

CHARTER TOWNSHIP OF MARQUETTE, MICHIGAN
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the Fiscal Year Ended December 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
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, 2012, 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.

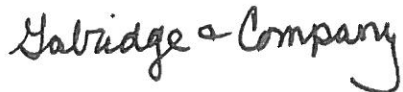
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2012, 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 April 25, 2013, 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
April 25, 2013

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, 2012. Please read it in conjunction with the financial statements, which begin on page 11.

Financial Highlights

- Net position for the Charter Township of Marquette as a whole increased by \$1,431,899 as a result of this year's operations. The Township's business-type activities increased by \$704,100 or 7.8 percent, and net position of our governmental activities increased by \$727,799 or 32.8 percent.
- During the year, the Charter Township of Marquette had expenses for governmental activities that were \$1,856,351, which is \$727,799 less than the \$2,584,150 generated in governmental revenue sources.
- During the year, the Charter Township of Marquette had expenses for business-type activities that were \$1,918,335, which is \$704,100 less than the \$2,622,435 generated in business-type revenue sources.
- The General Fund reported a net fund balance of \$280,201, which is an increase of \$9,533 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 Position 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 11. 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 Position 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

received or paid. These two statements report the Charter Township of Marquette's *net position* and changes in them. You can think of the net position – 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 position 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 Position 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.

The following schedule provides a summary of the Charter Township of Marquette's net position as of December 31, 2012 and 2011.

Charter Township of Marquette
Statement of Net Position for Fiscal Years Ended December 31, 2012 and December 31, 2011

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
ASSETS						
<i>Current Assets</i>						
Cash & Cash Equivalents	\$ 915,215	\$ 1,718,167	\$ 2,779,754	\$ 2,148,511	\$ 3,694,969	\$ 3,866,678
Cash - Restricted	-	-	237,916	323,199	237,916	323,199
Receivables (Net)	803,261	85,826	57,509	77,398	860,770	163,224
Special Assessments	-	-	85,737	83,973	85,737	83,973
Taxes Receivable	1,696,976	1,497,723	-	-	1,696,976	1,497,723
Intergovernmental Receivables	9,103	9,220	-	-	9,103	9,220
Prepaid Expenditures	19,130	19,743	21,412	21,019	40,542	40,762
Total Current Assets	3,443,685	3,330,679	3,182,328	2,654,100	6,626,013	5,984,779
<i>Noncurrent Assets</i>						
Capital Assets (Net)	3,770,410	2,346,741	10,102,436	10,170,030	13,872,846	12,516,771
Total Assets	7,214,095	5,677,420	13,284,764	12,824,130	20,498,859	18,501,550
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	443,977	80,830	58,895	70,608	502,872	151,438
Customer Deposits	-	-	88,107	85,336	88,107	85,336
Accrued Payroll & Related Liabilities	11,665	8,304	9,778	8,948	21,443	17,252
Current Portion of Long-term Debt	227,938	232,712	241,000	236,000	468,938	468,712
Accrued Interest Payable	12,740	6,466	29,324	30,829	42,064	37,295
Unearned Revenue	2,017,587	1,934,950	83,462	100,992	2,101,049	2,035,942
Internal Balances	182,367	201,208	(182,367)	(201,208)	-	-
Total Current Liabilities	2,896,274	2,464,470	328,199	331,505	3,224,473	2,795,975
<i>Noncurrent Liabilities</i>						
Compensated Absences	64,152	59,147	43,889	43,049	108,041	102,196
Long-term Debt	1,305,924	933,857	3,182,000	3,423,000	4,487,924	4,356,857
Total Liabilities	4,266,350	3,457,474	3,554,088	3,797,554	7,820,438	7,255,028
NET POSITION						
Net Investment in Capital Assets	2,236,548	1,835,270	6,679,436	6,187,831	8,915,984	8,023,101
Restricted	-	-	237,916	323,199	237,916	323,199
Unrestricted	711,197	384,676	2,813,324	2,515,546	3,524,521	2,900,222
Total Net Position	\$ 2,947,745	\$ 2,219,946	\$ 9,730,676	\$ 9,026,576	\$12,678,421	\$ 11,246,522

Net position of the Charter Township of Marquette's governmental activities stood at \$2,947,745.

Unrestricted net position - the part of net position that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$711,197.

The \$711,197 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The net position of our business-type activities stood at \$9,730,676. The Charter Township of Marquette can generally only use this net position 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. The following schedule shows the changes in net position for the fiscal years 2012 and 2011.

Charter Township of Marquette
Change in Net Position for Fiscal Years Ended December 31, 2012 and December 31, 2011

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
Revenue						
Program Revenues						
Charges for Services	\$ 28,105	\$ 28,023	\$ 2,635,095	\$ 2,510,393	\$ 2,663,200	\$ 2,538,416
Operating Grants & Contributions	5,267	7,340	4,945	4,709	10,212	12,049
Capital Grants & Contributions	175,160	17,673	-	-	175,160	17,673
Total Program Revenues	208,532	53,036	2,640,040	2,515,102	2,848,572	2,568,138
General Revenues						
Taxes	1,979,050	1,869,798	-	-	1,979,050	1,869,798
State Sources	284,737	296,322	-	-	284,737	296,322
Other	29,311	15,919	-	-	29,311	15,919
Investment Income	47,520	37,039	17,395	27,292	64,915	64,331
Total General Revenues	2,340,618	2,219,078	17,395	27,292	2,358,013	2,246,370
Total Revenues	2,549,150	2,272,114	2,657,435	2,542,394	5,206,585	4,814,508
Expenses						
Legislative	198,725	220,199	-	-	198,725	220,199
General Services & Administration	563,836	546,390	-	-	563,836	546,390
Public Safety	635,833	739,827	-	-	635,833	739,827
Public Works	189,270	779,075	-	-	189,270	779,075
Community & Economic Development	19,403	12,123	-	-	19,403	12,123
Recreation & Culture	220,474	207,538	-	-	220,474	207,538
Debt Service - Interest	28,810	23,054	-	-	28,810	23,054
Wastewater System	-	-	759,029	704,514	759,029	704,514
Solid Waste Disposal	-	-	303,729	317,904	303,729	317,904
Water System	-	-	855,577	827,759	855,577	827,759
Total Expenses	1,856,351	2,528,206	1,918,335	1,850,177	3,774,686	4,378,383
Transfers In (Out)	35,000	33,000	(35,000)	(33,000)	-	-
Change in Net Position	727,799	(223,092)	704,100	659,217	1,431,899	436,125
Net Position at the Beginning of Period	2,219,946	2,443,038	9,026,576	8,367,359	11,246,522	10,810,397
Net Position at the End of Period	\$ 2,947,745	\$ 2,219,946	\$ 9,730,676	\$ 9,026,576	\$ 12,678,421	\$ 11,246,522

The Charter Township of Marquette's total revenues were \$5,206,585. The total cost of all programs and services was \$3,774,686, leaving an increase in net position of \$1,431,899. Our analysis on the following page separately considers the operations of governmental and business-type activities:

Governmental Activities

The governmental activities experienced an increase in net position for the year of \$727,799. Key reasons for the change in net position are as follows:

- Net decrease in governmental fund balances of \$317,298
- Capital outlay reclassified to capital assets of \$1,497,514
- Depreciation charged to expenses of \$73,845
- Principal payments reclassified from expenses to liability \$232,707
- Recording change in accrued interest of \$6,274
- Change in compensated absences of \$5,005
- Proceeds from note payable reclassified to long-term debt \$600,000

Business-type Activities

The business-type activities experienced an increase in net position for the year of \$704,100. Key reasons for the change in net position 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 wastewater treatment plant and sewer system salaries.

The Charter Township of Marquette's Funds

Our analysis of the Charter Township of Marquette's major funds begins on page 13. 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 decrease in fund balance for the year of \$317,298.

Revenues

Highlighting the increase was the 5.8% increase in tax revenue, the recognition of loan proceeds for the construction of the new township and fire halls, and the FEMA grant proceeds.

Expenditures

Major increases in capital outlay during 2012 over 2011 were in the construction expenditures for the new township and fire halls.

General Fund Budgetary Highlights

Over the course of the year, the Township revised the budget; actual charges to expenditures were \$150,668 more than the budget; conversely, revenues were \$430,869 more than the budget projection.

Budget amendments made in 2012 reflected:

- Revenues – Increased state revenue sharing due to the 2010 census population increase and loan proceeds for the construction of the township hall.
- Expenditures – The estimated year end cost of the township hall construction; 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 and higher than estimated loan proceeds for the township hall construction.
- Expenditures – Uncertainty regarding the final December costs for the township hall buildings. Capital outlay expenditures were significantly higher than expected because of unusually warm weather in December. Construction on the township hall progressed further than expected for the year. The increased construction costs were not known until January 2013 preventing the Township from amending its budget accordingly.

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2012 and 2011, the Charter Township of Marquette had \$13,872,846 and \$12,516,771 respectively, invested in a variety of capital assets including land and improvements, buildings and improvements, and other equipment.

	2012	2011
Construction in progress	\$ 2,330,530	\$ 1,116,862
Land	1,955,328	1,760,758
Land Improvements	587,498	587,498
Investment in WW Treatment Facility	298,684	298,684
Buildings and Improvements	379,560	399,781
Vehicles	110,972	93,923
Furniture and Equipment	127,177	105,909
Infrastructure	8,044,159	8,106,121
Investment in MCSWF	38,938	47,235
Totals	<u>\$ 13,872,846</u>	<u>\$ 12,516,771</u>

There were additions of \$1,725,043 during the current fiscal year, which included \$1,213,668 for the township and fire hall construction in progress, \$194,570 for recreation land, \$51,432 for fire department hurst cutter and ancillary equipment (mainly paid for through a federal grant), \$15,028 for a DPW trailer mounted travel vacuum, and \$118,132 for Grove Street water main improvements. 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 2012 and 2011, The Charter Township of Marquette had \$4,956,862 and \$4,825,569 in debt outstanding as depicted in the table below:

	2012	2011
2004 Land Purchase Note	\$ 235,200	\$ 274,400
Cornerstone Property Note	207,271	237,071
Werner Street Construction	491,391	655,098
Water Land Purchase Note	128,000	144,000
DWRF Bond	3,145,000	3,355,000
Grandview Project Bond	150,000	160,000
Township & Fire Hall Note	600,000	-
Totals	<u>\$ 4,956,862</u>	<u>\$ 4,825,569</u>

Principal payments for the year were \$468,707. Further details on long-term debt can be found in the Notes to the Financial Statements section of this document.

Economic Factors and Next Year's Budgets

In preparing the Charter Township of Marquette's budget for the year ending December 31, 2013, the Township considered the following issues: The completed construction of the new township and fire halls; 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 Position
December 31, 2012**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash & Cash Equivalents	\$ 915,215	\$ 2,779,754	\$ 3,694,969	\$ 15,940
Cash - Restricted	--	237,916	237,916	--
Receivables (Net)	803,261	57,509	860,770	--
Special Assessments / Loan	--	85,737	85,737	--
Taxes Receivables	1,696,976	--	1,696,976	--
Intergovernmental Receivables	9,103	--	9,103	--
Prepaid Expenditures	19,130	21,412	40,542	--
Total Current Assets	3,443,685	3,182,328	6,626,013	15,940
<i>Noncurrent Assets</i>				
Capital Assets (Net)	3,770,410	10,102,436	13,872,846	--
Total Assets	7,214,095	13,284,764	20,498,859	15,940
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	443,977	58,895	502,872	--
Customer Deposits	--	88,107	88,107	--
Accrued Payroll & Related Liabilities	11,665	9,778	21,443	--
Current Portion of Long-term Debt	227,938	241,000	468,938	--
Accrued Interest Payable	12,740	29,324	42,064	--
Unearned Revenue	2,017,587	83,462	2,101,049	--
<i>Internal Balances*</i>	182,367	(182,367)	--	--
Total Current Liabilities	2,896,274	328,199	3,224,473	--
<i>Noncurrent Liabilities</i>				
Compensated Absences	64,152	43,889	108,041	--
Long-term Debt	1,305,924	3,182,000	4,487,924	--
Total Liabilities	4,266,350	3,554,088	7,820,438	--
NET POSITION				
Net Investment in Capital Assets	2,236,548	6,679,436	8,915,984	--
<i>Restricted for:</i>				
Debt Service	--	237,916	237,916	--
<i>Unrestricted</i>	711,197	2,813,324	3,524,521	15,940
Total Net Position	\$ 2,947,745	\$ 9,730,676	\$ 12,678,421	\$ 15,940

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, 2012**

Functions/Programs Primary Government	Program Revenues			Net (Expense) Revenue		Component Unit
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:						
Legislative	\$ 198,725	\$ --	\$ --	\$ (198,725)	\$ --	\$ --
General Services & Administration	563,836	4,671	124,344	(434,821)	--	(434,821)
Public Safety	635,833	11,628	50,816	(568,122)	--	(568,122)
Public Works	189,270	5,267	--	(189,270)	--	(189,270)
Community & Economic Development	19,403	--	--	(14,822)	--	(14,822)
Recreation & Culture	220,474	4,581	--	(213,249)	--	(213,249)
Debt Service - Interest	28,810	7,225	--	(28,810)	--	(28,810)
Total Governmental Activities	1,856,351	28,105	175,160	(1,647,819)	--	(1,647,819)
Business-type Activities:						
Storm Water Fund	--	--	--	--	--	--
Wastewater Fund	759,029	1,151,565	--	--	392,536	392,536
Solid Waste Fund	303,729	312,339	--	--	8,610	8,610
Metro Fund	--	4,945	--	--	4,945	4,945
Water Fund	855,577	1,171,191	--	--	315,614	315,614
Total Business-type Activities	1,918,335	2,635,095	--	--	721,705	721,705
Total Primary Government	\$ 3,774,686	\$ 10,212	\$ 175,160	\$ (1,647,819)	\$ 721,705	\$ (926,114)
Component Unit						
DDA	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Total Component Units	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
General Purpose Revenues and Transfers:						
Revenues						
Taxes				1,979,050	--	1,979,050
State Sources				284,737	--	284,737
Other				29,311	--	29,311
Investment Income				47,520	17,395	64,915
Transfers				35,000	(35,000)	--
Total General Revenues and Transfers				2,375,618	(17,605)	2,358,013
Change in Net Position				727,799	704,100	1,431,899
Net Position at Beginning of Period				2,219,946	9,026,576	11,246,522
Net Position at End of Period				\$ 2,947,745	\$ 9,730,676	\$ 12,678,421

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

Charter Township of Marquette
Balance Sheet
Governmental Funds
December 31, 2012

	<u>Special Revenue</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Fire Fund</u>		
ASSETS				
Cash & Cash Equivalents	\$ 309,797	\$ 337,207	\$ 268,211	\$ 915,215
Receivables (Net)	555,676	243,585	4,000	803,261
Taxes Receivables	1,270,727	426,249	--	1,696,976
Intergovernmental Receivables	9,103	--	--	9,103
Prepaid Expenditures	9,918	9,212	--	19,130
<i>Total Assets</i>	<u>\$ 2,155,221</u>	<u>\$ 1,016,253</u>	<u>\$ 272,211</u>	<u>\$ 3,443,685</u>
LIABILITIES				
Accounts Payable	\$ 178,294	\$ 257,073	\$ 8,610	\$ 443,977
Accrued Payroll & Related Liabilities	8,697	2,968	--	11,665
Unearned Revenue	1,505,662	511,925	--	2,017,587
Due to Other Funds	182,367	--	--	182,367
<i>Total Liabilities</i>	<u>1,875,020</u>	<u>771,966</u>	<u>8,610</u>	<u>2,655,596</u>
FUND BALANCE				
Nonspendable	9,918	9,212	--	19,130
Assigned	--	235,075	263,601	498,676
Unassigned	270,283	--	--	270,283
<i>Total Fund Balance</i>	<u>280,201</u>	<u>244,287</u>	<u>263,601</u>	<u>788,089</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 2,155,221</u>	<u>\$ 1,016,253</u>	<u>\$ 272,211</u>	<u>\$ 3,443,685</u>

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 Position
December 31, 2012

Total Fund Balance - Governmental Funds	\$ 788,089
General government capital assets of \$5,425,413, net of accumulated depreciation of \$1,655,003, are not financial resources and, accordingly, are not reported in the funds	3,770,410
Long-term liabilities, including related accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds	(1,546,602)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds	(64,152)
Total Net Position - Governmental Funds	\$ <u>2,947,745</u>

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, 2012

	<u>Special Revenue</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Fire Fund</u>		
Revenues				
Taxes	\$ 1,490,294	\$ 488,756	\$ --	\$ 1,979,050
Licenses & Permits	9,252	293	--	9,545
State Sources	284,737	--	5,267	290,004
State Grants	124,344	--	--	124,344
Federal Grants	--	50,816	--	50,816
Charges for Services	7,225	8,441	--	15,666
Interest & Rents	43,286	2,791	1,443	47,520
Other	25,311	2,894	4,000	32,205
Total Revenues	<u>1,984,449</u>	<u>553,991</u>	<u>10,710</u>	<u>2,549,150</u>
Expenditures				
Legislative	198,725	--	--	198,725
General Services & Administration	541,145	--	--	541,145
Public Safety	293,000	292,004	--	585,004
Public Works	17,962	--	167,562	185,524
Community & Economic Development	19,403	--	--	19,403
Recreation & Culture	218,890	--	--	218,890
Capital Outlay	708,275	789,239	--	1,497,514
Debt Service - Principal	69,000	--	163,707	232,707
Debt Service - Interest	12,416	--	10,120	22,536
Total Expenditures	<u>2,078,816</u>	<u>1,081,243</u>	<u>341,389</u>	<u>3,501,448</u>
Excess of Revenues Over (Under) Expenditures	<u>(94,367)</u>	<u>(527,252)</u>	<u>(330,679)</u>	<u>(952,298)</u>
Other Financing Sources (Uses)				
Proceeds from Note Payable	364,000	236,000	--	600,000
Transfers from Other Funds	44,269	600	303,769	348,638
Transfers to Other Funds	(304,369)	(4,000)	(5,269)	(313,638)
Net Other Financing Sources (Uses)	<u>103,900</u>	<u>232,600</u>	<u>298,500</u>	<u>635,000</u>
Net Change in Fund Balance	<u>9,533</u>	<u>(294,652)</u>	<u>(32,179)</u>	<u>(317,298)</u>
Fund Balance at Beginning of Period	<u>270,668</u>	<u>538,939</u>	<u>295,780</u>	<u>1,105,387</u>
Fund Balance at End of Period	<u>\$ 280,201</u>	<u>\$ 244,287</u>	<u>\$ 263,601</u>	<u>\$ 788,089</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, 2012**

Total Net Change in Fund Balances - Governmental Funds	\$	(317,298)
Long-term debt payments are reported as financing uses in the governmental funds and thus contribute to the change in fund balance. However, debt payments reduce long-term debt on the Statement of Net Position. This represents the amount of principal payment made during the year on long-term debt		232,707
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 \$6,274, and the increase in compensated absences of \$5,005		(11,279)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents capital outlay expenditures of \$1,497,514 less depreciation expense of \$73,845		1,423,669
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 Position		(600,000)
Changes in Net Position - Governmental Funds	\$	<u>727,799</u>

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

**Charter Township of Marquette
Statement of Net Position
Proprietary Funds
December 31, 2012**

	Business-type Activities - Enterprise Funds				
	<u>Wastewater Fund</u>	<u>Solid Waste Fund</u>	<u>Water Fund</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
ASSETS					
<i>Current Assets</i>					
Cash & Cash Equivalents	\$ 1,400,369	\$ 95,120	\$ 1,163,062	\$ 121,203	\$ 2,779,754
Cash - Restricted	120,080	--	117,836	--	237,916
Receivables (Net)	21,625	24,744	11,140	--	57,509
Special Assessments / Loan	14,712	--	71,025	--	85,737
Prepaid Expenditures	7,657	194	13,561	--	21,412
Due from Other Funds	--	182,367	--	--	182,367
Total Current Assets	<u>1,564,443</u>	<u>302,425</u>	<u>1,376,624</u>	<u>121,203</u>	<u>3,364,695</u>
<i>Noncurrent Assets</i>					
Capital Assets (Net)	<u>3,372,904</u>	<u>38,938</u>	<u>6,690,594</u>	<u>--</u>	<u>10,102,436</u>
Total Assets	<u>4,937,347</u>	<u>341,363</u>	<u>8,067,218</u>	<u>121,203</u>	<u>13,467,131</u>
LIABILITIES					
<i>Current Liabilities</i>					
Accounts Payable	17,264	7,975	33,656	--	58,895
Customer Deposits	--	15,720	72,387	--	88,107
Accrued Payroll & Related Liabilities	3,413	390	5,975	--	9,778
Current Portion of Long-term Debt	--	--	241,000	--	241,000
Accrued Interest Payable	--	--	29,324	--	29,324
Unearned Revenue	223	--	83,239	--	83,462
Total Current Liabilities	<u>20,900</u>	<u>24,085</u>	<u>465,581</u>	<u>--</u>	<u>510,566</u>
<i>Noncurrent Liabilities</i>					
Compensated Absences	18,830	--	25,059	--	43,889
Long-term Debt	--	--	3,182,000	--	3,182,000
Total Liabilities	<u>39,730</u>	<u>24,085</u>	<u>3,672,640</u>	<u>--</u>	<u>3,736,455</u>
NET POSITION					
Net Investment in Capital Assets	3,372,904	38,938	3,267,594	--	6,679,436
<i>Restricted for:</i>					
Debt Service	120,080	--	117,836	--	237,916
<i>Unrestricted</i>	1,404,633	278,340	1,009,148	121,203	2,813,324
Total Net Position	<u>\$ 4,897,617</u>	<u>\$ 317,278</u>	<u>\$ 4,394,578</u>	<u>\$ 121,203</u>	<u>\$ 9,730,676</u>

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 Position
Proprietary Funds
For the Year Ended December 31, 2012

Business-type Activities - Enterprise Funds					
	<u>Wastewater Fund</u>	<u>Solid Waste Fund</u>	<u>Water Fund</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Operating Revenues					
State Sources	\$ --	\$ --	\$ --	\$ 4,945	\$ 4,945
Charges for Services	989,080	231,572	787,667	--	2,008,319
Permits, Fees & Special Assessments	12,832	2,518	25,699	--	41,049
Other	4,143	60,465	23,325	--	87,933
Total Operating Revenues	<u>1,006,055</u>	<u>294,555</u>	<u>836,691</u>	<u>4,945</u>	<u>2,142,246</u>
Operating Expenses					
Personnel Services	224,913	19,544	346,432	--	590,889
Supplies	6,607	1,202	11,096	--	18,905
Other Services & Charges	406,781	274,530	247,469	--	928,780
Depreciation Expense	120,728	8,297	166,099	--	295,124
Total Operating Expenses	<u>759,029</u>	<u>303,573</u>	<u>771,096</u>	<u>--</u>	<u>1,833,698</u>
Operating Income (Loss)	<u>247,026</u>	<u>(9,018)</u>	<u>65,595</u>	<u>4,945</u>	<u>308,548</u>
Non-Operating Revenues (Expenses)					
Investment Income	5,366	907	11,057	65	17,395
Debt Service Fee	93,808	17,784	290,167	--	401,759
Connection Fees	51,702	--	44,333	--	96,035
Interest Expense	--	(156)	(84,481)	--	(84,637)
Net Non-Operating Revenues (Expenses)	<u>150,876</u>	<u>18,535</u>	<u>261,076</u>	<u>65</u>	<u>430,552</u>
Income Before Contributions and Transfers	<u>397,902</u>	<u>9,517</u>	<u>326,671</u>	<u>5,010</u>	<u>739,100</u>
Transfers from Other Funds	--	--	--	--	--
Transfers to Other Funds	--	(12,000)	(23,000)	--	(35,000)
Change In Net Position	<u>397,902</u>	<u>(2,483)</u>	<u>303,671</u>	<u>5,010</u>	<u>704,100</u>
<i>Net Position at Beginning of Period</i>	4,499,715	319,761	4,090,907	116,193	9,026,576
Net Position at End of Period	<u>\$ 4,897,617</u>	<u>\$ 317,278</u>	<u>\$ 4,394,578</u>	<u>\$ 121,203</u>	<u>\$ 9,730,676</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, 2012**

	Business-type Activities - Enterprise Funds					Total Enterprise Funds
	Wastewater Fund	Solid Waste Fund	Water Fund	Enterprise Funds	Other Enterprise Funds	
Cash Flows From Operating Activities						
Cash Received from Charges for Service	\$ 991,539	\$ 249,438	\$ 787,231	\$ -	\$ -	\$ 2,028,208
Cash Received from Permits, Fees, and Specials Assessments	(1,880)	2,518	38,647	-	-	39,285
Other Miscellaneous Income	4,143	60,465	23,325	4,945	-	92,878
Cash Payments to Employees for Services and Fringe Benefits	(225,125)	(19,229)	(341,871)	-	-	(586,225)
Cash Payments to Suppliers for Good and Services	(427,443)	(282,403)	(249,945)	-	-	(959,791)
Total Cash Flows from Operating Activities	<u>341,234</u>	<u>10,789</u>	<u>257,387</u>	<u>4,945</u>	<u>-</u>	<u>614,355</u>
Cash Flows From Non-capital Financing Activities						
Transfers from (to) Other Funds	-	(12,000)	(23,000)	-	-	(35,000)
Decrease (Increase) in Due from Other Funds	-	18,841	-	-	-	18,841
Total Cash Flows from Non-capital Financing Activities	<u>-</u>	<u>6,841</u>	<u>(23,000)</u>	<u>-</u>	<u>-</u>	<u>(16,159)</u>
Cash Flows From Capital and Related Financing Activities						
Cash Received from Connection Fees	51,702	-	44,333	-	-	96,035
Payments Received from Debt Service	93,808	17,784	290,167	-	-	401,759
Purchases of Capital Assets	(27,293)	-	(202,689)	-	-	(229,982)
Interest Payments on Bonds	-	(156)	(83,534)	-	-	(83,690)
Principal Payments on Bonds	-	-	(236,000)	-	-	(236,000)
Deferred Refunding on Bonds	-	-	(17,753)	-	-	(17,753)
Total Cash Flows from Capital and Related Financing Activities	<u>118,217</u>	<u>17,628</u>	<u>(205,476)</u>	<u>-</u>	<u>-</u>	<u>(69,631)</u>
Cash Flows From Investing Activities						
Interest Earned	5,366	907	11,057	65	65	17,395
Total Cash Flows from Investing Activities	<u>5,366</u>	<u>907</u>	<u>11,057</u>	<u>65</u>	<u>65</u>	<u>17,395</u>
Net Increase (Decrease) in Cash and Equivalents	464,817	36,165	39,968	5,010	5,010	545,960
<i>Cash and Equivalents - Beginning of Year</i>	1,055,632	58,955	1,240,930	116,193	116,193	2,471,710
Cash and Equivalents - End of Year	<u>\$ 1,520,449</u>	<u>\$ 95,120</u>	<u>\$ 1,280,898</u>	<u>\$ 121,203</u>	<u>\$ 121,203</u>	<u>\$ 3,017,670</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, 2012

	Business-type Activities - Enterprise Funds					Total Enterprise Funds
	Wastewater Fund	Solid Waste Fund	Water Fund	Other Enterprise Funds		
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Operating Income	\$ 247,026	\$ (9,018)	\$ 65,595	\$ 4,945	\$ 308,548	
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities						
Depreciation and Amortization Expense	120,728	8,297	166,099	-	295,124	
Changes in Assets & Liabilities						
Receivables (Net)	2,459	17,866	(436)	-	19,889	
Special Assessments	(14,712)		12,948		(1,764)	
Prepaid Expenses	657	(10)	(1,040)		(393)	
Accounts Payable	(14,712)	(6,661)	9,660		(11,713)	
Accrued and Other Liabilities	(212)	315	4,561		4,664	
Net Cash Provided by Operating Activities	\$ 341,234	\$ 10,789	\$ 257,387	\$ 4,945	\$ 614,355	

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

**Charter Township of Marquette
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2012**

	Agency	
	Trust & Agency	Tax Collection
ASSETS		
Cash & Cash Equivalents	\$ 6,829	\$ 491,947
<i>Total Assets</i>	6,829	491,947
LIABILITIES		
Current Liabilities	3,749	--
Accrued Payroll & Related Liabilities	82	--
Due to Other Funds	2,998	491,947
<i>Total Liabilities</i>	6,829	491,947
NET POSITION		
Held in Trust	\$ --	\$ --

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

Charter Township of Marquette
Combining Statement of Net Position
Component Unit
December 31, 2012

	DDA
ASSETS	
<i>Current Assets</i>	
Cash & Cash Equivalents	\$ 15,940
Total Current Assets	15,940
<i>Noncurrent Assets</i>	
Total Assets	15,940
LIABILITIES	
<i>Current Liabilities</i>	
Total Current Liabilities	--
<i>Noncurrent Liabilities</i>	
Total Liabilities	--
NET POSITION	
<i>Unrestricted</i>	15,940
Total Net Position	\$ 15,940

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

Charter Township of Marquette
Combining Statement of Activities
Component Unit
For the Year Ended December 31, 2012

	DDA
Expenses	\$ --
<i>Total Expenses</i>	--
Program Revenues	
Charges for services	--
Operating grants and contributions	--
Capital grants and contributions	--
<i>Total Program Revenues</i>	--
<i>Net Program Revenues (Expenses)</i>	--
General Revenue	
Investment Income	8
<i>Total General Revenues</i>	8
<i>Change in Net Position</i>	8
<i>Net Position at Beginning of Period</i>	15,932
<i>Net Position at End of Period</i>	\$ 15,940

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 Note 10 for more information.

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

Government-wide and Fund Financial Statements

The government-wide financial statements (the Statement of Net Position 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 segment 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 of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The 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 31st.

Charter Township of Marquette

Notes to the Financial Statements

Although the Charter Township of Marquette 2012 ad valorem tax is levied and collectible on December 1, 2012, 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 31st. Taxes are considered delinquent on March 1st 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, 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 - 50 Years
Equipment	3 - 10 Years

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

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

Fund Equity

In the fund financial statements fund balance is presented in five possible categories, each of which identifies the extent to which the Township is bound to honor constraints on the specific purpose for which the amounts can be spent:

Nonspendable – amounts which cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained directly.

Restricted – amounts that have constraints placed on their use by an external party or constitutional provisions or enabling legislation (e.g., grants, contributions, specific fee mandates).

Committed – amounts that are committed for specific purposes by the Board, as the Township's highest level of decision-making authority, pursuant to constraints imposed by formal actions

Charter Township of Marquette

Notes to the Financial Statements

taken, such as a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Board removes or changes the specific use through the same type of formal action taken to establish the commitment.

Assigned – amounts that are constrained by the Township’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

Designations of fund balance represent tentative management plans that are subject to change. It is the Township’s policy to first use restricted resources when both restricted and unrestricted net assets or fund balances are available. For purposes of fund balance classification, expenditures are to be spent from Restricted Fund Balance first (when appropriate), followed in order by Committed Fund Balance, Assigned Fund Balance, and lastly, Unassigned Fund Balance.

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 April 25, 2013, which is the date the financial statements were available to be issued.

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.

Charter Township of Marquette

Notes to the Financial Statements

- 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 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:
 - 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.

Charter Township of Marquette

Notes to the Financial Statements

- 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.
- 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 had expenditures in excess of appropriations for the year relating to capital outlay. Also, the Township has no fund with deficit balances as of December 31, 2012.

The Township had two expenditures in excess of appropriations. The expenditures were related to the new Township and Fire Halls. Unusually mild weather in December allowed for the contractor to progress further than expected on the project. The invoice was received after year end was picked up as accounts payable. The budget was not adjusted after year end to reflect the added expense related to the progress of the project.

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, were as follows:

	General Fund	Fire Fund	Township Improvement Fund	Wastewater Treatment Fund	Solid Waste Fund	Water Fund	Total
Accounts Receivable	\$ 555,676	\$ 243,585	\$ 4,000	\$ 19,119	\$ 15,025	\$ 10,534	\$ 847,939
Taxes Receivable	1,270,727	426,249	-	-	-	-	1,696,976
Delinquent Utility Billings	-	-	-	2,506	9,719	606	12,831
Special Assessments / Loan	-	-	-	14,712	-	71,025	85,737
	<u>\$ 1,826,403</u>	<u>\$ 669,834</u>	<u>\$ 4,000</u>	<u>\$ 36,337</u>	<u>\$ 24,744</u>	<u>\$ 82,165</u>	<u>\$ 2,643,483</u>

The large increase in receivables in the General and Fire Funds is the proportionate share of a loan receivable for the Township and Fire Hall construction.

Charter Township of Marquette

Notes to the Financial Statements

Note 4 – Deposits and Investments

Cash Equivalents - As of December 31, 2012, 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	\$ 915,215	\$ 2,779,754	\$ 498,776	\$ 15,940	\$ 4,209,685
Investments	-	-	-	-	-
Cash and Equivalents - Restricted	-	237,916	-	-	237,916
	<u>\$ 915,215</u>	<u>\$ 3,017,670</u>	<u>\$ 498,776</u>	<u>\$ 15,940</u>	<u>\$ 4,447,601</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. 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:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Amount Insured by the FDIC	\$ 4,753,159	\$ 4,440,317
Amount Collateralized with the Financial Institution	-	-
Amount Uncollateralized and Uninsured	7,284	7,284
	<u>\$ 4,760,443</u>	<u>\$ 4,447,601</u>

Effective as of January 1, 2013 the FDIC insurance rules have changed to only cover a deposit of \$250,000 at any institution. This is a significant change and could impact FDIC coverage of funds at the Township.

Investments - As of December 31, 2012, 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

Charter Township of Marquette

Notes to the Financial Statements

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.

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.

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. To mitigate the risk of loss the Township participates in the Michigan Townships Participating Plan. The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at an owner cost than would be available on an individual basis.

Note 6 – Contingent Liabilities:

Management is not aware of any contingent liabilities that existed as of December 31, 2012.

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,			Balance at December 31,	
	2012	Additions	Disposals	2012	
Governmental Activities:					
Construction in progress	\$ 373,588	\$ 1,213,668	\$ -	\$ 1,587,256	
Land	1,520,758	194,570	-	1,715,328	
Land Improvements	27,205	-	-	27,205	
Total Capital Assets, not being depreciated	<u>1,921,551</u>	<u>1,408,238</u>	<u>-</u>	<u>3,329,789</u>	
Buildings and improvements	573,572	5,705	-	579,277	
Vehicles	1,218,695	51,432	-	1,270,127	
Furniture and equipment	214,081	32,139	-	246,220	
Total Capital Assets, being depreciated	<u>2,006,348</u>	<u>89,276</u>	<u>-</u>	<u>2,095,624</u>	
Less Accumulated Depreciation					
Buildings and improvements	287,149	17,002		304,151	
Vehicles	1,173,083	20,925		1,194,008	
Furniture and equipment	120,926	35,918		156,844	
Total Accumulated Depreciation	<u>1,581,158</u>	<u>73,845</u>	<u>-</u>	<u>1,655,003</u>	
Governmental Activities Capital Assets, Net	<u>\$ 2,346,741</u>	<u>\$ 1,423,669</u>	<u>\$ -</u>	<u>\$ 3,770,410</u>	
Business-type Activities					
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	66,070	38,905	-	104,975	
Infrastructure	10,826,631	191,077	-	11,017,708	
Investment in MCSWF	190,835	-	-	190,835	
Total Capital Assets, being depreciated	<u>11,639,459</u>	<u>229,982</u>	<u>-</u>	<u>11,869,441</u>	
Less Accumulated Depreciation					
Buildings and improvements	240,603	8,924	-	249,527	
Vehicles	153,651	13,458	-	167,109	
Furniture and equipment	53,316	13,858	-	67,174	
Infrastructure	2,722,962	250,587	-	2,973,549	
Investment in MCSWF	143,600	8,297	-	151,897	
Total Accumulated Depreciation	<u>3,314,132</u>	<u>295,124</u>	<u>-</u>	<u>3,609,256</u>	
Business Activities Capital Assets, Net	<u>\$ 10,167,578</u>	<u>\$ (65,142)</u>	<u>\$ -</u>	<u>\$ 10,102,436</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	\$ 50,829
General Government	17,686
Public Works	3,746
Recreation & Culture	1,584
Total Governmental Activities	\$ 73,845
Business-type Activities	
Water Fund	\$ 166,099
Solid Waste Fund	8,297
Wastewater Treatment Fund	120,728
Total Business-type Activities	\$ 295,124

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 consisted of \$182,367 due from the Solid Waste Fund to the General Fund. All balances resulted from the time lag between the dates that 1) Interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

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

Transfer In From Other Funds	Transfer to Other Funds					
	General Fund	Fire Fund	Liquor Fund	Water Fund	Solid Waste Fund	Total
General Fund	\$ -	\$ 4,000	\$ 5,269	\$ 23,000	\$ 12,000	\$ 44,269
Fire Fund	600	-	-	-	-	600
Township Improvement Fund	303,769	-	-	-	-	303,769
Total	\$ 304,369	\$ 4,000	\$ 5,269	\$ 23,000	\$ 12,000	\$ 348,638

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

Charter Township of Marquette

Notes to the Financial Statements

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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	39,200	3,096	42,296
2018 -2020	39,200	1,548	40,748
	<u>\$ 235,200</u>	<u>\$ 32,515</u>	<u>\$ 267,715</u>

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

**Corner Stone Property Note
December 31, 2012**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	31,542	965	32,507
2018-2020	53,074	846	53,920
	<u>\$ 207,271</u>	<u>\$ 9,184</u>	<u>\$ 216,455</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 4.800%.

**Water Land Purchase Note
December 31, 2012**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	16,000	3,040	19,040
2018-2020	48,000	2,280	50,280
	<u>\$ 128,000</u>	<u>\$ 25,080</u>	<u>\$ 153,080</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, 2012**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	230,000	48,131	278,131
2018-2022	1,225,000	165,219	1,390,219
2023-2025	810,000	34,638	844,638
	<u>\$ 3,145,000</u>	<u>\$ 487,583</u>	<u>\$ 3,632,583</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, 2012**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 10,000	\$ 6,308	\$ 16,308
2014	15,000	5,764	20,764
2015	10,000	5,220	15,220
2016	10,000	4,784	14,784
2017	10,000	4,350	14,350
2018-2022	55,000	14,681	69,681
2023-2026	40,000	3,480	43,480
	<u>\$ 150,000</u>	<u>\$ 44,587</u>	<u>\$ 194,587</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, 2012**

	Principal	Interest	Total
2013	\$ 158,930	\$ 14,897	\$ 173,827
2014	163,748	10,079	173,827
2015	168,713	5,115	173,828
	<u>\$ 491,391</u>	<u>\$ 30,091</u>	<u>\$ 521,482</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 2.990 %.

The Township received a construction note payable from a local bank to finance the construction of the new Township and Fire Hall buildings. One draw of \$600,000 has been requested as of December 31, 2012. Formal loan terms will be established upon completion of the project.

Long-term obligation activity can be summarized as follows:

	January 1, 2012	Additions	Reductions	December 31, 2012	Due Within One Year
Governmental Activities					
2004 Land Purchase Note	\$ 274,400	\$ -	\$ 39,200	\$ 235,200	\$ 39,200
Corner Stone Property Note	237,071	-	29,800	207,271	29,808
Werner Street Construction	655,098	-	163,707	491,391	158,930
Compensated Absences	59,147	5,005	-	64,152	-
Total Governmental Activities	<u>\$ 1,225,716</u>	<u>\$ 5,005</u>	<u>\$ 69,000</u>	<u>\$ 998,014</u>	<u>\$ 227,938</u>
Business-type Activities					
Water Note Land Purchase	\$ 144,000	\$ -	\$ 16,000	\$ 128,000	\$ 16,000
Drinking Water Bond	3,355,000	-	210,000	3,145,000	215,000
2008 Grandview Water Bond	160,000	-	10,000	150,000	10,000
Compensated Absences	43,049	840	-	43,889	-
Total Business-Type Activities	<u>3,702,049</u>	<u>840</u>	<u>236,000</u>	<u>3,466,889</u>	<u>241,000</u>
Total Primary Government	<u>\$ 4,927,765</u>	<u>\$ 5,845</u>	<u>\$ 305,000</u>	<u>\$ 4,464,903</u>	<u>\$ 468,938</u>

Charter Township of Marquette

Notes to the Financial Statements

Note 10 – Joint Venture

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

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

Charter Township of Marquette

Notes to the Financial Statements

The Township's share of assets, liabilities and fund equity is approximately 1 percent. Summary financial information as of and for the fiscal year ended June 30, 2012, were as follows:

Statement of Net Assets

Assets	
Current and Other Assets	\$ 8,174,085
Capital Assets, Net	5,173,264
Total Assets	<u>13,347,349</u>
Liabilities	
Current Liabilities	319,680
Non-current Liabilities	1,503,958
Total Liabilities	<u>1,823,638</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	5,173,264
Restricted	1,484,190
Unrestricted	4,866,257
Total Net Assets	<u>\$ 11,523,711</u>

Change in Net Assets

Operating Revenues	
Service Revenues	\$ 3,150,746
Other Operating Revenues	161,152
Total Operating Revenues	<u>3,311,898</u>
Operating Expenses	
Operations	2,977,686
Depreciation	96,162
Total Operating Expenses	<u>3,073,848</u>
Income (Loss) from Operations	<u>238,050</u>
Non-operating Revenues (Expenses)	
Interest Income	372,339
Total Non-operating Revenues (Expenses)	<u>372,339</u>
Change in Net Assets	610,389
Net Assets at the Beginning of Period	<u>10,913,322</u>
Net Assets at the End of Period	<u>\$ 11,523,711</u>

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

Charter Township of Marquette

Notes to the Financial Statements

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

Note 11 - Investment in Wastewater Treatment Facility

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

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

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

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

Charter Township of Marquette

Notes to the Financial Statements

A summary of condensed financial information of the Facility, in the aggregate, for its fiscal year ended June 30, 2012 was as follows:

Statement of Net Assets

Assets	
Current and Other Assets	\$ 1,275,056
Restricted Assets	861,899
Capital Assets, Net	<u>18,170,727</u>
Total Assets	<u>20,307,682</u>
Liabilities	
Current Liabilities	2,030,548
Non-current Liabilities	<u>12,862,782</u>
Total Liabilities	<u>14,893,330</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	4,695,459
Unrestricted	<u>718,893</u>
Total Net Assets	<u>\$ 5,414,352</u>

Change in Net Assets

Operating Revenues	
Service Revenues	\$ 1,892,390
Other Operating Revenues	<u>17,643</u>
Total Operating Revenues	<u>1,910,033</u>
Operating Expenses	
Operations	1,912,412
Depreciation	<u>887,941</u>
Total Operating Expenses	<u>2,800,353</u>
Income (Loss) from Operations	<u>(890,320)</u>
Non-operating Revenues (Expenses)	
Interest Income	3,399
Interest Expense	(224,544)
Transfers from Local Units	<u>1,131,371</u>
Total Non-operating Revenues (Expenses)	<u>910,226</u>
Change in Net Assets	<u>19,906</u>
Net Assets at the Beginning of Period	<u>5,394,446</u>
Net Assets at the End of Period	<u>\$ 5,414,352</u>

Charter Township of Marquette

Notes to the Financial Statements

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. At December 31, 2011, the date of the most recent actuarial valuation, membership consisted of 2 retirees and beneficiaries receiving benefits and 3 former members entitled to benefits but not yet receiving them, and 15 active employees. Union and non-union employees are required to contribute 2.00%. Employer contributions for union and non-union employees were 9.43% and 10.99%, respectively. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to maintain the system for these employees was established by negotiation with the Township of Marquette, Michigan’s collective bargaining units.

Annual Pension Cost - For year ended December 31, 2011, the year of the most recently available plan information, the Township of Marquette, Michigan’s annual pension cost of \$87,550 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, 2011, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, and (b) projected salary increases of 4.5 percent per year. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payrolls on a closed basis. The remaining amortization period is 29 years.

Fiscal Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
12/31/2009	\$ 84,218	100%	-
12/31/2010	87,426	100%	-
12/31/2011	87,550	100%	-

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

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Marquette
Required Supplementary Information
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)	UAL as a Percentage of Covered Payroll ((b-a)/c)
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%
12/31/2011	1,325,182	1,747,244	422,062	76%	773,694	55%

Charter Township of Marquette
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Taxes	\$ 1,490,234	\$ 1,476,734	\$ 1,490,294	\$ 13,560
Licenses & Permits	14,000	14,000	9,252	(4,748)
State Sources	218,613	268,613	409,081	140,468
Charges for Services	1,500	1,500	7,225	5,725
Interest & Rents	50,500	44,550	43,286	(1,264)
Other	21,000	21,000	25,311	4,311
<i>Total Revenues</i>	<u>1,795,847</u>	<u>1,826,397</u>	<u>1,984,449</u>	<u>158,052</u>
Other Financing Sources				
Proceeds from Note Payable	--	91,182	364,000	272,818
Transfers from other funds	44,160	44,270	44,269	(1)
<i>Total Revenues and Other Financing Sources</i>	<u>1,840,007</u>	<u>1,961,849</u>	<u>2,392,718</u>	<u>430,869</u>
Expenditures				
Legislative	186,434	219,094	198,725	20,369
General Services & Administration	497,706	559,548	541,145	18,403
Public Safety	296,844	297,444	293,000	4,444
Public Works	18,700	19,700	17,962	1,738
Community & Economic Development	24,500	18,500	19,403	(903)
Recreation & Culture	219,418	222,918	218,890	4,028
Capital Outlay	113,095	508,218	708,275	(200,057)
Debt Service	82,726	82,726	81,416	1,310
<i>Total Expenditures</i>	<u>1,439,423</u>	<u>1,928,148</u>	<u>2,078,816</u>	<u>(150,668)</u>
Other Financing Uses				
Transfers to other funds	304,891	304,368	304,369	(1)
<i>Total Expenditures and Other Financing Uses</i>	<u>1,744,314</u>	<u>2,232,516</u>	<u>2,383,185</u>	<u>(150,669)</u>
<i>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</i>	<u>95,693</u>	<u>(270,667)</u>	<u>9,533</u>	<u>280,200</u>
<i>Net Change in Fund Balance</i>	<u>95,693</u>	<u>(270,667)</u>	<u>9,533</u>	<u>280,200</u>
<i>Fund Balance at Beginning of Period</i>	270,668	270,668	270,668	--
<i>Fund Balance at End of Period</i>	<u>\$ 366,361</u>	<u>\$ 1</u>	<u>\$ 280,201</u>	<u>\$ 280,200</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, 2012

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Favorable (Unfavorable)
				<u>Final to Actual</u>
Revenues				
Taxes	\$ 492,322	\$ 487,322	\$ 488,756	\$ 1,434
Licenses & Permits	100	100	293	193
State Sources	12,100	8,100	8,441	341
Federal Grants	--	50,800	50,816	16
Permits, Fees & Special Assessments	100	100	--	(100)
Interest & Rents	3,000	3,000	2,791	(209)
Other	450	450	2,894	2,444
Total Revenues	<u>508,072</u>	<u>549,872</u>	<u>553,991</u>	<u>4,119</u>
Other Financing Sources				
Proceeds from Note Payable	--	--	236,000	236,000
Transfers from other funds	600	600	600	--
Total Revenues and Other Financing Sources	<u>508,672</u>	<u>550,472</u>	<u>790,591</u>	<u>240,119</u>
Expenditures				
Public Safety	406,971	350,271	292,004	58,267
Capital Outlay	58,500	681,036	789,239	(108,203)
Total Expenditures	<u>465,471</u>	<u>1,031,307</u>	<u>1,081,243</u>	<u>(49,936)</u>
Other Financing Uses				
Transfers to other funds	4,000	4,000	4,000	--
Total Expenditures and Other Financing Uses	<u>469,471</u>	<u>1,035,307</u>	<u>1,085,243</u>	<u>(49,936)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>39,201</u>	<u>(484,835)</u>	<u>(294,652)</u>	<u>190,183</u>
Net Change in Fund Balance	<u>39,201</u>	<u>(484,835)</u>	<u>(294,652)</u>	<u>190,183</u>
<i>Fund Balance at Beginning of Period</i>	538,939	538,939	538,939	--
Fund Balance at End of Period	<u>\$ 578,140</u>	<u>\$ 54,104</u>	<u>\$ 244,287</u>	<u>\$ 190,183</u>

OTHER SUPPLEMENTARY INFORMATION

**Charter Township of Marquette
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2012**

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Liquor Law Fund</u>	<u>Township Improvement Fund</u>	
ASSETS			
Cash & Cash Equivalents	\$ 5,404	\$ 262,807	\$ 268,211
Receivables (Net)	--	4,000	4,000
<i>Total Assets</i>	<u>\$ 5,404</u>	<u>\$ 266,807</u>	<u>\$ 272,211</u>
LIABILITIES			
Accounts Payable	\$ --	\$ 8,610	\$ 8,610
<i>Total Liabilities</i>	<u>--</u>	<u>8,610</u>	<u>8,610</u>
FUND BALANCE			
Assigned	5,404	258,197	263,601
Unassigned	--	--	--
<i>Total Fund Balance</i>	<u>5,404</u>	<u>258,197</u>	<u>263,601</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 5,404</u>	<u>\$ 266,807</u>	<u>\$ 272,211</u>

Charter Township of Marquette
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2012

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Liquor Law Fund</u>	<u>Township Improvement Fund</u>	
Revenues			
State Sources	\$ 5,267	\$ --	\$ 5,267
Interest & Rents	3	1,440	1,443
Other	--	4,000	4,000
<i>Total Revenues</i>	<u>5,270</u>	<u>5,440</u>	<u>10,710</u>
Expenditures			
Public Works	--	167,562	167,562
Debt Service - Principal	--	163,707	163,707
Debt Service - Interest	--	10,120	10,120
<i>Total Expenditures</i>	<u>--</u>	<u>341,389</u>	<u>341,389</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>5,270</u>	<u>(335,949)</u>	<u>(330,679)</u>
Other Financing Sources (Uses)			
Transfers from Other Funds	--	303,769	303,769
Transfers to Other Funds	(5,269)	--	(5,269)
<i>Net Other Financing Sources (Uses)</i>	<u>(5,269)</u>	<u>303,769</u>	<u>298,500</u>
<i>Net Change in Fund Balance</i>	<u>1</u>	<u>(32,180)</u>	<u>(32,179)</u>
<i>Fund Balance at Beginning of Period</i>	5,403	290,377	295,780
<i>Fund Balance at End of Period</i>	<u>\$ 5,404</u>	<u>\$ 258,197</u>	<u>\$ 263,601</u>

**Charter Township of Marquette
Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2012**

	Enterprise		Total Enterprise Funds
	Storm Water Fund	Metro Fund	
ASSETS			
<i>Current Assets</i>			
Cash & Cash Equivalents	\$ 75,769	\$ 45,434	\$ 121,203
Total Current Assets	75,769	45,434	121,203
<i>Noncurrent Assets</i>			
Total Assets	75,769	45,434	121,203
LIABILITIES			
<i>Current Liabilities</i>			
Total Current Liabilities	--	--	--
<i>Noncurrent Liabilities</i>			
Total Liabilities	--	--	--
NET POSITION			
<i>Unrestricted</i>	75,769	45,434	121,203
Total Net Position	\$ 75,769	\$ 45,434	\$ 121,203

Charter Township of Marquette
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended December 31, 2012

	<u>Enterprise</u>		<u>Total Enterprise Funds</u>
	<u>Storm Water Fund</u>	<u>Metro Fund</u>	
Operating Revenues			
State Sources	\$ --	\$ 4,945	\$ 4,945
<i>Total Operating Revenues</i>	<u>--</u>	<u>4,945</u>	<u>4,945</u>
Operating Expenses			
<i>Total Operating Expenses</i>	<u>--</u>	<u>--</u>	<u>--</u>
<i>Operating Income (Loss)</i>	<u>--</u>	<u>4,945</u>	<u>4,945</u>
Non-Operating Revenues (Expenses)			
Investment Income	--	65	65
<i>Net Non-Operating Revenues (Expenses)</i>	<u>--</u>	<u>65</u>	<u>65</u>
Transfers			
Transfers from Other Funds	--	5,010	5,010
Transfers to Other Funds	--	--	--
<i>Change In Net Position</i>	<u>--</u>	<u>5,010</u>	<u>5,010</u>
<i>Net Position at Beginning of Period</i>	<u>75,769</u>	<u>40,424</u>	<u>116,193</u>
<i>Net Position at End of Period</i>	<u>\$ 75,769</u>	<u>\$ 45,434</u>	<u>\$ 121,203</u>

**Charter Township of Marquette
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2012**

	<u>Enterprise</u>		<u>Total Enterprise Funds</u>
	<u>Storm Water Fund</u>	<u>Metro Fund</u>	
Cash Flows From Operating Activities			
Other Miscellaneous Income	\$ -	\$ 4,945	\$ 4,945
Total Cash Flows from Operating Activities	<u>-</u>	<u>4,945</u>	<u>4,945</u>
Cash Flows From Investing Activities			
Interest Earned	-	65	65
Total Cash Flows from Investing Activities	<u>-</u>	<u>65</u>	<u>65</u>
Net Increase (Decrease) in Cash and Equivalents	-	5,010	5,010
<i>Cash and Equivalents - Beginning of Year</i>	<u>75,769</u>	<u>40,424</u>	<u>116,193</u>
Cash and Equivalents - End of Year	<u>\$ 75,769</u>	<u>\$ 45,434</u>	<u>\$ 121,203</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income	<u>\$ -</u>	<u>\$ 4,945</u>	<u>\$ 4,945</u>
Net Cash Provided by Operating Activities	<u>\$ -</u>	<u>\$ 4,945</u>	<u>\$ 4,945</u>

April 25, 2013

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, 2012. 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 18, 2013. 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, 2012. 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 April 25, 2013.

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, PLC
Grand Rapids, MI

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*

April 25, 2013

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, 2012, which collectively comprise the Charter Township of Marquette's basic financial statements and have issued our report thereon dated April 25, 2013. 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.

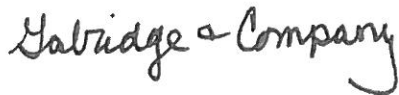
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material 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 black ink and is positioned above the printed name of the company.

Gabridge & Company, PLC