

Pere Marquette Charter Township

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

Year Ended December 31, 2016

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Pere Marquette Charter Township

Table of Contents

December 31, 2016

Independent Auditor's Report	1
Management's Discussion and Analysis	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Governmental Funds	
Balance Sheet	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Proprietary Funds	
Statement of Net Position	17
Statement of Revenues, Expenses and Changes in Net Position	18
Statement of Cash Flows	19
Fiduciary Funds	
Statement of Net Position	20
Notes to Financial Statements	23
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedules	
General Fund	41
Transportation Fund	44
2013 General Obligation Debt Service Fund	45
OTHER SUPPLEMENTAL INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheet	47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	48
AUDITORS' COMMUNICATION	50

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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, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 – 45 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 5, 2017

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.

	Governmental Activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 3,830,155	\$ 3,394,303	\$ 2,377,881	\$ 2,162,520	\$ 6,208,036	\$ 5,556,823
Capital assets	2,057,361	2,115,628	9,467,506	9,755,443	11,524,867	11,871,071
Total assets	5,887,516	5,509,931	11,845,387	11,917,963	17,732,903	17,427,894
Current liabilities	54,416	63,777	132,550	119,989	186,966	183,766
Noncurrent liabilities	2,910,000	3,205,000	-	-	2,910,000	3,205,000
Total liabilities	2,964,416	3,268,777	132,550	119,989	3,096,966	3,388,766
Deferred inflows of resources	111,398	122,675	-	-	111,398	122,675
Net position						
Net investment in capital assets	1,357,411	1,357,328	9,467,506	9,755,443	10,824,917	11,112,771
Restricted	1,240,383	992,213	-	-	1,240,383	992,213
Unrestricted	213,908	(231,062)	2,245,331	2,042,531	2,459,239	1,811,469
Total net position	\$ 2,811,702	\$ 2,118,479	\$11,712,837	\$11,797,974	\$14,524,539	\$ 13,916,453

**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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Program revenues						
Charges for services	\$ 193,832	\$ 226,120	\$ 1,520,613	\$ 1,195,980	\$ 1,714,445	\$ 1,422,100
Operating grants and contributions	19,945	15,000	-	-	19,945	15,000
<u>General revenue</u>						
Property tax	1,756,538	1,602,623	-	-	1,756,538	1,602,623
State shared revenue	180,623	178,975	-	-	180,623	178,975
Other	121,296	108,819	5,223	5,328	126,519	114,147
Total revenues	2,272,234	2,131,537	1,525,836	1,201,308	3,798,070	3,332,845
<u>Program expenses</u>						
General government	745,435	724,708	-	-	745,435	724,708
Public safety	246,380	231,430	-	-	246,380	231,430
Public works	367,264	720,218	-	-	367,264	720,218
Community and economic development	44,561	38,546	-	-	44,561	38,546
Recreation and culture	259,189	268,051	-	-	259,189	268,051
Interest on long-term debt	63,841	69,716	-	-	63,841	69,716
Sewer Fund	-	-	400,950	449,868	400,950	449,868
Water Fund	-	-	1,062,363	785,044	1,062,363	785,044
Total expense	1,726,670	2,052,669	1,463,313	1,234,912	3,189,983	3,287,581
Increase (decrease) in net position before transfers and capital contributions	545,564	78,868	62,523	(33,604)	608,087	45,264
Transfers	147,660	136,805	(147,660)	(136,805)	-	-
Capital contributions	-	-	-	343,720	-	343,720
Increase (decrease) in net position	693,224	215,673	(85,137)	173,311	608,087	388,984
<u>Net position-beginning</u>	<u>2,118,478</u>	<u>1,902,806</u>	<u>11,797,974</u>	<u>11,624,663</u>	<u>13,916,452</u>	<u>13,527,469</u>
Net position-ending	2,811,702	2,118,479	11,712,837	11,797,974	14,524,539	13,916,453

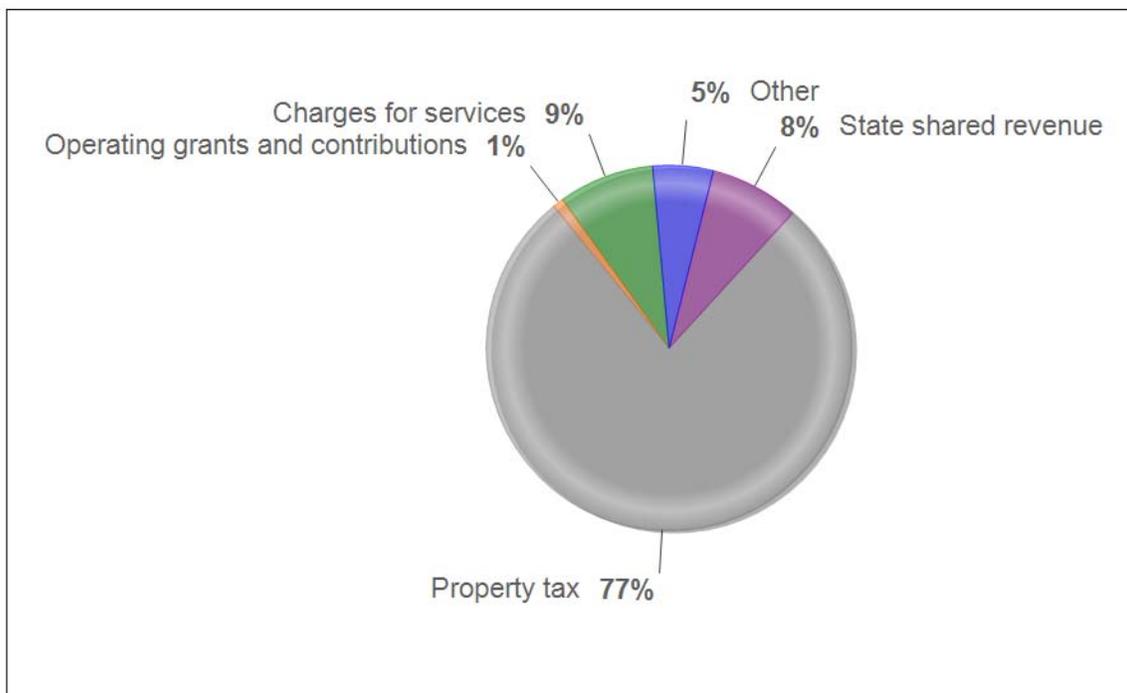
PERE MARQUETTE CHARTER TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$608,086, or 4% 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 \$647,770, or 26%, 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 \$107,518 over the prior year. General Fund expenditures amounted to \$44,657 less 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 \$650,281. 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 6th 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.

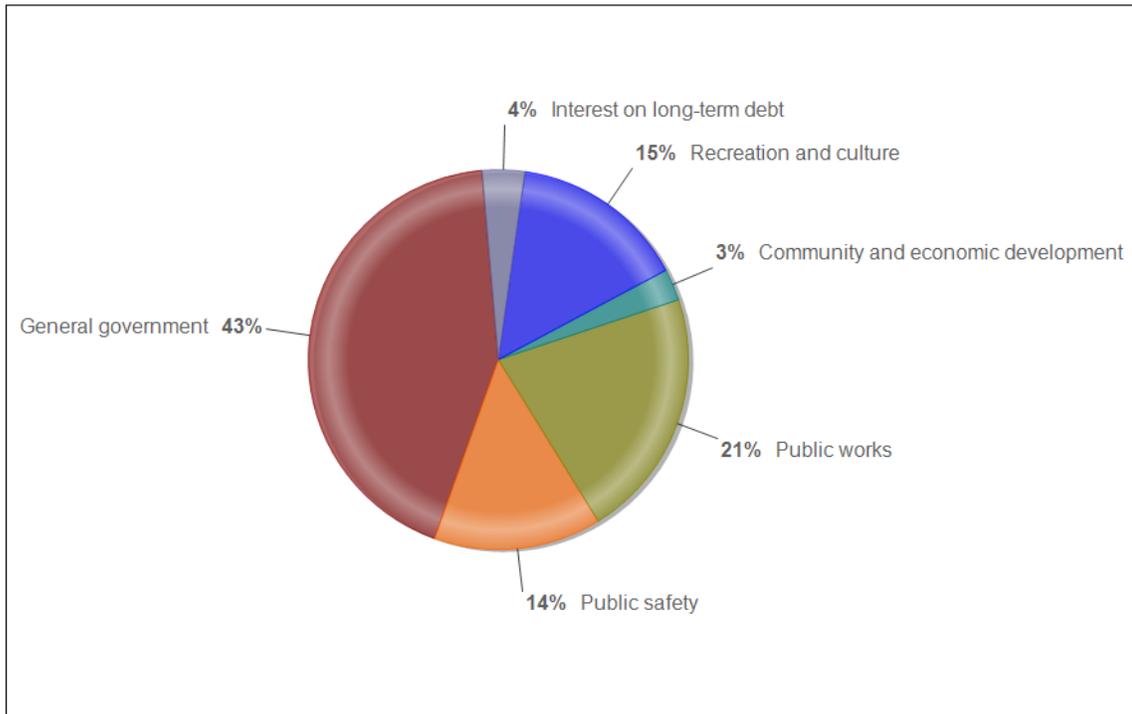
PERE MARQUETTE CHARTER TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

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, the Transportation Fund, the 2013 General Obligation Debt Service 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 2016 the Township was able to transfer approximately \$250,000 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 \$197,760 during the year to \$2,550,765, which represents 176% of 2016 expenditures.

Capital Asset and Debt Administration

At the end of the year, the Township had approximately \$11,500,000 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 \$360,000. Approximately \$15,000 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
fax: (231) 843-3330

BASIC FINANCIAL STATEMENTS

Pere Marquette Charter Township

Statement of Net Position

December 31, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,286,459	\$ 2,046,253	\$ 4,332,712
Receivables, net	1,543,696	331,628	1,875,324
Capital assets - net	2,057,361	9,467,506	11,524,867
Total assets	5,887,516	11,845,387	17,732,903
LIABILITIES			
Accounts payable	35,976	132,550	168,526
Accrued and other liabilities	17,800	-	17,800
Deferred revenue	640	-	640
Noncurrent liabilities:			
Due within one year	270,000	-	270,000
Due in more than one year	2,640,000	-	2,640,000
Total liabilities	2,964,416	132,550	3,096,966
DEFERRED INFLOWS OF RESOURCES			
Deferred premium on refunding	109,008	-	109,008
Unavailable revenue-special assessments	2,390	-	2,390
Total deferred inflows of resources	111,398	-	111,398
NET POSITION			
Net investment in capital assets	1,357,411	9,467,506	10,824,917
Restricted for:			
Debt service	19,706	-	19,706
Capital projects	997,176	-	997,176
Right of way improvements	54,058	-	54,058
Transportation	169,443	-	169,443
Unrestricted	213,908	2,245,331	2,459,239
Total net position	2,811,702	11,712,837	14,524,539
Total liabilities, deferred inflows of resources, and net position	\$ 5,887,516	\$ 11,845,387	\$ 17,732,903

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, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:						
Primary government:						
Governmental activities:						
General government	\$ 745,435	\$ 10,523	\$ 650	\$ (734,262)	\$ -	\$ (734,262)
Public safety	246,380	24,004	14,701	(207,675)	-	(207,675)
Public works	367,264	2,880	4,594	(359,790)	-	(359,790)
Community and economic development	44,561	-	-	(44,561)	-	(44,561)
Recreation and culture	259,189	156,425	-	(102,764)	-	(102,764)
Interest on long-term debt	63,841	-	-	(63,841)	-	(63,841)
Total governmental activities	1,726,670	193,832	19,945	(1,512,893)	-	(1,512,893)
Business-type activities:						
Sewer	400,950	404,237	-	-	3,287	3,287
Water	1,062,363	1,116,376	-	-	54,013	54,013
Total business-type activities	1,463,313	1,520,613	-	-	57,300	57,300
Total primary government	3,189,983	1,714,445	19,945	(1,512,893)	57,300	(1,455,593)
General revenues:						
Property taxes				1,756,538	-	1,756,538
State-shared revenues				180,623	-	180,623
Unrestricted investment income				27,685	5,065	32,750
Rent and contracts				26,950	-	26,950
Gain/loss on sale of capital assets				19,219	-	19,219
Miscellaneous				47,442	158	47,600
Transfers				147,660	(147,660)	-
Total general revenues and transfers				2,206,117	(142,437)	2,063,680
Change in net position				693,224	(85,137)	608,087
Net position-beginning				2,118,478	11,797,974	13,916,452
Net position-ending				\$ 2,811,702	\$ 11,712,837	\$ 14,524,539

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

Pere Marquette Charter Township

Governmental Funds

Balance Sheet

December 31, 2016

	General	Transportation	2013 General Obligation Debt Service	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and pooled investments	\$ 1,169,606	\$ 45,913	\$ -	\$ 1,070,940	\$ 2,286,459
Taxes receivable	1,371,087	136,299	-	-	1,507,386
Accounts receivable	2,316	-	-	-	2,316
Special assessments receivable	-	-	-	2,390	2,390
Due from other units of government	31,604	-	-	-	31,604
Total assets	\$ 2,574,613	\$ 182,212	\$ -	\$ 1,073,330	\$ 3,830,155
LIABILITIES					
Accounts payable	\$ 23,208	\$ 12,768	\$ -	\$ -	\$ 35,976
Deposits payable	640	-	-	-	640
Total liabilities	23,848	12,768	-	-	36,616
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-special assessments	-	-	-	2,390	2,390
FUND BALANCES					
Restricted:					
Debt service	-	-	-	19,706	19,706
Capital projects	-	-	-	997,176	997,176
Right of way improvements	-	-	-	54,058	54,058
Public transportation	-	169,444	-	-	169,444
Unassigned	2,550,765	-	-	-	2,550,765
Total fund balances	2,550,765	169,444	-	1,070,940	3,791,149
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,574,613	\$ 182,212	\$ -	\$ 1,073,330	\$ 3,830,155

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, 2016

Total fund balances - total governmental funds	\$ 3,791,149
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.	2,057,361
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,910,000)
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	(109,008)
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.	(17,800)
Total net position - governmental activities	\$ 2,811,702

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, 2016

	General	Transportation	2013 General Obligation Debt Service	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,612,926	\$ 143,612	\$ -	\$ -	\$ 1,756,538
Licenses and permits	22,234	-	-	500	22,734
Intergovernmental	180,623	-	-	4,594	185,217
Charges for services	171,348	-	-	-	171,348
Fines and forfeitures	250	-	-	-	250
Interest and rentals	54,635	-	-	-	54,635
Other revenue	59,486	-	-	2,807	62,293
Total revenues	2,101,502	143,612	-	7,901	2,253,015
EXPENDITURES					
Current:					
Legislative	43,048	-	-	-	43,048
General government	393,644	-	-	-	393,644
Public safety	227,182	-	-	-	227,182
Public works	356,243	-	-	-	356,243
Community and economic development	40,413	-	-	-	40,413
Recreation and culture	113,931	130,152	-	-	244,083
Other governmental functions	276,760	154	-	-	276,914
Debt service	-	-	369,400	-	369,400
Capital outlay	-	-	-	23,036	23,036
Total expenditures	1,451,221	130,306	369,400	23,036	1,973,963
Excess (deficiency) of revenues over expenditures	650,281	13,306	(369,400)	(15,135)	279,052
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	369,400	250,000	619,400
Sale of capital assets	19,219	-	-	-	19,219
Transfers out	(471,740)	-	-	-	(471,740)
Total other financing sources (uses)	(452,521)	-	369,400	250,000	166,879
Net change in fund balances	197,760	13,306	-	234,865	445,931
Fund balances-beginning	2,353,005	156,138	-	836,075	3,345,218
Fund balances-ending	\$ 2,550,765	\$ 169,444	\$ -	\$ 1,070,940	\$ 3,791,149

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, 2016

Net change in fund balances - total governmental funds	\$	445,931
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		15,202
Depreciation expense		(73,469)
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.		295,000
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		9,083
Accrued interest is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid.		1,477
Change in net position of governmental activities	\$	693,224

Pere Marquette Charter Township

Proprietary Funds

Statement of Net Position

December 31, 2016

	Sewer Fund	Water Fund	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and investments	\$ 1,146,321	\$ 899,932	\$ 2,046,253
Accounts receivable	67,551	172,615	240,166
Special assessments receivable	23,563	67,899	91,462
Total current assets	1,237,435	1,140,446	2,377,881
Noncurrent assets:			
Capital assets	3,918,363	5,549,143	9,467,506
Total assets	5,155,798	6,689,589	11,845,387
LIABILITIES			
Current liabilities:			
Accounts payable	24,225	108,325	132,550
NET POSITION			
Net investment in capital assets	3,918,363	5,549,143	9,467,506
Unrestricted	1,213,210	1,032,121	2,245,331
Total net position	\$ 5,131,573	\$ 6,581,264	\$ 11,712,837
Total liabilities and net position	5,155,798	6,689,589	11,845,387

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, 2016

	Sewer Fund	Water Fund	Total Enterprise Funds
Operating revenues:			
Sales	\$ 379,173	\$ 1,057,681	\$ 1,436,854
Penalties and interest	864	1,364	2,228
Installation and other charges	24,200	57,331	81,531
Total operating revenues	404,237	1,116,376	1,520,613
Operating expenses:			
Personal services	93,114	143,635	236,749
Contractual services	133,843	681,662	815,505
Utilities	11,803	25,352	37,155
Repairs and maintenance	19,485	5,793	25,278
Other	13,952	46,737	60,689
Depreciation	128,753	159,184	287,937
Total operating expenses	400,950	1,062,363	1,463,313
Operating income (loss)	3,287	54,013	57,300
Nonoperating revenues (expenses):			
Investment earnings	1,544	3,521	5,065
Reimbursements	158	-	158
Total nonoperating revenues (expenses)	1,702	3,521	5,223
Income (loss) before contributions and transfers	4,989	57,534	62,523
Transfers out	(18,457)	(129,203)	(147,660)
Change in net position	(13,468)	(71,669)	(85,137)
Net position-beginning	5,145,041	6,652,933	11,797,974
Net position-ending	\$ 5,131,573	\$ 6,581,264	\$ 11,712,837

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, 2016

	Sewer Fund	Water Fund	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 410,284	\$ 1,066,230	\$ 1,476,514
Payments to suppliers	(213,954)	(712,112)	(926,066)
Payments to employees	(93,114)	(143,635)	(236,749)
Collection of special assessments	3,634	3,340	6,974
Net cash provided (used) by operating activities	106,850	213,823	320,673
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund transactions, net	(18,457)	(129,203)	(147,660)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	482	74	556
Net increase (decrease) in cash and cash equivalents	88,875	84,694	173,569
Cash and cash equivalents January 1	1,057,446	815,238	1,872,684
Cash and cash equivalents December 31	\$ 1,146,321	\$ 899,932	\$ 2,046,253
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ 3,287	\$ 54,013	\$ 57,300
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	128,753	159,184	287,937
(Increase) decrease in accounts receivable	6,047	(50,146)	(44,099)
Increase (decrease) in accounts and other payables	(34,871)	47,432	12,561
(Increase) decrease in special assessments	3,634	3,340	6,974
Net cash provided by operating activities	\$ 106,850	\$ 213,823	\$ 320,673

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, 2016

	<u>Agency Fund Type</u>	
ASSETS		
Cash	\$	267,074
LIABILITIES		
Undistributed taxes	\$	237,921
Deposits payable		29,153
Total liabilities	\$	267,074

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

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NOTES TO THE FINANCIAL STATEMENTS

Pere Marquette Charter Township

Notes to the Financial Statements

For the year ended December 31, 2016

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, 2016

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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.

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

Pere Marquette Charter Township

Notes to the Financial Statements

For the year ended December 31, 2016

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 government reports the following major proprietary 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.

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.

Pere Marquette Charter Township

Notes to the Financial Statements

For the year ended December 31, 2016

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.

Proprietary funds are presented in the financial statements on the accrual basis of accounting, similar to the basis used for government-wide statements and are accounted for on a flow of economic resources measurement focus. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period they are incurred.

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, 2016

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:

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

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

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.

Pere Marquette Charter Township

Notes to the Financial Statements

For the year ended December 31, 2016

Net Position and Fund Equity--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 "Invested in Capital Assets, Net of Related Debt," 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, 2016

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 departments 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. Individual amendments were not material in relation to the original appropriations which were amended.

Budgets as presented for the General Fund 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.

Budgetary amounts reported herein are as originally adopted, or as amended by the Township Board throughout the operating 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.

The Township Clerk is authorized to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the Township Board.

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

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, 2016

NOTE 3 - DEPOSITS AND INVESTMENTS

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

	Primary Government	Fiduciary Funds	Total
Cash and pooled investments	\$ 4,332,712	\$ 267,074	\$ 4,599,786

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 \$2,598,791, of which \$1,750,278 is covered by insurance. The remaining \$848,513 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.

Pere Marquette Charter Township

Notes to the Financial Statements

For the year ended December 31, 2016

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.

Type of investment	Carrying value	How held
Certificates of deposit	\$ 1,225,679	Counterparty
Local Government Bonds	738,786	Counterparty
Pooled investments with a Michigan public sector joint investment program	811,230	Counterparty
Corporate fixed income	478,143	Counterparty
Total	\$ 3,253,838	

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	37.7 %
Local Government Bonds	22.7 %
Pooled investments with a Michigan public sector joint investment program	24.9 %
Corporate fixed income	14.7 %

NOTE 4 - RECEIVABLES

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the governmental accounts, including the applicable allowances for uncollectible accounts:

	Governmental Activities	Business-type Activities
Property taxes	\$ 1,507,386	\$ -
Accounts receivable	2,316	240,166
Special assessments receivable	2,390	91,462
Due from other units of government	31,604	-
Total	\$ 1,543,696	\$ 331,628

Pere Marquette Charter Township

Notes to the Financial Statements

For the year ended December 31, 2016

NOTE 5 - CAPITAL ASSETS

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

Governmental Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated				
Land	\$ 897,734	\$ -	\$ -	\$ 897,734
Capital assets being depreciated				
Buildings	1,927,882	-	-	1,927,882
Land improvements	401,106	15,202	-	416,308
Equipment	321,257	-	6,200	315,057
Software	12,706	-	-	12,706
Intangible	11,950	-	-	11,950
Total capital assets being depreciated	2,674,901	15,202	6,200	2,683,903
Less accumulated depreciation for				
Buildings	970,152	40,358	-	1,010,510
Land improvements	226,252	17,123	-	243,375
Equipment	241,922	14,793	6,200	250,515
Software	12,706	-	-	12,706
Intangible	5,975	1,195	-	7,170
Total accumulated depreciation	1,457,007	73,469	6,200	1,524,276
Net capital assets being depreciated	1,217,894	(58,267)	-	1,159,627
Net governmental activities capital assets	\$ 2,115,628	\$ (58,267)	\$ -	\$ 2,057,361
Business-Type Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated				
Land	\$ 8,969	\$ -	\$ -	\$ 8,969
Capital assets being depreciated				
Mains	12,502,506	-	-	12,502,506
Equipment	419,324	-	12,534	406,790
Pumping stations	579,104	-	-	579,104
Total capital assets being depreciated	13,500,934	-	12,534	13,488,400
Less accumulated depreciation for				
Mains	3,214,044	262,825	-	3,476,869
Equipment	357,556	11,460	12,534	356,482
Pumping stations	182,860	13,652	-	196,512
Total accumulated depreciation	3,754,460	287,937	12,534	4,029,863
Net capital assets being depreciated	9,746,474	(287,937)	-	9,458,537
Net business-type activities capital assets	\$ 9,755,443	\$ (287,937)	\$ -	\$ 9,467,506

Pere Marquette Charter Township

Notes to the Financial Statements

For the year ended December 31, 2016

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

Governmental activities	
General government	\$ 24,246
Public safety	19,198
Public works	10,771
Community and economic development	4,148
Recreation and culture	15,106
Total governmental activities	\$ 73,469
Business-type activities	
Sewer	\$ 128,753
Water	159,184
Total business-type activities	\$ 287,937

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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.

Transfers for the current year can be summarized as follows:

Transfers In	Transfers Out				Total
	General Fund	2004 Capital Improvement	Sewer Fund	Water Fund	
2013 GO Debt Service	\$ 221,740	\$ -	\$ 18,457	\$ 129,203	\$ 369,400

Pere Marquette Charter Township

Notes to the Financial Statements

For the year ended December 31, 2016

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, 2016, can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2013 Capital Improvement and Refunding Bonds	3,205,000	-	295,000	2,910,000	270,000

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

Year ending December 31,	Bonds		
	Principal	Interest	Total
2017	\$ 270,000	\$ 68,500	\$ 338,500
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
Totals	\$ 2,910,000	\$ 386,700	\$ 3,296,700

Description	Balance
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%.	\$ 2,910,000

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 Representation letter date, 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, 2016

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), as well as medical benefits provided to employees. 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 \$745,366. The current year contribution was calculated based on covered payroll of \$585,100, resulting in an employer contribution of \$70,212.

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE

The township implemented GASB Number 84, *Fiduciary Activities*, as of January 1, 2016. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.

The township does not control the assets as it does not (a) hold the assets or (b) have the ability to direct the use, exchange, or employment of the assets in a manner that provides benefits to the specified or intended recipients. As the township does not control the assets, it will longer be reporting the Pension Trust and Agency Fund, which accounts for the transactions in the Michigan Employee Retirement System and Deferred Compensation Fund as Pension and Other Employee Benefit Fund Types.

This change only impacts the fiduciary fund reporting and does not impact the entity-wide reporting or the fund level reporting.

Pere Marquette Charter Township

Notes to the Financial Statements

For the year ended December 31, 2016

NOTE 13 - 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, 2016

NOTE 14 - IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended.

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

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

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

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

Pere Marquette Charter Township

Notes to the Financial Statements

For the year ended December 31, 2016

In March 2016, GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

In January 2017, GASB issued Statement 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

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.

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REQUIRED SUPPLEMENTAL INFORMATION

Pere Marquette Charter Township

General Fund

Budgetary Comparison Schedule

For the year ended December 31, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes				
Property	\$ 1,356,467	\$ 1,406,467	\$ 1,407,577	\$ 1,110
Industrial Facilities	5,040	5,040	3,821	(1,219)
Payment in Lieu of Taxes	115	115	232	117
Penalties and Interest on Taxes	1,700	1,700	912	(788)
Trailer Tax	270	270	228	(42)
Property Tax Administration Fee	180,900	180,900	200,156	19,256
Total taxes	1,544,492	1,594,492	1,612,926	18,434
Licenses and Permits				
Business Licenses	30,000	30,000	22,234	(7,766)
Intergovernmental				
State Grants	-	-	49	49
State Revenue Sharing	188,236	188,236	180,574	(7,662)
Total Intergovernmental	188,236	188,236	180,623	(7,613)
Charges for Services				
Services Rendered	12,674	12,674	16,816	4,142
Use and Admission Fees	147,000	147,000	154,532	7,532
Total Charges for Services	159,674	159,674	171,348	11,674
Fines and Forfeits				
Fines and Forfeitures	500	500	250	(250)
Interest and Rents				
Investment Earnings	20,000	20,000	27,685	7,685
Rent	24,100	24,100	26,950	2,850
Total Interest and Rents	44,100	44,100	54,635	10,535
Other Revenue				
Contributions	-	-	650	650
Reimbursements	22,500	50,500	55,422	4,922
Other	3,000	3,000	3,414	414
Total Other Revenue	25,500	53,500	59,486	5,986
Total revenues	1,992,502	2,070,502	2,101,502	31,000

Pere Marquette Charter Township

General Fund

Budgetary Comparison Schedule

For the year ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
EXPENDITURES				
Current				
Legislative				
Township Board	\$ 55,900	\$ 55,900	\$ 43,048	\$ 12,852
General Government				
Supervisor	89,566	61,866	60,437	1,429
Administrator	15,276	15,276	12,397	2,879
Clerk	68,649	68,649	63,869	4,780
Data Processing	10,600	10,600	1,579	9,021
Board of Review	2,350	2,350	1,643	707
Tax Abatement Review Board	150	150	-	150
Treasurer	73,522	73,522	66,490	7,032
Assessor	84,036	84,036	77,905	6,131
Elections	26,192	26,192	19,211	6,981
Buildings and Grounds	116,000	116,600	90,113	26,487
Cemetery	1,000	1,000	-	1,000
Total General Government	487,341	460,241	393,644	66,597
Public Safety				
Fire Department	203,636	203,836	181,740	22,096
Building Inspection Department	45,829	46,154	45,442	712
Total Public Safety	249,465	249,990	227,182	22,808
Public Works				
Department of Public Works	96,580	96,580	78,904	17,676
Highways, Streets, Bridges	70,000	90,000	85,108	4,892
Street Lighting	26,500	26,500	22,258	4,242
Refuse Collection	169,973	169,973	169,973	-
Total Public Works	363,053	383,053	356,243	26,810
Community and Economic Development				
Planning	12,725	12,725	6,929	5,796
Zoning	35,101	35,201	33,484	1,717
Total Community and Economic Development	47,826	47,926	40,413	7,513

Pere Marquette Charter Township

General Fund

Budgetary Comparison Schedule

For the year ended December 31, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
Recreation and Culture				
Parks and Recreation	\$ 125,200	\$ 125,200	\$ 113,931	\$ 11,269
Other				
Employee Fringe Benefits	231,477	181,477	176,528	4,949
Retirement	56,000	56,000	52,426	3,574
Social Security	49,500	49,500	43,844	5,656
Tax Tribunal Refunds	5,000	7,000	3,962	3,038
Total Other	341,977	293,977	276,760	17,217
Total expenditures	1,670,762	1,616,287	1,451,221	165,066
Excess (deficiency) of revenues over expenditures	321,740	454,215	650,281	196,066
OTHER FINANCING SOURCES (USES)				
Sale of Assets	-	17,525	19,219	1,694
Transfers out	(271,740)	(471,740)	(471,740)	-
Total other financing sources (uses)	(271,740)	(454,215)	(452,521)	1,694
Net change in fund balances	50,000	-	197,760	197,760
Fund balance-beginning	2,353,005	2,353,005	2,353,005	-
Fund balance-ending	\$ 2,403,005	\$ 2,353,005	\$ 2,550,765	\$ 197,760

Pere Marquette Charter Township

Transportation Fund

Budgetary Comparison Schedule

For the year ended December 31, 2016

	<u>Budgeted Amounts</u>			Variance with final budget
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 130,000	\$ 130,400	\$ 143,612	\$ 13,212
EXPENDITURES				
Recreation and Culture	140,000	140,000	130,152	9,848
Tax Tribunal Refunds	100	500	154	346
Total expenditures	140,100	140,500	130,306	10,194
Excess (deficiency) of revenues over expenditures	(10,100)	(10,100)	13,306	23,406
Net change in fund balances	(10,100)	(10,100)	13,306	23,406
Fund balances-beginning	156,138	156,138	156,138	-
Fund balances-ending	\$ 146,038	\$ 146,038	\$ 169,444	\$ 23,406

Pere Marquette Charter Township

2013 General Obligation Debt Service Fund

Budgetary Comparison Schedule

For the year ended December 31, 2016

	<u>Budgeted Amounts</u>		Variance with final budget
	Original and Final	Actual	
EXPENDITURES			
Debt Service			
Principal	\$ 295,000	\$ 295,000	\$ -
Interest	74,150	74,150	-
Fees	250	250	-
Total expenditures	369,400	369,400	-
OTHER FINANCING SOURCES (USES)			
Transfers in	369,400	369,400	-
Net change in fund balances	-	-	-
Fund balances-beginning	-	-	-
Fund balances-ending	\$ -	\$ -	\$ -

OTHER SUPPLEMENTAL INFORMATION

Pere Marquette Charter Township

Nonmajor Governmental Funds

Combining Balance Sheet

December 31, 2016

	Special Revenue		Debt Service		Capital Projects		Total Nonmajor Governmental Funds			
	Metro Act Fund		GO Bond Fund	Debt Fund	Capital Improvement Fund	2004 Construction Fund				
ASSETS										
Cash and pooled investments	\$	54,058	\$	19,706	\$	776,515	\$	220,661	\$	1,070,940
Special assessments receivable		-		2,390		-		-		2,390
Total assets		54,058		22,096		776,515		220,661		1,073,330
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue - special assessments		-		2,390		-		-		2,390
FUND BALANCES										
Restricted										
Capital projects		-		-		776,515		220,661		997,176
Right of way improvements		54,058		-		-		-		54,058
Debt service		-		19,706		-		-		19,706
Total fund balances		54,058		19,706		776,515		220,661		1,070,940
Total liabilities, deferred inflows of resources and fund balances	\$	54,058	\$	22,096	\$	776,515	\$	220,661	\$	1,073,330

Pere Marquette Charter Township

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended December 31, 2016

	Special Revenue		Debt Service		Capital Projects		Total Nonmajor Governmental Funds
	Metro Act Fund		GO Bond Fund	Debt Fund	Capital Improvement Fund	2004 Construction Fund	
REVENUES							
Business licenses	\$	500	\$	-	\$	-	\$ 500
Intergovernmental		4,594		-		-	4,594
Other		-		2,807		-	2,807
Total revenues		5,094		2,807		-	7,901
EXPENDITURES							
Capital outlay		-		-		15,452	7,584
Excess (deficiency) of revenues over expenditures		5,094		2,807		(15,452)	(7,584)
OTHER FINANCING SOURCES (USES)							
Operating transfers in		-		-		250,000	-
Total other financing sources (uses)		-		-		250,000	-
Net changes in fund balances		5,094		2,807		234,548	(7,584)
Fund balances-beginning		48,964		16,899		541,967	228,245
Fund balances-ending	\$	54,058	\$	19,706	\$	776,515	\$ 220,661
							\$ 1,070,940

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AUDITORS' COMMUNICATION

AUDITORS' COMMUNICATION OF SIGNIFICANT MATTERS WITH THOSE CHARGED WITH GOVERNANCE

April 5, 2017

To the Township Board
Pere Marquette Charter Township

We have audited the financial statements of the governmental activities each major fund and the aggregate remaining fund information of Pere Marquette Charter Township for the year ended December 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 13, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Pere Marquette Charter Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the lives of capital assets is based on management's experience and estimates. We evaluated the key factors and assumptions used to develop the lives of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

AUDITORS' COMMUNICATION OF SIGNIFICANT MATTERS WITH THOSE CHARGED WITH GOVERNANCE (continued)

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 5, 2017.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the management discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining nonmajor fund statements which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,



Douglas Wohlberg, CPA
Byron Center, Michigan