

Township of Grosse Ile

Financial Statements

March 31, 2016

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1450 Eisenhower Place
Ann Arbor, MI 48108
Phone (734) 769-1331
Fax (734) 996-3777

Independent Auditors' Report

To the Board of Trustees
Township of Grosse Ile, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Grosse Ile, Michigan, as of and for the year ended March 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.

Auditors' 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 auditors' 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Grosse Ile, Michigan, as of March 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.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended March 31, 2016, the Government adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Supplementary Information

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

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

Yeo & Yeo, P.C.

September 29, 2016

Our discussion and analysis of the Township of Grosse Ile's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2016. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2016:

- The financial report for the year ended March 31, 2016 reflects complete implementation of Governmental Accounting Standards Board Statement Number 34, which significantly changed the content and format of municipal financial reporting. Accordingly, these statements present both entity-wide financial reporting for all governmental and business activities in addition to reporting financial information at the fund level.
- State-shared revenue, our second largest revenue source, was decreased by the State of Michigan by \$18,827 this year, which represents a 2.25% decrease from the prior year. During the year, the Township has complied with each component of the State of Michigan's Transparency and Accountability Initiative Program to preserve the Township's portion of statutory revenue sharing.
- Property taxes are the Township's single largest source of revenue. The Township's taxable value for fiscal year 2015/2016 was \$574,444,262, which represents an increase of \$10,663,659, or 1.8914%.
- On June 26, 2015, a fire started in the Water's Edge maintenance barn and destroyed the entire building and all contents resulting in a complete loss. An insurance claim was filed. Insurance proceeds received as of March 31, 2016 were included in the Recreation Fund statements as other financing sources in the amount of \$533,515. All proceeds received were used to rebuild the facility and replace equipment. Proceeds spent as of March 31, 2016, were \$326,703 which were included in Recreation Fund golf expenditure cost center, with the difference of \$206,812 remaining in the Recreation Fund fund balance.
- During the current fiscal year, building permit revenue increased by \$54,000 which included 19 new construction permits with an estimated value of \$5,400,000.
- In 2015/2016 the Township received \$500,000 from Wayne County for a Wayne County Local Partnering Initiative for Township Roads. To qualify, the Township had to match at least 20% of the total cost of a project with local funding. Wayne County funded up to 80% of project costs capped at the amount available through the Initiative. The Township is expected to receive an additional \$500,000 for the 2016/2017 fiscal year.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

The Township as a Whole

The following table shows, in condensed format, the net position as of March 31, 2016 and 2015 (in thousands of dollars):

Table 1

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Assets						
Current assets	\$ 8,815	\$ 8,994	\$ 6,294	\$ 4,890	\$ 15,109	\$ 13,884
Noncurrent assets	<u>35,965</u>	<u>36,254</u>	<u>73,481</u>	<u>75,542</u>	<u>109,446</u>	<u>111,796</u>
Total assets	<u>44,780</u>	<u>45,248</u>	<u>79,775</u>	<u>80,432</u>	<u>124,555</u>	<u>125,680</u>
Liabilities						
Current liabilities	563	582	504	473	1,067	1,055
Long-term liabilities	<u>7,323</u>	<u>7,085</u>	<u>31,384</u>	<u>34,604</u>	<u>38,707</u>	<u>41,689</u>
Total liabilities	<u>7,886</u>	<u>7,667</u>	<u>31,888</u>	<u>35,077</u>	<u>39,774</u>	<u>42,744</u>
Net position						
Net investment in capital assets	33,818	33,845	42,472	40,249	76,290	74,094
Restricted	3,825	3,801	-	-	3,825	3,801
Unrestricted	<u>(749)</u>	<u>(65)</u>	<u>5,415</u>	<u>5,106</u>	<u>4,666</u>	<u>5,041</u>
Total net position	<u>\$ 36,894</u>	<u>\$ 37,581</u>	<u>\$ 47,887</u>	<u>\$ 45,355</u>	<u>\$ 84,781</u>	<u>\$ 82,936</u>

The Township has combined net position of \$84.8 million. Business-type activities comprise \$47.9 million of the total net position.

The following table shows the changes of the net position during the years ended March 31, 2016 and 2015 (in thousands of dollars):

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Net position - beginning of year	\$ 37,581	\$ 38,466	\$ 45,355	\$ 43,506	\$ 82,936	\$ 81,972
Revenue						
Program revenue						
Charges for services	2,566	1,894	6,214	6,259	8,780	8,153
Operating grants and contributions	1,132	876	-	-	1,132	876
Capital grants and contributions	-	-	348	129	348	129
General revenue						
Property taxes	5,535	5,420	3,212	3,146	8,747	8,566
State revenue	819	838	-	-	819	838
Unrestricted Investment earnings	<u>76</u>	<u>52</u>	<u>11</u>	<u>15</u>	<u>87</u>	<u>67</u>
Total revenue	<u>10,128</u>	<u>9,080</u>	<u>9,785</u>	<u>9,549</u>	<u>19,913</u>	<u>18,629</u>
Program Expenses						
General government	3,701	2,989	-	-	3,701	2,989
Public safety	5,684	5,618	-	-	5,684	5,618
Public works	-	-	6,134	6,577	6,134	6,577
Municipal airport and commerce park	-	-	1,119	1,123	1,119	1,123
Recreation and culture	1,352	1,172	-	-	1,352	1,172
Interest on long-term debt	<u>78</u>	<u>186</u>	<u>-</u>	<u>-</u>	<u>78</u>	<u>186</u>
Total program expenses	<u>10,815</u>	<u>9,965</u>	<u>7,253</u>	<u>7,700</u>	<u>18,068</u>	<u>17,665</u>
Change in net position	<u>(687)</u>	<u>(885)</u>	<u>2,532</u>	<u>1,849</u>	<u>1,845</u>	<u>964</u>
Net position - end of year	<u>\$ 36,894</u>	<u>\$ 37,581</u>	<u>\$ 47,887</u>	<u>\$ 45,355</u>	<u>\$ 84,781</u>	<u>\$ 82,936</u>

Governmental Activities

The Township's total governmental revenues increased by approximately \$214,691. The increase, which represents 2.37%, was due primarily to the increase in property taxes in the amount of \$115,163, and an overall increase in taxable value of 1.8914%. Licenses and Permits increased in the amount of \$54,641, including 19 new construction permits. Furthermore, there continues to be an increase in remodeling and home improvement permits, as well as, new homes being built. Interest income continues to increase slowly in the amount of \$24,498. Ambulance revenues decreased slightly, however, rescue runs continue to be stable. Federal, State and County funding sources increased by \$256,955 due to more available grant and drug forfeiture opportunities. Several other sources of revenue have either increased slightly or stayed the same from the prior year including State-Shared Revenue.

Expenses increased by \$608,215 during the year. This increase, which represents 6.55%, was due primarily to increased purchases and construction of capital assets in the current year than in the prior year. The Road Improvement Fund expended \$924,964 for road improvements throughout the Township alone. This was possible through an Initiative-matching grant received from Wayne County in the amount of \$500,000. Capital expenditures amounted to \$757,459 in the current fiscal year. Debt service costs decreased by \$252,925, which resulted from the pay-off of the Public Safety Building Unlimited Tax General Obligation bonds in March 2015, and the refunding of outstanding bonds issues that the Township executed in May 2014. The Township continues to take a conservative effort to reduce spending in all areas.

Business-Type Activities

The Township's business-type activities consist of the Department of Public Works and the Municipal Airport and Commerce Park. The Department of Public Works Fund provides water to residents from the Detroit Water System. The Township provides sewage treatment through a Township-owned sewage treatment plant. Refuse collection and recycling services are provided by an outside commercial entity.

The operating revenue of the Department of Public Works' fund decreased by \$ 49,674 or .92%. The Township imposed a 4.9% rate increase for water usage and a 0% rate increase for sewer usage, even though the Township received an 8.42% increase from the City of Detroit for the fiscal year. Water usage was down 2.22% over the past year. Therefore, in the future, water and sewer rates need to be continuously adjusted on an annual basis to absorb the increase from the City of Detroit and to pay for current and future capital improvement infrastructure needs. The operating expenses increased by \$205,265 or 3.99% due to increased staffing, increasing water costs, and additional water main repairs. The current fiscal year resulted in an overall operating net loss of \$90,183, as compared to the prior fiscal year gain of \$271,606. Furthermore, the Department of Public Works will continue to make a conservative effort to reduce spending.

The Municipal Airport and Commerce Park is used to account for the airport operations and the Commerce Park complex. The operating revenue for this fund increased by less than 1% or \$3,776. The Municipal Airport and Commerce Park Commission adjusts rents annually with CPI rate increases and tries to secure additional revenue generated by non-airport related activities such as commercial television shoots. The operating expenses remained constant increasing slightly by \$50. The increase, again, due to a conservative effort to reduce spending with minimal staffing. The operating loss was \$260,424, slightly less than the previous fiscal year loss of \$261,479.

The Township Funds

Our analysis of the Township's major funds begins on page 3-4, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2016 include the General Fund, the Recreation Fund, the Fire Operating Fund, and the Drain and Storm Maintenance Fund.

The General Fund pays for most of the Township's governmental services. The most significant are general administration and police operations, which incurred expenses of approximately \$2.204 and \$3.352 million, respectively, in the current year. The budget in the General Fund is basically a "maintenance" budget, which means it increases modestly from year to year.

General Fund Budgetary Highlights

Over the course of the year, the Township did not amend the budget. The Township Board's policy regarding the budget is to avoid making adjustments during the year so that the budget can be used as a financial guide to make financial decisions, and to analyze and maintain the validity of the budget document. As a result, the actual revenues and expenses are usually within 10% of budgeted amounts. Overall, the Township departments were above the original budget amounts, resulting in total expenditures and transfers of negative \$264,296 under the budgeted amount of negative \$275,258 for operations.

Capital Asset and Debt Administration

As of March 31, 2016, the Township had approximately \$109.4 million (net of depreciation) invested in a broad range of capital assets, including land, buildings, bike paths, roads, equipment, and water and sewer lines.

Major capital improvements for the fiscal year included the purchase of public safety vehicles, police and fire equipment, various road repairs located township-wide, several major improvements to the Waste Water Treatment Plant and the continuation of water and sanitary sewer main replacements.

Other capital improvements include various computer and equipment purchases by all departments.

Economic Factors and Next Year's Budgets and Rates

Due to the extreme economic conditions that every local community is currently facing, the Township's 2016-2017 budget was prepared with the following criteria. First, operating millage revenues increased slightly from the prior year with an estimated increase in taxable value of approximately 2% due to the slow recovery of the economy, however, stabilizing out in the future. The statewide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget

very closely. Further, the Township incorporated state-shared revenue to increase by 3%, a 3% increase in all employee health insurance premiums, and a 10% increase in liability insurance premiums. Employee wages increased by 2% for administrative and police personnel employees and remained constant for those general employees who were under an existing union contract. By limiting other categories of discretionary spending and revisiting how certain services are delivered, the Township was able to adopt a balanced budget for the 2016-2017 fiscal year using prior year resources for the General Fund in the amount of \$190,188. This deficit was budgeted for an operating transfer to the Recreation Department in the amount of \$76,963, for building bond payment and utilities associated to the building, and an additional \$55,000 for anticipated legal expenses.

As of July 2016, water rates increased by 9.4% and sewer rates remained unchanged. Refuse rates were adjusted to reflect actual costs. The amount charged to Township residents for an overall average bill increase of 4.2%. Due to rate increases in previous years, the Township Board estimated that the Department of Public Works could absorb the 7.16% rate increase imposed by the Detroit Water Board and maintain operations and continue capital improvements with increases as stated above.

Contacting the Township's Management

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

Financial Statements

Township of Grosse Ile
Statement of Net Position
March 31, 2016

	Primary Government			Component Unit
	Governmental	Business-Type	Total	
	Activities	Activities		
Assets				
Cash and cash equivalents	\$ 7,818,062	\$ 3,948,860	\$ 11,766,922	\$ 336,089
Receivables - net	519,956	-	519,956	-
Customer receivables	-	1,772,489	1,772,489	-
Internal balances	(431,361)	431,361	-	-
Due from component units	24,174	-	24,174	-
Due from fiduciary funds	-	-	-	119,183
Due from primary government	-	-	-	547
Due from other governmental units	695,507	-	695,507	-
Inventories	4,971	136,671	141,642	-
Prepaid items and other assets	183,709	5,266	188,975	-
Capital assets not being depreciated	14,301,557	6,358,282	20,659,839	-
Capital assets net of accumulated depreciation	21,663,447	67,122,252	88,785,699	405,068
Total assets	44,780,022	79,775,181	124,555,203	860,887
Deferred Outflows of Resources				
Deferred amount of pension expense related to net pension liability	2,342,810	316,150	2,658,960	-
Total assets and deferred outflows of resources	47,122,832	80,091,331	127,214,163	860,887

See Accompanying Notes to the Financial Statements

Township of Grosse Ile
Statement of Net Position
March 31, 2016

	Primary Government			Component Unit
	Governmental	Business-Type	Total	
	Activities	Activities		
Liabilities				
Accounts payable	\$ 377,633	\$ 229,075	\$ 606,708	\$ 828
Accrued and other liabilities	89,628	7,306	96,934	1,850
Due to primary government	-	-	-	24,174
Due to component units	547	-	547	-
Unearned revenue	55,099	42,968	98,067	-
Customer deposits	-	22,244	22,244	-
Accrued interest	40,625	194,108	234,733	-
Noncurrent liabilities				
Compensated absences due within one year	-	7,900	7,900	-
Compensated absences due in more than one year	466,987	40,152	507,139	-
Debt due within one year	277,294	3,370,000	3,647,294	60,000
Debt due in more than one year	1,870,204	27,638,163	29,508,367	65,000
Net other post employment benefit obligations	4,708,159	335,621	5,043,780	-
Net pension liability	11,964,577	1,614,559	13,579,136	-
Total liabilities	19,850,753	33,502,096	53,352,849	151,852
Net position				
Net investment in				
Capital assets	33,817,506	42,472,371	76,289,877	280,068
Restricted for				
Debt service	464,116	-	464,116	-
Other purposes	5,231,974	-	5,231,974	-
Unrestricted (deficit) surplus	(12,241,517)	4,116,864	(8,124,653)	428,967
Total net position	\$ 27,272,079	\$ 46,589,235	\$ 73,861,314	\$ 709,035

See Accompanying Notes to the Financial Statements

Township of Grosse Ile
Statement of Activities
For the Year Ended March 31, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
Functions/Programs								
Primary government								
Governmental activities								
General government	\$ 3,846,882	\$ 1,054,772	\$ 500,000	\$ -	\$ (2,292,110)	\$ -	\$ (2,292,110)	\$ -
Public safety	6,309,285	358,757	524,943	-	(5,425,585)	-	(5,425,585)	-
Cultural and recreation	1,392,679	1,152,625	107,561	-	(132,493)	-	(132,493)	-
Interest on debt	78,545	-	-	-	(78,545)	-	(78,545)	-
Total governmental activities	<u>11,627,391</u>	<u>2,566,154</u>	<u>1,132,504</u>	<u>-</u>	<u>(7,928,733)</u>	<u>-</u>	<u>(7,928,733)</u>	<u>-</u>
Business-type activities								
Department of public works	6,241,158	5,366,615	-	-	-	(874,543)	(874,543)	-
Municipal airport and commerce park	1,121,587	847,168	-	348,323	-	73,904	73,904	-
Total business-type activities	<u>7,362,745</u>	<u>6,213,783</u>	<u>-</u>	<u>348,323</u>	<u>-</u>	<u>(800,639)</u>	<u>(800,639)</u>	<u>-</u>
Total primary government	<u>\$ 18,990,136</u>	<u>\$ 8,779,937</u>	<u>\$ 1,132,504</u>	<u>\$ 348,323</u>	<u>(7,928,733)</u>	<u>(800,639)</u>	<u>(8,729,372)</u>	<u>-</u>
Component units								
Brownfield Authority	\$ 24,574	\$ -	\$ -	\$ -	-	-	-	(24,574)
Downtown Development Authority	61,208	-	-	-	-	-	-	(61,208)
Total component units	<u>\$ 85,782</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(85,782)</u>
General revenues								
Property taxes					5,535,081	3,211,737	8,746,818	145,943
State-shared revenue					818,752	-	818,752	-
Unrestricted investment earnings					76,229	11,613	87,842	1,158
Total general revenues					<u>6,430,062</u>	<u>3,223,350</u>	<u>9,653,412</u>	<u>147,101</u>
Change in net position					(1,498,671)	2,422,711	924,040	61,319
Net position - beginning of year, as restated					<u>28,770,750</u>	<u>44,166,524</u>	<u>72,937,274</u>	<u>647,716</u>
Net position - end of year					<u>\$ 27,272,079</u>	<u>\$ 46,589,235</u>	<u>\$ 73,861,314</u>	<u>\$ 709,035</u>

See Accompanying Notes to the Financial Statements

**Township of Grosse Ile
Governmental Funds
Balance Sheet
March 31, 2016**

	<u>General Fund</u>	<u>Recreation Fund</u>	<u>Fire Operating Fund</u>	<u>Drain and Storm Maintenance</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Cash and cash equivalents	\$ 1,788,482	\$ 377,122	\$ 1,006,360	\$ 1,162,383	\$ 3,483,715	\$ 7,818,062
Receivable - net	305,924	16,796	36,968	7,334	152,934	519,956
Due from other funds	298,726	26,255	-	-	79,722	404,703
Due from other governmental units	175,865	-	-	-	519,642	695,507
Due from other component units	24,174	-	-	-	-	24,174
Inventories	3,991	350	630	-	-	4,971
Prepaid items and other assets	168,573	10,136	5,000	-	-	183,709
Total assets	<u>\$ 2,765,735</u>	<u>\$ 430,659</u>	<u>\$ 1,048,958</u>	<u>\$ 1,169,717</u>	<u>\$ 4,236,013</u>	<u>\$ 9,651,082</u>
Liabilities						
Accounts payable	\$ 91,373	\$ 87,389	\$ 56,987	\$ 28,553	\$ 113,331	\$ 377,633
Accrued and other liabilities	35,262	25,290	28,060	-	1,016	89,628
Due to other funds	4,875	36,280	51,611	-	743,298	836,064
Due to other component units	547	-	-	-	-	547
Unearned revenue	-	55,099	-	-	-	55,099
Total liabilities	<u>132,057</u>	<u>204,058</u>	<u>136,658</u>	<u>28,553</u>	<u>857,645</u>	<u>1,358,971</u>
Deferred inflows of resources						
Special assessments	-	-	-	-	78,021	78,021
Fund balances						
Nonspendable						
Inventories	3,991	350	630	-	-	4,971
Prepaid Items and escrow deposits	168,573	10,136	5,000	-	-	183,709
Restricted						
Debt service funds	-	-	-	-	426,720	426,720
Special revenue funds	-	216,115	906,670	1,141,164	2,745,202	5,009,151
Construction code fees	206,707	-	-	-	-	206,707
Committed	-	-	-	-	128,425	128,425
Unassigned	2,254,407	-	-	-	-	2,254,407
Total fund balance	<u>2,633,678</u>	<u>226,601</u>	<u>912,300</u>	<u>1,141,164</u>	<u>3,300,347</u>	<u>8,214,090</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,765,735</u>	<u>\$ 430,659</u>	<u>\$ 1,048,958</u>	<u>\$ 1,169,717</u>	<u>\$ 4,236,013</u>	<u>\$ 9,651,082</u>

See Accompanying Notes to the Financial Statements

Township of Grosse Ile
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
For the Year Ended March 31, 2016

Total fund balances for governmental funds	\$ 8,214,090
Total net position for governmental activities in the statement of net position is different because:	
Capital assets net of accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the funds.	35,965,004
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	78,021
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(40,625)
Compensated absences	(466,987)
Net other post employment obligation	(4,708,159)
Deferred outflows of resources.	
Deferred outflows of resources related to the net pension liability	2,342,810
Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities	
Debt	(2,147,498)
Net Pension liability	<u>(11,964,577)</u>
Net position of governmental activities	<u>\$ 27,272,079</u>

See Accompanying Notes to the Financial Statements

Township of Grosse Ile
Governmental Funds
Statement of Revenue, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2016

	General Fund	Recreation Fund	Fire Operating Fund	Drain and Storm Maintenance	Nonmajor Governmental Funds	Total Governmental Funds
Revenue						
Property taxes	\$ 3,338,391	\$ 492,065	\$ 844,053	\$ 185,667	\$ 674,905	\$ 5,535,081
State-shared revenue	818,752	-	-	-	-	818,752
Special assessments	-	-	-	-	26,114	26,114
Licenses and permits	611,320	-	-	-	-	611,320
Charges for services	140	333,025	-	-	-	333,165
Ambulance fees	-	-	145,194	-	-	145,194
Rental income	-	39,000	-	-	130,573	169,573
Federal sources	35,392	-	-	-	511,104	546,496
State sources	5,215	-	-	-	80,793	86,008
County grant	-	-	-	-	500,000	500,000
Fines and forfeitures	82,241	-	-	-	-	82,241
Interest income	51,612	-	1,454	4,846	18,317	76,229
Other revenue	275,563	69,293	567	-	-	345,423
Total revenue	<u>5,218,626</u>	<u>933,383</u>	<u>991,268</u>	<u>190,513</u>	<u>1,941,806</u>	<u>9,275,596</u>
Expenditures						
Current						
General government	1,941,782	-	-	66,101	1,061,526	3,069,409
33rd district court	92,932	-	-	-	-	92,932
Public safety	3,259,228	-	979,539	-	649,843	4,888,610
Cultural recreation	-	1,212,455	-	-	291,821	1,504,276
Debt service	-	119,032	-	-	223,548	342,580
Total expenditures	<u>5,293,942</u>	<u>1,331,487</u>	<u>979,539</u>	<u>66,101</u>	<u>2,226,738</u>	<u>9,897,807</u>
Excess of revenue over (under) expenditures	<u>(75,316)</u>	<u>(398,104)</u>	<u>11,729</u>	<u>124,412</u>	<u>(284,932)</u>	<u>(622,211)</u>
Other Financing Sources (Uses)						
Transfers in	73,371	84,463	-	-	187,888	345,722
Insurance proceeds	-	533,515	-	-	-	533,515
Transfers out	(262,351)	-	(83,371)	-	(47,292)	(393,014)
Total other financing sources (uses)	<u>(188,980)</u>	<u>617,978</u>	<u>(83,371)</u>	<u>-</u>	<u>140,596</u>	<u>486,223</u>
Net change in fund balance	(264,296)	219,874	(71,642)	124,412	(144,336)	(135,988)
Fund balance - beginning of year	<u>2,897,974</u>	<u>6,727</u>	<u>983,942</u>	<u>1,016,752</u>	<u>3,444,683</u>	<u>8,350,078</u>
Fund balance - end of year	<u>\$ 2,633,678</u>	<u>\$ 226,601</u>	<u>\$ 912,300</u>	<u>\$ 1,141,164</u>	<u>\$ 3,300,347</u>	<u>\$ 8,214,090</u>

See Accompanying Notes to the Financial Statements

Township of Grosse Ile
Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2016

Net changes in fund balances - total governmental funds	\$ (135,988)
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	757,459
Loss on disposal of assets	(54,483)
Depreciation expense	(992,087)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Special assessments	(26,113)
Expenses are recorded when incurred in the statement of activities.	
Accrued interest	2,276
Compensated absences	(19,471)
Net other post employment obligation	(480,428)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in net pension liability	(2,966,174)
Net change between actual pension contributions and the cost of benefits earned net of employee contributions	2,154,579
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Repayments of long-term debt	<u>261,759</u>
Change in net position of governmental activities	<u><u>\$ (1,498,671)</u></u>

See Accompanying Notes to the Financial Statements

**Township of Grosse Ile
Proprietary Funds
Statement of Net Position
March 31, 2016**

	Enterprise Funds		
	Department of Public Works	Municipal	
		Airport and Commerce Park	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 3,533,080	\$ 415,780	\$ 3,948,860
Customer receivables - net	1,710,018	62,471	1,772,489
Due from other funds	500,790	1,400	502,190
Prepaid expenses	5,266	-	5,266
Inventories	97,367	39,304	136,671
Total current assets	5,846,521	518,955	6,365,476
Noncurrent assets			
Capital assets	61,008,339	12,472,195	73,480,534
Total assets	66,854,860	12,991,150	79,846,010
Deferred Outflows of Resources			
Deferred amount related to net pension liability	308,439	7,711	316,150
Total assets and deferred outflows of resources	67,163,299	12,998,861	80,162,160
Liabilities			
Current liabilities			
Accounts payable	189,817	39,258	229,075
Accrued and other liabilities	5,350	1,956	7,306
Due to other funds	59,671	11,158	70,829
Customer deposits	-	22,244	22,244
Accrued interest	187,110	6,998	194,108
Unearned revenue	-	42,968	42,968
Current portion of compensated absences	7,000	900	7,900
Current portion of long-term debt	3,300,000	70,000	3,370,000
Total current liabilities	3,748,948	195,482	3,944,430
Noncurrent liabilities			
Provision for compensated absences - net of current portion	30,970	9,182	40,152
Net other post employment benefit obligations	239,680	95,941	335,621
Net pension liability	1,575,180	39,379	1,614,559
Long-term debt - net of current portion	27,483,163	155,000	27,638,163
Total noncurrent liabilities	29,328,993	299,502	29,628,495
Total liabilities	33,077,941	494,984	33,572,925
Net position			
Net investment in capital assets	30,225,176	12,247,195	42,472,371
Unrestricted	3,860,182	256,682	4,116,864
Total net position	\$ 34,085,358	\$ 12,503,877	\$ 46,589,235

See Accompanying Notes to the Financial Statements

Township of Grosse Ile
Proprietary Funds
Statement of Revenue, Expenses and Changes in Net Position
For the Year Ended March 31, 2016

	<u>Enterprise Funds</u>		
	<u>Department of Public Works</u>	<u>Municipal Airport and Commerce Park</u>	<u>Total</u>
Operating revenue			
Sale of water	\$ 2,803,496	\$ -	\$ 2,803,496
Sewage disposal charges	1,767,159	-	1,767,159
Refuse charges	795,960	-	795,960
Airport related	-	266,543	266,543
Commerce Park rent	-	464,910	464,910
Fuel farm	-	115,715	115,715
	<u>5,366,615</u>	<u>847,168</u>	<u>6,213,783</u>
Operating expenses			
Cost of water produced/purchased	2,109,324	-	2,109,324
Cost of sewage treatment	1,077,784	-	1,077,784
Cost of refuse disposal	722,559	-	722,559
Airport related	-	341,208	341,208
Commerce Park rent	-	149,731	149,731
Fuel farm	-	120,204	120,204
Depreciation	1,547,131	496,449	2,043,580
	<u>5,456,798</u>	<u>1,107,592</u>	<u>6,564,390</u>
Total operating expenses			
	<u>5,456,798</u>	<u>1,107,592</u>	<u>6,564,390</u>
Operating income (loss)	<u>(90,183)</u>	<u>(260,424)</u>	<u>(350,607)</u>

See Accompanying Notes to the Financial Statements

Township of Grosse Ile
Proprietary Funds
Statement of Revenue, Expenses and Changes in Net Position
For the Year Ended March 31, 2016

	<u>Enterprise Funds</u>		
	<u>Department of Public Works</u>	<u>Municipal Airport and Commerce Park</u>	<u>Total</u>
Nonoperating revenue (expenses)			
Property taxes	\$ 3,211,737	\$ -	\$ 3,211,737
Investment income	10,476	1,137	11,613
Transfer in	47,292	-	47,292
Interest expense	<u>(831,652)</u>	<u>(13,995)</u>	<u>(845,647)</u>
Total nonoperating revenue (expenses)	<u>2,437,853</u>	<u>(12,858)</u>	<u>2,424,995</u>
Income (loss) before capital contributions	2,347,670	(273,282)	2,074,388
Capital contributions	<u>-</u>	<u>348,323</u>	<u>348,323</u>
Change in net position	2,347,670	75,041	2,422,711
Net position - beginning of year, as restated	<u>31,737,688</u>	<u>12,428,836</u>	<u>44,166,524</u>
Net position - end of year	<u>\$ 34,085,358</u>	<u>\$ 12,503,877</u>	<u>\$ 46,589,235</u>

See Accompanying Notes to the Financial Statements

**Township of Grosse Ile
Proprietary Funds
Statement of Cash Flows
For the Year Ended March 31, 2016**

	<u>Enterprise Funds</u>		
	<u>Department of Public Works</u>	<u>Municipal Airport and Commerce Park</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers	\$ 8,627,187	\$ 1,079,623	\$ 9,706,810
Payments to suppliers	(7,522,822)	(700,073)	(8,222,895)
Payments to employees	(355,833)	(158,358)	(514,191)
Internal activity - payment (to) from other funds	496,502	1,342	497,844
Other receipts	10,476	1,137	11,613
Net cash provided by operating activities	<u>1,255,510</u>	<u>223,671</u>	<u>1,479,181</u>
Cash flows from financing activities			
Purchase of capital assets	(420,729)	(212,672)	(633,401)
Proceeds from property tax levy	3,211,737	-	3,211,737
Transfer in	47,292	-	47,292
Principal paid on capital debt	(3,220,000)	(65,000)	(3,285,000)
Interest paid on capital debt	(831,652)	(13,995)	(845,647)
Net cash used by financing activities	<u>(1,213,352)</u>	<u>(291,667)</u>	<u>(1,505,019)</u>
Cash flows from investing activities			
Interest received on investment	10,476	1,137	11,613
Change in cash and cash equivalents	52,634	(66,859)	(14,225)
Cash and cash equivalents - beginning of year	<u>3,480,446</u>	<u>482,639</u>	<u>3,963,085</u>
Cash and cash equivalents - end of year	<u>\$ 3,533,080</u>	<u>\$ 415,780</u>	<u>\$ 3,948,860</u>

See Accompanying Notes to the Financial Statements

Township of Grosse Ile
Proprietary Funds
Statement of Cash Flows
For the Year Ended March 31, 2016

	Enterprise Funds		
	Department of Public Works	Municipal Airport and Commerce Park	Total
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ (90,183)	\$ (260,424)	\$ (350,607)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Noncash change in the net pension liability	390,508	9,762	400,270
Depreciation	1,547,131	496,449	2,043,580
Changes in assets and liabilities			
Receivables	69,707	(12,196)	57,511
Inventories	-	11,008	11,008
Accounts payable	73,480	(6,120)	67,360
Accrued and other liabilities	(24,462)	(3,962)	(28,424)
Prepaid expenses	10,533	-	10,533
Deferred outflows of resources related to the net pension liability	(283,658)	(7,091)	(290,749)
Compensated absences	4,363	1,167	5,530
Unearned revenue	-	(8,674)	(8,674)
Other liabilities	54,593	5,094	59,687
Interfund activity	(496,502)	(1,342)	(497,844)
Net cash provided by operating activities	<u>\$ 1,255,510</u>	<u>\$ 223,671</u>	<u>\$ 1,479,181</u>

Noncash investing, capital, and financing activities - During the year ended March 31, 2016, the Municipal Airport and Commerce Park Fund received \$348,323 of matching funds from the state and federal governments for their portion of a major equipment purchase.

See Accompanying Notes to the Financial Statements

Township of Grosse Ile
Fiduciary Funds
Statement of Assets and Liabilities
March 31, 2016

	Agency Funds		
	General	Tax Collection	Total
Assets			
Cash and cash equivalents	\$ 567,858	\$ 259,324	\$ 827,182
Liabilities			
Due to component unit	\$ -	\$ 119,183	\$ 119,183
Due to governmental units	-	36,446	36,446
Accrued and other liabilities	567,858	103,695	671,553
 Total liabilities	 \$ 567,858	 \$ 259,324	 \$ 827,182

See Accompanying Notes to the Financial Statements

**Township of Grosse Ile
Component Units
Statement of Net Position
March 31, 2016**

	Brownfield Authority	Downtown Development Authority	Totals
Assets			
Cash and cash equivalents	\$ 250,403	\$ 85,686	\$ 336,089
Due from primary government	8,959	110,771	119,730
Capital assets - net	-	405,068	405,068
	<u>259,362</u>	<u>601,525</u>	<u>860,887</u>
Liabilities			
Accounts payable	-	828	828
Accrued and other liabilities	-	1,850	1,850
Due to primary government	24,174	-	24,174
Long-term debt			
Due within one year	-	60,000	60,000
Due in more than one year	-	65,000	65,000
	<u>24,174</u>	<u>127,678</u>	<u>151,852</u>
Net position			
Net investment in capital assets	-	280,068	280,068
Unrestricted	235,188	193,779	428,967
	<u>235,188</u>	<u>473,847</u>	<u>709,035</u>

See Accompanying Notes to the Financial Statements

**Township of Grosse Ile
Component Units
Statement of Activities
March 31, 2016**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants/ Contributions</u>	<u>Brownfield Authority</u>	<u>Downtown Development Authority</u>	<u>Total</u>
Brownfield Authority						
Community and economic development	\$ 24,574	\$ -	\$ -	\$ (24,574)	\$ -	\$ (24,574)
Downtown Development Activity						
Community and economic development	<u>61,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(61,208)</u>	<u>(61,208)</u>
Total governmental activities	<u>\$ 85,782</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(24,574)</u>	<u>(61,208)</u>	<u>(85,782)</u>
General revenues						
Property taxes				8,960	136,983	145,943
Interest				<u>1,054</u>	<u>104</u>	<u>1,158</u>
Total general revenues				<u>10,014</u>	<u>137,087</u>	<u>147,101</u>
Change in net position				(14,560)	75,879	61,319
Net position - beginning of year				<u>249,748</u>	<u>397,968</u>	<u>647,716</u>
Net position - end of year				<u>\$ 235,188</u>	<u>\$ 473,847</u>	<u>\$ 709,035</u>

See Accompanying Notes to the Financial Statements

Township of Grosse Ile
Notes to the Financial Statements
March 31, 2016

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

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

Blended Component Units - The Grosse Ile Building Authority (the “Authority”) is composed of a three-member board appointed by the Township’s Board of Trustees. Although it is a separate legal entity from the Township, the Authority is reported as if it were a part of the primary government because its sole purpose is to finance and construct the Township’s public buildings.

Discretely Presented Component Units - The Downtown Development Authority (the “Authority”) was created under Act No. 197 of the Michigan State statutes to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic development within the downtown district. The supervisor, subject to the approval of the Township Board under the supervision and control of a Board consisting of the Township supervisor and eight members, appoints the Authority. A tax incremental financing plan was instituted to finance the activities of the Authority. In addition, the

Authority budget is subject to approval by the Township Board. It is reported within the component unit column in the combined financial statements to emphasize that it is legally separate from the Township.

The Brownfield Authority (the “Authority”) was created under Michigan Public Act 381 of 1997. Its purpose is to redevelop and reuse the Grosse Ile Airport Commerce Park through the capture of tax revenues generated within the Brownfield District. The tax revenues are used to remediate environmental problems (approved by the Township Board) and for land use and market studies (approved by the State of Michigan Department of Environmental Quality). The members consist of the Airport Commission appointed by the Township Board. A tax incremental financing plan was instituted to finance the activities of the Authority. In addition, the Authority’s budget is subject to approval by the Township Board. It is reported within the component unit column in the combined financial statements to emphasize that it is legally separate from the Township.

Jointly Governed Organizations - Jointly governed organizations are discussed in Note 13.

Government-Wide and Fund Financial Statements

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

Township of Grosse Ile
Notes to the Financial Statements
March 31, 2016

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

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

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, fiduciary fund and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the

current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. All other revenue items are considered to be available only when cash is received by the Township.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Recreation Fund - The Recreation Fund is used to account for funds from a tax millage for public recreation programs and for fees generated. This Fund was authorized, in part, by a vote of the residents and by management to account for recreation program revenues. This fund also accounts for the Water's Edge operations and maintenance of the golf course, pool, and marina facilities. The entire facility is open to the public for usage.

Fire Operating Fund - The Fire Operating Fund is used to account for funds from a tax millage for the operations of the fire department. The fund was authorized by a vote of the residents approving a tax levy. Another source of funding for this fund is the collection of ambulance fees. Operations include firefighting services, as well as, basic emergency medical services for residents and visitors of the Township.

Drain and Storm Maintenance Fund - The Drain and Storm Maintenance Fund is used to account for funds from a tax millage for the purpose of improving and maintaining drainage and storm water management projects throughout the Township. Another source of

Township of Grosse Ile
Notes to the Financial Statements
March 31, 2016

funding for this fund is the resident 50% matching of funds for drainage issues in residential areas.

The Township reports the following major proprietary funds:

Department of Public Works Fund - The Department of Public Works Fund accounts for the activities of the water distribution system, sewage collection system, and refuse collection. The fund's primary revenues are generated through user charges from those requesting water and sewer services.

Municipal Airport and Commerce Park Fund - The Municipal Airport and Commerce Park Fund is used to account for the airport operations and the Commerce Park complex. Financing is provided by user charges for the airport and by rental income in Commerce Park. The airport was a naval aviation operation, transferred to the Township, and has some land use restrictions imposed by the FAA.

Additionally, the Township reports the following fund types:

Agency Funds - Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

Special Revenue Funds - Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes or designated by management to be accounted for in another fund. These funds are classified as Special Revenue Funds due to the limited usage of their assets.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue - Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2015 tax is levied and collectible on December 1, 2015 and is recognized as revenue in the year ended March 31, 2016, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2015 taxable valuation of the Township totaled \$574.4 million (a portion of which is abated and a portion of which is captured by the Brownfield Authority and Downtown Development Authority), on which taxes levied consisted of 3.1812 mills for operating purposes, 2.7500 mills for police operations, 1.9995 mills for fire operations and equipment purchases, .8745 mills for recreation operations, .4000 for road improvement, .3000 mills for library use, .3300 mills for drainage improvements, and 5.6000 mills for sewer-related debt. This resulted in \$1.79 million for operating, \$1.548 million for police operations, \$1.125 million for fire operations and equipment purchases, \$492,000 for recreation operations, \$225,000 for road improvements, \$169,000 for library use, \$186,000 for drainage improvements, and \$3.2 million for

Township of Grosse Ile
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sewer-related debt. These amounts are recognized in the respective General Fund, Fire Operating Fund, Recreation Fund, Other Special Revenue Funds, Debt Service Funds, and Enterprise Funds financial statements as tax revenue.

Assets, Liabilities, and Net Position or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. To the extent that cash from various funds has been pooled, pooled investment income is generally allocated to each fund using a weighted average method.

Receivables and Payables - In general, outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”. All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Noncurrent receivables such as special assessments are recorded at full value, and a deferred inflow of resources is recorded for the portion not available for use to finance operations as of year end. Interest income on special assessments receivable is not accrued until its due date.

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

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable

governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	50 Years
Bike paths	20 Years
Drains	100 Years
Water and sewer distribution systems	20 to 100 Years
Water and sewer treatment facilities	40 to 50 Years
Buildings and building improvements	20 to 50 Years
Vehicles	5 to 30 Years
Furniture and fixtures	7 to 10 Years
Equipment and machines	7 to 20 Years
Signs	20 Years

Deferred Outflows of Resources - The Township reports deferred outflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan. The Township also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce net pension liability in the following year.

Compensated Absences (Vacation and Sick Leave) - It is the Township’s policy to permit employees to accumulate earned but

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unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported in governmental funds where appropriate except in the General Fund, where it is only reported for employee terminations as of year end.

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

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

Deferred Inflows of Resources - The Township reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan

investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining services lives of the employees and retirees in the plan.

Fund Equity - In the fund financial statements, governmental funds report the following components of fund balance:

Nonspendable - amounts that are not in spendable form (such as inventory and prepaid items) or are required to be maintained intact.

Restricted - amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

Committed - amounts that have been formally set aside by the Board of Trustees for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Trustees.

Assigned - intent to spend resources on specific purposes expressed by the Township's Finance Director, who is authorized and approved by the Township's Board of Trustees to make assignments.

Unassigned - amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed or assigned to those purposes.

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When multiple classifications of fund balances are available, fund balance will be used first from the most restrictive category in order, to the least restrictive.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Adoption of New Accounting Standards

The Governmental Accounting Standards Board (“The GASB”) has issued Statement No. 68 *Accounting and Financial Reporting for Pensions*, and Statement 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement 68 requires governments participating in public employee pension plans to recognize their portion of the long-term obligation for the pension benefits as a liability and to measure the annual costs of the pension benefits. The net pension liability is recorded on the government-wide statements and, if applicable, the proprietary fund statements. Statement 71 amends Statement 68 to address an issue concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement 68 by employers and non-employer contributing entities. Statements 68 and 71 are effective for the year ending March 31, 2016.

Upcoming Accounting and Reporting Changes

The GASB has also issued Statement 72, *Fair Value Measurement and Application*. Statement 72 addresses accounting and financial reporting issues related to fair value measurements. Fair value is defined as an exit price (what a government would get to sell the asset), and fair value measurements primarily apply to investments. The statement

enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government’s financial position. This statement requires additional disclosures about fair value measurements, the level of fair value hierarchy, and valuation techniques. Statement 72 is effective for the year ending March 31, 2017, although earlier application is allowed.

In addition, the GASB has released the following two Statements.

Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*. The purpose of this Statement is provide the readers of the financial statements information about the effects of the pension-related transactions on the financial statements of state and local government employers. It will assist in assessing the relationship between a government’s inflows of resources and its total cost (including pension expense) of providing government services each period in addition to providing information about the government’s pension obligation. The first objective of this Statement is to improve the information about financial support provided by certain nonemployer entities for pensions that are provided to the employees of other entities that are not within the scope of Statement No. 68. These requirements are effective for the fiscal year ending March 31, 2017. The second objective is to improve the quality of information associated with governments that hold assets accumulated for purposes of providing defined benefit pensions that are not within the scope of Statement 68 and the third objective is to clarify the application of certain provisions of Statements No. 67 and 68. These two requirements are effective for the fiscal year ending March 31, 2018.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of

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resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending March 31, 2019.

The Township is evaluating the impact GASBs 72 and 75 will have on its financial reporting.

Note 2 – Stewardship, Compliance, and Accountability

Budgetary Information

The annual budget is prepared by the Township Supervisor and adopted by the Township Board; subsequent amendments are approved by the Township Board. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds.

Annual budgets are adopted for all funds. The budget represents a complete financial plan for all activities of the Township for the ensuing fiscal year. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level. Expenditures at this level in excess of amounts budgeted are a violation of State law.

Encumbrance accounting is employed in all funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end do not constitute expenditures or liabilities because the goods or services have not been received as of year-end; the commitments will be reappropriated and honored during the subsequent year.

The budget process begins with a strategy meeting in December with the Township supervisor, Township manager, and finance director to plan and prioritize goals and objectives for the upcoming budget year.

Each January, department heads receive workpapers to prepare their individual line item budgets. Upon completion, the department budgets are returned to the finance director for compilation and review. A public meeting with the department managers is held with the Township supervisor, Township manager, and finance director to provide justification of their budgets.

A proposed, balanced budget is then developed and submitted to the Township Board for review. A public hearing on the budget is held before its final adoption. Upon review, and a subsequent public hearing, the Township Board adopts the proposed budget by resolution prior to the commencement of the next fiscal year.

A comparison of actual results of operations to the General Fund and Major Special Revenue Funds budgets adopted by the Township Board is included as required supplementary information. The comparison includes expenditure budget overruns. A comparison of actual results of operations, including budget overruns to all the fund budgets as adopted by the Township Board, is available at the finance department's office for inspection.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Township incurred expenditures in governmental funds that were in excess of the amounts budgeted as follows:

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	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
General Fund			
Public safety	\$ 3,187,730	\$ 3,259,228	\$ 71,498
Recreation Fund	1,098,475	1,331,487	\$ 233,012

The unfavorable expenditure variances in the General Fund and the Recreation Fund were caused mainly by unanticipated expenditures that became necessary during the year and from the reclassification of Federal grant overtime and equipment reimbursement.

Government-Wide Deficits

The Township has an unrestricted net position deficit for Government-Wide activities in the amount of \$8,124,653 as of March 31, 2016. There are no other governmental funds with a deficit

Construction Code Fees

The Township oversees building construction, in accordance with the State's 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 the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative Surplus at April 1, 2015	\$ 88,686
Current Year Building Permit Revenue	363,519
Related Expenses	
Direct Costs	(239,908)
Administrative Indirect Costs	<u>(5,590)</u>
 Cumulative Surplus at March 31, 2016	 <u>\$ 206,707</u>

Note 3 – Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Township has designated seven banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank investment pool, and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

Township of Grosse Ile
Notes to the Financial Statements
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At year end the government's deposits and investments were reported in the financial statements in the following categories:

	Cash and Cash Equivalents	Investments	Total
Governemental activities	\$ 4,908,685	\$ 2,909,377	\$ 7,818,062
Business-type activities	<u>3,948,860</u>	-	<u>3,948,860</u>
Total	8,857,545	2,909,377	11,766,922
Fiduciary funds	827,182	-	827,182
Component units	<u>336,089</u>	-	<u>336,089</u>
Total	<u>\$ 10,020,816</u>	<u>\$ 2,909,377</u>	<u>\$ 12,930,193</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Units	Total
Bank deposits (including, money markets, certificates of deposit)	\$ 8,854,045	\$ 827,182	\$ 336,089	\$ 10,017,316
Investments held as cash (MBIA Asset Management)	2,909,377	-	-	2,909,377
Petty cash and cash on hand	<u>3,500</u>	-	-	<u>3,500</u>
	<u>\$ 11,766,922</u>	<u>\$ 827,182</u>	<u>\$ 336,089</u>	<u>\$ 12,930,193</u>

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. The bank balance of the Township's deposits is \$12,779,344, of which \$3,718,818 is covered by federal depository insurance and \$9,030,526 is uninsured

and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The component units' deposits had a bank balance of \$336,089, of which \$322,119 was covered by federal depository insurance.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year-end, the Township had no investment subjected to interest rate risk.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment that would further limit its investment choices. As of the end of the fiscal year, credit quality ratings are as follows:

Investment Type	Fair Value	Rating	Rating Organization
MBIA Asset Management	\$ 2,909,377	AAA-V1	Fitch

**Township of Grosse Ile
Notes to the Financial Statements
March 31, 2016**

Note 4 – Receivables and Unearned Revenue

Receivables as of year-end for individual major funds and the nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Recreation Fund	Fire Operating Fund	Drain and Storm Maintenance	Nonmajor Governmental Funds	Total
Receivables						
Taxes	\$ 122,395	\$ 14,250	\$ 32,902	\$ 7,334	\$ 32,524	\$ 209,405
Special assessments	-	-	-	-	78,021	78,021
Accounts	71,032	2,546	4,066	-	5,902	83,546
Loan	112,497	-	-	-	36,487	148,984
Net receivables	<u>\$ 305,924</u>	<u>\$ 16,796</u>	<u>\$ 36,968</u>	<u>\$ 7,334</u>	<u>\$ 152,934</u>	<u>\$ 519,956</u>

At year-end, all receivables recorded in the Township's component units are related to taxes receivable.

Unearned revenue

Governmental funds report unearned revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue are as follows:

	<u>Unearned</u>
Recreation - other	<u>\$ 55,099</u>

Note 5 – Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance April 1, 2015	Additions	Adjustments	Disposals	Balance March 31, 2016
Governmental activities					
Capital assets not being depreciated					
Open space land	\$ 12,700,738	\$ -	\$ -	\$ -	\$ 12,700,738
Other land	1,600,819	-	-	-	1,600,819
Subtotal	<u>14,301,557</u>	-	-	-	<u>14,301,557</u>
Capital assets being depreciated					
Infrastructure	20,107,373	-	-	-	20,107,373
Buildings and improvements	10,162,603	379,829	-	25,196	10,517,236
Public safety vehicles	3,337,230	60,535	(70,208)	-	3,327,557
Furniture, fixtures and other vehicles	4,688,550	317,095	70,208	361,779	4,714,074
Subtotal	<u>38,295,756</u>	<u>757,459</u>	<u>-</u>	<u>386,975</u>	<u>38,666,240</u>
Accumulated depreciation					
Infrastructure	7,679,042	362,874	-	-	8,041,916
Buildings and improvements	3,482,469	241,446	-	22,196	3,701,719
Public safety vehicles	1,580,332	189,911	(59,086)	-	1,711,157
Furniture, fixtures and other vehicles	3,601,355	197,856	59,086	310,296	3,548,001
Subtotal	<u>16,343,198</u>	<u>992,087</u>	<u>-</u>	<u>332,492</u>	<u>17,002,793</u>
Net capital assets being depreciated	<u>21,952,558</u>	<u>(234,628)</u>	<u>-</u>	<u>54,483</u>	<u>21,663,447</u>
Net capital assets	<u>\$ 36,254,115</u>	<u>\$ (234,628)</u>	<u>\$ -</u>	<u>\$ 54,483</u>	<u>\$ 35,965,004</u>

**Township of Grosse Ile
Notes to the Financial Statements
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	<u>Balance</u>				<u>Balance</u>
	<u>April 1, 2015</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Disposals</u>	<u>March 31, 2016</u>
Business-type activities					
Capital assets not being depreciated					
Land	\$ 5,534,902	\$ -	\$ -	\$ -	\$ 5,534,902
Construction in progress	<u>763,154</u>	<u>358,253</u>	<u>(35,000)</u>	<u>263,027</u>	<u>823,380</u>
Subtotal	<u>6,298,056</u>	<u>358,253</u>	<u>(35,000)</u>	<u>263,027</u>	<u>6,358,282</u>
Capital assets being depreciated					
Water and sewer distribution system	69,599,326	-	35,000	-	69,634,326
Buildings and building improvements	21,144,983	848,838	-	-	21,993,821
Furniture, machinery and equipment	578,767	-	-	-	578,767
Vehicles	<u>287,326</u>	<u>37,660</u>	<u>-</u>	<u>-</u>	<u>324,986</u>
Subtotal	<u>91,610,402</u>	<u>886,498</u>	<u>35,000</u>	<u>-</u>	<u>92,531,900</u>
Accumulated depreciation					
Water and sewer distribution system	10,382,727	1,401,467	-	-	11,784,194
Buildings and building improvements	12,195,141	600,875	-	-	12,796,016
Furniture, machinery and equipment	544,321	27,817	-	-	572,138
Vehicles	<u>243,879</u>	<u>13,421</u>	<u>-</u>	<u>-</u>	<u>257,300</u>
Subtotal	<u>23,366,068</u>	<u>2,043,580</u>	<u>-</u>	<u>-</u>	<u>25,409,648</u>
Net capital assets being depreciated	<u>68,244,334</u>	<u>(1,157,082)</u>	<u>35,000</u>	<u>-</u>	<u>67,122,252</u>
Net capital assets	<u>\$ 74,542,390</u>	<u>\$ (798,829)</u>	<u>\$ -</u>	<u>\$ 263,027</u>	<u>\$ 73,480,534</u>

	<u>Balance</u>				<u>Balance</u>
	<u>April 1,</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Disposals</u>	<u>March 31,</u>
	<u>2015</u>				<u>2016</u>
Component units					
Capital assets being depreciated					
Infrastructure	\$ 620,000	\$ -	\$ -	\$ -	\$ 620,000
Accumulated depreciation					
Infrastructure	<u>202,532</u>	<u>12,400</u>	<u>-</u>	<u>-</u>	<u>214,932</u>
Net capital assets	<u>\$ 417,468</u>	<u>\$ 12,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 405,068</u>

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

Governmental activities	
General government	\$ 513,675
Public safety	358,704
Cultural and recreation	<u>119,708</u>
Total governmental activities	<u>\$ 992,087</u>
Business-type activities	
Department of public works	\$ 1,547,131
Municipal airport and commerce park	<u>496,449</u>
Total business-type activities	<u>\$ 2,043,580</u>

Depreciation expense was charged to the Township's component units in the amount of \$12,400.

**Township of Grosse Ile
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March 31, 2016**

Construction Commitments

The Township has active construction projects at year-end. At year-end, the Township's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
2014 Road improvements	\$ 89,302	\$ 698
2015/2016 Street sectioning program	418,230	46,770
2015 Pavement joint and crack sealing	40,074	7,626
2015 Pathways rehabilitation	27,583	30,145
Water's Edge maintenance barn	139,931	217,445
16" PRV vault rehabilitation	<u>263,225</u>	<u>5,000</u>
	<u>\$ 978,345</u>	<u>\$ 307,684</u>

Note 6 – Interfund Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from other funds		
Nonmajor Governmental Funds	Nonmajor Governmental Funds	\$ 77,537
	General Fund	<u>2,185</u>
	Total Nonmajor Governmental Funds	<u>\$ 79,722</u>

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 148,935
	Recreation Fund	36,280
	Fire Operating Fund	42,809
	Department of Public Works	59,544
	Municipal Airport and Commerce Park	<u>11,158</u>
	Total General Fund	<u>298,726</u>
Recreation Fund	Nonmajor Governmental Funds	26,128
	Department of Public Works	<u>127</u>
	Total Recreation Fund	<u>26,255</u>
	Total	<u>\$ 404,730</u>

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component units - due from primary government		
Component unit - Downtown Development Authority	Agency Fund - Tax Collection Fund	\$ 110,224
	General Fund	<u>547</u>
	Total Downtown Development Authority	<u>110,771</u>
Component unit - Brownfield Authority	Agency Fund - Tax Collection Fund	<u>8,959</u>
	Total	<u>\$ 119,730</u>

Township of Grosse Ile
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<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise funds - due to/from other funds		
Municipal Airport and Commerce Park	General Fund	\$ 1,400
Department of Public Works	General Fund	790
	Nonmajor Governmental Funds	<u>500,000</u>
		<u>\$ 502,190</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 177,888
General Fund	Recreation Fund	84,463
Nonmajor Governmental Funds	Department of Public Works	47,292
Fire Operating Funds	Nonmajor Governmental Funds	10,000
Fire Operating Funds	General Fund	<u>73,371</u>
	Total	<u>\$ 393,014</u>

The transfers from the General Fund to the nonmajor governmental funds and to the Recreation Fund, as well as transfers from the Fire Operating Fund and nonmajor governmental funds represent the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations.

Transfers from a debt service fund to the Department of Public Works fund represent the closing of one millage debt fund and its transfer to a current debt.

Note 7 – Long-Term Debt

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

**Township of Grosse Ile
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Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-Type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 277,294	\$ 79,646	\$ 356,940	\$ 3,370,000	\$ 779,850	\$ 4,149,850	\$ 60,000	\$ 2,700	\$ 62,700
2018	252,840	70,470	323,310	3,480,000	695,759	4,175,759	65,000	1,404	66,404
2019	248,397	61,505	309,902	3,370,000	608,775	3,978,775	-	-	-
2020	268,967	51,883	320,850	3,115,000	525,704	3,640,704	-	-	-
2021	200,000	41,717	241,717	3,170,000	448,849	3,618,849	-	-	-
2022-2026	900,000	78,399	978,399	12,678,163	1,105,592	13,783,755	-	-	-
2027-2031	-	-	-	1,575,000	193,190	1,768,190	-	-	-
2032-2036	-	-	-	250,000	10,616	260,616	-	-	-
Total	\$ 2,147,498	\$ 383,620	\$ 2,531,118	\$ 31,008,163	\$ 4,368,335	\$ 35,376,498	\$ 125,000	\$ 4,104	\$ 129,104

**Township of Grosse Ile
Notes to the Financial Statements
March 31, 2016**

Long-term obligation activity can be summarized as follows:

	Number of Issues	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	(Reductions)	Adjustments	Ending Balance	Due Within One Year
Governmental activities									
General obligation bonds									
Grosse Ile building authority bond	1*	2.0% - 4.0%	\$95,000 - \$190,000	\$ 1,530,000	\$ -	\$ (115,000)	\$ -	\$ 1,415,000	\$ 135,000
Amount of issue: \$1,960,000									
Maturing through 2025									
Refunding bond, series 2014	1**	2.16%	\$45,000 - \$45,000	90,000	-	(45,000)	-	45,000	\$ 45,000
Amount of issue: \$140,000									
Maturing through 2017									
Grosse Ile building authority bond	1	2.0% - 4.0%	\$30,000 - \$55,000	445,000	-	(30,000)	-	415,000	30,000
Amount of issue: \$575,000									
Maturing through 2025									
Special assessment bonds	1	3.5% - 4.5%	\$10,000 - \$45,000	<u>205,000</u>	<u>-</u>	<u>(45,000)</u>	<u>-</u>	<u>160,000</u>	<u>40,000</u>
Amount of issue: \$620,000									
Maturing through 2019									
Total general obligation bonds				<u>2,270,000</u>	<u>-</u>	<u>(235,000)</u>	<u>-</u>	<u>2,035,000</u>	<u>250,000</u>
Note payable	1	2.0%	\$15,197 - \$18,996	91,326	-	(17,547)	-	73,779	17,900
Amount of note: \$173,347									
Maturing through 2020									
Note payable	1	2.0%	\$9,210 \$9,969	<u>47,929</u>	<u>-</u>	<u>(9,210)</u>	<u>-</u>	<u>38,719</u>	<u>9,394</u>
Amount of note: \$47,929									
Maturing through 2019									
Total note payable				<u>139,255</u>	<u>-</u>	<u>(26,757)</u>	<u>-</u>	<u>112,498</u>	<u>27,294</u>
Total governmental activities				<u>\$ 2,409,255</u>	<u>\$ -</u>	<u>\$ (261,757)</u>	<u>\$ -</u>	<u>\$ 2,147,498</u>	<u>\$ 277,294</u>

Township of Grosse Ile
Notes to the Financial Statements
March 31, 2016

Long-term obligation activity can be summarized as follows:

	Number of Issues	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	(Reductions)	Adjustments	Ending Balance	Due Within One Year
Business-type activities									
General obligation bonds									
Tax sewer system improvement bonds	3	2.125% - 2.5%	\$1,885,000 - \$2,400,000	\$ 20,048,163	-	\$ (1,965,000)	-	\$ 18,083,163	\$ 2,020,000
Amount of issue: \$40,000,000									
Maturing through 2025									
G.I./Trenton utility authority	2	3.25% - 7.0%	\$100,000 - \$200,000	300,000	-	(300,000)	-	-	-
Amount of issue: \$9,320,150									
Maturing through 2025									
Refunding bond, series 2014	1**	2.16%	\$15,000 - \$250,000	4,925,000	-	(375,000)	-	4,550,000	685,000
Amount of issue: \$4,970,000									
Maturing through 2026									
Grosse Ile building authority bonds	1*	2.0% - 4.0%	\$95,000 - \$190,000	230,000	-	(75,000)	-	155,000	80,000
Amount of issue: \$520,000									
Maturing through 2025									
Capital improvement bonds	1	2.0% - 4.25%	\$75,000 - \$250,000	2,750,000	-	(100,000)	-	2,650,000	100,000
Amount of issue: \$3,000,000									
Maturing through 2031									
Judgment bonds	1	2.0% - 4.0%	\$325,000 - \$575,000	5,750,000	-	(405,000)	-	5,345,000	415,000
Amount of issue: \$6,855,000									
Maturing through 2026									
Capital improvement bonds	1	4.5% - 6.3%	\$25,000 - \$80,000	290,000	-	(65,000)	-	225,000	70,000
Amount of issue: \$680,000									
Maturing through 2019									
 Total business-type activities				<u>\$ 34,293,163</u>	<u>\$ -</u>	<u>\$ (3,285,000)</u>	<u>\$ -</u>	<u>\$ 31,008,163</u>	<u>\$ 3,370,000</u>
Component units									
Refunding bond, series 2014	1**	2.16%	\$50,000 - \$65,000	-	175,000	(50,000)	-	125,000	60,000
Amount of issue: \$225,000									
Maturing through 2018									
 Total component units				<u>\$ -</u>	<u>\$ 175,000</u>	<u>\$ (50,000)</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 60,000</u>

1* One issue: Amount of issue:\$2,480,000

1** One issue: Amount of issue:\$5,335,000

Township of Grosse Ile
Notes to the Financial Statements
March 31, 2016

Note 8 – Deferred Inflows of Resources

At year end the various components of deferred inflows of resources are as follows:

	<u>Deferred Inflows</u>
Special Assessments	\$ <u>78,021</u>

Note 9 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical claims as of March 1997; however, the Township still maintains a self-insurance plan for dental claims only. The Township participates in the Michigan Municipal League risk pool for claims relating to workers' compensation. The Township has purchased commercial insurance for property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 10 – Employee Retirement and Benefit Systems

Defined Benefit Pension Plan

Plan Description – The Township participates in the Michigan Municipal Employees' Retirement System (the "System"), an agent multiple-employer defined benefit pension plan that covers all employees of the

Township. The plan was established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

Benefits Provided – Benefits provided include plans with multipliers ranging from 1.5 to 2.8. The vesting period is 6 years. Normal retirement age is 60 with early retirement at 50 to 55 with 15 to 25 years of service. Final average compensation is calculated based on 3 years. Member contributions range from 0 to 3.25%.

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

Inactive employees or beneficiaries currently receiving benefits	41
Inactive employees entitled to but not yet receiving benefits	9
Active employees	<u>47</u> <u>97</u>

Contributions – The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions range from 96.75% to 100% based on annual payroll for open divisions.

Township of Grosse Ile
Notes to the Financial Statements
March 31, 2016

Net pension liability – The employer’s net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township’s competitive bargaining units and requires a contribution from the employees of 0 to 3.25 percent of gross wages.

Actuarial assumptions – The total pension liability in the December 31, 2015 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Inflation 3-4%; 2) Salary increases 4.5% in the long-term (1%, 2%, and 3% for calendar years 2014, 2015, 2016, respectively); 3) Investment rate of return of 7.75%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3-4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% male and 50% female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

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

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

term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates or arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Global equity	57.5%	5.02%
Global fixed income	20.0%	2.18%
Real assets	12.5%	4.23%
Diversifying strategies	10.0%	6.56%

Discount rate – The discount rate used to measure the total pension liability is 8.0%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Township of Grosse Ile
Notes to the Financial Statements
March 31, 2016

	<u>2016</u>
Total Pension Liability	
Service cost	\$ 416,060
Interest on the total pension liability	2,231,640
Experience differences	(590,522)
Changes in actuarial assumptions	1,929,557
Other changes	69,740
Benefit payments and refunds	<u>(1,376,202)</u>
Net change in total pension liability	2,680,273
Total pension liability - beginning	<u>28,375,576</u>
Total pension liability - ending (a)	<u>\$ 31,055,849</u>
Plan Fiduciary Net Position	
Employer contributions	\$ 948,535
Employee contributions	52,933
Pension plan net investment income (loss)	(271,774)
Benefit payments and refunds	(1,376,202)
Pension plan administrative expense	<u>(39,663)</u>
Net change in plan fiduciary net position	(686,171)
Plan fiduciary net position - beginning	<u>18,162,884</u>
Plan fiduciary net position - ending (b)	<u>\$ 17,476,713</u>
Net pension liability (a-b)	<u>\$ 13,579,136</u>
Plan fiduciary net position as a percentage of total pension liability	56.28%
Covered employee payroll	3,079,052
Net pension liability as a percentage of covered employee payroll	441.02%

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the employer, calculated using the discount rate of 8.0%, as well as what the employer’s net pension liability would be using a discount rate that is 1% point lower (7%) or 1% higher (9%) than the current rate.

	<u>1% decrease</u>	<u>Current discount rate</u>	<u>1% increase</u>
Total pension liability	\$ 34,769,755	\$ 31,055,849	\$ 27,923,425
Fiduciary net position	<u>17,476,713</u>	<u>17,476,713</u>	<u>17,476,713</u>
Net pension liability	<u>\$ 17,293,042</u>	<u>\$ 13,579,136</u>	<u>\$ 10,446,712</u>

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended March 31, 2016, the employer recognized pension expense of \$1,944,120. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>
Differences in assumptions & experience	\$ 1,004,276
Excess (deficit) investment returns	1,366,583
Contributions subsequent to the measurement date*	<u>288,101</u>
Total	<u>\$ 2,658,960</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending 2017.

Township of Grosse Ile
Notes to the Financial Statements
March 31, 2016

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

<u>Year ended,</u>	
2017	\$ 676,405
2018	676,405
2019	676,405
2020	<u>341,644</u>
	<u>\$ 2,370,859</u>

Note 11 – Restricted Net Position and Restricted and Committed Fund Balances

Restricted net position at March 31, 2016 consists of the following:

Construction code fees	\$ 206,707
Fire operating and equipment	912,300
Recreation	226,601
Drain and storm maintenance	1,141,164
Nonmajor special revenue funds	<u>2,745,202</u>
Total restricted for other puproses	<u>\$ 5,231,974</u>

Fund balances of governmental activities have been restricted for the following:

General fund	
Construction code fees	<u>\$ 206,707</u>
Debt service funds	<u>426,720</u>
Special revenue funds	
Road improvement	95,006
Road improvement- Oak River	586
Fire operating and equipment	1,788,001
Recreation	216,115
Drug law enforcement	722,805
Library	96,042
Block grant	604
Bicycle path	71,343
Drain and storm maintenance	1,141,164
Open space	<u>877,485</u>
Total special revenue funds	<u>5,009,151</u>
Total restricted fund balances	<u>\$ 5,642,578</u>

Fund balances of governmental activities have been committed for the following:

Special revenue funds	
Public safety building maintenance	\$ 55,033
Historical farm	<u>73,392</u>
Total special revenue funds	<u>\$ 128,425</u>

Township of Grosse Ile
Notes to the Financial Statements
March 31, 2016

Note 12 – Lawsuit Settlements

During the ordinary course of its operation, the Township is a party to various claims, legal actions, and complaints.

In accordance with Administrative Consent Order ACO-SWO I-004 (ACO), issued by the State of Michigan Department of Natural Resources and Environment, Water Resources Division, now the Michigan Department of Environmental Quality (MDEQ), the Township was ordered to commence a Sanitary Sewer Overflow (SSO) connection program starting in 2001 to rehabilitate and upgrade its sanitary sewerage system, so that infiltration and inflow (I/I) would be reduced, and that the wastewater treatment plant (WWTP) would meet its National Pollution Discharge Elimination System (NPDES) permit effluent event and to provide adequate storage to avoid SSOs or WWTP bypasses. That ACO included stipulated penalty provisions for each failure to comply with the terms of the ACO (e.g., failure to meet specific deadlines or failure to comply with effluent limitations outlined in the ACO). Over the years, the Township has made many upgrades to its WWTP in an effort to meet its NPDES permit effluent limits and address SSOs or WWTP bypasses. This has included I/I removal activities, such as removal of inflow sources, lining of sewer pipes, and manhole rehabilitation. Capital improvements included construction of the North-South Interceptor System and a 6.5 million gallon (MG) sewage retention basin to handle excess peak flows in the system. Implementation of these projects required five amendments to the original AOC to adjust the compliance schedule. After completion of the construction activities, a Project Performance Certification (PPC) study was conducted. It was determined that the transport facilities were adequate, however, the storage and treatment system could not be certified as meeting the MDEQ's SSO Policy Statement during heavy rainfall events, saturated ground, and snowmelt events. The Township remains unable to certify compliance with the MDEQ's SSO Policy Statement.

The Township negotiated the terms of a new NPDES permit to better address current WWTP operations and effluent, and is working with the MDEQ to further evaluate the available alternatives for the Township to meet the MDEQ's SSO Policy Statement and comply with the obligations of the ACO. The Township retained a consultant/engineering firm, OHM Advisors, to conduct an alternatives analysis. OHM's alternatives analysis identified three alternatives: (1) Increase WWTP Treatment Capacity; (2) Footing Drain Disconnections; and (3) Additional Storage Volume. The conceptual costs for these alternatives ranged from approximate \$1.9 million to \$3.0 million. Based on this information, the Township proposed to the MDEQ, that it increase the WWTP storage capacity at a conceptual cost of approximate \$1.9 million (Alternative 1). If approved by MDEQ, the Township would proceed with further development of the engineering design and costs related to Alternative 1 and negotiate a sixth amendment to the ACO with MDEQ. That ACO will require the Township to agree to an implementation schedule for the funding and construction of the approved alternative so it is able to certify compliance with the MDEQ's SSO Policy Statement. Any sixth amendment to the ACO will include an obligation to pay stipulated penalties for any failure to comply with the terms of the ACO. At this time the Township is unable to state whether MDEQ will agree to the proposal or whether an outcome unfavorable to the Township is either probable or remote.

Note 13 – Joint Venture

The Township is a member of the 33rd District Court (the "Court"), which provides judicial services to the member communities. The Court receives its operating revenue principally from fines and fees, in addition to annual funding contributions from member communities. During the current year, the Township paid approximately \$11,419 to the Court, representing the Township's share of the Court's net activity. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating communities in the near

Township of Grosse Ile
Notes to the Financial Statements
March 31, 2016

future, other than the fluctuation of caseloads, which impacts the Township's share of the Court debt. Complete financial statements for the Court can be obtained from the administrative offices at: 19000 Van Horn Road, Woodhaven, MI 48183.

Note 14 – Other Postemployment Benefits

Plan Description

The Township provides postemployment health, dental, vision and life insurance benefits to all eligible full-time retired employees and their beneficiaries. The Township pays the full cost of coverage for these benefits. The Township includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant (other than specific co-pays). The Township purchases Medicare supplemental insurance for retirees eligible for Medicare. Currently, 34 retirees are eligible for post-employment health benefits. The government obtains health care coverage through private insurers.

This is a single-employer defined benefit plan administered by the Township. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the employer.

Funding Policy

The collective bargaining agreements do not require a contribution from employees. Retiree health care costs are recognized when paid by the Township 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.

Funding Progress

For the year ended March 31, 2016, the Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2013. The valuation computes an annual

required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 1,007,865
Interest on the prior year's net OPEB obligation	202,665
Less adjustment to the annual required contribution	<u>(213,771)</u>
 Annual OPEB cost	 996,759
 Amounts contributed	
Payments of current premiums	<u>456,644</u>
 Increase in net OPEB obligation	 540,115
 OPEB obligation - beginning of year	 <u>4,503,665</u>
 OPEB obligation - end of year	 <u>\$ 5,043,780</u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current year and the prior two years is as follows:

	2016	2015	2014
Annual OPEB costs	\$ 1,007,865	\$ 988,808	\$ 956,368
Percentage contributed	45.308%	46.368%	44.450%
Net OPEB obligation	\$ 5,043,780	\$ 4,503,665	\$ 3,983,166

Township of Grosse Ile
Notes to the Financial Statements
March 31, 2016

The funding progress of the Plan as of the most recent valuation date is:

Valuation as of December 31, 2013	
Actuarial value of assets	\$ -
Actuarial Accrued Liability (AAL)	17,186,369
Unfunded AAL	17,186,369
Funded ratio	0%

Actuarial Methods and Assumptions

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 the 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.

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 calculations.

In the December 31, 2013 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is the expected long-term investment return on plan assets, and an annual healthcare cost trend for medical and drug costs of 9.0 percent initially, reduced by decrements to an ultimate rate of 4.5

percent after ten years, with an annual healthcare cost trend rate for dental and vision costs of 4.5 percent, which remains unchanged. Both rates included a 4.5 percent inflation assumption. The UAAL is being amortized as a level percent of payroll if the divisions are open to new hires and as a level dollar if the divisions are closed to new hires.

Note 15 – Subsequent Events

On August 24, 2016, the Township issued 2016 Capital improvement bonds, pursuant to Act 34, Public Acts of Michigan, 2001, as amended, in the amount of \$6,500,000 for the purpose of paying all or part of the cost of acquiring, constructing, furnishing and equipping water supply improvements, including water main replacements, together with all related appurtenances and attachments. Said bonds will mature over a period of 20 year with an interest rate of 2.54%.

Note 16 – Change in Accounting Principle

As indicated in Note 1, the Township has adopted Governmental Accounting Standards Board Statements 68 and 71. These statements require the Government to record their net pension liability and pension expense. Previously these amounts were not recorded on the Government’s statements. The standards require this change be applied retroactively. The impact of this change is to reduce beginning net position in the statement of activities as of April 1, 2015, by \$9,999,060, restating it from \$82,936,334 to \$72,937,274.

Governmental activities were impacted by reducing net position by \$8,810,172 and business-type activities were impacted by reducing net position by \$1,188,888.

Additionally, fund financial statements were impacted as follows: beginning net position in the Department of Public Works Fund was reduced from \$32,897,579 to \$31,737,688 and beginning net position in the Municipal Airport and Commerce Park Fund was reduced from \$12,457,833 to \$12,428,836.

Required Supplementary Information

Township of Grosse Ile
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended March 31, 2016

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenues				
Property taxes	\$ 3,404,509	\$ 3,404,509	\$ 3,338,391	\$ (66,118)
State-shared revenue	833,531	833,531	818,752	(14,779)
Federal sources	40,000	40,000	35,392	(4,608)
Intergovernmental revenue	5,400	5,400	5,215	(185)
Licenses and permits	512,282	512,282	611,320	99,038
Charges for services	125	125	140	15
Fines and forfeitures	97,200	97,200	82,241	(14,959)
Interest income	35,000	35,000	51,612	16,612
Other revenue	553,988	553,988	275,563	(278,425)
Total revenues	<u>5,482,035</u>	<u>5,482,035</u>	<u>5,218,626</u>	<u>(263,409)</u>
Expenditures				
General government				
Township board	36,775	36,775	34,715	(2,060)
Township supervisor	24,122	24,122	23,232	(890)
Township manager	217,412	217,412	208,237	(9,175)
Elections	35,950	35,950	28,845	(7,105)
Township clerk	206,388	206,388	204,649	(1,739)
Finance department	275,860	275,860	278,114	2,254
Property tax administration	68,599	68,599	71,851	3,252
Board of review	2,500	2,500	980	(1,520)
Township treasurer	144,696	144,696	160,433	15,737
Township grounds and maintenance	333,022	333,022	278,343	(54,679)
Community development	259,882	259,882	245,498	(14,384)
Communications commission	133,811	133,811	133,327	(484)
Professional services	100,000	100,000	101,855	1,855
General expenditures	170,083	170,083	171,703	1,620
Total general government	<u>2,009,100</u>	<u>2,009,100</u>	<u>1,941,782</u>	<u>(67,318)</u>
33rd District Court	<u>96,200</u>	<u>96,200</u>	<u>92,932</u>	<u>(3,268)</u>

Township of Grosse Ile
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended March 31, 2016

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Public safety				
Police	\$ 3,169,230	\$ 3,169,230	\$ 3,233,296	\$ 64,066
Animal control	9,900	9,900	19,136	9,236
Auxiliary police	8,600	8,600	6,796	(1,804)
Total public safety	<u>3,187,730</u>	<u>3,187,730</u>	<u>3,259,228</u>	<u>71,498</u>
Total expenditures	<u>5,293,030</u>	<u>5,293,030</u>	<u>5,293,942</u>	<u>912</u>
Excess of revenue over (under) expenditures	<u>189,005</u>	<u>189,005</u>	<u>(75,316)</u>	<u>(264,321)</u>
Other financing sources (uses)				
Operating transfer in	73,371	73,371	73,371	-
Operating transfer out	<u>(262,376)</u>	<u>(262,376)</u>	<u>(262,351)</u>	<u>25</u>
Total other financing sources (uses)	<u>(189,005)</u>	<u>(189,005)</u>	<u>(188,980)</u>	<u>25</u>
Excess of expenditures and other financing uses over (under) revenue and other sources	-	-	(264,296)	(264,296)
Fund balance - beginning of year	<u>2,897,974</u>	<u>2,897,974</u>	<u>2,897,974</u>	<u>-</u>
Fund balance - end of year	<u>\$ 2,897,974</u>	<u>\$ 2,897,974</u>	<u>\$ 2,633,678</u>	<u>\$ (264,296)</u>

Township of Grosse Ile
Required Supplementary Information
Budgetary Comparison Schedule
Major Special Revenue Funds - Recreation Fund
For the Year Ended March 31, 2016

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenues				
Property taxes	\$ 501,963	\$ 501,963	\$ 492,065	\$ (9,898)
Charges for services	122,184	122,184	86,448	(35,736)
Rental income	40,500	40,500	39,000	(1,500)
Pro shop	3,000	3,000	994	(2,006)
Golf	133,840	133,840	114,157	(19,683)
Marina	112,850	112,850	103,141	(9,709)
Pool	38,000	38,000	28,285	(9,715)
Other revenue	61,675	61,675	69,293	7,618
 Total revenues	 <u>1,014,012</u>	 <u>1,014,012</u>	 <u>933,383</u>	 <u>(80,629)</u>
Expenditures				
Recreational	447,666	447,666	376,197	71,469
Festival	69,175	69,175	70,854	(1,679)
Debt service	118,656	118,656	119,032	(376)
Grounds and maintenance	116,450	116,450	108,519	7,931
Golf	213,331	213,331	525,119	(311,788)
Marina	65,097	65,097	44,269	20,828
Pool	68,100	68,100	87,497	(19,397)
 Total expenditures	 <u>1,098,475</u>	 <u>1,098,475</u>	 <u>1,331,487</u>	 <u>(233,012)</u>
 Excess of revenue over (under) expenditures	 <u>(84,463)</u>	 <u>(84,463)</u>	 <u>(398,104)</u>	 <u>(313,641)</u>

Township of Grosse Ile
Required Supplementary Information
Budgetary Comparison Schedule
Major Special Revenue Funds - Recreation Fund
For the Year Ended March 31, 2016

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Other financing sources (uses)				
Transfers in	\$ 84,463	\$ 84,463	\$ 84,463	\$ -
Insurance proceeds	<u>-</u>	<u>-</u>	<u>533,515</u>	<u>533,515</u>
Total other financing sources (uses)	<u>84,463</u>	<u>84,463</u>	<u>617,978</u>	<u>533,515</u>
Excess of revenues and other financing sources over expenditures and other financing uses	-	-	219,874	219,874
Fund balance - beginning of year	<u>6,727</u>	<u>6,727</u>	<u>6,727</u>	<u>-</u>
Fund balance - end of year	<u>\$ 6,727</u>	<u>\$ 6,727</u>	<u>\$ 226,601</u>	<u>\$ 219,874</u>

Township of Grosse Ile
Required Supplementary Information
Budgetary Comparison Schedule
Major Special Revenue Funds - Fire Operating Fund
For the Year Ended March 31, 2016

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
Property taxes	\$ 861,000	\$ 861,000	\$ 844,053	\$ (16,947)
Ambulance fees	140,000	140,000	145,194	5,194
Other revenue	-	-	567	567
Prior year resources	384,610	384,610	-	(384,610)
Interest income	<u>1,000</u>	<u>1,000</u>	<u>1,454</u>	<u>454</u>
Total revenue	1,386,610	1,386,610	991,268	(395,342)
Expenditures - public safety	<u>1,303,239</u>	<u>1,303,239</u>	<u>979,539</u>	<u>323,700</u>
Excess of revenue over (under) expenditures	83,371	83,371	11,729	(71,642)
Other financing sources				
Transfer out	<u>(83,371)</u>	<u>(83,371)</u>	<u>(83,371)</u>	<u>-</u>
Net change in fund balance	-	-	(71,642)	(71,642)
Fund balance - beginning of year	<u>983,942</u>	<u>983,942</u>	<u>983,942</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 983,942</u></u>	<u><u>\$ 983,942</u></u>	<u><u>\$ 912,300</u></u>	<u><u>\$ (71,642)</u></u>

Township of Grosse Ile
Required Supplementary Information
Budgetary Comparison Schedule
Major Special Revenue Funds - Drain and Storm Maintenance
For the Year Ended March 31, 2016

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
Property taxes	\$ 189,420	\$ 189,420	\$ 185,667	\$ (3,753)
Prior year resources	1,000,000	1,000,000	-	(1,000,000)
Interest income	-	-	4,846	4,846
	<u>1,189,420</u>	<u>1,189,420</u>	<u>190,513</u>	<u>(998,907)</u>
Expenditures - general government	<u>1,189,420</u>	<u>1,189,420</u>	<u>66,101</u>	<u>1,123,319</u>
Net change in fund balance	-	-	124,412	124,412
Fund balance - beginning of year	<u>1,016,752</u>	<u>1,016,752</u>	<u>1,016,752</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,016,752</u>	<u>\$ 1,016,752</u>	<u>\$ 1,141,164</u>	<u>\$ 124,412</u>

Township of Grosse Ile
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Employer Contributions and Funding Progress
March 31, 2016

Schedule of Employer Contributions

Actuarial Valuation Date	Annual Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
12/31/2013	\$ 860,586	\$ 860,586	\$ -	\$ 2,988,937	28.79%
12/31/2014	955,471	955,471	-	3,076,838	31.05%
12/31/2015	948,535	948,535	-	3,079,052	30.81%

Notes: Actuarially determined contribution amounts are calculated as of December 31 each year, which is 3 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry-age
Amortization method	Level-dollar closed
Remaining amortization period	18
Asset valuation method	5-year smoothed value of assets
Inflation	3-4%
Salary increases	4.50%
Investment rate of return	7.75%
Retirement age	60
Mortality	2014 Group annuity mortality table of 50% male and 50% female blend

Township of Grosse Ile
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Changes in Net Position Liability and Related Ratios
March 31, 2016

Fiscal year ended March 31,	<u>2016</u>
Total Pension Liability	
Service cost	\$ 416,060
Interest on the total pension liability	2,231,640
Experience difference	(590,522)
Changes in actuarial assumptions	1,929,557
Other changes	69,740
Benefit payments and refunds	<u>(1,376,202)</u>
Net change in total pension liability	2,680,273
Total pension liability - beginning	<u>28,375,576</u>
Total pension liability - ending (a)	<u>\$ 31,055,849</u>
Plan Fiduciary Net Position	
Employer contributions	\$ 948,535
Employee contributions	52,933
Pension plan net investment income (loss)	(271,774)
Benefit payments and refunds	(1,376,202)
Pension plan administrative expense	<u>(39,663)</u>
Net change in plan fiduciary net position	(686,171)
Plan fiduciary net position - beginning	<u>18,162,884</u>
Plan fiduciary net position - ending (b)	<u>\$ 17,476,713</u>
Net pension liability (a-b)	<u>\$ 13,579,136</u>
Plan fiduciary net position as a percentage of total pension liability	56.28%
Covered employee payroll	3,079,052
Net pension liability as a percentage of covered employee payroll	441.02%

*GASB Statement No. 68 was implemented for the fiscal year ended March 31, 2016 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

Township of Grosse Ile
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Employers' Net Position Liability
March 31, 2016

<u>Fiscal year ending March 31,</u>	<u>Total pension liability</u>	<u>Plan net position</u>	<u>Net pension liability</u>	<u>Plan net position as a % of total pension liability</u>	<u>Covered payroll</u>	<u>Net pension liability as a % of covered payroll</u>
2016	\$ 31,055,849	\$ 17,476,713	\$ 13,579,136	56.28%	\$ 3,079,052	441%

Other Supplementary Information

Township of Grosse Ile
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2016

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 3,028,250	\$ 455,465	\$ 3,483,715
Receivables - net	38,024	114,910	152,934
Due from other funds	79,722	-	79,722
Due from other governmental units	<u>519,642</u>	<u>-</u>	<u>519,642</u>
 Total assets	 <u>\$ 3,665,638</u>	 <u>\$ 570,375</u>	 <u>\$ 4,236,013</u>
Liabilities, deferred inflows of resources and fund balances			
Liabilities			
Accounts payable	\$ 113,331	\$ -	\$ 113,331
Accrued and other liabilities	1,016	-	1,016
Due to other funds	<u>677,664</u>	<u>65,634</u>	<u>743,298</u>
 Total liabilities	 <u>792,011</u>	 <u>65,634</u>	 <u>857,645</u>
 Deferred inflows of resources			
Special assessments	<u>-</u>	<u>78,021</u>	<u>78,021</u>
 Fund balances			
Restricted	2,745,202	426,720	3,171,922
Committed	<u>128,425</u>	<u>-</u>	<u>128,425</u>
 Total fund balances	 <u>2,873,627</u>	 <u>426,720</u>	 <u>3,300,347</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 3,665,638</u>	 <u>\$ 570,375</u>	 <u>\$ 4,236,013</u>

Township of Grosse Ile
Other Supplementary Information
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended March 31, 2016

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Revenue			
Property taxes	\$ 674,905	\$ -	\$ 674,905
Special assessments	-	26,114	26,114
Rental income	130,573	-	130,573
Federal sources	511,104	-	511,104
State sources	80,793	-	80,793
County grant	500,000	-	500,000
Interest income	9,290	9,027	18,317
Total revenue	<u>1,906,665</u>	<u>35,141</u>	<u>1,941,806</u>
Expenditures			
Current			
General government	1,061,526	-	1,061,526
Public safety	649,843	-	649,843
Cultural and recreation	291,821	-	291,821
Debt service	-	223,548	223,548
Total expenditures	<u>2,003,190</u>	<u>223,548</u>	<u>2,226,738</u>
Excess of revenue over (under) expenditures	<u>(96,525)</u>	<u>(188,407)</u>	<u>(284,932)</u>
Other financing sources (uses)			
Transfers in	20,000	167,888	187,888
Transfers out	-	(47,292)	(47,292)
Total other financing sources (uses)	<u>20,000</u>	<u>120,596</u>	<u>140,596</u>
Net change in fund balances	(76,525)	(67,811)	(144,336)
Fund balances - beginning of year	<u>2,950,152</u>	<u>494,531</u>	<u>3,444,683</u>
Fund balances - end of year	<u>\$ 2,873,627</u>	<u>\$ 426,720</u>	<u>\$ 3,300,347</u>

Township of Grosse Ile
Other Supplementary Information
Combining Balance Sheet
Nonmajor Special Revenue Funds
March 31, 2016

	Public Safety Building Maintenance	Drug Law Enforcement	Fire Equipment	Historical Farm	Library Fund	Block Grant Fund	Bicycle Path	Road Improvement Fund	Open Space Fund	Oak River Fund	Total Nonmajor Special Revenue Funds
Assets											
Cash and cash equivalents	\$ 43,130	\$ 756,804	\$ 876,011	\$ 83,164	\$ 117,891	\$ 8,838	\$ 144,408	\$ 95,262	\$ 867,790	\$ 34,952	\$ 3,028,250
Receivables - net	-	4,902	7,836	1,000	6,306	-	1,010	7,125	9,845	-	38,024
Due from other funds	11,903	-	-	2,185	-	-	-	-	-	65,634	79,722
Due from other governmental units	-	-	-	-	-	19,642	-	500,000	-	-	519,642
Total assets	\$ 55,033	\$ 761,706	\$ 883,847	\$ 86,349	\$ 124,197	\$ 28,480	\$ 145,418	\$ 602,387	\$ 877,635	\$ 100,586	\$ 3,665,638
Liabilities and Fund Balances											
Liabilities											
Accounts payable	\$ -	\$ -	\$ 2,516	\$ 1,054	\$ 28,155	\$ -	\$ 74,075	\$ 7,381	\$ 150	\$ -	\$ 113,331
Accrued and other liabilities	-	1,016	-	-	-	-	-	-	-	-	1,016
Due to other funds	-	37,885	-	11,903	-	27,876	-	500,000	-	100,000	677,664
Total liabilities	-	38,901	2,516	12,957	28,155	27,876	74,075	507,381	150	100,000	792,011
Fund balances											
Restricted	-	722,805	881,331	-	96,042	604	71,343	95,006	877,485	586	2,745,202
Committed	55,033	-	-	73,392	-	-	-	-	-	-	128,425
Total fund balances	55,033	722,805	881,331	73,392	96,042	604	71,343	95,006	877,485	586	2,873,627
Total liabilities and fund balances	\$ 55,033	\$ 761,706	\$ 883,847	\$ 86,349	\$ 124,197	\$ 28,480	\$ 145,418	\$ 602,387	\$ 877,635	\$ 100,586	\$ 3,665,638

Township of Grosse Ile
Other Supplementary Information
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended March 31, 2016

	Public Safety Building Maintenance	Drug Law Enforcement	Federal Grant Pass- Through	Fire Equipment	Historical Farm	Library Fund	Block Grant Fund	Bicycle Path	Road Improvement Fund	Open Space Fund	Oak River Fund	Total Nonmajor Special Revenue Funds
Revenue												
Property taxes	\$ -	\$ -	\$ -	\$ 281,045	\$ -	\$ 168,794	\$ -	\$ -	\$ 225,066	\$ -	\$ -	\$ 674,905
Rental income	37,244	-	-	-	93,329	-	-	-	-	-	-	130,573
Federal sources	-	191,881	211,662	-	-	-	107,561	-	-	-	-	511,104
State sources	-	80,793	-	-	-	-	-	-	-	-	-	80,793
County grant	-	-	-	-	-	-	-	-	500,000	-	-	500,000
Interest income	105	2,664	-	1,693	-	-	-	562	238	4,028	-	9,290
Total revenue	37,349	275,338	211,662	282,738	93,329	168,794	107,561	562	725,304	4,028	-	1,906,665
Expenditures - current												
General government	-	-	-	-	-	-	-	100,549	924,964	36,013	-	1,061,526
Public safety	54,371	286,587	211,662	97,223	-	-	-	-	-	-	-	649,843
Cultural and recreation	-	-	-	-	47,558	136,702	107,561	-	-	-	-	291,821
Total expenditures	54,371	286,587	211,662	97,223	47,558	136,702	107,561	100,549	924,964	36,013	-	2,003,190
Excess of revenue over (under) expenditures	(17,022)	(11,249)	-	185,515	45,771	32,092	-	(99,987)	(199,660)	(31,985)	-	(96,525)
Other financing sources												
Transfer in	20,000	-	-	-	-	-	-	-	-	-	-	20,000
Net change in fund balances	2,978	(11,249)	-	185,515	45,771	32,092	-	(99,987)	(199,660)	(31,985)	-	(76,525)
Fund balances - beginning of year	52,055	734,054	-	695,816	27,621	63,950	604	171,330	294,666	909,470	586	2,950,152
Fund balances - end of year	\$ 55,033	\$ 722,805	\$ -	\$ 881,331	\$ 73,392	\$ 96,042	\$ 604	\$ 71,343	\$ 95,006	\$ 877,485	\$ 586	\$ 2,873,627

Township of Grosse Ile
Other Supplementary Information
Combining Balance Sheet
Nonmajor Debt Service Funds
March 31, 2016

	<u>Public Safety Building Debt</u>	<u>1998 SAD Debt</u>	<u>1999 SAD Debt</u>	<u>2004 SAD Debt</u>	<u>Oak River SAD Debt</u>	<u>Total Nonmajor Debt Service Funds</u>
Assets						
Cash and cash equivalents	\$ -	\$ 132,662	\$ 210,080	\$ 79,762	\$ 32,961	\$ 455,465
Receivables - net	-	-	-	78,424	36,486	114,910
Total assets	<u>\$ -</u>	<u>\$ 132,662</u>	<u>\$ 210,080</u>	<u>\$ 158,186</u>	<u>\$ 69,447</u>	<u>\$ 570,375</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,634</u>	<u>\$ 65,634</u>
Deferred inflows of resources						
Special assessments	-	-	-	78,021	-	78,021
Fund balances - restricted	-	132,662	210,080	80,165	3,813	426,720
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 132,662</u>	<u>\$ 210,080</u>	<u>\$ 158,186</u>	<u>\$ 69,447</u>	<u>\$ 570,375</u>

Township of Grosse Ile
Other Supplementary Information
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended March 31, 2016

	Public Safety Building Debt	1998 SAD Debt	1999 SAD Debt	2004 SAD Debt	Oak River SAD Debt	Building Authority	Total Nonmajor Debt Service Funds
Revenue							
Special assessments	\$ -	\$ -	\$ -	\$ 26,114	\$ -	\$ -	\$ 26,114
Interest income	(94)	497	363	5,360	3,082	-	9,208
Other income (expense)	-	-	-	-	-	(181)	(181)
Total revenue	(94)	497	363	31,474	3,082	(181)	35,141
Expenditures - debt service	-	-	-	55,660	-	167,888	223,548
Excess of revenue over (under) expenditures	(94)	497	363	(24,186)	3,082	(168,069)	(188,407)
Other financing sources							
Transfers out	(47,292)	-	-	-	-	-	(47,292)
Transfers in	-	-	-	-	-	167,888	167,888
Total other financing sources (uses)	(47,292)	-	-	-	-	167,888	120,596
Net change in fund balances	(47,386)	497	363	(24,186)	3,082	(181)	(67,811)
Fund balances - beginning of year	47,386	132,165	209,717	104,351	731	181	494,531
Fund balances - end of year	\$ -	\$ 132,662	\$ 210,080	\$ 80,165	\$ 3,813	\$ -	\$ 426,720