

**CHARTER TOWNSHIP OF MARQUETTE, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2016**



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
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, 2016, 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. 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 Township, as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining nonmajor fund 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 nonmajor fund statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2017, 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
June 9, 2017

Management's Discussion and Analysis

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, 2016. Please read it in conjunction with the financial statements, which begin on page 15.

Financial Highlights

- The assets and deferred outflows of resources of the Township exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$12,698,264 (net position). Of this amount, an unrestricted deficit exists in the governmental activities of \$3,657,871 while an unrestricted surplus of \$1,345,459 exists in the business-type activities.
- At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$1,143,344. Approximately 18.3% (\$209,206) of this amount is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$209,206, or approximately 12 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 26-53 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 55-58 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 60-64 of this report.

Government-wide Overall Financial Analysis

The following table provides a summary of the Township's net position as of December 31, 2016 and 2015.

Charter Township of Marquette Statement of Net Position for Fiscal Years Ended December 31, 2016 and December 31, 2015

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
ASSETS						
<i>Current Assets</i>						
Cash & Cash Equivalents	\$ 1,635,914	\$ 1,800,341	\$ 1,224,560	\$ 1,338,803	\$ 2,860,474	\$ 3,139,144
Receivables (Net)	435,691	270,128	78,349	71,712	514,040	341,840
Special Assessments	-	-	472,492	325,752	472,492	325,752
Taxes Receivable	2,007,521	1,721,308	-	-	2,007,521	1,721,308
Intergovernmental Receivables	8,409	8,791	-	-	8,409	8,791
Prepaid Items	15,495	7,675	8,475	2,576	23,970	10,251
Total Current Assets	4,103,030	3,808,243	1,783,876	1,738,843	5,886,906	5,547,086
<i>Noncurrent Assets</i>						
Cash - Restricted	-	-	264,065	263,887	264,065	263,887
Nondepreciable Capital Assets	2,031,739	2,285,212	2,564,233	3,376,687	4,595,972	5,661,899
Depreciable Capital Assets, Net	5,356,830	5,217,596	11,663,498	10,185,239	17,020,328	15,402,835
Total Assets	11,491,599	11,311,051	16,275,672	15,564,656	27,767,271	26,875,707
DEFERRED OUTFLOWS OF RESOURCES						
Pension	227,695	74,638	177,257	58,313	404,952	132,951
Total Deferred Outflows of Resources	227,695	74,638	177,257	58,313	404,952	132,951
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	442,652	356,790	148,325	87,425	590,977	444,215
Customer Deposits	-	-	124,442	93,237	124,442	93,237
Accrued Payroll & Related Liabilities	35,731	29,251	18,617	17,383	54,348	46,634
Current Portion of Long-term Debt	470,922	316,939	355,247	349,610	826,169	666,549
Accrued Interest Payable	142,034	100,024	21,484	24,953	163,518	124,977
Internal Balances	212,182	175,066	(212,182)	(175,066)	-	-
Total Current Liabilities	1,303,521	978,070	455,933	397,542	1,759,454	1,375,612
<i>Noncurrent Liabilities</i>						
Compensated Absences	62,835	59,440	34,803	33,356	97,638	92,796
Long-term Debt	7,113,059	6,180,027	3,191,444	3,547,066	10,304,503	9,727,093
Net Pension Liability	522,462	373,464	406,728	291,779	929,190	665,243
Total Liabilities	9,001,877	7,591,001	4,088,908	4,269,743	13,090,785	11,860,744
DEFERRED INFLOWS OF RESOURCES						
Taxes Levied for a Subsequent Period	2,269,121	2,234,916	41,854	42,936	2,310,975	2,277,852
Pension	40,596	-	31,603	-	72,199	-
Total Deferred Inflows of Resources	2,309,717	2,234,916	73,457	42,936	2,383,174	2,277,852
NET POSITION						
Net Investment in Capital Assets	3,844,368	1,005,842	10,681,040	9,665,250	14,525,408	10,671,092
Restricted	221,203	261,469	264,065	263,887	485,268	525,356
Unrestricted	(3,657,871)	292,461	1,345,459	1,381,153	(2,312,412)	1,673,614
Total Net Position	\$ 407,700	\$ 1,559,772	\$ 12,290,564	\$ 11,310,290	\$ 12,698,264	\$ 12,870,062

Governmental Activities. Total net position of the Township's governmental activities was \$407,700 as of December 31, 2016.

Unrestricted net position – There was a deficit balance in unrestricted net position of \$3,657,871 as of December 31, 2016. The 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 decrease in government capital assets for 2016 was primarily related to a large amount of disposals for the year in addition to depreciation expense of \$251,665.

Net receivables increased \$165,563 from the prior year, due to the Road work done in 2016 and expected bond reimbursement from Marquette County.

Total net position has declined significantly from \$1,559,772 in 2015 to \$407,700 in 2016, a change of \$1,152,072. The largest part of the decline was due to the addition of \$1,620,955 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 \$12,290,564 as of December 31, 2016. 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, \$10,681,040 or 87% 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.

\$264,065 or 2% is the portion of net position that is restricted for debt service, and \$1,345,459 or 11% 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 2016 and 2015.

Charter Township of Marquette
Change in Net Position for Fiscal Years Ended December 31, 2016 and December 31, 2015

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Revenue						
Program Revenues						
Charges for Services	\$ 65,586	\$ 35,055	\$ 3,009,539	\$ 2,810,650	\$ 3,075,125	\$ 2,845,705
Operating Grants & Contributions	19,663	6,400	5,625	4,592	25,288	10,992
Capital Grants & Contributions	-	36,167	-	-	-	36,167
Total Program Revenues	85,249	77,622	3,015,164	2,815,242	3,100,413	2,892,864
General Revenues						
Taxes	2,337,303	2,231,948	-	-	2,337,303	2,231,948
State Sources	319,638	293,424	-	-	319,638	293,424
Other	26,687	22,622	18	-	26,705	22,622
Investment Income	47,185	44,382	13,543	9,741	60,728	54,123
Sale of Capital Assets	202,077	-	217,494	-	419,571	-
Total General Revenues	2,932,890	2,592,376	231,055	9,741	3,163,945	2,602,117
Total Revenues	3,018,139	2,669,998	3,246,219	2,824,983	6,264,358	5,494,981
Expenses						
Legislative	28,733	28,680	-	-	28,733	28,680
General Services & Administration	1,057,703	1,084,965	-	-	1,057,703	1,084,965
Public Safety	770,282	803,983	-	-	770,282	803,983
Public Works	1,685,479	2,575,723	-	-	1,685,479	2,575,723
Community & Economic Development	187,647	171,104	-	-	187,647	171,104
Recreation & Culture	255,124	251,273	-	-	255,124	251,273
Interest on Long-term Debt	212,543	135,259	-	-	212,543	135,259
Wastewater Fund	-	-	870,317	767,988	870,317	767,988
Solid Waste Fund	-	-	352,914	334,826	352,914	334,826
Water Fund	-	-	1,003,287	984,918	1,003,287	984,918
Storm Water Fund	-	-	6,699	6,445	6,699	6,445
Metro Fund	-	-	5,428	5,428	5,428	5,428
Total Expenses	4,197,511	5,050,987	2,238,645	2,099,605	6,436,156	7,150,592
Transfers In (Out)	27,300	23,000	(27,300)	(23,000)	-	-
Change in Net Position	(1,152,072)	(2,357,989)	980,274	702,378	(171,798)	(1,655,611)
<i>Net Position at the Beginning of Period</i>	<i>1,559,772</i>	<i>3,917,761</i>	<i>11,310,290</i>	<i>10,607,912</i>	<i>12,870,062</i>	<i>14,525,673</i>
Net Position at the End of Period	\$ 407,700	\$ 1,559,772	\$12,290,564	\$11,310,290	\$12,698,264	\$12,870,062

The Charter Township of Marquette's total revenues were \$6,264,358 during the year. The cost of all programs and services was \$6,436,156, leaving a decrease in net position of \$1,655,611. Our analysis below separately considers the operations of governmental and business-type activities:

- Charges for Services increased (Government) due to an increase in license and permit fees.
- Public Works expenditures decreased significantly due to decreased road improvement costs.

- Charges for services increased (Business-type) due to an increase in sewer connections compared to the prior year.
- The interest on long-term debt increased due to the completion of the road bonding loan booked in 2016.

Financial Analysis of Governmental Funds

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

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

The governmental funds had an overall net increase in fund balance for the year of \$131,124.

Revenues

Total revenues were consistent with the prior year, with \$2,816,062 in 2016 and \$2,669,998 in 2015. The most notable changes were an increase in total tax revenues.

Expenditures

Total expenditures decreased over the prior year, decreasing from \$5,378,855 in 2015 to \$4,569,543. The majority of this change was related to a decrease in expenditures in the township improvement fund from \$2,548,537 to \$1,861,382. 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.

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 \$209,206, while total fund balance increased to \$218,143. 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 12 percent of total general fund expenditures, while total fund balance represents approximately 13 percent of that same amount.

The fire fund, a major fund, had a \$40,266 decrease in the fund balance during the current fiscal year which put the overall fund balance at \$221,203 as of December 31, 2016. The major changes this year were the decreases in public safety expenses. The decrease in fund balance compares to a decrease of \$141,108 in 2015.

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

Unrestricted net position of the wastewater fund at the end of the year was \$1,091,294, and for the water fund was a deficit of \$193,512. The total increase in the net position for both funds was \$612,663 and \$353,266, respectively.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there were a few significant amendments to increase either the total general fund original estimated revenues or original budgeted appropriations. These increases relate to the increased expected tax revenue, increased professional services, and increased debt principal payments.

Final budget compared to actual results. During the current fiscal year the Township had no significant expenditure in excess of the appropriated amounts in the general fund.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016 and 2015, the Township had \$21,616,300 and \$21,064,734 invested in a variety of capital assets including land and improvements, buildings and improvements, and other equipment (See table below).

	2016	2015
Construction in Progress	\$ 1,484,630	\$ 2,567,612
Land	2,131,787	2,131,787
Land Improvements	700,245	663,816
Investment in WW Treatment Facility	298,684	298,684
Buildings and Improvements	5,879,322	6,741,795
Vehicles	195,020	150,799
Furniture and Equipment	438,460	385,028
Infrastructure	10,481,615	8,111,165
Investment in MCSWF	6,537	14,048
Totals	\$ 21,616,300	\$ 21,064,734

There were additions of \$2,350,339 during the current fiscal year, which included \$1,531,171 from 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 2016 and 2015, the Township had \$11,132,164 and \$10,393,642 in debt outstanding as depicted in the table.

	2016	2015
2004 Land Purchase Note	\$ 78,221	\$ 117,600
Cornerstone Property Note	84,587	115,856
2016 MTF Bond	1,148,227	-
2015 MTF Bond	2,891,552	2,548,536
Water Land Purchase Note	64,000	80,000
DWRF Bond	2,265,000	2,490,000
Grandview Project Bond	105,000	115,000
Harglo Settlement	124,000	186,000
Township Hall Parking Lot	174,354	181,996
Public Works Facility	990,184	1,025,676
Township & Fire Hall Note	3,207,039	3,532,978
<i>Totals</i>	<u>\$ 11,132,164</u>	<u>\$ 10,393,642</u>

Principal payments for the year were \$882,433. New loan proceeds during the year totaled \$1,620,955 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, 2017, the Township considered the following issues: State revenue sharing and property tax revenues and corresponding expenditures; DPW rates and the necessary maintenance and capital expenditures in addition to the normal operating costs.

Requests for Information

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

Basic Financial Statements

**Charter Township of Marquette
Statement of Net Position
December 31, 2016**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash & Cash Equivalents	\$ 1,635,914	\$ 1,224,560	\$ 2,860,474	\$ 17,777
Receivables (Net)	435,691	78,349	514,040	--
Special Assessments	--	472,492	472,492	--
Taxes Receivable	2,007,521	--	2,007,521	59,708
Intergovernmental Receivables	8,409	--	8,409	--
Prepaid Items	15,495	8,475	23,970	--
Total Current Assets	4,103,030	1,783,876	5,886,906	77,485
<i>Noncurrent Assets</i>				
Restricted Cash	--	264,065	264,065	--
Nondepreciable Capital Assets	2,031,739	2,583,607	3,130,716	--
Capital Assets (Net)	5,356,830	11,644,124	18,485,584	--
Total Assets	11,491,599	16,275,672	27,767,271	77,485
DEFERRED OUTFLOWS OF RESOURCES				
Pension	227,695	177,257	404,952	--
Total Deferred Outflows of Resources	227,695	177,257	404,952	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	442,652	148,325	590,977	--
Customer Deposits	--	124,442	124,442	--
Accrued Payroll & Related Liabilities	35,731	18,617	54,348	--
Current Portion of Long-term Debt	470,922	355,247	826,169	--
Accrued Interest Payable	142,034	21,484	163,518	--
Internal Balances	212,182	(212,182)	--	--
Total Current Liabilities	1,303,521	455,933	1,759,454	--
<i>Noncurrent Liabilities</i>				
Compensated Absences	62,835	34,803	97,638	--
Long-term Debt	7,113,059	3,191,444	10,304,503	--
Net Pension Liability	522,462	406,728	929,190	--
Total Liabilities	9,001,877	4,088,908	13,090,785	--
DEFERRED INFLOWS OF RESOURCES				
Taxes Levied for a Subsequent Period	2,269,121	41,854	2,310,975	61,519
Pension	40,596	31,603	72,199	--
Total Deferred Inflows of Resources	2,309,717	73,457	2,383,174	61,519
NET POSITION				
Net Investment in Capital Assets	3,844,368	10,681,040	14,525,408	--
<i>Restricted for:</i>				
Debt Service	--	264,065	264,065	--
Public Safety	221,203	--	221,203	--
<i>Unrestricted</i>	(3,657,871)	1,345,459	(2,312,412)	15,966
Total Net Position	\$ 407,700	\$ 12,290,564	\$ 12,698,264	\$ 15,966

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, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities:								
Legislative	\$ 28,733	\$ --	\$ --	\$ --	\$ (28,733)	\$ --	\$ (28,733)	\$ --
General Services & Administration	1,057,703	15,417	3,793	--	(1,038,493)	--	(1,038,493)	--
Public Safety	770,282	25,997	15,870	--	(728,415)	--	(728,415)	--
Public Works	1,685,479	--	--	--	(1,685,479)	--	(1,685,479)	--
Community & Economic Development	187,647	23,927	--	--	(163,720)	--	(163,720)	--
Recreation & Culture	255,124	245	--	--	(254,879)	--	(254,879)	--
Debt Service - Interest	212,543	--	--	--	(212,543)	--	(212,543)	--
<i>Total Governmental Activities</i>	<u>4,197,511</u>	<u>65,586</u>	<u>19,663</u>	<u>--</u>	<u>(4,112,262)</u>	<u>--</u>	<u>(4,112,262)</u>	<u>--</u>
Business-type Activities:								
Storm Water Fund	6,699	--	--	--	--	(6,699)	(6,699)	--
Wastewater Fund	870,317	1,409,735	--	--	--	539,418	539,418	--
Solid Waste Fund	352,914	377,239	--	--	--	24,325	24,325	--
Metro Fund	5,428	--	5,625	--	--	197	197	--
Water Fund	1,003,287	1,222,565	--	--	--	219,278	219,278	--
<i>Total Business-type Activities</i>	<u>2,238,645</u>	<u>3,009,539</u>	<u>5,625</u>	<u>--</u>	<u>--</u>	<u>776,519</u>	<u>776,519</u>	<u>--</u>
<i>Total Primary Government</i>	<u>\$ 6,436,156</u>	<u>\$ 3,075,125</u>	<u>\$ 25,288</u>	<u>\$ --</u>	<u>\$ (4,112,262)</u>	<u>\$ 776,519</u>	<u>\$ (3,335,743)</u>	<u>--</u>
Component Units								
DDA	\$ --	\$ --	\$ --	\$ --	--	--	--	--
<i>Total Component Units</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
General Purpose Revenues and Transfers:								
Revenues								
					2,337,303	--	2,337,303	--
Taxes					319,638	--	319,638	--
State Sources					26,687	18	26,705	--
Other					47,185	13,543	60,728	2
Interest and Rents					202,077	217,494	419,571	--
Sale of Capital Assets					27,300	(27,300)	--	--
Transfers					<u>2,960,190</u>	<u>203,755</u>	<u>3,163,945</u>	<u>2</u>
<i>Total General Revenues and Transfers</i>					<u>2,960,190</u>	<u>203,755</u>	<u>3,163,945</u>	<u>2</u>
<i>Change in Net Position</i>					<u>(1,152,072)</u>	<u>980,274</u>	<u>(171,798)</u>	<u>2</u>
<i>Net Position at Beginning of Period</i>					1,559,772	11,310,290	12,870,062	15,964
<i>Net Position at End of Period</i>					<u>\$ 407,700</u>	<u>\$ 12,290,564</u>	<u>\$ 12,698,264</u>	<u>\$ 15,966</u>

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

**Charter Township of Marquette
Balance Sheet
Governmental Funds
December 31, 2016**

	<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	\$ 558,283	\$ 311,602	\$ 735,892	\$ 30,137	\$ 1,635,914
Receivables (Net)	95,108	175	340,408	--	435,691
Taxes Receivable	1,332,854	485,812	--	188,855	2,007,521
Intergovernmental Receivables	8,409	--	--	--	8,409
Prepaid Items	8,937	6,558	--	--	15,495
Total Assets	\$ 2,003,591	\$ 804,147	\$ 1,076,300	\$ 218,992	\$ 4,103,030
LIABILITIES					
Accounts Payable	\$ 48,820	\$ 15,282	\$ 378,550	\$ --	\$ 442,652
Accrued Payroll & Related Liabilities	20,552	15,179	--	--	35,731
Due to Other Funds	212,182	--	--	--	212,182
Total Liabilities	281,554	30,461	378,550	--	690,565
DEFERRED INFLOWS OF RESOURCES					
Taxes Levied for a Subsequent Period	1,503,894	552,483	--	212,744	2,269,121
Total Liabilities and Deferred Inflows of Resources	1,785,448	582,944	378,550	212,744	2,959,686
FUND BALANCE					
Nonspendable	8,937	6,558	--	--	15,495
Restricted	--	214,645	--	--	214,645
Assigned	--	--	697,750	6,248	703,998
Unassigned	209,206	--	--	--	209,206
Total Fund Balance	218,143	221,203	697,750	6,248	1,143,344
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 2,003,591	\$ 804,147	\$ 1,076,300	\$ 218,992	\$ 4,103,030

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, 2016

Total Fund Balance - Governmental Funds	\$	1,143,344
General government capital assets of \$9,564,093 of accumulated depreciation of \$2,175,524 are not financial resources and, accordingly, are not reported in the funds		7,388,569
Long-term liabilities, including related accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds		(7,726,015)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds		(62,835)
Net pension liability is not due and payable in the current period and is not reported in the funds		(522,462)
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		187,099
Total Net Position - Governmental Funds	\$	<u>407,700</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, 2016

	<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Fire Fund</u>	<u>Township Improvement Fund</u>		
Revenues					
Taxes	\$ 1,582,904	\$ 544,282	\$ --	\$ 210,117	\$ 2,337,303
Licenses & Permits	29,662	1,710	--	--	31,372
State Sources	319,638	--	--	5,370	325,008
Charges for Services	9,927	15,250	--	--	25,177
Contributions	3,793	10,500	--	--	14,293
Other	26,687	9,037	--	--	35,724
Interest and Rents	44,558	1,584	1,043	--	47,185
Total Revenues	<u>2,017,169</u>	<u>582,363</u>	<u>1,043</u>	<u>215,487</u>	<u>2,816,062</u>
Expenditures					
Legislative	28,733	--	--	--	28,733
General Services & Administration	921,166	--	--	--	921,166
Public Safety	211,413	538,629	--	--	750,042
Public Works	27,766	--	1,653,967	--	1,681,733
Community & Economic Development	181,436	--	--	--	181,436
Recreation & Culture	92,276	--	--	209,684	301,960
Debt Service - Principal	404,228	--	129,712	--	533,940
Debt Service - Interest	92,830	--	77,703	--	170,533
Total Expenditures	<u>1,959,848</u>	<u>538,629</u>	<u>1,861,382</u>	<u>209,684</u>	<u>4,569,543</u>
Excess of Revenues Over (Under) Expenditures	<u>57,321</u>	<u>43,734</u>	<u>(1,860,339)</u>	<u>5,803</u>	<u>(1,753,481)</u>
Other Financing Sources (Uses)					
Issuance of Long-term Debt	--	--	1,620,955	--	1,620,955
Sale of Capital Assets	236,350	--	--	--	236,350
Transfers In	116,502	--	389,081	--	505,583
Transfers Out	(389,081)	(84,000)	--	(5,202)	(478,283)
Net Other Financing Sources (Uses)	<u>(36,229)</u>	<u>(84,000)</u>	<u>2,010,036</u>	<u>(5,202)</u>	<u>1,884,605</u>
Net Change in Fund Balance	21,092	(40,266)	149,697	601	131,124
<i>Fund Balance at Beginning of Period</i>	197,051	261,469	548,053	5,647	1,012,220
Fund Balance at End of Period	<u>\$ 218,143</u>	<u>\$ 221,203</u>	<u>\$ 697,750</u>	<u>\$ 6,248</u>	<u>\$ 1,143,344</u>

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

Charter Township of Marquette
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended December 31, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	131,124
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		533,940
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 \$42,010 and the increase in compensated absences of \$3,395.		(45,405)
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 \$171,699 less depreciation expense of \$251,665.		(79,966)
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		(1,620,955)
Proceeds from the sale of assets are reported as other financing sources in the fund statements, but a net amount is reported as a gain (loss) on sale of assets in the Statement of Activities.		(34,273)
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		(36,537)
Changes in Net Position - Governmental Funds	\$	<u>(1,152,072)</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, 2016**

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	\$ 831,125	\$ 122,842	\$ 270,593	\$ 1,224,560
Receivables (Net)	27,251	19,463	31,635	78,349
Special Assessments	429,771	42,721	--	472,492
Prepaid Items	3,591	4,857	27	8,475
Due from Other Funds	--	--	212,182	212,182
Total Current Assets	1,291,738	189,883	514,437	1,996,058
<i>Noncurrent Assets</i>				
Restricted Cash	138,347	125,718	--	264,065
Nondepreciable Capital Assets	1,342,086	1,241,521	--	2,583,607
Capital Assets (Net)	4,622,012	6,989,669	32,443	11,644,124
Total Assets	7,394,183	8,546,791	546,880	16,487,854
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	74,896	95,221	7,140	177,257
Total Deferred Outflows of Resources	74,896	95,221	7,140	177,257
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	68,082	68,498	11,745	148,325
Customer Deposits	--	80,732	43,710	124,442
Accrued Payroll & Related Liabilities	7,890	9,939	788	18,617
Current Portion of Long-term Debt	18,624	336,623	--	355,247
Accrued Interest Payable	--	21,484	--	21,484
Total Current Liabilities	94,596	517,276	56,243	668,115
<i>Noncurrent Liabilities</i>				
Compensated Absences	14,162	20,641	--	34,803
Long-term Debt	475,825	2,715,619	--	3,191,444
Net Pension Liability	171,853	218,491	16,384	406,728
Total Liabilities	756,436	3,472,027	72,627	4,301,090
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	13,353	58,831	1,273	73,457
Total Deferred Inflows of Resources	13,353	58,831	1,273	73,457
NET POSITION				
Net Investment in Capital Assets	5,469,649	5,178,948	32,443	10,681,040
<i>Restricted for:</i>				
Debt Service	138,347	125,718	--	264,065
<i>Unrestricted</i>	1,091,294	(193,512)	447,677	1,345,459
Total Net Position	\$ 6,699,290	\$ 5,111,154	\$ 480,120	\$ 12,290,564

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, 2016

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				
State Sources	\$ --	\$ --	\$ 5,625	\$ 5,625
Charges for Services	1,046,796	861,950	270,271	2,179,017
Permits, Fees & Special Assessments	7,259	17,609	2,314	27,182
Other	9,894	26,955	104,672	141,521
<i>Total Operating Revenues</i>	<u>1,063,949</u>	<u>906,514</u>	<u>382,882</u>	<u>2,353,345</u>
Operating Expenses				
Personnel Services	294,464	394,442	27,707	716,613
Supplies	9,983	11,491	1,073	22,547
Other Services & Charges	362,447	306,374	322,457	991,278
Depreciation Expense	187,353	214,548	13,725	415,626
<i>Total Operating Expenses</i>	<u>854,247</u>	<u>926,855</u>	<u>364,962</u>	<u>2,146,064</u>
<i>Operating Income (Loss)</i>	<u>209,702</u>	<u>(20,341)</u>	<u>17,920</u>	<u>207,281</u>
Non-Operating Revenues (Expenses)				
Interest and Rents	8,207	4,532	804	13,543
Debt Service Fee	92,635	276,631	--	369,266
Connection Fees	253,151	39,420	--	292,571
Interest Expense	(16,070)	(76,432)	(79)	(92,581)
<i>Net Non-Operating Revenues (Expenses)</i>	<u>337,923</u>	<u>244,151</u>	<u>725</u>	<u>582,799</u>
<i>Income Before Contributions and Transfers</i>	547,625	223,810	18,645	790,080
Sale of Capital Assets	65,038	152,456	--	217,494
Transfers In	--	--	--	--
Transfers Out	--	(23,000)	(4,300)	(27,300)
<i>Change In Net Position</i>	<u>612,663</u>	<u>353,266</u>	<u>14,345</u>	<u>980,274</u>
<i>Net Position at Beginning of Period</i>	6,086,627	4,757,888	465,775	11,310,290
<i>Net Position at End of Period</i>	<u>\$ 6,699,290</u>	<u>\$ 5,111,154</u>	<u>\$ 480,120</u>	<u>\$ 12,290,564</u>

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

Charter Township of Marquette, Michigan
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2015

Business-type Activities - Enterprise Funds

	Wastewater Fund	Water Fund	Other Enterprise Funds	Total Enterprise Funds
Cash Flows from Operating Activities				
Cash Received from Charges for Service	\$ 1,041,660	\$ 861,992	\$ 268,728	\$ 2,172,380
Cash Received from Permits, Fees and Special Assessments	(134,247)	12,375	2,314	(119,558)
Cash Received from Miscellaneous Income	9,894	26,955	110,297	147,146
Cash Payments for Wages and Benefits	(280,836)	(380,487)	2,735	(658,588)
Cash Payments to Suppliers for Goods and Services	(329,319)	(305,536)	(323,969)	(958,824)
Total Cash Flows from Operating Activities	307,152	215,299	60,105	582,556
Cash Flows from Non-capital Financing Activities				
Transfers from (to) Other Funds	-	(23,000)	(4,300)	(27,300)
Change in Interfund Obligations	-	-	(37,116)	(37,116)
Total Cash Flows from Non-capital Financing Activities	-	(23,000)	(41,416)	(64,416)
Cash Flows from Capital and Related Financing Activities				
Cash Received from Connection Fees	253,151	39,420	-	292,571
Proceeds from Debt Service	92,635	276,631	-	369,266
Purchase of Capital Assets	(322,387)	(542,630)	-	(865,017)
Interest Payments on Debt	(16,070)	(76,432)	(79)	(92,581)
Principal Payments on Debt	(18,392)	(331,596)	-	(349,988)
Proceeds from New Debt	-	-	-	-
Total Cash Flows from Capital and Related Financing Activities	(11,063)	(634,607)	(79)	(645,749)
Cash Flows from Investing Activities				
Interest Earned	8,207	4,532	805	13,544
Total Cash Flows from Investing Activities	8,207	4,532	805	13,544
Net Increase (Decrease) in Cash and Cash Equivalents	304,296	(437,776)	19,415	(114,065)
Cash and Cash Equivalents - Beginning of Year	665,176	686,336	251,178	1,602,690
Cash and Cash Equivalents - End of Year	\$ 969,472	\$ 248,560	\$ 270,593	\$ 1,488,625
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 209,702	\$ (20,341)	\$ 17,920	\$ 207,281
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	187,353	214,548	13,725	415,626
Pension Expense	11,910	14,700	998	27,608
Changes in Assets and Liabilities				
Receivables (Net)	(5,136)	42	(1,543)	(6,637)
Special Assessments	(141,506)	(5,234)	-	(146,740)
Prepaid Items	(2,447)	(3,448)	(4)	(5,899)
Accounts Payable	45,558	15,777	(435)	60,900
Accrued Expenses and Other Liabilities	1,718	(745)	29,444	30,417
Net Cash Provided by Operating Activities	\$ 307,152	\$ 215,299	\$ 60,105	\$ 582,556

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, 2016**

	Agency	
	Trust & Agency	Tax Collection
ASSETS		
Cash & Cash Equivalents	\$ 18,289	\$ 1,611,007
<i>Total Assets</i>	18,289	1,611,007
LIABILITIES		
Due to Others	15,430	1,605,457
Due to Local Unit	2,859	5,550
<i>Total Liabilities</i>	18,289	1,611,007
NET POSITION		
Held in Trust	\$ --	\$ --

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

Notes to the 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 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 2016 ad valorem tax is levied and collectible on December 1, 2016, 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.

New Accounting Standards Adopted

For December 31, 2016, the Township adopted Government Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB 72 requires the funds to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach, or income approach. GASB 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements. There was no material impact on the funds' financial statements as a result of the implementation of GASB 72.

Use of Estimates

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

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through June 9, 2017, which is the date the financial statements were available to be issued.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

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

Note 3 – Deposits and Investments

Following is a reconciliation of deposit balances as of December 31, 2016:

	Primary Government	Component Unit	Totals
	<u> </u>	<u> </u>	<u> </u>
Statement of Net Position			
Cash & Cash Equivalents	\$ 2,860,474	\$ 17,777	\$ 2,878,251
Restricted Cash	264,065	-	264,065
Statement of Fiduciary Net Position			
Cash & Cash Equivalents	1,629,296	-	1,629,296
<i>Total Deposits and Investments</i>	<u>4,753,835</u>	<u>17,777</u>	<u>4,771,612</u>
	Deposits and Investments		
	Cash & Cash Equivalents		\$ 2,457,593
	Certificates of Deposit		2,313,319
	Cash on Hand		700
	<i>Total</i>		<u>\$ 4,771,612</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Township’s deposits might not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year-end, \$1,478,881 of the Township’s bank balance of \$4,498,628 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

Charter Township of Marquette, Michigan

Notes to the Financial Statements

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.

Note 4 – Capital Assets

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

	December 31, 2015	Additions	Disposals	December 31, 2016
Governmental Activities:				
Construction in progress	\$ 289,902	\$ -	\$ 289,902	\$ -
Land	1,891,787	-	-	1,891,787
Land Improvements	103,523	36,429	-	139,952
Total Capital Assets, not being depreciated	<u>2,285,212</u>	<u>36,429</u>	<u>289,902</u>	<u>2,031,739</u>
Buildings and improvements	5,358,457	213,852	192,352	5,379,957
Vehicles	1,332,854	34,158	19,469	1,347,543
Furniture and equipment	623,113	177,162	-	800,275
Total Capital Assets, being depreciated	<u>7,314,424</u>	<u>425,172</u>	<u>211,821</u>	<u>7,527,775</u>
Less Accumulated Depreciation				
Buildings and improvements	534,778	142,688	158,079	519,387
Vehicles	1,227,948	19,131	19,469	1,227,610
Furniture and equipment	334,102	89,846	-	423,948
Total Accumulated Depreciation	<u>2,096,828</u>	<u>251,665</u>	<u>177,548</u>	<u>2,170,945</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,502,808</u>	<u>\$ 209,936</u>	<u>\$ 324,175</u>	<u>\$ 7,388,569</u>

Charter Township of Marquette, Michigan

Notes to the Financial Statements

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

Business-type Activities	December 31,			December 31,
	2015	Additions	Disposals	2016
Construction in progress	\$ 2,277,710	\$ 738,091	\$ 1,531,171	\$ 1,484,630
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>3,376,687</u>	<u>738,091</u>	<u>1,531,171</u>	<u>2,583,607</u>
Buildings and improvements	1,465,761	-	303,961	1,161,800
Vehicles	315,848	-	-	315,848
Furniture and equipment	166,721	-	-	166,721
Infrastructure	12,674,595	1,925,167	-	14,599,762
Solid Waste Management Authority	190,835	-	-	190,835
Total Capital Assets, being depreciated	<u>14,813,760</u>	<u>1,925,167</u>	<u>303,961</u>	<u>16,434,966</u>
Less Accumulated Depreciation				
Buildings and improvements	340,899	55,454	253,305	143,048
Vehicles	219,144	21,617	-	240,761
Furniture and equipment	91,649	12,939	-	104,588
Infrastructure	3,800,828	317,319	-	4,118,147
Solid Waste Management Authority	176,001	8,297	-	184,298
Total Accumulated Depreciation	<u>4,628,521</u>	<u>415,626</u>	<u>253,305</u>	<u>4,790,842</u>
Business Activities Capital Assets, Net	<u>\$ 13,561,926</u>	<u>\$ 2,247,632</u>	<u>\$ 1,581,827</u>	<u>\$ 14,227,731</u>

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

Governmental Activities	
Public Safety	\$ 124,007
General Government	110,854
Public Works	3,746
Recreation & Culture	13,058
Total Governmental Activities	<u>\$ 251,665</u>
Business-type Activities	
Water Fund	\$ 214,548
Solid Waste Fund	8,297
Wastewater Treatment Fund	187,353
Metro Authority Fund	5,428
Total Business-type Activities	<u>\$ 415,626</u>

Charter Township of Marquette, Michigan

Notes to the Financial Statements

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 \$212,182 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	5,202
General Fund	Water Fund	23,000
General Fund	Solid Waste	4,300
Township Improvement	General Fund	389,081

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

Note 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.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

Long-term obligation activity can be summarized as follows:

	December 31, 2015	Additions	Reductions	December 31, 2016	Due Within One Year
Governmental Activities					
2004 Land Purchase Note	\$ 117,600	\$ -	\$ 39,379	\$ 78,221	\$ 39,200
Corner Stone Property Note	115,856	-	31,269	84,587	32,507
Township-Fire Hall Loan	3,532,978	-	325,939	3,207,039	114,396
Township Hall Parking Lot	181,996	-	7,642	174,354	7,946
2015 MI Transportation Fund Bonds	2,548,536	472,728	129,712	2,891,552	141,873
2016 MI Transportation Fund Bonds		1,148,227	-	1,148,227	135,000
Compensated Absences	59,440	3,395	-	62,835	-
Total Governmental Activities	<u>\$ 6,556,406</u>	<u>\$ 1,624,350</u>	<u>\$ 533,941</u>	<u>\$ 7,646,815</u>	<u>\$ 470,922</u>
Business-type Activities					
Water Note Land Purchase	\$ 80,000	\$ -	\$ 16,207	\$ 63,793	\$ 16,000
Drinking Water Bond	2,490,000	-	225,000	2,265,000	230,000
2008 Grandview Water Bond	115,000	-	10,000	105,000	10,000
PW Facility	1,025,676	-	36,778	988,898	37,247
Harglo Settlement	186,000	-	62,000	124,000	62,000
Compensated Absences	33,356	1,447	-	34,803	-
Total Business-type Activities	<u>3,930,032</u>	<u>1,447</u>	<u>349,985</u>	<u>3,581,494</u>	<u>355,247</u>
Total Primary Government	<u>\$10,486,438</u>	<u>\$ 1,625,797</u>	<u>\$ 883,926</u>	<u>\$11,228,309</u>	<u>\$ 826,169</u>

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

2004 Land Purchase Note

December 31, 2016

	Principal	Interest	Total
2017	39,200	2,505	41,705
2018	39,021	1,252	40,273
	<u>\$ 78,221</u>	<u>\$ 3,757</u>	<u>\$ 81,978</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%.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

**Corner Stone Property Note
December 31, 2016**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	31,546	961	32,507
2018	31,904	603	32,507
2019	21,137	240	21,377
	<u>\$ 84,587</u>	<u>\$ 1,804</u>	<u>\$ 86,391</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, 2016**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	62,000	2,480	64,480
2018	62,000	1,240	63,240
	<u>\$ 124,000</u>	<u>\$ 3,720</u>	<u>\$ 127,720</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.

**Water Land Purchase Note
December 31, 2016**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 64,000</u>	<u>\$ 7,696</u>	<u>\$ 71,696</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%.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

**Drinking Water Program Bond
December 31, 2016**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2021	250,000	27,944	277,944
2022-2025	1,065,000	57,269	1,122,269
	<u>\$ 2,265,000</u>	<u>\$ 247,988</u>	<u>\$ 2,512,988</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, 2016**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2021	15,000	2,393	17,393
2022-2026	50,000	5,437	55,437
	<u>\$ 105,000</u>	<u>\$ 22,511</u>	<u>\$ 127,511</u>

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

Charter Township of Marquette, Michigan

Notes to the Financial Statements

**Township Hall Parking Lot
December 31, 2016**

	Principal	Interest	Total
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	8,940	4,513	13,453
2022-2026	49,162	18,105	67,267
2027-2031	57,533	9,734	67,267
2032-2033	25,652	1,239	26,891
	<u>\$ 174,354</u>	<u>\$ 54,336</u>	<u>\$ 228,690</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 %.

**Township-Fire Hall Loan
December 31, 2016**

	Principal	Interest	Total
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	123,743	67,192	190,935
2022-2026	662,221	292,464	954,685
2027-2031	740,985	277,410	1,018,395
2032-2036	829,128	262,013	1,091,141
2037-2040	382,892	246,266	629,158
	<u>\$ 3,207,039</u>	<u>\$ 1,441,015</u>	<u>\$ 4,648,054</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%.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

**PW Facility
December 31, 2016**

	Principal	Interest	Total
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	42,274	26,642	68,916
2022-2026	232,521	112,059	344,580
2027-2031	272,130	72,450	344,580
2032-2036	286,854	26,095	312,949
	<u>\$ 990,184</u>	<u>\$ 356,505</u>	<u>\$ 1,346,689</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 %.

**Michigan Transportation Fund Bonds, 2015
December 31, 2016**

	Principal	Interest	Total
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	194,568	59,429	253,997
2022-2026	1,175,516	231,805	1,407,321
2027-2030	1,106,607	78,668	1,185,275
	<u>\$ 3,125,252</u>	<u>\$ 641,426</u>	<u>\$ 3,766,678</u>

The Bond was originally issued for \$2,548,536 during 2015 with \$472,728 of 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.

Charter Township of Marquette, Michigan

Notes to the Financial Statements

Michigan Transportation Fund Bonds, 2016
December 31, 2016

	Principal	Interest	Total
2017	135,000	60,179	195,179
2018	155,000	48,638	203,638
2019	160,000	45,538	205,538
2020	165,000	42,338	207,338
2021	170,000	39,038	209,038
2022-2026	925,000	142,190	1,067,190
2027-2031	830,000	44,152	874,152
	<u>\$ 2,540,000</u>	<u>\$ 422,073</u>	<u>\$ 2,962,073</u>

The Bond was originally issued for \$1,148,227 during 2016 with \$1,391,773 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 2031.

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 9.90% and 11.25%, 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, 2015 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>20</u>
Total employees covered by MERS	<u>25</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, 2016, the Township's average contribution rate was 12.9% 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, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 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)		Net Pension Liability
	Total Pension Liability	Plan Net Position	
Balance at December 31, 2014	\$ 2,407,560	\$ 1,742,317	\$ 665,243
Service cost	95,929	-	95,929
Interest	201,235	-	201,235
Difference between expected and actual experience	(84,232)	-	(84,232)
Change in assumptions	148,370	-	148,370
Contributions - Employer	-	108,190	(108,190)
Contributions - Employee	-	21,034	(21,034)
Net investment income	-	(27,908)	27,908
Benefit payments, including refunds	(32,629)	(32,629)	-
Administrative expenses	-	(3,961)	3,961
Net changes	328,673	64,726	263,947
Balance at December 31, 2015	\$ 2,736,233	\$ 1,807,043	\$ 929,190

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

For the year ended December 31, 2016, the Township recognized pension expense of \$182,975. At December 31, 2016, 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	\$ 158,949	\$ -
Difference between expected and actual experience	-	72,199
Difference in assumptions	127,174	-
Employer contributions to the plan subsequent to the measurement date	118,829	-
Total	\$ 404,952	\$ 72,199

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:

<u>Years Ending December 31,</u>	<u>Amount</u>
2017	\$ 190,743
2018	190,743
2019	190,743
2020	190,744

Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.75% In the long term
Investment Rate of Return	7.75% Gross of pension plan investment expense, including inflation

Mortality rates used for non-disabled plan member were based on a weighted blend of RP-2014 mortality tables of a 50% Male and 50% Female blend. Mortality rates used for disabled plan member were based on a blend of RP-2014 disabled retire mortality tables of a 50% Male and 50% Female blend of disabled retirees.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of the most recent actuarial experience study.

Discount Rate

The discount rate used to measure the total pension liability was 8.00 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, 2015, 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>	<u>Expected Money Weighted Rate of Return</u>
Global equity	57.50%	6.27%	3.60%
Global fixed income	20.00%	3.43%	0.68%
Real assets	12.00%	5.48%	0.90%
Diversifying strategies	10.00%	7.81%	0.78%

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 8.00 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 (7.00 percent) or one percentage point higher (9.00 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Net pension liability of the Township	\$ 1,251,025	\$ 929,190	\$ 655,244

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.

Note 8 - Risk Management

Charter Township of Marquette, Michigan

Notes to the Financial Statements

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.

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, 2016 were as follows:

Charter Township of Marquette, Michigan

Notes to the Financial Statements

Statement of Net Position

Assets	
Current and Other Assets	\$ 1,246,595
Capital Assets, Net	<u>10,429,941</u>
Total Assets	11,676,536
Deferred Outflows of Resources	
Pension	<u>541,720</u>
Liabilities	
Current Liabilities	184,988
Non-current Liabilities	<u>3,931,915</u>
Total Liabilities	4,116,903
Net Position	
Net Investment in Capital Assets	4,639,486
Restricted	3,386,511
Unrestricted	<u>28,253</u>
Total Net Position	<u>\$ 8,054,250</u>

Change in Net Position

Operating Revenues	
Service Revenues	\$ 2,666,719
Other Operating Revenues	<u>240,116</u>
Total Operating Revenues	2,906,835
Operating Expenses	
Operations	2,715,233
Depreciation	<u>521,724</u>
Total Operating Expenses	<u>3,236,957</u>
Income (Loss) from Operations	<u>(330,122)</u>
Non-operating Revenues (Expenses)	
Interest Income	158,327
Gain on Disposal of Assets	(1,135)
Realized/Unrealized Gain/(Loss)	<u>68,904</u>
Total Non-operating Revenues (Expenses)	<u>226,096</u>
Change in Net Position	(104,026)
Net Position at the Beginning of Period (Restated)	<u>8,158,276</u>
Net Position at the End of Period	<u>\$ 8,054,250</u>

Charter Township of Marquette, Michigan

Notes to the Financial Statements

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

Note 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, 2016 was as follows:

Statement of Net Position

Assets	
Current and Other Assets	\$ 1,330,375
Noncurrent Assets	947,193
Restricted Assets	903,582
Capital Assets, Net	14,972,348
Total Assets	<u>18,153,498</u>
Deferred Outflows	
Pension	<u>417,807</u>
Liabilities	
Current Liabilities	1,887,415
Non-current Liabilities	11,072,941
Total Liabilities	<u>12,960,356</u>
Net Position	
Net Investment in Capital Assets	5,079,252
Unrestricted	531,697
Total Net Position	<u>\$ 5,610,949</u>

Change in Net Position

Operating Revenues	
Service Revenues	\$ 2,147,345
Other Operating Revenues	13,050
Total Operating Revenues	<u>2,160,395</u>
Operating Expenses	
Operations	2,112,604
Depreciation	914,652
Total Operating Expenses	<u>3,027,256</u>
Income (Loss) from Operations	<u>(866,861)</u>
Non-operating Revenues (Expenses)	
Grant Proceeds	14,230
Sale of Capital Assets	2,641
Interest Income	4,054
Interest Expense	(172,832)
Transfers from Local Units	900,896
Total Non-operating Revenues (Expenses)	<u>748,989</u>
Change in Net Position	<u>(117,872)</u>
Net Position at the Beginning of Period (Restated)	5,728,821
Net Position at the End of Period	<u>\$ 5,610,949</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Taxes	\$ 1,215,778	\$ 1,579,859	\$ 1,582,904	\$ 3,045
Licenses & Permits	10,500	28,500	29,662	1,162
State Sources	300,535	337,135	319,638	(17,497)
Charges for Services	10,600	10,600	9,927	(673)
Interest & Rents	42,250	42,250	44,558	2,308
Other	6,200	248,700	266,830	18,130
Total Revenues	<u>1,585,863</u>	<u>2,247,044</u>	<u>2,253,519</u>	<u>6,475</u>
Other Financing Sources				
Issuance of Long-term Debt	329,081	--	--	--
Transfers In	116,502	116,502	116,502	--
Total Revenues and Other Financing Sources	<u>2,031,446</u>	<u>2,363,546</u>	<u>2,370,021</u>	<u>6,475</u>
Expenditures				
Legislative				
Township Board	32,350	32,350	28,733	3,617
General Government				
Supervisor and Manager	151,926	166,926	162,401	4,525
Treasurer	38,834	38,834	36,852	1,982
Assessor	132,712	139,712	134,338	5,374
Clerk	94,561	98,561	96,040	2,521
Elections	12,000	17,500	15,814	1,686
Professional Services	159,800	241,800	212,907	28,893
Building and Grounds	138,309	138,309	127,696	10,613
Administration	125,106	152,106	135,118	16,988
Total General Government	<u>853,248</u>	<u>993,748</u>	<u>921,166</u>	<u>72,582</u>
Public Safety				
Law Enforcement	235,306	217,806	211,413	6,393
Public Works				
Street Lights	24,796	29,796	27,766	2,030
Health and Welfare				
Planning and Zoning	163,755	172,755	167,195	5,560
Community Promotion	15,500	18,500	14,241	4,259
Total Health and Welfare	<u>179,255</u>	<u>191,255</u>	<u>181,436</u>	<u>9,819</u>
Recreation and Culture				
Recreation Facilities	34,816	95,316	92,276	3,040
Debt Service	187,279	404,279	404,228	51
Debt Service - Interest	92,973	92,973	92,830	143
Total Expenditures	<u>1,640,023</u>	<u>2,057,523</u>	<u>1,959,848</u>	<u>97,675</u>
Other Financing Uses				
Transfers Out	389,081	389,081	389,081	--
Total Expenditures and Other Financing Uses	<u>2,029,104</u>	<u>2,446,604</u>	<u>2,348,929</u>	<u>97,675</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses				
	2,342	(83,058)	21,092	104,150
Net Change in Fund Balance	<u>18,842</u>	<u>(83,058)</u>	<u>21,092</u>	<u>104,150</u>
<i>Fund Balance at Beginning of Period</i>	197,051	197,051	197,051	--
Fund Balance at End of Period	<u>\$ 199,393</u>	<u>\$ 113,993</u>	<u>\$ 218,143</u>	<u>\$ 104,150</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Taxes	\$ 551,428	\$ 544,428	\$ 544,282	\$ (146)
Licenses & Permits	800	800	910	110
State Sources	9,000	15,000	15,250	250
Permits, Fees & Special Assessments	--	--	800	800
Interest & Rents	320	320	1,584	1,264
Other	500	8,500	19,537	11,037
Total Revenues	<u>562,048</u>	<u>569,048</u>	<u>582,363</u>	<u>13,315</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>562,048</u>	<u>569,048</u>	<u>582,363</u>	<u>13,315</u>
Expenditures				
Public Safety	457,360	580,860	538,629	42,231
Total Expenditures	<u>457,360</u>	<u>580,860</u>	<u>538,629</u>	<u>42,231</u>
Other Financing Uses				
Transfers Out	84,000	84,000	84,000	--
Total Expenditures and Other Financing Uses	<u>541,360</u>	<u>664,860</u>	<u>622,629</u>	<u>42,231</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>20,688</u>	<u>(95,812)</u>	<u>(40,266)</u>	<u>55,546</u>
Net Change in Fund Balance	<u>20,688</u>	<u>(95,812)</u>	<u>(40,266)</u>	<u>55,546</u>
Fund Balance at Beginning of Period	261,469	261,469	261,469	--
Fund Balance at End of Period	<u>\$ 282,157</u>	<u>\$ 165,657</u>	<u>\$ 221,203</u>	<u>\$ 55,546</u>

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

	2015	2014
Total Pension Liability		
Service Cost	\$ 95,929	\$ 92,987
Interest	201,235	181,186
Difference Between Expected and Actual	(84,232)	
Changes in Assumptions	148,370	
Benefit Payments, Including Refunds	(32,629)	(32,629)
Net Change in Pension Liability	328,673	241,544
<i>Total Pension Liability - Beginning</i>	2,407,560	2,166,016
Total Pension Liability - Ending (a)	\$ 2,736,233	\$ 2,407,560
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 108,190	\$ 108,170
Contributions - Member	21,034	20,973
Net Investment Income	(27,908)	100,658
Benefit Payments, Including Refunds	(32,629)	(32,629)
Administrative Expenses	(3,961)	(3,736)
Net Change in Plan Fiduciary Net Position	64,726	193,436
<i>Plan Fiduciary Net Position - Beginning</i>	1,742,317	1,548,881
Plan Fiduciary Net Position - Ending (b)	\$ 1,807,043	\$ 1,742,317
 Net Pension Liability - Ending (a) - (b)	\$ 929,190	\$ 665,243
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.04%	72.37%
 Covered Employee Payroll	\$ 1,082,096	\$ 1,048,652
 Net Pension Liability as a Percentage of Covered Employee Payroll	85.87%	63.44%

* Built prospectively upon implementation on GASB 68

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially Determined Contribution	\$ 108,190	\$ 108,170	\$ 84,792	\$ 87,550	\$ 87,426	\$ 84,218	\$ 93,362	\$ 65,892	\$ 72,305	\$ 143,552
Contributions in Relation to the Actuarially Determined Contribution	108,190	108,170	84,792	87,550	87,426	84,218	93,362	65,892	72,305	143,552
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	1,082,096	1,048,652	816,878	773,694	657,908	661,015	684,017	684,017	588,857	597,845
Contributions as a Percentage of Covered Employee Payroll	10%	10%	10%	11%	13%	13%	14%	10%	12%	24%

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	2.75% - approximate; No explicit price inflation assumption is used in this valuation.
Salary increases	3.75% in the long term
Investment rate of return	7.75%
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	50% Male - 50% Female blend of the RP-2014 Group Annuity Mortality Table

Combining and Individual Fund Statements and Schedules

**Charter Township of Marquette
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2016**

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Liquor Law Fund</u>	<u>Library Fund</u>	
ASSETS			
Cash & Cash Equivalents	\$ 5,815	\$ 24,322	\$ 30,137
Taxes Receivable	--	188,855	188,855
<i>Total Assets</i>	<u>\$ 5,815</u>	<u>\$ 213,177</u>	<u>\$ 218,992</u>
LIABILITIES			
<i>Total Liabilities</i>	--	--	--
DEFERRED INFLOWS OF RESOURCES			
Taxes Levied for a Subsequent Period	--	212,744	212,744
<i>Total Liabilities and Deferred Inflows of Resources</i>	--	212,744	212,744
FUND BALANCE			
Assigned	5,815	433	6,248
Unassigned	--	--	--
<i>Total Fund Balance</i>	<u>5,815</u>	<u>433</u>	<u>6,248</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 5,815</u>	<u>\$ 213,177</u>	<u>\$ 218,992</u>

Charter Township of Marquette
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2016

	Special Revenue		Total Nonmajor Governmental Funds
	Liquor Law Fund	Library Fund	
Revenues			
Taxes	\$ --	\$ 210,117	\$ 210,117
State Sources	5,370	--	5,370
<i>Total Revenues</i>	5,370	210,117	215,487
Expenditures			
Recreation & Culture	--	209,684	209,684
<i>Total Expenditures</i>	--	209,684	209,684
<i>Excess of Revenues Over (Under) Expenditures</i>	5,370	433	5,803
Other Financing Sources (Uses)			
Transfers In	--	--	--
Transfers Out	(5,202)	--	(5,202)
<i>Net Other Financing Sources (Uses)</i>	(5,202)	--	(5,202)
<i>Net Change in Fund Balance</i>	168	433	601
<i>Fund Balance at Beginning of Period</i>	5,647	--	5,647
<i>Fund Balance at End of Period</i>	\$ 5,815	\$ 433	\$ 6,248

**Charter Township of Marquette
Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2016**

	Enterprise			Total Enterprise Funds
	Storm Water Fund	Solid Waste Fund	Metro Fund	
ASSETS				
<i>Current Assets</i>				
Cash & Cash Equivalents	\$ 68,917	\$ 173,701	\$ 27,975	\$ 270,593
Receivables (Net)	--	31,635	--	31,635
Prepaid Items	--	27	--	27
Due from Other Funds	--	212,182	--	212,182
Total Current Assets	68,917	417,545	27,975	514,437
<i>Noncurrent Assets</i>				
Capital Assets (Net)	--	5,751	26,692	32,443
Total Assets	68,917	423,296	54,667	546,880
DEFERRED OUTFLOWS OF RESOURCES				
Pension	--	7,140	--	7,140
Total Deferred Outflows of Resources	--	7,140	--	7,140
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	869	10,876	--	11,745
Customer Deposits	29,000	14,710	--	43,710
Accrued Payroll & Related Liabilities	--	788	--	788
Total Current Liabilities	29,869	26,374	--	56,243
<i>Noncurrent Liabilities</i>				
Net Pension Liability	--	16,384	--	16,384
Total Liabilities	29,869	42,758	--	72,627
DEFERRED INFLOWS OF RESOURCES				
Pension	--	1,273	--	1,273
Total Deferred Inflows of Resources	--	1,273	--	1,273
NET POSITION				
Net Investment in Capital Assets	--	5,751	26,692	32,443
<i>Unrestricted</i>	39,048	380,654	27,975	447,677
Total Net Position	\$ 39,048	\$ 386,405	\$ 54,667	\$ 480,120

Charter Township of Marquette
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended December 31, 2016

	Enterprise			Total Enterprise Funds
	Storm Water Fund	Solid Waste Fund	Metro Fund	
Operating Revenues				
State Sources	\$ --	\$ --	\$ 5,625	\$ 5,625
Charges for Services	--	270,271	--	270,271
Permits, Fees & Special Assessments	--	2,314	--	2,314
Other	18	104,654	--	104,672
Total Operating Revenues	18	377,239	5,625	382,882
Operating Expenses				
Personnel Services	--	27,707	--	27,707
Supplies	--	1,073	--	1,073
Other Services & Charges	6,699	315,758	--	322,457
Depreciation Expense	--	8,297	5,428	13,725
Total Operating Expenses	6,699	352,835	5,428	364,962
Operating Income (Loss)	(6,681)	24,404	197	17,920
Non-Operating Revenues (Expenses)				
Interest and Rents	145	618	41	804
Interest Expense	--	(79)	--	(79)
Net Non-Operating Revenues (Expenses)	145	539	41	725
Transfers	(6,536)	24,943	238	18,645
Transfers In	--	--	--	--
Transfers Out	--	(4,300)	--	(4,300)
Change In Net Position	(6,536)	20,643	238	14,345
<i>Net Position at Beginning of Period</i>	45,584	365,762	54,429	465,775
Net Position at End of Period	\$ 39,048	\$ 386,405	\$ 54,667	\$ 480,120

Charter Township of Marquette, Michigan
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2016

	Enterprise			Total Enterprise Funds
	Storm Water Fund	Solid Waste Fund	Metro Fund	
Cash Flows From Operating Activities				
Cash Received from Charges for Service	\$ 29,000	\$ 268,728	\$ -	\$ 297,728
Cash Received from Permits, Fees and Special Assessments	-	2,314	-	2,314
Cash Received from Other Sources	18	104,654	5,625	110,297
Cash Payments for Wages and Benefits	-	(26,265)	-	(26,265)
Cash Payments to Suppliers for Goods and Services	(5,830)	(318,139)	-	(323,969)
Total Cash Flows from Operating Activities	23,188	31,292	5,625	60,105
Cash Flows From Non-capital Financing Activities				
Transfers from (to) Other Funds	-	(4,300)	-	(4,300)
Change in Interfund Obligations	-	(37,116)	-	(37,116)
Total Cash Flows used by Non-capital Financing Activities	-	(41,416)	-	(41,416)
Cash Flows From Capital and Related Financing Activities				
Interest Payments on Debt	-	(79)	-	(79)
Total Cash Flows used by Capital and Related Financing Activities	-	(79)	-	(79)
Cash Flows From Investing Activities				
Interest Earned	145	619	41	805
Total Cash Flows from Investing Activities	145	619	41	805
Net Increase (Decrease) in Cash and Cash Equivalents	23,333	(9,584)	5,666	19,415
Cash and Cash Equivalents - Beginning of Year.	45,584	183,285	22,309	251,178
Cash and Cash Equivalents - End of Year	\$ 68,917	\$ 173,701	\$ 27,975	\$ 270,593
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ (6,681)	\$ 24,404	\$ 197	\$ 17,920
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	-	8,297	5,428	13,725
Pension Expense	-	998	-	998
Changes in Assets and Liabilities				
Receivables (Net)	-	(1,543)	-	(1,543)
Prepaid Expenses	-	(4)	-	(4)
Accounts Payable	869	(1,304)	-	(435)
Accrued Expenses and Other Liabilities	29,000	444	-	29,444
Net Cash from Operating Activities	\$ 23,188	\$ 31,292	\$ 5,625	\$ 60,105

June 9, 2017

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, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted 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 20, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended December 31, 2016. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated the key factors and assumptions used to develop the useful lives 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 Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 9, 2017.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the management's discussion and analysis and 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 the combining nonmajor fund 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

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

Gabridge & Company, PLC
Grand Rapids, MI

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

June 9, 2017

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, 2016, and the related notes to the financial statements, which collectively comprise The Township's basic financial statements, and have issued our report thereon dated June 9, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Gabridge & Company, PLC
Grand Rapids, MI