



**CHARTER TOWNSHIP OF MARQUETTE, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2018**

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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, 2018, 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, 2018, 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 14, 2019, 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".

Gabridge & Company, PLC  
Grand Rapids, Michigan  
June 14, 2019

## **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, 2018. 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 \$14,031,053 (net position). Of this amount, an unrestricted deficit exists in the government activities of \$(4,500,286) while an unrestricted surplus of \$3,032,288 exists in the business-type activities.
- At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$1,156,471. Approximately 40.6%, or \$469,725, 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 \$469,725, or approximately 22% 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, 2018 and 2017.

### Charter Township of Marquette's Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
<b>ASSETS</b>						
<i>Current Assets</i>						
Cash & Cash Equivalents	\$ 1,889,355	\$ 1,521,555	\$ 2,887,085	\$ 1,944,041	\$ 4,776,440	\$ 3,465,596
Receivables (Net)	102,945	88,750	90,577	77,552	193,522	166,302
Special Assessments	-	-	401,772	457,990	401,772	457,990
Taxes Receivable	2,245,479	2,345,746	-	-	2,245,479	2,345,746
Intergovernmental Receivables	8,734	8,287	171,348	-	180,082	8,287
Prepaid Items	27,668	18,290	25,826	16,189	53,494	34,479
<b>Total Current Assets</b>	<b>4,274,181</b>	<b>3,982,628</b>	<b>3,576,608</b>	<b>2,495,772</b>	<b>7,850,789</b>	<b>6,478,400</b>
<i>Noncurrent Assets</i>						
Restricted Cash	-	-	260,312	247,977	260,312	247,977
Nondepreciable Capital Assets	2,114,865	2,083,332	1,753,257	1,972,954	3,868,122	4,056,286
Capital Assets (Net)	5,057,258	5,154,031	11,906,350	12,105,325	16,963,608	17,259,356
<b>Total Assets</b>	<b>11,446,304</b>	<b>11,219,991</b>	<b>17,496,527</b>	<b>16,822,028</b>	<b>28,942,831</b>	<b>28,042,019</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension	121,188	163,848	106,253	134,693	227,441	298,541
<b>Total Deferred Outflows of Resources</b>	<b>121,188</b>	<b>163,848</b>	<b>106,253</b>	<b>134,693</b>	<b>227,441</b>	<b>298,541</b>
<b>LIABILITIES</b>						
<i>Current Liabilities</i>						
Accounts Payable	69,565	159,071	220,831	86,984	290,396	246,055
Customer Deposits	11,987	12,087	163,976	158,852	175,963	170,939
Accrued Payroll & Related Liabilities	42,139	40,912	22,766	20,163	64,905	61,075
Current Portion of Long-term Debt	476,834	550,048	306,026	361,054	782,860	911,102
Accrued Interest Payable	102,776	112,836	16,400	18,729	119,176	131,565
Unearned Revenue	163,389	80,340	-	-	163,389	80,340
Internal Balances	213,244	212,712	(213,244)	(212,712)	-	-
<b>Total Current Liabilities</b>	<b>1,079,934</b>	<b>1,168,006</b>	<b>516,755</b>	<b>433,070</b>	<b>1,596,689</b>	<b>1,601,076</b>
<i>Noncurrent Liabilities</i>						
Compensated Absences	53,624	65,809	39,208	39,061	92,832	104,870
Long-term Debt	7,408,797	7,975,220	2,523,019	2,829,789	9,931,816	10,805,009
Net Pension Liability	387,359	483,199	316,659	380,553	704,018	863,752
<b>Total Liabilities</b>	<b>8,929,714</b>	<b>9,692,234</b>	<b>3,395,641</b>	<b>3,682,473</b>	<b>12,325,355</b>	<b>13,374,707</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Taxes Levied for a Subsequent Period	2,617,386	2,339,616	4,440	38,457	2,621,826	2,378,073
Pension	112,499	50,876	79,539	16,200	192,038	-
<b>Total Deferred Inflows of Resources</b>	<b>2,729,885</b>	<b>2,390,492</b>	<b>83,979</b>	<b>54,657</b>	<b>2,813,864</b>	<b>2,445,149</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	4,303,137	4,037,772	10,830,560	10,887,436	15,133,697	14,925,208
Restricted	105,042	89,631	260,312	247,976	365,354	337,607
Unrestricted	(4,500,286)	(4,826,290)	3,032,288	2,084,179	(1,467,998)	(2,742,111)
<b>Total Net Position</b>	<b>\$ (92,107)</b>	<b>\$ (698,887)</b>	<b>\$ 14,123,160</b>	<b>\$ 13,219,591</b>	<b>\$14,031,053</b>	<b>\$ 12,520,704</b>

**Governmental Activities.** Total net position of the Township's governmental activities was a deficit of \$(92,107) as of December 31, 2018.

*Unrestricted net position* – There was a deficit balance in unrestricted net position of \$(4,500,286) as of December 31, 2018. 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 2018 was primarily related to depreciation of \$245,271, offset by the purchase of assets of \$180,030.

Net receivables increased by 16% from the prior year, due to the ambulance revenue and corresponding receivables.

Accounts payable decreased by 68%, mainly due to the Schwemwood Park project payable in 2017.

Total net position has increased from a deficit of \$(698,887) in 2017 to a deficit of \$(97,107) in 2018, an increase of \$601,780. The largest part of the increase was due to the decrease in Public Works expenditures and increase in Grant Revenue.

**Business-type Activities.** The net position of our business-type activities stood at \$14,123,160 as of December 31, 2018. 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, \$10,830,560, or 77% 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.

\$260,312 or 2% is the portion of net position that is restricted for debt service and \$3,032,288, or 21%, 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 2018 and 2017.

**Charter Township of Marquette's Change in Net Position**

	Governmental Activities		Business-type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
<b>Revenue</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 130,625	\$ 60,612	\$ 3,088,060	\$ 3,079,712	\$ 3,218,685	\$ 3,140,324
Operating Grants and Contributions	107,838	7,812	147,268	5,524	255,106	13,336
Capital Grants and Contributions	-	-	-	-	-	-
<b>Total Program Revenues</b>	<b>238,463</b>	<b>68,424</b>	<b>3,235,328</b>	<b>3,085,236</b>	<b>3,473,791</b>	<b>3,153,660</b>
<b>General Revenues</b>						
Taxes	2,458,147	2,384,785	-	-	2,458,147	2,384,785
State Sources	338,228	323,012	-	-	338,228	323,012
Other	17,902	7,426	84	6,002	17,986	13,428
Investment Income	88,373	67,967	44,733	19,108	133,106	87,075
Contributions	-	42,000	-	-	-	42,000
Sale of Capital Assets	-	-	57,060	-	57,060	-
<b>Total General Revenues</b>	<b>2,902,650</b>	<b>2,825,190</b>	<b>101,877</b>	<b>25,110</b>	<b>3,004,527</b>	<b>2,850,300</b>
<b>Total Revenues</b>	<b>3,141,113</b>	<b>2,893,614</b>	<b>3,337,205</b>	<b>3,110,346</b>	<b>6,478,318</b>	<b>6,003,960</b>
<b>Expenses</b>						
Legislative	25,318	27,850	-	-	25,318	27,850
General Services and Administration	919,691	960,499	-	-	919,691	960,499
Public Safety	805,718	770,316	-	-	805,718	770,316
Public Works	124,023	1,618,691	-	-	124,023	1,618,691
Community and Economic Development	220,719	186,304	-	-	220,719	186,304
Recreation and Culture	264,677	259,339	-	-	264,677	259,339
Interest on Long-term Debt	186,187	189,202	-	-	186,187	189,202
Wastewater Fund	-	-	1,076,165	897,653	1,076,165	897,653
Solid Waste Fund	-	-	386,809	356,438	386,809	356,438
Water Fund	-	-	953,234	909,777	953,234	909,777
Storm Water Fund	-	-	-	23	-	23
Metro Fund	-	-	5,428	5,428	5,428	5,428
<b>Total Expenses</b>	<b>2,546,333</b>	<b>4,012,201</b>	<b>2,421,636</b>	<b>2,169,319</b>	<b>4,967,969</b>	<b>6,181,520</b>
<b>Transfers In (Out)</b>	<b>12,000</b>	<b>12,000</b>	<b>(12,000)</b>	<b>(12,000)</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>606,780</b>	<b>(1,106,587)</b>	<b>903,569</b>	<b>929,027</b>	<b>1,510,349</b>	<b>(177,560)</b>
<i>Net Position at the Beginning of Period</i>	<i>(698,887)</i>	<i>407,700</i>	<i>13,219,591</i>	<i>12,290,564</i>	<i>12,520,704</i>	<i>12,698,264</i>
<b>Net Position at the End of Period</b>	<b>\$ (92,107)</b>	<b>\$ (698,887)</b>	<b>\$14,123,160</b>	<b>\$13,219,591</b>	<b>\$ 14,031,053</b>	<b>\$ 12,520,704</b>

The Township's total revenues were \$6,478,318 during the year. The cost of all programs and services was \$4,967,969, leaving an increase in net position of \$1,510,349. Our analysis below separately considers the operations of governmental and business-type activities:

- Government funds revenue increased due to the additional sales of license and permit and an increase in operating grants. Increases are reflected in Community Center Rental, the CATV Franchise Fees, and State Grants.

- Public works funds revenue also increased due to the sale of capital assets in 2018 and an increase in operating grants. Increases are in Sale of Capital Assets and Operating Grants.
- Government funds expenditures decreased due to lower public works expenditures.
- Public works funds expenditures increased due to an increase in wastewater treatment plant expenditures. Wastewater treatment plant expenditures were 92% higher than 2017.

## **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 increase for the year of \$18,581.

### *Revenues*

Total revenues were consistent with the prior year, with \$3,141,113 in 2018 and \$2,893,614 in 2017. The increase was mainly due to an increase in state sources and federal grants.

### *Expenditures*

Major decreases over 2017 include road construction costs (\$1.5 million), offset by increases in Firefighting capital for the radio purchases and general wage and associated costs throughout the General and Fire funds.

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 \$469,725, while total fund balance increased to \$480,918. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 22 percent of total general fund expenditures, while total fund balance represents approximately 22.5 percent of that same amount.

The fire fund, a major fund, had a \$15,411 increase in the fund balance during the current fiscal year which put the overall fund balance at \$105,042 as of December 31, 2018.

The Township improvement fund, a major fund, had a \$59,573 decrease in the fund balance during the current fiscal year which put the overall fund balance at \$563,478 as of December 31, 2018.

***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 \$1,973,832, \$420,648 for the solid waste fund, and for the water fund was \$550,528. The total increase in the net position for each fund was \$312,956, \$15,079, and \$573,400, 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 (1.4%) and expenditures (6.6%). 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 no significant expenditures in excess of the amount appropriated in the general fund.

### Capital Assets and Debt Administration

#### Capital Assets

At the end of fiscal year 2018 and 2017, the Township had \$20,831,730 and \$21,315,642 invested in a variety of capital assets including land and improvements, buildings and improvements, and other equipment (See table below).

	2018	2017
Construction in Progress	\$ 873,978	\$ 925,570
Land	2,131,787	2,131,787
Land Improvements	783,371	700,245
Investment in WW Treatment Facility	298,684	298,684
Buildings and Improvements	6,295,760	6,468,401
Vehicles	108,418	194,603
Furniture and Equipment	433,347	353,332
Infrastructure	9,906,385	10,243,020
Investment in MCSWF	-	-
<b>Totals</b>	<b>\$ 20,831,730</b>	<b>\$ 21,315,642</b>

There were additions of \$253,886 during the current fiscal year, which included the completion of the Lions Field and Schwemwood Park projects. Further details on capital assets can be found in the Footnotes to the Financial Statements.

## Long-term Debt

At the end of fiscal year 2018 and 2017, The Township had \$10,714,676 and \$11,716,111 in debt outstanding as depicted in the table below:

	2018	2017
2004 Land Purchase Note	\$ -	\$ 39,021
Cornerstone Property Note	21,133	53,041
Ambulance Purchase Note	-	40,635
2016 MTF Bond	2,770,136	2,924,169
2015 MTF Bond	2,246,508	2,401,508
Water Land Purchase Note	31,793	47,793
DWRF Bond	1,800,000	2,035,000
Grandview Project Bond	85,000	95,000
Harglo Settlement	-	62,000
Township Hall Parking Lot	158,346	166,454
Public Works Facility	912,252	951,050
Township-Fire Hall Note	2,689,508	2,900,440
<b><i>Totals</i></b>	<b><u>\$ 10,714,676</u></b>	<b><u>\$ 11,716,111</u></b>

Principal payments for the year were \$1,001,436. Further details on long-term debt can be found in the footnotes to the financial statements.

## Economic Factors and Next Year's Budgets and Rates

In preparing the Township's budget for the year ending December 31, 2019, 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, 2018**

	<b>Primary Government</b>			<b>Component Unit (DDA)</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash & Cash Equivalents	\$ 1,889,355	\$ 2,887,085	\$ 4,776,440	\$ 30,901
Receivables (Net)	102,945	90,577	193,522	--
Special Assessments	--	401,772	401,772	--
Taxes Receivable	2,245,479	--	2,245,479	--
Intergovernmental Receivables	8,734	171,348	180,082	--
Prepaid Items	27,668	25,826	53,494	--
<b>Total Current Assets</b>	<b>4,274,181</b>	<b>3,576,608</b>	<b>7,850,789</b>	<b>30,901</b>
<i>Noncurrent Assets</i>				
Restricted Cash	--	260,312	260,312	--
Capital Assets (Net)	7,172,123	13,659,607	20,831,730	--
<b>Total Assets</b>	<b>11,446,304</b>	<b>17,496,527</b>	<b>28,942,831</b>	<b>30,901</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension	121,188	106,253	227,441	--
<b>Total Deferred Outflows of Resources</b>	<b>121,188</b>	<b>106,253</b>	<b>227,441</b>	<b>--</b>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	69,565	220,831	290,396	--
Customer Deposits	11,988	163,976	175,964	--
Accrued Payroll & Related Liabilities	42,139	22,766	64,905	--
Current Portion of Long-term Debt	476,834	306,026	782,860	--
Accrued Interest Payable	102,776	16,400	119,176	--
Unearned Revenue	163,389	--	163,389	--
Internal Balances	213,244	(213,244)	--	--
<b>Total Current Liabilities</b>	<b>1,079,935</b>	<b>516,755</b>	<b>1,596,690</b>	<b>--</b>
<i>Noncurrent Liabilities</i>				
Compensated Absences	53,623	39,208	92,831	--
Long-term Debt	7,408,797	2,523,019	9,931,816	--
Net Pension Liability	387,359	316,659	704,018	--
<b>Total Liabilities</b>	<b>8,929,714</b>	<b>3,395,641</b>	<b>12,325,355</b>	<b>--</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension	112,499	79,539	192,038	--
Taxes Levied for a Subsequent Period	2,617,386	--	2,621,826	--
Deferred Revenue for Special Assessments	--	4,440	--	--
<b>Total Deferred Inflows of Resources</b>	<b>2,729,885</b>	<b>83,979</b>	<b>2,813,864</b>	<b>--</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	4,303,137	10,830,560	15,133,697	--
<i>Restricted for:</i>				
Debt Service	--	260,312	260,312	--
Public Safety	105,042	--	105,042	--
<i>Unrestricted</i>	(4,500,286)	3,032,288	(1,467,998)	30,901
<b>Total Net Position</b>	<b>\$ (92,107)</b>	<b>\$ 14,123,160</b>	<b>\$ 14,031,053</b>	<b>\$ 30,901</b>

The Notes to the Financial Statement are integral part of these financial statements

**Charter Township of Marquette  
Statement of Activities  
For the Year Ended December 31, 2018**

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	
<b>Primary Government</b>								
<b>Governmental Activities:</b>								
Legislative	\$ 25,318	\$ --	\$ --	\$ --	\$ (25,318)	\$ --	\$ (25,318)	\$ --
General Services & Administration	919,691	19,364	1,813	--	(898,514)	--	(898,514)	--
Public Safety	805,718	106,901	106,025	--	(592,792)	--	(592,792)	--
Public Works	124,023	--	--	--	(124,023)	--	(124,023)	--
Community & Economic Development	220,719	4,220	--	--	(216,499)	--	(216,499)	--
Recreation & Culture	264,677	140	--	--	(264,537)	--	(264,537)	--
Interest on Long-term Debt	186,187	--	--	--	(186,187)	--	(186,187)	--
<i>Total Governmental Activities</i>	<u>2,546,333</u>	<u>130,625</u>	<u>107,838</u>	<u>--</u>	<u>(2,307,870)</u>	<u>--</u>	<u>(2,307,870)</u>	<u>--</u>
<b>Business-type Activities:</b>								
Storm Water Fund	--	1,500	--	--	--	1,500	1,500	--
Wastewater Fund	1,076,165	1,176,045	141,733	--	--	241,613	241,613	--
Solid Waste Fund	386,809	400,509	--	--	--	13,700	13,700	--
Metro Fund	5,428	--	5,535	--	--	107	107	--
Water Fund	953,234	1,510,006	--	--	--	556,772	556,772	--
<i>Total Business-type Activities</i>	<u>2,421,636</u>	<u>3,088,060</u>	<u>147,268</u>	<u>--</u>	<u>--</u>	<u>813,692</u>	<u>813,692</u>	<u>--</u>
<i>Total Primary Government</i>	<u>\$ 4,967,969</u>	<u>\$ 3,218,685</u>	<u>\$ 255,106</u>	<u>\$ --</u>	<u>\$ (2,307,870)</u>	<u>\$ 813,692</u>	<u>\$ (1,494,178)</u>	<u>--</u>
<b>Component Units</b>								
DDA	\$ --	\$ --	\$ --	\$ --	--	--	--	--
<i>Total Component Units</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>General Purpose Revenues and Transfers:</b>								
<b>Revenues</b>								
Taxes					2,458,147	--	2,458,147	--
State Sources					338,228	--	338,228	--
Other					17,902	84	17,986	--
Interest and Rents					88,373	44,733	133,106	39
Sale of Capital Assets					--	57,060	57,060	--
<b>Transfers</b>					12,000	(12,000)	--	--
<i>Total General Revenues and Transfers</i>					<u>2,914,650</u>	<u>89,877</u>	<u>3,004,527</u>	<u>39</u>
<i>Change in Net Position</i>					<b>606,780</b>	<b>903,569</b>	<b>1,510,349</b>	<b>39</b>
<i>Net Position at Beginning of Period</i>					(698,887)	13,219,591	12,520,704	30,862
<i>Net Position at End of Period</i>					<u>\$ (92,107)</u>	<u>\$ 14,123,160</u>	<u>\$ 14,031,053</u>	<u>\$ 30,901</u>

The Notes to the Financial Statement are integral part of these financial statements

**Charter Township of Marquette  
Balance Sheet  
Governmental Funds  
December 31, 2018**

	<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>	
<b>ASSETS</b>					
Cash & Cash Equivalents	\$ 927,027	\$ 203,959	\$ 720,805	\$ 37,564	\$ 1,889,355
Receivables (Net)	75,930	27,015	--	--	102,945
Taxes Receivable	1,436,405	616,969	--	192,105	2,245,479
Intergovernmental Receivables	8,734	--	--	--	8,734
Prepaid Items	11,193	9,475	7,000	--	27,668
<b>Total Assets</b>	<b>\$ 2,459,289</b>	<b>\$ 857,418</b>	<b>\$ 727,805</b>	<b>\$ 229,669</b>	<b>\$ 4,274,181</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 54,818	\$ 13,809	\$ 938	\$ --	\$ 69,565
Customer Deposits	11,987	--	--	--	11,987
Accrued Payroll & Related Liabilities	26,026	16,113	--	--	42,139
Unearned Revenue	--	--	163,389	--	163,389
Due to Other Funds	213,244	--	--	--	213,244
<b>Total Liabilities</b>	<b>306,075</b>	<b>29,922</b>	<b>164,327</b>	<b>--</b>	<b>500,324</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Taxes Levied for a Subsequent Period	1,672,296	722,454	--	222,636	2,617,386
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>1,978,371</b>	<b>752,376</b>	<b>164,327</b>	<b>222,636</b>	<b>3,117,710</b>
<b>FUND BALANCE</b>					
Nonspendable	11,193	9,475	--	--	20,668
Restricted	--	95,567	--	--	95,567
Assigned	--	--	563,478	7,033	570,511
Unassigned	469,725	--	--	--	469,725
<b>Total Fund Balance</b>	<b>480,918</b>	<b>105,042</b>	<b>563,478</b>	<b>7,033</b>	<b>1,156,471</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 2,459,289</b>	<b>\$ 857,418</b>	<b>\$ 727,805</b>	<b>\$ 229,669</b>	<b>\$ 4,274,181</b>

The Notes to the Financial Statement are integral part of these financial statements

**Charter Township of Marquette**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2018**

Total Fund Balance - Governmental Funds	\$ 1,156,471
General government capital assets of \$9,840,163 of accumulated depreciation of \$2,668,040 are not financial resources and, accordingly, are not reported in the funds	7,172,123
Long-term liabilities, including related accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds	(7,988,407)
Net pension liability is not due and payable in the current period and is not reported in the funds	(387,359)
Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenses in the governmental funds	8,689
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds	(53,624)
<b>Total Net Position-Governmental Funds</b>	<b>\$ <u>(92,107)</u></b>

The Notes to the Financial Statement are 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, 2018**

	<u>Special Revenue</u>		<u>Capital Projects</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Fire Fund</u>	<u>Township Improvement Fund</u>			
<b>Revenues</b>						
Taxes	\$ 1,629,401	\$ 614,308	\$ --	\$ 214,438	\$ 2,458,147	
Licenses & Permits	12,425	920	--	--	13,345	
State Sources	338,228	--	--	6,303	344,531	
Federal Grants	--	98,722	--	--	98,722	
Charges for Services	11,299	104,451	--	--	115,750	
Contributions	1,813	1,000	--	--	2,813	
Other	17,902	1,530	--	--	19,432	
Interest and Rents	82,134	1,455	4,784	--	88,373	
<b>Total Revenues</b>	<b>2,093,202</b>	<b>822,386</b>	<b>4,784</b>	<b>220,741</b>	<b>3,141,113</b>	
<b>Expenditures</b>						
Legislative	25,318	--	--	--	25,318	
General Services & Administration	831,181	--	--	--	831,181	
Public Safety	186,689	585,619	--	--	772,308	
Public Works	32,734	--	87,543	--	120,277	
Community & Economic Development	219,284	--	--	--	219,284	
Recreation & Culture	34,274	--	--	213,729	248,003	
Capital Outlay	76,027	6,250	--	--	82,277	
Debt Service - Principal	200,338	130,266	309,033	--	639,637	
Debt Service - Interest	77,206	840	118,201	--	196,247	
<b>Total Expenditures</b>	<b>1,683,051</b>	<b>722,975</b>	<b>514,777</b>	<b>213,729</b>	<b>3,134,532</b>	
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>410,151</b>	<b>99,411</b>	<b>(509,993)</b>	<b>7,012</b>	<b>6,581</b>	
<b>Other Financing Sources (Uses)</b>						
Transfers In	102,303	--	450,420	--	552,723	
Transfers Out	(450,420)	(84,000)	--	(6,303)	(540,723)	
<b>Net Other Financing Sources (Uses)</b>	<b>(348,117)</b>	<b>(84,000)</b>	<b>450,420</b>	<b>(6,303)</b>	<b>12,000</b>	
<b>Net Change in Fund Balance</b>	<b>62,034</b>	<b>15,411</b>	<b>(59,573)</b>	<b>709</b>	<b>18,581</b>	
<i>Fund Balance at Beginning of Period</i>	418,884	89,631	623,051	6,324	1,137,890	
<b>Fund Balance at End of Period</b>	<b>\$ 480,918</b>	<b>\$ 105,042</b>	<b>\$ 563,478</b>	<b>\$ 7,033</b>	<b>\$ 1,156,471</b>	

The Notes to the Financial Statement are 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, 2018**

Total Net Change in Fund Balances - Governmental Funds	\$	18,581
<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>		
		639,637
<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 \$10,060 and the increase in compensated absences of \$12,185.</p>		
		22,245
<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 \$180,030 less depreciation expense of \$245,271.</p>		
		(65,241)
<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>		
		(8,443)
<b>Changes in Net Position-Governmental Funds</b>	<b>\$</b>	<b><u>606,780</u></b>

The Notes to the Financial Statement are integral part of these financial statements

**Charter Township of Marquette  
Statement of Net Position  
Proprietary Funds  
December 31, 2018**

**Business-type Activities - Enterprise Funds**

	<u>Wastewater Fund</u>	<u>Solid Waste Fund</u>	<u>Water Fund</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>ASSETS</b>					
<i>Current Assets</i>					
Cash & Cash Equivalents	\$ 1,713,248	\$ 206,905	\$ 814,468	\$ 152,464	\$ 2,887,085
Receivables (Net)	22,259	42,183	26,135	--	90,577
Special Assessments	375,651	--	26,121	--	401,772
Intergovernmental Receivables	171,348	--	--	--	171,348
Prepaid Items	11,074	2,043	12,709	--	25,826
Due from Other Funds	--	213,244	--	--	213,244
<b>Total Current Assets</b>	<u>2,293,580</u>	<u>464,375</u>	<u>879,433</u>	<u>152,464</u>	<u>3,789,852</u>
<i>Noncurrent Assets</i>					
Restricted Cash	139,259	--	121,053	--	260,312
Capital Assets (Net)	5,697,707	--	7,946,064	15,836	13,659,607
<b>Total Assets</b>	<u>8,130,546</u>	<u>464,375</u>	<u>8,946,550</u>	<u>168,300</u>	<u>17,709,771</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension	44,719	3,590	57,944	--	106,253
<b>Total Deferred Outflows of Resources</b>	<u>44,719</u>	<u>3,590</u>	<u>57,944</u>	<u>--</u>	<u>106,253</u>
<b>LIABILITIES</b>					
<i>Current Liabilities</i>					
Accounts Payable	169,776	16,093	34,962	--	220,831
Customer Deposits	--	14,725	84,067	65,184	163,976
Accrued Payroll & Related Liabilities	11,381	949	10,436	--	22,766
Current Portion of Long-term Debt	20,013	--	286,013	--	306,026
Accrued Interest Payable	--	--	16,400	--	16,400
<b>Total Current Liabilities</b>	<u>201,170</u>	<u>31,767</u>	<u>431,878</u>	<u>65,184</u>	<u>729,999</u>
<i>Noncurrent Liabilities</i>					
Compensated Absences	16,011	--	23,197	--	39,208
Long-term Debt	436,113	--	2,086,906	--	2,523,019
Net Pension Liability	133,574	11,880	171,205	--	316,659
<b>Total Liabilities</b>	<u>786,868</u>	<u>43,647</u>	<u>2,713,186</u>	<u>65,184</u>	<u>3,608,885</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension	33,726	3,670	42,143	--	79,539
Deferred Revenue for Special Assessments	--	--	4,440	--	4,440
<b>Total Deferred Inflows of Resources</b>	<u>33,726</u>	<u>3,670</u>	<u>46,583</u>	<u>--</u>	<u>83,979</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	5,241,580	--	5,573,144	15,836	10,830,560
<i>Restricted for:</i>					
Debt Service	139,259	--	121,053	--	260,312
<i>Unrestricted</i>	1,973,832	420,648	550,528	87,280	3,032,288
<b>Total Net Position</b>	<u>\$ 7,354,671</u>	<u>\$ 420,648</u>	<u>\$ 6,244,725</u>	<u>\$ 103,116</u>	<u>\$ 14,123,160</u>

The Notes to the Financial Statement are 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, 2018**

	<b>Business-type Activities - Enterprise Funds</b>				
	<b>Wastewater Fund</b>	<b>Solid Waste Fund</b>	<b>Water Fund</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>
<b>Operating Revenues</b>					
Licenses & Permits	\$ --	\$ --	\$ --	\$ 1,500	\$ 1,500
State Sources	--	--	--	5,535	5,535
State Grants	141,733	--	--	--	141,733
Charges for Services	1,015,736	268,819	1,032,384	--	2,316,939
Permits, Fees & Special Assessments	7,748	2,094	22,441	--	32,283
Other	6,000	129,596	31,459	84	167,139
<b>Total Operating Revenues</b>	<b>1,171,217</b>	<b>400,509</b>	<b>1,086,284</b>	<b>7,119</b>	<b>2,665,129</b>
<b>Operating Expenses</b>					
Personnel Services	337,352	30,839	406,295	--	774,486
Supplies	7,656	1,336	11,640	--	20,632
Other Services & Charges	504,813	354,600	248,162	--	1,107,575
Depreciation Expense	211,284	--	224,223	5,428	440,935
<b>Total Operating Expenses</b>	<b>1,061,105</b>	<b>386,775</b>	<b>890,320</b>	<b>5,428</b>	<b>2,343,628</b>
<b>Operating Income (Loss)</b>	<b>110,112</b>	<b>13,734</b>	<b>195,964</b>	<b>1,691</b>	<b>321,501</b>
<b>Non-Operating Revenues (Expenses)</b>					
Interest and Rents	26,283	1,379	16,628	443	44,733
Debt Service Fee	126,565	--	403,726	--	530,291
Connection Fees	19,996	--	19,996	--	39,992
Interest Expense	(15,060)	(34)	(62,914)	--	(78,008)
<b>Net Non-Operating Revenues (Expenses)</b>	<b>157,784</b>	<b>1,345</b>	<b>377,436</b>	<b>443</b>	<b>537,008</b>
<b>Income Before Contributions and Transfers</b>	<b>267,896</b>	<b>15,079</b>	<b>573,400</b>	<b>2,134</b>	<b>858,509</b>
Sale of Capital Assets	57,060	--	--	--	57,060
Transfers In	--	--	--	--	--
Transfers Out	(12,000)	--	--	--	(12,000)
<b>Change In Net Position</b>	<b>312,956</b>	<b>15,079</b>	<b>573,400</b>	<b>2,134</b>	<b>903,569</b>
<i>Net Position at Beginning of Period</i>	<i>7,041,715</i>	<i>405,569</i>	<i>5,671,325</i>	<i>100,982</i>	<i>13,219,591</i>
<b>Net Position at End of Period</b>	<b>\$ 7,354,671</b>	<b>\$ 420,648</b>	<b>\$ 6,244,725</b>	<b>\$ 103,116</b>	<b>\$ 14,123,160</b>

The Notes to the Financial Statement are integral part of these financial statements



**Charter Township of Marquette, Michigan**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2018**

	<b>Business-type Activities - Enterprise Funds</b>				
	<b>Wastewater Fund</b>	<b>Solid Waste Fund</b>	<b>Water Fund</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>
<b>Cash Flows from Operating Activities</b>					
Cash Received from Charges for Service	\$ 1,019,588	\$ 253,770	\$ 1,030,556	\$ -	\$ 2,303,914
Cash Received from Permits, Fees, and Special Assessments	54,513	2,094	20,134	5,074	81,815
Cash Received from Grants	141,733	-	-	-	141,733
Cash Received from Miscellaneous Income	6,000	129,596	31,459	5,619	172,674
Cash Payments for Wages and Benefits	(332,282)	(30,396)	(402,060)	-	(764,738)
Cash Payments to Suppliers for Goods and Services	(385,688)	(354,961)	(263,168)	-	(1,003,817)
<i>Net Cash Provided by Operating Activities</i>	<u>503,864</u>	<u>103</u>	<u>416,921</u>	<u>10,693</u>	<u>931,581</u>
<b>Cash Flows from Non-capital Financing Activities</b>					
Transfers Out	(12,000)	-	-	-	(12,000)
Change in Interfund Balances	(171,348)	(532)	-	-	(171,880)
<i>Net Cash (Used) by Non-capital Financing Activities</i>	<u>(183,348)</u>	<u>(532)</u>	<u>-</u>	<u>-</u>	<u>(183,880)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Cash Received from Connection Fees	19,996	-	19,996	-	39,992
Proceeds from Debt Service	126,565	-	403,726	-	530,291
Disposal of Capital Assets	44,524	-	(12,056)	-	32,468
Interest Payments on Debt	(15,060)	(34)	(62,914)	-	(78,008)
Principal Payments on Debt	(19,399)	-	(342,399)	-	(361,798)
<i>Net Cash Provided (Used) By Capital and Related Financing Activities</i>	<u>156,626</u>	<u>(34)</u>	<u>6,353</u>	<u>-</u>	<u>162,945</u>
<b>Cash Flows from Investing Activities</b>					
Interest Earned	26,283	1,379	16,628	443	44,733
<i>Net Cash Provided By Investing Activities</i>	<u>26,283</u>	<u>1,379</u>	<u>16,628</u>	<u>443</u>	<u>44,733</u>
Net Increase (Decrease) in Cash and Cash Equivalents	503,425	916	439,902	11,136	955,379
Cash and Cash Equivalents - Beginning of Year	1,349,082	205,989	495,619	141,328	2,192,018
<i>Cash and Cash Equivalents - End of Year</i>	<u>\$ 1,852,507</u>	<u>\$ 206,905</u>	<u>\$ 935,521</u>	<u>\$ 152,464</u>	<u>\$ 3,147,397</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>					
Operating Income (Loss)	\$ 110,112	\$ 13,734	\$ 195,964	\$ 1,691	\$ 321,501
<b>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</b>					
Depreciation Expense	211,284	-	224,223	5,428	440,935
<b>Changes in Assets and Liabilities</b>					
Receivables (Net)	3,852	(15,049)	(1,828)	-	(13,025)
Special Assessments	46,765	-	(2,307)	-	44,458
Prepaid Items	(3,778)	(2,003)	(3,856)	-	(9,637)
Deferred Outflows of Resources	12,087	1,422	14,931	-	28,440
Accounts Payable	130,559	2,978	490	-	134,027
Accrued Expenses and Other Liabilities	2,678	162	1,280	3,574	7,694
Net Pension Liability	(27,155)	(3,195)	(33,544)	-	(63,894)
Deferred Inflows of Resources	17,460	2,054	21,568	-	41,082
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 503,864</u>	<u>\$ 103</u>	<u>\$ 416,921</u>	<u>\$ 10,693</u>	<u>\$ 931,581</u>

The Notes to the Financial Statement are integral part of these financial statements

**Charter Township of Marquette  
Statement of Fiduciary Net Position  
Fiduciary Funds  
December 31, 2018**

	<b>Agency</b>
<b>ASSETS</b>	
Cash & Cash Equivalents	\$ 1,637,391
Prepaid Items	2,770
<i><b>Total Assets</b></i>	<b>1,640,161</b>
<b>LIABILITIES</b>	
Due to Others	1,394,941
Due to Local Unit	145,220
<i><b>Total Liabilities</b></i>	<b>\$ 1,640,161</b>

The Notes to the Financial Statement are integral part of these financial statements

## **NOTES TO THE FINANCIAL STATEMENTS**

# Charter Township of Marquette

## Notes to the Financial Statements

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### **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

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*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

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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

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#### *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

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- 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

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Although the Charter Township of Marquette 2018 ad valorem tax is levied and collectible on December 1, 2018, 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

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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

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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

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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 14, 2019, 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 no significant expenditures in excess of the amount appropriated for the year ended December 31, 2018.

**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, 2018:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Totals</u>
<b>Statement of Net Position</b>			
Cash & Cash Equivalents	\$ 4,776,440	\$ 30,901	\$ 4,807,341
Restricted Cash	260,312	-	260,312
<b>Statement of Fiduciary Net Position</b>			
Cash & Cash Equivalents	1,637,391	-	1,637,391
<b><i>Total Deposits and Investments</i></b>	<b><u>\$ 6,674,143</u></b>	<b><u>\$ 30,901</u></b>	<b><u>\$ 6,705,044</u></b>

**Deposits and Investments**

Cash & Cash Equivalents	\$ 4,367,315
Certificates of Deposit	2,337,029
Cash on Hand	700
<b><i>Total</i></b>	<b><u>\$ 6,705,044</u></b>

***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, \$2,851,670 of the Township's bank balance of \$7,188,272 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:

<b>Governmental Activities:</b>	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	32,632	(50,493)	223,077
Total Capital Assets not being depreciated	<u>2,083,332</u>	<u>32,632</u>	<u>1,100</u>	<u>2,114,865</u>
Capital Assets being depreciated				
Buildings and Improvements	5,358,286	-	-	5,358,286
Vehicles	1,333,207	-	-	1,333,207
Furniture and Equipment	885,308	147,398	(1,100)	1,033,806
Total Capital Assets being depreciated	<u>7,576,801</u>	<u>147,398</u>	<u>(1,100)</u>	<u>7,725,299</u>
Less Accumulated Depreciation				
Buildings and Improvements	621,065	138,506	-	759,571
Vehicles	1,249,476	18,485	-	1,267,962
Furniture and Equipment	552,228	88,280	-	640,508
Total Accumulated Depreciation	<u>2,422,769</u>	<u>245,271</u>	<u>-</u>	<u>2,668,041</u>
Capital Assets being depreciated, Net	<u>5,154,032</u>	<u>(97,873)</u>	<u>(1,100)</u>	<u>5,057,258</u>
Governmental Activities Capital Assets Net	<u>\$ 7,237,364</u>	<u>\$ (65,241)</u>	<u>\$ -</u>	<u>\$ 7,172,123</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:

<b>Business-type Activities</b>	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets not being depreciated				
Construction in Progress	\$ 873,978	\$ -	\$ -	\$ 873,978
Land	240,000	-	-	240,000
Land Improvements	560,293	-	-	560,293
Investment in Waste Water Treatment Facility	298,684	-	-	298,684
<b>Total Capital Assets not being depreciated</b>	<b>1,972,955</b>	<b>-</b>	<b>-</b>	<b>1,972,955</b>
Capital Assets being depreciated				
Buildings and Improvements	1,939,490	-	-	1,939,490
Vehicles	315,848	-	-	315,848
Furniture and Equipment	168,998	-	-	168,998
Infrastructure	14,719,662	22,263	-	14,741,925
Solid Waste Management Authority	190,837	-	-	190,837
<b>Total Capital Assets being depreciated</b>	<b>17,334,835</b>	<b>22,263</b>	<b>-</b>	<b>17,357,098</b>
Less Accumulated Depreciation				
Buildings and Improvements	192,746	49,698	-	242,444
Vehicles	256,408	16,268	-	272,676
Furniture and Equipment	112,877	16,071	-	128,948
Infrastructure	4,476,643	358,898	-	4,835,541
Solid Waste Management Authority	190,837	-	-	190,837
<b>Total Accumulated Depreciation</b>	<b>5,229,511</b>	<b>440,935</b>	<b>-</b>	<b>5,670,446</b>
Capital Assets being depreciated, Net	12,105,324	(418,672)	-	11,686,652
<b>Business Activities Capital Assets, Net</b>	<b>\$ 14,078,279</b>	<b>\$ (418,672)</b>	<b>\$ -</b>	<b>\$ 13,659,607</b>

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

<b>Governmental Activities</b>	
General Government	\$ 95,629
Public Safety	129,391
Public Works	3,746
Recreation & Culture	16,505
<b>Total Governmental Activities</b>	<b>\$ 245,271</b>
<b>Business-type Activities</b>	
Water Fund	\$ 224,223
Wastewater Treatment Fund	211,284
Metro Authority Fund	5,428
<b>Total Business-type Activities</b>	<b>\$ 440,935</b>

# Charter Township of Marquette

## Notes to the Financial Statements

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### 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 \$213,244 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	6,303
General Fund	Wastewater Fund	12,000
Township Improvement	General Fund	450,420

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, 2017	Additions	Reductions	December 31, 2018	Due Within One Year
<b>Governmental Activities</b>					
2004 Land Purchase Note	\$ 39,021	\$ -	\$ 39,021	\$ -	\$ -
Corner Stone Property Note	53,041	-	31,908	21,133	21,133
Township-Fire Hall Loan	2,900,440	-	210,933	2,689,507	117,086
Township Hall Parking Lot	166,454	-	8,108	158,346	8,368
Ambulance	40,635	-	40,635	-	-
2015 MI Transportation Fund Bonds	2,924,169	-	154,033	2,770,136	170,247
2016 MI Transportation Fund Bonds	2,401,508	-	155,000	2,246,508	160,000
Compensated Absences	65,809	-	12,185	53,624	-
<b>Total Governmental Activities</b>	<b>8,591,077</b>	<b>-</b>	<b>651,823</b>	<b>7,939,254</b>	<b>476,834</b>
<b>Business-type Activities</b>					
Water Note Land Purchase	47,793	-	16,000	31,793	16,000
Drinking Water Bond	2,035,000	-	235,000	1,800,000	240,000
2008 Grandview Water Bond	95,000	-	10,000	85,000	10,000
PW Facility	951,050	-	38,798	912,252	40,026
Harglo Settlement	62,000	-	62,000	-	-
Compensated Absences	39,061	147	-	39,208	-
<b>Total Business-type Activities</b>	<b>3,229,904</b>	<b>147</b>	<b>361,798</b>	<b>2,868,253</b>	<b>306,026</b>
<b>Total Primary Government</b>	<b>\$11,820,981</b>	<b>\$ 147</b>	<b>\$ 1,013,621</b>	<b>\$10,807,507</b>	<b>\$ 782,860</b>

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

#### Corner Stone Property Note

December 31, 2018

	Principal	Interest	Total
2019	\$ 21,133	\$ 240	\$ 21,373

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%.

**Charter Township of Marquette**

Notes to the Financial Statements

**Township Fire Hall Loan  
December 31, 2018**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 117,086	\$ 88,253	\$ 205,339
2020	124,451	80,888	205,339
2021	128,364	76,975	205,339
2022	132,401	72,938	205,339
2023-2027	727,133	299,562	1,026,695
2028-2032	848,872	177,823	1,026,695
2033-2036	611,200	41,019	652,219
	<u>\$ 2,689,507</u>	<u>\$ 837,458</u>	<u>\$ 3,526,965</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, 2018**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 8,368	\$ 5,085	\$ 13,453
2020	8,637	4,816	13,453
2021	8,914	4,539	13,453
2022	9,200	4,253	13,453
2023-2027	50,629	16,636	67,265
2028-2033	72,598	8,396	80,994
	<u>\$ 158,346</u>	<u>\$ 43,725</u>	<u>\$ 202,071</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%.

**Charter Township of Marquette**

Notes to the Financial Statements

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**Michigan Transportation Fund Bonds, 2015**  
**December 31, 2018**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 170,247	\$ 66,482	\$ 236,729
2020	182,408	63,078	245,486
2021	194,568	59,429	253,997
2022	210,782	55,538	266,320
2023-2026	964,734	176,267	1,141,001
2027-2030	1,047,397	78,668	1,126,065
	<u>\$ 2,770,136</u>	<u>\$ 499,462</u>	<u>\$ 3,269,598</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, 2018**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 160,000	\$ 45,538	\$ 205,538
2020	165,000	42,338	207,338
2021	170,000	39,038	209,038
2022	175,000	35,638	210,638
2023-2027	950,000	123,690	1,073,690
2028-2030	626,508	27,014	653,522
	<u>\$ 2,246,508</u>	<u>\$ 313,256</u>	<u>\$ 2,559,764</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

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#### Water Land Purchase Note December 31, 2018

	Principal	Interest	Total
2019	\$ 16,000	\$ 1,067	\$ 17,067
2020	15,793	531	16,324
	<u>\$ 31,793</u>	<u>\$ 1,598</u>	<u>\$ 33,391</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, 2018

	Principal	Interest	Total
2019	\$ 240,000	\$ 38,250	\$ 278,250
2020	245,000	33,150	278,150
2021	250,000	27,944	277,944
2022	255,000	22,631	277,631
2023-2025	810,000	34,638	844,638
	<u>\$ 1,800,000</u>	<u>\$ 156,613</u>	<u>\$ 1,956,613</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, 2018

	Principal	Interest	Total
2019	\$ 10,000	\$ 3,450	\$ 13,450
2020	15,000	2,936	17,936
2021	10,000	2,393	12,393
2022	10,000	1,958	11,958
2023-2026	40,000	3,479	43,479
	<u>\$ 85,000</u>	<u>\$ 14,216</u>	<u>\$ 99,216</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

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**PW Facility**  
**December 31, 2018**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 40,026	\$ 28,890	\$ 68,916
2020	41,294	27,622	68,916
2021	42,602	26,314	68,916
2022	43,951	24,965	68,916
2023-2027	241,536	103,044	344,580
2028-2032	282,281	62,299	344,580
2033-2036	220,562	15,920	236,482
	<u>\$ 912,252</u>	<u>\$ 289,054</u>	<u>\$ 1,201,306</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%.

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 multiple employer, 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](http://www.mersofmich.com).

**Charter Township of Marquette**

Notes to the Financial Statements

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***Benefits Provided***

**Union and Admin Non-union Divisions**

	<u>2017 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, 2017 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	4
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>21</u>
Total employees covered by MERS	<u>27</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 10.45% to 10.99% 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, 2017 and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

***Actuarial Assumptions***

## Charter Township of Marquette

### Notes to the Financial Statements

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The total pension liability in the December 31, 2017 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	55.50%	3.41%
Global fixed income	18.50%	0.23%
Real assets	13.50%	0.97%
Diversifying strategies	12.50%	0.63%

## Charter Township of Marquette

### Notes to the Financial Statements

#### *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.

#### *Changes in Net Pension Liability*

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

	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2016</b>	\$ 2,988,777	\$ 2,125,025	\$ 863,752
Service cost	109,390	-	109,390
Interest	242,053	-	242,053
Difference between expected and actual experience	(73,464)	-	(73,464)
Contributions - Employer	-	127,288	(127,288)
Contributions - Employee	-	23,447	(23,447)
Net investment income	-	291,572	(291,572)
Benefit payments, including refunds	(35,618)	(35,618)	-
Administrative expenses	-	(4,594)	4,594
Net changes	242,361	402,095	(159,734)
<b>Balance at December 31, 2017</b>	<b>\$ 3,231,138</b>	<b>\$ 2,527,120</b>	<b>\$ 704,018</b>

#### *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:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability of the Township	\$ 1,065,055	\$ 704,018	\$ 396,009



## Charter Township of Marquette

### Notes to the Financial Statements

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, 2018, the Township recognized pension expense of \$188,956. At December 31, 2018, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 56,630
Difference between expected and actual experience	-	135,408.00
Difference in assumptions	84,782.00	-
Employer contributions to the plan subsequent to the measurement date *	142,659	-
Total	\$ 227,441	\$ 192,038

\* 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, 2019.

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	(1,436)
2019	(7,623)
2020	(42,720)
2021	(29,626)
2022	(15,356)
2023	(10,495)

## Charter Township of Marquette

### Notes to the Financial Statements

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#### **Note 8 - Risk Management**

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

#### **Note 9 - Joint Venture**

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

The Authority is governed by a Board of Trustees consisting of: 1) 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, 2018 were as follows:

#### Statement of Net Position

<b>Assets</b>	
Current and Other Assets	\$ 7,106,137
Capital Assets, Net	6,504,374
Total Assets	<u>13,610,511</u>
<b>Deferred Outflows of Resources</b>	
Pension	<u>102,492</u>
<b>Liabilities</b>	
Current Liabilities	330,965
Non-current Liabilities	2,849,565
Total Liabilities	<u>3,180,530</u>
<b>Net Position</b>	
Net Investment in Capital Assets	6,504,374
Restricted	3,323,136
Unrestricted	576,454
Total Net Position	<u>\$ 10,403,964</u>

#### Change in Net Position

<b>Operating Revenues</b>	
Service Revenues	<u>\$ 3,179,632</u>
<b>Operating Expenses</b>	
Operations	2,933,118
Depreciation	531,988
Total Operating Expenses	<u>3,465,106</u>
Income (Loss) from Operations	<u>(285,474)</u>
<b>Non-operating Revenues (Expenses)</b>	
Interest Income	86,142
Gain on Disposal of Assets	3,450
Change in Estimates	-
Total Non-operating Revenues (Expenses)	<u>89,592</u>
<b>Change in Net Position</b>	<u>(195,882)</u>
Net Position at the Beginning of Period	<u>10,599,846</u>
<b>Net Position at the End of Period</b>	<u>\$ 10,403,964</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 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.

## Charter Township of Marquette

### Notes to the Financial Statements

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#### **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.

Effective October 1, 2018, 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 84%, 7%, and 9%, 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, 2018 was as follows:

#### Statement of Net Position

<b>Assets</b>	
Current and Other Assets	\$ 1,584,964
Noncurrent Assets	990,107
Restricted Assets	1,347,581
Capital Assets, Net	13,384,683
Total Assets	<u>17,307,335</u>
<b>Deferred Outflows</b>	
Pension	<u>56,577</u>
<b>Liabilities</b>	
Current Liabilities	1,974,621
Non-current Liabilities	9,345,223
Total Liabilities	<u>11,319,844</u>
<b>Deferred Inflows</b>	
Pension	<u>180,415</u>
<b>Net Position</b>	
Net Investment in Capital Assets	5,009,700
Unrestricted	853,953
Total Net Position	<u>\$ 5,863,653</u>

#### Change in Net Position

<b>Operating Revenues</b>	
Service Revenues	\$ 2,113,872
Other Operating Revenues	11,220
Total Operating Revenues	<u>2,125,092</u>
<b>Operating Expenses</b>	
Operations	2,046,929
Depreciation	895,324
Total Operating Expenses	<u>2,942,253</u>
Income (Loss) from Operations	<u>(817,161)</u>
<b>Non-operating Revenues (Expenses)</b>	
Grant Proceeds	49,930
Interest Income	17,562
Interest Expense	(148,551)
Transfers from Local Units	1,203,399
Total Non-operating Revenues (Expenses)	<u>1,122,340</u>
<b>Change in Net Position</b>	305,179
Net Position at the Beginning of Period	5,706,012
Adjustment for OPEB Liability	<u>(147,538)</u>
<b>Net Position at the End of Period</b>	<u>\$ 5,863,653</u>

## Charter Township of Marquette

### Notes to the Financial Statements

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#### **Note 11 – Subsequent Event**

On January 22, 2019, the township purchased land on Grove Street in Marquette Michigan for \$246,841.50.

The township entered into a promissory note on January 22, 2019 with River Valley Bank Marquette West. The interest rate on the note is 3.250% calculated annually. Payments will be approximately \$53,952.21 each year. First payment is due January 22, 2020, and all subsequent payments are due on the same day of each year after that, with the payments ending January 22, 2024.

**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, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
<b>Revenues</b>				
Taxes	\$ 1,626,983	\$ 1,626,083	\$ 1,629,401	\$ 3,318
Licenses & Permits	14,250	14,250	12,425	(1,825)
State Sources	316,315	323,315	338,228	14,913
Charges for Services	13,600	11,600	11,299	(301)
Interest & Rents	44,500	79,500	82,134	2,634
Contributions	900	900	1,813	913
Other	2,000	7,350	17,902	10,552
<b>Total Revenues</b>	<u>2,018,548</u>	<u>2,062,998</u>	<u>2,093,202</u>	<u>30,204</u>
<b>Other Financing Sources</b>				
Transfers In	101,012	102,303	102,303	--
<b>Total Revenues and Other Financing Sources</b>	<u>2,119,560</u>	<u>2,165,301</u>	<u>2,195,505</u>	<u>30,204</u>
<b>Expenditures</b>				
<b>Legislative</b>	<u>28,649</u>	<u>27,699</u>	<u>25,318</u>	<u>2,381</u>
<b>General Government</b>				
Supervisor and Manager	156,304	176,554	175,508	1,046
Treasurer	40,031	40,781	39,637	1,144
Assessor	182,725	192,975	188,559	4,416
Clerk	97,106	102,106	101,120	986
Elections	9,000	10,000	9,226	774
Professional Services	100,449	49,550	47,292	2,258
Building and Grounds	125,134	155,134	149,883	5,251
Administration	146,294	127,294	119,956	7,338
<b>Total General Government</b>	<u>857,043</u>	<u>854,394</u>	<u>831,181</u>	<u>23,213</u>
<b>Public Safety</b>				
Law Enforcement	146,392	190,862	186,689	4,173
<b>Public Works</b>				
Street Lights	31,750	34,750	32,734	2,016
<b>Community and Economic Development</b>				
Planning and Zoning	197,536	207,536	201,243	6,293
Community Promotion	23,500	19,000	18,041	959
<b>Total Community and Economic Development</b>	<u>221,036</u>	<u>226,536</u>	<u>219,284</u>	<u>7,252</u>
<b>Recreation and Culture</b>				
Recreation Facilities	40,286	36,786	34,274	2,512
<b>Capital Outlay</b>	<u>9,000</u>	<u>99,350</u>	<u>76,027</u>	<u>23,323</u>
<b>Debt Service</b>	<u>278,033</u>	<u>278,033</u>	<u>277,544</u>	<u>489</u>
<b>Total Expenditures</b>	<u>1,612,189</u>	<u>1,748,410</u>	<u>1,683,051</u>	<u>65,359</u>
<b>Other Financing Uses</b>				
Transfers Out	450,439	450,439	450,420	19
<b>Total Expenditures and Other Financing Uses</b>	<u>2,062,628</u>	<u>2,198,849</u>	<u>2,133,471</u>	<u>65,378</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>56,932</u>	<u>(33,548)</u>	<u>62,034</u>	<u>95,582</u>
<b>Net Change in Fund Balance</b>	<u>56,932</u>	<u>(33,548)</u>	<u>62,034</u>	<u>95,582</u>
<b>Fund Balance at Beginning of Period</b>	418,884	418,884	418,884	--
<b>Fund Balance at End of Period</b>	<u>\$ 475,816</u>	<u>\$ 385,336</u>	<u>\$ 480,918</u>	<u>\$ 95,582</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Favorable (Unfavorable) Final to Actual</b>
<b>Revenues</b>				
Taxes	\$ 620,016	\$ 610,016	\$ 614,308	\$ 4,292
Licenses & Permits	950	950	920	(30)
Federal Grants	--	98,000	98,722	722
Charges for Services	22,800	75,300	104,451	29,151
Interest & Rents	500	500	1,455	955
Other	1,500	1,500	2,530	1,030
<b>Total Revenues</b>	<u>645,766</u>	<u>786,266</u>	<u>822,386</u>	<u>36,120</u>
<b>Expenditures</b>				
Public Safety	509,855	547,855	487,865	59,990
Capital Outlay	10,414	108,414	104,004	4,410
Debt Service	40,635	130,266	130,266	--
Debt Service - Interest	862	862	840	22
<b>Total Expenditures</b>	<u>561,766</u>	<u>787,397</u>	<u>722,975</u>	<u>64,422</u>
<b>Other Financing Uses</b>				
Transfers Out	84,000	84,000	84,000	--
<b>Total Expenditures and Other Financing Uses</b>	<u>645,766</u>	<u>871,397</u>	<u>806,975</u>	<u>64,422</u>
<b>Excess (Deficiency) of Revenues Over Expenditures and Other Uses</b>	<u>--</u>	<u>(85,131)</u>	<u>15,411</u>	<u>100,542</u>
<b>Net Change in Fund Balance</b>	<u>--</u>	<u>(85,131)</u>	<u>15,411</u>	<u>100,542</u>
<i>Fund Balance at Beginning of Period</i>	89,631	89,631	89,631	--
<b>Fund Balance at End of Period</b>	<u>\$ 89,631</u>	<u>\$ 4,500</u>	<u>\$ 105,042</u>	<u>\$ 100,542</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>				
Service Cost	\$ 109,390	\$ 97,700	\$ 95,929	\$ 92,987
Interest	242,053	221,501	201,235	181,186
Difference Between Expected and Actual Changes in Assumptions	(73,464)	(34,028)	(84,232)	-
Benefit Payments, Including Refunds	-	-	148,370	-
	<u>(35,618)</u>	<u>(32,629)</u>	<u>(32,629)</u>	<u>(32,629)</u>
<b>Net Change in Pension Liability</b>	242,361	252,544	328,673	241,544
<i>Total Pension Liability - Beginning</i>	<u>2,988,777</u>	<u>2,736,233</u>	<u>2,407,560</u>	<u>2,166,016</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 3,231,138</u>	<u>\$ 2,988,777</u>	<u>\$ 2,736,233</u>	<u>\$ 2,407,560</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 127,288	\$ 118,830	\$ 108,190	\$ 108,170
Contributions - Member	23,447	21,798	21,034	20,973
Net Investment Income	291,572	214,201	(27,908)	100,658
Benefit Payments, Including Refunds	(35,618)	(32,629)	(32,629)	(32,629)
Administrative Expenses	(4,594)	(4,218)	(3,961)	(3,736)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>402,095</u>	<u>317,982</u>	<u>64,726</u>	<u>193,436</u>
<i>Plan Fiduciary Net Position - Beginning</i>	<u>2,125,025</u>	<u>1,807,043</u>	<u>1,742,317</u>	<u>1,548,881</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 2,527,120</u>	<u>\$ 2,125,025</u>	<u>\$ 1,807,043</u>	<u>\$ 1,742,317</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	\$ 704,018	\$ 863,752	\$ 929,190	\$ 665,243
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	78.21%	71.10%	66.04%	72.37%
Covered Employee Payroll	\$ 1,199,004	\$ 1,083,225	\$ 1,082,096	\$ 1,048,652
Net Pension Liability as a Percentage of Covered Employee Payroll	58.72%	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**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially Determined Contribution	\$ 142,126	\$ 127,288	\$ 118,830	\$ 108,190	\$ 108,170	\$ 84,792	\$ 87,550	\$ 87,426	\$ 84,218	\$ 93,362
Contributions in Relation to the Actuarially Determined Contribution	142,126	127,288	118,830	108,190	108,170	84,792	87,550	87,426	84,218	93,362
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	1,277,837	1,199,004	1,083,225	1,082,096	1,048,652	816,878	773,694	657,908	661,015	684,017
Contributions as a Percentage of Covered Employee Payroll	11%	11%	11%	10%	10%	10%	11%	13%	13%	14%

*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	21 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, 2018**

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Liquor Law Fund</u>	<u>Library Fund</u>	
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 5,815	\$ 31,749	\$ 37,564
Taxes Receivable	--	192,105	192,105
<i>Total Assets</i>	<u>\$ 5,815</u>	<u>\$ 223,854</u>	<u>\$ 229,669</u>
<b>LIABILITIES</b>			
<i>Total Liabilities</i>	--	--	--
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes Levied for a Subsequent Period	--	222,636	222,636
<i>Total Liabilities and Deferred Inflows of Resources</i>	--	<u>222,636</u>	<u>222,636</u>
<b>FUND BALANCE</b>			
Assigned	5,815	--	5,815
Unassigned	--	1,218	1,218
<i>Total Fund Balance</i>	<u>5,815</u>	<u>11,218</u>	<u>7,033</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 5,815</u>	<u>\$ 223,854</u>	<u>\$ 229,669</u>

**Charter Township of Marquette**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2018**

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Liquor Law Fund</u>	<u>Library Fund</u>	
<b>Revenues</b>			
Taxes	\$ --	\$ 214,438	\$ 214,438
State Sources	6,303	--	6,303
<b><i>Total Revenues</i></b>	<u>6,303</u>	<u>214,438</u>	<u>220,741</u>
<b>Expenditures</b>			
Recreation & Culture	--	213,729	213,729
<b><i>Total Expenditures</i></b>	<u>--</u>	<u>213,729</u>	<u>213,729</u>
<b><i>Excess of Revenues Over (Under) Expenditures</i></b>	<u>6,303</u>	<u>709</u>	<u>7,012</u>
<b>Other Financing Sources (Uses)</b>			
Transfers Out	(6,303)	--	(6,303)
<b><i>Net Other Financing Sources (Uses)</i></b>	<u>(6,303)</u>	<u>--</u>	<u>(6,303)</u>
<b><i>Net Change in Fund Balance</i></b>	<u>--</u>	<u>709</u>	<u>709</u>
<i>Fund Balance at Beginning of Period</i>	5,815	509	6,324
<b><i>Fund Balance at End of Period</i></b>	<u>\$ 5,815</u>	<u>\$ 1,218</u>	<u>\$ 7,033</u>

**Charter Township of Marquette  
Combining Statement of Net Position  
Nonmajor Enterprise Funds  
December 31, 2018**

	Enterprise		Total Enterprise Funds
	Storm Water Fund	Metro Fund	
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash & Cash Equivalents	\$ 113,381	\$ 39,083	\$ 152,464
<b><i>Total Current Assets</i></b>	<b>113,381</b>	<b>39,083</b>	<b>152,464</b>
<i>Noncurrent Assets</i>			
Capital Assets (Net)	--	15,836	15,836
<b><i>Total Assets</i></b>	<b>113,381</b>	<b>54,919</b>	<b>168,300</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Customer Deposits	65,184	--	65,184
<b><i>Total Liabilities</i></b>	<b>65,184</b>	<b>--</b>	<b>65,184</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	--	15,836	15,836
<i>Unrestricted</i>	48,197	39,083	87,280
<b><i>Total Net Position</i></b>	<b>\$ 48,197</b>	<b>\$ 54,919</b>	<b>\$ 103,116</b>

**Charter Township of Marquette**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2018**

	Enterprise		Total Enterprise Funds
	Storm Water Fund	Metro Fund	
<b>Operating Revenues</b>			
Permits, Fees & Special Assessments	\$ 1,500	\$ --	\$ 1,500
State Sources	--	5,535	5,535
Other	84	--	84
<i>Total Operating Revenues</i>	1,584	5,535	7,119
<b>Operating Expenses</b>			
Depreciation Expense	--	5,428	5,428
<i>Total Operating Expenses</i>	0	5,428	5,428
<i>Operating Income (Loss)</i>	1,584	107	1,691
<b>Non-Operating Revenues (Expenses)</b>			
Interest and Rents	419	24	443
<i>Net Non-Operating Revenues (Expenses)</i>	419	24	443
<i>Change In Net Position</i>	<b>2,003</b>	<b>131</b>	<b>2,134</b>
<i>Net Position at Beginning of Period</i>	46,194	54,788	100,982
<i>Net Position at End of Period</i>	<b>\$ 48,197</b>	<b>\$ 54,919</b>	<b>\$ 103,116</b>



**Charter Township of Marquette, Michigan**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2018**

	<b>Enterprise</b>		
	<b>Storm Water Fund</b>	<b>Metro Fund</b>	<b>Total Enterprise Funds</b>
<b>Cash Flows From Operating Activities</b>			
Cash Received from Permits, Fees and Special Assessments	\$ 5,074	\$ -	\$ 5,074
Cash Received from Other Sources	84	5,535	5,619
<i>Net Cash Provided by Operating Activities</i>	<u>5,158</u>	<u>5,535</u>	<u>10,693</u>
<b>Cash Flows From Investing Activities</b>			
Interest Earned	419	24	443
<i>Net Cash Provided by Investing Activities</i>	<u>419</u>	<u>24</u>	<u>443</u>
Net Increase in Cash and Cash Equivalents	5,577	5,559	11,136
Cash and Cash Equivalents - Beginning of Year.	107,804	33,524	141,328
<i>Cash and Cash Equivalents - End of Year</i>	<u>\$ 113,381</u>	<u>\$ 39,083</u>	<u>\$ 152,464</u>
<b>Reconciliation of Operating Income to</b>			
<b>Net Cash Provided by Operating Activities</b>			
Operating Income	\$ 1,584	\$ 107	\$ 1,691
<b>Adjustments to Reconcile Operating Income to Net Cash</b>			
<b>Provided by Operating Activities:</b>			
Depreciation Expense	-	5,428	5,428
<b>Changes in Assets and Liabilities:</b>			
Accrued Expenses and Other Liabilities	3,574	-	3,574
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 5,158</u>	<u>\$ 5,535</u>	<u>\$ 10,693</u>

June 14, 2019

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, 2018. 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 March 11, 2019. 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, 2018. 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 14, 2019.

#### *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 company.

Gabridge & Company, PLC  
Grand Rapids, MI

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

June 14, 2019

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, 2018, 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 14, 2019.

**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