



COUNTY OF OTTAWA, MICHIGAN

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016



CPA's

Vredeveld Haefner LLC

Grand Haven Charter Township

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INDEPENDENT AUDITORS' REPORT

May 10, 2017

Members of the Board of Trustees
Grand Haven Charter Township
Grand Haven, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Grand Haven Charter Township (the Township), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the information on pages 39 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules 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 and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Wendell Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS



Management's Discussion and Analysis

As management of Grand Haven Charter Township (the Township), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- New construction activity shattered the previous 2002 record of \$44.2 million with a new record of \$71.8 million. About \$1.4 million was industrial, \$19.8 million was commercial and the remaining \$50.6 million was residential with 97 single family homes, 156 apartments, and 41 mobile homes.
- About 2.91 miles of roadway were re-surfaced at a cost of about \$392,000.
- The Township resurfaced about 3.8 miles of bike path along Mercury Drive and Lakeshore Drive at a cost of approximately \$282,000.
- The Township successfully administered four elections in 2016 including the presidential election at a cost of just over \$100,000.
- The Fire/Rescue Department experienced a record year with over 1,128 emergency runs with a budget of about \$1.15 million.
- In the first year of a five-year project, the DPW department replaced 1,246 MXU's during 2016 at a cost of approximately \$270,000.
- Harbor Transit provided over 49,000 rides with the Township contributing about \$379,000 to this authority.
- Township residents approved a 15 year 0.45 debt millage to construct an additional 10 miles of pathway to be added to the existing 26.7 miles throughout the Township.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Grand Haven Charter Township's financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences, accrued interest, etc.).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, community and economic development, and culture and recreation activities. The business-type activities of the Township include the water and sewer systems.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains five individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, municipal street fund, and fire protection fund which are considered major funds.

Data is combined into a single aggregated presentation for the other governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements and schedules*.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison schedules have been provided herein to demonstrate compliance with those budgets.

Proprietary funds. The Township maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses internal service funds to account for its other post employment benefits and information technologies services. Because these services primarily benefit the Township's governmental rather than business-type functions, they have been included within the governmental activities in the government-wide statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer funds, which are considered to be major funds of the Township. The internal service fund is included as a single column in the proprietary fund financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resource of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This consists of this management discussion and analysis, major fund budgetary schedules, and schedules of funding progress for the retiree health plan.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$18,516,695 at the close of the most recent fiscal year. A summary of net position is as follows:

	Net Position					
	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Current and other assets	\$6,463,984	\$7,114,038	\$3,189,133	\$3,384,090	\$9,653,117	\$10,498,128
Capital assets	7,773,028	7,595,046	13,156,518	12,615,417	20,929,546	20,210,463
Total assets	14,237,012	14,709,084	16,345,651	15,999,507	30,582,663	30,708,591
Deferred outflows of resources	-	-	-	386,959	-	386,959
Long-term liabilities outstanding	1,207,692	1,011,826	6,616,607	6,400,133	7,824,299	7,411,959
Other liabilities	920,611	824,464	852,262	852,565	1,772,873	1,677,029
Total liabilities	2,128,303	1,836,290	7,468,869	7,252,698	9,597,172	9,088,988
Deferred inflows of resources-taxes	3,102,095	3,359,994	144,245	129,873	3,246,340	3,489,867
Net position:						
Net investment in capital assets	6,523,028	6,535,046	5,901,938	6,458,487	12,424,966	12,993,533
Restricted	401,588	506,877	30,537	20,524	432,125	527,401
Unrestricted	2,081,998	2,470,877	2,800,062	2,524,884	4,882,060	4,995,761
Total net position	\$9,006,614	\$9,512,800	\$8,732,537	\$9,003,895	\$17,739,151	\$18,516,695

A significant portion of the Township's net position (27 percent) reflects unrestricted net position which is available for future operations while the largest portion of net position is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

The government's net position increased by \$777,544 during the current fiscal year.

Changes in Net Position

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
	Revenue:					
Program revenue:						
Charges for services	\$ 801,023	\$1,086,261	\$2,555,796	\$2,687,700	\$3,356,819	\$3,773,961
Operating grants and contributions	3,839	-	-	-	3,839	-
Capital grants and contributions	1,198,273	-	303,941	386,379	1,502,214	386,379
General revenue:						
Property taxes	3,066,992	3,176,761	176,755	144,254	3,243,747	3,321,015
State sources	1,186,567	1,216,107	-	-	1,186,567	1,216,107
Unrestricted investment earnings	20,040	32,230	19,813	31,004	39,853	63,234
Other	395,850	393,753	35,150	35,410	431,000	429,163
Total revenue	6,672,584	5,905,112	3,091,455	3,284,747	9,764,039	9,189,859

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Expenses:						
General government	\$1,567,682	\$1,634,780	\$ -	\$ -	\$1,567,682	\$1,634,780
Public safety	1,432,375	1,643,145	-	-	1,432,375	1,643,145
Public works	415,258	439,094	-	-	415,258	439,094
Community and economic development	797,925	911,987	-	-	797,925	911,987
Culture and recreation	565,077	840,641	-	-	565,077	840,641
Interest on long-term debt	22,955	19,659	-	-	22,955	19,659
Sewer fund	-	-	604,195	591,125	604,195	591,125
Water fund	-	-	2,291,426	2,331,884	2,291,426	2,331,884
Total expenses	<u>4,801,272</u>	<u>5,489,306</u>	<u>2,895,621</u>	<u>2,923,009</u>	<u>7,696,893</u>	<u>8,412,315</u>
Change before contributions and transfers	1,871,312	415,806	195,834	361,738	2,067,146	777,544
Transfers	89,660	90,380	(89,660)	(90,380)	-	-
Change in net position	<u>1,960,972</u>	<u>506,186</u>	<u>106,174</u>	<u>271,358</u>	<u>2,067,146</u>	<u>777,544</u>
Net position - beginning of year	<u>7,045,642</u>	<u>9,006,614</u>	<u>8,626,363</u>	<u>8,732,537</u>	<u>15,672,005</u>	<u>17,739,151</u>
Net position - end of year	<u>\$9,006,614</u>	<u>\$9,512,800</u>	<u>\$8,732,537</u>	<u>\$9,003,895</u>	<u>\$17,739,151</u>	<u>\$18,516,695</u>

Governmental Activities. During the year the Township invested \$1,643,145 or 30% of governmental activities expenses in public safety. General government expenses amounted to \$1,634,780 or 30% of governmental activities while public works, community and economic development, culture and recreation, and interest on long-term debt made up the remaining 40% of governmental activities expenses.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$3,037,106, an increase of \$561,262 in comparison with the prior year. Of the \$3,037,106, \$2,529,911 is reported in the general fund.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,325,288. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 77% of total general fund expenditures. The fund balance of the Township's general fund increased by \$455,986 during the current fiscal year.

The municipal street fund is used to account for a special tax millage levied by the Township for the construction and maintenance of local streets and support of Harbor Transit transportation services. At the end of the current fiscal year, fund balance was \$52,913, a decrease of \$20,485 over the prior year. Approximately .6 mills are available for support of the Harbor Transit System while the remainder of the millage, supplemented by transfers from the general fund, is used for streets.

The fire protection fund is used to account for Fire Department operations of the Township. At the end of the current fiscal year, fund balance was \$284,854, an increase of \$126,301 over the prior year.

Proprietary funds. The Township's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net position of the sewer and water funds at the end of the year amounted to \$1,298,561 and \$1,226,323 respectively. The sewer fund had an increase in net position for the year of \$78,407. The water fund had an increase in net position for the year of \$192,951.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2016, amounted to \$16,510,375 (net of accumulated depreciation).

The Township's capital assets (net of depreciation) are summarized as follows:

	Governmental Activities	Business-type Activities	Total
Land	\$ 2,022,055	\$ 55,804	\$ 2,077,859
Buildings and improvements	4,442,559	-	4,442,559
Land improvements	6,317,049	-	6,317,049
Machinery and equipment	-	574,175	574,175
Furniture and equipment	1,031,602	-	1,031,602
Vehicles	1,769,338	-	1,769,338
Shared improvements	543,386	-	543,386
Utility systems	-	20,007,942	20,007,942
Accumulated depreciation	(8,530,943)	(11,722,592)	(20,253,535)
Total	\$ 7,595,046	\$ 8,915,329	\$ 16,510,375

Additional information on the Township's capital assets can be found in the footnotes to the financial statements.

Debt. At the end of the current fiscal year, the Township had total debt outstanding as follows:

	Governmental Activities	Business-type Activities	Total
Accrued employee benefits	\$ 62,691	\$ 28,271	\$ 90,962
Other post-employment benefits	84,135	-	84,135
Bonds payable	1,060,000	6,163,094	7,223,094
Total	\$1,206,826	\$6,191,365	\$7,398,191

The Township made principle payments on bonds outstanding totaling \$5,041,384 during the year, which includes bonds refunded of \$4,132,532. Refunding bonds totaling \$3,752,825 were issued.

Additional information on the Township's long-term debt can be found in the footnotes to the financial statements.

Budgetary Highlights

Significant budget adjustments were made for the following:

- Building permit fees and related trade permit fees exceeded the budgeted amount by approximately \$304,000 mainly due to the Health Pointe and Piper Lakes projects as well as an increase in residential construction activity within the Township.
- Cemetery grave opening fees as well as the sale of cemetery lots increased by \$19,000 due to increased need for these services.

- The Administrative budget was decreased by approximately \$58,000 to reflect the absence of wages for the human resources manager position and related benefits.
- The Assessing budget was increased by approximately \$14,000 relating to the hiring of a full-time assistant assessor.
- The Community Development budget saw a corresponding increase in wages of almost \$9,000 and inspection fees of \$23,000 due to the increased construction activity.
- The Parks and Recreation budget was increased by approximately \$71,500 to reflect the additional costs associated with clean-up of the Witteveen property purchased in 2015.
- The Bike Path account exceeded budgeted amounts by \$16,000 due to increased engineering fees related to the proposed bike path construction.
- Transfers from the General Fund to the Transportation Fund decreased by \$90,000 as a result of less road paving work completed in 2016.
- The DDA Fund revenues exceeded budgeted amounts by approximately \$38,000 due to increased investment income of almost \$5,000 and reimbursement for lost personal property tax revenue of approximately \$33,000.
- The Sewer and Water Funds saw increased revenues of approximately \$21,000 and \$135,000, respectively due to increased connections to the system as well as an increase in rates.
- Budgeted expenditures in the water fund increased by approximately \$176,000 relating to increased labor costs of \$40,000, water purchases of \$71,000, and equipment purchases/maintenance of \$65,000.
- Transfers from OPEB fund to the Retiree Health Care fund exceeded budgeted amounts by \$103,730 due to the creation of the Retiree Health Care fund that will account for Other Post-Employment Benefits held in trust by MERS.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Township's budget for the 2016 fiscal year:

- Property values are expected to increase by about 2.52% in 2017.
- The budget reflects a 0.5% cost-of-living allowance for wages. Related benefits will reflect a small 3.98% increase for health insurance and a small decrease of 4.0% for dental insurance.
- A new Pathway fund will be established to reflect the approved 15 year 0.45 debt millage for an additional 10 miles of pathway to be added to the existing 26.7 miles throughout the Township. Bonds will be issued in the amount of \$4.5 million and the first phase of pathway construction will be completed in 2017 at an estimated cost of \$756,000.
- Revenues associated with construction activity are expected to continue with their current trend totaling \$373,000 in estimated permit fees.
- The DPW department will continue a five-year long project to replace existing MXU's at a cost of approximately \$227,600 for 2017.
- The DDA will be reconstructing 168th Avenue from Ferris Street to Johnson Street, which includes resurfacing, curb and gutter, storm water, and extension of sanitary sewer at a cost of approximately \$1,020,000.
- The Township will resurface about 2.4 miles of subdivision roads during 2017 at a cost of about \$507,000.

Requests for Information

This financial report is designed to provide a general overview of Grand Haven Charter Township's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to William D. Cargo, Superintendent, Grand Haven Charter Township, 13300 168th Avenue, Grand Haven, Michigan, 49417, (616) 842-5988.

BASIC FINANCIAL STATEMENTS

GRAND HAVEN CHARTER TOWNSHIP

STATEMENT OF NET POSITION

DECEMBER 31, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
Assets				
Cash and pooled investments	\$ 3,453,070	\$ 2,518,833	\$ 5,971,903	\$ 1,215,092
Receivables				
Accounts	2,201	457,330	459,531	-
Taxes	3,359,994	129,873	3,489,867	585,037
Special assessments (current portion)	-	23,438	23,438	-
Due from other governments	210,178	-	210,178	-
Prepaid items	88,595	184,621	273,216	-
Total current assets	7,114,038	3,314,095	10,428,133	1,800,129
Noncurrent assets				
Restricted cash	-	20,524	20,524	-
Special assessments receivable	-	43,307	43,307	-
Unamortized bond discount	-	6,164	6,164	-
Capital assets:				
Access rights, net	-	3,700,088	3,700,088	-
Non-depreciable	2,022,055	55,804	2,077,859	-
Depreciable capital assets, net	5,572,991	8,859,525	14,432,516	-
Total noncurrent assets	7,595,046	12,685,412	20,280,458	-
Total assets	14,709,084	15,999,507	30,708,591	1,800,129
Deferred outflow				
Deferred loss on bond refunding	-	386,959	386,959	-
Liabilities				
Accounts payable	561,301	201,380	762,681	25,254
Accrued payroll and benefits	65,071	10,147	75,218	-
Accrued interest payable	3,092	36,550	39,642	-
Current portion of noncurrent liabilities	195,000	604,488	799,488	-
Total current liabilities	824,464	852,565	1,677,029	25,254
Long-term liabilities				
Post-employment benefits	84,135	-	84,135	-
Compensated absences	62,691	28,271	90,962	-
Unamortized bond premium	-	813,256	813,256	-
Bonds and notes payable	1,060,000	6,163,094	7,223,094	-
Less current portion	(195,000)	(604,488)	(799,488)	-
Total long-term liabilities	1,011,826	6,400,133	7,411,959	-
Total liabilities	1,836,290	7,252,698	9,088,988	25,254
Deferred inflows of resources				
Unearned revenue	3,359,994	129,873	3,489,867	585,037
Net position				
Net investment in capital assets	6,535,046	6,458,487	12,993,533	-
Restricted for				
Debt service	-	20,524	20,524	-
Fire protection	284,854	-	284,854	-
Transportation	52,913	-	52,913	-
Police services	169,110	-	169,110	-
Unrestricted	2,470,877	2,524,884	4,995,761	1,189,838
Total net position	\$ 9,512,800	\$ 9,003,895	\$ 18,516,695	\$ 1,189,838

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

GRAND HAVEN CHARTER TOWNSHIP

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General government	\$ 1,634,780	\$ 388,153	\$ -	\$ -	\$ (1,246,627)
Public safety	1,643,145	30,863	-	-	(1,612,282)
Public works	439,094	642,680	-	-	203,586
Community and economic development	911,987	-	-	-	(911,987)
Culture and recreation	840,641	24,565	-	-	(816,076)
Interest on long-term debt	19,659	-	-	-	(19,659)
Total governmental activities	5,489,306	1,086,261	-	-	(4,403,045)
Business-type activities					
Sewer	591,125	510,472	-	154,402	73,749
Water	2,331,884	2,177,228	-	231,977	77,321
Total business-type activities	2,923,009	2,687,700	-	386,379	151,070
Total primary government	\$ 8,412,315	\$ 3,773,961	\$ -	\$ 386,379	\$ (4,251,975)
Component unit					
Downtown Development Authority	\$ 91,054	\$ -	\$ -	\$ -	\$ (91,054)
Total component unit	\$ 91,054	\$ -	\$ -	\$ -	\$ (91,054)

(Continued)

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

GRAND HAVEN CHARTER TOWNSHIP

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Changes in net position				
Net (expense) revenue	\$ (4,403,045)	\$ 151,070	\$ (4,251,975)	\$ (91,054)
General revenues				
Property taxes				
General purpose	1,308,958	-	1,308,958	539,018
Specific purpose	1,867,803	144,254	2,012,057	-
State shared revenues	1,216,107	-	1,216,107	-
Unrestricted interest	32,230	31,004	63,234	10,894
Miscellaneous	393,753	35,410	429,163	46,851
Transfers	90,380	(90,380)	-	-
Total general revenues and transfers	<u>4,909,231</u>	<u>120,288</u>	<u>5,029,519</u>	<u>596,763</u>
Change in net position	506,186	271,358	777,544	505,709
Net position, beginning of year	<u>9,006,614</u>	<u>8,732,537</u>	<u>17,739,151</u>	<u>684,129</u>
Net position, end of year	<u>\$ 9,512,800</u>	<u>\$ 9,003,895</u>	<u>\$ 18,516,695</u>	<u>\$ 1,189,838</u>

(Concluded)

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

GRAND HAVEN CHARTER TOWNSHIP

**GOVERNMENTAL FUNDS
BALANCE SHEET**

DECEMBER 31, 2016

	<u>General</u>	<u>Municipal Street</u>	<u>Fire Protection</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 2,782,083	\$ 52,913	\$ 292,686	\$ 226,276	\$ 3,353,958
Receivables					
Accounts	658	-	-	1,543	2,201
Taxes	784,957	631,254	1,262,538	681,245	3,359,994
Due from other governments	210,178	-	-	-	210,178
Prepaid items	25,073	-	30,201	-	55,274
Total assets	<u>\$ 3,802,949</u>	<u>\$ 684,167</u>	<u>\$ 1,585,425</u>	<u>\$ 909,064</u>	<u>\$ 6,981,605</u>
Liabilities, deferred inflows of resources, and fund balances					
Liabilities					
Accounts payable	\$ 446,611	\$ -	\$ 14,432	\$ 58,391	\$ 519,434
Accrued payroll and benefits	41,470	-	23,601	-	65,071
Total liabilities	<u>488,081</u>	<u>-</u>	<u>38,033</u>	<u>58,391</u>	<u>584,505</u>
Deferred inflows of resources					
Unearned revenue	784,957	631,254	1,262,538	681,245	3,359,994
Fund balances					
Nonspendable					
Prepaid items	25,073	-	30,201	-	55,274
Restricted					
Fire Protection	-	-	254,653	-	254,653
Transportation	-	52,913	-	-	52,913
Police Services	-	-	-	169,110	169,110
Assigned					
Future years expenditures	179,550	-	-	-	179,550
Debt service funds	-	-	-	318	318
Unassigned	2,325,288	-	-	-	2,325,288
Total fund balances	<u>2,529,911</u>	<u>52,913</u>	<u>284,854</u>	<u>169,428</u>	<u>3,037,106</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,802,949</u>	<u>\$ 684,167</u>	<u>\$ 1,585,425</u>	<u>\$ 909,064</u>	<u>\$ 6,981,605</u>

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

GRAND HAVEN CHARTER TOWNSHIP

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

DECEMBER 31, 2016

Fund balances - total governmental funds	\$ 3,037,106
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Amounts reported for *governmental activities* in the statement of net position are different because

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.

Add - land	2,022,055
Add - capital assets (net of accumulated depreciation)	5,491,377

An internal service fund is used by management to account for the centralized services provided to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities.

Add - net position of governmental activities accounted for in the internal service funds	172,180
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Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.

Deduct - post-employment benefits	(84,135)
Deduct - compensated absences payable	(62,691)
Deduct - bonds and notes payable	(1,060,000)
Deduct - accrued interest on bonds and notes payable	<u>(3,092)</u>

Net position of governmental activities	<u>\$ 9,512,800</u>
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The accompanying notes are an integral part of these financial statements.

GRAND HAVEN CHARTER TOWNSHIP

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>General</u>	<u>Municipal Street</u>	<u>Fire Protection</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues					
Property taxes	\$ 941,916	\$ 622,591	\$ 1,245,212	\$ 367,042	\$ 3,176,761
Licenses and permits	915,059	-	-	-	915,059
State	1,216,107	-	-	-	1,216,107
Charges for services	89,821	-	3,816	-	93,637
Fines	50,518	-	-	27,047	77,565
Interest	26,746	445	4,264	775	32,230
Miscellaneous	388,615	-	4,842	296	393,753
Total revenues	<u>3,628,782</u>	<u>623,036</u>	<u>1,258,134</u>	<u>395,160</u>	<u>5,905,112</u>
Expenditures					
Current					
General government	1,563,411	-	-	-	1,563,411
Public safety	-	-	1,131,833	395,687	1,527,520
Public works	126,704	298,381	-	-	425,085
Community and economic development	505,182	380,120	-	-	885,302
Culture and recreation	385,766	-	-	-	385,766
Debt service					
Principal	-	-	-	190,000	190,000
Interest	-	-	-	20,213	20,213
Capital outlay	436,933	-	-	-	436,933
Total expenditures	<u>3,017,996</u>	<u>678,501</u>	<u>1,131,833</u>	<u>605,900</u>	<u>5,434,230</u>
Revenues over (under) expenditures	<u>610,786</u>	<u>(55,465)</u>	<u>126,301</u>	<u>(210,740)</u>	<u>470,882</u>
Other financing sources (uses)					
Transfers in	-	34,980	-	210,200	245,180
Transfers out	(154,800)	-	-	-	(154,800)
Total other financing sources (uses)	<u>(154,800)</u>	<u>34,980</u>	<u>-</u>	<u>210,200</u>	<u>90,380</u>
Net changes in fund balances	455,986	(20,485)	126,301	(540)	561,262
Fund balances, beginning of year	<u>2,073,925</u>	<u>73,398</u>	<u>158,553</u>	<u>169,968</u>	<u>2,475,844</u>
Fund balances, end of year	<u>\$ 2,529,911</u>	<u>\$ 52,913</u>	<u>\$ 284,854</u>	<u>\$ 169,428</u>	<u>\$ 3,037,106</u>

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

GRAND HAVEN 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 changes in fund balances - total governmental funds	\$ 561,262
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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 are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	571,415
Deduct - depreciation expense	(727,864)
Deduct - loss on asset disposal	(1,143)

Internal service funds are used by management to account for central services provided to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

Add - net income from the internal service funds	(4,735)
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Bond or note proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Add - principal payments on debt	190,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduction to recognize the transition of the post-employment benefits from an internal service fund to a trust fund	(84,135)
Add - decrease in compensated absences	832
Add - decrease in accrued interest	554

Change in net position of governmental activities	<u>\$ 506,186</u>
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The accompanying notes are an integral part of these financial statements.

GRAND HAVEN CHARTER TOWNSHIP

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION**

DECEMBER 31, 2016

	Enterprise Funds		Enterprise Fund Total	Governmental Activities
	Sewer	Water		Internal Service
Assets				
Current assets				
Cash and pooled investments	\$ 1,187,127	\$ 1,331,706	\$ 2,518,833	\$ 99,112
Receivables				
Accounts	75,054	382,276	457,330	-
Property taxes	-	129,873	129,873	-
Special assessments (current portion)	23,438	-	23,438	-
Prepaid and other assets	52,482	132,139	184,621	33,321
Total current assets	1,338,101	1,975,994	3,314,095	132,433
Noncurrent assets				
Restricted cash	-	20,524	20,524	-
Special assessments receivable	43,307	-	43,307	-
Unamortized bond discount	6,164	-	6,164	-
Capital assets:				
Access rights, net	-	3,700,088	3,700,088	-
Non-depreciable	8,405	47,399	55,804	-
Depreciable capital assets, net	3,309,279	5,550,246	8,859,525	81,614
Total noncurrent assets	3,367,155	9,318,257	12,685,412	81,614
Total assets	4,705,256	11,294,251	15,999,507	214,047
Deferred outflow				
Deferred loss on bond refunding	-	386,959	386,959	-
Liabilities				
Current liabilities				
Accounts payable	75,578	125,802	201,380	41,867
Accrued payroll and benefits	7,269	31,149	38,418	-
Accrued interest payable	-	36,550	36,550	-
Current portion of long-term liabilities	50,000	554,488	604,488	-
Total current liabilities	132,847	747,989	880,836	41,867
Long-term liabilities				
Unamortized bond premium	-	813,256	813,256	-
Bonds payable and obligations	730,000	5,433,094	6,163,094	-
Less current portion	(50,000)	(554,488)	(604,488)	-
Total long-term liabilities	680,000	5,691,862	6,371,862	-
Total liabilities	812,847	6,439,851	7,252,698	41,867
Deferred inflows of resources				
Unearned revenue - taxes	-	129,873	129,873	-
Net position				
Net investment in capital assets	2,593,848	3,864,639	6,458,487	81,614
Restricted for capital and debt service	-	20,524	20,524	-
Unrestricted	1,298,561	1,226,323	2,524,884	90,566
Total net position	\$ 3,892,409	\$ 5,111,486	\$ 9,003,895	\$ 172,180

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

GRAND HAVEN CHARTER TOWNSHIP

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

FOR THE YEAR ENDED DECEMBER 31, 2016

	Enterprise Funds		Enterprise Fund Total	Governmental
	Sewer	Water		Activities Internal Service
Operating revenue				
Charges for services				
Water sales	\$ -	\$ 2,132,174	\$ 2,132,174	\$ -
Sewage disposal services	273,732	-	273,732	-
Debt services charges	232,331	-	232,331	-
Penalties	4,409	35,885	40,294	-
Other charges	-	-	-	252,795
Total charges for services	510,472	2,168,059	2,678,531	252,795
Hydrant maintenance charges	-	9,169	9,169	-
Other revenue	8,463	26,947	35,410	-
Total operating revenue	<u>518,935</u>	<u>2,204,175</u>	<u>2,723,110</u>	<u>252,795</u>
Operating expense				
Administration	54,600	167,513	222,113	215,677
Plant operations and maintenance	321,924	1,229,539	1,551,463	-
Depreciation	172,969	371,856	544,825	41,853
Amortization	-	290,228	290,228	-
Total operating expense	<u>549,493</u>	<u>2,059,136</u>	<u>2,608,629</u>	<u>257,530</u>
Operating income (loss)	<u>(30,558)</u>	<u>145,039</u>	<u>114,481</u>	<u>(4,735)</u>
Non-operating revenue (expense)				
Interest income	21,415	9,589	31,004	-
Interest expense	(41,632)	(272,748)	(314,380)	-
Total non-operating revenue (expense)	<u>(20,217)</u>	<u>(263,159)</u>	<u>(283,376)</u>	<u>-</u>
Income (loss) before transfers and capital contributions	<u>(50,775)</u>	<u>(118,120)</u>	<u>(168,895)</u>	<u>(4,735)</u>
Other financing sources (uses)				
Transfers out	<u>(25,220)</u>	<u>(65,160)</u>	<u>(90,380)</u>	<u>-</u>
Capital contributions				
Connection fees and charges	154,402	231,977	386,379	-
Property taxes	-	144,254	144,254	-
Total capital contributions	<u>154,402</u>	<u>376,231</u>	<u>530,633</u>	<u>-</u>
Changes in net position	78,407	192,951	271,358	(4,735)
Net position, beginning of year	<u>3,814,002</u>	<u>4,918,535</u>	<u>8,732,537</u>	<u>176,915</u>
Net position, end of year	<u>\$ 3,892,409</u>	<u>\$ 5,111,486</u>	<u>\$ 9,003,895</u>	<u>\$ 172,180</u>

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

GRAND HAVEN CHARTER TOWNSHIP

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Enterprise Funds		Enterprise	Governmental
	Sewer	Water	Fund Total	Activities Internal Service
Cash flows from operating activities				
Receipts from internal services provided	\$ -	\$ -	\$ -	\$ 252,795
Receipts from customers and users	517,676	2,171,394	2,689,070	-
Payments to employees	(103,129)	(465,463)	(568,592)	-
Payments to suppliers	(287,631)	(964,586)	(1,252,217)	(279,602)
Payments for interfund services used	(18,420)	(35,640)	(54,060)	-
Transfers	(25,220)	(65,160)	(90,380)	-
Net cash provided by (used in) operating activities	83,276	640,545	723,821	(26,807)
Cash flows from capital and related financing activities				
Connection charges	154,402	231,977	386,379	-
Special assessments collected	48,681	-	48,681	-
Property taxes	-	158,626	158,626	-
Principal paid on bonds	(140,000)	(532,262)	(672,262)	-
Interest paid on bonds	(41,632)	(272,118)	(313,750)	-
Acquisition of capital assets	(78,590)	(215,362)	(293,952)	(21,463)
Net cash provided by (used in) capital and related financing activities	(57,139)	(629,139)	(686,278)	(21,463)
Cash flows from investing activities				
Interest income	22,324	9,589	31,913	-
Net increase (decrease) in cash and pooled investments	48,461	20,995	69,456	(48,270)
Cash and pooled investments, beginning of year	1,138,666	1,331,235	2,469,901	147,382
Cash and pooled investments, end of year	\$ 1,187,127	\$ 1,352,230	\$ 2,539,357	\$ 99,112
Cash flows from operating activities				
Operating income (loss)	\$ (30,558)	\$ 145,039	\$ 114,481	\$ (4,735)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	172,969	371,856	544,825	41,853
Amortization	-	290,228	290,228	-
Transfers	(25,220)	(65,160)	(90,380)	-
Change in operating assets and liabilities which provided (used) cash:				
Accounts receivable	(1,259)	(18,409)	(19,668)	-
Prepaid assets and other items	(49,391)	(120,404)	(169,795)	(5,460)
Accounts payable	16,533	49,132	65,665	25,704
Post-employment benefits transferred to trust fund	-	-	-	(84,169)
Unearned revenue	-	(14,372)	(14,372)	-
Accrued liabilities	202	2,635	2,837	-
Net cash provided by (used in) operating activities	\$ 83,276	\$ 640,545	\$ 723,821	\$ (26,807)
Supplemental information - noncash activity				
Issuance of refunding bonds	\$ -	\$ 3,752,825	\$ 3,752,825	\$ -
Deferred loss	-	(386,959)	(386,959)	-
Premium	-	813,256	813,256	-
Re-payment of existing bonds	-	(4,225,712)	(4,225,712)	-
Cash paid for principal on bonds prior to refunding	\$ -	\$ (46,590)	\$ (46,590)	\$ -

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

GRAND HAVEN CHARTER TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF NET POSITION/BALANCE SHEET
DECEMBER 31, 2016

	Other Post-employment Benefit <u>Trust</u>	Agency <u>Funds</u>
Assets		
Cash and pooled investments	\$ 340	\$ 3,591,162
Investments	<u>107,860</u>	<u>-</u>
Total assets	<u>108,200</u>	<u>\$ 3,591,162</u>
Liabilities		
Accounts payable	<u>5</u>	<u>\$ 3,591,162</u>
Total liabilities	<u>5</u>	<u>\$ 3,591,162</u>
Net position		
Restricted for other post-employment benefits	<u>\$ 108,195</u>	

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

GRAND HAVEN CHARTER TOWNSHIP
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

	Other Post-employment Benefit Trust
Additions	
Contributions:	
Employer	\$ 117,756
Retiree	2,147
Investment earnings	<u>1,024</u>
Total Additions	120,927
Deductions	
Benefits	12,566
Administrative expenses	<u>166</u>
Total deductions	<u>12,732</u>
Net increase	108,195
Net position, beginning of year	<u>-</u>
Net position, end of year	<u><u>\$ 108,195</u></u>

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

GRAND HAVEN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Grand Haven Charter Township (the "Township") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

These financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the Township's operations, so data from these units are combined with data of the primary government. Discretely presented component units are reported in separate columns in the financial statements to emphasize they are legally separate from the Township.

Blended Component Unit

The Building Authority (the "Authority") serves all the citizens of the Township and is governed by a Board appointed by the Township's Board. The primary purpose of the Authority is to acquire and construct recreational facilities including bike paths. The Authority issues bonds that are approved by the Township Board, and the legal liability for the Authority's debt remains with the Township. The Authority then leases the assets to the Township to finance the repayment of the bonds. The Authority is reported as a debt service fund. The Building Authority was allowed to sunset during the year.

Discretely Presented Component Unit

The Downtown Development Authority (the "DDA") was created to correct and prevent deterioration in the downtown area and promote economic growth within downtown. The DDA governing body consists of individuals that are appointed by the Township's Board. The Township's Board approves the DDA's budget and has the ability to significantly influence operations of the DDA. Financial statements are not separately issued for the DDA.

This component unit provides services to the businesses located within the district. They are reported in a separate column to emphasize they are legally separate from the Township.

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. Exceptions to this general rule are charges between enterprise functions and other various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities*, which normally are 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.

GRAND HAVEN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 revenues*.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible 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, except for state shared revenue, reimbursement-based grants, and interest which use a one year collection period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues 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 revenues of the enterprise fund are charges for services. Operating expenses for the enterprise funds include depreciation or amortization on capital assets, labor, supplies and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Township reports the following major governmental funds:

The *General Fund* is the general operating fund of the Township. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Municipal Street Fund* is used to account for a special tax millage levied by the Township for the construction and maintenance of local streets and support of Harbor Transit transportation services.

GRAND HAVEN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

The *Fire Protection Fund* is used to account for a special tax millage levied by the Township for the operation of the fire department.

The Township reports the following major proprietary funds:

The *Sewer Enterprise Fund* is used to account for the operations of the Township's Wastewater Department that provides sewer services on a user charge basis.

The *Water Enterprise Fund* is used to account for the operations of the Township's Water Department that provides water services on a user charge basis.

Additionally, the Township reports the following fund types:

The *Special Revenue Fund* is used to account for the proceeds of specific revenue sources (other than permanent trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The *Debt Service Fund* is used to account for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs.

The *Internal Service Funds* are used to account for the accumulation of funds and the payment of other post employment benefits and information technology costs.

The *Other Post-employment Benefits Trust Fund* is used to account for the operations of the Township's Other Post-employment Benefits Plan for which assets are held in trust. This fund provides other post-employment benefits to the Township's retired employees as well as certain current employees under a collective bargaining agreement.

The *Agency Fund* is used to account for the collection and disbursement of funds that are collected on behalf of outside governments or other parties.

Budgets and Budgetary Accounting

Comparisons to budget are presented for the general and special revenue funds. General and special revenue funds adopt a legal budget with remaining funds maintaining budgets as a management control device. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Superintendent submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted through passage of a resolution.
4. Budgets for the general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual budgets lapse at fiscal year-end.
5. Supplemental appropriations, when required to provide for appropriate expenditures are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year-end.

The appropriated budget is prepared by fund, function and department. The Township Superintendent may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. Supplemental appropriations were made during the year.

GRAND HAVEN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

Cash and Pooled Investments

For the purpose of the statement of cash flows, the Township's cash and pooled investments are considered to be cash equivalents because the balances are readily available similar to a demand deposit account.

Investments

Investments are stated at fair value at the balance sheet date.

State statutes authorize the Township to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers' acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase that are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.
- h. The OPEB Trust may also invest in corporate debt and equity securities.

Restricted Cash

Certain cash of the water fund consists of monies collected from the water debt service levy that are unspent and are shown as restricted because their use is restricted to debt service.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include land, buildings and equipment, access rights, vehicles, improvements, and infrastructure assets (e.g., water and sewer systems, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements.

GRAND HAVEN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction) on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building and improvements	40
Utility systems	40
Land improvements	15
Furniture and equipment	5-20
Vehicles	5-20
Shared improvements	20
Access rights	20

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Township reports deferred refunding costs as a deferred outflow. The deferred costs will be amortized over the life of the related refunding bonds payable.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. The governmental funds and governmental activities report unearned revenues from property taxes levied for the following year. These amounts are deferred and recognized as an inflow of resources in the period for which they are levied.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the related bonds using the effective interest method.

GRAND HAVEN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Compensated Absences

Under contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused vacation and sick leave under formulas and conditions specified in the contracts. Accumulated compensated absences of governmental funds is recorded on the statement of net position and not on the governmental fund balance sheets because the balance is not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds are reported on the statements of net position of the individual enterprise funds.

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

1. Non-spendable - the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted - the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed - the related assets can only be spent for a specific purpose identified by formal resolution of the governing board.
4. Assigned - the related assets can only be spent for a specific purpose identified by management as authorized by the governing board.
5. Unassigned - is the residual classification and includes all spendable amounts not contained in the other classifications.

Net Position and Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, then unrestricted resource as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Property Taxes

Township property taxes attach as an enforceable lien on property as of December 1 of each year and are due without penalty on or before February 14. Tax bills include the Township's own property taxes and taxes billed on behalf of other taxing units. Real property taxes not collected as of March 1 are turned over to the county for collection, which advances the Township 100% of the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer. The December 1 levy is recorded as a receivable and unearned revenue at the end of the year and is intended to fund expenditures of the following year.

GRAND HAVEN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

Interfund Transactions

During the course of normal operations, the Township has numerous transactions between funds. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. Charges between enterprise funds and other functions of the Township are not reimbursements because elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Remaining transactions are generally reflected as transfers.

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township manages its liability and property risks as a member of the Michigan Participating Plan (MPP), a public entity risk pool providing liability and property coverage to its participating members. The Township pays an annual premium to MPP for its insurance coverage. The MPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured.

The Township manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Township pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. The Township carries commercial insurance for employee health and accident insurance.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

2. STATUTORY COMPLIANCE

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgeted funds have been shown on a departmental basis. The approved budgets of the Township for these budgeted funds were adopted at the department level.

GRAND HAVEN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

3. CASH AND INVESTMENTS

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

	Primary Government	Component Units	Fiduciary Funds	Total
Cash and pooled investments	\$5,971,903	\$1,215,092	\$3,591,502	\$10,778,497
Investments	-	-	107,860	107,860
Restricted cash	20,524	-	-	20,524
	\$5,992,427	\$1,215,092	\$3,699,362	\$10,906,881

The cash and investments making up the above balances are as follows:

Deposits	\$ 7,499,724
Petty cash	300
Investments	3,406,857
Total	\$10,906,881

The deposits are in financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts except as noted are in the name of the Township and a specific fund or common account. They are recorded in Township records at fair value. Interest is recorded when earned.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require, and the Township does not have, a policy for deposit custodial credit risk. As of year-end, \$5,043,425 of the Township's bank balance of \$6,197,955 was exposed to custodial credit risk because the balance was uninsured and uncollateralized.

Investments

The Township chooses to disclose its investments by type. As of year-end, the Township had the following investments:

	Maturity	Fair Value	Rating	Source
Negotiable CD's with interest ranging from 0.5% to 1.7%	2/18/16 to 7/5/19	\$2,050,398	Unrated	N/A
MI Class Investment Pool	N/A	1,001,021	Unrated	N/A
Federal National Mortgage Assn.	6/13/19	247,578	AAA	Moody
MERS Trust Account	N/A	107,860	Unrated	N/A
Total		\$3,406,857		

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

GRAND HAVEN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

The Township has the following recurring fair value measurements as of year-end.

- FNMA bonds are valued using quoted market prices (Level 1 inputs).
- Negotiable CD's, MI Class Investment Pool, and MERS investments are valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determining the fair value of the securities making up the of investments fund/pool (Level 2 inputs).
- The Township does not have any investments that report fair value based on significant unobservable inputs (Level 3 inputs).

Investment and deposit risk

Interest Rate Risk. State law and Township policy limit the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1, the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at year-end.

Custodial Credit Risk - Investments. For an investment, 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 the possession of an outside party. State law does not require, and the Township does not have, a policy for investment custodial credit risk. The above investment securities were uninsured, unregistered and held by the counterparty for the Township. For the above funds on deposit with MERS and MI Class investments, the Township's custodial credit risk exposure cannot be determined because the Township's participation in the pools/funds do not consist of specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1, the summary of significant accounting policies. The Township's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

GRAND HAVEN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance January 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2016</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$2,022,055	\$ -	\$ -	\$2,022,055
Capital assets, being depreciated				
Land improvements	5,876,694	440,355	-	6,317,049
Buildings and improvements	4,401,627	40,932	-	4,442,559
Furniture and equipment	1,024,131	81,422	73,951	1,031,602
Vehicles	1,754,817	30,169	15,648	1,769,338
Shared improvements	543,386	-	-	543,386
Total capital assets, being depreciated	13,600,655	592,878	89,599	14,103,934
Less accumulated depreciation for				
Land improvements	3,694,962	270,648	-	3,965,610
Buildings and improvements	1,885,395	135,263	-	2,020,658
Furniture and equipment	892,736	270,077	72,808	1,090,005
Vehicles	887,881	66,560	15,648	938,793
Shared improvements	488,708	27,169	-	515,877
Total accumulated depreciation	7,849,682	769,717	88,456	8,530,943
Net capital assets, being depreciated	5,750,973	(176,839)	1,143	5,572,991
Governmental Activities capital assets, net	\$7,773,028	\$(176,839)	\$ 1,143	\$7,595,046
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 55,804	\$ -	\$ -	\$ 55,804
Capital assets being depreciated				
Utility systems	19,794,082	213,860	-	20,007,942
Machinery and equipment	528,695	80,092	34,612	574,175
Total capital assets, being depreciated	20,322,777	293,952	34,612	20,582,117
Less accumulated depreciation for				
Utility systems	10,458,844	505,598	-	10,964,442
Machinery and equipment	753,535	39,227	34,612	758,150
Total accumulated depreciation	11,212,379	544,825	34,612	11,722,592
Net capital assets, being depreciated	9,110,398	(250,873)	-	8,859,525
Business-type Activities capital assets, net	\$9,166,202	\$(250,873)	\$ -	\$8,915,329

GRAND HAVEN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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

Governmental Activities		
General government		\$238,799
Public safety		218,189
Public works		63,255
Culture and recreation		86,076
Community and economic development		121,545
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets		<u>41,853</u>
Total depreciation expense - governmental activities		<u><u>\$769,717</u></u>
Business-type Activities		
Sewer		\$172,969
Water		<u>371,856</u>
Total depreciation expense - business- type activities		<u><u>\$544,825</u></u>

Access rights activity for the year was as follows:

	<u>Balance January 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2016</u>
Business-type Activities				
Access rights	\$6,433,568	\$ -	\$ -	\$6,433,568
Less accumulated amortization	2,443,252	290,228	-	2,733,480
Access rights, net	<u>\$3,990,316</u>	<u>\$(290,228)</u>	<u>\$ -</u>	<u>\$3,700,088</u>

Amortization of \$290,228 has been charged to the water enterprise fund.

5. INTERFUND TRANSACTIONS

Transfers in and out for the year are as follows:

Transfers out	<u>Transfers in</u>		
	Municipal Street Fund	Non-Major Funds	<u>Total</u>
General Fund	\$34,980	\$119,820	\$154,800
Sewer Fund	-	25,220	25,220
Water Fund	-	65,160	65,160
	<u>\$34,980</u>	<u>\$210,200</u>	<u>\$245,180</u>

Transfers are used to (1) move unrestricted revenues collected in the general fund to finance capital and other various programs accounted for in other funds in accordance with budgetary authorizations and (2) move allocated cost of general operations to applicable funds.

GRAND HAVEN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

6. LONG-TERM DEBT

The following is a summary of the debt transactions of the Township for the year ended December 31, 2016:

	<u>Balance January 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2016</u>	<u>Due Within One Year</u>
Governmental Activities					
\$1,585,000 Refunding Bonds of 2013; due in annual installments of \$150,000 to \$230,000 plus interest at 1.75% through May 2021	\$1,250,000	\$ -	\$190,000	\$1,060,000	\$195,000
Other post-employment benefits	84,169	-	(34)	84,135	-
Accrued employee benefits	63,523	-	832	62,691	-
Total Governmental Activities	<u>\$1,397,692</u>	<u>\$ -</u>	<u>\$190,798</u>	<u>\$1,206,826</u>	<u>\$195,000</u>
Business-type Activities					
\$1,100,000 Township portion of Ottawa County Wastewater Collection Bonds of 1996; due in annual installments of \$60,000 to \$95,000 plus interest at 5.60-5.75% through July 2016	\$ 95,000	\$ -	\$ 95,000	\$ -	\$ -
\$4,670,000 Township portion of Ottawa County Water Refunding Bonds of 2005; due in annual installments of \$295,000 to \$410,000 plus interest at 3.500-4.375% through July 2019	1,375,000	-	390,000	985,000	410,000
\$985,000 Township portion of Ottawa County Wastewater System Improvement Bonds of 2008; due in annual installments of \$40,000 to \$75,000 plus interest at 4.25-5.10% through July 2028	775,000	-	45,000	730,000	50,000
\$4,677,636 Township portion of Ottawa County Water Supply Bonds of 2009 (Northwest Ottawa Water System Improvements) - expansion portion, due in annual installments of \$32,613 to \$46,590 plus interest at 2.4% to 6.05% through May 2019	4,351,505	-	4,225,712	125,793	44,260
\$1,015,944 Township portion of Ottawa County 2010 Water Supply Refunding Bonds, due in installments of \$35,000 to \$280,000 plus interest at 2.0% to 2.625% through May 2021	665,148	-	95,672	569,476	100,228

GRAND HAVEN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Balance January 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2016</u>	<u>Due Within One Year</u>
\$3,752,825 Township portion of Northwest Ottawa Water System Refunding Bonds of 2016; due in annual installments of \$16,307 to \$368,061 plus interest at 4.0-5.0% through May 2034	-	3,752,825	-	3,752,825	-
Total	7,261,653	3,752,825	4,851,384	6,163,094	604,488
Bond discount	(7,073)	-	(909)	(6,164)	-
Bond premium	-	813,256	-	813,256	-
Accrued employee benefits	27,216	1,055	-	28,271	-
Total Business-type Activities	\$7,281,796	\$4,567,136	\$4,850,475	\$6,998,457	\$604,488

The annual requirements to amortize all debt outstanding (excluding issuance discount, bond issuance, other post-employment benefits and accrued employee benefits) as of December 31, 2016 are as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$195,000	\$16,844	\$604,488	\$278,326
2018	205,000	13,344	478,992	257,515
2019	210,000	9,713	498,497	229,539
2020	220,000	5,950	192,035	207,506
2021	230,000	2,012	250,119	199,964
2022-2026	-	-	1,487,080	825,859
2027-2031	-	-	1,598,950	459,108
2032-2034	-	-	1,052,933	80,717
Total	\$1,060,000	\$47,863	\$6,163,094	\$2,538,534

During fiscal 2016, Ottawa County issued refunding bonds with the portion to be paid by the Township amounting to \$3,752,825. The proceeds of the advance refunding were placed into a trust account to re-pay a portion of the 2009 Ottawa County Water Supply Bonds which are considered to be defeased. The Townships portion of the total debt service requirements was reduced by approximately \$605,000, which resulted in an economic gain of approximately \$495,000. As of December 31, 2016, \$4,179,122 of the Township's portion of refunded bonds payable are considered to be defeased and are scheduled to be called and paid in full in 2019.

7. PENSION PLANS

Defined Contribution Pension Plans

The Township maintains a defined contribution pension plan administered by Manulife Financial USA that covers substantially all full time employees. Participants contribute 5 percent of their salaries to the plan and the Township contributes 10 percent of each eligible employee's salary to the plan. Employees are also able to make additional voluntary contributions. Plan provision and contribution requirements are established and may be amended by the Board. The Township's contribution for 2016 was \$147,405 and the employees' contribution was \$73,702.

GRAND HAVEN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

Deferred Compensation Plan

The Township offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Township employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All Assets of the plan are held in trust for employees and the related assets and liabilities are not included in this report.

8. OTHER POST-EMPLOYMENT BENEFITS

Plan Description. The Township administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). This benefit plan is authorized, and applicable benefit requirements are identified, in the Township personnel policy and union agreements. The plan provides employees, who retire with 15 years of full time employment, with partial payment of hospitalization benefits until Medicare eligible for a two person contract. The Retiree Health Plan does not issue a publicly available financial report and a legal trust has not been established for the plan.

Funding Policy. The Township's contribution to this plan is provided on a pay-as-you-go basis. The Township has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the current year, the annual required contribution (ARC) was \$24,933 while the Township contributed \$24,060 during 2016 to provide insurance coverage for 4 retired employees.

The Township's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of governmental accounting standards. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The first valuation of the Retiree Health Plan was performed as of December 31, 2008 with the requirements of governmental accounting standards being implemented prospectively. Fiscal year 2009 was the first year for which an actuarially required contribution (ARC) was determined.

The following table shows the components of the Township's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Township's OPEB obligation to the plan.

Annual required contribution	\$24,933
Interest on Net OPEB obligation	3,367
Adjustment to annual required contribution	(4,274)
Annual OPEB cost	<u>24,026</u>
Contribution made	<u>24,060</u>
Increase (decrease) in net OPEB obligation	(34)
Net OPEB obligation, beginning of year	<u>84,169</u>
Net OPEB obligation, end of year	<u><u>\$84,135</u></u>

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

GRAND HAVEN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual OPEB <u>Cost</u>	Percentage of OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
12/31/14	\$71,983	3.6%	\$223,214
12/31/15	(122,802)	n/a	84,169
12/31/16	24,026	100.1%	84,135

Schedule of Funding Progress

Actuarial Valuation <u>Date</u>	Market Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>Total</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
12/31/15	\$108,200	\$271,625	\$163,425	40%	\$377,566	43%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2015, actuarial valuation the Plan utilized the entry age normal actuarial cost method; level percent, closed amortization method; and an amortization period of 24 years. The actuarial assumptions included a 0% return on plan net position as the plan was not funded at the date of the most recent valuation, a discount rate of 4%, a 2.5% salary scale, a 5% underlying inflation rate and 3% excess medical rate graded down to 0% over 6 years.

9. JOINT VENTURES

The Township is a member of the Grand Haven - Spring Lake Sewer Authority (Authority). The Township appoints one member to the joint venture's governing board, which then approves the annual budget. In the current year, the Township paid \$195,568 to the Authority for sewage treatment. The purpose of the Grand Haven - Spring Lake Sewer Authority is to acquire, own, improve, enlarge, extend and operate a sewage disposal system. The Authority is governed by a Board of Trustees containing seven members. The participating communities (Cities of Grand Haven and Ferrysburg, Townships of Spring Lake and Grand Haven and the Village of Spring Lake) pay a set rate to the Authority to process waste. This rate includes amounts to finance the Authority's debt. At December 31, 2016, the portion of these Ottawa County bonds outstanding for which the township has pledged its full faith and credit amounted to approximately \$260,000. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained at Grand Haven City Hall (519 Washington Street, Grand Haven, MI 49417).

GRAND HAVEN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

The Township is also a member of the Northwest Ottawa Water Treatment Plant. The Township appoints one member to the joint venture's governing board, which then approves the annual budget. In the current year, the Township paid \$572,231 to the plant to purchase water. The purpose of the Northwest Ottawa Water Treatment Plant is to acquire, construct, finance, operate and maintain a water production facility. The plant is governed by an administrative committee composed of one representative from each of the participating communities (Cities of Grand Haven and Ferrysburg, Townships of Grand Haven and Spring Lake and the Village of Spring Lake). These participating communities pay for water at a rate that is estimated to cover operation, maintenance, replacement and debt service. Ottawa County has issued general obligation bonds to provide for the acquisition, construction and financing of improvements to the Northwest Ottawa Water System. Each participating municipality has entered into contracts with Ottawa County pledging its full faith and credit for its respective share of the bond obligation. At December 31, 2016, the portion of these Ottawa County bonds outstanding for which the township has pledged its full faith and credit amounted to approximately \$1,040,000. The Township is unaware of any other circumstances that would cause an additional benefit or burden to the participating government in the near future. Complete financial statements can be obtained at Grand Haven City Hall (519 Washington Street, Grand Haven, MI 49417).

10. CONSTRUCTION CODE FEES

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

Shortfall – January 1, 2016	<u>\$(842,292)</u>
Current year building permit revenues	642,679
Direct expenses	<u>324,036</u>
Excess for the year ended December 31, 2016	<u>318,643</u>
Cumulative shortfall – December 31, 2016	<u><u>\$(523,649)</u></u>

11. CONTINGENT LIABILITIES

In the normal course of its operations, the Township has become a party in various legal actions, including property tax appeals. Management of the Township is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Township.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

GRAND HAVEN CHARTER TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

12. SUBSEQUENT EVENT

Subsequent to year-end, the Township issued \$4.5 million of general obligation bonds to fund a 10-mile extension of the Township's bike paths.

13. TAX ABATEMENTS

The Township entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 12 years for real property and 6 years for personal property as determined by the local unit of government. The agreements entered into by the Township include claw back provisions should the recipient of the tax abatement cease operations and no successor employer is providing employment during the term of the abatement. The IFT is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50%.

For the year ended December 31, 2016 the Township abated property tax revenues of approximately \$18,000

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REQUIRED SUPPLEMENTARY INFORMATION

GRAND HAVEN CHARTER TOWNSHIP

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

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 942,260	\$ 941,910	\$ 941,916	\$ 6
Licenses and permits	575,680	888,300	915,059	26,759
State	1,213,350	1,213,350	1,216,107	2,757
Charges for services	60,000	83,660	89,821	6,161
Fines	41,780	50,180	50,518	338
Interest	16,420	15,420	26,746	11,326
Miscellaneous	370,500	389,110	388,615	(495)
Total revenues	<u>3,219,990</u>	<u>3,581,930</u>	<u>3,628,782</u>	<u>46,852</u>
Expenditures				
Current				
General government				
Township board	143,870	168,870	150,591	18,279
Supervisor	22,110	22,110	21,639	471
Elections	103,290	103,290	101,593	1,697
Finance	212,890	216,010	215,606	404
Assessor	229,360	243,510	235,254	8,256
Clerk	32,380	31,520	22,618	8,902
Board of appeals	5,340	5,340	4,762	578
Board of review	2,670	2,670	1,243	1,427
Administration	479,610	418,100	415,914	2,186
Treasurer	25,110	26,960	24,700	2,260
Buildings and grounds	256,840	270,840	223,396	47,444
Cemetery	150,890	155,690	146,095	9,595
Public works				
Street lighting	121,500	121,500	114,319	7,181
Waste collection	9,100	9,300	9,261	39
Drains	48,000	48,000	3,124	44,876
Community and economic development				
Building and zoning	454,880	488,260	485,533	2,727
Planning commission	34,720	32,290	19,649	12,641
Culture and recreation				
Parks and recreation	263,400	279,410	278,818	592
Bike paths	154,200	150,870	106,948	43,922
Capital outlay	409,400	460,900	436,933	23,967
Total expenditures	<u>3,159,560</u>	<u>3,255,440</u>	<u>3,017,996</u>	<u>237,444</u>
Revenues over (under) expenditures	60,430	326,490	610,786	284,296
Other financing sources (uses)				
Transfers out	(244,820)	(154,820)	(154,800)	20
Total other financing sources (uses)	<u>(244,820)</u>	<u>(154,820)</u>	<u>(154,800)</u>	<u>20</u>
Net changes in fund balances	(184,390)	171,670	455,986	284,316
Fund balances, beginning of year	<u>2,073,925</u>	<u>2,073,925</u>	<u>2,073,925</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,889,535</u>	<u>\$ 2,245,595</u>	<u>\$ 2,529,911</u>	<u>\$ 284,316</u>

GRAND HAVEN CHARTER TOWNSHIP

**MUNICIPAL STREET SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 622,570	\$ 622,570	\$ 622,591	\$ 21
Interest	500	500	445	(55)
Total revenues	<u>623,070</u>	<u>623,070</u>	<u>623,036</u>	<u>(34)</u>
Expenditures				
Current				
Public works	404,480	314,480	298,381	16,099
Community and economic development	<u>393,590</u>	<u>393,590</u>	<u>380,120</u>	<u>13,470</u>
Total expenditures	<u>798,070</u>	<u>708,070</u>	<u>678,501</u>	<u>29,569</u>
Revenues over (under) expenditures	(175,000)	(85,000)	(55,465)	(29,603)
Other financing sources (uses)				
Transfers in	<u>125,000</u>	<u>35,000</u>	<u>34,980</u>	<u>20</u>
Net changes in fund balances	(50,000)	(50,000)	(20,485)	(29,583)
Fund balances, beginning of year	<u>73,398</u>	<u>73,398</u>	<u>73,398</u>	<u>-</u>
Fund balances, end of year	<u>\$ 23,398</u>	<u>\$ 23,398</u>	<u>\$ 52,913</u>	<u>\$ (29,583)</u>

GRAND HAVEN CHARTER TOWNSHIP

***FIRE PROTECTION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL***

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 1,245,050	\$ 1,245,250	\$ 1,245,212	\$ (38)
Charges for services	12,850	6,650	3,816	(2,834)
Investment earnings	1,200	2,200	4,264	2,064
Miscellaneous	1,350	5,850	4,842	(1,008)
Total revenues	<u>1,260,450</u>	<u>1,259,950</u>	<u>1,258,134</u>	<u>(1,816)</u>
Expenditures				
Current				
Public safety	<u>1,148,280</u>	<u>1,146,510</u>	<u>1,131,833</u>	<u>14,677</u>
Net changes in fund balances	112,170	113,440	126,301	12,861
Fund balances, beginning of year	<u>158,553</u>	<u>158,553</u>	<u>158,553</u>	<u>-</u>
Fund balances, end of year	<u>\$ 270,723</u>	<u>\$ 271,993</u>	<u>\$ 284,854</u>	<u>\$ 12,861</u>

GRAND HAVEN CHARTER TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

RETIREE HEALTH OTHER POST-EMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2008	\$ -	\$ 191,727	\$ 191,727	0.00%	\$ 1,357,845	14.12%
12/31/2012	-	622,635	622,635	0.00%	1,330,585	46.79%
12/31/2015	-	271,625	271,625	0.00%	377,566	71.94%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended December 31</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percent Contributed</u>
2013	\$ 68,842	\$ 3,265	5%
2014	72,111	2,583	4%
2015	(122,802)	16,243	-13%
2016	24,026	24,060	100%

Note to required supplementary information

Budgets and Budgetary Accounting

The Township adopts an annual budget for general and special revenue funds following the GAAP basis of accounting. Unexpended appropriations lapse at year end.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

GRAND HAVEN CHARTER TOWNSHIP

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

DECEMBER 31, 2016

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	
	<u>Police Services</u>	<u>Refunded Township Building Debt</u>	<u>Pathways Construction</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 225,958	\$ 318	\$ -	\$ 226,276
Receivables:				
Accounts	1,543	-	-	1,543
Taxes	<u>379,096</u>	<u>-</u>	<u>302,149</u>	<u>681,245</u>
Total assets	<u>\$ 606,597</u>	<u>\$ 318</u>	<u>\$ 302,149</u>	<u>\$ 909,064</u>
Liabilities, deferred inflows of resources, and fund balances				
Liabilities				
Accounts payable	<u>\$ 58,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,391</u>
Deferred inflows of resources				
Unearned revenue - taxes	<u>379,096</u>	<u>-</u>	<u>302,149</u>	<u>681,245</u>
Fund balances				
Restricted				
Police services	169,110	-	-	169,110
Assigned	<u>-</u>	<u>318</u>	<u>-</u>	<u>318</u>
Total fund balances	<u>169,110</u>	<u>318</u>	<u>-</u>	<u>169,428</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 606,597</u>	<u>\$ 318</u>	<u>\$ 302,149</u>	<u>\$ 909,064</u>

GRAND HAVEN CHARTER TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2016

	Special Revenue Fund	Debt Service Fund	Capital Project Fund	
	Police Services	Refunded Township Building Debt	Pathways Construction	Total
Revenues				
Property taxes	\$ 367,042	\$ -	\$ -	\$ 367,042
Fines	27,047	-	-	27,047
Investment earnings	775	-	-	775
Miscellaneous	296	-	-	296
Total revenues	<u>395,160</u>	<u>-</u>	<u>-</u>	<u>395,160</u>
Expenditures				
Current				
Public safety	395,687	-	-	395,687
Debt Service				
Principal	-	190,000	-	190,000
Interest	-	20,213	-	20,213
Total expenditures	<u>395,687</u>	<u>210,213</u>	<u>-</u>	<u>605,900</u>
Revenues over (under) expenditures	(527)	(210,213)	-	(210,740)
Other financing sources (uses)				
Transfers in	-	210,200	-	210,200
Net changes in fund balances	(527)	(13)	-	(540)
Fund balances, beginning of year	<u>169,637</u>	<u>331</u>	<u>-</u>	<u>169,968</u>
Fund balances, end of year	<u>\$ 169,110</u>	<u>\$ 318</u>	<u>\$ -</u>	<u>\$ 169,428</u>

GRAND HAVEN CHARTER TOWNSHIP

**POLICE SERVICES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 367,010	\$ 367,010	\$ 367,042	\$ 32
Fines	50,000	35,000	27,047	(7,953)
Interest	700	700	775	75
Miscellaneous	500	500	296	(204)
Total revenues	418,210	403,210	395,160	(8,050)
Expenditures				
Current				
Public safety	419,600	419,600	395,687	23,913
Net changes in fund balances	(1,390)	(16,390)	(527)	15,863
Fund balances, beginning of year	169,637	169,637	169,637	-
Fund balances, end of year	<u>\$ 168,247</u>	<u>\$ 153,247</u>	<u>\$ 169,110</u>	<u>\$ 15,863</u>

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GRAND HAVEN CHARTER TOWNSHIP

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION**

DECEMBER 31, 2016

	Internal Service		Total
	OPEB	Information Technologies	
Assets			
Current assets			
Cash and pooled investments	\$ -	\$ 99,112	\$ 99,112
Prepaid and other assets	-	33,321	33,321
Total current assets	-	132,433	132,433
Noncurrent assets			
Capital assets:			
Depreciable capital assets, net	-	81,614	81,614
Total assets	-	214,047	214,047
Liabilities			
Current liabilities			
Accounts payable	-	41,867	41,867
Net position			
Net investment in capital assets	-	81,614	81,614
Unrestricted	-	90,566	90,566
Total net position	\$ -	\$ 172,180	\$ 172,180

GRAND HAVEN CHARTER TOWNSHIP
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

	Internal Service		<u>Total</u>
	<u>OPEB</u>	<u>Information Technologies</u>	
Operating revenue			
Charges for services			
Other charges	\$ 11,535	\$ 241,260	\$ 252,795
Operating expense			
Administration	28,305	187,372	215,677
Depreciation	-	41,853	41,853
Total operating expense	28,305	229,225	257,530
Changes in net position	(16,770)	12,035	(4,735)
Net position, beginning of year	16,770	160,145	176,915
Net position, end of year	\$ -	\$ 172,180	\$ 172,180

GRAND HAVEN CHARTER TOWNSHIP

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Internal Service		Total
	OPEB	Information Technologies	
Cash flows from operating activities			
Receipts from internal services provided	\$ 11,535	\$ 241,260	\$ 252,795
Payments to suppliers	(112,474)	(167,128)	(279,602)
Net cash provided by (used in) operating activities	(100,939)	74,132	(26,807)
Cash flows from capital and related financing activities			
Acquisition of capital assets	-	(21,463)	(21,463)
Net increase (decrease) in cash and pooled investments	(100,939)	52,669	(48,270)
Cash and pooled investments, beginning of year	100,939	46,443	147,382
Cash and pooled investments, end of year	\$ -	\$ 99,112	\$ 99,112
 Cash flows from operating activities			
Operating income (loss)	\$ (16,770)	\$ 12,035	\$ (4,735)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	-	41,853	41,853
Change in operating assets and liabilities which provided (used) cash:			
Prepaid assets and other items	-	(5,460)	(5,460)
Accounts payable	-	25,704	25,704
Post-employment benefits transferred to trust fund	(84,169)	-	(84,169)
Net cash provided by (used in) operating activities	\$ (100,939)	\$ 74,132	\$ (26,807)