

**CHARTER TOWNSHIP OF MARQUETTE, MICHIGAN**  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
For the Fiscal Year Ended December 31, 2011

## TABLE OF CONTENTS

	<u>Page</u>
<b>REPORT LETTER</b>	1 - 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3 - 9
<b>BASIC FINANCIAL STATEMENTS</b>	
<hr/>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Assets	10
Statement of Activities	11
<b>Fund Financial Statements</b>	
<b>Governmental Funds</b>	
Balance Sheet	12
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances	14
Reconciliation of Statement of Revenues, Expenditures and Changes in Funds Balances to The Statement of Activities	15
<b>Proprietary Funds</b>	
Statement of Net Assets	16
Statement of Revenues, Expenses and Changes in Net Assets	17
Statement of Cash Flows	18 - 19
<b>Fiduciary Funds</b>	
Statement of Fiduciary Net Assets	20
<b>Component Unit</b>	
Statement of Net Assets	21
Statement of Activities	22
<b>Notes to the Financial Statements</b>	23 - 39
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<hr/>	
Schedule of Funding Progress	40
Stmt of Revenues, Expenditures, & Changes in Fund Balance - Budget & Actual - General Fund	41
Stmt of Revenues, Expenditures, & Changes in Fund Balance - Budget & Actual - Fire Fund	42
Stmt of Revenues, Expenditures, & Changes in Fund Balance - Budget & Actual - Township Improvement Fund	43
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
<hr/>	
<b>Governmental Funds</b>	
Combining Balance Sheet – Nonmajor Governmental Funds	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor	45
<b>Proprietary Funds</b>	
Combining Statement of Net Assets – Nonmajor Enterprise Funds	46
Combining Statement of Revenues, Expenses and Changes in Net Assets – Nonmajor Enterprise Funds	47



5005 CASCADE RD SE, SUITE A / GRAND RAPIDS, MI / 49546 / P 616 538 7100 / F 616 538 2441 / WWW.GABRIDGECPAS.COM

## INDEPENDENT AUDITORS' REPORT

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

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, as of and for the year ended December 31, 2011, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Charter Township of Marquette's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 2, 2012, on our consideration of the Charter Township of Marquette, Michigan's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Marquette's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Gabridge & Company, PLC  
Grand Rapids, MI  
May 2, 2012

# Charter Township of Marquette

## Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Marquette's financial performance provides an overview of the Charter Township of Marquette's financial activities for the year ended December 31, 2011. Please read it in conjunction with the financial statements, which begin on page 10.

### Financial Highlights

- Net assets for the Charter Township of Marquette as a whole increased by \$436,125 as a result of this year's operations. The Township's business-type activities increased by \$659,217 or 7.9 percent, and net assets of our governmental activities decreased by \$223,092 or 9.1 percent.
- During the year, the Charter Township of Marquette had expenses for governmental activities that were \$2,528,206, which is \$223,092 more than the \$2,305,114 generated in governmental revenue sources.
- During the year, the Charter Township of Marquette had expenses for business-type activities that were \$1,850,177, which is \$659,217 less than the \$2,509,394 generated in business-type revenue sources.
- The General Fund reported a net fund balance of \$270,668, which is an increase of \$81,917 as a result of this year's operations.

### Using This Annual Report

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

### Reporting the Charter Township of Marquette as a Whole

Our analysis of the Charter Township of Marquette as a whole begins on page 10. One of the most important questions asked about the Charter Township of Marquette's finances is "Is the Charter Township of Marquette as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Charter Township of Marquette as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is

# Charter Township of Marquette

## Management's Discussion and Analysis

received or paid. These two statements report the Charter Township of Marquette's *net assets* and changes in them. You can think of the net assets – the difference between assets and liabilities – as one way to measure the financial health, or *financial position*. Over time, *increases or decreases* in the net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the patron base and the condition of the capital assets, to assess the *overall financial health* of the Charter Township of Marquette.

In the Statement of Net Assets and the Statement of Activities, we divide the Charter Township of Marquette into two kinds of activities:

- **Governmental Activities** – Most of the Charter Township of Marquette's basic services are reported here, including the legislative, elections, public safety, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- **Business-Type Activities** – The Charter Township of Marquette charges a fee to customers to help it cover the cost of certain services it provides. The Charter Township of Marquette's Water System, Wastewater System and Solid Waste Disposal activities are reported here.

Table 1 provides a summary of the Charter Township of Marquette's net assets as of December 31, 2011 and 2010.

**Table 1 - Statement of Net Assets**

	2011			2010		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Current and Other Assets	\$ 3,330,679	\$ 2,654,100	\$ 5,984,779	\$ 2,900,542	\$ 2,612,335	\$ 5,512,877
Capital Assets, net	2,346,741	10,170,030	12,516,771	2,386,244	10,110,139	12,496,383
<b>Total Assets</b>	<b>5,677,420</b>	<b>12,824,130</b>	<b>18,501,550</b>	<b>5,286,786</b>	<b>12,722,474</b>	<b>18,009,260</b>
Current Liabilities	2,464,470	331,505	2,795,975	2,279,323	696,115	2,975,438
Non-Current Liabilities	993,004	3,466,049	4,459,053	564,425	3,659,000	4,223,425
<b>Total Liabilities</b>	<b>3,457,474</b>	<b>3,797,554</b>	<b>7,255,028</b>	<b>2,843,748</b>	<b>4,355,115</b>	<b>7,198,863</b>
<b>Net Assets:</b>						
Invested in Capital Assets						
Net of Related Debt	1,835,270	6,187,831	8,023,101	1,806,101	5,761,662	7,567,763
Restricted	-	323,199	323,199	-	378,477	378,477
Unrestricted	384,676	2,515,546	2,900,222	636,937	2,227,220	2,864,157
<b>Total Net Assets</b>	<b>\$ 2,219,946</b>	<b>\$ 9,026,576</b>	<b>\$ 11,246,522</b>	<b>\$ 2,443,038</b>	<b>\$ 8,367,359</b>	<b>\$ 10,810,397</b>

Net assets of the Charter Township of Marquette's governmental activities stood at \$2,219,946. *Unrestricted* net assets - the part of net assets that could be used to finance day-to-day activities

# Charter Township of Marquette

## Management's Discussion and Analysis

without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$384,676.

The \$384,676 in unrestricted net assets 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 change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$9,026,576. The Charter Township of Marquette can generally only use these net assets to finance continuing operations of the Water System, Wastewater System, and Solid Waste Disposal operations.

The results of this year's operations for the Charter Township of Marquette as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for the fiscal years 2011 and 2010.

**Table 2 - Statement of Activities**

	2011			2010		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
<b>Revenues:</b>						
Program Revenues						
Charges for Services	\$ 28,023	\$ 2,510,393	\$ 2,538,416	\$ 27,093	\$ 2,110,383	\$ 2,137,476
Operating Grants and Contributions	7,340	-	7,340	30,796	-	30,796
Capital Grants and Contributions	17,673	-	17,673	-	-	-
General Revenues:						
Property Taxes	1,869,798	-	1,869,798	1,681,984	-	1,681,984
State Sources	296,322	4,709	301,031	217,309	5,017	222,326
Interest and Investment Earnings	37,039	27,292	64,331	24,247	49,884	74,131
Other	15,919	-	15,919	46,683	-	46,683
Gain on Sale of Capital Assets	-	-	-	4,578	-	4,578
Total Revenues	2,272,114	2,542,394	4,814,508	2,032,690	2,165,284	4,197,974
<b>Program Expenses:</b>						
Legislative	220,199	-	220,199	213,416	-	213,416
General Services and Administration	546,390	-	546,390	506,319	-	506,319
Public Safety	739,827	-	739,827	548,898	-	548,898
Public Works	779,075	-	779,075	15,533	-	15,533
Community and Economic Development	12,123	-	12,123	16,987	-	16,987
Recreation and Culture	207,538	-	207,538	184,557	-	184,557
Unallocated Depreciation	-	-	-	124,056	-	124,056
Interest	23,054	-	23,054	31,768	-	31,768
Water System	-	827,759	827,759	-	820,600	820,600
Solid Waste Disposal	-	317,904	317,904	-	317,460	317,460
Wastewater Treatment	-	704,514	704,514	-	684,796	684,796
Total Expenses	2,528,206	1,850,177	4,378,383	1,641,534	1,822,856	3,464,390
Transfers	33,000	(33,000)	-	35,000	(35,000)	-
Increase (Decrease) in net assets	(223,092)	659,217	436,125	426,156	307,428	733,584
Net Assets, beginning	2,443,038	8,367,359	10,810,397	2,016,882	8,059,931	10,076,813
Net Assets, ending	\$ 2,219,946	\$ 9,026,576	\$ 11,246,522	\$ 2,443,038	\$ 8,367,359	\$ 10,810,397

# **Charter Township of Marquette**

## **Management's Discussion and Analysis**

The Charter Township of Marquette's total revenues were \$4,814,508. The total cost of all programs and services was \$4,378,383, leaving an increase in net assets of \$436,125. Our analysis below separately considers the operations of governmental and business-type activities:

### **Governmental Activities**

The governmental activities experienced a decrease in net assets for the year of \$223,092. Key reasons for the change in net assets are as follows:

- Net increase in governmental fund balances of \$418,556
- Capital outlay reclassified to capital assets of \$51,567
- A loan was used to finance the Werner Street Project of \$655,098
- Depreciation charged to expenses of \$91,070
- Principal payments reclassified from expenses to liability \$68,672
- Recording change in accrued interest of \$4,031
- Change in compensated absences of \$11,688

### **Business-Type Activities**

The business-type activities experienced an increase in net assets for the year of \$659,217. Key reasons for the change in net assets are as follows:

- Higher than budgeted revenue from water and wastewater sales, licenses and permits, and the Grandview water project special assessment; in addition to lower than budgeted water department administration expenditures.

### **The Charter Township of Marquette's Funds**

Our analysis of the Charter Township of Marquette's major funds begins on page 12. The fund financial statements provide detailed information about the most significant funds, not the Charter Township of Marquette 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 Charter Township of Marquette's major funds include the General Fund, Fire Fund, Township Improvement Fund, Water Fund, Wastewater Fund and Solid Waste Fund.

The governmental funds had a net increase for the year of \$418,556.

#### *Revenues*

Highlighting the increase was the 11% increase in tax revenue and 39% increase in state revenue sharing over 2010.

#### *Expenditures*



# **Charter Township of Marquette**

## **Management's Discussion and Analysis**

Major increases over 2010 were in road improvements, offset by decreases in debt service payments.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township revised the budget; actual charges to expenditures were \$58,020 less than the budget; conversely, revenues were \$6,405 more than the budget projection.

Budget amendments made in 2011 reflected:

- Revenues – Increased state revenue sharing due to the 2010 census population increase.
- Expenditures – Increased wages and associated expenditures due to wage contract settlements and retroactive pay in addition to the year-end excess vacation payment; attorney services; and various smaller adjustments for supplies and services.

The primary variances between the amended budget and actual are as follows:

- Revenues – Increases were for state revenue sharing, offset by lower than estimated interest.
- Expenditures – Capital outlay was lower than estimated, mainly as the MNRTF property acquisition was not completed.

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

#### **Capital Assets**

At the end of fiscal year 2011 and 2010, the Charter Township of Marquette had \$12,516,771 and \$12,496,383 respectively, invested in a variety of capital assets including land and improvements, buildings and improvements, and other equipment (See table 3).

# Charter Township of Marquette

## Management's Discussion and Analysis

**Table 3 - Capital Assets**

	2011	2010
Construction in progress	\$ 1,116,862	\$ 1,116,862
Land	1,760,758	1,760,758
Land Improvements	587,498	587,498
Investment in WW Treatment Facility	298,684	298,684
Buildings and Improvements	399,781	397,305
Vehicles	93,923	160,012
Furniture and Equipment	105,909	105,183
Infrastructure	8,106,121	8,014,549
Investment in MCSWF	47,235	55,532
<b>Totals</b>	<b>\$ 12,516,771</b>	<b>\$ 12,496,383</b>

There were additions of \$400,998 during the current fiscal year, which included \$70,618 for the sanitary sewer interceptor, \$77,634 for the Vandebloom / Cherry LP sewer, \$19,008 for fire department thermal cameras (paid for through a federal grant), \$5,168 for a folder/sorter machine, and \$29,151 for meters. Further details on capital assets can be found in the Notes to the Financial Statements section of this document.

### Debt

At the end of fiscal year 2011 and 2010, The Charter Township of Marquette had \$4,825,569 and \$4,550,143 in debt outstanding as depicted in Table 4 below:

**Table 4 - Long-Term Debt**

	2011	2010
2004 Land Purchase Note	\$ 274,400	\$ 313,600
Cornerstone Property Note	237,071	266,543
Werner Street Construction	655,098	-
1998 Sewer Bond	-	80,000
Water Land Purchase Note	144,000	160,000
DWRF Bond	3,355,000	3,560,000
Grandview Project Bond	160,000	170,000
<b>Totals</b>	<b>\$ 4,825,569</b>	<b>\$ 4,550,143</b>

The addition to debt is a note for the Werner Street construction of \$655,098. Principal payments for the year were \$379,672. Further details on long-term debt can be found in the Notes to the Financial Statements section of this document.

# **Charter Township of Marquette**

## **Management's Discussion and Analysis**

### **Economic Factors and Next Year's Budgets**

In preparing the Charter Township of Marquette's budget for the year ending December 31, 2012, the Township considered the following issues: state revenue sharing and property tax revenues and corresponding expenditures; Department of Public Works rates and the necessary maintenance and capital expenditures in addition to the normal operating costs.

### **Contacting the Charter Township of Marquette's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and investors with a general overview of the Charter Township of Marquette'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, 161 County Road 492, Marquette, Michigan 49855.

**Charter Township of Marquette  
Statement of Net Assets  
December 31, 2011**

	<b>Primary Government</b>			<b>Component Unit - DDA</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash & Cash Equivalents	\$ 1,718,167	\$ 2,148,511	\$ 3,866,678	\$ 15,932
Cash - Restricted	--	323,199	323,199	--
Receivables (Net)	85,826	77,398	163,224	--
Special Assessments	--	83,973	83,973	--
Taxes Receivable	1,497,723	--	1,497,723	--
Intergovernmental Receivables	9,220	--	9,220	--
Prepaid Expenditures	19,743	21,019	40,762	--
<b>Total Current Assets</b>	<b>3,330,679</b>	<b>2,654,100</b>	<b>5,984,779</b>	<b>15,932</b>
<i>Noncurrent Assets</i>				
Capital Assets (Net)	2,346,741	10,170,030	12,516,771	--
<b>Total Assets</b>	<b>5,677,420</b>	<b>12,824,130</b>	<b>18,501,550</b>	<b>15,932</b>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	80,830	70,608	151,438	--
Customer Deposits	--	85,336	85,336	--
Accrued Payroll & Related Liabilities	8,304	8,948	17,252	--
Current Portion of Long-term Debt	232,712	236,000	468,712	--
Accrued Interest Payable	6,466	30,829	37,295	--
Deferred Revenue	1,934,950	100,992	2,035,942	--
<i>Internal Balances*</i>	201,208	(201,208)	--	--
<b>Total Current Liabilities</b>	<b>2,464,470</b>	<b>331,505</b>	<b>2,795,975</b>	<b>--</b>
<i>Noncurrent Liabilities</i>				
Compensated Absences	59,147	43,049	102,196	--
Long-term Debt	933,857	3,423,000	4,356,857	--
<b>Total Liabilities</b>	<b>3,457,474</b>	<b>3,797,554</b>	<b>7,255,028</b>	<b>--</b>
<b>NET ASSETS</b>				
Investment in Fixed Assets, net of Related Debt	1,835,270	6,187,831	8,023,101	--
Restricted	--	323,199	323,199	--
<i>Unrestricted</i>	384,676	2,515,546	2,900,222	15,932
<b>Total Net Assets</b>	<b>\$ 2,219,946</b>	<b>\$ 9,026,576</b>	<b>\$ 11,246,522</b>	<b>\$ 15,932</b>

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

**Charter Township of Marquette  
Statement of Activities  
For the Year Ended December 31, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Unit - DDA
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary Government</b>								
<b>Governmental Activities:</b>								
Legislative	\$ 220,199	\$ --	\$ --	\$ --	\$ (220,199)	\$ --	\$ (220,199)	\$ --
General Services & Administration	546,390	7,204	--	--	(539,186)	--	(539,186)	--
Public Safety	739,827	18,499	5,206	17,673	(698,449)	--	(698,449)	--
Public Works	779,075	--	100	--	(778,975)	--	(778,975)	--
Community & Economic Development	12,123	2,300	--	--	(9,823)	--	(9,823)	--
Recreation & Culture	207,538	20	2,034	--	(205,484)	--	(205,484)	--
Debt Service - Interest	23,054	--	--	--	(23,054)	--	(23,054)	--
<b>Total Governmental Activities</b>	<b>2,528,206</b>	<b>28,023</b>	<b>7,340</b>	<b>17,673</b>	<b>(2,475,170)</b>	<b>--</b>	<b>(2,475,170)</b>	<b>--</b>
<b>Business-type Activities:</b>								
Storm Water Fund	--	--	--	--	--	--	--	--
Wastewater Fund	704,514	998,802	--	--	--	294,288	294,288	--
Water Fund	827,759	1,174,055	--	--	--	346,296	346,296	--
Solid Waste Fund	317,904	337,536	--	--	--	19,632	19,632	--
Metro Fund	--	--	4,709	--	--	4,709	4,709	--
<b>Total Business-type Activities</b>	<b>1,850,177</b>	<b>2,510,393</b>	<b>4,709</b>	<b>--</b>	<b>--</b>	<b>664,925</b>	<b>664,925</b>	<b>--</b>
<b>Total Primary Government</b>	<b>\$ 4,378,383</b>	<b>\$ 2,538,416</b>	<b>\$ 12,049</b>	<b>\$ 17,673</b>	<b>\$ (2,475,170)</b>	<b>\$ 664,925</b>	<b>\$ (1,801,245)</b>	<b>--</b>
<b>Component Unit</b>								
DDA	\$ --	\$ --	\$ --	\$ --	--	--	--	--
<b>Total Component Units</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>General Purpose Revenues and Transfers:</b>								
<b>Revenues</b>								
Taxes					1,869,798	--	1,869,798	--
State Sources					296,322	--	296,322	--
Other					15,919	--	15,919	--
Investment Income					37,039	27,292	64,331	15
<b>Transfers</b>					33,000	(33,000)	--	--
<b>Total General Revenues and Transfers</b>					<b>2,252,078</b>	<b>(5,708)</b>	<b>2,246,370</b>	<b>15</b>
<b>Change in Net Assets</b>					<b>(223,092)</b>	<b>659,217</b>	<b>436,125</b>	<b>15</b>
<i>Net Assets at Beginning of Period</i>					2,443,038	8,367,359	10,810,397	15,917
<b>Net Assets at End of Period</b>					<b>\$ 2,219,946</b>	<b>\$ 9,026,576</b>	<b>\$ 11,246,522</b>	<b>\$ 15,932</b>

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

**Charter Township of Marquette  
Balance Sheet  
Governmental Funds  
December 31, 2011**

	<u>Special Revenue</u>				
	<u>General</u>	<u>Fire Fund</u>	<u>Township Improvement Fund</u>	<u>Other Governmental Funds</u>	
<b>ASSETS</b>					
Cash & Cash Equivalents	\$ 765,638	\$ 646,439	\$ 300,687	\$ 5,403	\$ 1,718,167
Receivables (Net)	65,232	7,679	12,915	--	85,826
Taxes Receivables	1,126,642	371,081	--	--	1,497,723
Intergovernmental Receivables	9,220	--	--	--	9,220
Prepaid Expenditures	10,144	9,599	--	--	19,743
<i>Total Assets</i>	<b><u>\$ 1,976,876</u></b>	<b><u>\$ 1,034,798</u></b>	<b><u>\$ 313,602</u></b>	<b><u>\$ 5,403</u></b>	<b><u>\$ 3,330,679</u></b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 70,707	\$ 6,647	\$ 3,476	\$ --	\$ 80,830
Accrued Payroll & Related Liabilities	6,920	1,384	--	--	8,304
Deferred Revenue	1,447,122	487,828	--	--	1,934,950
Due to Other Funds	181,459	--	19,749	--	201,208
<i>Total Liabilities</i>	<b><u>1,706,208</u></b>	<b><u>495,859</u></b>	<b><u>23,225</u></b>	<b><u>--</u></b>	<b><u>2,225,292</u></b>
<b>FUND BALANCE</b>					
Nonspendable - Prepaid Expenditures	10,144	9,599	--	--	19,743
Assigned	--	529,340	290,377	5,403	825,120
Unassigned	260,524	--	--	--	260,524
<i>Total Fund Balance</i>	<b><u>270,668</u></b>	<b><u>538,939</u></b>	<b><u>290,377</u></b>	<b><u>5,403</u></b>	<b><u>1,105,387</u></b>
<i>Total Liabilities and Fund Balance</i>	<b><u>\$ 1,976,876</u></b>	<b><u>\$ 1,034,798</u></b>	<b><u>\$ 313,602</u></b>	<b><u>\$ 5,403</u></b>	<b><u>\$ 3,330,679</u></b>

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

**Charter Township of Marquette**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets**  
**December 31, 2011**

Total Fund Balance - Governmental Funds	\$ 1,105,387
General government capital assets of \$3,927,899, net of accumulated depreciation of \$1,581,158, are not financial resources and, accordingly, are not reported in the funds	2,346,741
Long-term liabilities, including related accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds	(1,173,035)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds	(59,147)
<b>Total Net Assets-Governmental Funds</b>	<b>\$ <u>2,219,946</u></b>

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

**Charter Township of Marquette**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended December 31, 2011**

	<u>Special Revenue</u>				<u>Total Governmental Funds</u>
	<u>General</u>	<u>Fire Fund</u>	<u>Township Improvement Fund</u>	<u>Other Governmental Funds</u>	
<b>Revenues</b>					
Taxes	\$ 1,406,385	\$ 463,413	\$ --	\$ --	\$ 1,869,798
Licenses & Permits	7,320	100	--	--	7,420
State Sources	296,322	--	--	5,206	301,528
Federal Grants	--	17,673	--	--	17,673
Charges for Services	2,204	16,915	--	--	19,119
Interest & Rents	33,301	1,539	2,195	4	37,039
Other	17,953	1,484	100	--	19,537
<b>Total Revenues</b>	<u>1,763,485</u>	<u>501,124</u>	<u>2,295</u>	<u>5,210</u>	<u>2,272,114</u>
<b>Expenditures</b>					
Legislative	220,199	--	--	--	220,199
General Services & Administration	522,158	--	759	--	522,917
Public Safety	320,035	344,825	--	--	664,860
Public Works	17,763	--	757,566	--	775,329
Community & Economic Development	12,123	--	--	--	12,123
Recreation & Culture	206,966	--	--	--	206,966
Capital Outlay	32,559	19,008	--	--	51,567
Debt Service - Principal	68,672	--	--	--	68,672
Debt Service - Interest	14,869	--	4,154	--	19,023
<b>Total Expenditures</b>	<u>1,415,344</u>	<u>363,833</u>	<u>762,479</u>	<u>--</u>	<u>2,541,656</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>348,141</u>	<u>137,291</u>	<u>(760,184)</u>	<u>5,210</u>	<u>(269,542)</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from Note Payable	--	--	655,098	--	655,098
Transfers from Other Funds	42,160	600	307,784	--	350,544
Transfers to Other Funds	(308,384)	(4,000)	--	(5,160)	(317,544)
<b>Net Other Financing Sources (Uses)</b>	<u>(266,224)</u>	<u>(3,400)</u>	<u>962,882</u>	<u>(5,160)</u>	<u>688,098</u>
<b>Net Change in Fund Balance</b>	<b>81,917</b>	<b>133,891</b>	<b>202,698</b>	<b>50</b>	<b>418,556</b>
<i>Fund Balance at Beginning of Period</i>	188,751	405,048	87,679	5,353	686,831
<b>Fund Balance at End of Period</b>	<u>\$ 270,668</u>	<u>\$ 538,939</u>	<u>\$ 290,377</u>	<u>\$ 5,403</u>	<u>\$ 1,105,387</u>

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



**Charter Township of Marquette**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended December 31, 2011**

Total Net Change in Fund Balances - Governmental Funds	\$	418,556
<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 Assets. This represents the amount of principal payment made during the year on long-term debt</p>		
		68,672
<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 \$4,031, and the increase in compensated absences of \$11,688</p>		
		(15,719)
<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 depreciation expense of \$91,070 less capital outlay expenditures of \$51,567</p>		
		(39,503)
<p>Proceeds from issuance of note payable are reported as other financing sources in the fund statements, but reported as liabilities in the Statement of Net Assets</p>		
		(655,098)
<b>Changes in Net Assets-Governmental Funds</b>	<b>\$</b>	<b><u>(223,092)</u></b>

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

**Charter Township of Marquette  
Statement of Net Assets  
Proprietary Funds  
December 31, 2011**

	<b>Business-type Activities - Enterprise Funds</b>				
	<u>Wastewater Fund</u>	<u>Water Fund</u>	<u>Solid Waste Fund</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>ASSETS</b>					
<i>Current Assets</i>					
Cash & Cash Equivalents	\$ 841,396	\$ 1,131,967	\$ 58,955	\$ 116,193	\$ 2,148,511
Cash - Restricted	214,236	108,963	--	--	323,199
Receivables (Net)	24,084	10,704	42,610	--	77,398
Special Assessments (Current)	--	83,973	--	--	83,973
Prepaid Expenditures	8,314	12,521	184	--	21,019
Due from Other Funds	--	--	201,208	--	201,208
<b>Total Current Assets</b>	<b>1,088,030</b>	<b>1,348,128</b>	<b>302,957</b>	<b>116,193</b>	<b>2,855,308</b>
<i>Noncurrent Assets</i>					
Capital Assets (Net)	3,466,339	6,656,456	47,235	--	10,170,030
<b>Total Assets</b>	<b>4,554,369</b>	<b>8,004,584</b>	<b>350,192</b>	<b>116,193</b>	<b>13,025,338</b>
<b>LIABILITIES</b>					
<i>Current Liabilities</i>					
Accounts Payable	31,976	23,996	14,636	--	70,608
Customer Deposits	--	69,866	15,470	--	85,336
Accrued Payroll & Related Liabilities	4,118	4,505	325	--	8,948
Current Portion of Long-term Debt	--	236,000	--	--	236,000
Accrued Interest Payable	--	30,829	--	--	30,829
Deferred Revenue	--	100,992	--	--	100,992
<b>Total Current Liabilities</b>	<b>36,094</b>	<b>466,188</b>	<b>30,431</b>	<b>--</b>	<b>532,713</b>
<i>Noncurrent Liabilities</i>					
Compensated Absences	18,560	24,489	--	--	43,049
Long-term Debt	--	3,423,000	--	--	3,423,000
<b>Total Liabilities</b>	<b>54,654</b>	<b>3,913,677</b>	<b>30,431</b>	<b>--</b>	<b>3,998,762</b>
<b>NET ASSETS</b>					
Investment in Fixed Assets, net of Related Debt	3,466,339	2,997,456	47,235	--	6,511,030
Restricted	214,236	108,963	--	--	323,199
<i>Unrestricted</i>	819,140	984,488	272,526	116,193	2,192,347
<b>Total Net Assets</b>	<b>\$ 4,499,715</b>	<b>\$ 4,090,907</b>	<b>\$ 319,761</b>	<b>\$ 116,193</b>	<b>\$ 9,026,576</b>

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

**Charter Township of Marquette**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2011**

<b>Business-type Activities - Enterprise Funds</b>					
	<b>Wastewater Fund</b>	<b>Water Fund</b>	<b>Solid Waste Fund</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>
<b>Operating Revenues</b>					
State Sources	\$ --	\$ --	\$ --	\$ 4,709	\$ 4,709
Charges for Services	848,496	765,512	234,159	--	1,848,167
Permits, Fees & Special Assessments	13,498	34,288	1,453	--	49,239
Other	9,861	42,942	71,511	--	124,314
<b>Total Operating Revenues</b>	<b>871,855</b>	<b>842,742</b>	<b>307,123</b>	<b>4,709</b>	<b>2,026,429</b>
<b>Operating Expenses</b>					
Personnel Services	232,526	352,910	18,460	--	603,896
Supplies	19,544	26,827	233	--	46,604
Other Services & Charges	313,299	195,005	290,658	--	798,962
Depreciation Expense	118,360	162,883	8,297	--	289,540
<b>Total Operating Expenses</b>	<b>683,729</b>	<b>737,625</b>	<b>317,648</b>	<b>--</b>	<b>1,739,002</b>
<b>Operating Income (Loss)</b>	<b>188,126</b>	<b>105,117</b>	<b>(10,525)</b>	<b>4,709</b>	<b>287,427</b>
<b>Non-Operating Revenues (Expenses)</b>					
Investment Income	7,400	13,493	5,951	448	27,292
Debt Service Fee	97,569	287,765	30,413	--	415,747
Connection Fees	29,378	43,548	--	--	72,926
Interest Expense	(20,785)	(90,134)	(256)	--	(111,175)
<b>Net Non-Operating Revenues (Expenses)</b>	<b>113,562</b>	<b>254,672</b>	<b>36,108</b>	<b>448</b>	<b>404,790</b>
<b>Income Before Contributions and Transfers</b>	<b>301,688</b>	<b>359,789</b>	<b>25,583</b>	<b>5,157</b>	<b>692,217</b>
Transfers from Other Funds	--	--	--	--	--
Transfers to Other Funds	--	(23,000)	(10,000)	--	(33,000)
<b>Change In Net Assets</b>	<b>301,688</b>	<b>336,789</b>	<b>15,583</b>	<b>5,157</b>	<b>659,217</b>
<i>Net Assets at Beginning of Period</i>	4,198,027	3,754,118	304,178	111,036	8,367,359
<b>Net Assets at End of Period</b>	<b>\$ 4,499,715</b>	<b>\$ 4,090,907</b>	<b>\$ 319,761</b>	<b>\$ 116,193</b>	<b>\$ 9,026,576</b>

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

**Charter Township of Marquette  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2011**

	Business-type Activities					Total Enterprise Funds
	Enterprise Funds					
	Solid Waste Fund	Wastewater Treatment Fund	Water Fund	Non-Major		
			Storm Water Fund	Metro Fund		
<b>Cash Flows From Operating Activities</b>						
Cash Received from Charges for Services	\$ 211,480	\$ 847,765	\$ 772,186	\$ -	\$ -	\$ 1,831,431
Cash Received from Permits, Fees and Special Assessments	1,453	27,547	31,975	-	-	60,975
Other Miscellaneous Income	71,511	9,861	42,942	-	4,709	129,023
Cash Payments to Employees for Services and Fringe Benefits	(18,423)	(228,190)	(347,930)	-	-	(594,543)
Cash Payments to Suppliers for Goods and Services	(319,930)	(315,480)	(238,279)	-	-	(873,689)
<i>Total Cash Flows from Operating Activities</i>	<u>(53,909)</u>	<u>341,503</u>	<u>260,894</u>	<u>-</u>	<u>4,709</u>	<u>553,197</u>
<b>Cash Flows From Non-capital Financing Activities</b>						
Transfers from (to) Other Funds	(10,000)	-	(23,000)	-	-	(33,000)
Increase (Decrease) in Due to Other Funds	84,051	-	-	-	-	84,051
<i>Total Cash Flows from Non-capital Financing Activities</i>	<u>74,051</u>	<u>-</u>	<u>(23,000)</u>	<u>-</u>	<u>-</u>	<u>51,051</u>
<b>Cash Flows From Capital and Related Financing Activities</b>						
Cash Received from Connection Fees	-	29,378	43,548	-	-	72,926
Payments Received from Debt Service	30,413	97,569	287,765	-	-	415,747
Purchases of Capital Assets	-	(184,015)	(165,416)	-	-	(349,431)
Interest Payments on Bonds	(256)	(21,567)	(90,610)	-	-	(112,433)
Principal Payments on Bonds	-	(80,000)	(231,000)	-	-	(311,000)
Deferred Refunding of Bonds	-	19,532	-	-	-	19,532
<i>Total Cash Flows from Capital and Related Financing Activities</i>	<u>30,157</u>	<u>(139,103)</u>	<u>(155,713)</u>	<u>-</u>	<u>-</u>	<u>(264,659)</u>
<b>Cash Flows From Investing Activities</b>						
Interest on Investments	5,951	7,398	13,493	377	71	27,290
<i>Total Cash Flows from Investing Activities</i>	<u>5,951</u>	<u>7,398</u>	<u>13,493</u>	<u>377</u>	<u>71</u>	<u>27,290</u>
<b>Net Increase (Decrease) in Cash and Equivalents</b>	56,250	209,798	95,674	377	4,780	366,879
<i>Cash and Equivalents - Beginning of Year</i>	2,705	845,834	1,145,256	75,392	35,644	2,104,831
<b>Cash and Equivalents - End of Year</b>	<u>\$ 58,955</u>	<u>\$ 1,055,632</u>	<u>\$ 1,240,930</u>	<u>\$ 75,769</u>	<u>\$ 40,424</u>	<u>\$ 2,471,710</u>

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

**Charter Township of Marquette  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2011**

	Business-type Activities					Total Enterprise Funds
	Enterprise Funds					
	Solid Waste Fund	Wastewater Treatment Fund	Water Fund	Non-Major		
			Storm Water Fund	Metro Fund		
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>						
Operating Income	\$ (10,525)	\$ 188,126	\$ 105,117	\$ -	\$ 4,709	287,427
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities						
Depreciation and Amortization Expense	8,297	118,360	162,883	-	-	289,540
Permits, Fees & Special Assessments	-	-	-			
Changes in Assets & Liabilities						
Receivables (Net)	(22,679)	13,318	4,361	-	-	(5,000)
Prepaid Expenses	15	(250)	(46)	-	-	(281)
Accounts Payable	(29,054)	17,613	(16,401)	-	-	(27,842)
Accrued and Other Liabilities	37	4,336	4,980	-	-	9,353
<b>Net Cash Provided by Operating Activities</b>	<b>\$ (53,909)</b>	<b>\$ 341,503</b>	<b>\$ 260,894</b>	<b>\$ -</b>	<b>\$ 4,709</b>	<b>\$ 553,197</b>

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

**Charter Township of Marquette  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
December 31, 2011**

	<b>Agency</b>	
	<b>Trust &amp; Agency</b>	<b>Tax Collection</b>
<b>ASSETS</b>		
Cash & Cash Equivalents	\$ 3,559	\$ 235,459
<i>Total Assets</i>	3,559	235,459
<b>LIABILITIES</b>		
Other Current Liabilities	435	--
Accrued Payroll & Related Liabilities	126	--
Due to Other Governments	2,998	235,459
<i>Total Liabilities</i>	3,559	235,459
<b>NET ASSETS</b>		
Held in Trust	\$ --	\$ --

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

**Charter Township of Marquette  
Statement of Net Assets  
Component Unit  
December 31, 2011**

	<b>DDA</b>
<b>ASSETS</b>	
<i>Current Assets</i>	
Cash & Cash Equivalents	\$ 15,932
<b>Total Current Assets</b>	15,932
<i>Noncurrent Assets</i>	
<b>Total Assets</b>	15,932
<b>LIABILITIES</b>	
<i>Current Liabilities</i>	
<b>Total Current Liabilities</b>	--
<i>Noncurrent Liabilities</i>	
<b>Total Liabilities</b>	--
<b>NET ASSETS</b>	
<i>Unrestricted</i>	15,932
<b>Total Net Assets</b>	\$ 15,932

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

**Charter Township of Marquette  
Statement of Activities  
Component Unit  
For the Year Ended December 31, 2011**

	<b>DDA</b>
<b>Expenses</b>	
<i>Total Expenses</i>	--
<b>Program Revenues</b>	
Charges for Services	--
Operating Grants and Contributions	--
Capital Grants and Contributions	--
<i>Total Program Revenues</i>	--
<i>Net Program Revenues (Expenses)</i>	--
<b>General Revenue</b>	
Investment Income	\$ 15
<i>Total General Revenues</i>	15
<i>Change in Net Assets</i>	<b>15</b>
<i>Net Assets at Beginning of Period</i>	15,917
<i>Net Assets at End of Period</i>	\$ <b>15,932</b>

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



## **Charter Township of Marquette**

### **Notes to the Financial Statements**

---

#### **Note 1 — Summary of Significant Accounting Policies**

The accounting policies of the Charter Township of Marquette 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 Units** - 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 Organization**

**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 the footnotes 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 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 Township of Marquette would own 5.5% and the City of Marquette would own 79.8%. Please read the footnotes for more information.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

## Charter Township of Marquette

### Notes to the Financial Statements

---

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

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

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon 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. Property taxes, state-shared revenue, grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under the accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Charter Township of Marquette property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Charter Township of Marquette as of the preceding December 31<sup>st</sup>.

## Charter Township of Marquette

### Notes to the Financial Statements

---

Although the Charter Township of Marquette 2011 ad valorem tax is levied and collectible on December 1, 2011, 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 expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - 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 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

**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 principal and interest, 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, bridges, 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.

**Charter Township of Marquette**

**Notes to the Financial Statements**

---

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 to 50 years
Equipment	3-10 years

**Compensated Absences (Vacation and Sick Leave)** – It is the Charter Township’s policy to permit employees to accumulated 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.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Estimates** - The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles require the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues and expenditures 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 the date of the accompanying independent auditor’s report, which is the date the financial statements were available to be issued.

## Charter Township of Marquette

### Notes to the Financial Statements

---

#### Note 2 - Stewardship , Compliance and Accountability

**Budgeting** - 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:

- a. 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.
- b. 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.
- c. 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.
- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said 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.
- e. 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:

**Charter Township of Marquette**

**Notes to the Financial Statements**

- 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?
- f. Considering the above, the Manager will then decide whether or not the transfer should be made.
- g. 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.
- h. 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. Accounting, i.e., classification control, resides at the line item detail level.
- i. Budgets for the General 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. The Township did not have any expenditures in excess of appropriations for the year. Also, the Township has no fund with deficit balances as of December 31, 2011.

**Note 3 - Receivables**

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

	General Fund	Fire Fund	Township Improvement Fund	Water Fund	Solid Waste Fund	Wastewater Treatment Fund	Total
Accounts Receivable	\$ 65,232	\$ 7,679	\$ 12,915	\$ 9,740	\$ 38,872	\$ 21,133	\$ 155,571
Taxes Receivable	1,126,642	371,081	-	-	-	-	1,497,723
Delinquent Utility Billings	-	-	-	964	3,738	2,951	7,653
Special Assessments	-	-	-	83,973	-	-	83,973
	<u>\$ 1,191,874</u>	<u>\$ 378,760</u>	<u>\$ 12,915</u>	<u>\$ 94,677</u>	<u>\$ 42,610</u>	<u>\$ 24,084</u>	<u>\$ 1,744,920</u>

## Charter Township of Marquette

### Notes to the Financial Statements

#### Note 4 – Deposits and Investments

**Cash Equivalents** - As of December 31, 2011, the Charter Township of Marquette's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business Type Activities	Fiduciary Funds	Component Unit	Total Primary Government
Cash and Equivalents	\$ 1,718,167	\$ 2,148,511	\$ 239,018	\$ 15,932	\$ 4,121,628
Investments	-	-	-	-	-
Cash and Equivalents - Restricted	-	323,199	-	-	323,199
	<u>\$ 1,718,167</u>	<u>\$ 2,471,710</u>	<u>\$ 239,018</u>	<u>\$ 15,932</u>	<u>\$ 4,444,827</u>

**Custodial Credit Risk – Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Charter Township of Marquette's deposits may not be returned to it. State law does not require and the Charter Township of Marquette does not have a deposit policy for custodial credit risk. The carrying amounts of the Charter Township of Marquette's deposits with financial institutions were \$4,444,827 and the bank balance was \$4,671,498. The balance is categorized as follows:

Amount Insured by the FDIC	\$ 4,441,750
Amount Collateralized with the Financial Institution	-
Amount Uncollateralized and Uninsured	3,077
	<u>\$ 4,444,827</u>

**Investments** - As of December 31, 2011, the Charter Township of Marquette did not have any investments.

**Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Charter Township of Marquette's investments. The Charter Township of Marquette does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** - Michigan statutes (Act 196, PA 1997) authorize the Charter Township of Marquette to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

## **Charter Township of Marquette**

### **Notes to the Financial Statements**

---

The Charter Township of Marquette has no investment policy that would further limit its investment choices. Ratings are not required for the Charter Township of Marquette Michigan's investment in U.S. Government Agencies or equity-type funds. The Charter Township of Marquette's investments are in accordance with statutory authority.

**Concentration of Credit Risk** - The Charter Township of Marquette places no limit on the amount the Charter Township of Marquette may invest in any one issuer. There were no investments subject to concentration of credit risk disclosure.

#### **Note 5 - 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. The local government unit has purchased commercial property loss, torts, errors medical benefits provided insurance for claims and 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.

#### **Note 6 – Contingent Liabilities:**

Management is not aware of any contingent liabilities that existed as of December 31, 2011.



## Charter Township of Marquette

### Notes to the Financial Statements

#### Note 7 – Capital Assets

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

	Balance at January 1, 2011	Additions	Disposals	Balance at December 31, 2011
<b>Governmental Activities:</b>				
Construction in progress	\$ 373,588	\$ -	\$ -	\$ 373,588
Land	1,520,758	-	-	1,520,758
Land Improvements	27,205	-	-	27,205
Total Capital Assets, not being depreciated	<u>1,921,551</u>	<u>-</u>	<u>-</u>	<u>1,921,551</u>
Buildings and improvements	546,182	27,390	-	573,572
Vehicles	1,218,695	-	-	1,218,695
Furniture and equipment	189,904	24,177	-	214,081
Total Capital Assets, being depreciated	<u>1,954,781</u>	<u>51,567</u>	<u>-</u>	<u>2,006,348</u>
Less Accumulated Depreciation:				
Buildings and improvements	271,159	15,990	-	287,149
Vehicles	1,124,164	48,919	-	1,173,083
Furniture and equipment	94,765	26,161	-	120,926
Total Accumulated Depreciation	<u>1,490,088</u>	<u>91,070</u>	<u>-</u>	<u>1,581,158</u>
Governmental Activities Capital Assets, Net	<u>2,386,244</u>	<u>(39,503)</u>	<u>-</u>	<u>2,346,741</u>
<b>Business-type Activities:</b>				
Construction in progress	743,274	-	-	743,274
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	<u>1,842,251</u>	<u>-</u>	<u>-</u>	<u>1,842,251</u>
Buildings and improvements	353,961	-	-	353,961
Vehicles	201,962	-	-	201,962
Furniture and equipment	60,686	5,384	-	66,070
Infrastructure	10,482,584	344,047	-	10,826,631
Investment in MCSWF	190,835	-	-	190,835
Total Capital Assets, being depreciated	<u>11,290,028</u>	<u>349,431</u>	<u>-</u>	<u>11,639,459</u>
Less Accumulated Depreciation:				
Buildings and improvements	231,679	8,924	-	240,603
Vehicles	136,481	17,170	-	153,651
Furniture and equipment	50,642	2,674	-	53,316
Infrastructure	2,468,035	252,475	-	2,720,510
Investment in MCSWF	135,303	8,297	-	143,600
Total Accumulated Depreciation	<u>3,022,140</u>	<u>289,540</u>	<u>-</u>	<u>3,311,680</u>
Business Activities Capital Assets, Net	<u>\$ 10,110,139</u>	<u>\$ 59,891</u>	<u>\$ -</u>	<u>\$ 10,170,030</u>

**Charter Township of Marquette**

**Notes to the Financial Statements**

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

Governmental Activities:		
Public Safety		\$ 74,967
General Government		11,785
Public Works		3,746
Recreation & Culture		572
	Total Governmental Activities	<u>\$ 91,070</u>
Business-Type Activities:		
Water Fund		\$ 162,883
Solid Waste Fund		8,297
Wastewater Treatment Fund		118,360
	Total Business-Type Activities	<u>\$ 289,540</u>

**Note 8 - Interfund Receivables, Payables, and Transfers**

Charter Township of Marquette 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 assets/balance sheet for governmental funds. Interfund transactions resulting in Interfund receivables and payables are as follows:

		Due From Other Funds		
Due To Other Funds		General	Township	Total Due
		Fund	Improvement	To Other
		Fund	Fund	Funds
	Solid Waste Fund	<u>\$ 181,459</u>	<u>\$ 19,749</u>	<u>\$ 201,208</u>
	Total Due From Other Funds	<u>\$ 181,459</u>	<u>\$ 19,749</u>	<u>\$ 201,208</u>

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.

**Charter Township of Marquette**

**Notes to the Financial Statements**

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

Transfer In From Other Funds	Transfer Out To Other Funds					
	General Fund	Fire Fund	Liquor Fund	Water Fund	Solid Waste Fund	Total
	General Fund	\$ -	\$ 4,000	\$ 5,160	\$ 23,000	\$ 10,000
Fire Fund	600	-	-	-	-	600
Township Improvement Fund	307,784	-	-	-	-	307,784
<b>Total</b>	<b>\$ 308,384</b>	<b>\$ 4,000</b>	<b>\$ 5,160</b>	<b>\$ 23,000</b>	<b>\$ 10,000</b>	<b>\$ 350,544</b>

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 9 – 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.

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

**2004 Land Purchase Note**  
**December 31, 2011**

	Principal	Interest	Total
2012	39,200	10,839	50,039
2013	39,200	9,290	48,490
2014	39,200	7,742	46,942
2015	39,200	6,194	45,394
2016	39,200	4,645	43,845
2017 -2020	78,400	4,645	83,045
	<b>\$ 274,400</b>	<b>\$ 43,355</b>	<b>\$ 317,755</b>

The 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%

**Charter Township of Marquette**

**Notes to the Financial Statements**

The 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, 2011**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	29,805	2,702	32,507
2013	30,145	2,362	32,507
2014	30,488	2,019	32,507
2015	30,835	1,672	32,507
2016	31,187	1,320	32,507
2017-2020	84,611	1,811	86,422
	<u>\$ 237,071</u>	<u>\$ 11,886</u>	<u>\$ 248,957</u>

The 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 4.80%.

**Water Land Purchase Note  
December 31, 2011**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	16,000	6,840	22,840
2013	16,000	6,080	22,080
2014	16,000	5,320	21,320
2015	16,000	4,560	20,560
2016	16,000	3,800	19,800
2017-2020	64,000	7,600	71,600
	<u>\$ 144,000</u>	<u>\$ 34,200</u>	<u>\$ 178,200</u>

The 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%.

**Charter Township of Marquette**

**Notes to the Financial Statements**

---

**Drinking Water Program Bond  
December 31, 2011**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	210,000	71,294	281,294
2013	215,000	66,831	281,831
2014	220,000	62,263	282,263
2015	220,000	57,588	277,588
2016	225,000	52,913	277,913
2017-2021	1,200,000	190,719	1,390,719
2022-2025	1,065,000	57,269	1,122,269
	<u>\$ 3,355,000</u>	<u>\$ 558,876</u>	<u>\$ 3,913,876</u>

The 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%.

**2008 Grandview Water Bond  
December 31, 2011**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	10,000	6,743	16,743
2013	10,000	6,308	16,308
2014	15,000	5,764	20,764
2015	10,000	5,220	15,220
2016	10,000	4,785	14,785
2017-2021	55,000	17,074	72,074
2022-2026	50,000	5,438	55,438
	<u>\$ 160,000</u>	<u>\$ 51,331</u>	<u>\$ 211,331</u>

The 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%.

**Charter Township of Marquette**

**Notes to the Financial Statements**

**Werner Street Construction  
December 31, 2011**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	163,707	10,120	173,827
2013	158,930	14,897	173,827
2014	163,748	10,079	173,827
2015	168,713	5,115	173,828
	<u>\$ 655,098</u>	<u>\$ 40,211</u>	<u>\$ 695,309</u>

The 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 2.99 %.

Long-term obligation activity can be summarized as follows:

	<u>January 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2011</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
2004 Land Purchase Note	313,600	-	39,200	274,400	39,200
Corner Stone Property Note	266,543	-	29,472	237,071	29,805
Werner Street Construction	-	655,098	-	655,098	163,707
Compensated Absences	47,459	11,688	-	59,147	-
Total Governmental Activities	<u>627,602</u>	<u>666,786</u>	<u>68,672</u>	<u>1,225,716</u>	<u>232,712</u>
<b>Business-Type Activities:</b>					
1998A Sewer Bond	80,000	-	80,000	-	-
Water Note Land Purchase	160,000	-	16,000	144,000	16,000
Drinking Water Bond	3,560,000	-	205,000	3,355,000	210,000
2008 Grandview Water Bond	170,000	-	10,000	160,000	10,000
Compensated Absences	35,243	7,806	-	43,049	-
Total Business-Type Activities	<u>4,005,243</u>	<u>7,806</u>	<u>311,000</u>	<u>3,702,049</u>	<u>236,000</u>
Total Primary Government Long-Term	<u>\$ 4,632,845</u>	<u>\$ 674,592</u>	<u>\$ 379,672</u>	<u>\$ 4,927,765</u>	<u>\$ 468,712</u>

**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 and to establish and administer 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

**Charter Township of Marquette**

**Notes to the Financial Statements**

---

Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds 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 one (1) member (who is the Chairperson of the board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two (2) members designated by the Marquette City Commission; three (3) members designated by the Marquette County Board of Commissioners , and 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.

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, 2011, is as follows:

Total Assets	\$ 12,505,451
Total Liabilities	1,592,129
Total equity	\$ 10,913,322
Operating Revenue	\$ 2,360,230
Operating Expenses	2,800,711
Net Income (Loss)	\$ (301,065)

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 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 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

## Charter Township of Marquette

### Notes to the Financial Statements

---

\$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.

A summary of condensed financial information of the Facility, in the aggregate, for its fiscal year ended June 30, 2011 is as follows:

Assets	\$	21,152,632
Liabilities		15,758,186
Fund Equity		5,394,446
Total Operating Revenues		1,473,900
Total Operating Expenses		2,371,446
Net Income (Loss)		(58,422)
Township's Share of Net Income (Loss)	\$	(5,842)

#### Note 12 – Pension Plan:

Plan Description - The 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 provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal



## Charter Township of Marquette

### Notes to the Financial Statements

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 Township of Marquette, Michigan's competitive bargaining units.

Annual Pension Cost - For year ended December 31, 2010 (the year of the most recently available plan information), the Township of Marquette, Michigan's annual pension cost of \$87,426 for the plan was equal to the Township of Marquette, Michigan's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2010, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8.0 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 30 years.

#### Three Year Trend Information from Actuarial Valuation Fiscal Year Ended December 31

	2010	2009	2008
Annual Pension Cost (APC)	\$ 87,426	\$ 84,218	\$ 93,362
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	\$ -	\$ -	\$ -
Actuarial Value of Assets	\$ 1,191,851	\$ 1,040,472	\$ 886,376
Actuarial Accrued Liability (AAL)	\$ 1,522,306	\$ 1,302,931	\$ 1,386,253
Unfunded AAL (UAAL)	\$ 330,455	\$ 262,459	\$ 499,877
Funded Ratio	78%	80%	64%
Covered Payroll	\$ 657,908	\$ 661,015	\$ 684,017
UAAL as a Percentage of Covered Payroll	50%	40%	73%

**REQUIRED SUPPLEMENTARY INFORMATION**

**Charter Township of Marquette**  
**MERS Agent Multiple-Employer Defined Benefit Pension Plan**  
**Schedule of Funding Progress (Unaudited)**

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 )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2008	\$ 886,376	\$ 1,386,253	\$ 499,877	64%	\$ 684,017	73%
12/31/2009	1,040,472	1,302,931	262,459	80%	661,015	40%
12/31/2010	\$ 1,191,851	\$ 1,522,306	\$ 330,455	78%	\$ 657,908	50%

**Charter Township of Marquette**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Favorable (Unfavorable) Final to Actual</b>
<b>Revenues</b>				
Taxes	\$ 1,233,304	\$ 1,401,088	\$ 1,406,385	\$ 5,297
Licenses & Permits	13,075	13,075	7,320	(5,755)
State Sources	189,880	269,880	296,322	26,442
Charges for Services	500	500	2,204	1,704
Interest & Rents	51,737	51,737	33,301	(18,436)
Other	19,100	20,800	17,953	(2,847)
<b>Total Revenues</b>	<u>1,507,596</u>	<u>1,757,080</u>	<u>1,763,485</u>	<u>6,405</u>
<b>Other Financing Sources</b>				
Transfers from Other Funds	42,160	42,160	42,160	--
<b>Total Revenues and Other Financing Sources</b>	<u>1,549,756</u>	<u>1,799,240</u>	<u>1,805,645</u>	<u>6,405</u>
<b>Expenditures</b>				
Legislative	211,324	224,924	220,199	4,725
General Services & Administration	461,836	528,036	522,158	5,878
Public Safety	313,943	324,443	320,035	4,408
Public Works	16,000	18,700	17,763	937
Community & Economic Development	4,500	12,300	12,123	177
Recreation & Culture	194,415	208,415	206,966	1,449
Capital Outlay	76,280	71,280	32,559	38,721
Debt Service	85,266	85,266	83,541	1,725
<b>Total Expenditures</b>	<u>1,363,564</u>	<u>1,473,364</u>	<u>1,415,344</u>	<u>58,020</u>
<b>Other Financing Uses</b>				
Transfers to Other Funds	140,000	308,384	308,384	--
<b>Total Expenditures and Other Financing Uses</b>	<u>1,503,564</u>	<u>1,781,748</u>	<u>1,723,728</u>	<u>58,020</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>46,192</u>	<u>17,492</u>	<u>81,917</u>	<u>64,425</u>
<b>Net Change in Fund Balance</b>	<u>46,192</u>	<u>17,492</u>	<u>81,917</u>	<u>64,425</u>
<i>Fund Balance at Beginning of Period</i>	188,751	188,751	188,751	--
<b>Fund Balance at End of Period</b>	<u>\$ 234,943</u>	<u>\$ 206,243</u>	<u>\$ 270,668</u>	<u>\$ 64,425</u>

**Charter Township of Marquette**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Fire Fund**  
**For the Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable) Final to Actual</u>
<b>Revenues</b>				
Taxes	\$ 462,135	\$ 462,135	\$ 463,413	\$ 1,278
Licenses & Permits	100	100	100	--
Federal Grants	--	16,141	17,673	1,532
Charges for Services	12,100	12,100	16,915	4,815
Permits, Fees & Special Assessments	100	100	--	(100)
Interest & Rents	3,000	3,000	1,539	(1,461)
Other	200	200	1,484	1,284
<b><i>Total Revenues</i></b>	<u>477,635</u>	<u>493,776</u>	<u>501,124</u>	<u>7,348</u>
<b>Other Financing Sources</b>				
Transfers from Other Funds	--	600	600	--
<b><i>Total Revenues and Other Financing Sources</i></b>	<u>477,635</u>	<u>494,376</u>	<u>501,724</u>	<u>7,348</u>
<b>Expenditures</b>				
Public Safety	407,452	408,052	344,825	63,227
Capital Outlay	23,500	42,490	19,008	23,482
<b><i>Total Expenditures</i></b>	<u>430,952</u>	<u>450,542</u>	<u>363,833</u>	<u>86,709</u>
<b>Other Financing Uses</b>				
Transfers to Other Funds	4,000	4,000	4,000	--
<b><i>Total Expenditures and Other Financing Uses</i></b>	<u>434,952</u>	<u>454,542</u>	<u>367,833</u>	<u>86,709</u>
<b><i>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</i></b>	<u>42,683</u>	<u>39,834</u>	<u>133,891</u>	<u>94,057</u>
<b><i>Net Change in Fund Balance</i></b>	<b>42,683</b>	<b>39,834</b>	<b>133,891</b>	<b>94,057</b>
<i>Fund Balance at Beginning of Period</i>	405,048	405,048	405,048	--
<b><i>Fund Balance at End of Period</i></b>	<b>\$ 447,731</b>	<b>\$ 444,882</b>	<b>\$ 538,939</b>	<b>\$ 94,057</b>

**Charter Township of Marquette**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Township Improvement Fund**  
**For the Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable) Final to Actual</u>
<b>Revenues</b>				
Interest & Rents	\$ 3,000	\$ 3,000	\$ 2,195	\$ (805)
Other	--	--	100	100
<i>Total Revenues</i>	<u>3,000</u>	<u>3,000</u>	<u>2,295</u>	<u>(705)</u>
<b>Other Financing Sources</b>				
Proceeds from Note Payable	--	655,098	655,098	--
Transfers from Other Funds	140,000	307,784	307,784	--
<i>Total Revenues and Other Financing Sources</i>	<u>143,000</u>	<u>965,882</u>	<u>965,177</u>	<u>(705)</u>
<b>Expenditures</b>				
Community & Economic Development	50,000	873,882	758,325	115,557
Debt Service	--	7,800	4,154	3,646
<i>Total Expenditures</i>	<u>50,000</u>	<u>881,682</u>	<u>762,479</u>	<u>119,203</u>
<b>Other Financing Uses</b>				
<i>Total Expenditures and Other Financing Uses</i>	<u>50,000</u>	<u>881,682</u>	<u>762,479</u>	<u>119,203</u>
<i>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</i>	<u>93,000</u>	<u>84,200</u>	<u>202,698</u>	<u>118,498</u>
<i>Net Change in Fund Balance</i>	<b>93,000</b>	<b>84,200</b>	<b>202,698</b>	<b>118,498</b>
<i>Fund Balance at Beginning of Period</i>	<u>87,679</u>	<u>87,679</u>	<u>87,679</u>	<u>--</u>
<i>Fund Balance at End of Period</i>	<b>\$ 180,679</b>	<b>\$ 171,879</b>	<b>\$ 290,377</b>	<b>\$ 118,498</b>

**OTHER SUPPLEMENTARY INFORMATION**

**Charter Township of Marquette  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2011**

	<u>Special Revenue</u>	
	<u>Liquor Law Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>		
Cash & Cash Equivalents	\$ 5,403	\$ 5,403
<i>Total Assets</i>	<u>\$ 5,403</u>	<u>\$ 5,403</u>
<b>LIABILITIES</b>		
<i>Total Liabilities</i>	<u>--</u>	<u>--</u>
<b>FUND BALANCE</b>		
Assigned	5,403	5,403
<i>Total Fund Balance</i>	<u>5,403</u>	<u>5,403</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 5,403</u>	<u>\$ 5,403</u>



**Charter Township of Marquette**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2011**

	<u>Special Revenue</u>	
	<u>Liquor Law Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>		
State Sources	\$ 5,206	\$ 5,206
Interest & Rents	4	4
<i>Total Revenues</i>	<u>5,210</u>	<u>5,210</u>
<b>Expenditures</b>		
<i>Total Expenditures</i>	<u>--</u>	<u>--</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>5,210</u>	<u>5,210</u>
<b>Other Financing Sources (Uses)</b>		
Transfers from Other Funds	--	--
Transfers to Other Funds	(5,160)	(5,160)
<i>Net Other Financing Sources (Uses)</i>	<u>(5,160)</u>	<u>(5,160)</u>
<i>Net Change in Fund Balance</i>	<b>50</b>	<b>50</b>
<i>Fund Balance at Beginning of Period</i>	5,353	5,353
<i>Fund Balance at End of Period</i>	<u>\$ 5,403</u>	<u>\$ 5,403</u>

**Charter Township of Marquette  
Combining Statement of Net Assets  
Nonmajor Enterprise Funds  
December 31, 2011**

	<b>Enterprise</b>		
	<b>Storm Water Fund</b>	<b>Metro Fund</b>	<b>Total Enterprise Funds</b>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash & Cash Equivalents	\$ 75,769	\$ 40,424	\$ 116,193
<b>Total Current Assets</b>	<b>75,769</b>	<b>40,424</b>	<b>116,193</b>
<i>Noncurrent Assets</i>			
<b>Total Assets</b>	<b>75,769</b>	<b>40,424</b>	<b>116,193</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
<b>Total Current Liabilities</b>	--	--	--
<i>Noncurrent Liabilities</i>			
<b>Total Liabilities</b>	--	--	--
<b>NET ASSETS</b>			
<i>Unrestricted</i>	75,769	40,424	116,193
<b>Total Net Assets</b>	<b>\$ 75,769</b>	<b>\$ 40,424</b>	<b>\$ 116,193</b>

**Charter Township of Marquette**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets**  
**Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2011**

	<u>Enterprise</u>		<u>Total Enterprise Funds</u>
	<u>Storm Water Fund</u>	<u>Metro Fund</u>	
<b>Operating Revenues</b>			
State Sources	\$ --	\$ 4,709	\$ 4,709
<i>Total Operating Revenues</i>	<u>--</u>	<u>4,709</u>	<u>4,709</u>
<b>Operating Expenses</b>			
<i>Total Operating Expenses</i>	<u>--</u>	<u>--</u>	<u>--</u>
<i>Operating Income (Loss)</i>	<u>--</u>	<u>4,709</u>	<u>4,709</u>
<b>Non-Operating Revenues (Expenses)</b>			
Investment Income	377	71	448
<i>Net Non-Operating Revenues (Expenses)</i>	<u>377</u>	<u>71</u>	<u>448</u>
<i>Income Before Contributions and Transfers</i>	<u>377</u>	<u>4,780</u>	<u>5,157</u>
Transfers from Other Funds	--	--	--
Transfers to Other Funds	<u>--</u>	<u>--</u>	<u>--</u>
<i>Change In Net Assets</i>	<b>377</b>	<b>4,780</b>	<b>5,157</b>
<i>Net Assets at Beginning of Period</i>	<u>75,392</u>	<u>35,644</u>	<u>111,036</u>
<i>Net Assets at End of Period</i>	<b>\$ 75,769</b>	<b>\$ 40,424</b>	<b>\$ 116,193</b>



May 2, 2012

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, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), 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 March 27, 2012. 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, 2011. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are 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, professional standards define a disagreement with management as 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 May 2, 2012.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

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

*Gabridge & Company*

Gabridge & Company, PLC  
Grand Rapids, MI



5005 CASCADE RD SE, SUITE A / GRAND RAPIDS, MI / 49546 / P 616 538 7100 / F 616 538 2441 / WWW.GABRIDGECPAS.COM

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*

May 2, 2012

To the Board of Trustees of the  
Charter Township of Marquette, Michigan  
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 as of and for the year ended December 31, 2011, which collectively comprise the Charter Township of Marquette's basic financial statements and have issued our report thereon dated May 2, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Charter Township of Marquette's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Charter Township of Marquette's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Marquette's financial statements are free of 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*.

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

Best regards,

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