

**CHARTER TOWNSHIP OF MARQUETTE, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2015**



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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, 2015, 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, 2015, 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.

Emphasis of Matter

As described in Note 11 to the financial statements, during the year ended December 31, 2015, the Township adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result of implementing this pronouncement, the Charter Township's net pension liability has been recognized on the government-wide financial statements and, as discussed in Note 11, the 2014 financial statements have been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules, 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 27, 2016, 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.



Gabridge & Company, PLC
Grand Rapids, Michigan
May 27, 2016

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, 2015. Please read it in conjunction with the financial statements, which begin on page 15.

Financial Highlights

- Net position for the Township as a whole decreased by \$1,655,611 as a result of this year's operations. Net position of our business-type activities increased by \$702,378, or 7 percent, and net position of our government activities decreased by \$2,357,989, or 60 percent.
- During the year, the Township had expenses for governmental activities that were \$5,050,987 which is \$2,357,989 more than the \$2,692,998 generated in total revenue sources and transfers in.
- During the year, the Township had expenses for business-type activities that were \$2,099,605 which is \$702,378 less than the \$2,801,983 generated in total revenue sources and transfers out.
- The general fund reported a net fund balance of \$197,051, which is a decrease of \$194,410 as a result of this year's operation.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$190,093, or approximately 9 percent of total general fund expenditures and net transfers out.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

The Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, fire fund, and township improvement 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 an agency fund. The *agency funds* report resources held by the Township in a custodial capacity for individuals, private organizations and other governments.

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

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

The notes to the financial statements can be found on pages 25-51 of this report.

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

Required supplementary information can be found on pages 53-56 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 58-62 of this report.

Government-wide Overall Financial Analysis

The following table provides a summary of the Township's net position as of December 31, 2015 and 2014.

Charter Township of Marquette Statement of Net Position for Fiscal Years Ended December 31, 2015 and December 31, 2014

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
ASSETS						
<i>Current Assets</i>						
Cash & Cash Equivalents	\$ 1,800,341	\$ 1,691,633	\$ 1,338,803	\$ 1,935,230	\$ 3,139,144	\$ 3,626,863
Receivables (Net)	270,128	81,491	71,712	174,128	341,840	255,619
Special Assessments	-	-	325,752	249,172	325,752	249,172
Taxes Receivable	1,721,308	1,747,683	-	-	1,721,308	1,747,683
Intergovernmental Receivables	8,791	8,936	-	-	8,791	8,936
Prepaid Items	7,675	17,703	2,576	32,755	10,251	50,458
Total Current Assets	3,808,243	3,547,446	1,738,843	2,391,285	5,547,086	5,938,731
<i>Noncurrent Assets</i>						
Cash - Restricted	-	-	263,887	251,174	263,887	251,174
Nondepreciable Capital Assets	2,285,212	2,140,351	3,376,687	2,041,843	5,661,899	4,182,194
Depreciable Capital Assets, Net	5,217,596	5,336,913	10,185,239	10,489,712	15,402,835	15,826,625
Total Assets	11,311,051	11,024,710	15,564,656	15,174,014	26,875,707	26,198,724
DEFERRED OUTFLOWS OF RESOURCES						
Pension	74,638	59,866	58,313	48,304	132,951	108,170
Total Deferred Outflows of Resources	74,638	59,866	58,313	48,304	132,951	108,170
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	356,790	75,552	87,425	55,536	444,215	131,088
Customer Deposits	-	12,100	93,237	92,407	93,237	104,507
Accrued Payroll & Related Liabilities	29,251	22,703	17,383	19,171	46,634	41,874
Current Portion of Long-term Debt	316,939	328,180	349,610	374,086	666,549	702,266
Accrued Interest Payable	100,024	91,412	24,953	31,203	124,977	122,615
Internal Balances	175,066	174,195	(175,066)	(174,195)	-	-
Total Current Liabilities	978,070	704,142	397,542	398,208	1,375,612	1,102,350
<i>Noncurrent Liabilities</i>						
Compensated Absences	59,440	55,357	33,356	32,492	92,796	87,849
Long-term Debt	6,180,027	3,948,365	3,547,066	3,866,082	9,727,093	7,814,447
Net Pension Liability	373,464	345,596	291,779	271,539	665,243	617,135
Total Liabilities	7,591,001	5,053,460	4,269,743	4,568,321	11,860,744	9,621,781
DEFERRED INFLOWS OF RESOURCES						
Taxes Levied for a Subsequent Period	2,234,916	2,113,355	42,936	46,085	2,277,852	2,159,440
Total Deferred Inflows of Resources	2,234,916	2,113,355	42,936	46,085	2,277,852	2,159,440
NET POSITION						
Net Investment in Capital Assets	1,005,842	3,200,719	9,665,250	8,291,387	10,671,092	11,492,106
Restricted	261,469	402,577	163,887	251,174	425,356	653,751
Unrestricted	292,461	314,465	1,481,153	2,065,351	1,773,614	2,379,816
Total Net Position	\$ 1,559,772	\$ 3,917,761	\$ 11,310,290	\$ 10,607,912	\$ 12,870,062	\$ 14,525,673

Governmental Activities. Total net position of the Township's governmental activities was \$1,559,772 as of December 31, 2015.

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 was \$292,461 as of December 31, 2015. The \$292,461 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the general fund will have a significant impact on the unrestricted net position from year to year.

The increase in government capital assets for 2015 was primarily related to Lions Field kiddie park playground structure purchase and continuing work on the Lions Field warming building. It was put in use in January of 2016. The Fire Department also had assets on order to be put into use in 2016. Depreciation of \$225,609 was expensed.

Net receivables increased 231% from the prior year, due to the Road work done in 2015 and expected bond reimbursement from Marquette County. Accounts payable increased by 372%, mainly due to costs for the Fire Department purchases, as well as Road work billings.

Total net position has declined significantly from \$3,917,761 in 2014 to \$1,559,772 in 2015, a change of \$2,357,989. The largest part of the decline was due to the addition of \$2,548,536 of long term debt during the year. The Township took on this debt to fund many road improvement projects. See the long term debt footnote for more information.

Business-type Activities. The net position of our business-type activities was \$11,310,290 as of December 31, 2015. 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 majority of the net position is the net investment in capital assets, \$9,665,250 or 86% of net position. The net investment in capital assets is the total amount of capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

\$263,887 or 2% is the portion of net position that is restricted for debt service, and \$1,381,153 or 12% is unrestricted.

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 2015 and 2014.

Charter Township of Marquette
Change in Net Position for Fiscal Years Ended December 31, 2015 and December 31, 2014

	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2015	2014	2015	2014	2015	2014
Revenue						
Program Revenues						
Charges for Services	\$ 35,055	\$ 41,337	\$ 2,810,650	\$ 2,860,599	\$ 2,845,705	\$ 2,901,936
Operating Grants & Contributions	6,400	6,482	4,592	5,195	10,992	11,677
Capital Grants & Contributions	36,167	100,000	-	-	36,167	100,000
Total Program Revenues	77,622	147,819	2,815,242	2,865,794	2,892,864	3,013,613
General Revenues						
Taxes	2,231,948	2,164,620	-	-	2,231,948	2,164,620
State Sources	293,424	298,355	-	-	293,424	298,355
Gain on Sale of Assets	-	-	-	-	-	-
Other	22,622	17,863	-	-	22,622	17,863
Investment Income	44,382	44,527	9,741	7,228	54,123	51,755
Total General Revenues	2,592,376	2,525,365	9,741	7,228	2,602,117	2,532,593
Total Revenues	2,669,998	2,673,184	2,824,983	2,873,022	5,494,981	5,546,206
Expenses						
Legislative	28,680	68,449	-	-	28,680	68,449
General Services & Administration	1,084,965	843,289	-	-	1,084,965	843,289
Public Safety	803,983	757,591	-	-	803,983	757,591
Public Works	2,575,723	62,523	-	-	2,575,723	62,523
Community & Economic Development	171,104	13,599	-	-	171,104	13,599
Recreation & Culture	251,273	252,390	-	-	251,273	252,390
Interest on Long-term Debt	135,259	88,214	-	-	135,259	88,214
Wastewater Fund	-	-	767,988	845,335	767,988	845,335
Solid Waste Fund	-	-	334,826	337,028	334,826	337,028
Water Fund	-	-	984,918	1,017,418	984,918	1,017,418
Storm Water Fund	-	-	6,445	23,776	6,445	23,776
Metro Fund	-	-	5,428	452	5,428	452
Total Expenses	5,050,987	2,086,055	2,099,605	2,224,009	7,150,592	4,310,064
Transfers In (Out)	23,000	35,000	(23,000)	(35,000)	-	-
Change in Net Position	(2,357,989)	622,129	702,378	614,013	(1,655,611)	1,236,142
<i>Net Position at the Beginning of Period</i>	<i>3,917,761</i>	<i>3,295,632</i>	<i>10,607,912</i>	<i>9,993,899</i>	<i>14,525,673</i>	<i>13,289,531</i>
Net Position at the End of Period	\$ 1,559,772	\$ 3,917,761	\$11,310,290	\$10,607,912	\$12,870,062	\$14,525,673

The Charter Township of Marquette's total revenues were \$5,494,981 during the year. The cost of all programs and services was \$7,150,592, leaving an decrease in net position of \$1,655,611. Our analysis below separately considers the operations of governmental and business-type activities:

- Charges for Services decreased (Government) due to lower Fire Department rescue services revenue, offset by increased Community Center Rental revenue.

- General Services and Administration increased mainly due to tax tribunal refunds and legal services.
- Public Safety expenses increased due to increased hours for the Sheriff's deputies, the \$60,000 increase in the Public Fire Protection charge and tax tribunal reimbursements to the Marquette County Treasurer.
- Charges for Services decreased (Business-Type) due to (21) Sewer Connection fees paid for the Trowbridge Sewer project vs. (32) in 2014, the \$100,000 State of Michigan freeze-up reimbursement in 2014; offset by the water well construction settlement payment of \$50,000 and the increase from the Fire Department for Public Fire Protection from \$20,000 to \$80,000.
- The interest on long-term debt increased due to the completion of the road bonding loan booked in 2015. This added \$2,548,536 of new long term debt during the year.
- Wastewater Fund expenses decreased 11% due to lower wage/overtime costs, as 2014 had extensive freeze up costs that affected wages, as well as grinder pumps and wastewater services (laterals).
- Water Fund expenses decreased 3.5% due to the lower cost of attorney and professional fees involved in the water well construction project, lower interest costs offset by the increased wages (another DPW employee was added in 2015).

Financial Analysis of Governmental Funds

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

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

The governmental funds had an overall net decrease in fund balance for the year of \$137,321.

Revenues

Total revenues were consistent with the prior year, with \$2,669,998 in 2015 and \$2,673,184 in 2014. The most notable changes were an increase in total tax revenues which was offset by a decline in grant revenues.

Expenditures

Total expenditures increased very significantly over the prior year, increasing from \$2,925,284 in 2014 to \$5,378,855. The majority of this change was related to \$2,548,537 of expenditures in the township improvement fund, compared to \$37,328 of expenses in the fund in 2014. These public works expenditures relate to many road improvement projects the township is funding through the issuance of a new bond, discussed in the long term debt footnote.

Other major increases over 2014 include tax tribunal expenses (general government) and debt service (increased interest expense due to increase in outstanding debt), offset by lower capital expenditures.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$190,093, while total fund balance decreased to \$197,051. 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 percent of total general fund expenditures, while total fund balance represents approximately 11 percent of that same amount.

Revenues and expenditures in the general fund are mostly consistent with the prior year, except that the tax revenues and expenditures that relate to the library millage have been moved into a separate fund, which were included in the general fund in 2014.

The fire fund, a major fund, had a \$141,108 decrease in the fund balance during the current fiscal year which put the overall fund balance at \$261,469 as of December 31, 2015. The major changes this year were the increases in public safety expenses discussed above and the lack of additional debt service principal payments (which occurred in 2014). The decrease in fund balance compares to a decrease of \$150,019 in 2014, which indicates that the total resulting revenues and expenses were comparable to the prior year.

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 \$798,537, and for the water fund was \$263,009. The total increase in the net position for both funds was \$442,866 and \$242,373, respectively. This compares to increases in net position in 2014 of \$469,525 and \$150,095 respectively, which shows comparable results. Changes in the current years activity was discussed above.

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 \$74,839 less than the budget; conversely, the revenues and other financing sources were \$30,701 more than the budget projection.

Budget amendments made in 2015 reflected:

- Revenues – adjustments for property tax which was budgeted lower than collections, reimbursement revenue for the two unplanned elections and an increase in the CATV franchise fees. The amended budget increased total revenues by \$216,500, which was mostly a change in expected tax revenues.
- Expenditures – for the Lions Field Kiddie Park equipment, Tax Tribunal refunds, election costs, year-end vacation overage payouts, and street lighting. The amended budget increased total expenses by \$563,692, which was mostly a change in general services expenditures and transfers out.

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

- Revenues – The actual revenues were slightly higher than the final budget (1.6 percent), mainly due to grant revenue.
- Expenditures – The actual expenditures closely followed the budget except the following areas were lower: general services administration (miscellaneous and tax tribunal), recreation (wages), capital (other).

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015 and 2014, the Township had \$21,064,734 and \$20,008,819 invested in a variety of capital assets including land and improvements, buildings and improvements, and other equipment (See table below).

	2015	2014
Construction in Progress	\$ 2,567,612	\$ 1,332,185
Land	2,131,787	2,131,787
Land Improvements	663,816	663,816
Investment in WW Treatment Facility	298,684	298,684
Buildings and Improvements	6,741,795	6,965,257
Vehicles	150,799	159,916
Furniture and Equipment	385,028	340,825
Infrastructure	8,111,165	8,094,004
Investment in MCSWF	14,048	22,345
Totals	\$ 21,064,734	\$ 20,008,819

There were additions of \$1,669,561 during the current fiscal year, which included \$1,090,566 for construction in progress for sewer upgrade/extension projects. Further details on capital assets can be found in the Footnotes to the Financial Statements.

Long-term Debt

At the end of fiscal year 2015 and 2014, The Township had \$10,393,642 and \$8,516,713 in debt outstanding as depicted in the table on the following page.

	2015	2014
2004 Land Purchase Note	\$ 117,600	\$ 156,800
Cornerstone Property Note	115,856	146,632
Werner Street Construction	-	168,713
2015 MTF Bond	2,548,536	-
Water Land Purchase Note	80,000	96,000
DWRF Bond	2,490,000	2,710,000
Grandview Project Bond	115,000	125,000
Harglo Settlement	186,000	248,000
Township Hall Parking Lot	181,996	189,400
Public Works Facility	1,025,676	1,061,168
Township & Fire Hall Note	3,532,978	3,615,000
<i>Totals</i>	<u>\$ 10,393,642</u>	<u>\$ 8,516,713</u>

Principal payments for the year were \$671,607. New loan proceeds during the year totaled \$2,548,536 for a new Michigan transportation funds bond. Further details on long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

In preparing the Charter Township of Marquette, Michigan's budget for the year ending December 31, 2016, 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.

For the 2016 general fund, total budgeted revenues and transfer in were \$2,031,446 which compares to the 2015 total revenues of \$1,995,307. Total budgeted expenditures and transfers out were \$2,029,104 compared to 2015 total expenditures of \$2,189,717.

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, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash & Cash Equivalents	\$ 1,800,341	\$ 1,338,803	\$ 3,139,144	\$ 15,964
Receivables (Net)	270,128	71,712	341,840	--
Special Assessments	--	325,752	325,752	--
Taxes Receivable	1,721,308	--	1,721,308	--
Intergovernmental Receivables	8,791	--	8,791	--
Prepaid Items	7,675	2,576	10,251	--
Total Current Assets	3,808,243	1,738,843	5,547,086	15,964
<i>Noncurrent Assets</i>				
Restricted Cash	--	263,887	263,887	--
Nondepreciable Capital Assets	2,285,212	3,376,687	5,661,899	--
Depreciable Capital Assets, Net	5,217,596	10,185,239	15,402,835	--
Total Assets	11,311,051	15,564,656	26,875,707	15,964
DEFERRED OUTFLOWS OF RESOURCES				
Pension	74,638	58,313	132,951	--
Total Deferred Outflows of Resources	74,638	58,313	132,951	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	356,790	87,425	444,215	--
Customer Deposits	--	93,237	93,237	--
Accrued Payroll & Related Liabilities	29,251	17,383	46,634	--
Current Portion of Long-term Debt	316,939	349,610	666,549	--
Accrued Interest Payable	100,024	24,953	124,977	--
Internal Balances	175,066	(175,066)	--	--
Total Current Liabilities	978,070	397,542	1,375,612	--
<i>Noncurrent Liabilities</i>				
Compensated Absences	59,440	33,356	92,796	--
Long-term Debt	6,180,027	3,547,066	9,727,093	--
Net Pension Liability	373,464	291,779	665,243	--
Total Liabilities	7,591,001	4,269,743	11,860,744	--
DEFERRED INFLOWS OF RESOURCES				
Taxes/Assessments Levied for a Subsequent Period	2,234,916	42,936	2,277,852	--
Total Deferred Inflows of Resources	2,234,916	42,936	2,277,852	--
NET POSITION				
Net Investment in Capital Assets	1,005,842	9,665,250	10,671,092	--
<i>Restricted for:</i>				
Debt Service	--	263,887	163,887	--
Public Safety	261,469	--	261,469	--
<i>Unrestricted</i>	292,461	1,381,153	1,773,614	15,964
Total Net Position	\$ 1,559,772	\$ 11,310,290	\$ 12,870,062	\$ 15,964

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, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities:								
Legislative	\$ 28,680	\$ --	\$ --	\$ --	\$ (28,680)	\$ --	\$ (28,680)	\$ --
General Services & Administration	1,084,965	13,322	240	36,167	(1,035,236)	--	(1,035,236)	--
Public Safety	803,983	16,883	6,160	--	(780,940)	--	(780,940)	--
Public Works	2,575,723	--	--	--	(2,575,723)	--	(2,575,723)	--
Community & Economic Development	171,104	4,530	--	--	(166,574)	--	(166,574)	--
Recreation & Culture	251,273	320	--	--	(250,953)	--	(250,953)	--
Debt Service - Interest	135,259	--	--	--	(135,259)	--	(135,259)	--
Total Governmental Activities	5,050,987	35,055	6,400	36,167	(4,973,365)	--	(4,973,365)	--
Business-type Activities:								
Storm Water Fund	6,445	--	--	--	--	(6,445)	(6,445)	--
Wastewater Fund	767,988	1,205,453	--	--	--	437,465	437,465	--
Solid Waste Fund	334,826	358,308	--	--	--	23,482	23,482	--
Metro Fund	5,428	--	4,592	--	--	(836)	(836)	--
Water Fund	984,918	1,246,889	--	--	--	261,971	261,971	--
Total Business-type Activities	2,099,605	2,810,650	4,592	--	--	715,637	715,637	--
Total Primary Government	\$ 7,150,592	\$ 2,845,705	\$ 10,992	\$ 36,167	\$ (4,973,365)	\$ 715,637	\$ (4,257,728)	--
Component Unit								
DDA	\$ --	\$ --	\$ --	\$ --	--	--	--	--
Total Component Unit	\$ --	\$ --	\$ --	\$ --	--	--	--	--
General Purpose Revenues and Transfers:								
Revenues								
Taxes					2,231,948	--	2,231,948	--
State Sources					293,424	--	293,424	--
Other					22,622	--	22,622	--
Interest and Rents					44,382	9,741	54,123	8
Transfers					23,000	(23,000)	--	--
Total General Revenues and Transfers					2,615,376	(13,259)	2,602,117	8
Change in Net Position					(2,357,989)	702,378	(1,655,611)	8
<i>Net Position at Beginning of Period (Restated, Note 11)</i>					3,917,761	10,607,912	14,525,673	15,956
Net Position at End of Period					\$ 1,559,772	\$ 11,310,290	\$ 12,870,062	\$ 15,964

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

**Charter Township of Marquette
Balance Sheet
Governmental Funds
December 31, 2015**

	<u>Special Revenue</u>		<u>Capital Projects</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Fire Fund</u>	<u>Township Improvement Fund</u>	<u>Other Governmental Funds</u>	
ASSETS					
Cash & Cash Equivalents	\$ 677,395	\$ 522,533	\$ 548,053	\$ 52,360	\$ 1,800,341
Receivables (Net)	97,373	1,510	171,245	--	270,128
Taxes Receivable	1,142,082	416,539	--	162,687	1,721,308
Intergovernmental Receivables	8,791	--	--	--	8,791
Prepaid Items	6,958	717	--	--	7,675
Total Assets	<u>\$ 1,932,599</u>	<u>\$ 941,299</u>	<u>\$ 719,298</u>	<u>\$ 215,047</u>	<u>\$ 3,808,243</u>
LIABILITIES					
Accounts Payable	\$ 62,734	\$ 122,811	\$ 171,245	\$ --	\$ 356,790
Accrued Payroll & Related Liabilities	17,491	11,760	--	--	29,251
Due to Other Funds	175,066	--	--	--	175,066
Total Liabilities	<u>255,291</u>	<u>134,571</u>	<u>171,245</u>	<u>--</u>	<u>561,107</u>
DEFERRED INFLOWS OF RESOURCES					
Taxes Levied for a Subsequent Period	1,480,257	545,259	--	209,400	2,234,916
Total Liabilities and Deferred Inflows of Resources	<u>1,735,548</u>	<u>679,830</u>	<u>171,245</u>	<u>209,400</u>	<u>2,796,023</u>
FUND BALANCE					
Nonspendable	6,958	717	--	--	7,675
Restricted	--	260,752	--	--	260,752
Assigned	--	--	548,053	5,647	553,700
Unassigned	190,093	--	--	--	190,093
Total Fund Balance	<u>197,051</u>	<u>261,469</u>	<u>548,053</u>	<u>5,647</u>	<u>1,012,220</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,932,599</u>	<u>\$ 941,299</u>	<u>\$ 719,298</u>	<u>\$ 215,047</u>	<u>\$ 3,808,243</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, 2015

Total Fund Balance - Governmental Funds	\$	1,012,220
General government capital assets of \$9,599,636 of accumulated depreciation of \$2,096,828 are not financial resources and, accordingly, are not reported in the funds		7,502,808
Long-term liabilities, including related accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds		(6,596,990)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds		(59,440)
Net pension liability is not due and payable in the current period and is not reported in the funds		(373,464)
Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenses in the governmental funds		74,638
Total Net Position - Governmental Funds	\$	<u>1,559,772</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, 2015

	<u>General</u>	<u>Special Revenue</u> Fire Fund	<u>Capital Projects</u> Township Improvement Fund	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 1,469,010	\$ 551,468	\$ --	\$ 211,470	\$ 2,231,948
Licenses & Permits	9,770	550	--	--	10,320
State Sources	293,424	--	--	5,460	298,884
Other Grants	36,167	--	--	--	36,167
Charges for Services	8,402	12,304	--	--	20,706
Contributions	240	700	--	--	940
Other	22,622	4,029	--	--	26,651
Interest and Rents	43,456	750	176	--	44,382
Total Revenues	<u>1,883,091</u>	<u>569,801</u>	<u>176</u>	<u>216,930</u>	<u>2,669,998</u>
Expenditures					
Legislative	28,680	--	--	--	28,680
General Services & Administration	959,887	--	--	--	959,887
Public Safety	179,780	515,995	--	--	695,775
Public Works	23,440	--	2,548,537	--	2,571,977
Community & Economic Development	168,872	--	--	--	168,872
Recreation & Culture	36,279	--	--	211,470	247,749
Capital Outlay	140,239	110,914	--	--	251,153
Debt Service - Principal	159,403	--	168,712	--	328,115
Debt Service - Interest	122,546	--	4,101	--	126,647
Total Expenditures	<u>1,819,126</u>	<u>626,909</u>	<u>2,721,350</u>	<u>211,470</u>	<u>5,378,855</u>
Excess of Revenues Over (Under) Expenditures	<u>63,965</u>	<u>(57,108)</u>	<u>(2,721,174)</u>	<u>5,460</u>	<u>(2,708,857)</u>
Other Financing Sources (Uses)					
Issuance of Long-term Debt	--	--	2,548,536	--	2,548,536
Transfers In	112,216	--	370,591	--	482,807
Transfers Out	(370,591)	(84,000)	--	(5,216)	(459,807)
Net Other Financing Sources (Uses)	<u>(258,375)</u>	<u>(84,000)</u>	<u>2,919,127</u>	<u>(5,216)</u>	<u>2,571,536</u>
Net Change in Fund Balance	(194,410)	(141,108)	197,953	244	(137,321)
<i>Fund Balance at Beginning of Period</i>	391,461	402,577	350,100	5,403	1,149,541
Fund Balance at End of Period	\$ 197,051	\$ 261,469	\$ 548,053	\$ 5,647	\$ 1,012,220

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, 2015

Total Net Change in Fund Balances - Governmental Funds	\$	(137,321)
<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>		
		328,115
<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 \$8,612 and the increase in compensated absences of \$4,083.</p>		
		(12,695)
<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 \$251,153 less depreciation expense of \$225,609.</p>		
		25,544
<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>		
		(2,548,536)
<p>Changes to the net pension liability are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position</p>		
		(13,096)
Changes in Net Position - Governmental Funds	\$	<u>(2,357,989)</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, 2015

Business-type Activities - Enterprise Funds

	<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	\$ 528,272	\$ 559,353	\$ 251,178	\$ 1,338,803
Receivables (Net)	22,115	19,505	30,092	71,712
Special Assessments	288,265	37,487	--	325,752
Prepaid Items	1,144	1,409	23	2,576
Due from Other Funds	--	--	175,066	175,066
Total Current Assets	839,796	617,754	456,359	1,913,909
<i>Noncurrent Assets</i>				
Restricted Cash	136,904	126,983	--	263,887
Nondepreciable Capital Assets	2,417,633	959,054	--	3,376,687
Depreciable Capital Assets, Net	3,346,391	6,792,680	46,168	10,185,239
Total Assets	6,740,724	8,496,471	502,527	15,739,722
DEFERRED OUTFLOWS OF RESOURCES				
Pension	24,577	31,358	2,378	58,313
Total Deferred Outflows of Resources	24,577	31,358	2,378	58,313
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	22,524	52,721	12,180	87,425
Customer Deposits	--	78,887	14,350	93,237
Accrued Payroll & Related Liabilities	7,014	9,665	704	17,383
Current Portion of Long-term Debt	18,305	331,305	--	349,610
Accrued Interest Payable	--	24,953	--	24,953
Total Current Liabilities	47,843	497,531	27,234	572,608
<i>Noncurrent Liabilities</i>				
Compensated Absences	13,320	20,036	--	33,356
Long-term Debt	494,533	3,052,533	--	3,547,066
Net Pension Liability	122,978	156,905	11,896	291,779
Total Liabilities	678,674	3,727,005	39,130	4,444,809
DEFERRED INFLOWS OF RESOURCES				
Assessments Levied for a Subsequent Period	--	42,936	--	42,936
Total Deferred Inflows of Resources	--	42,936	--	42,936
NET POSITION				
Net Investment in Capital Assets	5,251,186	4,367,896	46,168	9,665,250
<i>Restricted for:</i>				
Debt Service	136,904	126,983	--	263,887
<i>Unrestricted</i>	698,537	263,009	419,607	1,381,153
Total Net Position	\$ 6,086,627	\$ 4,757,888	\$ 465,775	\$ 11,310,290

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, 2015

Business-type Activities - Enterprise Funds

	<u>Wastewater Fund</u>	<u>Water Fund</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Operating Revenues				
Charges for Services	\$ 921,864	\$ 829,201	\$ 269,031	\$ 2,020,096
Permits, Fees & Special Assessments	9,030	12,366	2,541	23,057
State Sources	--	--	4,592	4,592
Other	10,245	91,839	86,736	188,820
Total Operating Revenues	<u>941,139</u>	<u>933,406</u>	<u>362,900</u>	<u>2,237,445</u>
Operating Expenses				
Personnel Services	271,277	396,651	26,597	694,525
Supplies	9,440	16,845	785	27,070
Other Services & Charges	307,124	277,526	305,460	890,110
Depreciation Expense	163,435	210,877	13,725	388,037
Total Operating Expenses	<u>751,276</u>	<u>901,899</u>	<u>346,567</u>	<u>1,999,742</u>
Operating Income (Loss)	<u>189,863</u>	<u>31,507</u>	<u>16,333</u>	<u>237,703</u>
Non-Operating Revenues (Expenses)				
Interest and Rents	5,401	3,402	938	9,741
Debt Service Fee	97,997	283,563	--	381,560
Connection Fees	166,317	29,920	--	196,237
Interest Expense	(16,712)	(83,019)	(132)	(99,863)
Net Non-Operating Revenues (Expenses)	<u>253,003</u>	<u>233,866</u>	<u>806</u>	<u>487,675</u>
Income Before Contributions and Transfers	<u>442,866</u>	<u>265,373</u>	<u>17,139</u>	<u>725,378</u>
Transfers In	--	--	--	--
Transfers Out	--	(23,000)	--	(23,000)
Change In Net Position	<u>442,866</u>	<u>242,373</u>	<u>17,139</u>	<u>702,378</u>
<i>Net Position at Beginning of Period (Restated, Note 11)</i>	5,643,761	4,515,515	448,636	10,607,912
Net Position at End of Period	<u>\$ 6,086,627</u>	<u>\$ 4,757,888</u>	<u>\$ 465,775</u>	<u>\$ 11,310,290</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, 2015

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	\$ 977,932	\$ 881,743	\$ 269,901	\$ 2,129,576
Cash Received from Permits, Fees and Special Assessments	(79,364)	24,180	2,541	(52,643)
Cash Received from Miscellaneous Income	10,245	91,839	91,328	193,412
Cash Payments for Wages and Benefits	(268,686)	(390,423)	(26,109)	(685,218)
Cash Payments to Suppliers for Goods and Services	(284,625)	(263,047)	(306,610)	(854,282)
Total Cash Flows Provided (Used) by Operating Activities	<u>355,502</u>	<u>344,292</u>	<u>31,051</u>	<u>730,845</u>
Cash Flows from Non-capital Financing Activities				
Transfers from (to) Other Funds	-	(23,000)	-	(23,000)
Change in Interfund Obligations	-	-	(871)	(871)
Total Cash Flows Provided (Used) by Non-capital Financing Activities	<u>-</u>	<u>(23,000)</u>	<u>(871)</u>	<u>(23,871)</u>
Cash Flows from Capital and Related Financing Activities				
Cash Received from Connection Fees	166,317	29,920	-	196,237
Proceeds from Debt Service	97,997	283,563	-	381,560
Purchase of Capital Assets	(1,245,940)	(172,468)	-	(1,418,408)
Interest Payments on Debt	(16,808)	(92,322)	(132)	(109,262)
Principal Payments on Debt	(17,746)	(325,746)	-	(343,492)
Total Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(1,016,180)</u>	<u>(277,053)</u>	<u>(132)</u>	<u>(1,293,365)</u>
Cash Flows from Investing Activities				
Interest Earned	5,401	3,402	938	9,741
Total Cash Flows Provided (Used) by Investing Activities	<u>5,401</u>	<u>3,402</u>	<u>938</u>	<u>9,741</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(655,277)	47,641	30,986	(576,650)
Cash and Cash Equivalents - Beginning of Year	1,320,453	638,695	220,192	2,179,340
Cash and Cash Equivalents - End of Year	<u>\$ 665,176</u>	<u>\$ 686,336</u>	<u>\$ 251,178</u>	<u>\$ 1,602,690</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 189,863	\$ 31,507	\$ 16,333	\$ 237,703
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	163,435	210,877	13,725	388,037
Pension Expense	4,312	5,502	417	10,231
Changes in Assets and Liabilities				
Receivables (Net)	56,068	52,542	870	109,480
Special Assessments	(88,394)	11,814	-	(76,580)
Prepaid Items	26,160	3,998	21	30,179
Accounts Payable	5,779	27,326	(386)	32,719
Accrued Expenses and Other Liabilities	(1,721)	726	71	(924)
Net Cash Provided (Used) by Operating Activities	<u>\$ 355,502</u>	<u>\$ 344,292</u>	<u>\$ 31,051</u>	<u>\$ 730,845</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, 2015**

	Agency	
	Trust & Agency	Tax Collection
ASSETS		
Cash & Cash Equivalents	\$ 9,895	\$ 967,547
<i>Total Assets</i>	9,895	967,547
LIABILITIES		
Due to Others	6,776	961,875
Due to Local Unit	3,119	5,672
<i>Total Liabilities</i>	9,895	967,547
NET POSITION		
Held in Trust	\$ --	\$ --

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

Charter Township of Marquette, Michigan

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Jointly Governed Organizations

Marquette County Solid Waste Management Authority - In June 1988, The Charter Township of Marquette joined with 19 other municipalities to create the Marquette County Solid Waste Management Authority (“Authority”). Please read Note 9 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 10 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 identifiable with a specific function or segment. *Program revenues* include 1) charges to

Charter Township of Marquette, Michigan

Notes to the Financial Statements

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, 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.

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

Charter Township of Marquette, Michigan

Notes to the Financial Statements

The *township improvement fund* accounts for the activities related to development and improvement of the Township's general capital assets.

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.

Capital Project funds are used to account for the acquisition or construction of general major capital facilities by a governmental unit.

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, Michigan

Notes to the Financial Statements

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

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

Charter Township of Marquette, Michigan

Notes to the Financial Statements

6. Considering the above, the Manager will then decide whether or not the transfer should be made.
7. Supplemental appropriations are submitted to and reviewed by the Manager and submitted to the Township Board of Trustees for their review and approval. If approved, they are implemented by the Manager through a budget revision.
8. The Township of Marquette, Michigan adopts its annual budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary controls exist at the most detailed level adopted by the Board of Trustees (i.e.) department for analytical purposes. A detailed line item breakdown is prepared for each program.
9. Budgets for the general fund and special revenue funds were adopted in substance on a modified 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 2015 ad valorem tax is levied and collectible on December 1, 2015, it is the Charter Township of Marquette’s policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for the financing of operations. Available means collected within the current period or

Charter Township of Marquette, Michigan

Notes to the Financial Statements

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

Prepaid Items

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

Restricted Assets

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

Capital Assets

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

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

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

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

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

Charter Township of Marquette, Michigan

Notes to the Financial Statements

Compensated Absences (Vacation and Sick Leave)

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

Long-term Obligations

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

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

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

Deferred Inflows of Resources

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

Charter Township of Marquette, Michigan

Notes to the Financial Statements

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township only has one item that qualifies for reporting in this category, the pension related deferred outflows. The financial statements report deferred outflows from the difference between projected and actual investment earnings of the pension plan as well as Township contributions made after the measurement date of the net pension liability.

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.

Restricted net position represents amounts that are subject to restrictions beyond the government's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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-

Charter Township of Marquette, Michigan

Notes to the Financial Statements

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 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 27, 2016, 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, 2015, the Township had no significant expenditures in excess of the amount appropriated.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

Note 3 – Deposits and Investments

Following is a reconciliation of deposit balances as of December 31, 2015:

	Primary Government	Component Unit	Totals
Statement of Net Position			
Cash & Cash Equivalents	\$ 3,139,144	\$ 15,964	\$ 3,155,108
Restricted Cash	263,887	-	263,887
Statement of Fiduciary Net Position			
Cash & Cash Equivalents	977,442	-	977,442
Total Deposits and Investments	4,380,473	15,964	4,396,437

Deposits and Investments

Cash & Cash Equivalents	\$ 3,134,035
Certificates of Deposit	1,261,702
Cash on Hand	700
Total	\$ 4,396,437

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year-end, \$1,662,336 of the Township's bank balance of \$4,675,558 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Township believes it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

Interest Rate Risk. Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All of the Township's certificates of deposits had a maturity of less than one year at year end.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

Note 4 – Capital Assets

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

	December 31, 2014	Additions	Disposals	December 31, 2015
Governmental Activities:				
Construction in progress	\$ 145,041	\$ 144,861	\$ -	\$ 289,902
Land	1,891,787	-	-	1,891,787
Land Improvements	103,523	-	-	103,523
Total Capital Assets, not being depreciated	<u>2,140,351</u>	<u>144,861</u>	<u>-</u>	<u>2,285,212</u>
Buildings and improvements	5,358,457	-	-	5,358,457
Vehicles	1,316,955	15,899	-	1,332,854
Furniture and equipment	532,720	90,393	-	623,113
Total Capital Assets, being depreciated	<u>7,208,132</u>	<u>106,292</u>	<u>-</u>	<u>7,314,424</u>
Less Accumulated Depreciation				
Buildings and improvements	396,316	138,462	-	534,778
Vehicles	1,213,859	14,089	-	1,227,948
Furniture and equipment	261,044	73,058	-	334,102
Total Accumulated Depreciation	<u>1,871,219</u>	<u>225,609</u>	<u>-</u>	<u>2,096,828</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,477,264</u>	<u>\$ 25,544</u>	<u>\$ -</u>	<u>\$ 7,502,808</u>

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

	December 31, 2014	Additions	Disposals	December 31, 2015
Business-type Activities				
Construction in progress	\$ 1,187,144	\$ 1,090,566	\$ -	\$ 2,277,710
Land	240,000	-	-	240,000
Land improvements	560,293	-	-	560,293
Investment in Waste Water Treatment Facility	298,684	-	-	298,684
Total Capital Assets, not being depreciated	<u>2,286,121</u>	<u>1,090,566</u>	<u>-</u>	<u>3,376,687</u>
Buildings and improvements	1,465,761	-	-	1,465,761
Vehicles	302,632	13,216	-	315,848
Furniture and equipment	154,383	12,338	-	166,721
Infrastructure	12,372,307	302,288	-	12,674,595
Solid Waste Management Authority	190,835	-	-	190,835
Total Capital Assets, being depreciated	<u>14,485,918</u>	<u>327,842</u>	<u>-</u>	<u>14,813,760</u>
Less Accumulated Depreciation				
Buildings and improvements	283,527	57,372	-	340,899
Vehicles	195,002	24,142	-	219,144
Furniture and equipment	78,550	13,099	-	91,649
Infrastructure	3,515,701	285,127	-	3,800,828
Solid Waste Management Authority	167,704	8,297	-	176,001
Total Accumulated Depreciation	<u>4,240,484</u>	<u>388,037</u>	<u>-</u>	<u>4,628,521</u>
Business Activities Capital Assets, Net	<u>\$ 12,531,555</u>	<u>\$ 1,030,371</u>	<u>\$ -</u>	<u>\$ 13,561,926</u>

Charter Township of Marquette, Michigan

Notes to the Financial Statements

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

Governmental Activities	
Public Safety	\$ 105,398
General Government	113,114
Public Works	3,746
Recreation & Culture	3,351
Total Governmental Activities	<u>\$ 225,609</u>
Business-type Activities	
Water Fund	\$ 210,877
Solid Waste Fund	8,297
Wastewater Treatment Fund	163,435
Metro Authority Fund	5,428
Total Business-type Activities	<u>\$ 388,037</u>

Note 5 - Interfund Receivables, Payables, and Transfers

The Township reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables consisted of \$175,066 due to the solid waste fund from the general fund. All balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

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

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Fire Fund	\$ 84,000
General Fund	Liquor Fund	5,216
General Fund	Water Fund	23,000
Township Improvement	General Fund	370,591

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.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

Note 6 – 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.

Long-term obligation activity can be summarized as follows:

	December 31, 2014	Additions	Reductions	December 31, 2015	Due Within One Year
Governmental Activities					
2004 Land Purchase Note	\$ 156,800	\$ -	\$ 39,200	\$ 117,600	\$ 39,200
Corner Stone Property Note	146,632	-	30,776	115,856	31,139
Werner Street Construction	168,713	-	168,713	-	-
Township-Fire Hall Loan	3,615,000	-	82,022	3,532,978	109,263
Township Hall Parking Lot	189,400	-	7,404	181,996	7,625
2015 MI Transportation Fund Bonds	-	2,548,536	-	2,548,536	129,712
Compensated Absences	55,357	4,083	-	59,440	-
Total Governmental Activities	<u>\$ 4,331,902</u>	<u>\$ 2,552,619</u>	<u>\$ 328,115</u>	<u>\$ 6,556,406</u>	<u>\$ 316,939</u>
Business-type Activities					
Water Note Land Purchase	\$ 96,000	\$ -	\$ 16,000	\$ 80,000	\$ 16,000
Drinking Water Bond	2,710,000	-	220,000	2,490,000	225,000
2008 Grandview Water Bond	125,000	-	10,000	115,000	10,000
PW Facility	1,061,168	-	35,492	1,025,676	36,610
Harglo Settlement	248,000	-	62,000	186,000	62,000
Compensated Absences	32,491	865	-	33,356	-
Total Business-type Activities	<u>4,272,659</u>	<u>865</u>	<u>343,492</u>	<u>3,930,032</u>	<u>349,610</u>
Total Primary Government	<u>\$ 8,604,561</u>	<u>\$ 2,553,484</u>	<u>\$ 671,607</u>	<u>\$10,486,438</u>	<u>\$ 666,549</u>

Charter Township of Marquette, Michigan

Notes to the Financial Statements

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

**2004 Land Purchase Note
December 31, 2015**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	39,200	3,757	42,957
2017	39,200	2,505	41,705
2018	39,200	1,252	40,452
	<u>\$ 117,600</u>	<u>\$ 7,514</u>	<u>\$ 125,114</u>

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

**Corner Stone Property Note
December 31, 2015**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	31,191	1,316	32,507
2017	31,546	961	32,507
2018	31,904	603	32,507
2019	21,215	240	21,455
	<u>\$ 115,856</u>	<u>\$ 3,120</u>	<u>\$ 118,976</u>

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

**Harglo Settlement
December 31, 2015**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	62,000	3,720	65,720
2017	62,000	2,480	64,480
2018	62,000	1,240	63,240
	<u>\$ 186,000</u>	<u>\$ 7,440</u>	<u>\$ 193,440</u>

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

Charter Township of Marquette, Michigan

Notes to the Financial Statements

**Water Land Purchase Note
December 31, 2015**

	Principal	Interest	Total
2016	16,000	3,848	19,848
2017	16,000	3,078	19,078
2018	16,000	2,309	18,309
2019	16,000	1,539	17,539
2020	16,000	770	16,770
	<u>\$ 80,000</u>	<u>\$ 11,544</u>	<u>\$ 91,544</u>

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

**Drinking Water Program Bond
December 31, 2015**

	Principal	Interest	Total
2016	225,000	52,913	277,913
2017	230,000	48,131	278,131
2018	235,000	43,244	278,244
2019	240,000	38,250	278,250
2020	245,000	33,150	278,150
2020-2025	1,315,000	85,213	1,400,213
	<u>\$ 2,490,000</u>	<u>\$ 300,901</u>	<u>\$ 2,790,901</u>

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

**2008 Grandview Water Bond
December 31, 2015**

	Principal	Interest	Total
2016	10,000	4,785	14,785
2017	10,000	4,350	14,350
2018	10,000	3,915	13,915
2019	10,000	3,480	13,480
2020	10,000	2,936	12,936
2020-2025	55,000	7,613	62,613
2026	10,000	217	10,217
	<u>\$ 115,000</u>	<u>\$ 27,296</u>	<u>\$ 142,296</u>

Charter Township of Marquette, Michigan

Notes to the Financial Statements

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

Werner Street Construction

December 31, 2015

<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Werner Street Construction Note was originally issued for \$655,098 on September 27, 2011. Note payments are due annually on March 31 (principal and interest) with an interest rate of 2.990 %. This note was paid off during 2015.

Township Hall Parking Lot

December 31, 2015

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	7,625	5,828	13,453
2017	7,884	5,569	13,453
2018	8,136	5,317	13,453
2019	8,396	5,057	13,453
2020	8,651	4,802	13,453
2021-2025	47,640	19,627	67,267
2026-2030	55,752	11,514	67,266
2031-2033	37,912	2,450	40,362
	<u>\$ 181,996</u>	<u>\$ 60,164</u>	<u>\$ 242,160</u>

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

Charter Township of Marquette, Michigan

Notes to the Financial Statements

Township-Fire Hall Loan
December 31, 2015

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	109,263	81,672	190,935
2017	113,102	77,833	190,935
2018	115,673	75,262	190,935
2019	118,303	72,632	190,935
2020	120,992	69,943	190,935
2021-2025	647,502	307,183	954,685
2026-2030	724,514	230,161	954,675
2031-2035	810,698	143,977	954,675
2036-2040	772,931	47,540	820,471
	<u>\$ 3,532,978</u>	<u>\$ 1,106,203</u>	<u>\$ 4,639,181</u>

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

PW Facility
December 31, 2015

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	36,121	32,795	68,916
2017	37,276	31,640	68,916
2018	38,467	30,449	68,916
2019	39,697	29,219	68,916
2020	40,965	27,951	68,916
2021-2025	225,320	119,260	344,580
2026-2030	263,702	80,878	344,580
2031-2035	308,622	35,958	344,580
2036	35,506	1,150	36,656
	<u>\$ 1,025,676</u>	<u>\$ 389,300</u>	<u>\$ 1,414,976</u>

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

Charter Township of Marquette, Michigan

Notes to the Financial Statements

Michigan Transportation Fund Bonds, 2015
December 31, 2015

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	129,712	77,703	207,415
2017	141,873	72,401	214,274
2018	154,033	69,563	223,596
2019	170,247	66,482	236,729
2020	182,408	63,078	245,486
2021-2025	1,114,713	255,021	1,369,734
2026-2030	1,361,975	114,881	1,476,856
	<u>\$ 3,254,961</u>	<u>\$ 719,129</u>	<u>\$ 3,974,090</u>

The Bond was originally issued for \$2,548,536 during 2015 with \$706,425 of expected issuances in 2016. The Bond is used to fund road improvement projects paid for by the Township. Bond payments are due semi-annually on March 1 (interest only) and September 1 (principal and interest) with an interest rate ranging from 2.00 - 3.00, maturing in 2030.

Note 7 – 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. Union and non-union employees are required to contribute 2.00%, which the Township also contributes for each employee. Employer contributions for union and non-union employees were 10.60% and 11.23%, 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.

Benefits Provided

The Plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The MERS plan covers full-time employees at the Township. Retirement benefits for employees are calculated as 2.00% of the employee’s five final average compensation times the employee’s years of service with a maximum of 80 percent of final average compensation. Normal retirement age is 60 with early retirement at an unreduced benefit at age 55 with 15 years of service or a reduced benefit at age 50 with 25 years of service. Deferred retirement benefits vest after 10 years of credited service, but are not paid until the date retirement would have occurred had the member remained an employee. Employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement

Charter Township of Marquette, Michigan

Notes to the Financial Statements

benefits but are payable immediately and if duty-related without an actuarial reduction for retirement before age 60 is not applied. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

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.

Employees Covered by Benefit Terms

At the December 31, 2014 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	2
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>18</u>
Total employees covered by MERS	<u>23</u>

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended December 31, 2015, the Township's average contribution rate was 12.3% percent of annual payroll, which includes both the employer and employee portions that the township pays for.

Net Pension Liability

The net pension liability reported at December 31, 2015 was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2013	\$ 2,166,016	\$ 1,548,881	\$ 617,135
Service cost	92,987	-	92,987
Interest	181,186	-	181,186
Contributions - Employer	-	108,170	(108,170)
Contributions - Employee	-	20,973	(20,973)
Net investment income	-	100,658	(100,658)
Benefit payments, including refunds	(32,629)	(32,629)	-
Administrative expenses	-	(3,736)	3,736
Net changes	241,544	193,436	48,108
Balance at December 31, 2014	\$ 2,407,560	\$ 1,742,317	\$ 665,243

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015, the Township recognized pension expense of \$23,327. At December 31, 2015, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 24,761	\$ -
Employer contributions to the plan subsequent to the measurement date	108,190	-
Total	\$ 132,951	\$ -

Charter Township of Marquette, Michigan

Notes to the Financial Statements

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

Years Ending December 31,	Amount
2016	\$ 6,190
2017	6,190
2018	6,190
2019	6,191

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 - 4%	
Salary Increases	4.50%	In the long-term, 1%, 2%, and 3% for calendar years 2014, 2015 and 2016, respectively, including inflation
Investment Rate of Return	8.25%	Gross of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of the most recent actuarial experience study in 2008.

Discount Rate

The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2014, the measurement date, for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	58%	5.0%
Global fixed income	20%	2.2%
Real assets	12%	4.2%
Diversifying strategies	10%	6.6%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Township, calculated using the discount rate of 8.25 percent, as well as what the Township’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent) or one percentage point higher (9.25 percent) than the current rate:

	<u>1% Decrease (7.25%)</u>	<u>Current Discount Rate (8.25%)</u>	<u>1% Increase (9.25%)</u>
Net pension liability of the Township	\$ 948,612	\$ 665,243	\$ 423,180

Pension Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is available in the separately issued financial report found at www.mersofmichigan.com. The plan’s fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

Note 8 - 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 9 – 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.

Separately audited financial statements for the Marquette County Solid Waste Management Authority can be obtained by contacting the Authority administrator at 600 County Road NP, Marquette, Michigan 49855.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

The Township's share of assets, liabilities and fund equity is approximately 1 percent. Summary financial information as of and for the fiscal year ended June 30, 2015 were as follows:

Statement of Net Position

Assets	
Current and Other Assets	\$ 4,201,791
Capital Assets, Net	7,427,401
Total Assets	<u>11,629,192</u>
Deferred Outflows of Resources	
Pension	<u>60,285</u>
Liabilities	
Current Liabilities	161,430
Non-current Liabilities	2,117,654
Total Liabilities	<u>2,279,084</u>
Net Position	
Net Investment in Capital Assets	5,175,994
Restricted	736,758
Unrestricted	3,497,641
Total Net Position	<u>\$ 9,410,393</u>

Change in Net Position

Operating Revenues	
Service Revenues	\$ 3,016,733
Other Operating Revenues	128,582
Total Operating Revenues	<u>3,145,315</u>
Operating Expenses	
Operations	2,833,435
Depreciation	528,080
Total Operating Expenses	<u>3,361,515</u>
Income (Loss) from Operations	<u>(216,200)</u>
Non-operating Revenues (Expenses)	
Interest Income	142,732
Gain on Disposal of Assets	39,467
Total Non-operating Revenues (Expenses)	<u>182,199</u>
Change in Net Position	<u>(34,001)</u>
Net Position at the Beginning of Period (Restated)	<u>9,444,394</u>
Net Position at the End of Period	<u>\$ 9,410,393</u>

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

Charter Township of Marquette, Michigan

Notes to the Financial Statements

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

Note 10 - 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.

Separately audited financial statements for the Marquette Area Wastewater Treatment Facility can be obtained by contacting the Facility administrator at 300 West Baraga Avenue, Marquette, Michigan 49855.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

A summary of condensed financial information of the Facility, in the aggregate, for its fiscal year ended September 30, 2015 was as follows:

Statement of Net Position

Assets	
Current and Other Assets	\$ 2,109,810
Noncurrent Assets	961,424
Restricted Assets	835,776
Capital Assets, Net	15,834,868
Total Assets	<u>19,741,878</u>
Deferred Outflows	
Pension	<u>109,772</u>
Liabilities	
Current Liabilities	2,858,871
Non-current Liabilities	11,263,958
Total Liabilities	<u>14,122,829</u>
Net Position	
Net Investment in Capital Assets	5,199,477
Unrestricted	529,344
Total Net Position	<u>\$ 5,728,821</u>

Change in Net Position

Operating Revenues	
Service Revenues	\$ 1,883,911
Other Operating Revenues	13,963
Total Operating Revenues	<u>1,897,874</u>
Operating Expenses	
Operations	1,839,533
Depreciation	920,393
Total Operating Expenses	<u>2,759,926</u>
Income (Loss) from Operations	<u>(862,052)</u>
Non-operating Revenues (Expenses)	
Interest Income	1,899
Interest Expense	(184,661)
Transfers from Local Units	1,874,013
Total Non-operating Revenues (Expenses)	<u>1,691,251</u>
Change in Net Position	<u>829,199</u>
Net Position at the Beginning of Period (Restated)	4,899,622
Net Position at the End of Period	<u>\$ 5,728,821</u>

Charter Township of Marquette, Michigan

Notes to the Financial Statements

Note 11 - Reporting Change

During the current year, the Township adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, the government-wide statements now include a liability for our unfunded legacy costs. Some of the changes in this net pension liability will be recognized immediately as part of the pension expense measurement, and part will be deferred and recognized over future years. Refer to the pension note for further details. This change does not impact the general fund or any other governmental fund.

The financial statements for the year ended December 31, 2014 have been restated in order to adopt GASB Statement No. 68. The effect of this new accounting standard was a decrease in net position to record the net pension liability at December 31, 2014.

	<u>Government-wide</u>		
	<u>Governmental Activities</u>	<u>Buisness Type Activities</u>	
Net position - December 31, 2014 - As previously reported	\$ 4,203,491	\$ 10,831,147	
Adjustment for implementation of GASB Statement No. 68	<u>(285,730)</u>	<u>(223,235)</u>	
Net position - December 31, 2014 - As restated	<u>\$ 3,917,761</u>	<u>\$ 10,607,912</u>	
	<u>Fund Financials</u>		
	<u>Water</u>	<u>Wasterwater</u>	<u>Solid Waste</u>
Net position - December 31, 2014 - As previously reported	\$ 4,635,560	\$ 5,737,850	\$ 350,508
Adjustment for implementation of GASB Statement No. 68	<u>(120,045)</u>	<u>(94,089)</u>	<u>(9,101)</u>
Net position - December 31, 2014 - As restated	<u>\$ 4,515,515</u>	<u>\$ 5,643,761</u>	<u>\$ 341,407</u>

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Marquette
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Taxes	\$ 1,274,691	\$ 1,464,191	\$ 1,469,010	\$ 4,819
Licenses & Permits	10,500	10,500	9,770	(730)
State Sources	300,535	311,535	329,591	18,056
Charges for Services	5,610	5,610	8,402	2,792
Interest & Rents	37,500	42,500	43,456	956
Other	7,054	18,054	22,862	4,808
Total Revenues	<u>1,635,890</u>	<u>1,852,390</u>	<u>1,883,091</u>	<u>30,701</u>
Other Financing Sources				
Transfers In	112,216	112,216	112,216	--
Total Revenues and Other Financing Sources	<u>1,748,106</u>	<u>1,964,606</u>	<u>1,995,307</u>	<u>30,701</u>
Expenditures				
Legislative				
Township Board	32,350	29,350	28,680	670
General Government				
Supervisor and Manager	147,578	162,578	159,229	3,349
Treasurer	39,776	39,776	37,628	2,148
Assessor	129,077	139,077	133,464	5,613
Clerk	98,654	98,254	96,707	1,547
Elections	--	5,400	5,299	101
Professional Services	104,650	123,817	121,463	2,354
Building and Grounds	127,717	127,717	118,651	9,066
Administration	140,640	304,165	287,446	16,719
Total General Government	<u>788,092</u>	<u>1,000,784</u>	<u>959,887</u>	<u>40,897</u>
Public Safety				
Law Enforcement	192,665	192,665	179,780	12,885
Public Works				
Street Lights	19,930	24,930	23,440	1,490
Health and Welfare				
Planning and Zoning	156,665	156,665	156,109	556
Community Promotion	15,500	15,500	12,763	2,737
Total Health and Welfare	<u>172,165</u>	<u>172,165</u>	<u>168,872</u>	<u>3,293</u>
Recreation and Culture				
Recreation Facilities	24,382	40,382	36,279	4,103
Capital Outlay	15,000	151,000	140,239	10,761
Debt Service	160,936	160,936	159,403	1,533
Debt Service - Interest	121,753	121,753	122,546	(793)
Total Expenditures	<u>1,527,273</u>	<u>1,893,965</u>	<u>1,819,126</u>	<u>74,839</u>
Other Financing Uses				
Transfers Out	173,591	370,591	370,591	--
Total Expenditures and Other Financing Uses	<u>1,700,864</u>	<u>2,264,556</u>	<u>2,189,717</u>	<u>74,839</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses				
	47,242	(299,950)	(194,410)	105,540
Net Change in Fund Balance	<u>47,242</u>	<u>(299,950)</u>	<u>(194,410)</u>	<u>105,540</u>
Fund Balance at Beginning of Period	391,461	391,461	391,461	--
Fund Balance at End of Period	<u>\$ 438,703</u>	<u>\$ 91,511</u>	<u>\$ 197,051</u>	<u>\$ 105,540</u>

Charter Township of Marquette
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Fire Fund
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Taxes	\$ 513,003	\$ 550,003	\$ 551,468	\$ 1,465
Licenses & Permits	800	800	432	(368)
State Sources	1,100	12,100	12,304	204
Permits, Fees & Special Assessments	--	--	118	118
Interest & Rents	750	750	750	--
Other	2,500	4,000	4,729	729
Total Revenues	<u>518,153</u>	<u>567,653</u>	<u>569,801</u>	<u>2,148</u>
Expenditures				
Public Safety	427,153	545,320	515,995	29,325
Capital Outlay	7,000	170,910	110,914	59,996
Debt Service	--	170,000	--	170,000
Total Expenditures	<u>434,153</u>	<u>886,230</u>	<u>626,909</u>	<u>259,321</u>
Other Financing Uses				
Transfers Out	84,000	84,000	84,000	--
Total Expenditures and Other Financing Uses	<u>518,153</u>	<u>970,230</u>	<u>710,909</u>	<u>259,321</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>--</u>	<u>(402,577)</u>	<u>(141,108)</u>	<u>261,469</u>
Net Change in Fund Balance	<u>--</u>	<u>(402,577)</u>	<u>(141,108)</u>	<u>261,469</u>
<i>Fund Balance at Beginning of Period</i>	402,577	402,577	402,577	--
Fund Balance at End of Period	<u>\$ 402,577</u>	<u>\$ --</u>	<u>\$ 261,469</u>	<u>\$ 261,469</u>

Charter Township of Marquette
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Fiscal Year

	2014
Total Pension Liability	
Service Cost	\$ 92,987
Interest	181,186
Benefit Payments, Including Refunds	(32,629)
<i>Net Change in Pension Liability</i>	241,544
<i>Total Pension Liability - Beginning</i>	2,166,016
<i>Total Pension Liability - Ending (a)</i>	\$ 2,407,560
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 108,170
Contributions - Member	20,973
Net Investment Income	100,658
Benefit Payments, Including Refunds	(32,629)
Administrative Expenses	(3,736)
<i>Net Change in Plan Fiduciary Net Position</i>	193,436
<i>Plan Fiduciary Net Position - Beginning</i>	1,548,881
<i>Plan Fiduciary Net Position - Ending (b)</i>	\$ 1,742,317
<i>Net Pension Liability - Ending (a) - (b)</i>	\$ 665,243
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.37%
Covered Employee Payroll	\$ 1,048,652
Net Pension Liability as a Percentage of Covered Employee Payroll	63.44%

* Built prospectively upon implementation on GASB 68

**Charter Township of Marquette
Required Supplementary Information
Schedule of Contributions
Last 10 Fiscal Years**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially Determined Contribution	\$ 108,170	\$ 84,792	\$ 87,550	\$ 87,426	\$ 84,218	\$ 93,362	\$ 65,892	\$ 72,305	\$ 143,552	\$ 40,001
Contributions in Relation to the Actuarially Determined Contribution	108,170	84,792	87,550	87,426	84,218	93,362	65,892	72,305	143,552	40,001
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	1,048,652	816,878	773,694	657,908	661,015	684,017	684,017	588,857	597,845	514,304
Contributions as a Percentage of Covered Employee Payroll	10%	10%	11%	13%	13%	14%	10%	12%	24%	8%

Notes

Valuation Date

Actuarially determined contribution amounts are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry-age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	23 years as of the December 31, 2015 valuation
Asset valuation method	5-year smoothed market
Inflation	3.00% - approximate; No explicit price inflation assumption is used in this valuation.
Salary increases	3.00%, including inflation
Investment rate of return	6.00%
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	1983 Group Annuity Mortality Table, set back 0 years for men and 5 years for women. The Total Pension Liability as of December 31, 2014 and 2015 is based on the RP-2014 Healthy Annuitant Mortality Table for males and females projected 6 years to 2020, with MP-2014 Mortality Improvement Scale

OTHER SUPPLEMENTARY INFORMATION

**Charter Township of Marquette
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2015**

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Liquor Law Fund</u>	<u>Library Fund</u>	
ASSETS			
Cash & Cash Equivalents	\$ 5,647	\$ 46,713	\$ 52,360
Taxes Receivable	--	162,687	162,687
<i>Total Assets</i>	<u>\$ 5,647</u>	<u>\$ 209,400</u>	<u>\$ 215,047</u>
LIABILITIES			
<i>Total Liabilities</i>	\$ --	\$ --	\$ --
DEFERRED INFLOWS OF RESOURCES			
Taxes Levied for a Subsequent Period	--	209,400	209,400
<i>Total Liabilities and Deferred Inflows of Resources</i>	--	209,400	209,400
FUND BALANCE			
Assigned	5,647	--	5,647
Unassigned	--	--	--
<i>Total Fund Balance</i>	<u>5,647</u>	<u>--</u>	<u>5,647</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 5,647</u>	<u>\$ 209,400</u>	<u>\$ 215,047</u>

Charter Township of Marquette
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2015

	Special Revenue		Total Nonmajor Governmental Funds
	Liquor Law Fund	Library Fund	
Revenues			
Taxes	\$ --	\$ 211,470	\$ 211,470
State Sources	5,460	--	5,460
<i>Total Revenues</i>	5,460	211,470	216,930
Expenditures			
Recreation & Culture	--	211,470	211,470
<i>Total Expenditures</i>	--	211,470	211,470
<i>Excess of Revenues Over (Under) Expenditures</i>	5,460	--	5,460
Other Financing Sources (Uses)			
Transfers In	--	--	--
Transfers Out	(5,216)	--	(5,216)
<i>Net Other Financing Sources (Uses)</i>	(5,216)	--	(5,216)
<i>Net Change in Fund Balance</i>	244	--	244
<i>Fund Balance at Beginning of Period</i>	5,403	--	5,403
<i>Fund Balance at End of Period</i>	\$ 5,647	\$ --	\$ 5,647

**Charter Township of Marquette
Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2015**

	<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	\$ 45,584	\$ 183,285	\$ 22,309	\$ 251,178
Receivables (Net)	--	30,092	--	30,092
Prepaid Items	--	23	--	23
Due from Other Funds	--	175,066	--	175,066
Total Current Assets	<u>45,584</u>	<u>388,466</u>	<u>22,309</u>	<u>456,359</u>
<i>Noncurrent Assets</i>				
Depreciable Capital Assets, Net	--	14,048	32,120	46,168
Total Assets	<u>45,584</u>	<u>402,514</u>	<u>54,429</u>	<u>502,527</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension	--	2,378	--	2,378
Total Deferred Outflows of Resources	<u>--</u>	<u>2,378</u>	<u>--</u>	<u>2,378</u>
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	--	12,180	--	12,180
Customer Deposits	--	14,350	--	14,350
Accrued Payroll & Related Liabilities	--	704	--	704
Total Current Liabilities	<u>--</u>	<u>27,234</u>	<u>--</u>	<u>27,234</u>
<i>Noncurrent Liabilities</i>				
Net Pension Liability	--	11,896	--	11,896
Total Liabilities	<u>--</u>	<u>39,130</u>	<u>--</u>	<u>39,130</u>
NET POSITION				
Net Investment in Capital Assets	--	14,048	32,120	46,168
<i>Unrestricted</i>	45,584	351,714	22,309	419,607
Total Net Position	<u>\$ 45,584</u>	<u>\$ 365,762</u>	<u>\$ 54,429</u>	<u>\$ 465,775</u>

Charter Township of Marquette
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended December 31, 2015

	Enterprise			Total Enterprise Funds
	Storm Water Fund	Solid Waste Fund	Metro Fund	
Operating Revenues				
State Sources	\$ --	\$ --	\$ 4,592	\$ 4,592
Charges for Services	--	269,031	--	269,031
Permits, Fees & Special Assessments	--	2,541	--	2,541
Other	--	86,736	--	86,736
Total Operating Revenues	--	358,308	4,592	362,900
Operating Expenses				
Personnel Services	--	26,597	--	26,597
Supplies	--	785	--	785
Other Services & Charges	6,445	299,015	--	305,460
Depreciation Expense	--	8,297	5,428	13,725
Total Operating Expenses	6,445	334,694	5,428	346,567
Operating Income (Loss)	(6,445)	23,614	(836)	16,333
Non-Operating Revenues (Expenses)				
Interest and Rents	36	873	29	938
Interest Expense	--	(132)	--	(132)
Net Non-Operating Revenues (Expenses)	36	741	29	806
Change In Net Position	(6,409)	24,355	(807)	17,139
<i>Net Position at Beginning of Period (Restated, Note 11)</i>	51,993	341,407	55,236	448,636
Net Position at End of Period	\$ 45,584	\$ 365,762	\$ 54,429	\$ 465,775

Charter Township of Marquette
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2015

	Enterprise			
	Storm Water Fund	Solid Waste Fund	Metro Fund	Total Enterprise Funds
Cash Flows From Operating Activities				
Cash Received from Charges for Service	\$ -	\$ 269,901	\$ -	\$ 269,901
Cash Received from Permits, Fees and Special Assessments	-	2,541	-	2,541
Cash Received from Other Sources	-	86,736	4,592	91,328
Cash Payments for Wages and Benefits	-	(26,109)	-	(26,109)
Cash Payments to Suppliers for Goods and Services	(7,928)	(298,682)	-	(306,610)
Total Cash Flows Provided (Used) by Operating Activities	(7,928)	34,387	4,592	31,051
Cash Flows From Non-capital Financing Activities				
Change in Interfund Obligations	-	(871)	-	(871)
Total Cash Flows Provided (Used) by Non-capital Financing Activities	-	(871)	-	(871)
Cash Flows From Capital and Related Financing Activities				
Interest Payments on Debt	-	(132)	-	(132)
Total Cash Flows Provided (Used) by Capital and Related Financing Activities	-	(132)	-	(132)
Cash Flows From Investing Activities				
Interest Earned	36	873	29	938
Total Cash Flows Provided (Used) by Investing Activities	36	873	29	938
Net Increase (Decrease) in Cash and Cash Equivalents	(7,892)	34,257	4,621	30,986
Cash and Cash Equivalents - Beginning of Year.	53,476	149,028	17,688	220,192
Cash and Cash Equivalents - End of Year	\$ 45,584	\$ 183,285	\$ 22,309	\$ 251,178
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ (6,445)	\$ 23,614	\$ (836)	\$ 16,333
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	-	8,297	5,428	13,725
Pension Expense	-	417	-	417
Changes in Assets and Liabilities				
Receivables (Net)	-	870	-	870
Prepaid Expenses	-	21	-	21
Accounts Payable	(1,483)	1,097	-	(386)
Accrued Expenses and Other Liabilities	-	71	-	71
Net Cash Provided (Used) by Operating Activities	\$ (7,928)	\$ 34,387	\$ 4,592	\$ 31,051

May 27, 2016

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Marquette, Michigan for the year ended December 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 26, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Charter Township of Marquette are described in Note 1 to the financial statements. As described in Note 11 to the financial statements, the Township changed accounting policies related to the unfunded pension obligation by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, Accounting and Financial Reporting for Pensions, in 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the financial statements.

We noted no transactions entered into by the Charter Township of Marquette during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatement

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 27, 2016.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

We were engaged to report on combining statements which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,



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 27, 2016

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, 2015, 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 27, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Gabridge & Company, PLC
Grand Rapids, MI