

# **Pere Marquette Charter Township**

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**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
Year Ended December 31, 2017**

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# Pere Marquette Charter Township

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December 31, 2017

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## **INDEPENDENT AUDITOR'S REPORT**

To the Township Board  
Pere Marquette Charter Township

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 Pere Marquette Charter Township as of and for the year ended December 31, 2017, 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. 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 Pere Marquette Charter Township, as of December 31, 2017, 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.

To the Township Board  
Pere Marquette Charter Township

**Other Matters**

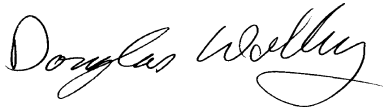
*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 – 9 and 41 – 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 Pere Marquette Charter Township's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Douglas Wohlberg, CPA  
Byron Center, Michigan  
April 19, 2018

# PERE MARQUETTE CHARTER TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Using this annual report

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

### Following is a summary of the Statement of Net Position.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 4,640,902	\$ 3,830,155	\$ 2,581,550	\$ 2,377,881	\$ 7,222,452	\$ 6,208,036
Capital assets	1,889,673	2,057,361	9,240,968	9,467,506	11,130,641	11,524,867
<b>Total assets</b>	<b>6,530,575</b>	<b>5,887,516</b>	<b>11,822,518</b>	<b>11,845,387</b>	<b>18,353,093</b>	<b>17,732,903</b>
Current liabilities	127,034	54,416	147,419	132,550	274,453	186,966
Noncurrent liabilities	2,640,000	2,910,000	-	-	2,640,000	2,910,000
<b>Total liabilities</b>	<b>2,767,034</b>	<b>2,964,416</b>	<b>147,419</b>	<b>132,550</b>	<b>2,914,453</b>	<b>3,096,966</b>
Deferred inflows of resources	101,249	111,398	-	-	101,249	111,398
Net position						
Net investment in capital assets	1,248,073	1,357,411	9,240,968	9,467,506	10,489,041	10,824,917
Restricted	1,858,747	1,240,383	-	-	1,858,747	1,240,383
Unrestricted	555,472	213,908	2,434,131	2,245,331	2,989,603	2,459,239
<b>Total net position</b>	<b>\$ 3,662,292</b>	<b>\$ 2,811,702</b>	<b>\$11,675,099</b>	<b>\$11,712,837</b>	<b>\$15,337,391</b>	<b>\$ 14,524,539</b>

**PERE MARQUETTE CHARTER TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Following is a summary of the Statement of Activities.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Program revenues						
Charges for services	\$ 263,688	\$ 193,832	\$ 1,441,857	\$ 1,520,613	\$ 1,705,545	\$ 1,714,445
Operating grants and contributions	14,085	19,945	-	-	14,085	19,945
General revenues						
Property taxes	1,906,555	1,756,538	-	-	1,906,555	1,756,538
State-shared revenue	195,367	180,623	-	-	195,367	180,623
Miscellaneous	235,119	121,296	4,485	5,223	239,604	126,519
<b>Total revenues</b>	<b>2,614,814</b>	<b>2,272,234</b>	<b>1,446,342</b>	<b>1,525,836</b>	<b>4,061,156</b>	<b>3,798,070</b>
Program expenses						
General government	735,291	745,435	-	-	735,291	745,435
Public safety	251,123	246,380	-	-	251,123	246,380
Public works	388,671	367,264	-	-	388,671	367,264
Community and economic development	47,996	44,561	-	-	47,996	44,561
Recreation and culture	277,463	259,189	-	-	277,463	259,189
Capital outlay	140,764	-	-	-	140,764	-
Interest on long-term debt	58,316	63,841	-	-	58,316	63,841
Sewer	-	-	411,823	400,950	411,823	400,950
Water	-	-	1,003,819	1,062,363	1,003,819	1,062,363
<b>Total expenses</b>	<b>1,899,624</b>	<b>1,726,670</b>	<b>1,415,642</b>	<b>1,463,313</b>	<b>3,315,266</b>	<b>3,189,983</b>
Increase (decrease) in net position before transfers and capital contributions	715,190	545,564	30,700	62,523	745,890	608,087
Transfers	135,400	147,660	(135,400)	(147,660)	-	-
Capital contributions	-	-	66,962	-	66,962	-
Change in net position	850,590	693,224	(37,738)	(85,137)	812,852	608,087
Net position-beginning	2,811,702	2,118,478	11,712,837	11,797,974	14,524,539	13,916,452
<b>Net position-ending</b>	<b>3,662,292</b>	<b>2,811,702</b>	<b>11,675,099</b>	<b>11,712,837</b>	<b>15,337,391</b>	<b>14,524,539</b>

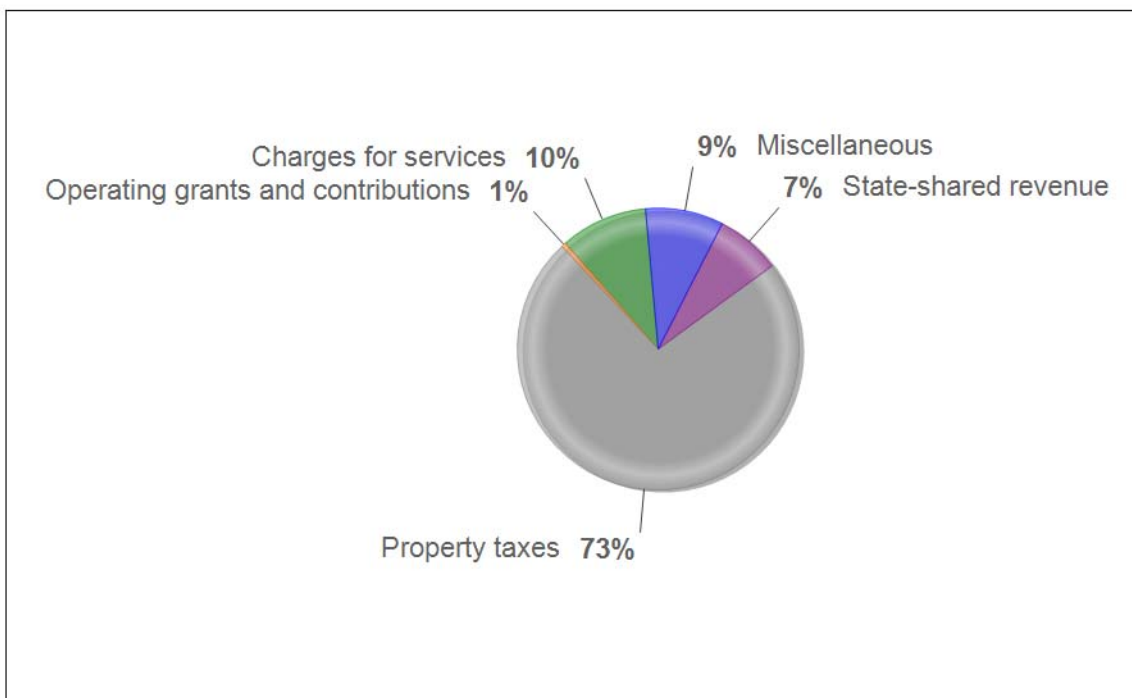
# PERE MARQUETTE CHARTER TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

## The Township as a whole

The Township as a whole has continued to maintain a solid financial base. The Township's combined net position increased by \$812,852, or 5% during the year. Unrestricted net position, the part of net position that can be used to finance day to day operations, increased during the year by \$530,364, or 18%, for governmental activities. Long-term debt related to the governmental funds decreased by 10% from the prior year.

## Governmental Activities

Revenue for the Township's governmental operations is generated primarily from three sources: tax revenue, charges for services and permit fees, and State sources such as State revenue sharing and State grants, when awarded. The following chart illustrates the sources of the Township's revenue.



The current tax millage levy is 2.85 mills. Tax revenue is calculated on each property by multiplying the taxable value by the levied millage rate. For example, a home with a taxable value of \$60,000 (x .00285) would generate Township tax revenue of \$171. The levy remained at 2.35 mills for the years 1997 through 2003, and increased to 2.85 in 2004 due to declining revenues and increasing expenses of operation.



# PERE MARQUETTE CHARTER TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS

In August, 2012, Township electors passed a Public Transportation Service Millage of up to .40 mills. The Township Board determined that the actual amount of revenue needed to provide a service contract with the Ludington Mass Transportation Authority would be .29 mills and that amount was levied.

Total revenue in the General Fund shows a modest increase of \$249,113 over the prior year. General Fund expenditures amounted to \$102,710 more than in the previous year. Township departments generally were able to stay below budgeted numbers on expenditures. For the year, the General Fund revenues exceeded expenditures by \$796,684. Budget status reports are reviewed by each department monthly for evaluation and monitoring of expenditures.

### **Business-type Activities**

The township's business-type activities are accounted for in the Water Fund and the Sewer Fund. Development of these systems has been funded by the issuance of special assessment and general obligation bonds by the Township, and by bonds issued by the Hamlin/Pere Marquette Water and Sewer Authority. Smaller projects have been charged directly to the water and sewer funds. Bond payments are funded through special assessment charges added to tax bills, by general fund revenues, and by connection and user charges of the water and sewer funds.

The Township's water and sewer systems are still being developed. Water and sewer mains will continue to be installed in areas that are not currently served. Customers will continue to be added in areas that have service now. Initially the Township had a single purchased water system, with all water supplied by the City of Ludington. In 2008 a ground water (well) system was added to address concerns over low pressure in the township's industrial and business parks. Over the next few years approximately 70% of the water customer base was converted from the purchased system to the ground water system.

The Township Board issued General Obligation Construction and Refunding bonds in 2013. The issue included funding to refinance two outstanding bond issues from prior years. The issue also included \$875,000 in new money to finance the Rasmussen Road Water Main Expansion Project, the 6<sup>th</sup> Street Lift Station Replacement, as well as maintenance and improvements to the water tower and the town hall property. The remaining funds will be used to purchase a radio read system and new water meters.

In 2015 the Township entered into an agreement with the City of Ludington and Township customer, Michigan Power Limited. Michigan Power operates a co-generation plant in the Township and wished to obtain water for their plant processes. The agreement included both a reduced wholesale rate for water purchased from the City of Ludington and a high-volume rate for water sold to Michigan Power. Net sales related to this agreement are anticipated to be over \$46,000 per year. Additionally the reduced rate for purchased water is expected to lower costs by \$14,000 per year, for a total estimated annual benefit of \$60,000.

The general operational needs of the Pere Marquette Water and Sewer Departments are paid by user fees. A rate study of both systems is done periodically to determine if the rate structure is adequate to sustain the systems. In 2014 the Township contracted with Burton & Associates of Jackson, Michigan to perform a thorough financial analysis of both systems. Burton and Associates found that the \$60,000 benefit associated with the new agreement with the City of Ludington and Michigan Power would allow the Township Board to reduce water rates by 10% in 2015 from \$3.45 to \$3.11 per CCF. The recommendation from the analysis concluded that no increases would take place in 2016 and that the recommended annual inflationary increase of 3.5% would begin in 2017 and go through 2024 with all rate increases required to be approved by resolution of the Township Board.

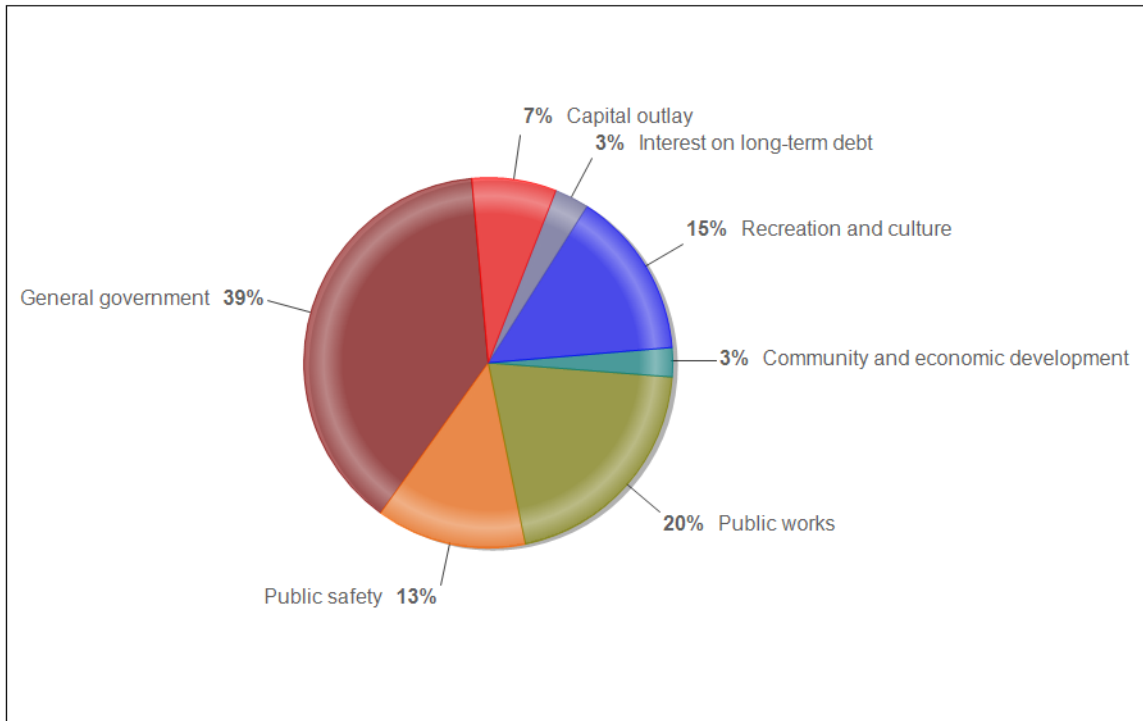
# PERE MARQUETTE CHARTER TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

## The Township's Funds

Analysis of the Township's major funds follows the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for various activities. The Township's major funds for the year are the General Fund, Transportation Fund, 2013 General Obligation Debt Service Fund, Capital Improvement Fund, and the Sewer and Water Funds.

The General Fund pays for most of the Township's governmental services. The most significant are General Government which includes many departments such as the Supervisor, Clerk and Treasurer, Public Safety which includes the fire department and the building inspection department, Recreation and Culture which is the parks and recreation department, Public Works which includes roads and street lighting, and Curbside Refuse. These services are funded by a combination of general tax collection and user fees.

The chart below illustrates how expenditures were allocated to various services across all of the governmental funds during the year.



Transfers into the General Obligation Debt Retirement Fund are used to make the principal and interest payments on long-term debt borrowed for the installation of water and sewer service lines.

# PERE MARQUETTE CHARTER TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The 2013 General Obligation Fund was created to refinance the two outstanding bond issues from prior years and to finance two expansions to the water system, upgrade sewer lift stations, and upgrade the meter reading system.

The 2004 General Obligation/Capital Improvement Fund was created in 2004 to account for the payment of debt incurred on the sale of bonds to be used to match a U.S. Department of Commerce, Economic Development Administration Grant for the development of the First Street Business Park, construction of an elevated water tower, and installation of municipal water wells. This debt was refinanced in 2013, resulting in a savings of \$281,365.

The Construction Fund was activated in 2004 to receive the proceeds from the sale of the 2004 Capital Improvement bonds and to account for revenue and expenditures associated with the construction of the First Street Business Park, water tower and municipal well project.

The Transportation System Fund was created in 2008 to account for tax revenue collected through the public transportation tax levy and contractual expense related to the service provided by Ludington Mass Transportation Authority.

The Capital Improvement Fund is utilized to set aside and purchase and/or replace equipment or make major improvements or additions to Township assets. The Township strives to budget and appropriate a yearly transfer of non-tax revenue from the General Fund to the Capital Improvement Fund to provide for the purchase and replacement of capital assets. In 2017 the Township was able to transfer approximately \$738,000 in non-tax revenue to the Capital Improvement Fund.

### **General Fund Budgetary Highlights**

The Township Board amended the budget to take into account events that occurred during the year. Expenditures were closely monitored during the year. The Township strives to maintain a General Fund balance that approximates the amount of yearly expenditures. The fund balance was increased by \$92,161 during the year to \$2,642,926, which represents 170% of 2017 expenditures.

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

At the end of the year, the Township had approximately \$11,100,000 invested in a broad range of capital assets, including buildings, park improvements, police and fire equipment, business/industrial park property, and water and sewer lines. Depreciation expense on these capital assets, which decreases their book value, was approximately \$366,000. Approximately \$121,000 of capital assets were added during the year.

In past years, the Township has invested significantly in roads within the Township. Road assets are not reported in the Township's financial statements because by Michigan law these roads are the property of the Mason County Road Commission (along with the responsibility to maintain them).

# PERE MARQUETTE CHARTER TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Economic Factors and Revenue Projections**

Pere Marquette Charter Township's property tax revenues are up approximately 6% due to new construction that has taken place in the township in all classes including Residential, Commercial, and Industrial. The township is experiencing a period of growth with several new businesses coming into the township and the continued \$800 million upgrade to the Consumers Energy Pumped Storage Facility. These tax revenue increases have allowed the township the opportunity to increase the level of services it provides to its residents. The township has increased expenditures for local road improvement as funding from the State and Counties has proved insufficient. The township has also increased expenditures for the three parks and park facilities for improvements of those properties.

### **Overall Financial Condition**

The Township has been able to maintain a strong financial position as a result of careful planning, and cost saving measures implemented by all departments in the Township. A second factor that provides financial stability is the reduction in appropriation needed for debt as bond issues are retired.

In June, 2009, the Township was notified by Standard & Poor's bond rating agency that the Township's rating has been upgraded from A- to AA, a four-point increase in overall rating as a result of strong financial performance. Reasons stated in the review indicate that the Township maintains a strong fund balance, that the budget is structured to provide break-even operations, that the levy is 2.1 mills below the allowed Headlee limit providing revenue flexibility, and that overall debt is low.

### **Contacting the Township's Management**

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

1699 S. Pere Marquette Highway  
Ludington, MI 49431  
phone: (231) 845-1277  
email: [rachelle@pmtwp.org](mailto:rachelle@pmtwp.org)  
fax: (231) 843-3330

## **BASIC FINANCIAL STATEMENTS**

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# Pere Marquette Charter Township

## Statement of Net Position

December 31, 2017

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 3,012,818	\$ 2,295,322	\$ 5,308,140
Receivables, net	1,628,084	286,228	1,914,312
Capital assets, net of accumulated depreciation	1,889,673	9,240,968	11,130,641
<b>Total assets</b>	<b>\$ 6,530,575</b>	<b>\$ 11,822,518</b>	<b>\$ 18,353,093</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 109,904	\$ 147,419	\$ 257,323
Accrued and other liabilities	16,450	-	16,450
Deferred revenue	680	-	680
Noncurrent liabilities:			
Due within one year	275,000	-	275,000
Due in more than one year	2,365,000	-	2,365,000
<b>Total liabilities</b>	<b>2,767,034</b>	<b>147,419</b>	<b>2,914,453</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred premium on refunding	99,924	-	99,924
Unavailable revenue-special assessments	1,325	-	1,325
<b>Total deferred inflows of resources</b>	<b>101,249</b>	<b>-</b>	<b>101,249</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,248,073	9,240,968	10,489,041
Restricted for:			
Debt service	20,948	-	20,948
Capital projects	1,609,829	-	1,609,829
Right of way improvements	58,526	-	58,526
Public transportation	169,444	-	169,444
Unrestricted	555,472	2,434,131	2,989,603
<b>Total net position</b>	<b>3,662,292</b>	<b>11,675,099</b>	<b>15,337,391</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 6,530,575</b>	<b>\$ 11,822,518</b>	<b>\$ 18,353,093</b>

The notes to the financial statements are an integral part of this statement.

# Pere Marquette Charter Township

## Statement of Activities

For the year ended December 31, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
<b>Functions/Programs:</b>						
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 735,291	\$ 13,341	\$ -	\$ (721,950)	\$ -	\$ (721,950)
Public safety	251,123	85,061	9,617	(156,445)	-	(156,445)
Public works	388,671	3,510	4,468	(380,693)	-	(380,693)
Community and economic development	47,996	-	-	(47,996)	-	(47,996)
Recreation and culture	277,463	161,776	-	(115,687)	-	(115,687)
Capital outlay	140,764	-	-	(140,764)	-	(140,764)
Interest on long-term debt	58,316	-	-	(58,316)	-	(58,316)
<b>Total governmental activities</b>	<b>1,899,624</b>	<b>263,688</b>	<b>14,085</b>	<b>(1,621,851)</b>	<b>-</b>	<b>(1,621,851)</b>
Business-type activities:						
Sewer	411,823	379,428	-	-	(32,395)	(32,395)
Water	1,003,819	1,062,429	-	-	58,610	58,610
<b>Total business-type activities</b>	<b>1,415,642</b>	<b>1,441,857</b>	<b>-</b>	<b>-</b>	<b>26,215</b>	<b>26,215</b>
<b>Total primary government</b>	<b>\$ 3,315,266</b>	<b>\$ 1,705,545</b>	<b>\$ 14,085</b>	<b>(1,621,851)</b>	<b>26,215</b>	<b>(1,595,636)</b>
General revenues:						
Property taxes				1,906,555	-	1,906,555
State-shared revenues				195,367	-	195,367
Unrestricted investment income				54,186	4,333	58,519
Rent and contracts				25,250	-	25,250
Capital contributions				-	66,962	66,962
Intergovernmental				36,408	-	36,408
Gain/loss on sale of capital assets				87,197	-	87,197
Miscellaneous				32,078	152	32,230
Transfers				135,400	(135,400)	-
<b>Total general revenues and transfers</b>				<b>2,472,441</b>	<b>(63,953)</b>	<b>2,408,488</b>
<b>Change in net position</b>				<b>850,590</b>	<b>(37,738)</b>	<b>812,852</b>
<b>Net position-beginning</b>				<b>2,811,702</b>	<b>11,712,837</b>	<b>14,524,539</b>
<b>Net position-ending</b>				<b>\$ 3,662,292</b>	<b>\$ 11,675,099</b>	<b>\$ 15,337,391</b>

The notes to the financial statements are an integral part of this statement.

# Pere Marquette Charter Township

## Governmental Funds

### Balance Sheet

December 31, 2017

	General	Transportation	2013 General Obligation Debt Service	Capital Improvement	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and pooled investments	\$ 1,250,024	\$ 73,491	\$ -	\$ 1,392,524	\$ 296,779	\$ 3,012,818
Taxes receivable	1,477,071	147,056	-	-	-	1,624,127
Accounts receivable	2,632	-	-	-	-	2,632
Special assessments receivable	-	-	-	-	1,325	1,325
<b>Total assets</b>	<b>\$ 2,729,727</b>	<b>\$ 220,547</b>	<b>\$ -</b>	<b>\$ 1,392,524</b>	<b>\$ 298,104</b>	<b>\$ 4,640,902</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 86,121	\$ 23,783	\$ -	\$ -	\$ -	\$ 109,904
Deposits payable	680	-	-	-	-	680
<b>Total liabilities</b>	<b>86,801</b>	<b>23,783</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>110,584</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue-special assessments	-	-	-	-	1,325	1,325
<b>FUND BALANCES</b>						
Restricted:						
Debt service	-	-	-	-	20,948	20,948
Capital projects	-	-	-	1,392,524	217,305	1,609,829
Right of way improvements	-	-	-	-	58,526	58,526
Public transportation	-	196,764	-	-	-	196,764
Unassigned	2,642,926	-	-	-	-	2,642,926
<b>Total fund balances</b>	<b>2,642,926</b>	<b>196,764</b>	<b>-</b>	<b>1,392,524</b>	<b>296,779</b>	<b>4,528,993</b>
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,729,727	\$ 220,547	\$ -	\$ 1,392,524	\$ 298,104	\$ 4,640,902

The notes to the financial statements are an integral part of this statement.



# Pere Marquette Charter Township

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position December 31, 2017

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Total fund balances - governmental funds	\$ 4,528,993
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,889,673
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,640,000)
A premium resulting from the issuance of refunding long-term debt is an other source or use of funds in the governmental funds but is a deferred inflow of resources on the entity-wide financial statements	(99,924)
Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due.	(16,450)
<hr/> Net position of governmental activities	<hr/> \$ 3,662,292 <hr/>

The notes to the financial statements are an integral part of this statement.

# Pere Marquette Charter Township

## Governmental Funds

### Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended December 31, 2017

	General	Transportation	2013 General Obligation Debt Service	Capital Improvement	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 1,750,681	\$ 155,874	\$ -	\$ -	\$ -	\$ 1,906,555
Licenses and permits	83,571	-	-	-	-	83,571
Intergovernmental	216,357	-	-	15,418	4,468	236,243
Charges for services	180,059	-	-	-	-	180,059
Fines and forfeitures	58	-	-	-	-	58
Interest and rentals	79,436	-	-	-	-	79,436
Other revenue	40,453	-	-	-	1,242	41,695
<b>Total revenues</b>	<b>2,350,615</b>	<b>155,874</b>	<b>-</b>	<b>15,418</b>	<b>5,710</b>	<b>2,527,617</b>
<b>EXPENDITURES</b>						
Current:						
General government	452,176	-	-	-	-	452,176
Public safety	235,015	-	-	-	-	235,015
Public works	408,769	-	-	-	-	408,769
Community and economic development	44,949	-	-	-	-	44,949
Recreation and culture	133,809	128,547	-	-	-	262,356
Other governmental functions	279,213	7	-	-	-	279,220
Debt service	-	-	338,750	-	-	338,750
Capital outlay	-	-	-	137,409	3,356	140,765
<b>Total expenditures</b>	<b>1,553,931</b>	<b>128,554</b>	<b>338,750</b>	<b>137,409</b>	<b>3,356</b>	<b>2,162,000</b>
Excess (deficiency) of revenues over expenditures	796,684	27,320	(338,750)	(121,991)	2,354	365,617
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	338,750	738,000	-	1,076,750
Sale of capital assets	236,827	-	-	-	-	236,827
Transfers out	(941,350)	-	-	-	-	(941,350)
<b>Total other financing sources (uses)</b>	<b>(704,523)</b>	<b>-</b>	<b>338,750</b>	<b>738,000</b>	<b>-</b>	<b>372,227</b>
Net change in fund balances	92,161	27,320	-	616,009	2,354	737,844
Fund balances-beginning	2,550,765	169,444	-	776,515	294,425	3,791,149
<b>Fund balances-ending</b>	<b>\$ 2,642,926</b>	<b>\$ 196,764</b>	<b>\$ -</b>	<b>\$ 1,392,524</b>	<b>\$ 296,779</b>	<b>\$ 4,528,993</b>

The notes to the financial statements are an integral part of this statement.

# Pere Marquette Charter Township

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended December 31, 2017

Net change in fund balances - total governmental funds	\$	737,844
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.		
Capital outlay		54,397
Depreciation expense		(72,455)
The sale of capital assets provides current financial resources for governmental funds, however it is the gain or or loss on the sale that affects net position.		(149,630)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liability in the statement of net position.		270,000
A premium resulting from the issuance of refunding long-term debt is an other source or use of funds in the governmental funds but is a deferred inflow of resources on the entity-wide financial statements		9,084
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.		1,350
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>850,590</b>

# Pere Marquette Charter Township

## Proprietary Funds

### Statement of Net Position

December 31, 2017

	Sewer Fund	Water Fund	Total Enterprise Funds
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 1,247,248	\$ 1,048,074	\$ 2,295,322
Accounts receivable	77,314	124,760	202,074
Special assessments receivable	6,585	77,569	84,154
<b>Total current assets</b>	<b>1,331,147</b>	<b>1,250,403</b>	<b>2,581,550</b>
Noncurrent assets:			
Capital assets	3,814,958	5,426,010	9,240,968
<b>Total assets</b>	<b>5,146,105</b>	<b>6,676,413</b>	<b>11,822,518</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	35,609	111,810	147,419
<b>NET POSITION</b>			
Net investment in capital assets	3,814,958	5,426,010	9,240,968
Unrestricted	1,295,538	1,138,593	2,434,131
<b>Total net position</b>	<b>\$ 5,110,496</b>	<b>\$ 6,564,603</b>	<b>\$ 11,675,099</b>
<b>Total liabilities and net position</b>	<b>5,146,105</b>	<b>6,676,413</b>	<b>11,822,518</b>

The notes to the financial statements are an integral part of this statement.

# Pere Marquette Charter Township

## Proprietary Funds

### Statement of Revenues, Expenses and Changes in Net Position

For the year ended December 31, 2017

	Sewer Fund	Water Fund	Total Enterprise Funds
Operating revenues:			
Sales	\$ 375,613	\$ 1,013,141	\$ 1,388,754
Penalties and interest	865	1,695	2,560
Installation and other charges	2,950	47,593	50,543
<b>Total operating revenues</b>	<b>379,428</b>	<b>1,062,429</b>	<b>1,441,857</b>
Operating expenses:			
Personal services	88,036	135,859	223,895
Contractual services	155,558	628,922	784,480
Utilities	11,040	25,520	36,560
Repairs and maintenance	12,454	7,255	19,709
Miscellaneous	14,347	43,152	57,499
Depreciation	130,388	163,111	293,499
<b>Total operating expenses</b>	<b>411,823</b>	<b>1,003,819</b>	<b>1,415,642</b>
<b>Operating income (loss)</b>	<b>(32,395)</b>	<b>58,610</b>	<b>26,215</b>
Nonoperating revenues (expenses):			
Investment earnings	1,107	3,226	4,333
Reimbursements	152	-	152
<b>Total nonoperating revenues (expenses)</b>	<b>1,259</b>	<b>3,226</b>	<b>4,485</b>
<b>Income (loss) before contributions and transfers</b>	<b>(31,136)</b>	<b>61,836</b>	<b>30,700</b>
Capital contributions	26,984	39,978	66,962
Transfers out	(16,925)	(118,475)	(135,400)
<b>Change in net position</b>	<b>(21,077)</b>	<b>(16,661)</b>	<b>(37,738)</b>
<b>Net position-beginning</b>	<b>5,131,573</b>	<b>6,581,264</b>	<b>11,712,837</b>
<b>Net position-ending</b>	<b>\$ 5,110,496</b>	<b>\$ 6,564,603</b>	<b>\$ 11,675,099</b>

The notes to the financial statements are an integral part of this statement.

# Pere Marquette Charter Township

## Proprietary Funds

### Statement of Cash Flows

For the year ended December 31, 2017

	Sewer Fund	Water Fund	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 369,665	\$ 1,110,284	\$ 1,479,949
Payments to suppliers	(182,014)	(701,364)	(883,378)
Payments to employees	(88,036)	(135,859)	(223,895)
Collection of special assessments	16,978	(9,670)	7,308
Net cash provided by (used for) operating activities	116,593	263,391	379,984
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Interfund transactions, net	(16,925)	(118,475)	(135,400)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(26,984)	(39,978)	(66,962)
Other receipts (payments)	152	-	152
Capital contributions	26,984	39,978	66,962
Net cash provided by (used for) capital and related financing activities	152	-	152
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends received	1,107	3,226	4,333
Net increase (decrease) in cash and cash equivalents	100,927	148,142	249,069
Cash and cash equivalents January 1	1,146,321	899,932	2,046,253
Cash and cash equivalents December 31	\$ 1,247,248	\$ 1,048,074	\$ 2,295,322
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ (32,395)	\$ 58,610	\$ 26,215
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	130,388	163,111	293,499
(Increase) decrease in accounts receivable	(9,762)	47,855	38,093
Increase (decrease) in accounts and other payables	11,384	3,485	14,869
(Increase) decrease in special assessments receivable	16,978	(9,670)	7,308
Net cash provided by (used for) operating activities	\$ 116,593	\$ 263,391	\$ 379,984

The notes to the financial statements are an integral part of this statement.

# Pere Marquette Charter Township

## Fiduciary Funds

### Statement of Net Position

December 31, 2017

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	<u>Agency Fund Type</u>	
<b>ASSETS</b>		
Cash	\$	387,532
<b>LIABILITIES</b>		
Undistributed taxes	\$	351,510
Deposits payable		36,022
Total liabilities	\$	387,532

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The notes to the financial statements are an integral part of this statement.

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## **NOTES TO THE FINANCIAL STATEMENTS**

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# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2017

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **A. Reporting Entity**

Pere Marquette Charter Township is governed by an elected seven-member Board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

#### **Jointly Governed Organization**

The Township is also a participant in a joint venture, the Western Mason County Fire District Authority, with the City of Ludington and Hamlin Township. The Authority collects property taxes to be used to finance the purchase of new fire equipment for the three fire departments. This authority is not considered to be a component unit of Pere Marquette Charter Township. Separate audited financial statements may be obtained from the Township Supervisor at Pere Marquette Township Hall at 1699 South Pere Marquette Highway, Ludington, MI 49431.

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2017

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### B. Government-Wide and Fund Financial Statements

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

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

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

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2017

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The government reports the following major governmental funds:

The General Fund is the government'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 Transportation Fund accounts for services provided by the Ludington Mass Transportation Authority.

The 2013 General Obligation Debt Service Fund accounts for amounts transferred from other funds and other sources for the retirement of long-term debt issued to refund the 2004 Bonds.

The Capital Improvement Fund accounts for amounts transferred from other funds and other sources to be used for the acquisition or construction of capital projects.

The government reports the following major enterprise funds:

The Water Fund and the Sewer Fund account for the activities of the water distribution system and sewage collection system.

Additionally, the government reports the following fund types:

Trust and agency funds to account for property tax collected on behalf of other units and various deposits.

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

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2017

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When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

### **D. Assets, Liabilities, and Net Position or Equity**

#### Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

To improve cash management, cash received by the Township is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Township's records. Interest in the pool is presented as "Cash and pooled investments" on the financial statements. Investments are stated at fair value.

#### Receivables and Payables

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

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

#### Inventories and Prepaid Items

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

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2017

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### Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's lives are not capitalized.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	40 to 60 years
Building improvements	15 to 30 years
Water and Sewer Lines	50 to 100 years
Vehicles	3 to 5 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

### Deferred Outflows/Inflows 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 a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government did not have any items qualifying for this category.

In addition to liabilities, the statement of financial position 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 only one item that qualifies for reporting in this category. It is the deferred inflows on contributions reported on the government-wide statement of net position and the unavailable revenue-contributions reported on the governmental funds balance sheet. The government received a contribution for officer protection which was not spent in the current year. This amount is deferred and recognized as inflow of resources in the period that the amounts become available.

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2017

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### Compensated Absences (Vacation and Sick Leave)

It is the government's policy to permit employees to accumulate up to 30 days of earned but unused sick pay and 20 days of earned but unused vacation pay.

### Long-Term Obligations

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

### Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### Other Financing Sources (Uses)

Transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2017

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### Net Position and Fund Balances

The difference between fund assets and liabilities is "Net Position" on the government-wide, proprietary, and fiduciary fund statements and "Fund Balance" on governmental fund statements. Net Position is classified as "Net Investment in Capital Assets," legally "Restricted" for a specific purpose, or "Unrestricted" and available for appropriation for the general purposes of the fund. In governmental fund financial statements, fund balances are classified as follows:

- Nonspendable--Resources that cannot be spent either because they are a) not in spendable form or; b) legally or contractually required to be maintained intact.
- Restricted--Resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.
- Committed--Resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.
- Assigned--Resources neither restricted nor committed for which a government has a stated intended use as established by the Township Board or a body or official to which the Township Board has delegated the authority to assign amounts for specific purposes.
- Unassigned--Resources that cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

### Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Township's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Township's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

### Comparative Data/Reclassifications

Comparative total data for the prior year have been presented for various individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.



# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2017

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### E. Revenues and Expenditures/Expenses

#### Program Revenues

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

#### Property Taxes

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

Although Pere Marquette Charter Township's 2017 ad valorem tax is levied and collectible on December 1, 2017, it is Pere Marquette Charter Township's policy to recognize revenue from the current tax levy in the current 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 Township bills and collects its own property taxes for general governmental services. The Township also collects property taxes for Mason County and various school districts. Collection of property taxes and remittances to the appropriate authorities are accounted for in the tax account agency fund.

#### Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2017

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### **NOTE 2-STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

On or before September 1, the Township supervisor submits to the Board, a proposed operating budget for the fiscal year commencing on January 1. The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted at the Township hall to obtain taxpayer comments.

On or before December 31, the budget is adopted by resolution.

The transfer of budgeted amounts between activities within any fund or any revisions that alter the total expenditures of any fund must be approved by the Township Board.

Budgeted amounts are presented as originally adopted, or as amended by the Township Board before December 31.

Budgets as presented for the general and special revenue funds are prepared on the modified accrual basis of accounting on the activity level. Encumbrances are not recorded at year end. Budget appropriations lapse at the end of each fiscal year.

The Township legally adopts budgets for the General Fund and Special Revenue Funds.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles and consist only of those amounts contained in the formal budget approved as amended by the Township Board.

The legal level of control is at the activity level of the General Fund and at the fund expenditure totals for the Special Revenue Funds.

The Township Clerk is authorized to transfer budgeted amounts between accounts within the same activity.

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

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2017

### **NOTE 3 - DEPOSITS AND INVESTMENTS**

The captions on the financial statements relating to cash and investments are as follows:

	<b>Primary Government</b>	<b>Fiduciary Funds</b>	<b>Total</b>
Cash and pooled investments	\$ 5,308,140	\$ 387,532	\$ 5,695,672

Michigan Compiled Laws, Section 129.91, authorizes Pere Marquette Charter Township to make deposits and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all of State statutory authority as listed above.

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

#### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the bank balance of the Township's deposits (money market, checking accounts, savings accounts, and certificates of deposit) is \$2,853,521, of which \$1,750,000 is covered by insurance. The remaining \$1,103,521 is uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### Custodial Credit Risk of Investments

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

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2017

Type of investment	Carrying value	How held
Certificates of deposit	\$ 1,484,475	Counterparty
Local government bonds	848,757	Counterparty
Pooled investments with a Michigan public sector joint investment program	1,274,332	Counterparty
Corporate fixed income	682,642	Counterparty
<b>Total</b>	<b>\$ 4,290,206</b>	

### Concentration of Credit Risk

According to the Township's investment policy, unreasonable risk inherent in over-investing in specific instruments, individual financial institutions or maturities are to be avoided. Of the Township's investments, more than 5 percent are in the following:

Certificates of deposit	34.6 %
Local government bonds	19.8 %
Pooled investments with a Michigan public sector joint investment program	29.7 %
Corporate fixed income	15.9 %

### Fair Value Hierarchy

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the Township as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 1,484,475	\$ -	\$ -	\$ 1,484,475
Local government bonds	848,757	-	-	848,757
Pooled investments with a Michigan public sector joint investment program	1,274,332	-	-	1,274,332
Corporate fixed income	682,642	-	-	682,642
<b>Totals</b>	<b>\$ 4,290,206</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,290,206</b>

## **NOTE 4 - RECEIVABLES**

Receivables for the Township's funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities
Property taxes	\$ 1,624,127	\$ -
Accounts receivable	2,632	202,074
Special assessments receivable	1,325	84,154
<b>Net receivables</b>	<b>\$ 1,628,084</b>	<b>\$ 286,228</b>

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2017

### **NOTE 5 - CAPITAL ASSETS**

Capital assets activity of the primary government for the current year was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets, not being depreciated				
Land	\$ 897,734	\$ -	\$ 141,512	\$ 756,222
Capital assets, being depreciated				
Buildings	1,927,882	-	44,979	1,882,903
Land improvements	416,308	-	7,990	408,318
Equipment	315,057	54,397	67,295	302,159
Software	12,706	-	-	12,706
Intangible	11,950	-	-	11,950
<b>Total capital assets, being depreciated</b>	<b>2,683,903</b>	<b>54,397</b>	<b>120,264</b>	<b>2,618,036</b>
Less accumulated depreciation for:				
Buildings	1,010,510	39,233	39,358	1,010,385
Land improvements	243,375	16,024	6,392	253,007
Equipment	250,515	16,003	66,396	200,122
Software	12,706	-	-	12,706
Intangible	7,170	1,195	-	8,365
<b>Total accumulated depreciation</b>	<b>1,524,276</b>	<b>72,455</b>	<b>112,146</b>	<b>1,484,585</b>
<b>Total capital assets being depreciated, net</b>	<b>1,159,627</b>	<b>(18,058)</b>	<b>8,118</b>	<b>1,133,451</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 2,057,361</b>	<b>\$ (18,058)</b>	<b>\$ 149,630</b>	<b>\$ 1,889,673</b>
<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets, not being depreciated				
Land	\$ 8,969	\$ -	\$ -	\$ 8,969
Capital assets, being depreciated				
Mains	12,502,506	-	-	12,502,506
Equipment	406,790	66,961	-	473,751
Pumping stations	579,104	-	-	579,104
<b>Total capital assets, being depreciated</b>	<b>13,488,400</b>	<b>66,961</b>	<b>-</b>	<b>13,555,361</b>
Less accumulated depreciation for:				
Mains	3,476,869	262,824	-	3,739,693
Equipment	356,482	17,023	-	373,505
Pumping stations	196,512	13,652	-	210,164
<b>Total accumulated depreciation</b>	<b>4,029,863</b>	<b>293,499</b>	<b>-</b>	<b>4,323,362</b>
<b>Total capital assets being depreciated, net</b>	<b>9,458,537</b>	<b>(226,538)</b>	<b>-</b>	<b>9,231,999</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 9,467,506</b>	<b>\$ (226,538)</b>	<b>\$ -</b>	<b>\$ 9,240,968</b>

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2017

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Governmental activities:	
General government	\$ 25,311
Public safety	16,107
Public works	12,882
Community and economic development	3,048
Recreation and culture	15,107
<b>Total depreciation expense - governmental activities</b>	<b>\$ 72,455</b>
Business-type activities:	
Sewer	\$ 130,388
Water	163,111
<b>Total depreciation expense - business-type activities</b>	<b>\$ 293,499</b>

### **NOTE 6 - INTERFUND TRANSFERS**

The composition of interfund transfers for the year ended December 31, 2017 is as follows:

Interfund transfers:

<b>Transfers In Fund:</b>	<b>Transfers Out Fund:</b>			
	<b>General</b>	<b>Sewer</b>	<b>Water</b>	<b>Total</b>
2013 GO Debt Service	\$ 203,350	\$ 16,925	\$ 118,475	\$ 338,750
Capital Improvement Construction	738,000	-	-	738,000
<b>Total</b>	<b>\$ 941,350</b>	<b>\$ 16,925</b>	<b>\$ 118,475</b>	<b>\$ 1,076,750</b>

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

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2017

### NOTE 7 - LONG-TERM DEBT

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

Bond and contractual obligation activity, for the year ended December 31, 2017, can be summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
2013 Capital Improvement and Refunding Bonds	2,910,000	-	270,000	2,640,000	275,000

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

<b>Year ending December 31,</b>	<b>Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 275,000	\$ 63,050	\$ 338,050
2019	285,000	57,450	342,450
2020	290,000	50,975	340,975
2021	295,000	43,663	338,663
2022	330,000	35,850	365,850
2023	325,000	27,662	352,662
2024	320,000	19,600	339,600
2025	320,000	10,800	330,800
2026	65,000	5,025	70,025
2027	65,000	3,075	68,075
2028	70,000	1,050	71,050
<b>Totals</b>	<b>\$ 2,640,000</b>	<b>\$ 318,200</b>	<b>\$ 2,958,200</b>

<b>Description</b>	<b>Balance</b>
Governmental activities	
General obligation bonds	
2013 General Obligation Capital Improvement and Refunding Bonds; payable in annual installments of \$65,000 to \$330,000 through April 1, 2028 with interest payable semi-annually at 2.00% to 3.00%.	\$ 2,640,000

### NOTE 8 - SUBSEQUENT EVENTS

Management evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation was performed through April 19, 2018, the date the financial statements were approved for issuance. There were subsequent events that should be accounted for or require disclosure in the accompanying financial statements.

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2017

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### **NOTE 9 - RISK MANAGEMENT**

Pere Marquette Charter Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). Pere Marquette Charter Township participates in the Michigan Municipal Risk Management Authority for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that it uses to pay claims up to the retention limits, the ultimate liability for those claims remains with Pere Marquette Charter Township.

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

### **NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS**

The Township has no post-employment benefit plans at this time other than its pension plan.

### **NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

#### Defined Contribution Pension Plan

Pere Marquette Charter Township provides pension benefits to its Administrative Officials, Township Board Trustees, Deputies to Administrative Officials, and full-time employees through a defined contribution plan. The plan is administered by the Municipal Employees Retirement System (MERS). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment (or other date). As established under Internal Revenue Service code 403(b), Pere Marquette Charter Township contributes up to \$500 per year for Board Trustees and 12 percent of wages for all other covered employees, vested after one year.

Pere Marquette Charter Township's total payroll during the current year was \$727,712. The current year contribution was calculated based on covered payroll of \$571,917, resulting in an employer contribution of \$68,630.



# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2017

### **NOTE 12 - PROPERTY TAX ABATEMENTS**

Act 198, the Plant Rehabilitation and Industrial Development District Act, was adopted in the State of Michigan as a means of providing a stimulus in the form of significant tax incentives to industry for the purpose of creating new jobs and maintaining existing jobs. It allows an obsolete property, when replaced or restored, to have its assessed value frozen at the level prior to the improvement for a maximum of twelve years; and new plants to receive a fifty percent exemption from property tax on the taxable value of new real and personal properties, also for a maximum period of twelve years. It is the goal of Pere Marquette Charter Township to provide tax incentives that will encourage industries to maintain and create high quality light manufacturing, professional and management jobs while preserving the Township's environment and quality of life. In order to achieve these goals, the Township will initially approve an abatement for two years to a qualified applicant. The certificate may be extended for the remaining number of years, up to a total of twelve years on real property and a total of six years on personal property following compliance review. The recommendation for extension will be based upon the company's achievement of capital investment and job creation/retention goals established by the original application.

The responsibility of the Township Board of Pere Marquette Charter Township is to establish the necessary districts as provided by law; to ascertain that the abatements considered will be to the benefit of the residents of the Township; to find that the issuance of any certificate will not substantially impede "the operation of the local government unit or impair the financial soundness of a taxing unit..."; to find the property being considered to be obsolete; and to approve the granting of exemption certificates. The Pere Marquette Charter Township Board is desirous of continuing to provide opportunity for industrial development and expansion, and hence the creation or retention of jobs for its residents. The Board also recognizes its responsibility to the community to maintain services and uphold the quality of life. A Tax Abatement Review Board has been established to assist in evaluating all tax abatement applications for the impact the proposed project will have on the Township's services and to recommend to the Township Board a course of action based upon said evaluation. The Tax Abatement Review Board shall consist of one Township Board Member, the Township Assessor and a representative of the community.

The Township Board has adopted Guidelines and Policies for the Review and Establishment of Tax Abatements Granted Under Act 198 of 1974.

The Guidelines provide for the following:

- Establishment of District
- Application for Industrial Facilities Exemption Certificate
- Township Board guidelines for all applications
- Compliance Audit

The Tax Abatement Review Board evaluates each application and completes an evaluation and worksheet containing a point scoring system to determine the duration of abatement and makes its recommendation to the Township Board.

During the year, abatements were in place on one parcel of real property with a taxable value of \$1,700,000 and five parcels of personal property with a total taxable value of \$8,154,000.

# Pere Marquette Charter Township

## Notes to the Financial Statements

For the year ended December 31, 2017

### **NOTE 13 - IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES**

In March 2017, GASB issued Statement 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and "negative" goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

In May of 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance.

Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

In June, 2017, GASB issued Statement No. 87, *Leases*. Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

## **REQUIRED SUPPLEMENTAL INFORMATION**

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# Pere Marquette Charter Township

## General Fund

### Budgetary Comparison Schedule

For the year ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property	\$ 1,472,525	\$ 1,528,425	\$ 1,528,419	\$ (6)
Industrial Facilities	3,000	3,000	3,334	334
Payment in Lieu of Taxes	115	115	234	119
Penalties and Interest on Taxes	1,725	1,725	706	(1,019)
Trailer Tax	270	270	258	(12)
Property Tax Administration Fee	205,000	217,000	217,730	730
<b>Total taxes</b>	<b>1,682,635</b>	<b>1,750,535</b>	<b>1,750,681</b>	<b>146</b>
Licenses and Permits				
Business Licenses	20,000	80,000	83,571	3,571
Intergovernmental				
State Grants	-	20,900	20,990	90
State Revenue Sharing	181,885	181,885	195,367	13,482
<b>Total Intergovernmental</b>	<b>181,885</b>	<b>202,785</b>	<b>216,357</b>	<b>13,572</b>
Charges for Services				
Services Rendered	12,600	12,600	19,347	6,747
Use and Admission Fees	147,000	160,000	160,712	712
<b>Total Charges for Services</b>	<b>159,600</b>	<b>172,600</b>	<b>180,059</b>	<b>7,459</b>
Fines and Forfeits				
Fines and Forfeitures	500	500	58	(442)
Interest and Rents				
Investment Earnings	20,000	45,000	54,186	9,186
Rent	24,100	24,100	25,250	1,150
<b>Total Interest and Rents</b>	<b>44,100</b>	<b>69,100</b>	<b>79,436</b>	<b>10,336</b>
Other Revenue				
Reimbursements	30,000	30,000	36,691	6,691
Other	3,000	3,000	3,762	762
<b>Total Other Revenue</b>	<b>33,000</b>	<b>33,000</b>	<b>40,453</b>	<b>7,453</b>
<b>Total revenues</b>	<b>2,121,720</b>	<b>2,308,520</b>	<b>2,350,615</b>	<b>42,095</b>

# Pere Marquette Charter Township

## General Fund

### Budgetary Comparison Schedule

For the year ended December 31, 2017

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES</b>				
Current				
General Government				
Township Board	71,300	71,300	70,182	1,118
Supervisor	92,446	66,446	63,255	3,191
Administrator	15,107	15,107	12,272	2,835
Clerk	69,874	69,874	66,971	2,903
Data Processing	10,600	5,600	1,716	3,884
Board of Review	2,400	2,400	1,294	1,106
Tax Abatement Review Board	250	250	50	200
Treasurer	73,750	56,800	52,176	4,624
Assessor	86,834	86,834	80,611	6,223
Elections	22,700	22,700	15,971	6,729
Buildings and Grounds	131,840	102,300	87,678	14,622
Cemetery	1,000	1,000	-	1,000
<b>Total General Government</b>	<b>578,101</b>	<b>500,611</b>	<b>452,176</b>	<b>48,435</b>
Public Safety				
Fire Department	211,050	211,050	187,858	23,192
Building Inspection Department	47,715	48,215	47,157	1,058
<b>Total Public Safety</b>	<b>258,765</b>	<b>259,265</b>	<b>235,015</b>	<b>24,250</b>
Public Works				
Department of Public Works	104,954	87,454	81,969	5,485
Highways, Streets, Bridges	94,000	125,500	125,279	221
Street Lighting	27,000	30,000	27,299	2,701
Refuse Collection	174,222	174,222	174,222	-
<b>Total Public Works</b>	<b>400,176</b>	<b>417,176</b>	<b>408,769</b>	<b>8,407</b>
Community and Economic Development				
Planning	51,300	16,300	11,358	4,942
Zoning	35,508	35,508	33,591	1,917
<b>Total Community and Economic Development</b>	<b>86,808</b>	<b>51,808</b>	<b>44,949</b>	<b>6,859</b>

# Pere Marquette Charter Township

## General Fund

### Budgetary Comparison Schedule

For the year ended December 31, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
Recreation and Culture				
Parks and Recreation	\$ 143,950	\$ 143,950	\$ 133,809	\$ 10,141
Other				
Employee Fringe Benefits	238,570	188,070	182,243	5,827
Retirement	56,000	55,290	51,963	3,327
Social Security	51,000	46,000	44,182	1,818
Tax Tribunal Refunds	55,000	5,000	825	4,175
<b>Total Other</b>	<b>400,570</b>	<b>294,360</b>	<b>279,213</b>	<b>15,147</b>
<b>Total expenditures</b>	<b>1,868,370</b>	<b>1,667,170</b>	<b>1,553,931</b>	<b>113,239</b>
Excess (deficiency) of revenues over expenditures	253,350	641,350	796,684	155,334
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Assets	-	300,000	236,827	(63,173)
Transfers out	(253,350)	(941,350)	(941,350)	-
<b>Total other financing sources (uses)</b>	<b>(253,350)</b>	<b>(641,350)</b>	<b>(704,523)</b>	<b>(63,173)</b>
Net change in fund balances	-	-	92,161	92,161
Fund balance-beginning	2,550,765	2,550,765	2,550,765	-
<b>Fund balance-ending</b>	<b>\$ 2,550,765</b>	<b>\$ 2,550,765</b>	<b>\$ 2,642,926</b>	<b>\$ 92,161</b>

# Pere Marquette Charter Township

## Transportation Fund

### Budgetary Comparison Schedule

For the year ended December 31, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
<b>REVENUES</b>				
Property taxes	\$ 140,100	\$ 140,100	\$ 155,874	\$ 15,774
<b>EXPENDITURES</b>				
Recreation and Culture	140,000	140,000	128,547	11,453
Tax Tribunal Refunds	100	100	7	93
Total expenditures	140,100	140,100	128,554	11,546
Excess (deficiency) of revenues over expenditures	-	-	27,320	27,320
Net change in fund balances	-	-	27,320	27,320
Fund balances-beginning	169,444	169,444	169,444	-
Fund balances-ending	\$ 169,444	\$ 169,444	\$ 196,764	\$ 27,320

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## **OTHER SUPPLEMENTAL INFORMATION**

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# Pere Marquette Charter Township

## Nonmajor Governmental Funds

### Combining Balance Sheet

December 31, 2017

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	Metro Act Fund	GO Bond Debt Fund	2004 Construction Fund	
<b>ASSETS</b>				
Cash and pooled investments	\$ 58,526	\$ 20,948	\$ 217,305	\$ 296,779
Special assessments receivable	-	1,325	-	1,325
<b>Total assets</b>	<b>58,526</b>	<b>22,273</b>	<b>217,305</b>	<b>298,104</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - special assessments	-	1,325	-	1,325
<b>FUND BALANCES</b>				
Restricted				
Capital projects	-	-	217,305	217,305
Right of way improvements	58,526	-	-	58,526
Debt service	-	20,948	-	20,948
<b>Total fund balances</b>	<b>58,526</b>	<b>20,948</b>	<b>217,305</b>	<b>296,779</b>
Total liabilities, deferred inflows of resources and fund balances	\$ 58,526	\$ 22,273	\$ 217,305	\$ 298,104

# Pere Marquette Charter Township

## Nonmajor Governmental Funds

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended December 31, 2017

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	Metro Act Fund	GO Bond Debt Fund	2004 Construction Fund	
<b>REVENUES</b>				
Intergovernmental	\$ 4,468	\$ -	\$ -	\$ 4,468
Other	-	1,242	-	1,242
<b>Total revenues</b>	<b>4,468</b>	<b>1,242</b>	<b>-</b>	<b>5,710</b>
<b>EXPENDITURES</b>				
Capital outlay	-	-	3,356	3,356
Excess (deficiency) of revenues over expenditures	4,468	1,242	(3,356)	2,354
<b>OTHER FINANCING SOURCES (USES)</b>				
Total other financing sources (uses)	-	-	-	-
Net changes in fund balances	4,468	1,242	(3,356)	2,354
Fund balances-beginning	54,058	19,706	220,661	294,425
<b>Fund balances-ending</b>	<b>\$ 58,526</b>	<b>\$ 20,948</b>	<b>\$ 217,305</b>	<b>\$ 296,779</b>

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## **AUDITORS' COMMUNICATION**

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# Pere Marquette Charter Township

Mason County, Michigan

## Schedule of Findings and Responses

For the year ended December 31, 2017

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### NONCOMPLIANCE WITH STATE STATUTES

#### Finding 2017-1

*Condition:* Internal control procedures are inadequate to allow the Clerk to prepare monthly bank reconciliations.

*Findings:* In our review of the Township's operating procedures, we noted the following:

- The Clerk does not receive copies of the bank and investment statements and is therefore unable to prepare monthly bank reconciliations.

*Criteria:* In Michigan Compiled Laws, Section 41.65, the Township Clerk's duties include "Custody of records, books, and papers; preservation; delivery to successor in office; accounts; accounting records; journals and ledgers." This requires the Clerk have control over the general ledger of the Township's financial records. To have control over the general ledger, the Clerk, or an employee assigned by the Clerk, must be the person preparing the bank reconciliations.

*Cause:* This condition is a result of the Treasurer's understanding of her duties.

*Effect:* As a result of this condition, the Clerk does not have complete custody and control of the accounting records.

*Recommendation:* We recommend that the Clerk receive copies of all bank and investment statements, and any other documents needed, to reconcile the general ledger bank accounts on a monthly basis.

*Management's Response-Corrective Action Plan:* The Clerk will be provided with needed documents and begin to reconcile the bank accounts on a monthly basis. In addition, the Clerk will also reconcile other important general ledger balance sheet accounts on a monthly basis.

# Pere Marquette Charter Township

Mason County, Michigan

## Schedule of Findings and Responses

For the year ended December 31, 2017

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### NONCOMPLIANCE WITH STATE STATUTES

#### Finding 2017-2

*Condition:* Internal control procedures are inadequate to restrict access to the general ledger using journal entries.

*Findings:* In our review of the Township's operating procedures, we noted the following:

- Employees other than the Clerk are able to enter and/or post journal entries into the general ledger. As other Township personnel are able to adjust the general ledger, the Clerk is denied the control required by statute.

*Criteria:* In Michigan Compiled Laws, Section 41.65, the Township Clerk's duties include "Custody of records, books, and papers; preservation; delivery to successor in office; accounts; accounting records; journals and ledgers." This requires the Clerk have sole control over the general ledger of the Township's financial records. In terms of a computerized environment, this means that the Clerk control access to the general ledger of the accounting software, and that only the Clerk shall have the ability to post manual journal entries to the general ledger.

*Cause:* This condition is a result of the Treasurer's understanding of her duties.

*Effect:* As a result of this condition, the Clerk does not have complete custody and control of the accounting records.

*Recommendation:* We recommend individual employees' access to the accounting software be restricted so that anyone not approved by the Clerk is not able to enter and/or post manual journal entries.

*Management's Response-Corrective Action Plan:* The accounting software will be adjusted to restrict other employees' access to enter journal entries.