

**CHARTER TOWNSHIP OF
CHOCOLAY, MICHIGAN**

AUDITED FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Charter Township of Chocoday, 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 Chocoday, Michigan (the Township), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Township, as of December 31, 2016, 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 schedules 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 Township's basic financial statements. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2017, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant

Board of Trustees of the
Charter Township of Chocolay, Michigan

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 Township's internal control over financial reporting and compliance.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

May 1, 2017

Charter Township of Chocolay, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Charter Township of Chocolay, Michigan's (the Township) financial performance provides an overview of the Township's financial activities for the year ended December 31, 2016. 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 \$470,103 as a result of this year's operations. Net position of our business-type activities increased by \$4,797, or 0.2 percent, and net position of our governmental activities increased by \$465,306 or 7 percent.
- During the year, the Township had expenses for governmental activities that were \$1,829,169 and expenses for business-type activities that were \$300,328.
- The General Fund reported a fund balance of \$1,338,776. The increase in fund balance was \$139,167 higher than the forecasted decrease of \$5,613.

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, 2016 and 2015.

Table 1
Net Position

	Governmental Activities – 2016	Business-Type Activities – 2016	Total Primary Government – 2016	Total Primary Government – 2015
Current and other assets	\$3,189,249	\$1,640,192	\$4,829,441	\$4,318,579
Capital assets	4,985,317	664,198	5,649,515	5,801,001
Total Assets	<u>8,174,566</u>	<u>2,304,390</u>	<u>10,478,956</u>	<u>10,119,580</u>
Deferred outflows of resources	<u>70,861</u>	<u>23,621</u>	<u>94,482</u>	<u>98,395</u>
Current liabilities	54,405	25,851	80,256	63,897
Non-current liabilities	95,329	(668)	94,661	160,947
Total Liabilities	<u>149,734</u>	<u>25,183</u>	<u>174,917</u>	<u>224,844</u>
Deferred inflows of resources	<u>1,159,589</u>	<u>1,463</u>	<u>1,161,052</u>	<u>1,225,765</u>
Net Position:				
Net investment in capital assets	4,985,317	387,930	5,373,247	5,474,649
Restricted	284,758	-	284,758	316,059
Unrestricted	<u>1,666,029</u>	<u>1,913,435</u>	<u>3,579,464</u>	<u>2,976,658</u>
Total Net Position	<u>\$6,936,104</u>	<u>\$2,301,365</u>	<u>\$9,237,469</u>	<u>\$8,767,366</u>

Net Position of the Township's governmental activities stood at \$6,936,104. *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 \$1,666,029.

The \$1,666,029 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 \$2,301,365. 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 2016 and 2015.

**Table 2
Change in Net Position**

	Governmental Activities – 2016	Business-Type Activities – 2016	Total Primary Government – 2016	Total Primary Government – 2015
Revenues				
Program Revenues:				
Charges for services	\$269,448	\$297,738	\$567,186	\$554,866
Operating grants and contributions	16,033	-	16,033	16,691
Capital grants and contributions	130,434	-	130,434	178,994
General Revenues:				
Property taxes	1,316,410	-	1,316,410	1,269,806
State sources	456,593	-	456,593	446,949
Interest	26,682	7,387	34,069	26,360
Miscellaneous	78,875	-	78,875	75,457
Total Revenues	2,294,475	305,125	2,599,600	2,569,123
Program Expenses:				
Legislative	72,495	-	72,495	67,511
General services and administration	274,254	-	274,254	269,573
Public safety	536,456	-	536,456	465,461
Public works	178,544	-	178,544	189,817
Community and economic development	54,414	-	54,414	62,709
Recreation and culture	332,995	-	332,995	253,607
Other	319,764	-	319,764	328,302
Capital outlay	60,247	-	60,247	238,832
Wastewater treatment	-	300,328	300,328	383,615
Total Expenses	1,829,169	300,328	2,129,497	2,259,427
Excess (deficiency) before transfers	465,306	4,797	470,103	309,696
Transfers	-	-	-	-
Increase (decrease) in net position	465,306	4,797	470,103	309,696
Net Position, Beginning of the year	6,470,798	2,296,568	8,767,366	8,457,670
Net Position, Ending	\$6,936,104	\$2,301,365	\$9,237,469	\$8,767,366

The Township's total revenues were \$2,599,600. The total cost of all programs and services was \$2,129,497, leaving an increase in net position of \$470,103. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

The Governmental Type activities had a net increase of \$465,306, which is made up of net gain of \$514,038 from the governmental funds less \$94,613 of net expenses relating to capital assets, an increase of \$31,927 in net pension expense and an additional increase of \$13,954 relating to the change in compensated absences.

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

Business-type Activities

During the year ended December 31, 2016, the net position of the Township's business-type activities increased by \$4,797.

The net increase of \$4,797 is due primarily to operating income of \$38,212 being offset by a loss in the investment of the Wastewater Treatment Facility of \$37,001.

Table 3 presents the cost of each of the three largest programs, General Services and Administration, Public Safety, and Recreation and Culture, 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

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General services and administration	\$274,254	\$185,501
Public safety	536,456	520,423
Recreation and culture	332,995	330,495

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 \$1,979,642 which is an increase of \$514,038 from the beginning of the year.

The governmental funds had a net gain of \$514,038 which was made up by: a \$133,554 increase in the General Fund due to conservative budgeting, a \$1,031 increase in the Road Fund due to a change in the deferred revenue recorded, a \$330,067 increase in the Fire Fund due to the property tax millage for the construction of a new fire hall, a \$49,434 increase in the Capital Projects Fund due to a \$25,000 transfer from the General Fund, and a \$48 decrease from non-major fund activity.

General Fund Budgetary Highlights

Over the course of the year, the Township Board revised the budget. Amendments resulted in a net decrease of \$5,613. With these adjustments, actual charges to expenditures were \$202,049 less than the final amended budget. Similarly, actual revenues were \$66,118 more than the final budget projection.

The positive difference between the final budget and actual revenues of \$66,118 was due to receiving more revenues in property taxes and charges for services than was budgeted.

The positive difference between the final budget and actual expenditures of \$202,049 was due to overall conservative spending and insurance savings. Other General Government was \$53,841 less than budget due to lower fringe benefit costs. Public Safety was \$71,049 less than budget due to lower personnel services. The additional \$77,159 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 2016, the Township had \$5,372,579 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 – 2016	Business-Type Activities – 2016	Total Primary Government – 2016	Total Primary Government – 2015
Land	\$190,000	\$5,555	\$195,555	\$195,555
Construction in progress	96,566	-	96,566	-
Land improvements	1,989,381	-	1,989,381	2,070,566
Buildings and improvements	2,602,596	355,592	2,958,188	3,087,169
Equipment and furnishings	106,774	26,115	132,889	133,774
Total	<u>\$4,985,317</u>	<u>\$387,262</u>	<u>\$5,372,579</u>	<u>\$5,487,064</u>

Capital Asset additions in the current year were \$122,422 for various equipment purchases and Lions Field Trailhead Improvements. Depreciation expense was recorded for \$217,035 for governmental activities and \$48,061 for business-type activities. Disposals consisted of net book value of \$-0- for a completely depreciated snowmobiles, Jaws of Life, and portable water tank system.

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, 2017 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 Choccolay, Michigan

STATEMENT OF NET POSITION

December 31, 2016

	Primary Government		Total
	Governmental Activities	Business - Type Activities	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,061,749	\$ 1,203,270	\$ 3,265,019
Investments	380,713	331,199	711,912
Receivables	721,313	105,144	826,457
Internal balances	-	-	-
Prepaid expense	25,474	579	26,053
Non-current Assets:			
Investment in treatment facility	-	276,936	276,936
Capital Assets			
Land and construction in progress	286,566	5,555	292,121
Other capital assets, net	4,698,751	381,707	5,080,458
Total Capital Assets	4,985,317	387,262	5,372,579
TOTAL ASSETS	8,174,566	2,304,390	10,478,956
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of related to net pension liability	70,861	23,621	94,482
Contributions made subsequent to pension measurement date	-	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	70,861	23,621	94,482
LIABILITIES			
Current Liabilities:			
Accounts payable	32,386	24,667	57,053
Accrued liabilities	22,019	1,184	23,203
Security deposits	-	-	-
Non-current Liabilities:			
Portion due or payable within one year			
Bonds payable	-	-	-
Compensated absences	24,333	-	24,333
Portion due or payable after one year			
Bonds payable	-	-	-
Net pension liability (benefit)	(2,005)	(668)	(2,673)
Compensated absences	73,001	-	73,001
TOTAL LIABILITIES	149,734	25,183	174,917
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to net pension liability	4,387	1,463	5,850
Taxes levied for a subsequent period	1,155,202	-	1,155,202
TOTAL DEFERRED INFLOWS OF RESOURCES	1,159,589	1,463	1,161,052
NET POSITION			
Net investment in capital assets	4,985,317	387,930	5,373,247
Restricted	284,758	-	284,758
Unrestricted	1,666,029	1,913,435	3,579,464
TOTAL NET POSITION	\$ 6,936,104	\$ 2,301,365	\$ 9,237,469

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, 2016

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	\$ 72,495	\$ -	\$ -	\$ -	\$ (72,495)	\$ -	\$ (72,495)
General services and administration	274,254	88,753	-	-	(185,501)	-	(185,501)
Public safety	536,456	-	16,033	-	(520,423)	-	(520,423)
Public works	178,544	180,695	-	-	2,151	-	2,151
Community and economic development	54,414	-	-	-	(54,414)	-	(54,414)
Recreation and culture	332,995	-	-	2,500	(330,495)	-	(330,495)
Other	319,764	-	-	-	(319,764)	-	(319,764)
Capital outlay	60,247	-	-	127,934	67,687	-	67,687
Total Governmental Activities	1,829,169	269,448	16,033	130,434	(1,413,254)	-	(1,413,254)
Business-Type Activities:							
Wastewater treatment	300,328	297,738	-	-	-	(2,590)	(2,590)
Total Business-Type Activities	300,328	297,738	-	-	-	(2,590)	(2,590)
TOTAL PRIMARY GOVERNMENT	\$ 2,129,497	\$ 567,186	\$ 16,033	\$ 130,434	(1,413,254)	(2,590)	(1,415,844)
General Revenues:							
Property taxes					1,316,410	-	1,316,410
Unrestricted State sources					456,593	-	456,593
Interest and investment earnings					26,682	7,387	34,069
Miscellaneous					78,875	-	78,875
Transfers					-	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					1,878,560	7,387	1,885,947
CHANGE IN NET POSITION					465,306	4,797	470,103
Net position, beginning of year					6,470,798	2,296,568	8,767,366
NET POSITION, END OF YEAR	\$ 6,936,104	\$ 2,301,365	\$ 9,237,469				

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

Charter Township of Chocolay, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

December 31, 2016

	General Fund	Road Fund	Fire Fund	Capital Improvement Fund	Non-major			Total Governmental Funds
					Drug Law Enforcement Fund	Library Millage Fund	Liquor Law Fund	
ASSETS								
Cash and cash equivalents	\$ 1,216,259	\$ 774	\$ 137,339	\$ 706,930	\$ 370	\$ -	\$ 77	\$ 2,061,749
Investments	222,493	-	-	158,220	-	-	-	380,713
Receivables	77,665	-	-	-	-	-	-	77,665
Taxes receivable	378,437	-	127,870	-	-	134,341	-	640,648
Due from other funds	3,000	-	-	25,000	-	-	-	28,000
Advance due from other funds	262,000	-	-	-	-	-	-	262,000
Prepaid expense	9,307	-	-	-	-	16,167	-	25,474
TOTAL ASSETS	2,169,161	774	265,209	890,150	370	150,508	77	3,476,249
DEFERRED OUTFLOWS OF RESOURCES								
	-	-	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,169,161	\$ 774	\$ 265,209	\$ 890,150	\$ 370	\$ 150,508	\$ 77	\$ 3,476,249
LIABILITIES								
Accounts payable	\$ 31,651	\$ -	\$ -	\$ 735	\$ -	\$ -	\$ -	\$ 32,386
Accrued payroll and related	22,019	-	-	-	-	-	-	22,019
Due to other funds	25,000	-	-	-	-	-	-	25,000
Advance due to other funds	-	-	262,000	-	-	-	-	262,000
TOTAL LIABILITIES	78,670	-	262,000	735	-	-	-	341,405
DEFERRED INFLOWS OF RESOURCES								
Taxes levied for a subsequent period	751,715	-	252,979	-	-	150,508	-	1,155,202
TOTAL DEFERRED INFLOWS OF RESOURCES	751,715	-	252,979	-	-	150,508	-	1,155,202
FUND BALANCE								
Non-spendable	271,307	-	-	-	-	16,167	-	287,474
Restricted	-	774	12,230	-	370	(16,167)	77	(2,716)
Committed	-	-	-	889,415	-	-	-	889,415
Assigned	-	-	-	-	-	-	-	-
Unassigned	1,067,469	-	(262,000)	-	-	-	-	805,469
TOTAL FUND BALANCE	1,338,776	774	(249,770)	889,415	370	-	77	1,979,642
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 2,169,161	\$ 774	\$ 265,209	\$ 890,150	\$ 370	\$ 150,508	\$ 77	\$ 3,476,249

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, 2016

Total Fund Balances for Governmental Funds		\$ 1,979,642
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,985,317
Net pension liability is not due and payable in the current period an is not reported in the funds.		
Net pension liability	\$ 2,005	
Deferred outflows related to net pension liability	70,861	
Deferred outflows made subsequent to pension measurement date	-	
Deferred inflows related to net pension liability	<u>(4,387)</u>	68,479
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	24,333	
Compensated absences	73,001	
Bonds payable	<u>-</u>	<u>(97,334)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 6,936,104</u></u>

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

Charter Township of Chocolay, Michigan

GOVERNMENTAL FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 2016

	General Fund	Road Fund	Fire Fund	Capital Improvement Fund	Non-Major			Total Governmental Funds
					Drug Law Enforcement Fund	Library Millage Fund	Liquor Law Fund	
REVENUES:								
Taxes	\$ 833,504	\$ 1,031	\$ 333,024	\$ -	\$ -	\$ 148,851	\$ -	\$ 1,316,410
Licenses and permits	4,084	-	-	-	-	-	-	4,084
Federal sources	-	-	-	2,500	-	-	-	2,500
State sources	469,674	-	-	27,934	-	-	2,952	500,560
Local sources	-	-	-	100,000	-	-	-	100,000
Charges for services	265,364	-	-	-	-	-	-	265,364
Interest	7,033	-	43	19,606	-	-	-	26,682
Other	47,668	-	-	31,207	-	-	-	78,875
TOTAL REVENUES	1,627,327	1,031	333,067	181,247	-	148,851	2,952	2,294,475
EXPENDITURES:								
Current operations:								
Legislative	72,495	-	-	-	-	-	-	72,495
General services and administration	284,426	-	-	-	-	-	-	284,426
Public safety	466,524	-	3,000	-	-	-	3,000	472,524
Public works	170,448	-	-	-	-	-	-	170,448
Community and economic development	54,414	-	-	-	-	-	-	54,414
Recreation and culture	100,702	-	-	-	-	148,851	-	249,553
Other	319,764	-	-	-	-	-	-	319,764
Capital outlay	-	-	-	156,813	-	-	-	156,813
TOTAL EXPENDITURES	1,468,773	-	3,000	156,813	-	148,851	3,000	1,780,437
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	158,554	1,031	330,067	24,434	-	-	(48)	514,038
OTHER FINANCING SOURCES (USES):								
Transfers in	-	-	-	25,000	-	-	-	25,000
Transfers (out)	(25,000)	-	-	-	-	-	-	(25,000)
TOTAL OTHER FINANCING SOURCES (USES)	(25,000)	-	-	25,000	-	-	-	-
CHANGE IN FUND BALANCE	133,554	1,031	330,067	49,434	-	-	(48)	514,038
Fund balance, beginning of year	1,205,222	(257)	(579,837)	839,981	370	-	125	1,465,604
FUND BALANCE, END OF YEAR	\$ 1,338,776	\$ 774	\$ (249,770)	\$ 889,415	\$ 370	\$ -	\$ 77	\$ 1,979,642

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, 2016

Net Change in Fund Balances - Total Governmental Funds **\$ 514,038**

*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	\$ 122,422	
Depreciation expense	(217,035)	
Gain (loss) on disposal	<u>-</u>	(94,613)

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

-

Increase in net pension liability reported in the statement of activities does not require the use of current resources, and therefore, is not reported in the fund statements until it comes due for payment.

Pension expense	31,927	
Change in deferred outflows related to timing of pension contributions	<u>-</u>	31,927

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.

13,954

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 465,306**

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

Charter Township of Chocolay, Michigan

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

December 31, 2016

	Business - Type Activities Enterprise Funds Wastewater Treatment Fund
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,203,270
Investments	331,199
Accounts receivable	105,144
Advance due from other funds	-
Prepaid expense	579
Non-current Assets:	
Investment in wastewater treatment facility	276,936
Capital assets:	
Land and construction in progress	5,555
Other capital assets, net	381,707
Total Capital Assets	<u>664,198</u>
TOTAL ASSETS	<u>2,304,390</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of related to net pension liability	23,621
Contributions made subsequent to pension measurement date	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>23,621</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	24,667
Accrued payroll and related liabilities	1,184
Security deposits	-
Non-current Liabilities:	
Portion due or payable within one year	
Bond payable	-
Portion due or payable after one year	
Bond payable	-
Net pension liability	(668)
TOTAL LIABILITIES	<u>25,183</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to net pension liability	1,463
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,463</u>
NET POSITION	
Net investment in capital assets	387,930
Restricted	-
Unrestricted	1,913,435
TOTAL NET POSITION	<u>\$ 2,301,365</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, 2016

	Business - Type Activities Enterprise Funds Wastewater Treatment Fund
OPERATING REVENUES:	
Charges for services, net	\$ 292,794
Miscellaneous income	4,944
	<hr/>
TOTAL OPERATING REVENUES	297,738
	<hr/>
OPERATING EXPENSES:	
Personnel services	76,861
Supplies	3,451
Other services and charges	131,153
Depreciation	48,061
	<hr/>
TOTAL OPERATING EXPENSES	259,526
	<hr/>
OPERATING INCOME (LOSS)	38,212
	<hr/>
NON-OPERATING REVENUES (EXPENSES):	
Investment income	7,387
Gain (loss) on investment in wastewater treatment facility	(37,001)
Gain (loss) on investment	(3,801)
Interest expense	-
	<hr/>
TOTAL NON-OPERATING REVENUES (EXPENSES)	(33,415)
	<hr/>
CHANGE IN NET POSITION	4,797
	<hr/>
Net position, beginning of year	2,296,568
	<hr/>
NET POSITION, END OF YEAR	\$ 2,301,365
	<hr/> <hr/>

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

Charter Township of Chocoy, Michigan

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2016

	Business - Type Activities Enterprise Funds Wastewater Treatment Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from charges for services	\$ 290,571
Other operating revenue	4,944
Cash payments to employees for services and fringe benefits	(87,250)
Cash payments to suppliers for goods and services	<u>(116,988)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>91,277</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Cash payments for capital assets	(28,189)
Interest payments on bonds	-
Principal payments on bonds	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(28,189)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	7,387
Increase (decrease) in unrealized gain (loss) on investments	(3,801)
(Additions) deductions to investments	(331,199)
(Additions) deductions to advances from other funds	295,000
(Additions) deductions to restricted assets	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(32,613)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,475
Cash and cash equivalents, beginning of year	<u>1,172,795</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,203,270</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	<u>\$ 38,212</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	48,061
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(2,223)
(Increase) decrease in prepaid expense	193
(Increase) decrease in deferred outflows related to pension	978
Increase (decrease) in accounts payable	17,423
Increase (decrease) in accrued payroll and related liabilities	253
Increase (decrease) in deferred inflows related to pension	1,463
Increase (decrease) in net pension liability	<u>(13,083)</u>
NET ADJUSTMENTS	<u>53,065</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 91,277</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, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 62,640
TOTAL ASSETS	<u>\$ 62,640</u>
LIABILITIES	
Due to others	\$ 59,640
Due to other funds	<u>3,000</u>
TOTAL LIABILITIES	<u>\$ 62,640</u>

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

CHARTER TOWNSHIP OF CHOCOLAY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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.
- ***Library Millage Fund*** – Library Millage Fund is a Special Revenue Fund type used to account for financial resources to be used for the expenditures related to the library.
- ***Liquor Law Fund*** – Liquor Law Fund is a Special Revenue Fund type used to account for financial resources to be used for the expenditures related to liquor inspections.
- ***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

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

for capital maintenance, public policy, management control, accountability, or other purposes.

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

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

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.

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.

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

- 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.

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 stated at fair value. The fair value measurements of investments is based on the hierarchy established by generally accepted accounting principles, which has three levels based on the valuation inputs used to measure an asset’s 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

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

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 (expense/expenditure) until then. The government has one item that qualifies for reporting in this category.

In the financial statements, the net difference between projected and actual pension plan investment earnings, differences between expected and actual experience, changes in assumptions create a deferred outflow of resources.

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 two types of items 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.

In the financial statements, the net difference between projected and actual pension plan investment earnings, differences between expected and actual experience, changes in assumptions create a deferred inflow of resources.

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.

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

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 May 1, 2017, 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	\$3,265,019	\$62,640	\$3,327,659
Investments	711,912	-	711,912
Subtotal	3,976,931	62,640	4,039,571
Restricted:			
Cash and cash equivalents	-	-	-
Investments	-	-	-
Subtotal	-	-	-
Total	\$3,976,931	\$62,640	\$4,039,571

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 \$3,327,659 and the bank balance was \$4,115,924. The bank balance is categorized as follows:

Amount insured by the FDIC:	\$2,484,489
Amount collateralized with securities held by the pledging financial institutions trust department in the Township’s name:	-
Uncollateralized and uninsured:	1,621,435
Total	\$4,115,924

Investments

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of December 31, 2016, the Township had the following investments:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
FHLB Bond**	\$223,342	\$223,342	\$-	\$-
FNMA NTS**	243,042	243,042		
FFCB Bond**	245,529	245,529		
Total	<u>\$711,912</u>	<u>\$711,912</u>	<u>\$-</u>	<u>\$-</u>

* Investment matures within one year

** Investment matures in 1-5 years

*** Investment matures in 6-10 years

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 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:

NOTE C – ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE (Continued):

	Governmental Activities	Business- Type Activities	Total Primary Government
Property Taxes – Current	\$640,507	\$-	\$640,507
Other	3,000	-	3,000
Due From Other Government Units	77,665	-	77,665
Utilities Receivable	-	105,144	105,144
Accrued Interest	-	-	-
Delinquent Property Taxes	141	-	141
Total	\$721,313	\$105,144	\$826,457

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:

DUE FROM OTHER FUNDS			
	General Fund	Capital Improvement Fund	Total Due To Other Funds
DUE TO OTHER FUNDS	General Fund	\$-	\$25,000
	Tax Collection Fund	2,000	-
	Trust & Agency Fund	1,000	-
	Total Due From Other Funds	\$3,000	\$25,000

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	\$262,000	\$-
	Capital Improvement Fund	-	-
	Wastewater Treatment Fund	-	-
	Total Advance Due From Other Funds	\$262,000	\$-

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.

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

	TRANSFERS OUT TO OTHER FUNDS		
	General Fund	Capital Improvement Fund	Total Transfers In From Other Funds
Capital Improvement Fund	\$25,000	\$-	\$25,000
Road Fund	-	-	-
Fire Fund	-	-	-
Total Transfers Out To Other Funds	\$25,000	\$-	\$25,000

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, 2016	Additions	Disposals	Balance at December 31, 2016
GOVERNMENTAL ACTIVITIES:				
Land	\$190,000	\$-	\$-	\$190,000
Construction in progress	-	96,566	-	96,566
Total Capital Assets, not being depreciated	190,000	96,556	-	286,566
Buildings and improvements	3,363,361	-	-	3,363,361
Land improvements	2,716,259	-	-	2,716,259
Furniture and equipment	1,402,820	25,856	(53,258)	1,375,418
Total Capital Assets being depreciated	7,482,440	25,856	(53,258)	7,455,038
Less Accumulated Depreciation:				
Buildings and improvements	(676,396)	(84,369)	\$-	(760,765)
Land improvements	(645,693)	(81,185)	-	(726,878)
Furniture and equipment	(1,270,421)	(51,481)	53,258	(1,268,644)
Total Accumulated Depreciation	(2,592,510)	(217,035)	53,258	(2,756,287)
Capital Assets, Net	\$5,079,930	(\$94,613)	\$-	\$4,985,317

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

General and Administrative	\$35,709
Public Safety	89,788
Public Works	8,096
Recreation and Culture	83,442
Total	\$217,035

NOTE E – CAPITAL ASSETS (Continued):

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

	Balance at January 1, 2016	Additions	Disposals	Balance at December 31, 2016
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	28,189	(23,317)	68,866
Total Capital Assets, being depreciated	2,185,362	28,189	(23,317)	2,190,234
Less Accumulated Depreciation:				
Buildings and improvements	(1,721,164)	(44,612)	-	(1,765,776)
Equipment	(62,619)	(3,449)	23,317	(42,751)
Total Accumulated Depreciation	(1,783,783)	(48,061)	23,317	(1,808,527)
Capital Assets, Net	\$407,134	(\$19,872)	\$-	\$387,262

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	\$48,061
Total	<u>\$48,061</u>

NOTE F – LONG-TERM DEBT:

The Township had \$-0- in long-term debt at December 31, 2016.

	Balance at January 1, 2016	Additions	Deductions	Balance at December 31, 2016	Due Within One Year
GOVERNMENTAL ACTIVITIES:					
None	\$-	\$-	\$-	\$-	\$-
SUBTOTAL	-	-	-	-	-
Accrued sick and vacation	111,288	-	(13,954)	97,334	24,333
TOTAL GOVERNMENTAL ACTIVITIES	\$111,288	\$-	(\$13,954)	\$97,334	\$24,333

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.

NOTE G – ACCUMULATED UNPAID VACATION AND SICK LEAVE (Continued):

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	\$60,574	\$36,760	\$97,334
Total	<u>\$60,574</u>	<u>\$36,760</u>	<u>\$97,334</u>

NOTE H – TAXES LEVIED FOR A SUBSEQUENT PERIOD:

Property taxes levied on December 1, 2016 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	\$751,715
Fire Fund	252,979
Library Fund	150,508
Total	<u>\$1,155,202</u>

NOTE I – FUND BALANCES – GOVERNMENTAL FUNDS:

As of December 31, 2016, 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, 2016, fund balances are composed of the following:

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

	General Fund	Road Fund	Fire Fund	Capital Improvement Fund	Non-major Funds	Total Governmental Funds
Non-spendable:						
Prepaid	\$9,307	\$-	\$-	\$-	\$16,167	\$25,474
Advances from other funds	262,000	-	-	-	-	262,000
Restricted:						
Tax Millage	-	774	12,230	-	(16,167)	(3,163)
Drug Law Enforcement	-	-	-	-	370	370
Liquor Law Inspection	-	-	-	-	77	77
Committed:						
Future Projects	-	-	-	889,415	-	889,415
Unassigned	1,067,469	-	(262,000)	-	-	805,469
TOTAL FUND BALANCES	\$1,338,776	\$774	(\$249,770)	\$889,415	\$447	\$1,979,642

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, 2015).

Summary of Significant Accounting Policies

Pensions – For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description – The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided:

01 – General: Open Division	<u>2015 Valuation</u>
Benefit Multiplier:	1.50% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	<u>50/25</u> 55/15
Final Average Compensation:	5 years
COLA for Future Retirees:	N/A
Employee Contributions:	2.50%
Act 88:	Yes (Adopted 3/15/2010)

Employees covered by benefit terms – At the December 31, 2015 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits:	3
Inactive employees entitled to but not yet receiving:	1
Active employees:	<u>14</u>
Total	<u><u>18</u></u>

Contributions – The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

NOTE K – DEFINED BENEFIT PENSION PLAN (Continued):

The contribution rates as a percentage of payroll as December 31, 2015 is as follows:

<u>Division</u>	<u>Employer Contribution</u>	<u>Employee Contribution</u>
01 – General	3.96%	2.50%

There were no contributions requirements for closed divisions.

Net Pension Liability – The employer's Net Pension Liability was measured as of December 31, 2016, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as December 31, 2015.

Actuarial assumptions – The total pension liability in the December 31, 2015 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.75% in the long-term

Investment rate of return: 7.75%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2009-2013.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount rate – The discount rate used to measure the total pension liability is 8.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially

NOTE K – DEFINED BENEFIT PENSION PLAN (Continued):

determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Calculating the Net Pension Liability		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 12/31/15	\$1,346,823	\$1,297,165	\$49,658
Changes for the Year			
Service Cost	44,022	-	44,022
Interest on Total Pension Liability	111,970	-	111,970
Changes in benefits	-	-	-
Difference between expected and actual experience	(7,019)	-	(7,019)
Change in assumptions	66,473	-	66,473
Employer Contributions	-	68,539	(68,539)
Employee Contributions	-	17,135	(17,135)
Net Investment Income	-	152,852	(152,852)
Benefit payments, including employee refunds	(23,244)	(23,244)	-
Administrative expense	-	(3,011)	3,011
Other changes	(32,262)	-	(32,262)
Net Changes	159,940	212,271	(52,331)
Balances at 12/31/16	\$1,506,763	\$1,509,436	(\$2,673)

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is one percentage point lower (7.25%) or 1% higher (9.25%) than the current rate.

	1% Decrease 7.25%	Current Discount Rate 8.25%	1% Increase 9.25%
Net Pension Liability at 12/31/2016	(\$2,673)	(\$2,673)	(\$2,673)
Change in Net Pension Liability	172,040	-	(146,826)
Calculated Net Pension Liability	\$169,367	(\$2,673)	(\$149,499)

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

NOTE K – DEFINED BENEFIT PENSION PLAN (Continued):

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended 2016 the employer recognized pension expense of \$31,927 in the General Fund and \$10,642 in the Wastewater Treatment Fund. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference in experience	\$-	(\$5,849)
Difference in assumptions	55,394	-
Excess (Deficit) investment returns	39,088	-
Subtotal	<u>94,482</u>	<u>(5,849)</u>
Contributions subsequent to the measurement date*	-	-
Total	<u>\$94,482</u>	<u>(\$5,849)</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending 2016.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended:	Amount
2017	\$25,831
2018	25,831
2019	25,830
2020	1,232
2021	9,909
Thereafter	-
Total	<u>\$88,633</u>

Payable to the Pension Plan

At December 31, 2016, there was a reported payable of \$0 for the outstanding amount of contributions to the pension plan.

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 2016 ad valorem tax is levied and collectible on December 1, 2016, 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.

The 2016 taxable valuation of the Township totaled \$202,445,648, on which ad valorem taxes levied consisted of 3.7026 mills for the Local Governmental Unit operation purposes, 1.2500 mills

NOTE L – PROPERTY TAXES (Continued):

for Fire Hall construction and 0.7411 mills for library services. 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, 2016 by the Township is \$420,285 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.

A summary of condensed financial information of the Facility, in the aggregate, for its fiscal year ended September 30, 2016 is as follows:

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

Assets	\$ 18,153,498
Deferred Outflows of Resources	417,807
Liabilities	12,960,356
Deferred Inflows of Resources	-
Net Position	5,610,949
Total Operating Revenues	2,160,395
Total Operating Expenses	3,027,256
Net income (loss)	(117,872)
Township's share of net income (loss)	(17,327)

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

In June 1988, Chocolay Township joined with 22 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, deferred outflows of resources, liabilities, deferred inflows of resources, and net position is approximately ten percent. Summary financial information as of and for the fiscal year ended June 30, 2016, is as follows:

Assets	\$11,676,536
Deferred Outflows of Resources	541,720
Liabilities	4,116,903
Deferred Inflows of Resources	47,703
Net Position	8,054,250
Total Operating Revenues	2,906,835
Total Operating Expenses	3,236,957
Net Income (loss)	(104,026)

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

In the 1980s, Chocolay Township joined with five 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.

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:

Assets	\$148,342
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 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, 2015 (the latest available financial report) is as follows:

NOTE Q – JOINTLY GOVERNED ORGANIZATIONS (Continued):

Assets	\$3,037,796
Deferred Outflows of Resources	-
Liabilities	35,332
Deferred Inflows of Resources	319,251
Net Position	2,683,213
Total Revenues	649,302
Total Expenses	151,980
Increase in Net Position	497,322

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, 2016 the Township distributed \$35,486 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, 2016 is as follows:

Assets	\$6,330,519
Deferred Outflows of Resources	341,193
Liabilities	2,065,370
Deferred Inflows of Resources	997,184
Net Position	3,609,158
Total Revenues	2,290,952
Total Expenses	1,912,886
Increase in Net Position	378,066

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, 2016 the Township distributed \$132,824 in taxes to the Peter White Public Library.

NOTE R – SINGLE AUDIT:

The Township's audited financial statements report a total of \$2,500 in Federal expenditures. As this amount is less than the single audit threshold of \$750,000, the Township is not required to have a single audit in accordance with Uniform Guidance for the fiscal year ended December 31, 2016.

NOTE S – FUND BALANCE DEFICIT:

At December 31, 2016 the Fire Fund had a deficit fund balance of \$249,770. 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, 2017.

NOTE T – NEW GASB STANDARDS:

Recently Issued and Adopted Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. GASB No. 72 addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for determining a fair value measurement for financial reporting purposes. This Statement is effective for periods beginning after June 15, 2015. The adoption of GASB No. 72 does not have any impact on the Township's financial statements.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement is effective for periods beginning after June 15, 2015. The adoption of GASB No. 76 does not have any impact on the Township's financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. GASB 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contributions. Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. This Statement is effective for periods beginning after June 15, 2016. The adoption of GASB No. 82 does not have any impact on the Township's financial statements.

Other Recently Issued Accounting Pronouncements

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68*. GASB No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. This Statement is effective for periods beginning after June 15, 2015. The Township does not have any pension plans that meet the criteria of GASB 73.

NOTE T – NEW GASB STANDARDS (Continued):

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. GASB No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. This Statement is effective for periods beginning after June 15, 2015. The Township does not have any external investment pools; therefore, GASB 79 is not applicable to the Township.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. GASB 77 requires governments to disclose tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The information required to be disclosed includes the taxes being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanisms by which taxes are abated provision for recapturing abated taxes, and the types of commitments being made by tax abatement recipients. Additionally the gross dollar amount of taxes abated during the period will have to be disclosed along with any other commitments made by a government, other than to abate taxes, as part of the tax abatement agreement. This Statement is effective for periods beginning after December 15, 201. The Township does not have any tax abatements; therefore, GASB No. 77 is not applicable to the Township.

In December 2015, the GASB issued Statement No. 78, *Pension Plans Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. GASB 78 amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement is effective for periods beginning after December 15, 201. The Township does not have any pension plans that meet the criteria for GASB 78; therefore, GASB 78 is not applicable to the Township.

NOTE U – UPCOMING 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.

NOTE U – UPCOMING STANDARDS (Continued):

GASB 74: Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans *Effective for fiscal years beginning after June 15, 2016 (Township's FY 2017)*

This standard replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet certain criteria. It also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are *not* administered through trusts that meet the specified criteria.

GASB 75: Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans *Effective for fiscal years beginning after June 15, 2017 (Township's FY 2018)*

This standard replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a non-employer entity provides financial support for OPEB of employees of another entity.

GASB 75 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The particular accounting and financial reporting requirements and footnote disclosures are dependent upon the type of plan being used (defined benefit, defined contribution, or special funding situations) and whether the OPEB plans are administered through trusts meeting certain criteria.

NOTE U – UPCOMING STANDARDS (Continued):

GASB 80: Blending Requirements for Certain Component Units – an Amendment to GASB Statement No. 14

Effective for fiscal years beginning after June 15, 2016 (Township's FY 2017)

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

GASB 81: Irrevocable Split-Interest Agreements

Effective for fiscal years beginning after December 15, 2016 (Township's FY 2017)

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

GASB 83: Certain Asset Retirement Obligations

Effective for fiscal years beginning after June 15, 2018 (Township's FY 2019)

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. It requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. A deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

This current value of a government's AROs are required to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays.

The statement also gives guidance on situations in which a government may have a minority share (less than 50 percent) of ownership interest in a jointly owned tangible capital asset in which a nongovernmental entity is the majority owner and reports its ARO in accordance with the guidance of another recognized accounting standards setter. The government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority

NOTE U – UPCOMING STANDARDS (Continued):

owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of this Statement.

This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs.

GASB 84: Fiduciary Activities

Effective for fiscal years beginning after December 15, 2018 (Township's FY 2019)

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement identifies four types of fiduciary funds that should be reported, as applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Charter Township of Chocolay, Michigan

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years

	Plan Fiscal Year Ending				
	2016	2015	2014	2013	2012
Total Pension Liability					
Service cost	\$ 44,022	\$ 44,467	\$ -	\$ -	\$ -
Interest	111,970	99,359	-	-	-
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(7,019)	-	-	-	-
Changes of assumptions	66,473	-	-	-	-
Benefit payments including employee refunds	(23,244)	(23,244)	-	-	-
Other	(32,262)	(5,140)	-	-	-
Net Change in Total Pension Liability	<u>159,940</u>	<u>115,442</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Pension Liability beginning	<u>1,346,823</u>	<u>1,231,381</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Pension Liability ending	<u>\$ 1,506,763</u>	<u>\$ 1,346,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan Fiduciary Net Position					
Contributions-employer	\$ 68,539	\$ 70,794	\$ -	\$ -	\$ -
Contributions-employee	17,135	17,748	-	-	-
Net Investment income	152,852	(20,110)	-	-	-
Benefit payments including employee refunds	(23,244)	(23,244)	-	-	-
Administrative expense	(3,011)	(2,854)	-	-	-
Other	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	<u>212,271</u>	<u>42,334</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position beginning	<u>1,297,165</u>	<u>1,254,831</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position ending	<u>\$ 1,509,436</u>	<u>\$ 1,297,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer Net Pension Liability (Benefit)	<u>\$ (2,673)</u>	<u>\$ 49,658</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	100%	96%	0%	0%	0%
Covered Employee Payroll	\$ 664,700	\$ 674,848	\$ -	\$ -	\$ -
Employer's Net Pension Liability as a percentage of covered employee payroll	0%	7%	0%	0%	0%

Above dates are based on measurement date, which may not necessarily tie to the fiscal year.

Notes to schedule:

<i>Benefit Changes:</i>	NONE	NONE	N/A	N/A	N/A
<i>Changes of Assumptions:</i>	1	NONE	N/A	N/A	N/A

1 - The mortality table was adjusted to reflect longer lifetimes.

The assumed annual rate of investment return, net of all expenses, was lowered from 8% to 7.75%

The asset smoothing was changed from 10 to 5 years.

The amortization period was moved to a fixed period amortization for the December 31, 2014 annual valuations.

Charter Township of Chocolay, Michigan

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS

Last 10 Fiscal Years

	Plan Fiscal Year Ending				
	2016	2015	2014	2013	2012
Actuarial determined contributions*	\$ 68,539	\$ 70,794	\$ 67,485	\$ 64,768	\$ 60,173
Contributions in relation to the actuarially determined contribution	68,539	70,794	67,485	64,768	60,173
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 664,700	\$ 674,848	\$ 674,848	\$ 623,991	\$ 599,442
Contributions as a percentage of covered employee payroll	10%	10%	10%	10%	10%

Notes to Schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	24 years
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary Increases	3.75%
Investment rate of return	7.75%
Retirement age	60 normal; 50/25 or 55/15 for reduced
Mortality	RP-2014 Group Annuity Mortality Table of a 50% Male / 50% Female

Previous actuarial methods and assumptions:

<i>Benefit Changes:</i>	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>
<i>Changes of Assumptions:</i>	<i>1</i>	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>	<i>NONE</i>

Above dates are based on the plan fiscal year, which may not necessarily tie to the measurement date

Note that these are employer contributions not employee contributions

- 1 - The mortality table was adjusted to reflect longer lifetimes.
The assumed annual rate of investment return, net of all expenses, was lowered from 8% to 7.75%.
The asset smoothing was changed from 10 to 5 years.
The amortization period was moved to a fixed period amortization for the December 31, 2014 annual valuations.

Charter Township of Chocolay, Michigan

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS

Last 10 Fiscal Years

	Plan Fiscal Year Ending				
	2011	2010	2009	2008	2007
Actuarial determined contributions*	\$ 58,165	\$ 42,136	N/A	N/A	N/A
Contributions in relation to the actuarially determined contribution	58,165	42,136	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	N/A	N/A	N/A
Covered Employee Payroll	\$ 560,443	\$ 593,220	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	10%	7%	N/A	N/A	N/A

Notes to Schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	24 years
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary Increases	3.75%
Investment rate of return	7.75%
Retirement age	60 normal; 50/25 or 55/15 for reduced
Mortality	RP-2014 Group Annuity Mortality Table of a 50% Male / 50% Female

Previous actuarial methods and assumptions:

<i>Benefit Changes:</i>	NONE	NONE	N/A	N/A	N/A
<i>Changes of Assumptions:</i>	NONE	NONE	N/A	N/A	N/A

Above dates are based on the plan fiscal year, which may not necessarily tie to the measurement date

Note that these are employer contributions not employee contributions

Charter Township of Chocolay, Michigan

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2016

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 806,900	\$ 806,900	\$ 833,504	\$ 26,604
Licenses and permits	5,200	5,200	4,084	(1,116)
State sources	477,800	481,804	469,674	(12,130)
Charges for services	224,800	224,800	265,364	40,564
Interest	2,500	2,500	7,033	4,533
Other revenues	32,800	40,005	47,668	7,663
TOTAL REVENUES	1,550,000	1,561,209	1,627,327	66,118
EXPENDITURES:				
Legislative	81,000	81,000	72,495	8,505
General services and administration	328,900	338,267	284,426	53,841
Public safety	507,400	537,573	466,524	71,049
Public works	179,700	179,700	170,448	9,252
Community and economic development	71,300	70,300	54,414	15,886
Recreation and culture	96,100	101,382	100,702	680
Other	389,600	362,600	319,764	42,836
TOTAL EXPENDITURES	1,654,000	1,670,822	1,468,773	202,049
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(104,000)	(109,613)	158,554	268,167
OTHER FINANCING SOURCES (USES):				
Transfers in	129,000	129,000	-	(129,000)
Transfers (out)	(25,000)	(25,000)	(25,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	104,000	104,000	(25,000)	(129,000)
CHANGE IN FUND BALANCE	-	(5,613)	133,554	139,167
Fund balance, beginning of year	1,205,222	1,205,222	1,205,222	-
FUND BALANCE, END OF YEAR	\$ 1,205,222	\$ 1,199,609	\$ 1,338,776	\$ 139,167

Charter Township of Chocolay, Michigan

ROAD FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2016

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ -	\$ 1,031	\$ 1,031
Licenses and permits	-	-	-	-
State sources	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Other revenues	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>1,031</u>	<u>1,031</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>1,031</u>	<u>1,031</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>1,031</u>	<u>1,031</u>
Fund balance, beginning of year	<u>(257)</u>	<u>(257)</u>	<u>(257)</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ (257)</u></u>	<u><u>\$ (257)</u></u>	<u><u>\$ 774</u></u>	<u><u>\$ 1,031</u></u>

Charter Township of Chocolay, Michigan

FIRE FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended December 31, 2016

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 331,000	\$ 331,000	\$ 333,024	\$ 2,024
Licenses and permits	-	-	-	-
State sources	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	43	43
Other revenues	-	-	-	-
TOTAL REVENUES	331,000	331,000	333,067	2,067
EXPENDITURES:				
Legislative	-	-	-	-
General services and administration	-	-	-	-
Public safety	3,000	3,000	3,000	-
Public works	-	-	-	-
Community and economic development	-	-	-	-
Recreation and culture	-	-	-	-
Other	-	-	-	-
TOTAL EXPENDITURES	3,000	3,000	3,000	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	328,000	328,000	330,067	2,067
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	328,000	328,000	330,067	2,067
Fund balance, beginning of year	(579,837)	(579,837)	(579,837)	-
FUND BALANCE, END OF YEAR	\$ (251,837)	\$ (251,837)	\$ (249,770)	\$ 2,067

**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, 2016

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Taxes:			
Current levy	\$ 738,000	\$ 743,707	\$ 5,707
Payment in lieu of taxes	11,000	14,960	3,960
Tax collection fees	<u>57,900</u>	<u>74,837</u>	<u>16,937</u>
Total Taxes	<u>806,900</u>	<u>833,504</u>	<u>26,604</u>
 Licenses and Permits:			
Animal licenses	200	314	114
Zoning permits	<u>5,000</u>	<u>3,770</u>	<u>(1,230)</u>
Total Licenses and Permits	<u>5,200</u>	<u>4,084</u>	<u>(1,116)</u>
 State Sources:			
Grant revenue	7,504	5,489	(2,015)
Metro revenue	5,400	7,592	2,192
State revenue sharing	<u>468,900</u>	<u>456,593</u>	<u>(12,307)</u>
Total State Sources	<u>481,804</u>	<u>469,674</u>	<u>(12,130)</u>
 Charges for Services:			
Franchise fees	81,000	84,669	3,669
Refuse collection	<u>143,800</u>	<u>180,695</u>	<u>36,895</u>
Total Charges for Services	<u>224,800</u>	<u>265,364</u>	<u>40,564</u>
 Interest	<u>2,500</u>	<u>7,033</u>	<u>4,533</u>
Total Interest	<u>2,500</u>	<u>7,033</u>	<u>4,533</u>
 Other Revenues:			
Ordinance fines and costs	12,500	10,331	(2,169)
Miscellaneous other	<u>27,505</u>	<u>37,337</u>	<u>9,832</u>
Total Other Revenues	<u>40,005</u>	<u>47,668</u>	<u>7,663</u>
 TOTAL REVENUES	<u>1,561,209</u>	<u>1,627,327</u>	<u>66,118</u>
 EXPENDITURES:			
LEGISLATIVE:			
Board of Commissioners:			
Personnel services	52,660	49,941	2,719
Other services and charges	<u>28,340</u>	<u>22,554</u>	<u>5,786</u>
TOTAL LEGISLATIVE	<u>81,000</u>	<u>72,495</u>	<u>8,505</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, 2016

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
GENERAL SERVICES AND ADMINISTRATION:			
Supervisor:			
Personnel services	\$ 50,465	\$ 17,295	\$ 33,170
Other services and charges	491	-	491
Capital outlay	-	-	-
Total Supervisor	<u>50,956</u>	<u>17,295</u>	<u>33,661</u>
Election:			
Personnel services	13,961	13,902	59
Supplies	8,597	8,023	574
Other services and charges	976	1,107	(131)
Total Election	<u>23,534</u>	<u>23,032</u>	<u>502</u>
Assessor:			
Personnel services	57,315	56,873	442
Supplies	3,850	2,247	1,603
Other services and charges	11,355	1,008	10,347
Capital outlay	-	-	-
Total Assessor	<u>72,520</u>	<u>60,128</u>	<u>12,392</u>
Clerk:			
Personnel services	98,001	97,449	552
Supplies	1,116	1,043	73
Other services and charges	600	200	400
Capital outlay	-	-	-
Total Clerk	<u>99,717</u>	<u>98,692</u>	<u>1,025</u>
Board of Review:			
Personnel services	2,400	2,288	112
Other services and charges	480	289	191
Total Board of Review	<u>2,880</u>	<u>2,577</u>	<u>303</u>
Treasurer:			
Personnel services	40,950	41,104	(154)
Supplies	4,500	3,886	614
Other services and charges	6,850	5,871	979
Capital outlay	200	147	53
Total Treasurer	<u>52,500</u>	<u>51,008</u>	<u>1,492</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, 2016

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Township Hall and Grounds:			
Supplies	\$ 2,525	\$ 3,567	\$ (1,042)
Other services and charges	13,475	9,286	4,189
Total Township Hall and Grounds	<u>16,000</u>	<u>12,853</u>	<u>3,147</u>
Technology:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	20,160	18,841	1,319
Capital outlay	-	-	-
Total Technology	<u>20,160</u>	<u>18,841</u>	<u>1,319</u>
TOTAL GENERAL SERVICES AND ADMINISTRATION	<u>338,267</u>	<u>284,426</u>	<u>53,841</u>
PUBLIC SAFETY:			
Police Department:			
Personnel services	356,156	324,463	31,693
Supplies	32,495	14,018	18,477
Other services and charges	27,022	20,184	6,838
Capital outlay	600	334	266
Total Police Department	<u>416,273</u>	<u>358,999</u>	<u>57,274</u>
Fire Department:			
Personnel services	55,125	51,762	3,363
Supplies	47,825	39,238	8,587
Other services and charges	18,350	16,525	1,825
Capital outlay	-	-	-
Total Fire Department	<u>121,300</u>	<u>107,525</u>	<u>13,775</u>
TOTAL PUBLIC SAFETY	<u>537,573</u>	<u>466,524</u>	<u>71,049</u>
PUBLIC WORKS:			
Streets:			
Supplies	2,500	271	2,229
Other services and charges	15,200	15,823	(623)
Total Streets	<u>17,700</u>	<u>16,094</u>	<u>1,606</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, 2016

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Refuse Collection:			
Personnel services	\$ 10,508	\$ 10,537	\$ (29)
Supplies	-	-	-
Other services and charges	151,492	143,817	7,675
Debt payment	-	-	-
Total Refuse Collection	<u>162,000</u>	<u>154,354</u>	<u>7,646</u>
TOTAL PUBLIC WORKS	<u>179,700</u>	<u>170,448</u>	<u>9,252</u>
COMMUNITY AND ECONOMIC DEVELOPMENT:			
Zoning:			
Personnel services	53,394	48,322	5,072
Supplies	2,236	100	2,136
Other services and charges	1,770	734	1,036
Capital outlay	-	-	-
Total Zoning	<u>57,400</u>	<u>49,156</u>	<u>8,244</u>
Planning Commission:			
Personnel services	5,400	4,200	1,200
Supplies	300	-	300
Other services and charges	3,500	633	2,867
Total Planning Commission	<u>9,200</u>	<u>4,833</u>	<u>4,367</u>
Appeals Board (Zoning and Planning):			
Personnel services	2,520	360	2,160
Supplies	150	-	150
Other services and charges	1,030	65	965
Total Appeals Board (Zoning and Planning)	<u>3,700</u>	<u>425</u>	<u>3,275</u>
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	<u>70,300</u>	<u>54,414</u>	<u>15,886</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, 2016

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
RECREATION AND CULTURE:			
Parks and Properties:			
Personnel services	\$ 71,666	\$ 71,217	\$ 449
Supplies	21,850	20,818	1,032
Other services and charges	1,866	3,622	(1,756)
Capital outlay	6,000	5,045	955
Total Parks and Properties	<u>101,382</u>	<u>100,702</u>	<u>680</u>
TOTAL RECREATION AND CULTURE	<u>101,382</u>	<u>100,702</u>	<u>680</u>
OTHER:			
Fringe Benefits:			
Personnel services	296,326	265,963	30,363
Supplies	10,768	10,148	620
Other services and charges	55,506	41,146	14,360
Total Fringe Benefits	<u>362,600</u>	<u>317,257</u>	<u>45,343</u>
Gain (loss) on investment	<u>-</u>	<u>2,507</u>	<u>(2,507)</u>
TOTAL OTHER	<u>362,600</u>	<u>319,764</u>	<u>42,836</u>
TOTAL EXPENDITURES	<u>1,670,822</u>	<u>1,468,773</u>	<u>202,049</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(109,613)</u>	<u>158,554</u>	<u>268,167</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	129,000	-	(129,000)
Transfers (out)	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>104,000</u>	<u>(25,000)</u>	<u>(129,000)</u>
CHANGE IN FUND BALANCE	<u>(5,613)</u>	<u>133,554</u>	<u>139,167</u>
Fund balance, beginning of year	<u>1,205,222</u>	<u>1,205,222</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 1,199,609</u></u>	<u><u>\$ 1,338,776</u></u>	<u><u>\$ 139,167</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, 2016

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Property taxes	\$ -	\$ 1,031	\$ 1,031
Interest	-	-	-
Other	-	-	-
TOTAL REVENUES	<u>-</u>	<u>1,031</u>	<u>1,031</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>1,031</u>	<u>1,031</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>1,031</u>	<u>1,031</u>
Fund balance, beginning of year	<u>(257)</u>	<u>(257)</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ (257)</u></u>	<u><u>\$ 774</u></u>	<u><u>\$ 1,031</u></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, 2016

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 331,000	\$ 333,024	\$ 2,024
Interest	-	43	43
Other	-	-	-
TOTAL REVENUES	<u>331,000</u>	<u>333,067</u>	<u>2,067</u>
EXPENDITURES:			
Public Safety:			
Fire Department:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	3,000	3,000	-
Capital outlay	-	-	-
Total Fire Department	<u>3,000</u>	<u>3,000</u>	<u>-</u>
TOTAL EXPENDITURES	<u>3,000</u>	<u>3,000</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>328,000</u>	<u>330,067</u>	<u>2,067</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN FUND BALANCE	328,000	330,067	2,067
Fund balance, beginning of year	<u>(579,837)</u>	<u>(579,837)</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ (251,837)</u>	<u>\$ (249,770)</u>	<u>\$ 2,067</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, 2016

REVENUES:

Federal sources	\$	2,500
State sources		27,934
Local sources		100,000
Interest		19,606
Other		31,207
TOTAL REVENUES		<u>181,247</u>

EXPENDITURES:

Capital Outlay:		
Election department		2,967
Assessor		-
Clerk		2,849
Treasurer		-
Technology		3,676
Township building and grounds		-
Police department		14,369
Fire department		24,852
Streets		-
Water and sewer		4,785
Recreation		103,315
Zoning and planning		-
Total Capital Outlay		<u>156,813</u>
TOTAL EXPENDITURES		<u>156,813</u>

EXCESS OF REVENUES OVER (UNDER) EXPENDITURES 24,434

OTHER FINANCING SOURCES (USES):

Transfers in		25,000
Transfers (out)		-
TOTAL OTHER FINANCING SOURCES		<u>25,000</u>

CHANGES IN FUND BALANCE 49,434

Fund balance, beginning of year 839,981

FUND BALANCE, END OF YEAR \$ 889,415

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, 2016

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</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>370</u>	<u>370</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 370</u></u>	<u><u>\$ 370</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, 2016

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Property taxes	\$ 148,000	\$ 148,851	\$ 851
Interest	-	-	-
Other	-	-	-
TOTAL REVENUES	<u>148,000</u>	<u>148,851</u>	<u>851</u>
EXPENDITURES:			
Recreation and Culture:			
Library Millage:			
Contractual services	148,000	148,851	(851)
Supplies	-	-	-
Other services and charges	-	-	-
Capital outlay	-	-	-
Total Library Millage	<u>148,000</u>	<u>148,851</u>	<u>(851)</u>
TOTAL EXPENDITURES	<u>148,000</u>	<u>148,851</u>	<u>(851)</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

LIQUOR LAW FUND

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

For the Year Ended December 31, 2016

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
State Sources	\$ 2,900	\$ 2,952	\$ 52
Interest	-	-	-
Other	-	-	-
TOTAL REVENUES	<u>2,900</u>	<u>2,952</u>	<u>52</u>
EXPENDITURES:			
Public Safety:			
Liquor Inspection:			
Contractual services	2,900	3,000	(100)
Supplies	-	-	-
Other services and charges	-	-	-
Capital outlay	-	-	-
Total Liquor Inspection	<u>2,900</u>	<u>3,000</u>	<u>(100)</u>
TOTAL EXPENDITURES	<u>2,900</u>	<u>3,000</u>	<u>(100)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(48)</u>	<u>(48)</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>(48)</u>	<u>(48)</u>
Fund balance, beginning of year	<u>125</u>	<u>125</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 125</u>	<u>\$ 77</u>	<u>\$ (48)</u>

Charter Township of Chocolay, Michigan

FIDUCIARY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET POSITION

December 31, 2016

	<u>Trust & Agency Fund</u>	<u>Tax Collection Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	<u>\$ 60,130</u>	<u>\$ 2,510</u>	<u>\$ 62,640</u>
TOTAL ASSETS	<u><u>\$ 60,130</u></u>	<u><u>\$ 2,510</u></u>	<u><u>\$ 62,640</u></u>
LIABILITIES			
Due to others	<u>\$ 59,130</u>	<u>\$ 510</u>	<u>\$ 59,640</u>
Due to other funds	<u>1,000</u>	<u>2,000</u>	<u>3,000</u>
TOTAL LIABILITIES	<u><u>\$ 60,130</u></u>	<u><u>\$ 2,510</u></u>	<u><u>\$ 62,640</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 applicable 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 (the Township), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements and have issued our report thereon dated May 1, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township'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 Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township'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. We did identify certain deficiencies in internal control, described in the accompanying Report to Management that we consider to be significant deficiencies (item 2016-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from 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* and which are described in the accompanying Report to Management (item 2016-002).

Charter Township of Chocolay, Michigan's Response to Findings

Township's response to the findings identified in our audit is described in the accompanying Report to Management. Township'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

May 1, 2017

COMMUNICATIONS SECTION



Charter Township of Chocolay, Michigan
Report to Management
For the Year Ended December 31, 2016

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, 2016, 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 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 internal control to be significant deficiencies:

SIGNIFICANT DEFICIENCY

2016-001 – 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 NONCOMPLIANCE

2016-002 FUND BALANCE DEFICIT (REPEAT)

Condition/Criteria: At December 31, 2016 the Township 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 Township has filed such a plan.

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

Effect: The Township is not in compliance with State Law.

Recommendation: This issue will resolve itself by December 31, 2017. Therefore, we recommend filing their corrective action plan with the State.

Management Response:

- Contact Person(s) Responsible for Correction:
 - Richard Bohjanen, 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, 2017

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.

Board of Trustees of the
Charter Township of Chocolay, Michigan

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

Anderson, Tackman & Company, PLLC
Certified Public Accountants

May 1, 2017



Charter Township of Chocolay, Michigan
Communication with Those Charged with Governance
For the Year Ended December 31, 2016

May 1, 2017

To the Board of Trustees of the
Charter Township of Chocolay, Michigan
5010 US Highway 41 South
Marquette, MI 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, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), 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 November 15, 2016. 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 financial statements. No new accounting policies were adopted and application of existing policies was not changed during 2016. We noted no transactions entered into by the Township 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:

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.

Board of Trustees of the
Charter Township of Chocolay, Michigan

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.

Management's estimate of the Net Pension Liability is based on an actuarial performed for the Municipal Employees' Retirement System of Michigan to determine its liability. We evaluated the key factors and assumptions used to develop the Net Pension Liability, based on information provided by the CBIZ Retirement Plan Services, in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement 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 notes 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 notes 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 May 1, 2017.

Management Consultations with Other Independent Accountants

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

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 Township’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 an 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 that we consider to be significant deficiencies (item 2016-001).

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 (item 2016-002).

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 supplement 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 Other Supplementary Information (as listed in the table of contents), which accompanies the financial statements but is 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

Board of Trustees of the
Charter Township of Chocolay, Michigan

relation to our audit of 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