ 43,467</u>
LIABILITIES	
Due to others	\$ 40,467
Due to other funds	<u>3,000</u>
TOTAL LIABILITIES	<u>\$ 43,467</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Township have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

REPORTING ENTITY

The Township's financial statements present the Township (the primary government). In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Township may or may not be financially accountable and, as such, be includable within the Township's financial statements.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. The Township's Wastewater Treatment Facility is classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net position resulting from the current year's activities. For the most part, the effect of inter-fund activities has been removed from these statements.

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:

- ***General Fund*** – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- ***Road Fund*** – Road Fund is a Special Revenue Fund Type used to account for financial resources to be used for the expenditures related to road improvement.
- ***Fire Fund*** – Fire Fund is a Special Revenue Fund type used to account for financial resources to be used for the expenditures related to fire protection services.
- ***Drug Law Enforcement Fund*** – Drug Law Enforcement Fund is a Special Revenue Fund type used to account for financial resources to be used for the expenditures related to drug forfeitures.
- ***Capital Improvement Fund*** – Capital Improvement Fund is used to account for financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by business-type/proprietary funds).

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Township:

- ***Enterprise Funds*** – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

Major Funds

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The Township reports the following major governmental funds:

- 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.
- The **Road Fund** is a Special Revenue Fund Type used to account for financial resources to be used for the expenditures related to road improvement.
- The **Fire Fund** is a Special Revenue Fund Type used to account for financial resources to be used for the expenditures related to the Fire Department Building.
- The **Capital Improvement Fund** is a Capital Projects Fund Type used to account for the purchase of capital assets of the Township.

The Township reports the following major proprietary funds:

- The **Wastewater Treatment Fund** accounts for the management of wastewater treatment services including billing, maintenance and construction.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Township Supervisor submits to the Township Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least one formal public hearing conducted at the Township Hall to obtain taxpayer comment.
- c. Pursuant to statute, prior to December 31 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Chocolay Township Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Township Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.

- a. The Charter Township of Chocolay adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Budgetary controls exist at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.

- b. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Township Board of Trustees.

Cash Equivalents and Investments – For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

Interfund Activity – Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township has assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	15 years
Building, structures and improvements	40 years
Equipment	5 years
Water and Sewage System	20-50 years
Vehicles	5 years

Deferred Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(expense/expenditure) until then. The government does not have any items that qualify for reporting in this category.

Long-Term Liabilities – In the government-wide financial statements and 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 and business-type activities or proprietary fund type statement of net position.

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 issuance are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs whether or not withheld from the actual debt received, are reported as debt service.

Deferred Inflows of Resources – In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item that qualifies for reporting in this category. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available. In addition, deferred inflows of resources are reported in the government-wide and governmental fund financial statements for property taxes levied during the year that were intended to finance future periods.

Compensated Absences – The Township accrues accumulated unpaid vacation and sick leave days and associated employee-related costs when earned (or estimated to be earned) by the employee. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Property Taxes – Property taxes are levied as of December 1 of each year and are due by the last day of the following February. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Subsequent Events – Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through March 31, 2015, which is the date of the accompanying independent auditor's report and the date the financial statements were available to be issued.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government from the Statement of Net Position:

	Primary Government	Fiduciary Funds	Total
Unrestricted:			
Cash and cash equivalents	\$2,435,450	\$43,467	\$2,478,917
Investments	-	-	-
Subtotal	<u>2,435,450</u>	<u>43,467</u>	<u>2,478,917</u>
Restricted:			
Cash and cash equivalents	-	-	-
Investments	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>
TOTALS	<u>\$2,435,450</u>	<u>\$43,467</u>	<u>\$2,478,917</u>

Custodial Credit Risk – 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. State law does not require and the Township does not have a deposit policy for custodial credit risk. The carrying amounts of the primary government and fiduciary fund's deposits with financial institutions were \$2,478,917 and the bank balance was \$3,762,349. The bank balance is categorized as follows:

Amount insured by the FDIC:	\$2,403,877
Amount collateralized with securities held by the pledging financial institutions trust department in the Township's name:	-
Uncollateralized and uninsured:	<u>1,358,472</u>
TOTAL	<u>\$3,762,349</u>

Investments

As of December 31, 2014, the Township did not have any investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Township's investments. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the Township to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The Township has no investment policy that would further limit its investment choices. The Township’s investments are rated as noted above. Ratings are not required for the Township’s investment in equity-type funds. The Township’s investments are in accordance with statutory authority.

Concentration of Credit Risk

The Township places no limit on the amount the Township may invest in any one issuer.

NOTE C – ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE:

Receivables as of year-end for the government’s individual major funds, and major proprietary funds, including applicable allowances for uncollectible accounts, are as follows:

Type	Governmental Activities				Business-Type Activities		Total Primary Government
	General Fund	Road Fund	Fire Fund	Capital Improvement Fund	Library Millage Fund	Wastewater Treatment Fund	
A*	\$647,285	\$1,031	\$289,293	\$-	\$129,597	\$-	\$1,067,206
B*	-	-	-	-	-	-	-
C*	157,346	-	-	-	-	-	157,346
D*	-	-	-	-	-	103,522	103,522
E*	-	-	-	-	-	-	-
F*	85	-	33	-	-	-	118
Total	\$804,716	\$1,031	\$289,326	\$-	\$129,597	\$103,522	\$1,328,192

- | | | | |
|----|---------------------------------|----|---------------------------|
| A* | Property Taxes – Current | D* | Utilities Receivable |
| B* | Other | E* | Accrued Interest |
| C* | Due From Other Government Units | F* | Delinquent Property Taxes |

NOTE D – INTERFUND RECEIVABLE/PAYABLES AND TRANSFERS IN/OUT:

The Charter Township of Chocoday, Michigan reports interfund balances between its funds. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables are as follows:

NOTE D – INTERFUND RECEIVABLE/PAYABLES AND TRANSFERS IN/OUT (Continued):

		DUE FROM OTHER FUNDS	
		General Fund	Total Due To Other Funds
DUE TO OTHER FUNDS	Tax Collection Fund	\$2,000	\$2,000
	Trust & Agency Fund	1,000	1,000
	Total Due From Other Funds	<u>\$3,000</u>	<u>\$3,000</u>

All balances resulted from the time lag between the dates that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

		ADVANCE DUE FROM OTHER FUNDS		
		General Fund	Wastewater Treatment Fund	Total Advance Due To Other Funds
ADVANCE DUE TO OTHER FUNDS	Fire Fund	\$495,000	\$495,000	\$990,000
	Capital Improvement Fund	-	-	-
	Wastewater Treatment Fund	-	-	-
	Total Advance Due From Other Funds	<u>\$495,000</u>	<u>\$495,000</u>	<u>\$990,000</u>

Advances are inter-fund receivables and payables that are not expected to be paid back within one year. Advances can be used to internally finance activities between funds rather than seeking a loan from an outside lender.

		TRANSFERS OUT FROM OTHER FUNDS		
		General Fund	Capital Improvement Fund	Total Transfers In From Other Funds
TRANSFERS IN FROM OTHER FUNDS	Capital Improvement Fund	\$34,000	\$-	\$34,000
	Road Fund	-	-	-
	Fire Fund	-	-	-
	Total Transfers Out From Other Funds	<u>\$34,000</u>	<u>\$-</u>	<u>\$34,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service funds as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE E – CAPITAL ASSETS:

A summary of the capital assets of the Governmental Activities is as follows:

	Balance at January 1, 2014	Additions	Disposals	Balance at December 31, 2014
GOVERNMENTAL ACTIVITIES:				
Land	\$190,000	\$-	\$-	\$190,000
Construction in progress	20,000	-	-	20,000
Total Capital Assets, not being depreciated	210,000	-	-	210,000
Buildings and improvements	3,334,436	-	-	3,334,436
Land improvements	2,598,865	-	-	2,598,865
Furniture and equipment	1,317,197	76,216	(24,636)	1,368,777
Total Capital Assets being depreciated	7,250,498	76,216	(24,636)	7,302,078
Less Accumulated Depreciation:				
Buildings and improvements	(508,693)	(83,645)	-	(592,338)
Land improvements	(485,597)	(80,549)	-	(566,146)
Furniture and equipment	(1,236,255)	(42,747)	24,636	(1,254,366)
Total Accumulated Depreciation	(2,230,545)	(206,941)	24,636	(2,412,850)
Capital Assets, Net	\$5,229,953	(\$130,725)	\$-	\$5,099,228

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

General and Administrative	\$30,004
Public Safety	84,500
Public Works	7,189
Recreation and Culture	85,248
Total	\$206,941

A summary of changes in business-type activities capital assets is as follows:

	Balance at January 1, 2014	Additions	Disposals	Balance at December 31, 2014
BUSINESS-TYPE ACTIVITIES:				
Land	\$5,555	\$-	\$-	\$5,555
Total Capital Assets, not being depreciated	5,555	-	-	5,555
Buildings and improvements	2,121,368	-	-	2,121,368
Equipment	63,994	-	-	63,994
Total Capital Assets, being depreciated	2,185,362	-	-	2,185,362
Less Accumulated Depreciation:				
Buildings and improvements	(1,624,392)	(48,386)	-	(1,672,778)
Equipment	(53,519)	(6,275)	-	(59,794)
Total Accumulated Depreciation	(1,677,911)	(54,661)	-	(1,732,572)
Capital Assets, Net	\$513,006	(\$54,661)	\$-	\$458,345

NOTE E – CAPITAL ASSETS (Continued):

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-Type Activities:		
Wastewater Treatment Facility		\$54,661
Total		<u>\$54,661</u>

NOTE F – LONG-TERM DEBT:

The Township had \$-0- in long-term debt at December 31, 2014.

	Balance at January 1, 2014	Additions	Deductions	Balance at December 31, 2014	Due Within One Year
GOVERNMENTAL ACTIVITIES:					
None	\$-	\$-	\$-	\$-	\$-
SUBTOTAL	-	-	-	-	-
Accrued sick and vacation	92,486	10,779	-	103,265	25,816
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$92,486</u>	<u>\$10,779</u>	<u>\$-</u>	<u>\$103,265</u>	<u>\$25,816</u>

NOTE G – ACCUMULATED UNPAID VACATION AND SICK LEAVE:

Employees earn sick leave at the rate of one (1) day per month, not to exceed 12 days per year. During 1994 the Township adopted a payout provision stating that upon retirement, death, or disability, employees with one or more years of service shall be paid for 50% of their accumulated leave up to a maximum of 90 days at their current rate of pay.

Employees earn vacation leave at various schedules dependent upon their length of employment. Upon retirement, death, termination or disability, employees or their estates are paid for all outstanding vacation days accumulated at their current rate of pay.

The long-term portion of the liability applicable to the governmental fund types is reported in the Statement of Net Position. The Liability is recorded as follows:

	Sick Leave	Vacation	Total
GOVERNMENTAL ACTIVITIES:			
Governmental Activities	\$62,092	\$41,173	\$103,265
TOTAL	<u>\$62,092</u>	<u>\$41,173</u>	<u>\$103,265</u>

NOTE H – TAXES LEVIED FOR A SUBSEQUENT PERIOD:

Property taxes levied on December 1, 2014 have met all criteria related to revenue recognition except for time and as such are recorded as a deferred inflow of resources under GASB 65. The amount of taxes levied for a subsequent period is as follows:

General Fund	\$724,271
Road Fund	1,031
Fire Fund	323,825
Library Fund	145,011
TOTAL	<u>\$1,194,138</u>

NOTE I – FUND BALANCES – GOVERNMENTAL FUNDS:

As of December 31, 2014, fund balances of the governmental funds are classified as follows:

Non-spendable — amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees. The Board of Trustees is the highest level of decision-making authority for the Township. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Trustees.

Assigned — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Township’s adopted policy, only the Manager or the Board of Trustees may assign amounts for specific purposes.

Unassigned — all other spendable amounts.

As of December 31, 2014, fund balances are composed of the following:

	General Fund	Road Fund	Fire Fund	Capital Improvement Fund	Drug Law Enforcement Fund	Library Millage Fund	Total Governmental Funds
Non-spendable:							
Prepaid	\$9,210	\$-	\$-	\$-	\$-	\$15,414	\$24,624
Advances from other funds	495,000	-	-	-	-	-	495,000
Restricted:							
Tax Millage	-	774	89,936	-	-	(15,414)	75,296
Advances to other funds	-	-	(990,000)	-	-	-	(990,000)
Drug Law Enforcement	-	-	-	-	2,461	-	2,461
Committed:							
Future Projects	-	-	-	815,032	-	-	815,032
Unassigned	642,455	-	-	-	-	-	642,455
TOTAL FUND BALANCES	<u>\$1,146,665</u>	<u>\$774</u>	<u>(\$900,064)</u>	<u>\$815,032</u>	<u>\$2,461</u>	<u>\$-</u>	<u>\$1,064,868</u>

NOTE I – FUND BALANCES – GOVERNMENTAL FUNDS (Continued):

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Manager through amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Township considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Township considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

NOTE J – DEFERRED COMPENSATION PLAN:

The Township offers its employees deferred compensation Plans created in accordance with the Internal Revenue Code, Section 457. The Plans are available to all employees. The Plans permit them to defer a portion of their current earnings until the employee's termination, retirement, death or unforeseeable future.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and are no longer subject to the Township's general creditors. Therefore, the Plan is no longer presented in these statements.

The Plan's participants have the right to designate how the funds will be invested. Accordingly, the Township has no liability for losses under the Plan. The Plan's assets are held in trust for the exclusive benefit of the Plan's participants and their beneficiaries.

The Township's Plan is administered by Mid America Retirement Solutions (Boards and Fire Department), and as Plan Administrators, agree to hold harmless and indemnify the Board, its appointed and elected officers and participating employees from any loss resulting from Mid America or their agents' failure to perform their duties and services pursuant to the Mid America program.

NOTE K – DEFINED BENEFIT PENSION PLAN:

The following information is based upon the latest available actuarial valuation (as of December 31, 2013).

Plan Description

The Township contributes to the Michigan Municipal Employees Retirement System ("System"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. The 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 MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

NOTE K – DEFINED BENEFIT PENSION PLAN (Continued):

Benefits vest after ten years. Township employees who retire at or after the age of 60 with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life. Qualified employees receive a monthly payment equal to 1.5 percent of final average compensation, with a maximum benefit of 80% of final average compensation. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and Township ordinance.

Funding Policy

The Township is required to contribute the amounts necessary to fund the System, using the actuarial basis specified by statute.

Annual Pension Cost

For the year ended December 31, 2014, the Township's annual pension cost of \$67,185 for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2012 using the entry age normal cost method. Significant actuarial assumptions used include an 8.0% investment rate of return and projected salary increases of 4.5% per year. The actuarial value of assets is determined on the basis of a valuation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value. Unfunded actuarial accrued liabilities are amortized by level percent of payroll contributions over a period ranging from 30 to 39 years.

	Actuarial Valuation Date		
	December 31		
	2011	2012	2013
Annual Pension Cost	\$58,165	\$60,173	\$64,768
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	\$-	\$-	\$-
Actuarial Value of Assets	\$949,233	\$1,059,605	\$1,192,824
Actuarial Accrued Liability	\$966,011	\$1,036,860	\$1,143,907
Unfunded AAL	\$16,778	\$(22,745)	\$(48,917)
Funded ratio	98%	102%	104%
Covered Payroll	\$560,443	\$610,703	\$623,991
UAAL as a Percentage of Covered Payroll	3%	-%	-%

NOTE L – PROPERTY TAXES:

The Township's property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st.

Although the Township 2014 ad valorem tax is levied and collectible on December 1, 2014, it is the Township's policy to recognize revenue from the current tax levy in the following year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60) days.

NOTE L – PROPERTY TAXES (Continued):

The 2014 taxable valuation of the Township totaled \$188,670,981, on which ad valorem taxes levied consisted of 3.7526 mills for the Local Governmental Unit operation purposes, 1.6833 mills for Fire Hall construction and 0.7514 mills for the library fund. These amounts are recognized in the General Fund, Fire Fund and Library Millage Fund financial statements as taxes levied for a subsequent period.

NOTE M – CONTINGENT LIABILITIES:

Risk Management – The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained commercial insurance to handle its risk of loss.

NOTE N – INVESTMENT IN WASTEWATER TREATMENT FACILITY:

On April 7, 1977, and May 31, 1983 the Charter Township of Chocolay, the City of Marquette, and Township of Marquette entered into contracts to construct and operate a secondary wastewater treatment facility to be known as the "Marquette Area Wastewater Treatment Facility". Under those agreements the Charter Township of Chocolay would own 14.7% of the facility, the Township of Marquette would own 5.5% and the City of Marquette would own 79.8%.

On July 1, 1993, there was an amendment to the Marquette County Wastewater Disposal system contract to change the ownership of the three partners involved. The Charter Township of Marquette paid to the City of Marquette and the Charter Township of Chocolay each the sum of \$54,743, representing an allocation of an additional 4.5% of the capacity of the Marquette Area Wastewater Treatment Facility to Marquette Township. During fiscal 1998, the County of Marquette issued refunding bonds – unlimited tax series 1998, to partially refund the original bond issue. The new ownership percentages for the City of Marquette, Charter Township of Chocolay, and Charter Township of Marquette are 77.55%, 12.45%, and 10.00%, respectively.

On June 26, 2006, there was an amendment to the Marquette County Wastewater Disposal System Contract to change ownership of the three partners involved. The new ownership percentages for the city of Marquette, the Charter Township of Chocolay, and the Charter Township of Marquette are 85%, 5%, and 10%, respectively.

The construction of the Facility was partially financed through \$2.5 million general obligation bonds which were partially refunded during fiscal 1998 and issued by Marquette County for which the full faith and credit of the two Townships and the City of Marquette have been pledged. Repayment of the County of Marquette bonds and the interest thereon is the contractual responsibility of the owners of the project based on their share of the ownership.

The total investment in the Facility at December 31, 2014 by the Township is \$446,588 including local contributions and its proportionate share of the net equity of the Facility. The Township utilizes the equity method of accounting for the activity in its investment in the Facility. Under the equity method the investment is adjusted for any additional capital investments made and its proportionate share of the Facility's results of operations.

NOTE N – INVESTMENT IN WASTEWATER TREATMENT FACILITY (Continued):

A summary of condensed financial information of the Facility, in the aggregate, for its fiscal year ended September 30, 2014 is as follows:

Assets	\$ 19,165,587
Liabilities	13,222,245
Fund Equity	5,400,195
Total Operating Revenues	2,246,919
Total Operating Expenses	3,315,841
Net income (loss)	543,147
Township's share of net income (loss)	78,843

NOTE O – JOINT VENTURE – (MARQUETTE COUNTY SOLID WASTE MANAGEMENT AUTHORITY):

In June 1988, Chocolay Township joined with 19 other municipalities to create the Marquette County Solid Waste Management Authority ("Authority"). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

The Authority is governed by a Board of Trustees consisting of one (1) member (who is the Chairperson of the board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two (2) members designated by the Marquette City Commission; three (3) members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by the other 6 Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

The Township's share of assets, liabilities, and fund equity is approximately 10 percent. Summary financial information as of and for the fiscal year ended June 30, 2014, is as follows:

Total Assets	\$11,743,007
Total Liabilities	2,216,833
Total Equity	9,526,174
Total Operating Revenues	2,377,672
Total Operating Expenses	3,558,009
Net Income (loss)	(972,059)

In the 1980s, Chocolay Township joined with 5 other municipalities to create the Marquette Board of Light and Power Utility Review Committee ("Committee"). The Committee was created to act as the principal overseer of the activities of the Marquette Board of Light and Power on behalf of the member Townships and provide advice to the Township on short and long term issues affecting the distribution of electricity to the Townships.

NOTE P – JOINT VENTURE – (MARQUETTE BOARD OF LIGHT AND POWER UTILITY REVIEW COMMITTEE):

The Committee is governed by a Board of Trustees consisting of one (1) member from each of the member townships. All decisions of the Board are made by majority vote, consisting of at least three of its members.

The Township's share of assets, liabilities, and fund equity is undetermined at this time. Summary financial information as of and for the fiscal year ended June 30, 2010, is as follows:

Total Assets	\$148,342
Total Liabilities	-
Total Equity	-
Total Operating Revenues	58,087
Total Operating Expenses	12,358
Net Income (loss)	45,729

The financial statement for the Marquette Board of Light and Power Utility Review Committee were not audited by us and therefore, we did not express an opinion on this financial amounts list above.

NOTE Q – JOINTLY GOVERNED ORGANIZATIONS:

IRON ORE HERITAGE RECREATION AUTHORITY

In November 2008, the Charter Township of Chocolay joined with other municipalities to create the Iron Ore Heritage Recreation Authority. The Authority was created pursuant to Act 321 of 2000 (the "Recreation Authorities Act") to acquire, construct, operate, maintain or improve a public park for

recreational purposes, specifically limited to a permanent, year-round signed and surfaced trail system open to the public, to provide amenities along the trail, to encourage tourism development along the trail system, to encourage municipalities to tie compatible links into the trail system allowing for greater access to businesses, parks and schools and to conduct other activities permitted under Act 321 of 2000.

The authority is governed by a Board of Directors consisting of an odd number of members, with one (1) member to be appointed by the legislative body of each participating municipality. All Authority decisions must be passed by a majority of the members of the Board.

The Board shall obtain an annual audit of the Authority. A summary of financial information from the separately audited financial statements of the Authority for the year ended December 31, 2013 (the latest available financial report) is as follows:

Assets	\$2,747,883
Liabilities	452,093
Net Position	1,989,458
Operating Revenues	1,550,174
Operating Expenses	83,956
Increase in Net Position	1,466,218

NOTE Q – JOINTLY GOVERNED ORGANIZATIONS (Continued):

The Township has no equity interest nor does the Township materially contribute to the continued existence of the Iron Ore Heritage Recreation Authority. During the year ended December 31, 2014 the Township distributed \$35,120 in taxes to the Iron Ore Heritage Recreation Authority.

TOWNSHIP ADVISORY COUNCIL OF THE PETER WHITE PUBLIC LIBRARY

The Charter Township of Chocolay joined with Charter Township of Marquette, Sands Township, Skandia Township, and West Branch Township to create the Township Advisory Council of the Peter White Public Library (Advisory Council). Each township levies a millage for library services provided by Peter White Public Library (Library). The Advisory Council was created to represent the residents of all townships served by the Library.

The Advisory Council is comprised of two members from each Township with the Library Director and/or Deputy Director being ex-officio members. All Advisory Council decisions are passed by a majority vote in a meeting where a quorum is present.

The Advisory Council shall obtain an annual audit of the Peter White Public Library. A summary of financial information from the separately audited financial statements of the Peter White Public Library for the year ended September 30, 2014 is as follows:

Assets	\$6,149,623
Liabilities	1,448,224
Net Position	3,741,941
Operating Revenues	2,676,088
Operating Expenses	2,330,125
Increase in Net Position	345,963

The Township has no equity interest nor does the Township materially contribute to the continued existence of the Peter White Public Library. During the year ended December 31, 2014 the Township distributed \$133,208 in taxes to the Peter White Public Library.

NOTE R – SINGLE AUDIT:

The Township's audited financial statements report a total of \$0 in Federal expenditures. As this amount is less than the single audit threshold of \$500,000, the Township is not required to have a single audit in accordance with OMB Circular A-133 for the fiscal year ended December 31, 2014.

NOTE S – FUND BALANCE DEFICIT:

At December 31, 2014 the Fire Fund had a deficit fund balance of \$900,064. The deficit is the result of the construction of the Township's new fire hall which was financed internally through advances from the General Fund, Capital Improvement Fund, and Wastewater Treatment Fund. The Township passed a special millage to pay for the construction of the new fire hall. As the property tax revenue is collected the deficit fund balance will be eliminated. The property tax revenue is expected to catch up with the fire hall expenditures during the fiscal year ending December 31, 2016.

NOTE T – NEW GASB STANDARDS:

Recently Issued and Adopted Accounting Pronouncements

In March 2012, the GASB issued Statement No. 66, *2012 Technical Corrections (an Amendment to GASB 10 and GASB 62)*. GASB No. 66 eliminates conflicting guidance that resulted from the issuance of GASB 54 and GASB 62, which are both already effective. GASB 10 was amended to allow for risk financing activities to be accounted for in whichever fund type is most applicable (no longer limited to the general fund or an internal service fund). GASB 62 was amended to modify specific guidance related to (1) operating leases with scheduled rent increases, (2) purchase of loans at an amount other than the principal amount, and (3) service fees related to mortgages that are sold when the service rate varies significantly from the current (normal) service fees. This Statement is effective for periods beginning after December 15, 2013. The adoption of GASB No. 66 does not have any impact on the Township's financial statements.

Other Recently Issued Accounting Pronouncements

In June 2012, the GASB issued Statement No. 67 *Financial Reporting for Pension Plans*. GASB No. 67 establishes the requirements for pension plans administered by trusts to report on their operations, including setting new uniform requirements for actuarial valuations of the total pension liability, and reporting various 10-year trend data as required supplementary information. The financial statements of pension plans will not change substantially as a result of GASB 67, though the additional note disclosures and required supplementary information will be significant. Additionally, actuarial valuations conducted in accordance with GASB 67 will have to match the government's fiscal year, or be rolled forward to that date by the actuary. This Statement is effective for periods beginning after June 15, 2013. The adoption of GASB No. 67 does not have any impact on the Township's financial statements as the Township does not have a pension plan administered by trusts.

In January 2013, the GASB issued Statement No. 69 *Government Combinations and Disposals of Government Operations*. GASB No. 69 provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity. This Statement is effective for periods beginning after December 15, 2013. The adoption of GASB No. 69 does not have any impact on the Township's financial statements.

In April 2013, the GASB issued Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB No. 70 addresses the accounting and disclosure of situations in which one government offers a financial guarantee on behalf of another government, not-for-profit organization, private entity, or individual without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). A government that extends a nonexchange financial guarantee will be required to recognize a liability when qualitative factors and/or historical data indicate that it is "more likely than not" that the government will be required to make a payment on the guarantee. It further requires governments to disclose any outstanding financial guarantees in the notes to the financial statements. This Statement is effective for periods beginning after June 15, 2013. The Township has no such arrangements, therefore the adoption of GASB No. 70 does not have any impact on the Township's financial statements.

NOTE U – UPCOMING CHANGES IN ACCOUNTING STANDARDS:

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the Township in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the Township.

GASB 68: Accounting and Financial Reporting for Pensions

Effective for fiscal years beginning after 06/15/2014 (Township's fiscal year FY 2015)

This standard establishes new requirements for governments to report a "net pension liability" for the unfunded portion of its pension plan. Governments that maintain their own pension plans (either single employer or agent multiple-employer) will report a liability for the difference between the total pension liability calculated in accordance with GASB 67 and the amount held in the pension trust fund. Governments that participate in a cost sharing plan will report a liability for their "proportionate share" of the net pension liability of the entire system.

Historically, governments have only been required to report a net pension obligation to the extent that they have not met the annual required contribution (ARC) in any given year. Upon implementation of this standard, governments will be required to report a net pension liability based on the current funded status of their pension plans. This liability would be limited to the government-wide financial statements and proprietary funds. Changes in this liability from year to year will largely be reflected on the income statement, though certain amounts will be deferred and amortized over varying periods.

GASB 68 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. For single-employer and agent multiple-employer plans, the information for these statements will come from the annual actuarial valuation. For cost sharing plans, this information will be derived from the financial reports of the plan itself, multiplied by the government's proportionate share of plan.

GASB 67 and 68 are only applicable to pension plans. However, the GASB has announced its intent to issue similar standards for other postemployment benefits (e.g., retiree healthcare) on a two year delay from these standards.

GASB 71: Pension Transition for Contributions Made Subsequent to the Measurement Date (an Amendment of GASB Statement No. 68)

Effective for fiscal years beginning after 06/15/2014 (Township's fiscal year FY 2015)

This standard is an amendment to GASB 68, and seeks to clarify implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

MICHIGAN MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
 DEFINED BENEFIT PENSION PLAN
 ANALYSIS OF FUNDING INFORMATION

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date <u>December 31</u>	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability	(b - a) Unfunded Accrued Liability (UAL)	(a / b) Funded Ratio	(c) Annual Covered Payroll	[(b - a) / c] UAAL as a Percentage of Covered Payroll
2010	\$828,807	\$819,765	\$(9,042)	101%	\$599,442	-%
2011	949,233	966,011	16,778	98	560,443	3
2012	1,059,605	1,036,860	(22,745)	102	610,703	-
2013	1,192,824	1,143,907	(48,917)	104	623,991	-

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending <u>December 31</u>	Valuation Date <u>December 31</u>	Annual Required Contribution	Percentage Annual Pension Cost Contributed	Net Pension Obligation
2011	2010	\$42,136	100%	\$-
2012	2010	58,165	100	-
2013	2011	60,173	100	-
2014	2012	64,768	100	-

Notes to the Required Schedules

The required contribution has been calculated to increase at the same rate as the projected increase in active member payroll (4.5% per year). The unfunded actuarial accrued liabilities were amortized as a level percent of active member payroll over a period of 30 years. A 30-year amortization period for unfunded actuarial accrued liabilities is the maximum period that complies with GASB requirements.

Charter Township of Chocolay, Michigan

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2014

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 770,100	\$ 770,100	\$ 769,205	\$ (895)
Licenses and permits	4,200	4,200	6,502	2,302
State sources	461,700	461,700	463,562	1,862
Charges for services	243,800	243,800	249,445	5,645
Interest	5,000	5,000	5,732	732
Other revenues	35,200	35,200	33,635	(1,565)
TOTAL REVENUES	1,520,000	1,520,000	1,528,081	8,081
EXPENDITURES:				
Legislative	83,500	83,500	71,459	12,041
General services and administration	330,100	330,100	295,858	34,242
Public safety	492,500	492,500	453,297	39,203
Public works	191,200	191,200	168,491	22,709
Community and economic development	69,200	69,200	60,449	8,751
Recreation and culture	93,300	93,300	88,096	5,204
Other	390,500	390,500	331,592	58,908
TOTAL EXPENDITURES	1,650,300	1,650,300	1,469,242	181,058
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(130,300)	(130,300)	58,839	189,139
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers (out)	(34,000)	(34,000)	(34,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(34,000)	(34,000)	(34,000)	-
CHANGE IN FUND BALANCE	(164,300)	(164,300)	24,839	189,139
Fund balance, beginning of year	1,121,826	1,121,826	1,121,826	-
FUND BALANCE, END OF YEAR	\$ 957,526	\$ 957,526	\$ 1,146,665	\$ 189,139

Charter Township of Chocolay, Michigan

ROAD FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2014

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ -	\$ (312)	\$ (312)
Licenses and permits	-	-	-	-
State sources	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Other revenues	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>(312)</u>	<u>(312)</u>
EXPENDITURES:				
Legislative	-	-	-	-
General services and administration	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community and economic development	-	-	-	-
Recreation and culture	-	-	-	-
Other	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(312)</u>	<u>(312)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>(312)</u>	<u>(312)</u>
Fund balance, beginning of year	<u>1,086</u>	<u>1,086</u>	<u>1,086</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,086</u>	<u>\$ 1,086</u>	<u>\$ 774</u>	<u>\$ (312)</u>

Charter Township of Chocolay, Michigan

FIRE FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2014

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 317,350	\$ 317,350	\$ 316,836	\$ (514)
Licenses and permits	-	-	-	-
State sources	-	-	-	-
Charges for services	-	-	-	-
Interest	50	50	-	(50)
Other revenues	-	-	-	-
TOTAL REVENUES	317,400	317,400	316,836	(564)
EXPENDITURES:				
Legislative	-	-	-	-
General services and administration	-	-	-	-
Public safety	6,900	6,900	5,585	1,315
Public works	-	-	-	-
Community and economic development	-	-	-	-
Recreation and culture	-	-	-	-
Other	-	-	-	-
TOTAL EXPENDITURES	6,900	6,900	5,585	1,315
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	310,500	310,500	311,251	751
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	310,500	310,500	311,251	751
Fund balance, beginning of year	(1,211,315)	(1,211,315)	(1,211,315)	-
FUND BALANCE, END OF YEAR	\$ (900,815)	\$ (900,815)	\$ (900,064)	\$ 751

**OTHER SUPPLEMENTARY
INFORMATION**

Charter Township of Chocolay, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Year Ended December 31, 2014

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Taxes:			
Current levy	\$ 705,000	\$ 709,167	\$ 4,167
Payment in lieu of taxes	7,500	7,480	(20)
Tax collection fees	<u>57,600</u>	<u>52,558</u>	<u>(5,042)</u>
Total Taxes	<u>770,100</u>	<u>769,205</u>	<u>(895)</u>
Licenses and Permits:			
Animal licenses	200	347	147
Zoning permits	<u>4,000</u>	<u>6,155</u>	<u>2,155</u>
Total Licenses and Permits	<u>4,200</u>	<u>6,502</u>	<u>2,302</u>
State Sources:			
Grant revenue	15,000	9,434	(5,566)
Metro revenue	6,700	6,231	(469)
State revenue sharing	<u>440,000</u>	<u>447,897</u>	<u>7,897</u>
Total State Sources	<u>461,700</u>	<u>463,562</u>	<u>1,862</u>
Charges for Services:			
Franchise fees	75,000	81,646	6,646
Refuse collection	<u>168,800</u>	<u>167,799</u>	<u>(1,001)</u>
Total Charges for Services	<u>243,800</u>	<u>249,445</u>	<u>5,645</u>
Interest			
Interest	<u>5,000</u>	<u>5,732</u>	<u>732</u>
Total Interest	<u>5,000</u>	<u>5,732</u>	<u>732</u>
Other Revenues:			
Ordinance fines and costs	19,000	16,295	(2,705)
Miscellaneous other	<u>16,200</u>	<u>17,340</u>	<u>1,140</u>
Total Other Revenues	<u>35,200</u>	<u>33,635</u>	<u>(1,565)</u>
TOTAL REVENUES	<u>1,520,000</u>	<u>1,528,081</u>	<u>8,081</u>
EXPENDITURES:			
LEGISLATIVE:			
Board of Commissioners:			
Personnel services	52,442	49,101	3,341
Other services and charges	<u>31,058</u>	<u>22,358</u>	<u>8,700</u>
TOTAL LEGISLATIVE	<u>83,500</u>	<u>71,459</u>	<u>12,041</u>

Charter Township of Chocolay, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Year Ended December 31, 2014

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
GENERAL SERVICES AND ADMINISTRATION:			
Supervisor:			
Personnel services	\$ 40,800	\$ 40,422	\$ 378
Other services and charges	1,100	210	890
Capital outlay	-	-	-
Total Supervisor	<u>41,900</u>	<u>40,632</u>	<u>1,268</u>
Election:			
Personnel services	6,200	4,256	1,944
Supplies	6,100	4,425	1,675
Other services and charges	300	122	178
Total Election	<u>12,600</u>	<u>8,803</u>	<u>3,797</u>
Assessor:			
Personnel services	54,777	55,720	(943)
Supplies	1,060	1,163	(103)
Other services and charges	18,863	3,465	15,398
Capital outlay	300	140	160
Total Assessor	<u>75,000</u>	<u>60,488</u>	<u>14,512</u>
Clerk:			
Personnel services	94,440	91,772	2,668
Supplies	1,500	1,360	140
Other services and charges	560	410	150
Capital outlay	500	80	420
Total Clerk	<u>97,000</u>	<u>93,622</u>	<u>3,378</u>
Board of Review:			
Personnel services	1,860	2,021	(161)
Other services and charges	440	233	207
Total Board of Review	<u>2,300</u>	<u>2,254</u>	<u>46</u>
Treasurer:			
Personnel services	40,114	40,005	109
Supplies	6,100	3,320	2,780
Other services and charges	8,286	4,937	3,349
Capital outlay	-	-	-
Total Treasurer	<u>54,500</u>	<u>48,262</u>	<u>6,238</u>

Charter Township of Chocolay, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Year Ended December 31, 2014

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Township Hall and Grounds:			
Supplies	\$ 10,900	\$ 9,746	\$ 1,154
Other services and charges	13,100	10,960	2,140
Total Township Hall and Grounds	<u>24,000</u>	<u>20,706</u>	<u>3,294</u>
Technology:			
Personnel services	400	-	400
Supplies	400	-	400
Other services and charges	21,600	20,782	818
Capital outlay	400	309	91
Total Technology	<u>22,800</u>	<u>21,091</u>	<u>1,618</u>
TOTAL GENERAL SERVICES AND ADMINISTRATION	<u>330,100</u>	<u>295,858</u>	<u>34,151</u>
PUBLIC SAFETY:			
Police Department:			
Personnel services	312,910	312,523	387
Supplies	30,450	23,724	6,726
Other services and charges	24,265	23,469	796
Capital outlay	3,375	1,806	1,569
Total Police Department	<u>371,000</u>	<u>361,522</u>	<u>9,478</u>
Fire Department:			
Personnel services	55,000	44,636	10,364
Supplies	48,750	30,660	18,090
Other services and charges	17,750	16,479	1,271
Capital outlay	-	-	-
Total Fire Department	<u>121,500</u>	<u>91,775</u>	<u>29,725</u>
TOTAL PUBLIC SAFETY	<u>492,500</u>	<u>453,297</u>	<u>39,203</u>
PUBLIC WORKS:			
Streets:			
Supplies	4,250	4,367	(117)
Other services and charges	16,150	13,622	2,528
Total Streets	<u>20,400</u>	<u>17,989</u>	<u>2,411</u>

Charter Township of Chocolay, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Year Ended December 31, 2014

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Refuse Collection:			
Personnel services	\$ 9,870	\$ 9,616	\$ 254
Supplies	-	-	-
Other services and charges	160,930	140,886	20,044
Debt payment	-	-	-
Total Refuse Collection	<u>170,800</u>	<u>150,502</u>	<u>20,298</u>
TOTAL PUBLIC WORKS	<u>191,200</u>	<u>168,491</u>	<u>22,709</u>
COMMUNITY AND ECONOMIC DEVELOPMENT:			
Zoning:			
Personnel services	49,283	49,008	275
Supplies	2,217	303	1,914
Other services and charges	2,100	1,116	984
Capital outlay	-	-	-
Total Zoning	<u>53,600</u>	<u>50,427</u>	<u>3,173</u>
Planning Commission:			
Personnel services	5,760	4,440	1,320
Supplies	500	237	263
Other services and charges	4,740	2,648	2,092
Total Planning Commission	<u>11,000</u>	<u>7,325</u>	<u>3,675</u>
Appeals Board (Zoning and Planning):			
Personnel services	3,375	2,310	1,065
Supplies	250	-	250
Other services and charges	975	387	588
Total Appeals Board (Zoning and Planning)	<u>4,600</u>	<u>2,697</u>	<u>1,903</u>
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	<u>69,200</u>	<u>60,449</u>	<u>8,751</u>

Charter Township of Chocolay, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Year Ended December 31, 2014

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
RECREATION AND CULTURE:			
Parks and Properties:			
Personnel services	\$ 68,300	\$ 66,535	\$ 1,765
Supplies	17,200	15,012	2,188
Other services and charges	1,800	1,549	251
Capital outlay	<u>6,000</u>	<u>5,000</u>	<u>1,000</u>
Total Parks and Properties	<u>93,300</u>	<u>88,096</u>	<u>5,204</u>
TOTAL RECREATION AND CULTURE	<u>93,300</u>	<u>88,096</u>	<u>5,204</u>
OTHER:			
Fringe Benefits:			
Personnel services	325,365	286,256	39,109
Supplies	9,500	8,017	1,483
Other services and charges	<u>55,635</u>	<u>37,319</u>	<u>18,316</u>
Total Fringe Benefits	<u>390,500</u>	<u>331,592</u>	<u>58,908</u>
TOTAL OTHER	<u>390,500</u>	<u>331,592</u>	<u>58,908</u>
TOTAL EXPENDITURES	<u>1,650,300</u>	<u>1,469,242</u>	<u>180,967</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(130,300)</u>	<u>58,839</u>	<u>189,048</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	<u>(34,000)</u>	<u>(34,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(34,000)</u>	<u>(34,000)</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>(164,300)</u>	<u>24,839</u>	<u>189,048</u>
Fund balance, beginning of year	<u>1,121,826</u>	<u>1,121,826</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 957,526</u></u>	<u><u>\$ 1,146,665</u></u>	<u><u>\$ 189,048</u></u>

Charter Township of Chocolay, Michigan

MAJOR GOVERNMENTAL FUNDS

ROAD FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Year Ended December 31, 2014

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Property taxes	\$ -	\$ (312)	\$ (312)
Interest	-	-	-
Other	-	-	-
TOTAL REVENUES	<u>-</u>	<u>(312)</u>	<u>(312)</u>
EXPENDITURES:			
Public Works:			
Streets:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	-	-	-
Capital outlay	-	-	-
Total Streets	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(312)</u>	<u>(312)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN FUND BALANCE	-	(312)	(312)
Fund balance, beginning of year	<u>1,086</u>	<u>1,086</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,086</u>	<u>\$ 774</u>	<u>\$ (312)</u>

Charter Township of Chocolay, Michigan

MAJOR GOVERNMENTAL FUNDS

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Year Ended December 31, 2014

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 317,350	\$ 316,836	\$ (514)
Interest	50	-	(50)
Other	-	-	-
TOTAL REVENUES	<u>317,400</u>	<u>316,836</u>	<u>(564)</u>
EXPENDITURES:			
Public Safety:			
Fire Department:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	-	8,718	(8,718)
Capital outlay	6,900	(3,133)	10,033
Total Fire Department	<u>6,900</u>	<u>5,585</u>	<u>1,315</u>
TOTAL EXPENDITURES	<u>6,900</u>	<u>5,585</u>	<u>1,315</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>310,500</u>	<u>311,251</u>	<u>751</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN FUND BALANCE	310,500	311,251	751
Fund balance, beginning of year	<u>(1,211,315)</u>	<u>(1,211,315)</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ (900,815)</u>	<u>\$ (900,064)</u>	<u>\$ 751</u>

Charter Township of Chocolay, Michigan

MAJOR GOVERNMENTAL FUNDS

CAPITAL IMPROVEMENT FUND

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 2014

REVENUES:

Federal sources	\$	-
State sources		-
Local sources		26,329
Interest		4,192
Other		1,200
TOTAL REVENUES		<u>31,721</u>

EXPENDITURES:

Capital Outlay:		
Election department		-
Assessor		-
Clerk		1,970
Treasurer		-
Technology		7,420
Township building and grounds		1,140
Police department		18,685
Fire department		49,037
Streets		22,945
Water and sewer		-
Recreation		33,303
Zoning and planning		-
Total Capital Outlay		<u>134,500</u>
TOTAL EXPENDITURES		<u>134,500</u>

EXCESS OF REVENUES OVER (UNDER) EXPENDITURES (102,779)

OTHER FINANCING SOURCES (USES):

Transfers in		34,000
Transfers (out)		-
TOTAL OTHER FINANCING SOURCES		<u>34,000</u>

CHANGES IN FUND BALANCE (68,779)

Fund balance, beginning of year 883,811

FUND BALANCE, END OF YEAR \$ 815,032

Charter Township of Chocolay, Michigan

NON-MAJOR GOVERNMENTAL FUNDS

DRUG LAW ENFORCEMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Year Ended December 31, 2014

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
Interest	-	-	-
Other	-	-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:			
Public Safety:			
Drug Law Enforcement:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	-	-	-
Capital outlay	-	-	-
Total Drug Law Enforcement	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Charter Township of Chocolay, Michigan

NON-MAJOR GOVERNMENTAL FUNDS

LIBRARY MILLAGE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Year Ended December 31, 2014

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 141,938	\$ 141,938	\$ -
Interest	-	-	-
Other	-	-	-
TOTAL REVENUES	<u>141,938</u>	<u>141,938</u>	<u>-</u>
EXPENDITURES:			
Recreation and Culture:			
Library Millage:			
Contractual services	141,938	141,938	-
Supplies	-	-	-
Other services and charges	-	-	-
Capital outlay	-	-	-
Total Library Millage	<u>141,938</u>	<u>141,938</u>	<u>-</u>
TOTAL EXPENDITURES	<u>141,938</u>	<u>141,938</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Charter Township of Chocolay, Michigan

FIDUCIARY FUNDS

COMBINING STATEMENTS OF NET POSITION

December 31, 2014

	<u>Trust & Agency Fund</u>	<u>Tax Collection Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	<u>\$ 41,315</u>	<u>\$ 2,152</u>	<u>\$ 43,467</u>
TOTAL ASSETS	<u><u>\$ 41,315</u></u>	<u><u>\$ 2,152</u></u>	<u><u>\$ 43,467</u></u>
LIABILITIES			
Due to others	<u>\$ 40,315</u>	<u>\$ 152</u>	<u>\$ 40,467</u>
Due to other funds	<u>1,000</u>	<u>2,000</u>	<u>3,000</u>
TOTAL LIABILITIES	<u><u>\$ 41,315</u></u>	<u><u>\$ 2,152</u></u>	<u><u>\$ 43,467</u></u>

COMPLIANCE SUPPLEMENTS



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of the
Charter Township of Chocolay, Michigan
5010 US Highway 41 South
Marquette, Michigan 49855

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Chocolay, Michigan, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Charter Township of Chocolay, Michigan's basic financial statements, and have issued our report thereon dated March 31, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Charter Township of Chocolay, Michigan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter Township of Chocolay, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter Township of Chocolay, Michigan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Report to Management Letter that we consider to be significant deficiencies (item 2014-01).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Chocolay, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, described in the accompanying Report to Management Letter (item 2014-02).

Charter Township of Chocolay, Michigan's Response to Findings

Charter Township of Chocolay, Michigan's response to the findings identified in our audit is described in the accompanying Report to Management Letter. Charter Township of Chocolay, Michigan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

March 31, 2015

COMMUNICATIONS SECTION



Charter Township of Chocolay, Michigan
Report to Management Letter
For the Year Ended December 31, 2014

To the Board of Trustees of the
Charter Township of Chocolay, Michigan
5010 US Highway 41 South
Marquette, Michigan 49855

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Chocolay, Michigan (the Township) as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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

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

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

SIGNIFICANT DEFICIENCY

2014-01 – ASSIST IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES (REPEAT)

Condition/Criteria: Statement on Auditing Standards #115 requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Cause of Condition: The staff of the Township did not have adequate staffing and/or time to prepare all the information included in the annual financial statements.

Effect: We assisted management with the external financial reporting responsibility to ensure their financial statements are in accordance with GAAP.

Recommendation: We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

Management Response:

- Contact person(s) Responsible for Correction:
 - Not applicable
- Corrective Action Planned:
 - Management concurs
- Anticipated Completion Date:
 - Not applicable

INSTANCE OF NON-COMPLIANCE

2014-02 FUND BALANCE DEFICIT (REPEAT)

Condition/Criteria: At December 31, 2014 the Charter Township of Chocolay, Michigan had an unassigned fund balance deficit in their Fire Fund. Public Act 275 of 1980 requires that all deficits in any fund balance of local units be disclosed and enumerated upon in the Footnotes of the financial statements. In accordance with the Act, a corrective action plan for the deficit is required to be filed with the State Treasurer within 90 days of the end of the fiscal year. As of this time, the Charter Township of Chocolay, Michigan has not filed such a plan.

Effect: The Charter Township of Chocolay, Michigan is not in compliance with State Law.

Cause of Condition: This is due to purchasing and paying for a new fire hall, before the property tax revenue is collected.

Recommendation: This issue will resolve itself by December 31, 2016. Therefore, we recommend filing their corrective action plan with the State.

Management Response:

- Contact Person(s) Responsible for Correction:
 - Gary Walker, Supervisor
- Corrective Action Planned:
 - Waiting for Property Tax Revenue to catch up with expenditure for the new fire hall payments.
- Anticipated Completion Date:
 - December 31, 2016

Board of Trustees of the
Charter Township of Chocolay, Michigan

The Township's written response to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Anderson, Tackman & Company, PLLC
Certified Public Accountants

March 31, 2015



Charter Township of Chocolay, Michigan
Communication with Those Charged with Governance
For the Year Ended December 31, 2014

March 31, 2015

To the Board of Trustees of the
Charter Township of Chocolay, Michigan
5010 U.S. Highway 41 South
Marquette, Michigan 49855

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Chocolay, Michigan (the Township) for the year ended December 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 31, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in the notes to the financial statements. As described in Note T to the financial statements, the Township changed accounting policies related to various areas by adopting Governmental Accounting Standards (GASB Statement) No. 66, *Technical Corrections (an Amendment to GASB 10 and GASB 62)*, in 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Board of Trustees of the
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Management's estimate of accumulated depreciation is based on historical cost and estimated useful life. We evaluated the key factors and assumptions used to develop the accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the accrued sick and vacation is based on employee pay rates and the various subsidiary ledgers maintained for hour balances. We evaluated the key factors and assumptions used to develop the accrued employee benefit balances in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statements disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Defined Benefit Pension Plan in the footnotes to the financial statements includes significant actuarial assumptions used in calculating the valuation. Municipal Employees' Retirement System of Michigan was the actuarial company hired for preparation of the annual actuarial valuation. The disclosures made in the footnotes to the financial statements were based on information included in their report.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 31, 2015.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Our consideration of internal control was for the limited purpose described in the accompanying letter and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Report to Management Letter that we consider to be significant deficiencies (item 2014-01).

As part of obtaining reasonable assurance about whether the Township’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, described in the accompanying Report to Management Letter (item 2014-02).

Other Matters

We applied certain limited procedures to the Budgetary Comparison Schedules for the General Fund, Road Fund, and Fire Fund, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the individual major and non-major fund Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual and the Capital Improvement Fund Statement of Revenues, Expenditures and Changes in Fund Balance, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of

Board of Trustees of the
Charter Township of Chocolay, Michigan

the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

Anderson, Tackman & Company, PLLC
Certified Public Accountants