

**CHARTER TOWNSHIP OF MARQUETTE, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2013**



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Marquette, Michigan (the "Township") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Marquette, Michigan, as of December 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

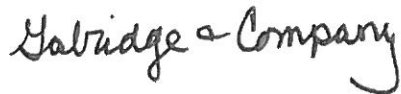
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Marquette, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2014, on our consideration of the Charter Township of Marquette, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charter Township of Marquette, Michigan's internal control over financial reporting and compliance.

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

Gabridge & Company, PLC
Grand Rapids, Michigan
May 30, 2014

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Marquette (the "Township" or "government"), Michigan's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2013. Please read it in conjunction with the financial statements, which begin on page 15.

Financial Highlights

- Net position for the Township as a whole increased by \$1,120,075 as a result of this year's operations. Net position of our business-type activities increased by \$486,458, or 5.0 percent, and net position of our government activities increased by \$633,617, or 21.5 percent.
- During the year, the Township had expenses for governmental activities that were \$2,082,755, which is \$633,617 less than the \$2,716,372 generated in revenue sources and transfers in.
- During the year, the Township had expenses for business-type activities that were \$2,064,193, which is \$486,458 less than the \$2,550,651 generated in revenue sources and transfers out.
- The general fund reported a net fund balance of \$199,680, which is a decrease of \$80,521 as a result of this year's operation.
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of *fund balance*) for the general fund was \$186,344, or approximately 9.3 percent of total general fund expenditures and net transfers out (normalized for capital expenditures financed with long-term debt).

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The fiduciary fund financial statements can be found on pages 24 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-46 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Township's progress in funding its obligation to provide pension benefits to its employees, as well as budgetary comparison schedules for the Township's general fund and its major special revenue funds. Required supplementary information can be found on page 48-50 of this report.

The combining statements in connection with the Township's nonmajor funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 52-56 of this report.

Government-wide Overall Financial Analysis

The following table provides a summary of the Township's net position as of December 31, 2013 and 2012.

Charter Township of Marquette Statement of Net Position for Fiscal Years Ended December 31, 2013 and December 31, 2012

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
ASSETS						
<i>Current Assets</i>						
Cash & Cash Equivalents	\$ 1,478,233	\$ 915,215	\$ 2,392,107	\$ 2,779,754	\$ 3,870,340	\$ 3,694,969
Receivables (Net)	67,965	803,261	61,855	57,509	129,820	860,770
Special Assessments	-	-	61,952	85,737	61,952	85,737
Taxes Receivable	1,880,617	1,696,976	-	-	1,880,617	1,696,976
Intergovernmental Receivables	9,032	9,103	-	-	9,032	9,103
Prepaid Expenditures	22,812	19,130	20,889	21,412	43,701	40,542
Total Current Assets	3,458,659	3,443,685	2,536,803	2,944,412	5,995,462	6,388,097
<i>Noncurrent Assets</i>						
Cash - Restricted	-	-	243,868	237,916	243,868	237,916
Capital Assets (Net)	7,223,012	3,770,410	11,039,815	10,102,436	18,262,827	13,872,846
Total Assets	10,681,671	7,214,095	13,820,486	13,284,764	24,502,157	20,498,859
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	64,624	443,977	68,247	58,895	132,871	502,872
Customer Deposits	12,000	-	88,829	88,107	100,829	88,107
Accrued Payroll & Related Liabilities	17,062	11,665	13,325	9,778	30,387	21,443
Current Portion of Long-term Debt	233,675	227,938	313,000	241,000	546,675	468,938
Accrued Interest Payable	25,321	12,740	26,536	29,324	51,857	42,064
Internal Balances	183,279	182,367	(183,279)	(182,367)	-	-
Total Current Liabilities	535,961	878,687	326,658	244,737	862,619	1,123,424
<i>Noncurrent Liabilities</i>						
Compensated Absences	77,382	64,152	46,842	43,889	124,224	108,041
Long-term Debt	4,400,139	1,305,924	3,179,000	3,182,000	7,579,139	4,487,924
Total Liabilities	5,013,482	2,248,763	3,552,500	3,470,626	8,565,982	5,719,389
DEFERRED INFLOWS OF RESOURCES						
Taxes Levied for a Subsequent Period	2,086,827	2,017,587	50,852	83,462	2,137,679	2,101,049
Total Deferred Inflows of Resources	2,086,827	2,017,587	50,852	83,462	2,137,679	2,101,049
NET POSITION						
Net Investment in Capital Assets	2,589,198	2,236,548	7,547,814	6,679,436	10,137,012	8,915,984
Restricted	552,596	244,287	243,868	237,916	796,464	482,203
Unrestricted	439,568	466,910	2,425,452	2,813,324	2,865,020	3,280,234
Total Net Position	\$ 3,581,362	\$ 2,947,745	\$ 10,217,134	\$ 9,730,676	\$13,798,496	\$ 12,678,421

Governmental Activities. Total net position of the Township's governmental activities stood at \$3,581,362 as of December 31, 2013.

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 \$439,568 as of December 31, 2013. The \$439,568 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 increase in governmental capital assets for 2013 was primarily related to the completed construction of the Township community center, as well as the fire department building. Also included was the purchase of office furniture, fixtures, computer equipment and ancillary items. Approximately \$5.2 million was capitalized in 2013. A \$3.9 million loan was incurred as a direct result of these capital improvements.

Net receivables decreased 85% from the prior year. A loan proceed receivable for 2012 construction work of \$600,000 was included, as well as grant proceeds from the State of Michigan for \$124,343 for the purchase of land, as net receivables as of December 31, 2012. Both of these amounts were collected during 2013 and, accordingly, were no longer reported as receivable as of December 31, 2013.

Accounts payable also decrease by 74% or \$370,001. A construction progress billing of \$370,228 was included in the accounts payable balance at December 31, 2012. The entire construction progress billing was paid during 2013. Accordingly, accounts payable as of December 31, 2013 were reduced by the prior \$370,228 construction progress billing.

Business-type Activities. The net position of our business-type activities stood at \$10,217,134 as of December 31, 2013. The Township can generally only use this portion of net position to finance continuing operations of the water system, wastewater system, and the solid waste disposal.

The business-type activities started construction of a public works facility in late 2013. Construction in progress stood at \$777,690 as of December 31, 2013. The targeted completion date is June of 2014.

The results of this year's operations for the Township as a whole are reported in the statement of activities. The following table shows the changes in net position for the fiscal years 2013 and 2012.

Charter Township of Marquette
Change in Net Position for Fiscal Years Ended December 31, 2013 and December 31, 2012

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Revenue						
Program Revenues						
Charges for Services	\$ 25,146	\$ 28,105	\$ 2,566,483	\$ 2,635,095	\$ 2,591,629	\$ 2,663,200
Operating Grants & Contributions	32,317	5,267	4,977	4,945	37,294	10,212
Capital Grants & Contributions	-	175,160	-	-	-	175,160
Total Program Revenues	57,463	208,532	2,571,460	2,640,040	2,628,923	2,848,572
General Revenues						
Taxes	2,034,594	1,979,050	-	-	2,034,594	1,979,050
State Sources	290,297	284,737	-	-	290,297	284,737
Gain on Sale of Assets	219,556	-	-	-	219,556	-
Other	36,006	29,311	-	-	36,006	29,311
Investment Income	43,456	47,520	14,191	17,395	57,647	64,915
Total General Revenues	2,623,909	2,340,618	14,191	17,395	2,638,100	2,358,013
Total Revenues	2,681,372	2,549,150	2,585,651	2,657,435	5,267,023	5,206,585
Expenses						
Legislative	71,366	198,725	-	-	71,366	198,725
General Services & Administration	921,782	563,836	-	-	921,782	563,836
Public Safety	757,024	635,833	-	-	757,024	635,833
Public Works	37,923	189,270	-	-	37,923	189,270
Community & Economic Development	10,242	19,403	-	-	10,242	19,403
Recreation & Culture	217,198	220,474	-	-	217,198	220,474
Interest on Long-term Debt	67,220	28,810	-	-	67,220	28,810
Wastewater System	-	-	666,856	759,029	666,856	759,029
Solid Waste Disposal	-	-	310,369	303,729	310,369	303,729
Water System	-	-	1,086,968	855,577	1,086,968	855,577
Total Expenses	2,082,755	1,856,351	2,064,193	1,918,335	4,146,948	3,774,686
Transfers In (Out)	35,000	35,000	(35,000)	(35,000)	-	-
Change in Net Position	633,617	727,799	486,458	704,100	1,120,075	1,431,899
Net Position at the Beginning of Period	2,947,745	2,219,946	9,730,676	9,026,576	12,678,421	11,246,522
Net Position at the End of Period	\$ 3,581,362	\$ 2,947,745	\$ 10,217,134	\$ 9,730,676	\$ 13,798,496	\$ 12,678,421

The Charter Township of Marquette's total revenues were \$5,267,023 during the year. The total cost of all programs and services was \$4,146,948, leaving an increase in net position of \$1,120,075. Our analysis below separately considers the operations of governmental and business-type activities:

- Legislative expenses decreased by 64%, mainly due to extensive professional fees (legal and real estate appraisal) related to the Michigan Tax Tribunal during 2012.
- General services and administration increased in 2013, mainly due to the on-going tax tribunal expenses and the hiring of a full-time employee.

- Public safety expenses increased in 2013 due to the hiring of a full-time fire inspector late in 2012. Vehicle operating and maintenance expenses increased 80% in 2013 and building and grounds operating expenses increased, as two facilities were used for most of 2013.
- There was a decrease in public works spending in 2013, as the Brookton Road improvement project was completed in 2012. No major road work was initiated during 2013.
- The interest on long-term debt increased in 2013 due to a construction loan interest payment of \$28,945 and the accrued interest on the loan balance of \$3,928,226.
- The wastewater system had decreased expenses from 2012, mainly due to a one-time additional payment of \$80,389 during 2012 on a loan principal payment for the Marquette Area Wastewater Treatment plant. This payment was made to the City of Marquette to align it with the actual loan payment.
- Wastewater revenues also decreased by 9% from 2012, which was mainly due to a volume rate decrease of \$12.00/1,000 gallons to \$10.52/1,000 gallons. Actual wastewater volume was up 3%.
- The water fund expenses increased mainly due to salaries and associated costs (7.5%) and administration (310%), as attorney and professional fees were expended related to the water well construction project dispute. An agreement was reached resulting in a settlement of \$310,000 which is payable over five years.

Financial Analysis of Governmental Funds

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

Governmental Funds. Our analysis of the Township's major funds begins on page 17. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Board creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millages. The Township's major governmental funds include the general and fire funds..

The governmental funds had an overall net increase for the year of \$306,778.

Revenues

Highlighting the increase was the 3% increase in tax revenue and the recognition of \$3,328,226 of loan proceeds for the new township and fire halls.

Expenditures

Major increases over 2012 were in the construction expenditures for the new township and fire halls, and other related capital expenditures, during 2013 in the amount of \$3,668,691.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$186,344, while total fund balance decreased to \$199,680. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 9.3 percent of total general fund expenditures, while total fund balance represents approximately 9.9 percent of that same amount.

The fire fund, a major fund, had a \$308,309 increase in fund balance during the current fiscal year which put the overall fund balance at \$552,596 as of December 31, 2013.

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

Unrestricted net position of the wastewater fund at the end of the year was \$1,492,504 and for the water fund was \$500,245. The total growth in net position for both funds was \$370,709 and \$90,887, respectively.

General Fund Budgetary Highlights

Original budget compared to final budget. Over the course of the year, the Township revised the budget; actual charges to expenditures were \$121,766 less than the budget; conversely, revenues and other financing sources were \$9,680 more than the budget projection.

Budget amendments made in 2013 reflected:

- Revenues – Loan proceeds for the construction of the township hall and a contribution from the KBIC tribe.
- Expenditures – The estimated cost of the township hall construction, the year-end excess vacation payments; tax tribunal attorney fees; and various smaller adjustments for supplies and services.

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

- Revenues – The actual revenues closely followed the budget.
- Expenditures – Lower than projected legal fees, not purchasing the building and grounds truck, and opting not to pay additional principal on the township/fire hall loan.

Capital Assets and Debt Administration

Capital assets. At the end of fiscal years 2013 and 2012, the Township had \$18,262,827 and \$13,872,846 invested in a variety of capital assets including land and improvements, buildings and improvements, and other equipment (See table below).

	2013	2012
Construction in Progress	\$ 829,363	\$ 2,330,530
Land	1,930,328	1,955,328
Land Improvements	587,498	587,498
Investment in WW Treatment Facility	298,684	298,684
Buildings and Improvements	5,214,820	379,560
Vehicles	115,872	110,972
Furniture and Equipment	327,269	127,177
Infrastructure	8,928,353	8,044,159
Investment in MCSWF	30,640	38,938
Totals	<u>\$ 18,262,827</u>	<u>\$ 13,872,846</u>

There were additions of \$4,452,675 during the current fiscal year, which included \$3,380,352 for the township and fire hall buildings and ancillary items. Further details on capital assets can be found in the notes to the financial statements section of this document.

In November of 2013, the Township began work on the Marquette Township Public Works Facility. The building is scheduled to be completed by June 2014 and the total cost is expected to be \$1,780,000. The Township utilized \$777,690 of internal funds as of December 31, 2013 and is obtaining a loan for the balance.

Long-term Debt

At the end of fiscal years 2013 and 2012, the Township had \$8,125,814 and \$4,956,862 in debt outstanding as depicted in the table below.

	2013	2012
2004 Land Purchase Note	\$ 196,000	\$ 235,200
Cornerstone Property Note	177,126	207,271
Werner Street Construction	332,462	491,391
Water Land Purchase Note	112,000	128,000
DWRF Bond	2,930,000	3,145,000
Grandview Project Bond	140,000	150,000
Harglo Settlement	310,000	-
Township & Fire Hall Note	3,928,226	600,000
Totals	<u>\$ 8,125,814</u>	<u>\$ 4,956,862</u>

Principal payments for the year were \$469,274. New loan proceeds totaled \$3,328,226 during the year. The Township also had an increase in long-term debt related to a settlement reached during the year in the amount of \$310,000. 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 and Rates

In preparing the Charter Township of Marquette, Michigan's budget for the year ending December 31, 2014, the Township considered the following issues: state revenue sharing and property tax revenues and corresponding expenditures; DPW rates and the necessary maintenance and capital expenditures in addition to the normal operating costs.

Requests for Information

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

**Charter Township of Marquette
Statement of Net Position
December 31, 2013**

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
ASSETS				
<i>Current Assets</i>				
Cash & Cash Equivalents	\$ 1,478,233	\$ 2,392,107	\$ 3,870,340	\$ 15,948
Receivables (Net)	67,965	61,855	129,820	--
Special Assessments / Loan	--	61,952	61,952	--
Taxes Receivable	1,880,617	--	1,880,617	--
Intergovernmental Receivables	9,032	--	9,032	--
Prepaid Expenditures	22,812	20,889	43,701	--
Total Current Assets	<u>3,458,659</u>	<u>2,536,803</u>	<u>5,995,462</u>	<u>15,948</u>
<i>Noncurrent Assets</i>				
Restricted Cash	--	243,868	243,868	--
Capital Assets (Net)	7,223,012	11,039,815	18,262,827	--
Total Assets	<u>10,681,671</u>	<u>13,820,486</u>	<u>24,502,157</u>	<u>15,948</u>
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	64,624	68,247	132,871	--
Customer Deposits	12,000	88,829	100,829	--
Accrued Payroll & Related Liabilities	17,062	13,325	30,387	--
Current Portion of Long-term Debt	233,675	313,000	546,675	--
Accrued Interest Payable	25,321	26,536	51,857	--
Internal Balances	183,279	(183,279)	--	--
Total Current Liabilities	<u>535,961</u>	<u>326,658</u>	<u>862,619</u>	<u>--</u>
<i>Noncurrent Liabilities</i>				
Compensated Absences	77,382	46,842	124,224	--
Long-term Debt	4,400,139	3,179,000	7,579,139	--
Total Liabilities	<u>5,013,482</u>	<u>3,552,500</u>	<u>8,565,982</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES				
Taxes / Assessments Levied for a Subsequent Period	2,086,827	50,852	2,137,679	--
Total Deferred Inflows of Resources	<u>2,086,827</u>	<u>50,852</u>	<u>2,137,679</u>	<u>--</u>
NET POSITION				
Net Investment in Capital Assets	2,589,198	7,547,814	10,137,012	--
<i>Restricted for:</i>				
Debt Service	--	243,868	243,868	--
Public Safety	552,596	--	552,596	--
<i>Unrestricted</i>	439,568	2,425,452	2,865,020	15,948
Total Net Position	<u>\$ 3,581,362</u>	<u>\$ 10,217,134</u>	<u>\$ 13,798,496</u>	<u>\$ 15,948</u>

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, 2013**

Functions/Programs	Program Revenues			Net (Expense) Revenue			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government							
Governmental Activities:							
Legislative	\$ 71,366	\$ --	\$ --	\$ --	\$ (71,366)	\$ --	\$ (71,366)
General Services & Administration	921,782	8,254	27,500	--	(886,028)	--	(886,028)
Public Safety	757,024	11,602	4,817	--	(740,605)	--	(740,605)
Public Works	37,923	--	--	--	(37,923)	--	(37,923)
Community & Economic Development	10,242	5,010	--	--	(5,232)	--	(5,232)
Recreation & Culture	217,198	280	--	--	(216,918)	--	(216,918)
Interest on Long-term Debt	67,220	--	--	--	(67,220)	--	(67,220)
Total Governmental Activities	2,082,755	25,146	32,317	--	(2,025,292)	--	(2,025,292)
Business-type Activities:							
Storm Water Fund	--	--	--	--	--	--	--
Wastewater Fund	666,856	1,044,035	--	--	--	377,179	377,179
Solid Waste Fund	310,369	329,297	--	--	--	18,928	18,928
Metro Fund	--	--	4,977	--	--	4,977	4,977
Water Fund	1,086,968	1,193,151	--	--	--	106,183	106,183
Total Business-type Activities	2,064,193	2,566,483	4,977	--	--	507,267	507,267
Total Primary Government Component Units	\$ 4,146,948	\$ 2,591,629	\$ 37,294	\$ --	\$ (2,025,292)	\$ 507,267	\$ (1,518,025)
DDA	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Total Component Units	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
General Purpose Revenues and Transfers:							
Revenues							
Taxes					2,034,594	--	2,034,594
State Sources					290,297	--	290,297
Other					36,006	--	36,006
Investment Income					43,456	14,191	57,647
Gain on Sale of Assets					219,556	--	219,556
Transfers					35,000	(35,000)	--
Total General Revenues and Transfers					2,658,909	(20,809)	2,638,100
Change in Net Position					633,617	486,458	1,120,075
<i>Net Position at Beginning of Period</i>					<i>2,947,745</i>	<i>9,730,676</i>	<i>12,678,421</i>
Net Position at End of Period					\$ 3,581,362	\$ 10,217,134	\$ 13,798,496

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

**Charter Township of Marquette
Balance Sheet
Governmental Funds
December 31, 2013**

	<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	\$ 495,465	\$ 640,277	\$ 342,491	\$ 1,478,233
Receivables (Net)	67,012	853	100	67,965
Taxes Receivable	1,392,638	487,979	--	1,880,617
Intergovernmental Receivables	9,032	--	--	9,032
Prepaid Expenditures	13,336	9,476	--	22,812
<i>Total Assets</i>	<u>\$ 1,977,483</u>	<u>\$ 1,138,585</u>	<u>\$ 342,591</u>	<u>\$ 3,458,659</u>
LIABILITIES				
Accounts Payable	\$ 26,628	\$ 37,996	\$ --	\$ 64,624
Customer Deposits	12,000	--	--	12,000
Accrued Payroll & Related Liabilities	12,061	5,001	--	17,062
Due to Other Funds	183,279	--	--	183,279
<i>Total Liabilities</i>	<u>233,968</u>	<u>42,997</u>	<u>--</u>	<u>276,965</u>
DEFERRED INFLOWS OF RESOURCES				
Taxes Levied for a Subsequent Period	1,543,835	542,992	--	2,086,827
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>1,777,803</u>	<u>585,989</u>	<u>--</u>	<u>2,363,792</u>
FUND BALANCE				
Nonspendable	13,336	9,476	--	22,812
Restricted	--	543,120	--	543,120
Assigned	--	--	342,591	342,591
Unassigned	186,344	--	--	186,344
<i>Total Fund Balance</i>	<u>199,680</u>	<u>552,596</u>	<u>342,591</u>	<u>1,094,867</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 1,977,483</u>	<u>\$ 1,138,585</u>	<u>\$ 342,591</u>	<u>\$ 3,458,659</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, 2013

Total Fund Balance - Governmental Funds	\$ 1,094,867
General government capital assets of \$8,869,701 net of accumulated depreciation of \$1,646,689 are not financial resources and, accordingly, are not reported in the funds	7,223,012
Long-term liabilities, including related accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds	(4,659,135)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds	(77,382)
Total Net Position - Governmental Funds	\$ <u>3,581,362</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, 2013

	<u>Special Revenue</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Fire Fund</u>		
Revenues				
Taxes	\$ 1,532,531	\$ 502,063	\$ --	\$ 2,034,594
Licenses & Permits	10,085	1,200	--	11,285
State Sources	290,297	--	4,817	295,114
Charges for Services	3,459	7,028	--	10,487
Interest & Rents	41,453	831	1,172	43,456
Contributions	27,500	--	--	27,500
Other	28,426	3,374	7,580	39,380
Total Revenues	<u>1,933,751</u>	<u>514,496</u>	<u>13,569</u>	<u>2,461,816</u>
Expenditures				
Legislative	71,366	--	--	71,366
General Services & Administration	854,195	--	--	854,195
Public Safety	278,886	402,251	--	681,137
Public Works	19,419	--	14,758	34,177
Community & Economic Development	10,242	--	--	10,242
Recreation & Culture	215,543	--	--	215,543
Capital Outlay	1,684,151	1,984,540	--	3,668,691
Debt Service - Principal	69,344	--	158,930	228,274
Debt Service - Interest	39,742	--	14,897	54,639
Total Expenditures	<u>3,242,888</u>	<u>2,386,791</u>	<u>188,585</u>	<u>5,818,264</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,309,137)</u>	<u>(1,872,295)</u>	<u>(175,016)</u>	<u>(3,356,448)</u>
Other Financing Sources (Uses)				
Issuance of Long-term Debt	1,364,222	1,964,004	--	3,328,226
Sale of Capital Assets	--	300,000	--	300,000
Transfers from Other Funds	123,820	600	258,826	383,246
Transfers to Other Funds	(259,426)	(84,000)	(4,820)	(348,246)
Net Other Financing Sources (Uses)	<u>1,228,616</u>	<u>2,180,604</u>	<u>254,006</u>	<u>3,663,226</u>
Net Change in Fund Balance	(80,521)	308,309	78,990	306,778
<i>Fund Balance at Beginning of Period</i>	<u>280,201</u>	<u>244,287</u>	<u>263,601</u>	<u>788,089</u>
Fund Balance at End of Period	\$ 199,680	\$ 552,596	\$ 342,591	\$ 1,094,867

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, 2013

Total Net Change in Fund Balances - Governmental Funds	\$	306,778
<p>Long-term debt payments are reported as financing uses in the governmental funds and thus contribute to the change in fund balance. However, debt payments reduce long-term debt on the Statement of Net Position. This represents the amount of principal payment made during the year on long-term debt.</p>		
		228,274
<p>Expenses in the Statement of Activities are reported when incurred. However, if they are not to be paid using current financial resources, they are not recorded in the fund statements. This represents the increase in accrued interest payable of \$12,581 and the increase in compensated absences of \$13,230.</p>		
		(25,811)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents capital outlay expenditures of \$3,668,691 less depreciation expense of \$135,645.</p>		
		3,533,046
<p>Proceeds from issuance of note payable are reported as other financing sources in the fund statements, but reported as liabilities in the Statement of Net Position.</p>		
		(3,328,226)
<p>Proceeds from the sale of assets are reported as other financing sources in the fund statements, but a net amount is reported as a gain (loss) on sale of assets in the Statement of Activities.</p>		
		(80,444)
Changes in Net Position - Governmental Funds	\$	<u>633,617</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, 2013

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Wastewater Fund</u>	<u>Water Fund</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
ASSETS				
<i>Current Assets</i>				
Cash & Cash Equivalents	\$ 1,491,445	\$ 653,347	\$ 247,315	\$ 2,392,107
Receivables (Net)	20,636	12,620	28,599	61,855
Special Assessments / Loan	13,662	48,290	--	61,952
Prepaid Expenses	7,287	13,394	208	20,889
Due from Other Funds	--	--	183,279	183,279
Total Current Assets	<u>1,533,030</u>	<u>727,651</u>	<u>459,401</u>	<u>2,720,082</u>
<i>Noncurrent Assets</i>				
Restricted Cash	124,457	119,411	--	243,868
Capital Assets (Net)	3,651,365	7,357,809	30,641	11,039,815
Total Assets	<u>5,308,852</u>	<u>8,204,871</u>	<u>490,042</u>	<u>14,003,765</u>
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	15,353	42,242	10,652	68,247
Customer Deposits	--	73,254	15,575	88,829
Accrued Payroll & Related Liabilities	4,949	7,904	472	13,325
Current Portion of Long-term Debt	--	313,000	--	313,000
Accrued Interest Payable	--	26,536	--	26,536
Total Current Liabilities	<u>20,302</u>	<u>462,936</u>	<u>26,699</u>	<u>509,937</u>
<i>Noncurrent Liabilities</i>				
Compensated Absences	20,115	26,727	--	46,842
Long-term Debt	--	3,179,000	--	3,179,000
Total Liabilities	<u>40,417</u>	<u>3,668,663</u>	<u>26,699</u>	<u>3,735,779</u>
DEFERRED INFLOWS OF RESOURCES				
Assessments Levied for a Subsequent Period	109	50,743	--	50,852
Total Deferred Inflows of Resources	<u>109</u>	<u>50,743</u>	<u>--</u>	<u>50,852</u>
NET POSITION				
Net Investment in Capital Assets	3,651,365	3,865,809	30,640	7,547,814
<i>Restricted for:</i>				
Debt Service	124,457	119,411	--	243,868
<i>Unrestricted</i>	1,492,504	500,245	432,703	2,425,452
Total Net Position	<u>\$ 5,268,326</u>	<u>\$ 4,485,465</u>	<u>\$ 463,343</u>	<u>\$ 10,217,134</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, 2013

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Wastewater Fund</u>	<u>Water Fund</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Operating Revenues				
State Sources	\$ --	\$ --	\$ 4,977	\$ 4,977
Charges for Services	887,696	790,884	232,601	1,911,181
Permits, Fees & Special Assessments	6,773	38,975	2,597	48,345
Other	2,772	21,024	72,560	96,356
Total Operating Revenues	<u>897,241</u>	<u>850,883</u>	<u>312,735</u>	<u>2,060,859</u>
Operating Expenses				
Personnel Services	233,292	360,924	20,260	614,476
Supplies	8,894	12,424	1,355	22,673
Other Services & Charges	304,815	461,604	280,403	1,046,822
Depreciation Expense	119,855	172,349	8,297	300,501
Total Operating Expenses	<u>666,856</u>	<u>1,007,301</u>	<u>310,315</u>	<u>1,984,472</u>
Operating Income (Loss)	<u>230,385</u>	<u>(156,418)</u>	<u>2,420</u>	<u>76,387</u>
Non-Operating Revenues (Expenses)				
Investment Income	5,530	7,704	957	14,191
Debt Service Fee	95,563	283,428	21,539	400,530
Connection Fees	51,231	58,840	--	110,071
Interest Expense	--	(79,667)	(54)	(79,721)
Net Non-Operating Revenues (Expenses)	<u>152,324</u>	<u>270,305</u>	<u>22,442</u>	<u>445,071</u>
Income Before Contributions and Transfers	<u>382,709</u>	<u>113,887</u>	<u>24,862</u>	<u>521,458</u>
Transfers to Other Funds	(12,000)	(23,000)	--	(35,000)
Change In Net Position	<u>370,709</u>	<u>90,887</u>	<u>24,862</u>	<u>486,458</u>
<i>Net Position at Beginning of Period</i>	4,897,617	4,394,578	438,481	9,730,676
Net Position at End of Period	<u>\$ 5,268,326</u>	<u>\$ 4,485,465</u>	<u>\$ 463,343</u>	<u>\$ 10,217,134</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, 2013**

	Business-type Activities - Enterprise Funds			
	<u>Wastewater Fund</u>	<u>Water Fund</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Cash Flows from Operating Activities				
Cash Received from Charges for Service	\$ 888,685	\$ 789,404	\$ 228,746	\$ 1,906,835
Cash Received from Permits, Fees and Special Assessments	7,823	61,710	2,597	72,130
Cash Received from Miscellaneous Income	2,772	21,024	77,537	101,333
Cash Payments for Wages and Benefits	(230,471)	(357,327)	(20,178)	(607,976)
Cash Payments to Suppliers for Goods and Services	(315,364)	(499,692)	(279,240)	(1,094,296)
Total Cash Flows from Operating Activities	<u>353,445</u>	<u>15,119</u>	<u>9,462</u>	<u>378,026</u>
Cash Flows from Non-capital Financing Activities				
Transfers from (to) Other Funds	(12,000)	(23,000)	-	(35,000)
Change in Interfund Obligations	-	-	(912)	(912)
Total Cash Flows from Non-capital Financing Activities	<u>(12,000)</u>	<u>(23,000)</u>	<u>(912)</u>	<u>(35,912)</u>
Cash Flows from Capital and Related Financing Activities				
Cash Received from Connection Fees	51,231	58,840	-	110,071
Proceeds from Debt Service	95,563	283,428	21,539	400,530
Purchase of Capital Assets	(398,317)	(839,564)	-	(1,237,881)
Interest Payments on Debt	-	(79,667)	(54)	(79,721)
Principal Payments on Debt	-	(241,000)	-	(241,000)
Proceeds from New Debt	-	310,000	-	310,000
Total Cash Flows from Capital and Related Financing Activities	<u>(251,523)</u>	<u>(507,963)</u>	<u>21,485</u>	<u>(738,001)</u>
Cash Flows from Investing Activities				
Interest Earned	5,530	7,704	957	14,191
Total Cash Flows from Investing Activities	<u>5,530</u>	<u>7,704</u>	<u>957</u>	<u>14,191</u>
Net Increase (Decrease) in Cash and Cash Equivalents	95,452	(508,140)	30,992	(381,696)
Cash and Cash Equivalents - Beginning of Year	1,520,450	1,280,898	216,323	3,017,671
Cash and Cash Equivalents - End of Year	<u>\$ 1,615,902</u>	<u>\$ 772,758</u>	<u>\$ 247,315</u>	<u>\$ 2,635,975</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 230,385	\$ (156,418)	\$ 2,420	\$ 76,387
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	119,855	172,349	8,297	300,501
Changes in Assets and Liabilities				
Receivables (Net)	989	(1,480)	(3,855)	(4,346)
Special Assessments	1,050	22,735	-	23,785
Prepaid Expenses	370	167	(14)	523
Accounts Payable	(1,911)	8,586	2,677	9,352
Accrued Expenses and Other Liabilities -	2,707	(30,820)	(63)	(28,176)
Net Cash Provided by Operating Activities	<u>\$ 353,445</u>	<u>\$ 15,119</u>	<u>\$ 9,462</u>	<u>\$ 378,026</u>

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, 2013**

	Agency	
	Trust & Agency	Tax Collection
ASSETS		
Cash & Cash Equivalents	\$ 2,953	\$ 718,645
Prepaid Expenditures	166	--
<i>Total Assets</i>	3,119	718,645
LIABILITIES		
Due to Other Funds	3,119	718,645
<i>Total Liabilities</i>	3,119	718,645
NET POSITION		
Held in Trust	\$ --	\$ --

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

Reporting Entity

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

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

Jointly Governed Organizations

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

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

Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly

Charter Township of Marquette

Notes to the Financial Statements

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The government reports the following major governmental funds:

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

Charter Township of Marquette

Notes to the Financial Statements

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

The government reports the following major proprietary funds:

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

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

Additionally, the government reports the following fund types:

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

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

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

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

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end. The budget document presents information by fund, function, department, and line items.

The legal level of budgetary control adopted by the governing body is the department level.

Charter Township of Marquette

Notes to the Financial Statements

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

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

Charter Township of Marquette

Notes to the Financial Statements

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

Assets, Liabilities, Deferred Inflows of Resources, and Equity

Cash and Cash Equivalents

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

Receivables and Payables

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

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

Although the Charter Township of Marquette 2013 ad valorem tax is levied and collectible on December 1, 2013, it is the Charter Township of Marquette’s policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for the financing of operations. Available means collected within the current period or

Charter Township of Marquette

Notes to the Financial Statements

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements

Restricted Assets

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

Capital Assets

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

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

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

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

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

Charter Township of Marquette

Notes to the Financial Statements

Compensated Absences (Vacation and Sick Leave)

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

Long-term Obligations

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

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

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

Deferred Inflows of Resources

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

Charter Township of Marquette

Notes to the Financial Statements

Net Position Flow Assumption

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

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

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

Charter Township of Marquette

Notes to the Financial Statements

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

Use of Estimates

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

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through May 30, 2014, which is the date the financial statements were available to be issued.

Note 2 - Excess of Expenditures Over Budget

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

During the year ended December 31, 2013, the Township had no expenditures in excess of the amount appropriated.

Note 3 – Deposits and Investments

Cash Equivalents - As of December 31, 2013, 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
Cash and Cash Equivalents	\$ 1,478,233	\$ 2,392,107	\$ 721,598	\$ 15,948	\$ 4,607,886
Restricted Cash	-	243,868	-	-	243,868
	<u>\$ 1,478,233</u>	<u>\$ 2,635,975</u>	<u>\$ 721,598</u>	<u>\$ 15,948</u>	<u>\$ 4,851,754</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.

Charter Township of Marquette

Notes to the Financial Statements

The carrying amounts of the Charter Township of Marquette's deposits with financial institutions were as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Amount Insured by the FDIC	\$ 1,950,000	\$ 1,790,818
Amount Collateralized with the Financial Institution	-	-
Amount Uncollateralized and Uninsured	3,060,936	3,060,936
	<u>\$ 5,010,936</u>	<u>\$ 4,851,754</u>

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

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

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.

Charter Township of Marquette

Notes to the Financial Statements

Note 4 - Receivables

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

	General Fund	Fire Fund	Township Improvement Fund	Wastewater Treatment Fund	Solid Waste Fund	Water Fund	Total
Accounts Receivable	\$ 67,012	\$ 853	\$ 100	\$ 18,596	\$ 21,661	\$ 11,428	\$ 119,650
Taxes Receivable	1,392,638	487,979	-	-	-	-	1,880,617
Delinquent Utility Billings	-	-	-	2,040	6,938	1,192	10,170
Special Assessments / Loan	-	-	-	13,662	-	48,290	61,952
	<u>\$ 1,459,650</u>	<u>\$ 488,832</u>	<u>\$ 100</u>	<u>\$ 34,298</u>	<u>\$ 28,599</u>	<u>\$ 60,910</u>	<u>\$ 2,072,389</u>

All receivables are considered fully collectible.

Note 5 – Capital Assets

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

	Balance at January 1, 2013	Additions	Disposals	Balance at December 31, 2013
Governmental Activities:				
Construction in progress	\$ 1,587,256	\$ 3,380,352	\$ 4,967,608	\$ -
Land	1,715,328	-	25,000	1,690,328
Land Improvements	27,205	-	-	27,205
Total Capital Assets, not being depreciated	<u>3,329,789</u>	<u>3,380,352</u>	<u>4,992,608</u>	<u>1,717,533</u>
Buildings and improvements	579,277	4,967,608	203,978	5,342,907
Vehicles	1,270,126	25,505	-	1,295,631
Furniture and equipment	246,220	262,832	-	509,052
Total Capital Assets, being depreciated	<u>2,095,623</u>	<u>5,255,945</u>	<u>203,978</u>	<u>7,147,590</u>
Less Accumulated Depreciation				
Buildings and improvements	304,151	67,983	148,537	223,597
Vehicles	1,194,008	8,733	-	1,202,741
Furniture and equipment	156,844	58,929	-	215,773
Total Accumulated Depreciation	<u>1,655,003</u>	<u>135,645</u>	<u>148,537</u>	<u>1,642,111</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,770,409</u>	<u>\$ 8,500,652</u>	<u>\$ 5,048,049</u>	<u>\$ 7,223,012</u>

Charter Township of Marquette

Notes to the Financial Statements

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

Business-type Activities				
Construction in progress	\$ 743,274	\$ 783,986	\$ 697,897	\$ 829,363
Land	240,000	-	-	240,000
Land improvements	560,293	-	-	560,293
Investment in Waste Water Treatment Facility	298,684	-	-	298,684
Total Capital Assets, not being depreciated	1,842,251	783,986	697,897	1,928,340
Buildings and improvements	353,961	-	-	353,961
Vehicles	201,962	-	-	201,962
Furniture and equipment	104,975	-	-	104,975
Infrastructure	11,017,708	1,151,792	-	12,169,500
Investment in MCSWF	190,835	-	-	190,835
Total Capital Assets, being depreciated	11,869,441	1,151,792	-	13,021,233
Less Accumulated Depreciation				
Buildings and improvements	249,527	8,924	-	258,451
Vehicles	167,109	11,871	-	178,980
Furniture and equipment	67,174	3,811	-	70,985
Infrastructure	2,973,549	267,598	-	3,241,147
Investment in MCSWF	151,897	8,298	-	160,195
Total Accumulated Depreciation	3,609,256	300,502	-	3,909,758
Business Activities Capital Assets, Net	\$ 10,102,436	\$ 1,635,276	\$ 697,897	\$ 11,039,815

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

Governmental Activities	
Public Safety	\$ 75,887
General Government	54,357
Public Works	3,746
Recreation & Culture	1,655
Total Governmental Activities	\$ 135,645
 Business-type Activities	
Water Fund	\$ 172,349
Solid Waste Fund	8,297
Wastewater Treatment Fund	119,855
Total Business-type Activities	\$ 300,501

Charter Township of Marquette

Notes to the Financial Statements

Note 6 - 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 position/balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables consisted of \$183,279 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		Liquor	Water	Wastewater	
	Fund	Fire Fund	Fund	Fund	Fund	Total
General Fund	\$ -	\$ 84,000	\$ 4,820	\$ 23,000	\$ 12,000	\$ 123,820
Fire Fund	600	-	-	-	-	600
Township Improvement Fund	258,826	-	-	-	-	258,826
Total	<u>\$ 259,426</u>	<u>\$ 84,000</u>	<u>\$ 4,820</u>	<u>\$ 23,000</u>	<u>\$ 12,000</u>	<u>\$ 383,246</u>

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

Note 7 – Long-term Debt

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

Charter Township of Marquette

Notes to the Financial Statements

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

2004 Land Purchase Note
December 31, 2013

	Principal	Interest	Total
2014	\$ 39,200	\$ 6,194	\$ 45,394
2015	39,200	4,645	43,845
2016	39,200	3,097	42,297
2017	39,200	3,097	42,297
2018	39,200	-	39,200
	<u>\$ 196,000</u>	<u>\$ 17,033</u>	<u>\$ 213,033</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%.

Corner Stone Property Note
December 31, 2013

	Principal	Interest	Total
2014	\$ 30,727	\$ 1,780	\$ 32,507
2015	31,040	1,467	32,507
2016	31,357	1,150	32,507
2017	31,658	849	32,507
2018	31,959	548	32,507
2019-2020	20,385	247	20,632
	<u>\$ 177,126</u>	<u>\$ 6,041</u>	<u>\$ 183,167</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, 2013

	Principal	Interest	Total
2014	\$ 16,000	\$ 4,560	\$ 20,560
2015	16,000	3,800	19,800
2016	16,000	3,040	19,040
2017	16,000	2,280	18,280
2018	16,000	1,520	17,520
2019-2020	32,000	760	32,760
	<u>\$ 112,000</u>	<u>\$ 15,960</u>	<u>\$ 127,960</u>

Charter Township of Marquette

Notes to the Financial Statements

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%.

**Drinking Water Program Bond
December 31, 2013**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	235,000	43,244	278,244
2019-2023	1,255,000	139,187	1,394,187
2024-2025	545,000	17,426	562,426
	<u>\$ 2,930,000</u>	<u>\$ 420,752</u>	<u>\$ 3,350,752</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, 2013**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	10,000	3,915	13,915
2019-2023	55,000	12,288	67,288
2024-2026	30,000	1,958	31,958
	<u>\$ 140,000</u>	<u>\$ 38,279</u>	<u>\$ 178,279</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, 2013

	Principal	Interest	Total
2014	\$ 163,748	\$ 10,079	\$ 173,827
2015	168,712	5,115	173,827
	\$ 332,460	\$ 15,194	\$ 347,654

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 hall, fire hall and DPW building. Draws of \$3,928,226 have been taken as of December 31, 2013. Formal loan repayment terms will be established upon completion of the projects.

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

Long-term obligation activity can be summarized as follows:

	January 1, 2013	Additions	Reductions	December 31, 2013	Due Within One Year
Governmental Activities					
2004 Land Purchase Note	\$ 235,200	\$ -	\$ 39,200	\$ 196,000	\$ 39,200
Corner Stone Property Note	207,270	-	30,144	177,126	30,727
Werner Street Construction	491,391	-	158,930	332,461	163,748
Township-Fire Hall Loan	-	3,928,226	-	3,928,226	-
Compensated Absences	64,152	13,230	-	77,382	-
Total Governmental Activities	\$ 998,013	\$ 3,941,456	\$ 228,274	\$ 4,711,195	\$ 233,675
Business-type Activities					
Water Note Land Purchase	\$ 128,000	\$ -	\$ 16,000	\$ 112,000	\$ 16,000
Drinking Water Bond	3,145,000	-	215,000	2,930,000	220,000
2008 Grandview Water Bond	150,000	-	10,000	140,000	15,000
Harglo Settlement	-	310,000	-	310,000	62,000
Compensated Absences	43,049	840	-	43,889	-
Total Business-type Activities	3,466,049	310,840	241,000	3,535,889	313,000
Total Primary Government	\$ 4,464,062	\$ 4,252,296	\$ 469,274	\$ 8,247,084	\$ 546,675

Charter Township of Marquette

Notes to the Financial Statements

Note 8 – Pension Plan

Plan Description – The Charter Township of Marquette, Michigan participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the Township of Marquette, Michigan. The System is administered by the MERS retirement board. The System provides retirement, disability and death benefits to plan members and their beneficiaries. At December 31, 2012, 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 16 active employees. Union and non-union employees are required to contribute 2.00%. Employer contributions for union and non-union employees were 9.62% and 11.10%, respectively. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

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

Annual Pension Cost - For year ended December 31, 2012, the year of the most recently available plan information, the Township of Marquette, Michigan's annual pension cost of \$84,792 for the plan was equal to the Charter Township of Marquette, Michigan's required and actual contribution during 2013. 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 26 years.

Fiscal Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
12/31/2010	\$ 87,426	100%	-
12/31/2011	87,550	100%	-
12/31/2012	84,792	100%	-

Charter Township of Marquette

Notes to the Financial Statements

Following is a schedule showing the funded status of the plan as of December 31, 2012:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	(Overfunded) Unfunded AAL (UAAL) (b-a)	Funded Ratio Total	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2012	\$ 1,464,092	\$ 1,886,685	\$ 422,593	78%	\$ 816,878	52%

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

Note 9 - Risk Management

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

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, 2013, were as follows:

Statement of Net Position

Assets	
Current and Other Assets	\$ 7,313,358
Capital Assets, Net	5,119,836
Total Assets	<u>12,433,194</u>
Liabilities	
Current Liabilities	270,375
Non-current Liabilities	1,664,586
Total Liabilities	<u>1,934,961</u>
Net Position	
Net Investment in Capital Assets	5,119,836
Restricted	1,484,747
Unrestricted	3,893,650
Total Net Position	<u>\$ 10,498,233</u>

Change in Net Position

Operating Revenues	
Service Revenues	\$ 2,319,597
Other Operating Revenues	95,106
Total Operating Revenues	<u>2,414,703</u>
Operating Expenses	
Operations	2,900,713
Depreciation	378,418
Total Operating Expenses	<u>3,279,131</u>
Income (Loss) from Operations	<u>(864,428)</u>
Non-operating Revenues (Expenses)	
Interest Income	188,490
Loss on Disposal of Assets	(349,540)
Total Non-operating Revenues (Expenses)	<u>(161,050)</u>
Change in Net Position	<u>(1,025,478)</u>
Net Position at the Beginning of Period	11,523,711
Net Position at the End of Period	<u>\$ 10,498,233</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 Charter Township of Marquette would own 5.5% and the City of Marquette would own 79.8%.

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

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

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

Charter Township of Marquette

Notes to the Financial Statements

A summary of condensed financial information of the Facility, in the aggregate, for its fiscal year ended June 30, 2013 was as follows:

Statement of Net Position

Assets	
Current and Other Assets	\$ 1,385,535
Restricted Assets	593,179
Capital Assets, Net	17,762,086
Total Assets	<u>19,740,800</u>
Liabilities	
Current Liabilities	2,154,434
Non-current Liabilities	12,186,171
Total Liabilities	<u>14,340,605</u>
Net Position	
Net Investment in Capital Assets	4,981,223
Unrestricted	418,972
Total Net Position	<u>\$ 5,400,195</u>

Change in Net Position

Operating Revenues	
Service Revenues	\$ 1,837,902
Other Operating Revenues	12,872
Total Operating Revenues	<u>1,850,774</u>
Operating Expenses	
Operations	1,853,843
Depreciation	887,784
Total Operating Expenses	<u>2,741,627</u>
Income (Loss) from Operations	<u>(890,853)</u>
Non-operating Revenues (Expenses)	
Interest Income	4,318
Interest Expense	(213,338)
Transfers from Local Units	1,085,716
Total Non-operating Revenues (Expenses)	<u>876,696</u>
Change in Net Position	(14,157)
Net Position at the Beginning of Period	<u>5,414,352</u>
Net Position at the End of Period	<u>\$ 5,400,195</u>

Charter Township of Marquette

Notes to the Financial Statements

Note 12 – Commitment

In November of 2013, the Township began work on the Marquette Township Public Works Facility. The building is scheduled to be completed by June 2014 and the total cost is expected to be \$1,780,000. The Township utilized \$777,690 of internal funds as of December 31, 2013 and is obtaining a loan for the balance.

REQUIRED SUPPLEMENTARY INFORMATION

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>(Overfunded) Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio Total</u>	<u>Covered Payroll (c)</u>	<u>UAL as a Percentage of Covered Payroll ((b-1/c)</u>
12/31/10	\$ 1,191,851	\$ 1,522,306	\$ 330,455	78%	\$ 657,908	\$ 50%
12/31/11	1,325,182	1,747,244	422,062	76%	773,694	55%
12/31/12	1,464,092	1,886,685	422,593	78%	816,878	52%

Charter Township of Marquette
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable) Final to Actual</u>
Revenues				
Taxes	\$ 1,551,122	\$ 1,529,122	\$ 1,532,531	\$ 3,409
Licenses & Permits	9,500	9,500	10,085	585
State Sources	287,546	287,546	290,297	2,751
Charges for Services	7,175	3,175	3,459	284
Interest & Rents	42,950	40,950	41,453	503
Other	22,000	60,000	55,926	(4,074)
Total Revenues	<u>1,920,293</u>	<u>1,930,293</u>	<u>1,933,751</u>	<u>3,458</u>
Other Financing Sources				
Issuance of Long-term Debt	--	1,358,000	1,364,222	6,222
Transfers from Other Funds	124,160	123,820	123,820	--
Total Revenues and Other Financing Sources	<u>2,044,453</u>	<u>3,412,113</u>	<u>3,421,793</u>	<u>9,680</u>
Expenditures				
Legislative	174,581	94,081	71,366	22,715
General Services & Administration	673,166	965,166	961,030	4,136
Public Safety	280,317	283,317	278,886	4,431
Public Works	20,750	20,750	19,419	1,331
Community & Economic Development	32,500	17,000	10,242	6,758
Recreation & Culture	231,228	220,728	215,543	5,185
Capital Outlay	80,000	1,597,000	1,577,316	19,684
Debt Service	266,612	166,612	109,086	57,526
Total Expenditures	<u>1,759,154</u>	<u>3,364,654</u>	<u>3,242,888</u>	<u>121,766</u>
Other Financing Uses				
Transfers to Other Funds	259,427	259,427	259,426	1
Total Expenditures and Other Financing Uses	<u>2,018,581</u>	<u>3,624,081</u>	<u>3,502,314</u>	<u>121,767</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>25,872</u>	<u>(211,968)</u>	<u>(80,521)</u>	<u>131,447</u>
Net Change in Fund Balance	<u>25,872</u>	<u>(211,968)</u>	<u>(80,521)</u>	<u>131,447</u>
<i>Fund Balance at Beginning of Period</i>	280,201	280,201	280,201	--
Fund Balance at End of Period	<u>\$ 306,073</u>	<u>\$ 68,233</u>	<u>\$ 199,680</u>	<u>\$ 131,447</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, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Taxes	\$ 513,098	\$ 503,098	\$ 502,063	\$ (1,035)
Licenses & Permits	400	400	1,100	700
State Sources	2,100	2,100	7,028	4,928
Permits, Fees & Special Assessments	200	200	100	(100)
Interest & Rents	1,000	1,000	831	(169)
Other	--	300,000	303,374	3,374
Total Revenues	<u>516,798</u>	<u>806,798</u>	<u>814,496</u>	<u>7,698</u>
Other Financing Sources				
Issuance of Long-term Debt	--	1,957,000	1,964,004	7,004
Transfers from Other Funds	600	600	600	--
Total Revenues and Other Financing Sources	<u>517,398</u>	<u>2,764,398</u>	<u>2,779,100</u>	<u>14,702</u>
Expenditures				
Public Safety	424,932	469,932	402,251	67,681
Capital Outlay	7,500	1,985,500	1,984,540	960
Total Expenditures	<u>432,432</u>	<u>2,455,432</u>	<u>2,386,791</u>	<u>68,641</u>
Other Financing Uses				
Transfers to Other Funds	84,000	84,000	84,000	--
Total Expenditures and Other Financing Uses	<u>516,432</u>	<u>2,539,432</u>	<u>2,470,791</u>	<u>68,641</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>966</u>	<u>224,966</u>	<u>308,309</u>	<u>83,343</u>
Net Change in Fund Balance	<u>966</u>	<u>224,966</u>	<u>308,309</u>	<u>83,343</u>
<i>Fund Balance at Beginning of Period</i>	244,287	244,287	244,287	--
Fund Balance at End of Period	<u>\$ 245,253</u>	<u>\$ 469,253</u>	<u>\$ 552,596</u>	<u>\$ 83,343</u>

OTHER SUPPLEMENTARY INFORMATION

**Charter Township of Marquette
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2013**

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Liquor Law Fund</u>	<u>Township Improvement Fund</u>	
ASSETS			
Cash & Cash Equivalents	\$ 5,403	\$ 337,088	\$ 342,491
Receivables (Net)	--	100	100
<i>Total Assets</i>	<u>\$ 5,403</u>	<u>\$ 337,188</u>	<u>\$ 342,591</u>
FUND BALANCE			
Assigned	5,403	337,188	342,591
<i>Total Fund Balance</i>	<u>\$ 5,403</u>	<u>\$ 337,188</u>	<u>\$ 342,591</u>

Charter Township of Marquette
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2013

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Liquor Law Fund</u>	<u>Township Improvement Fund</u>	
Revenues			
State Sources	\$ 4,817	\$ --	\$ 4,817
Interest & Rents	2	1,170	1,172
Other	--	7,580	7,580
Total Revenues	<u>4,819</u>	<u>8,750</u>	<u>13,569</u>
Expenditures			
Public Works	--	14,758	14,758
Debt Service - Principal	--	158,930	158,930
Debt Service - Interest	--	14,897	14,897
Total Expenditures	<u>--</u>	<u>188,585</u>	<u>188,585</u>
Excess of Revenues Over (Under) Expenditures	<u>4,819</u>	<u>(179,835)</u>	<u>(175,016)</u>
Other Financing Sources (Uses)			
Transfers from Other Funds	--	258,826	258,826
Transfers to Other Funds	(4,820)	--	(4,820)
Net Other Financing Sources (Uses)	<u>(4,820)</u>	<u>258,826</u>	<u>254,006</u>
Net Change in Fund Balance	(1)	78,991	78,990
<i>Fund Balance at Beginning of Period</i>	5,404	258,197	263,601
Fund Balance at End of Period	<u>\$ 5,403</u>	<u>\$ 337,188</u>	<u>\$ 342,591</u>

**Charter Township of Marquette
Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2013**

	<u>Enterprise</u>			<u>Total Enterprise Funds</u>
	<u>Storm Water Fund</u>	<u>Solid Waste Fund</u>	<u>Metro Fund</u>	
ASSETS				
<i>Current Assets</i>				
Cash & Cash Equivalents	\$ 75,769	\$ 121,092	\$ 50,454	\$ 247,315
Receivables (Net)	--	28,599	--	28,599
Prepaid Expenses	--	208	--	208
Due from Other Funds	--	183,279	--	183,279
Total Current Assets	<u>75,769</u>	<u>333,178</u>	<u>50,454</u>	<u>459,401</u>
<i>Noncurrent Assets</i>				
Capital Assets (Net)	--	30,641	--	30,641
Total Assets	<u>75,769</u>	<u>363,819</u>	<u>50,454</u>	<u>490,042</u>
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	--	10,652	--	10,652
Customer Deposits	--	15,575	--	15,575
Accrued Payroll & Related Liabilities	--	472	--	472
Total Current Liabilities	<u>--</u>	<u>26,699</u>	<u>--</u>	<u>26,699</u>
<i>Noncurrent Liabilities</i>				
Total Liabilities	<u>--</u>	<u>26,699</u>	<u>--</u>	<u>26,699</u>
NET POSITION				
Net Investment in Capital Assets	--	30,640	--	30,640
<i>Unrestricted</i>	75,769	306,480	50,454	432,703
Total Net Position	<u>\$ 75,769</u>	<u>\$ 337,120</u>	<u>\$ 50,454</u>	<u>\$ 463,343</u>

Charter Township of Marquette
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended December 31, 2013

	Enterprise			Total Enterprise Funds
	Storm Water Fund	Solid Waste Fund	Metro Fund	
Operating Revenues				
State Sources	\$ --	\$ --	\$ 4,977	\$ 4,977
Charges for Services	--	232,601	--	232,601
Permits, Fees & Special Assessments	--	2,597	--	2,597
Other	--	72,560	--	72,560
Total Operating Revenues	<u>--</u>	<u>307,758</u>	<u>4,977</u>	<u>312,735</u>
Operating Expenses				
Personnel Services	--	20,260	--	20,260
Supplies	--	1,355	--	1,355
Other Services & Charges	--	280,403	--	280,403
Depreciation Expense	--	8,297	--	8,297
Total Operating Expenses	<u>--</u>	<u>310,315</u>	<u>--</u>	<u>310,315</u>
Operating Income (Loss)	<u>--</u>	<u>(2,557)</u>	<u>4,977</u>	<u>2,420</u>
Non-Operating Revenues (Expenses)				
Investment Income	--	914	43	957
Debt Service Fee	--	21,539	--	21,539
Interest Expense	--	(54)	--	(54)
Net Non-Operating Revenues (Expenses)	<u>--</u>	<u>22,399</u>	<u>43</u>	<u>22,442</u>
Change In Net Position	<u>--</u>	<u>19,842</u>	<u>5,020</u>	<u>24,862</u>
<i>Net Position at Beginning of Period</i>	75,769	317,278	45,434	438,481
Net Position at End of Period	<u>\$ 75,769</u>	<u>\$ 337,120</u>	<u>\$ 50,454</u>	<u>\$ 463,343</u>

**Charter Township of Marquette
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2013**

	Enterprise			Total Enterprise Funds
	Storm Water Fund	Solid Waste Fund	Metro Fund	
Cash Flows from Operating Activities				
Cash Received from Charges for Service	\$ -	\$ 228,746	\$ -	\$ 228,746
Cash Received from Permits, Fees and Special Assessments	-	2,597	-	2,597
Cash Received from Other Sources	-	72,560	4,977	77,537
Cash Payments for Wages and Benefits	-	(20,178)	-	(20,178)
Cash Payments to Suppliers for Goods and Services	-	(279,240)	-	(279,240)
Total Cash Flows from Operating Activities	<u>-</u>	<u>4,485</u>	<u>4,977</u>	<u>9,462</u>
Cash Flows from Non-capital Financing Activities				
Change in Interfund Obligations	-	(912)	-	(912)
Total Cash Flows from Non-capital Financing Activities	<u>-</u>	<u>(912)</u>	<u>-</u>	<u>(912)</u>
Cash Flows from Capital and Related Financing Activities				
Proceeds from Debt Service	-	21,539	-	21,539
Interest Payments on Debt	-	(54)	-	(54)
Total Cash Flows from Capital and Related Financing Activities	<u>-</u>	<u>21,485</u>	<u>-</u>	<u>21,485</u>
Cash Flows from Investing Activities				
Interest Earned	-	914	43	957
Total Cash Flows from Investing Activities	<u>-</u>	<u>914</u>	<u>43</u>	<u>957</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	25,972	5,020	30,992
Cash and Cash Equivalents - Beginning of Year	75,769	95,120	45,434	216,323
Cash and Cash Equivalents - End of Year	<u>\$ 75,769</u>	<u>\$ 121,092</u>	<u>\$ 50,454</u>	<u>\$ 247,315</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ -	\$ (2,557)	\$ 4,977	\$ 2,420
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	-	8,297	-	8,297
Changes in Assets and Liabilities				
Receivables (Net)	-	(3,855)	-	(3,855)
Prepaid Expenses	-	(14)	-	(14)
Accounts Payable	-	2,677	-	2,677
Accrued Expenses and Other Liabilities	-	(63)	-	(63)
Net Cash Provided by Operating Activities	<u>\$ -</u>	<u>\$ 4,485</u>	<u>\$ 4,977</u>	<u>\$ 9,462</u>

May 30, 2014

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 Charter Township of Marquette, Michigan for the year ended December 31, 2013. 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 January 8, 2014. 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 Township 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, 2013. 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 Township's financial statements was:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

- The assumptions used in the actuarial valuation of the pension benefit plan are based on historical trends and industry standards.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 30, 2014.

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 Board of Trustees, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, MI

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

May 30, 2014

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Charter Township of Marquette, Michigan (the "Township") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise The Township's basic financial statements, and have issued our report thereon dated May 30, 2014.

Internal Control over Financial Reporting

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

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

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

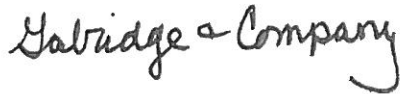
Compliance and Other Matters

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

Purpose of this Report

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

Best regards,

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

Gabridge & Company, PLC
Grand Rapids, MI