



**CHARTER TOWNSHIP OF MARQUETTE, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2017**

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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, 2017, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2017, 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 schedules, 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 8, 2018, on our consideration of the Township'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's 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 the Township's internal control over financial reporting and compliance.

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

Gabridge & Company, PLC
Grand Rapids, Michigan
June 8, 2018

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, 2017. Please read it in conjunction with the financial statements, which begin on page 15 of this report.

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 \$12,520,704 (net position). Of this amount, an unrestricted deficit exists in the government activities of \$(4,826,290) while an unrestricted surplus of \$2,084,179 exists in the business-type activities.
- At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$1,137,890. Approximately 35.9%, or \$408,626, 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 \$408,626, or approximately 21.6% 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 outflows and 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, and Township improvement funds, 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 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, solid waste, and water funds, all three of which are considered to be major funds of the Township. Data from the other two proprietary funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements in the combining and individual fund statements and schedule section of this report.

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

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

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

The fiduciary fund financial 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 - 51 of this report.

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

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

The combining statements in connection with the Township's nonmajor funds are presented immediately following the required supplementary information.

Combining and individual fund statements and schedules can be found on pages 58 - 62 of this report.

Government-wide Overall Financial Analysis

The following table provides a summary of the Township's net position as of December 31, 2017 and 2016.

Charter Township of Marquette's Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
ASSETS						
<i>Current Assets</i>						
Cash & Cash Equivalents	\$ 1,521,555	\$ 1,635,914	\$ 1,944,041	\$ 1,224,560	\$ 3,465,596	\$ 2,860,474
Receivables (Net)	88,750	435,691	77,552	78,349	166,302	514,040
Special Assessments	-	-	457,990	472,492	457,990	472,492
Taxes Receivable	2,345,746	2,007,521	-	-	2,345,746	2,007,521
Intergovernmental Receivables	8,287	8,409	-	-	8,287	8,409
Prepaid Items	18,290	15,495	16,189	8,475	34,479	23,970
Total Current Assets	3,982,628	4,103,030	2,495,772	1,783,876	6,478,400	5,886,906
<i>Noncurrent Assets</i>						
Restricted Cash	-	-	247,977	264,065	247,977	264,065
Nondepreciable Capital Assets	2,083,332	2,031,739	1,972,954	2,564,233	4,056,286	4,595,972
Capital Assets (Net)	5,154,031	5,356,830	12,105,325	11,663,498	17,259,356	17,020,328
Total Assets	11,219,991	11,491,599	16,822,028	16,275,672	28,042,019	27,767,271
DEFERRED OUTFLOWS OF RESOURCES						
Pension	163,848	227,695	134,693	177,257	298,541	404,952
Total Deferred Outflows of Resources	163,848	227,695	134,693	177,257	298,541	404,952
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	159,071	442,652	86,984	148,325	246,055	590,977
Customer Deposits	12,087	-	158,852	124,442	170,939	124,442
Accrued Payroll & Related Liabilities	40,912	35,731	20,163	18,617	61,075	54,348
Current Portion of Long-term Debt	550,048	470,922	361,054	355,247	911,102	826,169
Accrued Interest Payable	112,836	142,034	18,729	21,484	131,565	163,518
Unearned Revenue	80,340	-	-	-	80,340	-
Internal Balances	212,712	212,182	(212,712)	(212,182)	-	-
Total Current Liabilities	1,168,006	1,303,521	433,070	455,933	1,601,076	1,759,454
<i>Noncurrent Liabilities</i>						
Compensated Absences	65,809	62,835	39,061	34,803	104,870	97,638
Long-term Debt	7,975,220	7,113,059	2,829,789	3,191,444	10,805,009	10,304,503
Net Pension Liability	483,199	522,462	380,553	406,728	863,752	929,190
Total Liabilities	9,692,234	9,001,877	3,682,473	4,088,908	13,374,707	13,090,785
DEFERRED INFLOWS OF RESOURCES						
Taxes Levied for a Subsequent Period	2,339,616	2,269,121	38,457	41,854	2,378,073	2,310,975
Pension	50,876	40,596	16,200	31,603	67,076	-
Total Deferred Inflows of Resources	2,390,492	2,309,717	54,657	73,457	2,445,149	2,383,174
NET POSITION						
Net Investment in Capital Assets	4,037,772	3,844,368	10,887,436	10,681,040	14,925,208	14,525,408
Restricted	89,631	221,203	247,976	264,065	337,607	485,268
Unrestricted	(4,826,290)	(3,657,871)	2,084,179	1,345,459	(2,742,111)	(2,312,412)
Total Net Position	\$ (698,887)	\$ 407,700	\$ 13,219,591	\$ 12,290,564	\$ 12,520,704	\$ 12,698,264

Governmental Activities. Total net position of the Township's governmental activities was a deficit of \$(698,887) as of December 31, 2017.

Unrestricted net position – There was a deficit balance in unrestricted net position of \$(4,826,290) as of December 31, 2017. The unrestricted net position of government 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 2017 was primarily related to depreciation of \$438,666.

Net receivables decreased 80% from the prior year, due to the road work done in 2016 that had a corresponding bond reimbursement receivable from Marquette County.

Accounts payable decreased by 64%, due to no road work payables as of the year-end, offset by CFR and PILT distribution payables, as well as County tax tribunal invoice and a server upgrade payable.

Total net position has declined from \$407,700 in 2016 to a deficit of \$(698,887) in 2017, a decrease of \$1,106,587. The largest part of the decline was due to the addition of \$1,603,406 of long-term debt during the year which was used in turn to finance many road improvement projects, all of which were recognized as public work expenses during 2017. See the long-term debt footnote for more information.

Business-type Activities. The net position of our business-type activities stood at \$13,219,591 as of December 31, 2017. 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 net position is the net investment in capital assets, \$10,887,436, or 82% of total net position. The net position 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.

\$247,976 or 2% is the portion of net position that is restricted for debt service and \$2,084,179, or 16%, 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 2017 and 2016.

Charter Township of Marquette's Change in Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2017	2016	2017	2016	2017	2016
Revenue						
Program Revenues						
Charges for Services	\$ 60,612	\$ 65,586	\$ 3,079,712	\$ 3,009,539	\$ 3,140,324	\$ 3,075,125
Operating Grants and Contributions	7,812	19,663	5,524	5,625	13,336	25,288
Capital Grants and Contributions	-	-	-	-	-	-
Total Program Revenues	68,424	85,249	3,085,236	3,015,164	3,153,660	3,100,413
General Revenues						
Taxes	2,384,785	2,337,303	-	-	2,384,785	2,337,303
State Sources	323,012	319,638	-	-	323,012	319,638
Other	7,426	26,687	6,002	18	13,428	26,705
Investment Income	67,967	47,185	19,108	13,543	87,075	60,728
Contributions	42,000	-	-	-	42,000	-
Sale of Capital Assets	-	202,077	-	217,494	-	419,571
Total General Revenues	2,825,190	2,932,890	25,110	231,055	2,850,300	3,163,945
Total Revenues	2,893,614	3,018,139	3,110,346	3,246,219	6,003,960	6,264,358
Expenses						
Legislative	27,850	28,733	-	-	27,850	28,733
General Services and Administration	960,499	1,057,703	-	-	960,499	1,057,703
Public Safety	770,316	770,282	-	-	770,316	770,282
Public Works	1,618,691	1,685,479	-	-	1,618,691	1,685,479
Community and Economic Development	186,304	187,647	-	-	186,304	187,647
Recreation and Culture	259,339	255,124	-	-	259,339	255,124
Interest on Long-term Debt	189,202	212,543	-	-	189,202	212,543
Wastewater Fund	-	-	897,653	870,317	897,653	870,317
Solid Waste Fund	-	-	356,438	352,914	356,438	352,914
Water Fund	-	-	909,777	1,003,287	909,777	1,003,287
Storm Water Fund	-	-	23	6,699	23	6,699
Metro Fund	-	-	5,428	5,428	5,428	5,428
Total Expenses	4,012,201	4,197,511	2,169,319	2,238,645	6,181,520	6,436,156
Transfers In (Out)	12,000	27,300	(12,000)	(27,300)	-	-
Change in Net Position	(1,106,587)	(1,152,072)	929,027	980,274	(177,560)	(171,798)
<i>Net Position at the Beginning of Period</i>	<i>407,700</i>	<i>1,559,772</i>	<i>12,290,564</i>	<i>11,310,290</i>	<i>12,698,264</i>	<i>12,870,062</i>
Net Position at the End of Period	\$ (698,887)	\$ 407,700	\$13,219,591	\$12,290,564	\$12,520,704	\$12,698,264

The Township's total revenues were \$6,003,960 during the year. The cost of all programs and services was \$6,181,520, leaving a decrease in net position of \$177,560. Our analysis below separately considers the operations of governmental and business-type activities:

- Government funds revenue decreased due to lower license and permit fees and no sale of capital assets in 2017. Increases are reflected in Community Center Rental (57% over 2016) and the CATV Franchise Fees.

- Public works funds revenue also decreased due to no sales of capital assets in 2017 and lower sewer connection fees. Increases are reflected in licenses and permits, as well as debt service fees.
- Government funds expenditures decreased due to lower professional services, capital outlay, and debt service.
- Public works funds expenditures were consistent with 2016. Water purchases were 40% lower than 2016. Wastewater treatment plant costs were 5% lower, as well as depreciation.

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, fire, and Township improvement funds.

The governmental funds had an overall net decrease for the year of \$5,454.

Revenues

Total revenues were consistent with the prior year, with \$2,893,614 in 2017 and \$2,816,062 in 2016.

Expenditures

Major increases over 2016 include professional services (attorney and appraisal fees), debt service; offset by lower capital expenditures.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$408,626, while total fund balance increased to \$418,884. 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 and net transfers out. Unassigned fund balance represents approximately 21.6% of total general fund expenditures and net transfers out while total fund balance represents approximately 22.2% of that same amount.

The fire fund, a major fund, had a \$131,572 decrease in the fund balance during the current fiscal year which put the overall fund balance at \$89,631 as of December 31, 2017.

The Township improvement fund, a major fund, had a \$74,699 decrease in the fund balance during the current fiscal year which put the overall fund balance at \$623,051 as of December 31, 2017.

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 \$1,483,152, \$405,569 for the solid waste fund, and for the water fund was \$115,740. The total increase in the net position for each fund was \$342,425, \$19,164, and \$560,171, respectively.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there were a few minor amendments to increase the general fund revenues (3%) and expenditures (4%). The revenue increases relate to adjustments for increased state revenue sharing and the CATV franchise fee, as well as a transfer of funds from the DDA fund. Increases in expenditures relate to election costs, year-end vacation overage payouts, and tax tribunal refunds.

Final budget compared to actual results. During the current fiscal year, the Township had one expenditure in excess of the amount appropriated in the general fund, as follows:

<u>General Fund</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Capital Outlay	\$ 12,000	\$ 63,522	\$ (51,522)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017 and 2016, the Township had \$21,315,642 and \$21,616,300 invested in a variety of capital assets including land and improvements, buildings and improvements, and other equipment (See table below).

	<u>2017</u>	<u>2016</u>
Construction in Progress	\$ 925,570	\$ 1,484,630
Land	2,131,787	2,131,787
Land Improvements	700,245	700,245
Investment in WW Treatment Facility	298,684	298,684
Buildings and Improvements	6,468,401	5,879,322
Vehicles	194,603	195,020
Furniture and Equipment	353,332	438,460
Infrastructure	10,243,020	10,481,615
Investment in MCSWF	-	6,537
Totals	<u>\$ 21,315,642</u>	<u>\$ 21,616,300</u>

There were additions of \$385,253 during the current fiscal year, which included an additional \$70,248 for construction in progress for the water expansion project. \$661,529 of 2016 construction in progress was put into use (mainly the South Vandenoorn project and the NW Trowbridge sewer project). Further details on capital assets can be found in the footnotes to the financial statements.

Long-term Debt

At the end of fiscal year 2017 and 2016, The Township had \$11,716,111 and \$11,130,672 in debt outstanding as depicted in the table below:

	2017	2016
2004 Land Purchase Note	\$ 39,021	\$ 78,221
Cornerstone Property Note	53,041	84,588
Ambulance Purchase Note	40,635	-
2016 MTF Bond	2,924,169	1,148,227
2015 MTF Bond	2,401,508	2,891,552
Water Land Purchase Note	47,793	63,793
DWRF Bond	2,035,000	2,265,000
Grandview Project Bond	95,000	105,000
Harglo Settlement	62,000	124,000
Township Hall Parking Lot	166,454	174,354
Public Works Facility	951,050	988,898
Township-Fire Hall Note	2,900,440	3,207,039
<i>Totals</i>	<u>\$ 11,716,111</u>	<u>\$ 11,130,672</u>

Principal payments for the year were \$1,017,967. Further details on long-term debt can be found in the footnotes to the financial statements. New loan proceeds totaled \$1,606,801 during 2017.

Economic Factors and Next Year's Budgets and Rates

In preparing the Township's budget for the year ending December 31, 2018, 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, 2017**

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash & Cash Equivalents	\$ 1,521,555	\$ 1,944,041	\$ 3,465,596	\$ 32,862
Receivables (Net)	88,750	77,552	166,302	--
Special Assessments	--	457,990	457,990	--
Taxes Receivable	2,345,746	--	2,345,746	--
Intergovernmental Receivables	8,287	--	8,287	--
Prepaid Items	18,290	16,189	34,479	--
Total Current Assets	3,982,628	2,495,772	6,478,400	32,862
<i>Noncurrent Assets</i>				
Restricted Cash	--	247,977	247,977	--
Nondepreciable Capital Assets	2,083,332	1,972,954	4,056,286	--
Capital Assets (Net)	5,154,031	12,105,325	17,259,356	--
Total Assets	11,219,991	16,822,028	28,042,019	32,862
DEFERRED OUTFLOWS OF RESOURCES				
Pension	163,848	134,693	298,541	--
Total Deferred Outflows of Resources	163,848	134,693	298,541	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	159,071	86,984	246,055	2,000
Customer Deposits	12,087	158,852	170,939	--
Accrued Payroll & Related Liabilities	40,912	20,163	61,075	--
Current Portion of Long-term Debt	550,048	361,054	911,102	--
Accrued Interest Payable	112,836	18,729	131,565	--
Unearned Revenue	80,340	--	80,340	--
Internal Balances	212,712	(212,712)	--	--
Total Current Liabilities	1,168,006	433,070	1,601,076	2,000
<i>Noncurrent Liabilities</i>				
Compensated Absences	65,809	39,061	104,870	--
Long-term Debt	7,975,220	2,829,789	10,805,009	--
Net Pension Liability	483,199	380,553	863,752	--
Total Liabilities	9,692,234	3,682,473	13,374,707	2,000
DEFERRED INFLOWS OF RESOURCES				
Pension	50,876	38,457	89,333	--
Taxes Levied for a Subsequent Period	2,339,616	16,200	2,355,816	--
Total Deferred Inflows of Resources	2,390,492	54,657	2,445,149	--
NET POSITION				
Net Investment in Capital Assets	4,037,772	10,887,436	14,925,208	--
<i>Restricted for:</i>				
Debt Service	--	247,976	247,976	--
Public Safety	89,631	--	89,631	--
<i>Unrestricted</i>	(4,826,290)	2,084,179	(2,742,111)	30,862
Total Net Position	\$ (698,887)	\$ 13,219,591	\$ 12,520,704	\$ 30,862

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, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities:								
Legislative	\$ 27,850	\$ --	\$ --	\$ --	\$ (27,850)	\$ --	\$ (27,850)	\$ --
General Services & Administration	960,499	20,789	1,030	--	(938,680)	--	(938,680)	--
Public Safety	770,316	28,897	6,782	--	(734,637)	--	(734,637)	--
Public Works	1,618,691	--	--	--	(1,618,691)	--	(1,618,691)	--
Community & Economic Development	186,304	10,626	--	--	(175,678)	--	(175,678)	--
Recreation & Culture	259,339	300	--	--	(259,039)	--	(259,039)	--
Interest on Long-term Debt	189,202	--	--	--	(189,202)	--	(189,202)	--
<i>Total Governmental Activities</i>	<u>4,012,201</u>	<u>60,612</u>	<u>7,812</u>	<u>--</u>	<u>(3,943,777)</u>	<u>--</u>	<u>(3,943,777)</u>	<u>--</u>
Business-type Activities:								
Storm Water Fund	23	1,000	--	--	--	977	977	--
Wastewater Fund	897,653	1,239,689	--	--	--	342,036	342,036	--
Solid Waste Fund	356,438	374,715	--	--	--	18,277	18,277	--
Metro Fund	5,428	--	5,524	--	--	96	96	--
Water Fund	909,777	1,464,308	--	--	--	554,531	554,531	--
<i>Total Business-type Activities</i>	<u>2,169,319</u>	<u>3,079,712</u>	<u>5,524</u>	<u>--</u>	<u>--</u>	<u>915,917</u>	<u>915,917</u>	<u>--</u>
<i>Total Primary Government</i>	<u>\$ 6,181,520</u>	<u>\$ 3,140,324</u>	<u>\$ 13,336</u>	<u>\$ --</u>	<u>\$ (3,943,777)</u>	<u>\$ 915,917</u>	<u>\$ (3,027,860)</u>	<u>--</u>
Component Unit								
DDA	\$ 42,000	\$ --	\$ --	\$ --	--	--	--	(42,000)
<i>Total Component Unit</i>	<u>\$ 42,000</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(42,000)</u>
General Purpose Revenues and Transfers:								
Revenues								
					2,384,785	--	2,384,785	56,884
Taxes								
State Sources					323,012	--	323,012	--
Other					7,426	6,002	13,428	--
Interest and Rents					67,967	19,108	87,075	12
Contributions					42,000	--	42,000	--
Transfers					12,000	(12,000)	--	--
<i>Total General Revenues and Transfers</i>					<u>2,837,190</u>	<u>13,110</u>	<u>2,850,300</u>	<u>56,896</u>
<i>Change in Net Position</i>					<u>(1,106,587)</u>	<u>929,027</u>	<u>(177,560)</u>	<u>14,896</u>
<i>Net Position at Beginning of Period</i>					407,700	12,290,564	12,698,264	15,966
<i>Net Position at End of Period</i>					<u>\$ (698,887)</u>	<u>\$ 13,219,591</u>	<u>\$ 12,520,704</u>	<u>\$ 30,862</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, 2017**

	<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	\$ 713,406	\$ 98,943	\$ 703,391	\$ 5,815	\$ 1,521,555
Receivables (Net)	71,726	17,024	--	--	88,750
Taxes Receivable	1,517,704	613,647	--	214,395	2,345,746
Intergovernmental Receivables	8,287	--	--	--	8,287
Prepaid Items	10,258	8,032	--	--	18,290
Total Assets	\$ 2,321,381	\$ 737,646	\$ 703,391	\$ 220,210	\$ 3,982,628
LIABILITIES					
Accounts Payable	\$ 143,130	\$ 15,941	\$ --	\$ --	\$ 159,071
Customer Deposits	12,087	--	--	--	12,087
Accrued Payroll & Related Liabilities	22,446	18,466	--	--	40,912
Unearned Revenue	--	--	80,340	--	80,340
Due to Other Funds	212,712	--	--	--	212,712
Total Liabilities	390,375	34,407	80,340	--	505,122
DEFERRED INFLOWS OF RESOURCES					
Taxes Levied for a Subsequent Period	1,512,122	613,608	--	213,886	2,339,616
Total Liabilities and Deferred Inflows of Resources	1,902,497	648,015	80,340	213,886	2,844,738
FUND BALANCE					
Nonspendable	10,258	8,032	--	--	18,290
Restricted	--	81,599	--	--	81,599
Assigned	--	--	623,051	6,324	629,375
Unassigned	408,626	--	--	--	408,626
Total Fund Balance	418,884	89,631	623,051	6,324	1,137,890
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 2,321,381	\$ 737,646	\$ 703,391	\$ 220,210	\$ 3,982,628

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, 2017

Total Fund Balance - Governmental Funds	\$ 1,137,890
General government capital assets of \$9,655,553 of accumulated depreciation of \$2,418,190 are not financial resources and, accordingly, are not reported in the funds.	7,237,363
Long-term liabilities, including related accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	(8,638,104)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(65,809)
Net pension liability is not due and payable in the current period and, therefore, is not reported in the funds.	(483,199)
Certain pension contributions and changes in pension plan net position are reported as deferred outflows or inflows of resources in the statement of net position, but are reported as expenditures when paid in the governmental funds.	112,972
Total Net Position - Governmental Activities	\$ <u>(698,887)</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, 2017

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
		<u>Fire Fund</u>	<u>Township Improvement Fund</u>		
Revenues					
Taxes	\$ 1,620,913	\$ 551,410	\$ --	\$ 212,462	\$ 2,384,785
Licenses & Permits	17,046	505	--	--	17,551
State Sources	323,012	--	--	6,282	329,294
Charges for Services	14,669	22,259	--	--	36,928
Contributions	43,030	--	--	--	43,030
Other	7,426	6,633	--	--	14,059
Interest and Rents	65,020	708	2,233	6	67,967
Total Revenues	2,091,116	581,515	2,233	218,750	2,893,614
Expenditures					
Legislative	27,850	--	--	--	27,850
General Services & Administration	834,073	--	--	--	834,073
Public Safety	190,630	445,002	--	--	635,632
Public Works	32,595	--	1,582,350	--	1,614,945
Community & Economic Development	181,074	--	--	--	181,074
Recreation & Culture	31,950	--	--	212,392	244,342
Capital Outlay	63,522	32,517	--	--	96,039
Debt Service - Principal	193,043	192,203	276,873	--	662,119
Debt Service - Interest	85,820	--	132,580	--	218,400
Total Expenditures	1,640,557	669,722	1,991,803	212,392	4,514,474
Excess of Revenues Over (Under) Expenditures	450,559	(88,207)	(1,989,570)	6,358	(1,620,860)
Other Financing Sources (Uses)					
Issuance of Long-term Debt	--	40,635	1,562,771	--	1,603,406
Transfers In	102,282	--	352,100	--	454,382
Transfers Out	(352,100)	(84,000)	--	(6,282)	(442,382)
Net Other Financing Sources (Uses)	(249,818)	(43,365)	1,914,871	(6,282)	1,615,406
Net Change in Fund Balance	200,741	(131,572)	(74,699)	76	(5,454)
<i>Fund Balance at Beginning of Period</i>	218,143	221,203	697,750	6,248	1,143,344
Fund Balance at End of Period	\$ 418,884	\$ 89,631	\$ 623,051	\$ 6,324	\$ 1,137,890

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, 2017

Total Net Change in Fund Balances - Governmental Funds	\$	(5,454)
<p>Long-term debt payments are reported as financing uses in the governmental funds and thus contribute to the change in fund balance. However, debt payments reduce long-term debt on the statement of net position. This represents the amount of principal payment made during the year on long-term debt.</p>		
		662,119
<p>Expenses in the statement of activities are reported when incurred. However, if they are not to be paid using current financial resources, they are not recorded in the fund statements. This represents the decrease in accrued interest payable of \$29,198 and the increase in compensated absences of \$2,974.</p>		
		26,224
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents capital outlay expenditures of \$96,039 less depreciation expense of \$247,245.</p>		
		(151,206)
<p>Proceeds from issuance of note payable are reported as other financing sources in the fund statements, but reported as liabilities in the statement of net position.</p>		
		(1,603,406)
<p>Changes to the net pension liability are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.</p>		
		(34,864)
Changes in Net Position - Governmental Activities	\$	<u>(1,106,587)</u>

**Charter Township of Marquette
Statement of Net Position
Proprietary Funds
December 31, 2017**

	Business-type Activities - Enterprise Funds				
	Wastewater Fund	Solid Waste Fund	Water Fund	Other Enterprise Funds	Total Enterprise Funds
ASSETS					
<i>Current Assets</i>					
Cash & Cash Equivalents	\$ 1,211,448	\$ 205,989	\$ 385,276	\$ 141,328	\$ 1,944,041
Receivables (Net)	26,111	27,134	24,307	--	77,552
Special Assessments	422,416	--	35,574	--	457,990
Prepaid Items	7,296	40	8,853	--	16,189
Due from Other Funds	--	212,712	--	--	212,712
Total Current Assets	1,667,271	445,875	454,010	141,328	2,708,484
<i>Noncurrent Assets</i>					
Restricted Cash	137,634	--	110,343	--	247,977
Nondepreciable Capital Assets	337,670	--	1,635,284	--	1,972,954
Capital Assets (Net)	5,558,785	--	6,525,276	21,264	12,105,325
Total Assets	7,701,360	445,875	8,724,913	162,592	17,034,740
DEFERRED OUTFLOWS OF RESOURCES					
Pension	56,806	5,012	72,875	--	134,693
Total Deferred Outflows of Resources	56,806	5,012	72,875	--	134,693
LIABILITIES					
<i>Current Liabilities</i>					
Accounts Payable	39,217	13,115	34,472	180	86,984
Customer Deposits	--	14,660	82,762	61,430	158,852
Accrued Payroll & Related Liabilities	8,531	852	10,780	--	20,163
Current Portion of Long-term Debt	19,027	--	342,027	--	361,054
Accrued Interest Payable	--	--	18,729	--	18,729
Total Current Liabilities	66,775	28,627	488,770	61,610	645,782
<i>Noncurrent Liabilities</i>					
Compensated Absences	16,183	--	22,878	--	39,061
Long-term Debt	456,498	--	2,373,291	--	2,829,789
Net Pension Liability	160,729	15,075	204,749	--	380,553
Total Liabilities	700,185	43,702	3,089,688	61,610	3,895,185
DEFERRED INFLOWS OF RESOURCES					
Pension	16,266	1,616	20,575	--	38,457
Taxes Levied for a Subsequent Period	--	--	16,200	--	16,200
Total Deferred Inflows of Resources	16,266	1,616	36,775	--	54,657
NET POSITION					
Net Investment in Capital Assets	5,420,930	--	5,445,242	21,264	10,887,436
<i>Restricted for:</i>					
Debt Service	137,633	--	110,343	--	247,976
<i>Unrestricted</i>	1,483,152	405,569	115,740	79,718	2,084,179
Total Net Position	\$ 7,041,715	\$ 405,569	\$ 5,671,325	\$ 100,982	\$ 13,219,591

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, 2017

	Business-type Activities - Enterprise Funds				
	Wastewater Fund	Solid Waste Fund	Water Fund	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues					
State Sources	--	--	\$ --	\$ 5,524	5,524
Charges for Services	970,371	268,384	914,004	--	2,152,759
Permits, Fees & Special Assessments	15,298	2,210	45,680	1,000	64,188
Other	8,150	104,121	33,098	6,002	151,371
Total Operating Revenues	993,819	374,715	992,782	12,526	2,373,842
Operating Expenses					
Personnel Services	312,417	30,750	387,526	--	730,693
Supplies	9,897	996	11,969	--	22,862
Other Services & Charges	355,486	318,906	216,996	23	891,411
Depreciation Expense	204,320	5,751	223,167	5,428	438,666
Total Operating Expenses	882,120	356,403	839,658	5,451	2,083,632
Operating Income (Loss)	111,699	18,312	153,124	7,075	290,210
Non-Operating Revenues (Expenses)					
Interest and Rents	12,389	887	5,640	192	19,108
Debt Service Fee	124,609	--	379,585	--	504,194
Connection Fees	121,261	--	91,941	--	213,202
Interest Expense	(15,533)	(35)	(70,119)	--	(85,687)
Net Non-Operating Revenues (Expenses)	242,726	852	407,047	192	650,817
Income Before Contributions and Transfers	354,425	19,164	560,171	7,267	941,027
Transfers Out	(12,000)	--	--	--	(12,000)
Change In Net Position	342,425	19,164	560,171	7,267	929,027
<i>Net Position at Beginning of Period</i>	6,699,290	386,405	5,111,154	93,715	12,290,564
Net Position at End of Period	\$ 7,041,715	\$ 405,569	\$ 5,671,325	\$ 100,982	\$ 13,219,591

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, 2017

	Business-type Activities - Enterprise Funds				
	Wastewater Fund	Solid Waste Fund	Water Fund	Other Enterprise Funds	Total Enterprise Funds
Cash Flows from Operating Activities					
Cash Received from Charges for Service	\$ 971,511	\$ 272,885	\$ 909,160	\$ -	\$ 2,153,556
Cash Received from Permits, Fees, and Special Assessments	22,653	2,210	27,173	33,430	85,466
Cash Received from Miscellaneous Income	8,150	104,121	33,098	11,526	156,895
Cash Payments for Wages and Benefits	(299,876)	(29,574)	(370,216)	-	(699,666)
Cash Payments to Suppliers for Goods and Services	(397,953)	(317,676)	(266,987)	(712)	(983,328)
<i>Net Cash Provided by Operating Activities</i>	<u>304,485</u>	<u>31,966</u>	<u>332,228</u>	<u>44,244</u>	<u>712,923</u>
Cash Flows from Non-capital Financing Activities					
Transfers Out	(12,000)	-	-	-	(12,000)
Change in Interfund Balances	-	(530)	-	-	(530)
<i>Net Cash (Used) by Non-capital Financing Activities</i>	<u>(12,000)</u>	<u>(530)</u>	<u>-</u>	<u>-</u>	<u>(12,530)</u>
Cash Flows from Capital and Related Financing Activities					
Cash Received from Connection Fees	121,261	-	91,941	-	213,202
Proceeds from Debt Service	124,609	-	379,585	-	504,194
Purchases of Capital Assets	(136,677)	-	(152,537)	-	(289,214)
Interest Payments on Debt	(15,533)	(35)	(72,874)	-	(88,442)
Principal Payments on Debt	(18,924)	-	(336,924)	-	(355,848)
<i>Net Cash Provided (Used) By Capital and Related Financing Activities</i>	<u>74,736</u>	<u>(35)</u>	<u>(90,809)</u>	<u>-</u>	<u>(16,108)</u>
Cash Flows from Investing Activities					
Interest Earned	12,389	887	5,640	192	19,108
<i>Net Cash Provided By Investing Activities</i>	<u>12,389</u>	<u>887</u>	<u>5,640</u>	<u>192</u>	<u>19,108</u>
Net Increase (Decrease) in Cash and Cash Equivalents	379,610	32,288	247,059	44,436	703,393
Cash and Cash Equivalents - Beginning of Year	969,472	173,701	248,560	96,892	1,488,625
<i>Cash and Cash Equivalents - End of Year</i>	<u>\$ 1,349,082</u>	<u>\$ 205,989</u>	<u>\$ 495,619</u>	<u>\$ 141,328</u>	<u>\$ 2,192,018</u>
Reconciliation of Operating Income to					
Net Cash Provided by Operating Activities					
Operating Income (Loss)	\$ 111,699	\$ 18,312	\$ 153,124	\$ 7,075	\$ 290,210
Adjustments to Reconcile Operating Income to Net Cash					
Provided (Used) by Operating Activities:					
Depreciation Expense	204,320	5,751	223,167	5,428	438,666
Pension Expense	9,879	1,162	12,202	-	23,243
Changes in Assets and Liabilities					
Receivables (Net)	1,140	4,501	(4,844)	-	797
Special Assessments	7,355	-	(18,507)	-	(11,152)
Prepaid Items	(3,705)	(13)	(3,996)	-	(7,714)
Accounts Payable	(28,865)	2,239	(34,026)	(689)	(61,341)
Accrued Expenses and Other Liabilities	2,662	14	5,108	32,430	40,214
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 304,485</u>	<u>\$ 31,966</u>	<u>\$ 332,228</u>	<u>\$ 44,244</u>	<u>\$ 712,923</u>

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

**Charter Township of Marquette
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2017**

	Agency Funds
ASSETS	
Cash & Cash Equivalents	\$ 2,419,209
Prepaid Items	2,577
<i>Total Assets</i>	2,421,786
LIABILITIES	
Due to Others	2,413,397
Due to Local Unit	8,389
<i>Total Liabilities</i>	\$ 2,421,786

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

NOTES TO THE FINANCIAL STATEMENTS

Charter Township of Marquette

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

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

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 “DDA”). The DDA was created to promote economic growth within the Township. The Authority’s governing body, which consists of five individuals, is selected by the Township. In addition, the Authority’s budget is subject to approval by the Township. Because the governing body is appointed by the Township and approves the DDA’s budget, the Township exercises effective control over the activity of the DDA. Financial statements are not separately issued for the DDA.

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.

Charter Township of Marquette

Notes to the Financial 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 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.

Charter Township of Marquette

Notes to the Financial Statements

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.

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 *solid waste fund* accounts for the operation of the Township's solid waste activities.

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.

Charter Township of Marquette

Notes to the Financial Statements

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.

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 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?

Charter Township of Marquette

Notes to the Financial Statements

- ii. Will the transfer maintain the financial integrity of the Township?
 - iii. Will the transfer provide a reasonable solution to the departmental operating problem?
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 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.

Charter Township of Marquette

Notes to the Financial Statements

Although the Charter Township of Marquette 2017 ad valorem tax is levied and collectible on December 1, 2017, it is the Charter Township of Marquette's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for the financing of operations. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 Township 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 acquisition 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.

Charter Township of Marquette

Notes to the Financial Statements

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

	<u>Years</u>
Building Improvements	25-40
Water and Sewage System	50
Infrastructure	5-50
Vehicles, Furniture, and Equipment	3-10

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 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. Issuance costs are expensed during the period incurred.

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 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

Charter Township of Marquette

Notes to the Financial Statements

investment earnings of the pension plan, the difference in pension assumptions, as well as Township contributions made after the measurement date of the net pension liability.

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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. The government-wide and governmental fund financial statements report deferred inflows of resources for property taxes levied during the year that were intended to finance future periods. In addition, the Township reports deferred inflows of resources in its full accrual statements related to the difference between expected and actual experience of its pension.

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).

Charter Township of Marquette

Notes to the Financial Statements

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

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

Use of Estimates

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

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through June 8, 2018, which is the date the financial statements were available to be issued.

Note 2 - Excess of Expenditures Over Budget

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

The Township had the following significant expenditures in excess of the amount appropriated for the year ended December 31, 2017:

<u>General Fund</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Capital Outlay	\$ 12,000	\$ 63,522	\$ (51,522)

Charter Township of Marquette

Notes to the Financial Statements

Note 3 - Deposits and Investments

Following is a reconciliation of deposit balances as of December 31, 2017:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Totals</u>
Statement of Net Position			
Cash & Cash Equivalents	\$ 3,465,596	\$ 32,862	\$ 3,498,458
Restricted Cash	247,977	-	247,977
Statement of Fiduciary Net Position			
Cash & Cash Equivalents	2,419,209	-	2,419,209
Total Deposits and Investments	<u>\$ 6,132,782</u>	<u>\$ 32,862</u>	<u>\$ 6,165,644</u>

Deposits and Investments

Cash & Cash Equivalents	\$ 3,844,684
Certificates of Deposit	2,320,260
Cash on Hand	700
Total	<u>\$ 6,165,644</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, \$2,554,565 of the Township's bank balance of \$5,393,359 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Township believes it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

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

Charter Township of Marquette

Notes to the Financial Statements

Note 4 - Capital Assets

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

Governmental Activities:	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets not being depreciated				
Construction in Progress	\$ -	\$ 51,593	\$ -	\$ 51,593
Land	1,891,787	-	-	1,891,787
Land Improvements	139,952	-	-	139,952
Total Capital Assets not being depreciated	<u>2,031,739</u>	<u>51,593</u>	<u>-</u>	<u>2,083,332</u>
Capital Assets being depreciated				
Buildings and Improvements	5,379,957	-	-	5,379,957
Vehicles	1,347,543	32,517	-	1,380,060
Furniture and Equipment	800,275	11,929	-	812,204
Total Capital Assets being depreciated	<u>7,527,775</u>	<u>44,446</u>	<u>-</u>	<u>7,572,221</u>
Less Accumulated Depreciation				
Buildings and Improvements	519,387	138,913	-	658,300
Vehicles	1,227,610	17,287	-	1,244,897
Furniture and Equipment	423,948	91,045	-	514,993
Total Accumulated Depreciation	<u>2,170,945</u>	<u>247,245</u>	<u>-</u>	<u>2,418,190</u>
Capital Assets being depreciated, Net	<u>5,356,830</u>	<u>(202,799)</u>	<u>-</u>	<u>5,154,031</u>
Governmental Activities Capital Assets Net	<u>\$ 7,388,569</u>	<u>\$ (151,206)</u>	<u>\$ -</u>	<u>\$ 7,237,363</u>

Charter Township of Marquette

Notes to the Financial Statements

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

Business-type Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets not being depreciated				
Construction in Progress	\$ 1,465,258	\$ 70,248	\$ 661,529	\$ 873,977
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	2,564,235	70,248	661,529	1,972,954
Capital Assets being depreciated				
Buildings and Improvements	1,939,490	-	-	1,939,490
Vehicles	315,848	-	-	315,848
Furniture and Equipment	145,746	23,252	-	168,998
Infrastructure	13,862,419	857,243	-	14,719,662
Solid Waste Management Authority	190,837	-	-	190,837
Total Capital Assets being depreciated	16,454,340	880,495	-	17,334,835
Less Accumulated Depreciation				
Buildings and Improvements	143,048	49,698	-	192,746
Vehicles	240,140	16,268	-	256,408
Furniture and Equipment	98,536	14,341	-	112,877
Infrastructure	4,124,032	352,608	-	4,476,640
Solid Waste Management Authority	185,088	5,751	-	190,839
Total Accumulated Depreciation	4,790,844	438,666	-	5,229,510
Capital Assets being depreciated, Net	11,663,496	441,829	-	12,105,325
Business Activities Capital Assets, Net	\$ 14,227,731	\$ 512,077	\$ 661,529	\$ 14,078,279

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

Governmental Activities	
General Government	\$ 103,231
Public Safety	125,968
Public Works	3,746
Recreation & Culture	14,300
Total Governmental Activities	\$ 247,245
Business-type Activities	
Water Fund	\$ 223,167
Solid Waste Fund	5,751
Wastewater Treatment Fund	204,320
Metro Authority Fund	5,428
Total Business-type Activities	\$ 438,666

Charter Township of Marquette

Notes to the Financial Statements

Note 5 - Interfund Receivables, Payables, and Transfers

The Township reports interfund balances between many of its funds. 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 \$212,712 due to the solid waste fund from the general fund. This balance 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	6,282
General Fund	Wastewater Fund	12,000
Township Improvement	General Fund	352,100

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

Notes to the Financial Statements

Long-term obligation activity can be summarized as follows:

	December 31, 2016	Additions	Reductions	December 31, 2017	Due Within One Year
Governmental Activities					
2004 Land Purchase Note	\$ 78,221	\$ -	\$ 39,200	\$ 39,021	\$ 39,021
Corner Stone Property Note	84,588	-	31,547	53,041	31,905
Township-Fire Hall Loan	3,207,039	-	306,599	2,900,440	121,302
Township Hall Parking Lot	174,354	-	7,900	166,454	8,152
Ambulance	-	40,635	-	40,635	40,635
2015 MI Transportation Fund Bonds	2,891,552	174,490	141,873	2,924,169	154,033
2016 MI Transportation Fund Bonds	1,148,227	1,388,281	135,000	2,401,508	155,000
Compensated Absences	62,835	2,974	-	65,809	-
Total Governmental Activities	7,646,816	1,606,380	662,119	8,591,077	550,048
Business-type Activities					
Water Note Land Purchase	63,793	-	16,000	47,793	16,000
Drinking Water Bond	2,265,000	-	230,000	2,035,000	235,000
2008 Grandview Water Bond	105,000	-	10,000	95,000	10,000
PW Facility	988,898	-	37,848	951,050	38,054
Harglo Settlement	124,000	-	62,000	62,000	62,000
Compensated Absences	34,803	4,258	-	39,061	-
Total Business-type Activities	3,581,494	4,258	355,848	3,229,904	361,054
Total Primary Government	\$11,228,310	\$ 1,610,638	\$ 1,017,967	\$11,820,981	\$ 911,102

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

2004 Land Purchase Note

December 31, 2017

	Principal	Interest	Total
2018	\$ 39,021	\$ 1,123	\$ 40,144

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 3.95%.

Corner Stone Property Note

December 31, 2017

	Principal	Interest	Total
2018	\$ 31,905	\$ 602	\$ 32,507
2019	21,136	240	21,376
	\$ 53,041	\$ 842	\$ 53,883

Charter Township of Marquette

Notes to the Financial Statements

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%.

**Township Fire Hall Loan
December 31, 2017**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 121,302	\$ 69,633	\$ 190,935
2019	117,989	87,350	205,339
2020	121,698	83,641	205,339
2021	125,304	80,035	205,339
2022-2026	689,116	337,579	1,026,695
2027-2031	804,486	222,209	1,026,695
2032-2038	920,545	87,521	1,008,066
	<u>\$ 2,900,440</u>	<u>\$ 967,968</u>	<u>\$ 3,868,408</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 will accrue interest at 2.25% on the 2018 payment. A new interest rate of 3.1% will begin with the 2019 payment.

**Township Hall Parking Lot
December 31, 2017**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 8,152	\$ 5,301	\$ 13,453
2019	8,411	5,042	13,453
2020	8,679	4,774	13,453
2021	8,956	4,497	13,453
2022-2026	49,243	18,022	67,265
2027-2031	57,600	9,665	67,265
2032-2033	25,413	1,216	26,629
	<u>\$ 166,454</u>	<u>\$ 48,517</u>	<u>\$ 214,971</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 3.15%.

**Ambulance Purchase Loan
December 31, 2017**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 40,635	\$ 862	\$ 41,497

Charter Township of Marquette

Notes to the Financial Statements

The 2006 Ambulance purchase loan was issued on June 27, 2017 for \$40,635. There will be one payment due on June 27, 2018 which will include interest of 2.12%.

Michigan Transportation Fund Bonds, 2015

December 31, 2017

	Principal	Interest	Total
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	1,047,397	78,668	1,126,065
	<u>\$ 2,924,169</u>	<u>\$ 569,025</u>	<u>\$ 3,493,194</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.

Michigan Transportation Fund Bonds, 2016

December 31, 2017

	Principal	Interest	Total
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	826,508	44,152	870,660
	<u>\$ 2,401,508</u>	<u>\$ 361,894</u>	<u>\$ 2,763,402</u>

\$1,148,227 of the 2016 Michigan Transportation Fund Bonds were drawn during 2016 with another \$1,388,281 drawn in 2017. 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.

Charter Township of Marquette

Notes to the Financial Statements

**Water Land Purchase Note
December 31, 2017**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 16,000	\$ 1,604	\$ 17,604
2019	16,000	1,067	17,067
2020	15,793	531	16,324
	<u>\$ 47,793</u>	<u>\$ 3,202</u>	<u>\$ 50,995</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 4.75%.

**Drinking Water Program Bond
December 31, 2017**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 2,035,000</u>	<u>\$ 199,857</u>	<u>\$ 2,234,857</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, 2017**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 95,000</u>	<u>\$ 18,161</u>	<u>\$ 113,161</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

Notes to the Financial Statements

PW Facility
December 31, 2017

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 38,054	\$ 30,863	\$ 68,917
2019	39,289	29,628	68,917
2020	40,485	28,432	68,917
2021	41,877	27,040	68,917
2022-2026	230,606	113,975	344,581
2027-2031	270,550	74,033	344,583
2032-2036	290,189	27,174	317,363
	<u>\$ 951,050</u>	<u>\$ 331,145</u>	<u>\$ 1,282,195</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 3.15%.

Harglo Settlement
December 31, 2017

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 62,000	\$ 1,240	\$ 63,240

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.

Compensated absences within governmental activities are most frequently paid by the general fund.

Note 7 - Pension Plan

Plan Description

The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multipleemployer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Charter Township of Marquette

Notes to the Financial Statements

Benefits Provided

Union and Admin Non-union Divisions	
	<u>2016 Valuation</u>
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25 55/15
Final Average Compensation:	5 years
Employee Contributions:	2%
Act 88:	Yes (Adopted 5/18/2004)

Employees Covered by Benefit Terms

At the December 31, 2016 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>19</u>
Total employees covered by MERS	<u>24</u>

Contributions

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 cost of benefits earned by employees 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.

Township contributions ranged from 10.14% to 11.55% based on annual payroll for open divisions with an additional 2% contribution rate from the employees (across all divisions).

Net Pension Liability

The Township's net pension liability was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Charter Township of Marquette

Notes to the Financial Statements

Actuarial Assumptions

The total pension liability in the December 31, 2016 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.5%
- Salary Increases: 3.75% in the long-term
- Investment rate of return: 7.75%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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 for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount Rate

The discount rate used to measure the total pension liability is 8.0%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay 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

Notes to the Financial Statements

Changes in Net Pension Liability

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2015	\$ 2,736,233	\$ 1,807,043	\$ 929,190
Service cost	97,700	-	97,700
Interest	221,501	-	221,501
Difference between expected and actual experience	(34,028)	-	(34,028)
Contributions - Employer	-	118,830	(118,830)
Contributions - Employee	-	21,798	(21,798)
Net investment income	-	214,201	(214,201)
Benefit payments, including refunds	(32,629)	(32,629)	-
Administrative expenses	-	(4,218)	4,218
Net changes	252,544	317,982	(65,438)
Balance at December 31, 2016	\$ 2,988,777	\$ 2,125,025	\$ 863,752

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:

	Current		
	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability of the Township	\$ 1,205,582	\$ 863,752	\$ 572,452

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

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

For the year ended December 31, 2017, the Township recognized pension expense of \$189,330. At December 31, 2017, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Charter Township of Marquette

Notes to the Financial Statements

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 65,275	\$ -
Difference between expected and actual experience	-	89,333
Difference in assumptions	105,978	-
Employer contributions to the plan subsequent to the measurement date *	127,288	-
Total	\$ 298,541	\$ 89,333

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending December 31, 2018.

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

Years Ending December 31,	Amount
2018	\$ 32,489
2019	32,489
2020	26,302
2021	(8,797)
2022	4,299
2023	(4,862)

Note 8 - Risk Management

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

Note 9 - Joint Venture

In June 1988, The Charter Township of Marquette joined with 19 other municipalities to create the Marquette County Solid Waste Management Authority ("Authority"). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain,

Charter Township of Marquette

Notes to the Financial Statements

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

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

Charter Township of Marquette

Notes to the Financial Statements

The Township's share of assets, liabilities, and fund equity is approximately 1 percent. Summary financial information as of and for the fiscal year ended June 30, 2017 were as follows:

Statement of Net Position

Assets	
Current and Other Assets	\$ 6,947,145
Capital Assets, Net	6,678,043
Total Assets	<u>13,625,188</u>
Deferred Outflows of Resources	
Pension	<u>192,557</u>
Liabilities	
Current Liabilities	249,813
Non-current Liabilities	2,903,141
Total Liabilities	<u>3,152,954</u>
Net Position	
Net Investment in Capital Assets	6,678,043
Restricted	3,298,949
Unrestricted	622,854
Total Net Position	<u>\$ 10,599,846</u>

Change in Net Position

Operating Revenues	
Service Revenues	<u>\$ 3,641,072</u>
Operating Expenses	
Operations	3,212,252
Depreciation	516,713
Total Operating Expenses	<u>3,728,965</u>
Income (Loss) from Operations	<u>(87,893)</u>
Non-operating Revenues (Expenses)	
Interest Income	70,145
Gain on Disposal of Assets	(15,914)
Change in Estimates	2,579,258
Total Non-operating Revenues (Expenses)	<u>2,633,489</u>
Change in Net Position	<u>2,545,596</u>
Net Position at the Beginning of Period	<u>8,054,250</u>
Net Position at the End of Period	<u>\$ 10,599,846</u>

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

Charter Township of Marquette

Notes to the Financial Statements

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 was \$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

Notes to the Financial Statements

A summary of condensed financial information of the Facility, in the aggregate, for its fiscal year ended September 30, 2017 was as follows:

Statement of Net Position	
Assets	
Current and Other Assets	\$ 1,690,881
Noncurrent Assets	892,499
Restricted Assets	1,094,124
Capital Assets, Net	14,171,930
Total Assets	<u>17,849,434</u>
Deferred Outflows	
Pension	<u>177,389</u>
Liabilities	
Current Liabilities	2,072,141
Non-current Liabilities	10,248,670
Total Liabilities	<u>12,320,811</u>
Net Position	
Net Investment in Capital Assets	5,030,707
Unrestricted	675,305
Total Net Position	<u>\$ 5,706,012</u>
Change in Net Position	
Operating Revenues	
Service Revenues	\$ 2,174,236
Other Operating Revenues	12,413
Total Operating Revenues	<u>2,186,649</u>
Operating Expenses	
Operations	2,150,260
Depreciation	890,609
Total Operating Expenses	<u>3,040,869</u>
Income (Loss) from Operations	<u>(854,220)</u>
Non-operating Revenues (Expenses)	
Grant Proceeds	54,693
Interest Income	6,411
Interest Expense	(160,769)
Transfers from Local Units	1,048,948
Total Non-operating Revenues (Expenses)	<u>949,283</u>
Change in Net Position	<u>95,063</u>
Net Position at the Beginning of Period	<u>5,610,949</u>
Net Position at the End of Period	<u>\$ 5,706,012</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Taxes	\$ 1,617,774	\$ 1,617,774	\$ 1,620,913	\$ 3,139
Licenses & Permits	30,500	16,500	17,046	546
State Sources	305,018	323,018	323,012	(6)
Charges for Services	11,400	14,400	14,669	269
Interest & Rents	44,500	62,500	65,020	2,520
Contributions	500	42,500	43,030	530
Other	6,500	6,500	7,426	926
Total Revenues	<u>2,016,192</u>	<u>2,083,192</u>	<u>2,091,116</u>	<u>7,924</u>
Other Financing Sources				
Transfers In	101,012	102,282	102,282	--
Total Revenues and Other Financing Sources	<u>2,117,204</u>	<u>2,185,474</u>	<u>2,193,398</u>	<u>7,924</u>
Expenditures				
Legislative	<u>29,400</u>	<u>28,400</u>	<u>27,850</u>	<u>550</u>
General Government				
Supervisor and Manager	152,086	167,086	165,985	1,101
Treasurer	38,609	38,109	37,248	861
Assessor	166,039	184,039	176,134	7,905
Clerk	93,293	97,293	95,792	1,501
Elections	3,000	8,000	7,904	96
Professional Services	108,000	96,384	84,416	11,968
Building and Grounds	136,774	143,774	126,497	17,277
Administration	132,332	152,332	140,097	12,235
Total General Government	<u>830,133</u>	<u>887,017</u>	<u>834,073</u>	<u>52,944</u>
Public Safety				
Law Enforcement	190,862	195,862	190,630	5,232
Public Works				
Street Lights	32,235	36,235	32,595	3,640
Community and Economic Development				
Planning and Zoning	188,400	192,400	168,810	23,590
Community Promotion	44,100	44,100	12,264	31,836
Total Community and Economic Development	<u>232,500</u>	<u>236,500</u>	<u>181,074</u>	<u>55,426</u>
Recreation and Culture				
Recreation Facilities	40,181	44,181	31,950	12,231
Capital Outlay	<u>6,000</u>	<u>12,000</u>	<u>63,522</u>	<u>(51,522)</u>
Debt Service	<u>279,000</u>	<u>279,000</u>	<u>278,863</u>	<u>137</u>
Total Expenditures	<u>1,640,311</u>	<u>1,719,195</u>	<u>1,640,557</u>	<u>78,638</u>
Other Financing Uses				
Transfers Out	352,196	352,196	352,100	96
Total Expenditures and Other Financing Uses	<u>1,992,507</u>	<u>2,071,391</u>	<u>1,992,657</u>	<u>78,734</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>124,697</u>	<u>114,083</u>	<u>200,741</u>	<u>86,658</u>
Net Change in Fund Balance	<u>124,697</u>	<u>114,083</u>	<u>200,741</u>	<u>86,658</u>
Fund Balance at Beginning of Period	<u>218,143</u>	<u>218,143</u>	<u>218,143</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 342,840</u>	<u>\$ 332,226</u>	<u>\$ 418,884</u>	<u>\$ 86,658</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Taxes	\$ 555,460	\$ 551,460	\$ 551,410	\$ (50)
Licenses & Permits	2,000	2,000	505	(1,495)
Charges for Services	12,800	10,800	22,259	11,459
Interest & Rents	1,800	800	708	(92)
Other	5,000	6,000	6,633	633
Total Revenues	<u>577,060</u>	<u>571,060</u>	<u>581,515</u>	<u>10,455</u>
Other Financing Sources				
Issuance of Long-term Debt	--	40,635	40,635	--
Total Revenues and Other Financing Sources	<u>577,060</u>	<u>611,695</u>	<u>622,150</u>	<u>10,455</u>
Expenditures				
Public Safety	493,060	516,060	445,002	71,058
Capital Outlay	--	40,635	32,517	8,118
Debt Service	--	192,203	192,203	--
Total Expenditures	<u>493,060</u>	<u>748,898</u>	<u>669,722</u>	<u>79,176</u>
Other Financing Uses				
Transfers Out	84,000	84,000	84,000	--
Total Expenditures and Other Financing Uses	<u>577,060</u>	<u>832,898</u>	<u>753,722</u>	<u>79,176</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>--</u>	<u>(221,203)</u>	<u>(131,572)</u>	<u>89,631</u>
Net Change in Fund Balance	<u>--</u>	<u>(221,203)</u>	<u>(131,572)</u>	<u>89,631</u>
Fund Balance at Beginning of Period	221,203	221,203	221,203	--
Fund Balance at End of Period	<u>\$ 221,203</u>	<u>\$ --</u>	<u>\$ 89,631</u>	<u>\$ 89,631</u>

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

	2016	2015	2014
Total Pension Liability			
Service Cost	\$ 97,700	\$ 95,929	\$ 92,987
Interest	221,501	201,235	181,186
Difference Between Expected and Actual	(34,028)	(84,232)	-
Changes in Assumptions	-	148,370	-
Benefit Payments, Including Refunds	(32,629)	(32,629)	(32,629)
Net Change in Pension Liability	<u>252,544</u>	<u>328,673</u>	<u>241,544</u>
<i>Total Pension Liability - Beginning</i>	2,736,233	2,407,560	2,166,016
Total Pension Liability - Ending (a)	<u>\$ 2,988,777</u>	<u>\$ 2,736,233</u>	<u>\$ 2,407,560</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 118,830	\$ 108,190	\$ 108,170
Contributions - Member	21,798	21,034	20,973
Net Investment Income	214,201	(27,908)	100,658
Benefit Payments, Including Refunds	(32,629)	(32,629)	(32,629)
Administrative Expenses	(4,218)	(3,961)	(3,736)
Net Change in Plan Fiduciary Net Position	<u>317,982</u>	<u>64,726</u>	<u>193,436</u>
<i>Plan Fiduciary Net Position - Beginning</i>	1,807,043	1,742,317	1,548,881
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,125,025</u>	<u>\$ 1,807,043</u>	<u>\$ 1,742,317</u>
Net Pension Liability - Ending (a) - (b)	\$ 863,752	\$ 929,190	\$ 665,243
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	71.10%	66.04%	72.37%
Covered Employee Payroll	\$ 1,083,225	\$ 1,082,096	\$ 1,048,652
Net Pension Liability as a Percentage of Covered Employee Payroll	79.74%	85.87%	63.44%

* Built prospectively upon implementation on GASB 68

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially Determined Contribution	\$ 127,288	\$ 118,830	\$ 108,190	\$ 108,170	\$ 84,792	\$ 87,550	\$ 87,426	\$ 84,218	\$ 93,362	\$ 65,892
Contributions in Relation to the Actuarially Determined Contribution	127,288	118,830	108,190	108,170	84,792	87,550	87,426	84,218	93,362	65,892
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	1,199,004	1,083,225	1,082,096	1,048,652	816,878	773,694	657,908	661,015	684,017	684,017
Contributions as a Percentage of Covered Employee Payroll	11%	11%	10%	10%	10%	11%	13%	13%	14%	10%

Notes

Valuation Date

Actuarially determined contribution amounts are calculated as of December 31 each year, which is 12 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
Amortization method	Level percentage of payroll, closed
Remaining amortization period	22 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%
Retirement Age	Varies depending on plan adoption
Mortality	50% Male - 50% Female blend of the RP-2014 Group Annuity Mortality Table

OTHER SUPPLEMENTARY INFORMATION

**Charter Township of Marquette
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017**

	<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	\$ --	\$ 5,815
Taxes Receivable	--	214,395	214,395
<i>Total Assets</i>	<u>\$ 5,815</u>	<u>\$ 214,395</u>	<u>\$ 220,210</u>
LIABILITIES			
<i>Total Liabilities</i>	--	--	--
DEFERRED INFLOWS OF RESOURCES			
Taxes Levied for a Subsequent Period	--	213,886	213,886
<i>Total Liabilities and Deferred Inflows of Resources</i>	--	<u>213,886</u>	<u>213,886</u>
FUND BALANCE			
Assigned	5,815	509	6,324
Unassigned	--	--	--
<i>Total Fund Balance</i>	<u>5,815</u>	<u>509</u>	<u>6,324</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 5,815</u>	<u>\$ 214,395</u>	<u>\$ 220,210</u>

Charter Township of Marquette
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2017

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Liquor Law Fund</u>	<u>Library Fund</u>	
Revenues			
Taxes	\$ --	\$ 212,462	\$ 212,462
State Sources	6,282	--	6,282
Interest and Rents	--	6	6
<i>Total Revenues</i>	<u>6,282</u>	<u>212,468</u>	<u>218,750</u>
Expenditures			
Recreation & Culture	--	212,392	212,392
<i>Total Expenditures</i>	<u>--</u>	<u>212,392</u>	<u>212,392</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>6,282</u>	<u>76</u>	<u>6,358</u>
Other Financing Sources (Uses)			
Transfers Out	(6,282)	--	(6,282)
<i>Net Other Financing Sources (Uses)</i>	<u>(6,282)</u>	<u>--</u>	<u>(6,282)</u>
<i>Net Change in Fund Balance</i>	<u>--</u>	<u>76</u>	<u>76</u>
<i>Fund Balance at Beginning of Period</i>	5,815	433	6,248
<i>Fund Balance at End of Period</i>	<u>\$ 5,815</u>	<u>\$ 509</u>	<u>\$ 6,324</u>

**Charter Township of Marquette
Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2017**

	Enterprise		
	Storm Water Fund	Metro Fund	Total Enterprise Funds
ASSETS			
<i>Current Assets</i>			
Cash & Cash Equivalents	\$ 107,804	\$ 33,524	\$ 141,328
Total Current Assets	107,804	33,524	141,328
<i>Noncurrent Assets</i>			
Capital Assets (Net)	--	21,264	21,264
Total Assets	107,804	54,788	162,592
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	180	--	180
Customer Deposits	61,430	--	61,430
Total Liabilities	61,610	--	61,610
NET POSITION			
Net Investment in Capital Assets	--	21,264	21,264
<i>Unrestricted</i>	46,194	33,524	79,718
Total Net Position	\$ 46,194	\$ 54,788	\$ 100,982

Charter Township of Marquette
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended December 31, 2017

	<u>Enterprise</u>		
	<u>Storm Water Fund</u>	<u>Metro Fund</u>	
Operating Revenues			
Permits, Fees & Special Assessments	\$ 1,000	\$ --	\$ 1,000
State Sources	--	5,524	5,524
Other	6,002	--	6,002
<i>Total Operating Revenues</i>	7,002	5,524	12,526
Operating Expenses			
Other Services & Charges	23	--	23
Depreciation Expense	--	5,428	5,428
<i>Total Operating Expenses</i>	23	5,428	5,451
<i>Operating Income (Loss)</i>	6,979	96	7,075
Non-Operating Revenues (Expenses)			
Interest and Rents	167	25	192
<i>Net Non-Operating Revenues (Expenses)</i>	167	25	192
<i>Change In Net Position</i>	7,146	121	7,267
<i>Net Position at Beginning of Period</i>	39,048	54,667	93,715
<i>Net Position at End of Period</i>	\$ 46,194	\$ 54,788	\$ 100,982

Charter Township of Marquette, Michigan
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2017

	Enterprise		
	Storm Water Fund	Metro Fund	Total Enterprise Funds
Cash Flows From Operating Activities			
Cash Received from Permits, Fees and Special Assessments	\$ 33,430	\$ -	\$ 33,430
Cash Received from Other Sources	6,002	5,524	11,526
Cash Payments to Suppliers for Goods and Services	(712)	-	(712)
Net Cash Provided by Operating Activities	38,720	5,524	44,244
Cash Flows From Investing Activities			
Interest Earned	167	25	192
Net Cash Provided by Investing Activities	167	25	192
Net Increase (Decrease) in Cash and Cash Equivalents	38,887	5,549	44,436
Cash and Cash Equivalents - Beginning of Year.	68,917	27,975	96,892
Cash and Cash Equivalents - End of Year	\$ 107,804	\$ 33,524	\$ 141,328
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 6,979	\$ 96	\$ 7,075
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	-	5,428	5,428
Changes in Assets and Liabilities:			
Accounts Payable	(689)	-	(689)
Accrued Expenses and Other Liabilities	32,430	-	32,430
Net Cash Provided by Operating Activities	\$ 38,720	\$ 5,524	\$ 44,244

June 8, 2018

To the Board of Trustees
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 (the "Township") for the year ended December 31, 2017. 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 February 9, 2018. 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, 2017. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuations of the pension plan are based on historical trends and industry standards.

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 8, 2018.

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, pension schedules, 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 Township 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 firm.

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 8, 2018

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, 2017, 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 8, 2018.

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