

**CHARTER TOWNSHIP OF MARQUETTE, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2014**



TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
<u>BASIC FINANCIAL STATEMENTS</u>	
Government-wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Governmental Funds	
Balance Sheet	17
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balance	19
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances with Statement of Activities	20
Proprietary Funds	
Statement of Net Position	21
Statement of Revenues, Expenses and Changes in Net Position	22
Statement of Cash Flows	23
Fiduciary Funds	
Statement of Fiduciary Net Position	24
Notes to the Financial Statements	25
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Funding Progress	50
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund	51
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Fire Fund	52
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
Nonmajor Governmental Funds	
Combining Balance Sheet – Governmental Funds	54
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	55
Nonmajor Enterprise Funds	
Combining Statement of Net Position – Enterprise Funds	56
Combining Statement of Revenues, Expenses, and Changes in Net Position – Enterprise Funds	57
Combining Statement of Cash Flows – Enterprise Funds	58

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Charter Township of Marquette, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Marquette, Michigan (the "Township") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Marquette, Michigan, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with

auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2015, on our consideration of the Charter Township of Marquette, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charter Township of Marquette, Michigan's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the typed name of the firm.

Gabridge & Company, PLC
Grand Rapids, Michigan
June 1, 2015

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Marquette (the "Township" or "government"), Michigan's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2014. Please read it in conjunction with the financial statements, which begin on page 15.

Financial Highlights

- Net position for the Township as a whole increased by \$1,236,142 as a result of this year's operations. Net position of our business-type activities increased by \$614,013, or 6 percent, and net position of our government activities increased by \$622,129, or 17 percent.
- During the year, the Township had expenses for governmental activities that were \$2,086,055 which is \$622,129 less than the \$2,708,184 generated in total revenue sources and transfers in.
- During the year, the Township had expenses for business-type activities that were \$2,224,009 which is \$614,013 less than the \$2,838,022 generated in total revenue sources and transfers out.
- The general fund reported a net fund balance of \$391,461, which is an increase of \$191,781 as a result of this year's operation.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$381,976, or approximately 17 percent of total general fund expenditures and net transfers out.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The government activities of the Township include legislative, elections, public safety, recreation and culture, community and economic development, and general services and administration. These activities are funded primarily by property taxes, charges for services, and State of Michigan revenue sharing. The business-type activities of the Township include the water system, wastewater system, and solid waste disposal activities and are funded primarily with charges for services.

The government-wide financial statements included not only the Township itself (known as the *primary government*), but also a legally separate downtown development authority (the "DDA"). Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 15-16 of this report.

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

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

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

The Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the fire fund, which are considered to be major funds. Data from the other three governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The Township adopts an annual appropriated budget for its general fund and all of its special revenue funds. A budgetary comparison statement has been provided for the general fund and the fire fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

Proprietary Funds. The Township maintains one type of proprietary fund, known as an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprise funds to account for its wastewater, water, storm water, solid waste, and metro funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the wastewater and water funds, both of which are considered to be major funds of the Township. Data from the other three proprietary funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements in the combining and individual fund statements and schedule section of this report.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

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

The Township maintains one type of fiduciary fund, known as an agency fund. The *agency funds* report resources held by the Township in a custodial capacity for individuals, private organizations and other governments.

The fiduciary fund financial statement can be found on page 24 of this report.

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

The notes to the financial statements can be found on pages 25-48 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Township's progress in funding its obligation to provide pension benefits to its employees, as well as budgetary comparison schedules for the Township's general fund and its major special revenue funds.

Required supplementary information can be found on pages 50-52 of this report.

The combining statements in connection with the Township's nonmajor funds are presented immediately following the required supplementary information.

Combining and individual fund statements and schedules can be found on pages 54-58 of this report.

Government-wide Overall Financial Analysis

The following table provides a summary of the Township's net position as of December 31, 2014 and 2013.

Charter Township of Marquette Statement of Net Position for Fiscal Years Ended December 31, 2014 and December 31, 2013

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
ASSETS						
<i>Current Assets</i>						
Cash & Cash Equivalents	\$ 1,691,633	\$ 1,478,233	\$ 1,935,230	\$ 2,392,107	\$ 3,626,863	\$ 3,870,340
Receivables (Net)	81,491	67,965	174,128	61,855	255,619	129,820
Special Assessments	-	-	249,172	61,952	249,172	61,952
Taxes Receivable	1,747,683	1,880,617	-	-	1,747,683	1,880,617
Intergovernmental Receivables	8,936	9,032	-	-	8,936	9,032
Prepaid Items	17,703	22,812	32,755	20,889	50,458	43,701
Total Current Assets	3,547,446	3,458,659	2,391,285	2,536,803	5,938,731	5,995,462
<i>Noncurrent Assets</i>						
Cash - Restricted	-	-	251,174	243,868	251,174	243,868
Capital Assets (Net)	7,477,264	7,223,012	12,531,555	11,039,815	20,008,819	18,262,827
Total Assets	11,024,710	10,681,671	15,174,014	13,820,486	26,198,724	24,502,157
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	75,552	64,624	55,536	68,247	131,088	132,871
Customer Deposits	12,100	12,000	92,407	88,829	104,507	100,829
Accrued Payroll & Related Liabilities	22,703	17,062	19,171	13,325	41,874	30,387
Current Portion of Long-term Debt	328,180	233,675	374,086	313,000	702,266	546,675
Accrued Interest Payable	91,412	25,321	31,203	26,536	122,615	51,857
Internal Balances	174,195	183,279	(174,195)	(183,279)	-	-
Total Current Liabilities	704,142	535,961	398,208	326,658	1,102,350	862,619
<i>Noncurrent Liabilities</i>						
Compensated Absences	55,357	77,382	32,492	46,842	87,849	124,224
Long-term Debt	3,948,365	4,400,139	3,866,082	3,179,000	7,814,447	7,579,139
Total Liabilities	4,707,864	5,013,482	4,296,782	3,552,500	9,004,646	8,565,982
DEFERRED INFLOWS OF RESOURCES						
Taxes Levied for a Subsequent Period	2,113,355	2,086,827	46,085	50,852	2,159,440	2,137,679
Total Deferred Inflows of Resources	2,113,355	2,086,827	46,085	50,852	2,159,440	2,137,679
NET POSITION						
Net Investment in Capital Assets	3,200,719	2,589,198	8,291,387	7,547,814	11,492,106	10,137,012
Restricted	402,577	552,596	251,174	243,868	653,751	796,464
Unrestricted	600,195	439,568	2,288,586	2,425,452	2,888,781	2,865,020
Total Net Position	\$ 4,203,491	\$ 3,581,362	\$ 10,831,147	\$ 10,217,134	\$ 15,034,638	\$ 13,798,496

Governmental Activities. Total net position of the Township's governmental activities stood at \$4,203,491 as of December 31, 2014.

Unrestricted net position – the part of net position that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$600,195 as of December 31, 2014. The \$600,195 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the general fund will have a significant impact on the unrestricted net position from year to year.

The increase in government capital assets for 2014 was primarily related to the purchase of land to expand the Community Center parking lot and associated land improvements. Construction is in progress on a warming building for the Lions Field ice rink.

Net receivables decreased 15% from the prior year, due to the reclassification of library taxes collected to a separate fund, offset by a large fire rescue billing for December services.

Accounts payable increased by 17%, mainly due to costs involved in the Lions Field ice rink building.

Business-type Activities. The net position of our business-type activities stood at \$10,831,147 as of December 31, 2014. The Township can generally only use this portion of net position to finance continuing operations of the water system, wastewater system, and the solid waste disposal.

The business-type activities completed the construction of a public works facility in September of 2014.

The results of this year's operations for the Township as a whole are reported in the statement of activities. The following table shows the changes in net position for the fiscal years 2014 and 2013.

Charter Township of Marquette
Change in Net Position for Fiscal Years Ended December 31, 2014 and December 31, 2013

	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2014	2013	2014	2013	2014	2013
Revenue						
Program Revenues						
Charges for Services	\$ 41,337	\$ 25,146	\$ 2,860,599	\$ 2,566,483	\$ 2,901,936	\$ 2,591,629
Operating Grants & Contributions	6,482	32,317	5,195	4,977	11,677	37,294
Capital Grants & Contributions	100,000	-	-	-	100,000	-
Total Program Revenues	147,819	57,463	2,865,794	2,571,460	3,013,613	2,628,923
General Revenues						
Taxes	2,164,620	2,034,594	-	-	2,164,620	2,034,594
State Sources	298,355	290,297	-	-	298,355	290,297
Gain on Sale of Assets	-	219,556	-	-	-	219,556
Other	17,863	36,006	-	-	17,863	36,006
Investment Income	44,527	43,456	7,228	14,191	51,755	57,647
Total General Revenues	2,525,365	2,623,909	7,228	14,191	2,532,593	2,638,100
Total Revenues	2,673,184	2,681,372	2,873,022	2,585,651	5,546,206	5,267,023
Expenses						
Legislative	68,449	71,366	-	-	68,449	71,366
General Services & Administration	843,289	921,782	-	-	843,289	921,782
Public Safety	757,591	757,024	-	-	757,591	757,024
Public Works	62,523	37,923	-	-	62,523	37,923
Community & Economic Development	13,599	10,242	-	-	13,599	10,242
Recreation & Culture	252,390	217,198	-	-	252,390	217,198
Interest on Long-term Debt	88,214	67,220	-	-	88,214	67,220
Wastewater Fund	-	-	845,335	666,856	845,335	666,856
Solid Waste Fund	-	-	337,028	310,369	337,028	310,369
Water Fund	-	-	1,017,418	1,086,968	1,017,418	1,086,968
Storm Water Fund	-	-	23,776	-	23,776	-
Metro Fund	-	-	452	-	452	-
Total Expenses	2,086,055	2,082,755	2,224,009	2,064,193	4,310,064	4,146,948
Transfers In (Out)	35,000	35,000	(35,000)	(35,000)	-	-
Change in Net Position	622,129	633,617	614,013	486,458	1,236,142	1,120,075
<i>Net Position at the Beginning of Period</i>	<i>3,581,362</i>	<i>2,947,745</i>	<i>10,217,134</i>	<i>9,730,676</i>	<i>13,798,496</i>	<i>12,678,421</i>
Net Position at the End of Period	\$ 4,203,491	\$ 3,581,362	\$10,831,147	\$10,217,134	\$15,034,638	\$13,798,496

The Charter Township of Marquette's total revenues were \$5,546,206 during the year. The cost of all programs and services was \$4,310,064, leaving an increase in net position of \$1,236,142. Our analysis below separately considers the operations of governmental and business-type activities:

- Charges for services increased (government) due to higher fire department rescue services revenue over previous years. Other revenue reflected a \$100,000 grant from the Marquette Community Fund (Cliffs/Eagle Mine) to help build the Lions Field Ice Rink warming building.

- General services and administration decreased in 2014 due to lower tax tribunal expenses, offset by higher building and grounds expenses (two part time employees converted to full time status).
- Public safety expenses decreased due to lower fire department vehicle maintenance costs and lower utility costs. In 2013, the fire department incurred the utility costs for the new fire hall and old fire hall until the property was transferred to the DPW.
- Charges for services increased (business-type) due to 32 sewer connection fees paid for the Trowbridge Sewer project and a reimbursement from the State of Michigan for \$100,000 to assist in the costs of the freeze-ups during the harsh winter. Extensive overtime was involved, as well as the purchase of supply and repair items. Over \$113,000 was expended for the five months of the extraordinary activity.
- The interest on long-term debt increased due to the completion of the DPW building and the accrued interest costs. The loan total amounted to \$1,146,046.
- Wastewater fund expenses increased 26 percent due to the costs of the aforementioned freeze-ups and interest related to the public works facility loan. However, the sewer plant flow costs decreased by 33 percent.
- Water fund expenses decreased 7 percent due to the lower cost of attorney and professional fees involved in the water well construction project (63 percent lower), offset by the above freeze-up costs and interest.

Financial Analysis of Governmental Funds

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

Governmental Funds. Our analysis of the Township's major funds begins on page 17. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The 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 governmental funds include the general and fire funds.

The governmental funds had an overall net increase in fund balance for the year of \$54,674.

Revenues

Highlighting the increase was an increase in taxable income, as well as fire department charges for services rendered.

Expenditures

Major increases over 2013 include tax tribunal expenses and debt service, offset by lower capital expenditures.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$381,976, while total fund balance increased to \$391,461. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 18 percent of total general fund expenditures while total fund balance represents approximately 19 percent of that same amount.

The fire fund, a major fund, had a \$150,019 decrease in the fund balance during the current fiscal year which put the overall fund balance at \$402,577 as of December 31, 2014.

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

Unrestricted net position of the wastewater fund at the end of the year was \$1,456,750, and for the water fund was \$433,992. The total growth in the net position for both funds was \$469,525 and \$150,095, respectively.

General Fund Budgetary Highlights

Original budget compared to final budget. Over the course of the year, the Township revised the budget; actual charges to expenditures were \$128,434 less than the budget; conversely, the revenues and other financing sources were \$15,887 more than the budget projection.

Budget amendments made in 2014 reflected:

- Revenues - a grant of \$100,000 for the Lions Field ice rink building, \$275,000 for loan proceeds for the purchase of land for the Community Center parking lot and the land improvements, offset by lower than projected Community Center rental revenue of \$15,600.
- Expenditures – the above-mentioned parking lot and land improvements, employee year-end vacation overage payouts, the Lions Field ice rink building and various smaller adjustments for supplies and services.

Final budget compared to actual results. The primary variances between the final amended budget and actual are as follows:

- Revenues – The actual revenues were slightly higher than the final budget (.64 percent), due to the CATV franchise fee being higher, offset by lower interest income.

- Expenditures – The actual expenditures closely followed the budget except the following areas were lower: attorney services, building and grounds employees, capital (other and recreation).

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014 and 2013, the Township had \$20,008,819 and \$18,262,827 invested in a variety of capital assets including land and improvements, buildings and improvements, and other equipment (See table below).

	2014	2013
Construction in Progress	\$ 1,332,185	\$ 829,363
Land	2,131,787	1,930,328
Land Improvements	663,816	587,498
Investment in WW Treatment Facility	298,684	298,684
Buildings and Improvements	6,965,257	5,214,820
Vehicles	159,916	115,872
Furniture and Equipment	340,825	327,269
Infrastructure	8,094,004	8,928,353
Investment in MCSWF	22,345	30,640
<i>Totals</i>	<u>\$ 20,008,819</u>	<u>\$ 18,262,827</u>

There were additions of \$2,308,277 during the current fiscal year, which included \$1,889,490 for the public works building. Further details on capital assets can be found in the notes to the financial statements.

Long-term Debt

At the end of fiscal year 2014 and 2013, The Township had \$8,516,713 and \$8,125,814 in debt outstanding as depicted in the table on the following page.

	2014	2013
2004 Land Purchase Note	\$ 156,800	\$ 196,000
Cornerstone Property Note	146,632	177,126
Werner Street Construction	168,713	332,462
Water Land Purchase Note	96,000	112,000
DWRF Bond	2,710,000	2,930,000
Grandview Project Bond	125,000	140,000
Harglo Settlement	248,000	310,000
Township Hall Parking Lot	189,400	-
Public Works Facility	1,061,168	-
Township & Fire Hall Note	3,615,000	3,928,226
<i>Totals</i>	\$ 8,516,713	\$ 8,125,814

Principal payments for the year were \$1,026,920. New loan proceeds during the year totaled \$1,417,820. Further details on long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

In preparing the Charter Township of Marquette, Michigan's budget for the year ending December 31, 2015, the Township considered the following issues: State revenue sharing and property tax revenues and corresponding expenditures; DPW rates and the necessary maintenance and capital expenditures in addition to the normal operating costs.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the accountability for the money it receives. If you have questions about this report or need additional information, contact the Charter Township of Marquette, 1000 Commerce Drive, Marquette, Michigan 49855.

Charter Township of Marquette, Michigan
Statement of Net Position
December 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash & Cash Equivalents	\$ 1,691,633	\$ 1,935,230	\$ 3,626,863	\$ 15,956
Receivables (Net)	81,491	174,128	255,619	--
Special Assessments	--	249,172	249,172	--
Taxes Receivable	1,747,683	--	1,747,683	--
Intergovernmental Receivables	8,936	--	8,936	--
Prepaid Items	17,703	32,755	50,458	--
Total Current Assets	3,547,446	2,391,285	5,938,731	15,956
<i>Noncurrent Assets</i>				
Restricted Cash	--	251,174	251,174	--
Capital Assets (Net)	7,477,264	12,531,555	20,008,819	--
Total Assets	11,024,710	15,174,014	26,198,724	15,956
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	75,552	55,536	131,088	--
Customer Deposits	12,100	92,407	104,507	--
Accrued Payroll & Related Liabilities	22,703	19,171	41,874	--
Current Portion of Long-term Debt	328,180	343,003	671,183	--
Accrued Interest Payable	91,412	31,203	122,615	--
Internal Balances	174,195	(174,195)	--	--
Total Current Liabilities	704,142	367,125	1,071,267	--
<i>Noncurrent Liabilities</i>				
Compensated Absences	55,357	32,492	87,849	--
Long-term Debt	3,948,365	3,897,165	7,845,530	--
Total Liabilities	4,707,864	4,296,782	9,004,646	--
DEFERRED INFLOWS OF RESOURCES				
Taxes / Assessments Levied for a Subsequent Period	2,113,355	46,085	2,159,440	--
Total Deferred Inflows of Resources	2,113,355	46,085	2,159,440	--
NET POSITION				
Net Investment in Capital Assets	3,200,719	8,291,387	11,492,106	--
<i>Restricted for:</i>				
Debt Service	--	251,174	251,174	--
Public Safety	402,577	--	402,577	--
<i>Unrestricted</i>	600,195	2,288,586	2,888,781	15,956
Total Net Position	\$ 4,203,491	\$ 10,831,147	\$ 15,034,638	\$ 15,956

The Notes to the Financial Statements are an integral part of these Financial Statements

Charter Township of Marquette, Michigan
Statement of Activities
For the Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities:								
Legislative	\$ 68,449	\$ --	\$ --	\$ --	\$ (68,449)	\$ --	\$ (68,449)	\$ --
General Services & Administration	843,289	9,587	500	100,000	(733,202)	--	(733,202)	--
Public Safety	757,591	26,545	5,982	--	(725,064)	--	(725,064)	--
Public Works	62,523	--	--	--	(62,523)	--	(62,523)	--
Community & Economic Development	13,599	5,095	--	--	(8,504)	--	(8,504)	--
Recreation & Culture	252,390	110	--	--	(252,280)	--	(252,280)	--
Interest on Long-term Debt	88,214	--	--	--	(88,214)	--	(88,214)	--
Total Governmental Activities	2,086,055	41,337	6,482	100,000	(1,938,236)	--	(1,938,236)	--
Business-type Activities:								
Storm Water Fund	23,776	--	--	--	--	(23,776)	(23,776)	--
Wastewater Fund	845,335	1,324,554	--	--	--	479,219	479,219	--
Solid Waste Fund	337,028	349,498	--	--	--	12,470	12,470	--
Metro Fund	452	--	5,195	--	--	4,743	4,743	--
Water Fund	1,017,418	1,186,547	--	--	--	169,129	169,129	--
Total Business-type Activities	2,224,009	2,860,599	5,195	--	--	641,785	641,785	--
Total Primary Government	\$ 4,310,064	\$ 2,901,936	\$ 11,677	\$ 100,000	\$ (1,938,236)	\$ 641,785	\$ (1,296,451)	--
Component Unit								
DDA	\$ --	\$ --	\$ --	\$ --	--	--	--	--
Total Component Unit	\$ --	\$ --	\$ --	\$ --	--	--	--	--
General Purpose Revenues and Transfers:								
Revenues								
Taxes					2,164,620	--	2,164,620	--
State Sources					298,355	--	298,355	--
Other					17,863	--	17,863	--
Investment Income					44,527	7,228	51,755	8
Transfers					35,000	(35,000)	--	--
Total General Revenues and Transfers					2,560,365	(27,772)	2,532,593	8
Change in Net Position					622,129	614,013	1,236,142	8
<i>Net Position at Beginning of Period</i>					3,581,362	10,217,134	13,798,496	15,948
<i>Net Position at End of Period</i>					\$ 4,203,491	\$ 10,831,147	\$ 15,034,638	\$ 15,956

The Notes to the Financial Statements are an integral part of these Financial Statements

Charter Township of Marquette, Michigan
Balance Sheet
Governmental Funds
December 31, 2014

	<u>Special Revenue</u>			Total Governmental Funds
	<u>General</u>	<u>Fire Fund</u>	<u>Other Governmental Funds</u>	
ASSETS				
Cash & Cash Equivalents	\$ 796,788	\$ 503,754	\$ 391,091	\$ 1,691,633
Receivables (Net)	72,721	8,770	--	81,491
Taxes Receivable	1,114,479	456,506	176,698	1,747,683
Intergovernmental Receivables	8,936	--	--	8,936
Prepaid Expenditures	9,485	8,218	--	17,703
<i>Total Assets</i>	<u>\$ 2,002,409</u>	<u>\$ 977,248</u>	<u>\$ 567,789</u>	<u>\$ 3,547,446</u>
LIABILITIES				
Accounts Payable	\$ 60,724	\$ 14,828	\$ --	\$ 75,552
Customer Deposits	12,100	--	--	12,100
Accrued Payroll & Related Liabilities	15,758	6,945	--	22,703
Due to Other Funds	174,195	--	--	174,195
<i>Total Liabilities</i>	<u>262,777</u>	<u>21,773</u>	<u>--</u>	<u>284,550</u>
DEFERRED INFLOWS OF RESOURCES				
Taxes Levied for a Subsequent Period	1,348,171	552,898	212,286	2,113,355
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>1,610,948</u>	<u>574,671</u>	<u>212,286</u>	<u>2,397,905</u>
FUND BALANCE				
Nonspendable	9,485	8,218	--	17,703
Restricted	--	394,359	--	394,359
Assigned	--	--	355,503	355,503
Unassigned	381,976	--	--	381,976
<i>Total Fund Balance</i>	<u>391,461</u>	<u>402,577</u>	<u>355,503</u>	<u>1,149,541</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 2,002,409</u>	<u>\$ 977,248</u>	<u>\$ 567,789</u>	<u>\$ 3,547,446</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Charter Township of Marquette, Michigan
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2014

Total Fund Balance - Governmental Funds	\$ 1,149,541
General government capital assets of \$9,353,061, net of accumulated depreciation of \$1,875,797, are not financial resources and, accordingly, are not reported in the funds	7,477,264
Long-term liabilities, including related accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds	(4,367,957)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds	(55,357)
Total Net Position - Governmental Funds	\$ <u>4,203,491</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Charter Township of Marquette, Michigan
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2014

	<u>Special Revenue</u>			<u>Total Governmental Funds</u>
	<u>General</u>	<u>Fire Fund</u>	<u>Other Governmental Funds</u>	
Revenues				
Taxes	\$ 1,622,535	\$ 542,085	\$ --	\$ 2,164,620
Licenses & Permits	10,855	794	--	11,649
State Sources	298,355	--	4,946	303,301
Other Grants	100,000	--	--	100,000
Charges for Services	3,937	25,431	--	29,368
Interest & Rents	43,858	519	150	44,527
Contributions	500	1,036	--	1,536
Other	17,863	320	--	18,183
Total Revenues	<u>2,097,903</u>	<u>570,185</u>	<u>5,096</u>	<u>2,673,184</u>
Expenditures				
Legislative	68,449	--	--	68,449
General Services & Administration	748,268	--	--	748,268
Public Safety	279,676	371,254	--	650,930
Public Works	21,539	--	37,238	58,777
Community & Economic Development	13,599	--	--	13,599
Recreation & Culture	250,735	--	--	250,735
Capital Outlay	467,810	15,550	--	483,360
Debt Service - Principal	215,295	250,000	163,748	629,043
Debt Service - Interest	12,044	--	10,079	22,123
Total Expenditures	<u>2,077,415</u>	<u>636,804</u>	<u>211,065</u>	<u>2,925,284</u>
Excess of Revenues Over (Under) Expenditures	<u>20,488</u>	<u>(66,619)</u>	<u>(205,969)</u>	<u>(252,100)</u>
Other Financing Sources (Uses)				
Issuance of Long-term Debt	271,774	--	--	271,774
Transfers from Other Funds	123,946	600	223,827	348,373
Transfers to Other Funds	(224,427)	(84,000)	(4,946)	(313,373)
Net Other Financing Sources (Uses)	<u>171,293</u>	<u>(83,400)</u>	<u>218,881</u>	<u>306,774</u>
Net Change in Fund Balance	191,781	(150,019)	12,912	54,674
Fund Balance at Beginning of Period	<u>199,680</u>	<u>552,596</u>	<u>342,591</u>	<u>1,094,867</u>
Fund Balance at End of Period	<u>\$ 391,461</u>	<u>\$ 402,577</u>	<u>\$ 355,503</u>	<u>\$ 1,149,541</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Charter Township of Marquette, Michigan
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended December 31, 2014

Total Net Change in Fund Balances - Governmental Funds	\$	54,674
<p>Long-term debt payments are reported as financing uses in the governmental funds and thus contribute to the change in fund balance. However, debt payments reduce long-term debt on the statement of net position. This represents the amount of principal payment made during the year on long-term debt</p>		
		629,043
<p>Expenses in the statement of activities are reported when incurred. However, if they are not to be paid using current financial resources, they are not recorded in the fund statements. This represents the increase in accrued interest payable of \$66,091 and the decrease in compensated absences of \$22,025.</p>		
		(44,066)
<p>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. This amount represents capital outlay expenditures of \$483,360 less depreciation expense of \$229,108.</p>		
		254,252
<p>Proceeds from issuance of note payable are reported as other financing sources in the fund statements, but are reported as liabilities in the statement of net position</p>		
		(271,774)
Changes in Net Position - Governmental Funds	\$	<u>622,129</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Charter Township of Marquette, Michigan
Statement of Net Position
Proprietary Funds
December 31, 2014

	Business-type Activities - Enterprise Funds			
	Wastewater Fund	Water Fund	Other Enterprise Funds	Total Enterprise Funds
ASSETS				
<i>Current Assets</i>				
Cash & Cash Equivalents	\$ 1,190,287	\$ 517,687	\$ 227,256	\$ 1,935,230
Receivables (Net)	78,183	72,047	23,898	174,128
Special Assessments	199,871	49,301	--	249,172
Prepaid Items	27,304	5,407	44	32,755
Due from Other Funds	--	--	174,195	174,195
Total Current Assets	1,495,645	644,442	425,393	2,565,480
<i>Noncurrent Assets</i>				
Restricted Cash	130,166	121,008	--	251,174
Capital Assets (Net)	4,681,518	7,790,144	59,893	12,531,555
Total Assets	6,307,329	8,555,594	485,286	15,348,209
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	16,745	27,300	11,491	55,536
Customer Deposits	--	76,982	15,425	92,407
Accrued Payroll & Related Liabilities	8,963	9,575	633	19,171
Current Portion of Long-term Debt	17,501	325,502	--	343,003
Accrued Interest Payable	--	31,203	--	31,203
Total Current Liabilities	43,209	470,562	27,549	541,320
<i>Noncurrent Liabilities</i>				
Compensated Absences	13,092	19,400	--	32,492
Long-term Debt	513,083	3,384,082	--	3,897,165
Total Liabilities	569,384	3,874,044	27,549	4,470,977
DEFERRED INFLOWS OF RESOURCES				
Assessments Levied for a Subsequent Period	95	45,990	--	46,085
Total Deferred Inflows of Resources	95	45,990	--	46,085
NET POSITION				
Net Investment in Capital Assets	4,150,934	4,080,560	59,893	8,291,387
<i>Restricted for:</i>				
Debt Service	130,166	121,008	--	251,174
<i>Unrestricted</i>	1,456,750	433,992	397,844	2,288,586
Total Net Position	\$ 5,737,850	\$ 4,635,560	\$ 457,737	\$ 10,831,147

The Notes to the Financial Statements are an integral part of these Financial Statements

Charter Township of Marquette, Michigan
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2014

	Business-type Activities - Enterprise Funds			
	Wastewater Fund	Water Fund	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues				
State Sources	\$ --	\$ --	\$ 5,195	\$ 5,195
Charges for Services	915,794	770,634	238,557	1,924,985
Permits, Fees & Special Assessments	6,922	10,996	2,297	20,215
Other	64,728	83,402	83,872	232,002
Total Operating Revenues	987,444	865,032	329,921	2,182,397
Operating Expenses				
Legislative	--	--	23,776	23,776
Personnel Services	311,737	373,980	26,040	711,757
Supplies	19,555	20,163	478	40,196
Other Services & Charges	363,966	334,406	302,169	1,000,541
Depreciation Expense	134,961	189,468	8,748	333,177
Total Operating Expenses	830,219	918,017	361,211	2,109,447
Operating Income (Loss)	157,225	(52,985)	(31,290)	72,950
Non-Operating Revenues (Expenses)				
Investment Income	2,306	3,966	956	7,228
Debt Service Fee	96,728	284,242	24,772	405,742
Connection Fees	240,382	37,273	--	277,655
Interest Expense	(15,116)	(99,401)	(45)	(114,562)
Net Non-Operating Revenues (Expenses)	324,300	226,080	25,683	576,063
Income Before Contributions and Transfers	481,525	173,095	(5,607)	649,013
Transfers from Other Funds	--	--	--	--
Transfers to Other Funds	(12,000)	(23,000)	--	(35,000)
Change In Net Position	469,525	150,095	(5,607)	614,013
<i>Net Position at Beginning of Period</i>	5,268,325	4,485,465	463,344	10,217,134
Net Position at End of Period	\$ 5,737,850	\$ 4,635,560	\$ 457,737	\$ 10,831,147

The Notes to the Financial Statements are an integral part of these Financial Statements

Charter Township of Marquette, Michigan
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

	Business-type Activities - Enterprise Funds			
	Wastewater Fund	Water Fund	Other Enterprise Funds	Total Enterprise Funds
Cash Flows from Operating Activities				
Cash Received from Charges for Service	\$ 858,247	\$ 711,207	\$ 243,258	\$ 1,812,712
Cash Received from Permits, Fees and Special Assessments	(179,273)	14,738	2,297	(162,238)
Cash Received from Miscellaneous Income	64,728	83,402	89,067	237,197
Cash Payments for Wages and Benefits	(314,746)	(375,908)	(49,805)	(740,459)
Cash Payments to Suppliers for Goods and Services	(402,146)	(361,524)	(301,644)	(1,065,314)
Total Cash Flows from Operating Activities	26,810	71,915	(16,827)	81,898
Cash Flows from Non-capital Financing Activities				
Transfers from (to) Other Funds	(12,000)	(23,000)	-	(35,000)
Change in Interfund Obligations	17,452	(17,452)	9,084	9,084
Total Cash Flows from Non-capital Financing Activities	5,452	(40,452)	9,084	(25,916)
Cash Flows from Capital and Related Financing Activities				
Cash Received from Connection Fees	240,382	37,273	-	277,655
Proceeds from Debt Service	96,728	284,242	24,772	405,742
Purchase of Capital Assets	(1,165,094)	(621,783)	(37,999)	(1,824,876)
Interest Payments on Debt	(15,116)	(104,309)	(45)	(119,470)
Principal Payments on Debt	-	(397,878)	-	(397,878)
Proceeds from New Debt	513,083	632,963	-	1,146,046
Total Cash Flows from Capital and Related Financing Activities	(330,017)	(169,492)	(13,272)	(512,781)
Cash Flows from Investing Activities				
Interest Earned	2,306	3,966	956	7,228
Total Cash Flows from Investing Activities	2,306	3,966	956	7,228
Net Increase (Decrease) in Cash and Cash Equivalents	(295,449)	(134,063)	(20,059)	(449,571)
Cash and Cash Equivalents - Beginning of Year	1,615,902	772,758	247,315	2,635,975
Cash and Cash Equivalents - End of Year	\$ 1,320,453	\$ 638,695	\$ 227,256	\$ 2,186,404
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 157,225	\$ (52,985)	\$ (31,290)	\$ 72,950
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	134,961	189,468	8,748	333,177
Changes in Assets and Liabilities				
Receivables (Net)	(57,547)	(59,427)	4,701	(112,273)
Special Assessments	(186,195)	3,742	-	(182,453)
Prepaid Items	(20,017)	7,987	164	(11,866)
Accounts Payable	1,392	(14,942)	839	(12,711)
Accrued Expenses and Other Liabilities	(3,009)	(1,928)	11	(4,926)
Net Cash Provided by Operating Activities	\$ 26,810	\$ 71,915	\$ (16,827)	\$ 81,898

The Notes to the Financial Statements are an integral part of these Financial Statements

Charter Township of Marquette, Michigan
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2014

	Agency	
	Trust & Agency	Tax Collection
ASSETS		
Cash & Cash Equivalents	\$ 60,069	\$ 1,072,739
Prepaid Expenditures	436	--
<i>Total Assets</i>	60,505	1,072,739
LIABILITIES		
Due to Other Funds	60,505	1,072,739
<i>Total Liabilities</i>	60,505	1,072,739
NET POSITION		
Held in Trust	\$ --	\$ --

The Notes to the Financial Statements are an integral part of these Financial Statements

Charter Township of Marquette, Michigan

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Marquette (the “Township” or “government”) 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 Charter Township of Marquette.

Reporting Entity

The Charter Township of Marquette is governed by an elected seven member board. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

Discretely Presented Component Unit - The Township discretely presents one component unit in these financial statements, the Downtown Development Authority. The Downtown Development Authority was created to promote economic growth within the township. The Authority’s governing body, which consists of five individuals, is selected by the Charter Township of Marquette. In addition, the Authority’s budget is subject to approval by the Charter Township of Marquette.

Jointly Governed Organizations

Marquette County Solid Waste Management Authority - In June 1988, The Charter Township of Marquette joined with 19 other municipalities to create the Marquette County Solid Waste Management Authority (“Authority”). Please read Note 10 for more information.

Marquette Area Wastewater Treatment Facility - On April 7, 1977, and May 31, 1983 the Charter Township of Chocolay, The City of Marquette, and the Charter Township of Marquette entered into contracts to construct and operate a secondary wastewater treatment facility to be known as the “Marquette Area Wastewater Treatment Facility”. Under those agreements the Township of Chocolay owns 14.7% of the facility, the Township of Marquette would own 5.5% and the City of Marquette would own 79.8%. Please read Note 11 for more information.

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. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Charter Township of Marquette, Michigan

Notes to the Financial Statements

identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The government reports the following major governmental funds:

The ***general fund*** is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

The *fire fund* accounts for the activity of the government's operating costs of fire protection and response services.

The government reports the following major proprietary funds:

The *wastewater fund* accounts for the operation of the Township's wastewater system.

The *water fund* accounts for the operation of the Township's water mains and pumping facilities.

Additionally, the government reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The *agency funds* account for the collection and disbursements of taxes and other monies due to other units of government and individuals.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgetary Basis of Accounting

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

Charter Township of Marquette, Michigan

Notes to the Financial Statements

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

1. The Manager submits to the Township Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Township Hall to obtain taxpayer comment.
3. Pursuant to statute, prior to December 31 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
4. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Township of Marquette, Michigan Board of Trustees, through policy action, specifically directs the manager not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
5. The Manager is authorized by means of Township policy to make certain transfers:
 - a. The Manager receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or group(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.
 - b. The following considerations must be reviewed in determination of transfer approvals:
 - i. Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
 - ii. Will the transfer maintain the financial integrity of the Township?
 - iii. Will the transfer provide a reasonable solution to the departmental operating problem?

Charter Township of Marquette, Michigan

Notes to the Financial Statements

6. Considering the above, the Manager will then decide whether or not the transfer should be made.
7. Supplemental appropriations are submitted to and reviewed by the Manager and submitted to the Township Board of Trustees for their review and approval. If approved, they are implemented by the Manager through a budget revision.
8. The Township of Marquette, Michigan adopts its annual budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary controls exist at the most detailed level adopted by the Board of Trustees (i.e.) department for analytical purposes. A detailed line item breakdown is prepared for each program.
9. Budgets for the general fund and special revenue funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the financial report are as originally adopted and/or amended by the Township Board of Trustees.

Assets, Liabilities, Deferred Inflows of Resources, and Equity

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to the general fund.

Receivables and Payables

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

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

Although the Charter Township of Marquette 2014 ad valorem tax is levied and collectible on December 1, 2014, it is the Charter Township of Marquette’s policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for the financing of operations. Available means collected within the current period or

Charter Township of Marquette, Michigan

Notes to the Financial Statements

expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

Prepaid Items

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

Restricted Assets

The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service, operations, and maintenance and a bond reserve. These amounts have been classified as restricted assets.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Charter Township of Marquette as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated market value on the date of donation.

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

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there was no interest expense capitalized as part of the cost of assets under construction.

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

Buildings	40 Years
Building Improvements	25 - 40 Years
Water and Sewage System	50 Years
Infrastructure	5 - 50 Years
Equipment	3 - 10 Years

Charter Township of Marquette, Michigan

Notes to the Financial Statements

Compensated Absences (Vacation and Sick Leave)

It is the Township's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees who terminate their employment after one year of service in good standing and with proper notice will be eligible for a cash bonus of fifty percent of sick leave accrual, providing he/she has accumulated a minimum of ten days. Payment will be made to a maximum of sixty days or the employee may elect the option to freeze his/her sick leave accrual at the time of termination and have it restored if the employee is reemployed within three calendar years from the date of termination. Sick leave will not accrue on terminal leave.

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 and business-type activities or proprietary fund type statement of net assets. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. For new bond issuances of governmental funds after the implementation of GASB Statement No. 34 and all proprietary fund bond issues, bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Township reports property tax and special assessment revenues in this category. Property tax and special assessment revenues, which are levied to finance the following period's budget, is deferred and recognized as an inflow of resources in the period that it was intended to finance.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Township Board is the highest level of decision-making authority for the government that can, by adoption of a motion or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the motion or resolution remains in place until a similar action is taken (the adoption of another ordinance or resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Township Board has authorized the Township Manager to assign fund balance. The Township Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action

Charter Township of Marquette, Michigan

Notes to the Financial Statements

does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through June 1, 2015, which is the date the financial statements were available to be issued.

Note 2 - Excess of Expenditures Over Budget

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended December 31, 2014, the Township had no expenditures in excess of the amount appropriated.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

Note 3 – Deposits and Investments

Following is a reconciliation of deposit balances as of December 31, 2014:

	Primary Government	Component Unit	Totals
	<u> </u>	<u> </u>	<u> </u>
Statement of Net Position			
Cash & Cash Equivalents	\$ 3,626,863	\$ 15,956	\$ 3,642,819
Restricted Cash	251,174	-	251,174
Statement of Fiduciary Net Position			
Cash & Cash Equivalents	<u>1,132,808</u>	<u>-</u>	<u>1,132,808</u>
Total Deposits and Investments	<u>5,010,845</u>	<u>15,956</u>	<u>5,026,801</u>
	Deposits and Investments		
			\$ 3,766,283
			1,259,818
			<u>700</u>
			<u>\$ 5,026,801</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Township’s deposits might not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year-end, \$2,683,920 of the Township’s bank balance of \$4,936,914 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Township believes it is impractical to insure all bank 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.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Township’s investment policy does not have specific limits in excess of state law on investment credit risk.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

Interest Rate Risk. Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Township’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Certificates of deposits mature as follows:

<u>Maturity</u>	
Less than 1 Year	\$ 1,158,612
1 - 5 Years	101,206
Total	\$ 1,259,818

Note 4 - Receivables

Receivables as of year-end for the government’s individual major and non-major funds, including the applicable allowances for uncollectible accounts, were as follows:

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Library Fund</u>	<u>Wastewater Treatment Fund</u>	<u>Solid Waste Fund</u>	<u>Water Fund</u>	<u>Total</u>
Accounts Receivable	\$ 72,721	\$ 8,770	\$ -	\$ 78,183	\$ 23,898	\$ 72,047	\$ 255,619
Taxes Receivable	1,114,479	456,506	176,698	-	-	-	1,747,683
Special Assessments	-	-	-	199,871	-	49,301	249,172
	<u>\$ 1,187,200</u>	<u>\$ 465,276</u>	<u>\$ 176,698</u>	<u>\$ 278,054</u>	<u>\$ 23,898</u>	<u>\$ 121,348</u>	<u>\$ 2,252,474</u>

All receivables are considered fully collectible.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

Note 5 – Capital Assets

Capital asset activity of the Township’s governmental activities during the year was as follows:

	Balance at January 1, 2014	Additions	Disposals	Balance at December 31, 2014
Governmental Activities:				
Construction in progress	\$ -	\$ 145,041	\$ -	\$ 145,041
Land	1,690,328	201,459	-	1,891,787
Land Improvements	27,205	76,318	-	103,523
Total Capital Assets, not being depreciated	<u>1,717,533</u>	<u>422,818</u>	<u>-</u>	<u>2,140,351</u>
Buildings and improvements	5,342,907	15,550	-	5,358,457
Vehicles	1,295,631	21,324	-	1,316,955
Furniture and equipment	509,052	23,668	-	532,720
Total Capital Assets, being depreciated	<u>7,147,590</u>	<u>60,542</u>	<u>-</u>	<u>7,208,132</u>
Less Accumulated Depreciation				
Buildings and improvements	223,597	172,719	-	396,316
Vehicles	1,202,741	11,118	-	1,213,859
Furniture and equipment	215,773	45,271	-	261,044
Total Accumulated Depreciation	<u>1,642,111</u>	<u>229,108</u>	<u>-</u>	<u>1,871,219</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,223,012</u>	<u>\$ 254,252</u>	<u>\$ -</u>	<u>\$ 7,477,264</u>

Charter Township of Marquette, Michigan

Notes to the Financial Statements

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

Business-type Activities

Construction in progress	\$ 829,363	\$ 113,503	\$ -	\$ 942,866
Land	240,000	-	-	240,000
Land improvements	560,293	-	-	560,293
Investment in Waste Water Treatment Facility	298,684	-	-	298,684
Total Capital Assets, not being depreciated	1,928,340	113,503	-	2,041,843
Buildings and improvements	353,961	1,111,800	-	1,465,761
Vehicles	201,962	100,670	-	302,632
Furniture and equipment	104,975	49,408	-	154,383
Infrastructure	12,169,500	449,536	-	12,619,036
Investment in MCSWF	190,835	-	-	190,835
Total Capital Assets, being depreciated	13,021,233	1,711,414	-	14,732,647
 Less Accumulated Depreciation				
Buildings and improvements	258,451	25,076	-	283,527
Vehicles	178,980	16,022	-	195,002
Furniture and equipment	70,985	7,565	-	78,550
Infrastructure	3,241,147	277,005	-	3,518,152
Investment in MCSWF	160,195	7,509	-	167,704
Total Accumulated Depreciation	3,909,758	333,177	-	4,242,935
Business Activities Capital Assets, Net	\$ 11,039,815	\$ 1,491,740	\$ -	\$ 12,531,555

Depreciation expense was charged to the programs of the Township for the year as follows:

Governmental Activities

Public Safety	\$ 38,264
General Government	143,918
Public Works	45,271
Recreation & Culture	1,655
Total Governmental Activities	\$ 229,108

Business-type Activities

Water Fund	\$ 189,468
Solid Waste Fund	8,296
Wastewater Treatment Fund	134,961
Metro Authority Fund	452
Total Business-type Activities	\$ 333,177

Charter Township of Marquette, Michigan

Notes to the Financial Statements

Note 6 - Interfund Receivables, Payables, and Transfers

The Township reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables consisted of \$174,195 due from the solid waste fund to the general fund. All balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

A schedule of the interfund transfers for the year is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Fire Fund	\$ 84,000
General Fund	Liquor Fund	4,946
General Fund	Water Fund	23,000
General Fund	Wastewater Fund	12,000
Fire Fund	General Fund	600
Township Improvement	General Fund	223,827
		<u>\$ 348,373</u>

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

Note 7 – Long-term Debt

The government 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 government. Township 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 benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time of debt service payments are due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

Individual bond and contractual obligation activity can be summarized as follows:

**2004 Land Purchase Note
December 31, 2014**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 39,200	\$ 5,010	\$ 44,210
2016	39,200	3,757	42,957
2017	39,200	2,505	41,705
2018	39,200	1,252	40,452
	<u>\$ 156,800</u>	<u>\$ 12,524</u>	<u>\$ 169,324</u>

The 2004 Land Purchase Note was originally issued for \$588,000 on November 19, 2003. Note payments are due annually, on November 11 (principal and interest) with an interest rate of 3.950%.

**Corner Stone Property Note
December 31, 2014**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 30,841	\$ 1,666	\$ 32,507
2016	31,191	1,316	32,507
2017	31,546	961	32,507
2018	31,904	603	32,507
2019	21,150	240	21,390
	<u>\$ 146,632</u>	<u>\$ 4,786</u>	<u>\$ 151,418</u>

The Corner Stone Property Note was originally issued for \$349,000 on June 31, 2007. Note payments are due annually on November 30 (principal plus interest) with an interest rate of 4.800%.

**Harglo Settlement
December 31, 2014**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 62,000	\$ 4,960	\$ 66,960
2016	62,000	3,720	65,720
2017	62,000	2,480	64,480
2018	62,000	1,240	63,240
	<u>\$ 248,000</u>	<u>\$ 12,400</u>	<u>\$ 260,400</u>

Charter Township of Marquette, Michigan

Notes to the Financial Statements

The settlement agreement for the Harglo Construction dispute for \$310,000 was made in 2013. Principal payments of \$62,000 are to be made each July 1st for five years. Interest accrues at 2.0% on the unpaid balance.

**Water Land Purchase Note
December 31, 2014**

	Principal	Interest	Total
2015	\$ 16,000	\$ 4,618	\$ 20,618
2016	16,000	3,848	19,848
2017	16,000	3,078	19,078
2018	16,000	2,309	18,309
2019	16,000	1,539	17,539
2020	16,000	770	16,770
	<u>\$ 96,000</u>	<u>\$ 16,162</u>	<u>\$ 112,162</u>

The Water Land Purchase Note was originally issued for \$240,000 on March 25, 2005. Note payments are due annually on March 25 (principal and interest) with an interest rate of 4.750%.

**Drinking Water Program Bond
December 31, 2014**

	Principal	Interest	Total
2015	\$ 220,000	\$ 57,588	\$ 277,588
2016	225,000	52,913	277,913
2017	230,000	48,131	278,131
2018	235,000	43,244	278,244
2019	240,000	38,250	278,250
2020-2024	1,285,000	112,519	1,397,519
2025	275,000	5,844	280,844
	<u>\$ 2,710,000</u>	<u>\$ 358,489</u>	<u>\$ 3,068,489</u>

The Drinking Water Program Bond was originally issued for \$4,250,000 on June 23, 2005. Bond payments are due semi-annually on April 1 (interest) and on October 1 (principal plus interest) with an interest rate of 2.125%.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

**2008 Grandview Water Bond
December 31, 2014**

	Principal	Interest	Total
2015	\$ 10,000	\$ 5,220	\$ 15,220
2016	10,000	4,785	14,785
2017	10,000	4,350	14,350
2018	10,000	3,915	13,915
2019	10,000	3,480	13,480
2020-2024	55,000	9,897	64,897
2025-2026	20,000	869	20,869
	<u>\$ 125,000</u>	<u>\$ 32,516</u>	<u>\$ 157,516</u>

The 2008 Grandview Water Bond was originally issued for \$200,000 on April 17, 2007. Bond payments are due semi-annually on May 1 (principal and interest) and November 1 (interest only) with an interest rate of 4.349%.

**Werner Street Construction
December 31, 2014**

	Principal	Interest	Total
2015	\$ 168,713	\$ 5,115	\$ 173,828

The Werner Street Construction Note was originally issued for \$655,098 on September 27, 2011. Note payments are due annually on March 31 (principal and interest) with an interest rate of 2.990 %.

**Township Hall Parking Lot
December 31, 2014**

	Principal	Interest	Total
2015	\$ 7,404	\$ 6,049	\$ 13,453
2016	7,625	5,828	13,453
2017	7,884	5,569	13,453
2018	8,136	5,317	13,453
2019	8,396	5,057	13,453
2020-2024	46,153	21,114	67,267
2025-2029	54,026	13,239	67,265
2030-2033	49,776	4,040	53,816
	<u>\$ 189,400</u>	<u>\$ 66,213</u>	<u>\$ 255,613</u>

Charter Township of Marquette, Michigan

Notes to the Financial Statements

The Township Hall Parking Lot Note is a construction note payable from a local bank to finance the construction of the new Township hall parking lot. Principal and interest payments of \$13,453 are due each December 31. The note accrues interest at a rate of 3.150 %.

Township-Fire Hall Loan
December 31, 2014

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 82,022	\$ 108,913	\$ 190,935
2016	109,263	81,672	190,935
2017	113,102	77,833	190,935
2018	115,673	75,262	190,935
2019	118,303	72,632	190,935
2020-2024	633,109	321,576	954,685
2025-2029	708,409	246,266	954,675
2030-2034	792,678	161,997	954,675
2035-2039	886,971	67,704	954,675
2040	55,470	1,261	56,731
	<u>\$ 3,615,000</u>	<u>\$ 1,215,116</u>	<u>\$ 4,830,116</u>

The Township-Fire Hall Loan is a construction note payable from a local bank to finance the construction of the new township hall, fire hall and DPW building. Principal and interest payments of \$190,935 are due each January 15. The note accrues interest at a rate of 2.250%.

PW Facility
December 31, 2014

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 66,086	\$ 33,913	\$ 99,999
2016	36,121	32,795	68,916
2017	37,276	31,640	68,916
2018	38,467	30,449	68,916
2019	39,697	29,219	68,916
2020-2024	218,342	119,260	337,602
2025-2029	255,535	80,878	336,413
2030-2034	299,064	35,958	335,022
2035-2036	70,579	1,150	71,729
	<u>\$ 1,061,167</u>	<u>\$ 395,262</u>	<u>\$ 1,456,429</u>

The PW Facility Note is a construction note payable from a local bank to finance the construction of the new DPW building. Principal and interest payments of \$68,916 are due each December 31. The note accrues interest at a rate of 3.150 %.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

Long-term obligation activity can be summarized as follows:

	January 1, 2014	Additions	Reductions	December 31, 2014	Due Within One Year
Governmental Activities					
2004 Land Purchase Note	\$ 196,000	\$ -	\$ 39,200	\$ 156,800	\$ 39,200
Corner Stone Property Note	177,126	-	30,494	146,632	30,841
Werner Street Construction	332,461	-	163,748	168,713	168,713
Township-Fire Hall Loan	3,928,226	71,774	385,000	3,615,000	82,022
Township Hall Parking Lot		200,000	10,600	189,400	7,404
Compensated Absences	77,382	-	22,025	55,357	-
Total Governmental Activities	<u>\$ 4,711,195</u>	<u>\$ 271,774</u>	<u>\$ 651,067</u>	<u>\$ 4,331,902</u>	<u>\$ 328,180</u>
Business-type Activities					
Water Note Land Purchase	\$ 112,000	\$ -	\$ 16,000	\$ 96,000	\$ 16,000
Drinking Water Bond	2,930,000	-	220,000	2,710,000	220,000
2008 Grandview Water Bond	140,000	-	15,000	125,000	10,000
PW Facility	-	1,146,046	84,878	1,061,168	35,003
Harglo Settlement	310,000	-	62,000	248,000	62,000
Compensated Absences	46,842	-	14,351	32,491	-
Total Business-type Activities	<u>3,538,842</u>	<u>1,146,046</u>	<u>412,229</u>	<u>4,272,659</u>	<u>343,003</u>
Total Primary Government	<u>\$ 8,250,037</u>	<u>\$ 1,417,820</u>	<u>\$ 1,063,296</u>	<u>\$ 8,604,561</u>	<u>\$ 671,183</u>

Note 8 – Pension Plan

Plan Description – The Charter Township of Marquette, Michigan participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the Township of Marquette, Michigan. The System is administered by the MERS retirement board. The System provides retirement, disability and death benefits to plan members and their beneficiaries. At December 31, 2014, the date of the most recent actuarial valuation, membership consisted of 2 retirees and beneficiaries receiving benefits and 3 former members entitled to benefits but not yet receiving them, and 18 active employees. Union and non-union employees are required to contribute 2.00%. Employer contributions for union and non-union employees were 9.62% and 11.10%, respectively. The Michigan Municipal Employees Retirement 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 MERS at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to maintain the system for these employees was established by negotiation with the Charter Township of Marquette, Michigan’s collective bargaining units. The contribution requirements of the Township are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by employment and labor agreements.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

Annual Pension Cost - For year ended December 31, 2014, the year of the most recently available plan information, the Township of Marquette, Michigan's annual pension cost of \$108,170 for the plan was equal to the Charter Township of Marquette, Michigan's required and actual contribution during 2014. The annual required contribution was determined as part of an actuarial valuation at December 31, 2012, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, and (b) projected salary increases of 4.5 percent per year. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payrolls on a closed basis. The remaining amortization period is 24 years.

Fiscal Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
12/31/2012	84,792	100%	-
12/31/2013	91,717	100%	-
12/31/2014	108,170	100%	-

Following is a schedule showing the funded status of the plan as of December 31, 2014:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	(Overfunded) Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2014	\$ 1,846,745	\$ 2,474,213	\$ 627,468	75%	\$ 1,048,652	60%

The required Schedule of Funding Progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 9 - Risk Management

The local government unit is exposed to various risks of loss related to and omissions, and employee injuries (workers' compensation), as well as to employees. To mitigate the risk of loss the Township participates in the Michigan Townships Participating Plan. The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at an owner cost than would be available on an individual basis.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

Note 10 – Joint Venture

In June 1988, The Charter Township of Marquette joined with 19 other municipalities to create the Marquette County Solid Waste Management Authority (“Authority”). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair, and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill. Including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements and function as a solid waste disposal area under Act 641. The Authority also establishes and administers procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill. The Authority will provide reimbursement to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

The Authority is governed by a Board of Trustees consisting of 1) member (who is the Chairperson of the board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, 2) members designated by the Marquette City Commission, 3) members designated by the Marquette County Board of Commissioners, and 4) one resident of the City of Marquette appointed by the other 6 Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

The Township's share of assets, liabilities and fund equity is approximately 1 percent. Summary financial information as of and for the fiscal year ended June 30, 2014 were as follows:

Statement of Net Position

Assets	
Current and Other Assets	\$ 6,305,644
Capital Assets, Net	<u>5,437,363</u>
Total Assets	<u>11,743,007</u>
Liabilities	
Current Liabilities	463,869
Non-current Liabilities	<u>1,752,964</u>
Total Liabilities	<u>2,216,833</u>
Net Position	
Net Investment in Capital Assets	5,437,636
Restricted	1,571,761
Unrestricted	<u>2,517,050</u>
Total Net Position	<u>\$ 9,526,447</u>

Change in Net Position

Operating Revenues	
Service Revenues	\$ 2,291,758
Other Operating Revenues	<u>85,914</u>
Total Operating Revenues	<u>2,377,672</u>
Operating Expenses	
Operations	3,176,955
Depreciation	<u>381,054</u>
Total Operating Expenses	<u>3,558,009</u>
Income (Loss) from Operations	<u>(1,180,337)</u>
Non-operating Revenues (Expenses)	
Interest Income	174,956
Loss on Disposal of Assets	<u>33,322</u>
Total Non-operating Revenues (Expenses)	<u>208,278</u>
Change in Net Position	<u>(972,059)</u>
Net Position at the Beginning of Period	<u>10,498,233</u>
Net Position at the End of Period	<u>\$ 9,526,174</u>

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of

Charter Township of Marquette, Michigan

Notes to the Financial Statements

the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

Note 11 - Investment in Wastewater Treatment Facility

On April 7, 1977 and May 31, 1983 the Charter Township of Chocolay, The City of Marquette, and Township of Marquette entered into contracts to construct and operate a secondary wastewater treatment facility to be known as the “Marquette Area Wastewater Treatment Facility.” Under those agreements the Township of Chocolay would own 14.7% of the facility, the Charter Township of Marquette would own 5.5% and the City of Marquette would own 79.8%.

On July 1, 1993, there was an amendment to the Marquette Township Wastewater Disposal system contract to change the ownership of the three partners involved. The Charter Township of Marquette paid to the City of Marquette and the Charter Township of Chocolay each the sum of \$54,743, representing an allocation of an additional 4.5% of the capacity of the Marquette Area Wastewater Treatment Facility to Marquette Township. During fiscal 1998, the Township of Marquette issued refunding bonds — unlimited tax series 1998, to partially refund the original bond issue. The new ownership percentages for the City of Marquette, Charter Township of Chocolay and Charter Township of Marquette are 77.55%, 12.45%, and 10.00%, respectively.

On June 26, 2007, there was an amendment to the Marquette Township Wastewater Disposal System Contract to change ownership of the three partners involved. The new ownership percentages for the city of Marquette, the Charter Township of Chocolay, and the Charter Township of Marquette are 85%, 5%, and 10%, respectively.

The construction of the Facility was partially financed through \$2.5 million general obligation bonds which were partially refunded during fiscal 1998 and issued by Marquette County for which the full faith and credit of the two Townships and the City of Marquette have been pledged. Repayment of the County of Marquette bonds and the interest thereon is the contractual responsibility of the owners of the project based on their share of the ownership. The total investment in the Facility at December 31, 2008 by the Township is \$279,167 including local contribution and its proportionate share of the net equity of the Facility. The Township utilizes the equity method of accounting for the activity in its investment in the Facility. Under the equity method the investment is adjusted for any additional capital investments made and its proportionate share of the Facility’s results of operations.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

A summary of condensed financial information of the Facility, in the aggregate, for its fiscal year ended June 30, 2014 was as follows:

Statement of Net Position

Assets	
Current and Other Assets	\$ 1,697,713
Restricted Assets	772,016
Capital Assets, Net	16,695,858
Total Assets	<u>19,165,587</u>
Liabilities	
Current Liabilities	2,459,652
Non-current Liabilities	10,762,593
Total Liabilities	<u>13,222,245</u>
Net Position	
Net Investment in Capital Assets	5,332,539
Unrestricted	610,803
Total Net Position	<u>\$ 5,943,342</u>

Change in Net Position

Operating Revenues	
Service Revenues	\$ 2,224,496
Other Operating Revenues	22,423
Total Operating Revenues	<u>2,246,919</u>
Operating Expenses	
Operations	2,164,735
Depreciation	1,151,106
Total Operating Expenses	<u>3,315,841</u>
Income (Loss) from Operations	<u>(1,068,922)</u>
Non-operating Revenues (Expenses)	
Sale of capital assets	1,425
Interest Income	2,100
Interest Expense	(300,104)
Transfers from Local Units	1,908,648
Total Non-operating Revenues (Expenses)	<u>1,612,069</u>
Change in Net Position	543,147
Net Position at the Beginning of Period	<u>5,400,195</u>
Net Position at the End of Period	<u>\$ 5,943,342</u>

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Marquette, Michigan
Required Supplementary Information
MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	(Overfunded) Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAL as a Percentage of Covered Payroll (b-a)/c
12/31/2012	1,464,092	1,886,685	422,593	78%	816,878	52%
12/31/2013	1,644,665	2,103,364	458,699	78%	901,897	51%
12/31/2014	1,846,745	2,474,213	627,468	75%	1,048,652	60%

Schedule of Employer Contributions

Fiscal Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
12/31/2012	84,792	100%	-
12/31/2013	91,717	100%	-
12/31/2014	108,170	100%	-

Charter Township of Marquette, Michigan
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
				Final to Actual
Revenues				
Taxes	\$ 1,613,153	\$ 1,613,153	\$ 1,622,535	\$ 9,382
Licenses & Permits	9,500	9,500	10,855	1,355
State Sources	296,500	396,500	398,355	1,855
Charges for Services	19,590	3,990	3,937	(53)
Interest & Rents	42,000	42,000	43,858	1,858
Other	13,646	13,646	18,363	4,717
Total Revenues	1,994,389	2,078,789	2,097,903	19,114
Other Financing Sources				
Issuance of Long-term Debt	--	275,000	271,774	(3,226)
Transfers from Other Funds	124,173	123,947	123,946	(1)
Total Revenues and Other Financing Sources	2,118,562	2,477,736	2,493,623	15,887
Expenditures				
Legislative	109,754	73,254	68,449	4,805
General Services & Administration	714,382	785,482	748,268	37,214
Public Safety	284,800	289,800	279,676	10,124
Public Works	21,930	21,930	21,539	391
Community & Economic Development	15,500	15,500	13,599	1,901
Recreation & Culture	253,286	258,010	250,735	7,275
Capital Outlay	128,420	531,245	467,810	63,435
Debt Service	259,949	230,628	227,339	3,289
Total Expenditures	1,788,021	2,205,849	2,077,415	128,434
Other Financing Uses				
Transfers to Other Funds	224,427	224,427	224,427	--
Total Expenditures and Other Financing Uses	2,012,448	2,430,276	2,301,842	128,434
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	106,114	47,460	191,781	144,321
Net Change in Fund Balance	106,114	47,460	191,781	144,321
<i>Fund Balance at Beginning of Period</i>	199,680	199,680	199,680	--
Fund Balance at End of Period	\$ 305,794	\$ 247,140	\$ 391,461	\$ 144,321

Charter Township of Marquette, Michigan
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Fire Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
				<u>Final to Actual</u>
Revenues				
Taxes	\$ 535,570	\$ 535,570	\$ 542,085	\$ 6,515
Licenses & Permits	800	800	794	(6)
State Sources	1,050	1,050	25,431	24,381
Interest & Rents	800	800	519	(281)
Other	100	100	1,356	1,256
Total Revenues	<u>538,320</u>	<u>538,320</u>	<u>570,185</u>	<u>31,865</u>
Other Financing Sources				
Transfers from Other Funds	600	600	600	--
Total Revenues and Other Financing Sources	<u>538,920</u>	<u>538,920</u>	<u>570,785</u>	<u>31,865</u>
Expenditures				
Public Safety	444,920	445,570	371,254	74,316
Capital Outlay	10,000	15,250	15,550	(300)
Debt Service	--	250,000	250,000	--
Total Expenditures	<u>454,920</u>	<u>710,820</u>	<u>636,804</u>	<u>74,016</u>
Other Financing Uses				
Transfers to Other Funds	84,000	84,000	84,000	--
Total Expenditures and Other Financing Uses	<u>538,920</u>	<u>794,820</u>	<u>720,804</u>	<u>74,016</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>--</u>	<u>(255,900)</u>	<u>(150,019)</u>	<u>105,881</u>
Net Change in Fund Balance	<u>--</u>	<u>(255,900)</u>	<u>(150,019)</u>	<u>105,881</u>
Fund Balance at Beginning of Period	552,596	552,596	552,596	--
Fund Balance at End of Period	<u>\$ 552,596</u>	<u>\$ 296,696</u>	<u>\$ 402,577</u>	<u>\$ 105,881</u>

OTHER SUPPLEMENTARY INFORMATION

**Charter Township of Marquette, Michigan
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2014**

	Special Revenue			Total Nonmajor Governmental Funds
	Liquor Law Fund	Township Improvement Fund	Library Fund	
ASSETS				
Cash & Cash Equivalents	\$ 5,403	\$ 350,100	\$ 35,588	\$ 391,091
Taxes Receivable	--	--	176,698	176,698
<i>Total Assets</i>	<u>\$ 5,403</u>	<u>\$ 350,100</u>	<u>\$ 212,286</u>	<u>\$ 567,789</u>
LIABILITIES				
<i>Total Liabilities</i>	--	--	--	--
DEFERRED INFLOWS OF RESOURCES				
Taxes Levied for a Subsequent Period	--	--	212,286	212,286
<i>Total Liabilities and Deferred Inflows of Resources</i>	--	--	<u>212,286</u>	<u>212,286</u>
FUND BALANCE				
Assigned	5,403	350,100	--	355,503
Unassigned	--	--	--	--
<i>Total Fund Balance</i>	<u>5,403</u>	<u>350,100</u>	<u>--</u>	<u>355,503</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 5,403</u>	<u>\$ 350,100</u>	<u>\$ 212,286</u>	<u>\$ 567,789</u>

Charter Township of Marquette, Michigan
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2014

	Special Revenue			Total Nonmajor Governmental Funds
	Liquor Law Fund	Township Improvement Fund	Library Fund	
Revenues				
State Sources	\$ 4,946	\$ --	\$ --	\$ 4,946
Interest & Rents	--	150	--	150
Total Revenues	4,946	150	--	5,096
Expenditures				
Public Works	--	37,238	--	37,238
Debt Service - Principal	--	163,748	--	163,748
Debt Service - Interest	--	10,079	--	10,079
Total Expenditures	--	211,065	--	211,065
Excess of Revenues Over (Under) Expenditures	4,946	(210,915)	--	(205,969)
Other Financing Sources (Uses)				
Transfers from Other Funds	--	223,827	--	223,827
Transfers to Other Funds	(4,946)	--	--	(4,946)
Net Other Financing Sources (Uses)	(4,946)	223,827	--	218,881
Net Change in Fund Balance	--	12,912	--	12,912
<i>Fund Balance at Beginning of Period</i>	5,403	337,188	--	342,591
Fund Balance at End of Period	\$ 5,403	\$ 350,100	\$ --	\$ 355,503

Charter Township of Marquette, Michigan
Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2014

	<u>Enterprise</u>			<u>Total Enterprise Funds</u>
	<u>Storm Water Fund</u>	<u>Solid Waste Fund</u>	<u>Metro Fund</u>	
ASSETS				
<i>Current Assets</i>				
Cash & Cash Equivalents	\$ 53,476	\$ 156,092	\$ 17,688	\$ 227,256
Receivables (Net)	--	23,898	--	23,898
Prepaid Expenditures	--	44	--	44
Due from Other Funds	--	174,195	--	174,195
Total Current Assets	<u>53,476</u>	<u>354,229</u>	<u>17,688</u>	<u>425,393</u>
<i>Noncurrent Assets</i>				
Capital Assets (Net)	--	22,345	37,548	59,893
Total Assets	<u>53,476</u>	<u>376,574</u>	<u>55,236</u>	<u>485,286</u>
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	1,483	10,008	--	11,491
Customer Deposits	--	15,425	--	15,425
Accrued Payroll & Related Liabilities	--	633	--	633
Total Current Liabilities	<u>1,483</u>	<u>26,066</u>	<u>--</u>	<u>27,549</u>
<i>Noncurrent Liabilities</i>				
Total Liabilities	<u>1,483</u>	<u>26,066</u>	<u>--</u>	<u>27,549</u>
NET POSITION				
Net Investment in Capital Assets	--	22,345	37,548	59,893
<i>Unrestricted</i>	51,993	328,163	17,688	397,844
Total Net Position	<u>\$ 51,993</u>	<u>\$ 350,508</u>	<u>\$ 55,236</u>	<u>\$ 457,737</u>

Charter Township of Marquette, Michigan
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended December 31, 2014

	Enterprise			Total Enterprise Funds
	Storm Water Fund	Solid Waste Fund	Metro Fund	
Operating Revenues				
State Sources	\$ --	\$ --	\$ 5,195	\$ 5,195
Charges for Services	--	238,557	--	238,557
Permits, Fees & Special Assessments	--	2,297	--	2,297
Other	--	83,872	--	83,872
Total Operating Revenues	--	324,726	5,195	329,921
Operating Expenses				
Legislative	23,776	--	--	23,776
Personnel Services	--	26,040	--	26,040
Supplies	--	478	--	478
Other Services & Charges	--	302,169	--	302,169
Depreciation Expense	--	8,296	452	8,748
Total Operating Expenses	23,776	336,983	452	361,211
Operating Income (Loss)	(23,776)	(12,257)	4,743	(31,290)
Non-Operating Revenues (Expenses)				
Investment Income	--	917	39	956
Debt Service Fee	--	24,772	--	24,772
Interest Expense	--	(45)	--	(45)
Net Non-Operating Revenues (Expenses)	--	25,644	39	25,683
Income Before Contributions and Transfers	(23,776)	13,387	4,782	(5,607)
Transfers from Other Funds	--	--	--	--
Transfers to Other Funds	--	--	--	--
Change In Net Position	(23,776)	13,387	4,782	(5,607)
<i>Net Position at Beginning of Period</i>	75,769	337,121	50,454	463,344
Net Position at End of Period	\$ 51,993	\$ 350,508	\$ 55,236	\$ 457,737

Charter Township of Marquette, Michigan
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2014

	<u>Enterprise</u>			<u>Total Enterprise Funds</u>
	<u>Storm Water Fund</u>	<u>Solid Waste Fund</u>	<u>Metro Fund</u>	
Cash Flows From Operating Activities				
Cash Received from Charges for Service	\$ -	\$ 243,258	\$ -	\$ 243,258
Cash Received from Permits, Fees and Special Assessments	-	2,297	-	2,297
Cash Received from Other Sources	-	83,873	5,194	89,067
Cash Payments for Wages and Benefits	(23,776)	(26,029)	-	(49,805)
Cash Payments to Suppliers for Goods and Services	1,483	(303,127)	-	(301,644)
Total Cash Flows from Operating Activities	<u>(22,293)</u>	<u>272</u>	<u>5,194</u>	<u>(16,827)</u>
Cash Flows From Non-capital Financing Activities				
Change in Interfund Obligations	-	9,084	-	9,084
Total Cash Flows from Non-capital Financing Activities	<u>-</u>	<u>9,084</u>	<u>-</u>	<u>9,084</u>
Cash Flows From Capital and Related Financing Activities				
Proceeds from Debt Service	-	24,772	-	24,772
Purchase of Capital Assets	-	-	(37,999)	(37,999)
Interest Payments on Debt	-	(45)	-	(45)
Total Cash Flows from Capital and Related Financing Activities	<u>-</u>	<u>24,727</u>	<u>(37,999)</u>	<u>(13,272)</u>
Cash Flows From Investing Activities				
Interest Earned	-	917	39	956
Total Cash Flows from Investing Activities	<u>-</u>	<u>917</u>	<u>39</u>	<u>956</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(22,293)	35,000	(32,766)	(20,059)
Cash and Cash Equivalents - Beginning of Year.	75,769	121,092	50,454	247,315
Cash and Cash Equivalents - End of Year	<u>\$ 53,476</u>	<u>\$ 156,092</u>	<u>\$ 17,688</u>	<u>\$ 227,256</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ (23,776)	\$ (12,257)	\$ 4,743	\$ (31,290)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	-	8,296	452	8,748
Changes in Assets and Liabilities				
Receivables (Net)	-	4,701	-	4,701
Prepaid Expenses	-	164	-	164
Accounts Payable	1,483	(644)	-	839
Accrued Expenses and Other Liabilities	-	11	-	11
Net Cash Provided by Operating Activities	<u>\$ (22,293)</u>	<u>\$ 271</u>	<u>\$ 5,195</u>	<u>\$ (16,827)</u>

June 1, 2015

To the Board of Trustees of the
Charter Township of Marquette, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Marquette for the year ended December 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 6, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Charter Township of Marquette are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended December 31, 2014. We noted no transactions entered into by the Charter Township of Marquette during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuation of the pension benefit plan are based on historical trends and industry standards.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatement

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 1, 2015.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

We were engaged to report on combining statements which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of

management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the company.

Gabridge & Company, PLC
Grand Rapids, MI

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

June 1, 2015

To the Board of Trustees of the
Charter Township of Marquette, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Charter Township of Marquette, Michigan (the "Township") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise The Township's basic financial statements, and have issued our report thereon dated June 1, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC
Grand Rapids, MI