



**CHARTER TOWNSHIP OF MARQUETTE, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2019**

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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, 2019, 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, 2019, 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 and individual fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual 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 and individual 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 25, 2020, 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 25, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Charter Township of Marquette
Management's Discussion and Analysis
December 31, 2019**

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, 2019. Please read it in conjunction with the financial statements.

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 \$15,512,400 (net position). Of this amount, an unrestricted deficit exists in the government activities of \$(4,047,523) while an unrestricted surplus of \$3,788,609 exists in the business-type activities.
- The Township reported total revenues of \$6,868,167 and expenses of \$5,386,819 for an increase in total net position of \$1,481,348 during 2019.
- At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$1,447,485. Approximately 47.1% (\$681,805) 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 \$681,805, or approximately 28.1% of total general fund expenditures and 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, deferred outflows, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as

the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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, the Township improvement fund, and the fire fund, which are considered to be major funds. Data from the other two governmental funds are combined into a single aggregated presentation. Individual

fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

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

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 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.

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.

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.

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.

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

Government-wide Overall Financial Analysis

The following table provides a summary of the Township's net position as of December 31, 2019 and 2018.

Charter Township of Marquette's Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 2,336,634	\$ 1,889,355	\$ 3,748,222	\$ 2,887,085	\$ 6,084,856	\$ 4,776,440
Receivables (Net)	151,151	102,945	94,458	90,577	245,609	193,522
Special Assessments		-	388,258	401,772	388,258	401,772
Taxes Receivable	2,302,490	2,245,479	-	-	2,302,490	2,245,479
Due from Agency Funds	8,291	8,734	-	171,348	8,291	180,082
Prepaid Items	20,359	27,668	18,288	25,826	38,647	53,494
Total Current Assets	4,818,925	4,274,181	4,249,226	3,576,608	9,068,151	7,850,789
<i>Noncurrent Assets</i>						
Restricted Cash	-	-	250,104	260,312	250,104	260,312
Nondepreciable Capital Assets	2,359,865	2,114,865	1,972,955	1,753,257	4,332,820	3,868,122
Depreciable Capital Assets (Net)	4,891,004	5,057,258	11,371,960	11,906,350	16,262,964	16,963,608
Total Assets	12,069,794	11,446,304	17,844,245	17,496,527	29,914,039	28,942,831
DEFERRED OUTFLOWS OF RESOURCES						
Pension	232,879	121,188	156,551	106,253	389,430	227,441
Total Deferred Outflows of Resources	232,879	121,188	156,551	106,253	389,430	227,441
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	226,985	69,565	116,096	220,831	343,081	290,396
Customer Deposits	30,987	11,987	178,717	163,976	209,704	175,963
Accrued Payroll and Related Liabilities	51,746	42,139	26,323	22,766	78,069	64,905
Current Portion of Compensated Absences	14,656	-	10,545	-	25,201	-
Current Portion of Long-term Debt	526,744	476,834	286,446	306,026	813,190	782,860
Accrued Interest Payable	100,491	102,776	13,550	16,400	114,041	119,176
Unearned Revenue	-	163,389	3,937	-	3,937	163,389
Internal Balances	208,764	213,244	(208,764)	(213,244)	-	-
Total Current Liabilities	1,160,373	1,079,934	426,850	516,755	1,587,223	1,596,689
<i>Noncurrent Liabilities</i>						
Compensated Absences	43,966	53,624	31,633	39,208	75,599	92,832
Long-term Debt	7,022,369	7,408,797	2,145,626	2,523,019	9,167,995	9,931,816
Net Pension Liability	551,040	387,359	370,430	316,659	921,470	704,018
Total Liabilities	8,777,748	8,929,714	2,974,539	3,395,641	11,752,287	12,325,355
DEFERRED INFLOWS OF RESOURCES						
Taxes Levied for a Subsequent Period	2,852,958	2,617,386	-	4,440	2,852,958	2,621,826
Pension	111,123	112,499	74,701	79,539	185,824	-
Total Deferred Inflows of Resources	2,964,081	2,729,885	74,701	83,979	3,038,782	2,813,864
NET POSITION						
Net Investment in Capital Assets	4,388,153	4,303,137	10,912,843	10,830,560	15,300,996	15,133,697
Restricted	220,214	105,042	250,104	260,312	470,318	365,354
Unrestricted	(4,047,523)	(4,500,286)	3,788,609	3,032,288	(258,914)	(1,467,998)
Total Net Position	\$ 560,844	\$ (92,108)	\$ 14,951,556	\$ 14,123,160	\$ 15,512,400	\$ 14,031,053

Governmental Activities. Total net position of the Township's governmental activities was a surplus of \$560,844 as of December 31, 2019.

Unrestricted net position – There was a deficit balance in unrestricted net position of \$4,047,523 as of December 31, 2019. 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 \$78,746 increase in government capital assets for 2019 was primarily related to depreciation of \$231,883 offset by the purchase of assets of \$310,331.

Net receivables increased by 47% from the prior year, due to grant revenue and a transfer from the DDA Fund.

Accounts payable increased by 226%, mainly due to the underpass project cost payable (\$143,961).

Total net position has increased from \$(92,108) in 2018 to \$560,844 in 2019, an increase of \$652,952.

Business-type Activities. The net position of our business-type activities stood at \$14,951,556 as of December 31, 2019. 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, \$10,912,843 or 73.0% of 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.

\$250,104 or 1.7% is the portion of net position that is restricted for debt service and \$3,788,609 or 25.3% 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 2019 and 2018.

Charter Township of Marquette's Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenue						
Program Revenues						
Charges for Services	\$ 186,166	\$ 130,625	\$ 3,170,664	\$ 3,088,060	\$ 3,356,830	\$ 3,218,685
Operating Grants and Contributions	254,898	107,838	66,253	147,268	321,151	255,106
Total Program Revenues	441,064	238,463	3,236,917	3,235,328	3,677,981	3,473,791
General Revenues						
Taxes	2,730,070	2,458,147	-	-	2,730,070	2,458,147
State Sources	358,896	338,228	-	-	358,896	338,228
Other	-	17,902	-	84	-	17,986
Investment Income	36,650	88,373	64,570	44,733	101,220	133,106
Sale of Capital Assets	-	-	-	57,060	-	57,060
Total General Revenues	3,125,616	2,902,650	64,570	101,877	3,190,186	3,004,527
Total Revenues	3,566,680	3,141,113	3,301,487	3,337,205	6,868,167	6,478,318
Expenses						
Legislative	25,481	25,318	-	-	25,481	25,318
General Services and Administration	946,650	919,691	-	-	946,650	919,691
Public Safety	858,848	805,718	-	-	858,848	805,718
Public Works	333,276	124,023	-	-	333,276	124,023
Community and Economic Development	231,998	220,719	-	-	231,998	220,719
Recreation and Culture	323,699	264,677	-	-	323,699	264,677
Interest on Long-term Debt	203,776	186,187	-	-	203,776	186,187
Wastewater Fund	-	-	1,039,078	1,076,165	1,039,078	1,076,165
Solid Waste Fund	-	-	444,715	386,809	444,715	386,809
Water Fund	-	-	973,648	953,234	973,648	953,234
Storm Water Fund	-	-	222	-	222	-
Metro Fund	-	-	5,428	5,428	5,428	5,428
Total Expenses	2,923,728	2,546,333	2,463,091	2,421,636	5,386,819	4,967,969
Transfers In (Out)	10,000	12,000	(10,000)	(12,000)	-	-
Change in Net Position	652,952	606,780	828,396	903,569	1,481,348	1,510,349
<i>Net Position at the Beginning of Period</i>	<i>(92,108)</i>	<i>(698,887)</i>	<i>14,123,160</i>	<i>13,219,591</i>	<i>14,031,052</i>	<i>12,520,704</i>
Net Position at the End of Period	\$ 560,844	\$ (92,108)	\$14,951,556	\$14,123,160	\$ 15,512,400	\$ 14,031,052

The Township's total revenues were \$6,868,167 during the year. The cost of all programs and services was \$5,386,819, leaving an increase in net position of \$1,481,348. Our analysis below separately considers the operations of governmental and business-type activities:

- Government funds revenue increased due to donations for the underpass, as well as a contribution for Fire Department equipment.
- Public works funds revenue was within one percent of 2018. The wastewater fund has decreased revenue due to higher asset management funding received in 2018, as well as the gain on the sale of an asset. Offsetting that is landfill revenue which was 34% higher than 2018.

- Government funds expenditures increased mainly due to the road underpass project, offset by lower fire fund capital expenditures.
- Public works funds expenditures were within 2% of 2018.

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. 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, Township improvement, and fire funds.

The governmental funds had an overall net increase for the year of \$291,014.

Revenues

Total revenues were 14% over the prior year, with \$3,566,680 in 2019 and \$3,141,113 in 2018. The increases were mainly reflected in the tax collection for law enforcement (\$97,819) and the recognition of the contributions for the underpass project (\$163,388).

Expenditures

Major increases over 2018 include the underpass project (\$242,270) offset by decreases in firefighting capital (\$104,004).

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 \$681,805, while total fund balance increased to \$711,427. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents approximately 28.1% of total general fund expenditures, while total fund balance represents approximately 29.3% of that same amount.

The fire fund, a major fund, had an \$115,172 increase in the fund balance during the current fiscal year which put the overall fund balance at \$220,214 as of December 31, 2019.

The Township improvement fund, a major fund, had a \$54,886 decrease in the fund balance during the current fiscal year which put the overall fund balance at \$508,592 as of December 31, 2019.

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 \$2,313,583, \$429,623 for the solid waste fund, and the water fund was \$952,203. The total increase in the net position for each fund was \$241,017, \$8,975, and \$577,912, 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 (2%) and expenditures (4%). The revenue increases relate to adjustments for increased interest, grants, as well as the election reimbursement. Increases in expenditures relate to capital purchases (building generator, roundabout lighting, and computer upgrades), vacation overages, offset by lower professional services.

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2019 and 2018, the Township had \$20,595,784 and \$20,831,730 invested in a variety of capital assets including land and improvements, buildings and improvements, and other equipment (See table below).

	2019	2018
Construction in Progress	\$ 873,978	\$ 873,978
Land	2,376,787	2,131,787
Land Improvements	783,371	783,371
Investment in WW Treatment Facility	298,684	298,684
Buildings and Improvements	6,254,123	6,295,760
Vehicles	108,542	108,418
Furniture and Equipment	279,422	433,347
Infrastructure	9,620,877	9,906,385
Totals	\$ 20,595,784	\$ 20,831,730

There were additions of \$441,402 during the current fiscal year, which included the purchase of land for \$245,000, a building generator, meters, grinder pumps, and a pickup truck. Further details on capital assets can be found in the footnotes to the financial statements.

Long-term Debt

At the end of fiscal year 2019 and 2018, the Township had \$9,981,185 and \$10,714,676 in debt outstanding as depicted in the table on the following schedule:

	2019	2018
Cornerstone Property Note	\$ -	\$ 21,133
2015 MTF Bond	2,599,889	2,770,136
2016 MTF Bond	2,086,508	2,246,508
Water Land Purchase Note	-	31,793
DWRF Bond	1,560,000	1,800,000
Grandview Project Bond	-	85,000
Township Hall Parking Lot	149,951	158,346
Public Works Facility	872,072	912,252
Grove Street Land Loan	245,000	-
Township-Fire Hall Note	2,467,765	2,689,508
<i>Totals</i>	<u>\$ 9,981,185</u>	<u>\$ 10,714,676</u>

Principal payments for the year were \$978,492. 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. Further, the Township is in the process of determining the significance of the impact of COVID-19 on the future revenues and expenditures for the Township.

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, 2019**

	Primary Government			Component Unit - DDA
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 2,336,634	\$ 3,748,222	\$ 6,084,856	\$ 30,901
Receivables (Net)	151,151	94,458	245,609	--
Special Assessments	--	388,258	388,258	--
Taxes Receivable	2,302,490	--	2,302,490	--
Due from Agency Funds	8,291	--	8,291	--
Prepaid Items	20,359	18,288	38,647	--
Total Current Assets	4,818,925	4,249,226	9,068,151	30,901
<i>Noncurrent Assets</i>				
Restricted Cash	--	250,104	250,104	--
Nondepreciable Capital Assets	2,359,865	1,972,955	4,332,820	--
Depreciable Capital Assets (Net)	4,891,004	11,371,960	16,262,964	--
Total Assets	12,069,794	17,844,245	29,914,039	30,901
DEFERRED OUTFLOWS OF RESOURCES				
Pension	232,879	156,551	389,430	--
Total Deferred Outflows of Resources	232,879	156,551	389,430	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	226,985	116,096	343,081	28,500
Customer Deposits	30,987	178,717	209,704	--
Accrued Payroll and Related Liabilities	51,746	26,323	78,069	--
Current Portion of Compensated Absences	14,656	10,545	25,201	--
Current Portion of Long-term Debt	526,744	286,446	813,190	--
Accrued Interest Payable	100,491	13,550	114,041	--
Unearned Revenue	--	3,937	3,937	--
Internal Balances	208,764	(208,764)	--	--
Total Current Liabilities	1,160,373	426,850	1,587,223	28,500
<i>Noncurrent Liabilities</i>				
Compensated Absences	43,966	31,633	75,599	--
Long-term Debt	7,022,369	2,145,626	9,167,995	--
Net Pension Liability	551,040	370,430	921,470	--
Total Liabilities	8,777,748	2,974,539	11,752,287	28,500
DEFERRED INFLOWS OF RESOURCES				
Pension	111,123	74,701	185,824	--
Taxes Levied for Subsequent Period	2,852,958	--	2,852,958	--
Total Deferred Inflows of Resources	2,964,081	74,701	3,038,782	--
NET POSITION				
Net Investment in Capital Assets	4,388,153	10,912,843	15,300,996	--
<i>Restricted for:</i>				
Debt Service	--	250,104	250,104	--
Public Safety	220,214	--	220,214	--
<i>Unrestricted</i>	(4,047,523)	3,788,609	(258,914)	2,401
Total Net Position	\$ 560,844	\$ 14,951,556	\$ 15,512,400	\$ 2,401

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

**Charter Township of Marquette
Statement of Activities
For the Year Ended December 31, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Unit - DDA
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities:								
Legislative	\$ 25,481	\$ --	\$ --	\$ --	\$ (25,481)	\$ --	\$ (25,481)	\$ --
General Services and Administration	946,650	96,037	34,514	--	(816,099)	--	(816,099)	--
Public Safety	858,848	85,114	35,897	--	(737,837)	--	(737,837)	--
Public Works	333,276	--	183,389	--	(149,887)	--	(149,887)	--
Community and Economic Development	231,998	4,635	--	--	(227,363)	--	(227,363)	--
Recreation and Culture	323,699	380	1,098	--	(322,221)	--	(322,221)	--
Interest on Long-term Debt	203,776	--	--	--	(203,776)	--	(203,776)	--
Total Governmental Activities	2,923,728	186,166	254,898	--	(2,482,664)	--	(2,482,664)	--
Business-type Activities:								
Storm Water Fund	222	--	--	--	--	(222)	(222)	--
Wastewater Fund	1,039,078	1,192,302	60,659	--	--	213,883	213,883	--
Solid Waste Fund	444,715	452,103	--	--	--	7,388	7,388	--
Metro Fund	5,428	--	5,594	--	--	166	166	--
Water Fund	973,648	1,526,259	--	--	--	552,611	552,611	--
Total Business-type Activities	2,463,091	3,170,664	66,253	--	--	773,826	773,826	--
Total Primary Government	\$ 5,386,819	\$ 3,356,830	\$ 321,151	\$ --	\$ (2,482,664)	\$ 773,826	\$ (1,708,838)	--
Component Unit								
DDA	\$ 28,500	\$ --	\$ --	\$ --	--	--	--	(28,500)
Total Component Unit	\$ 28,500	\$ --	\$ --	\$ --	--	--	--	(28,500)
General Purpose Revenues and Transfers:								
Revenues								
Taxes					2,730,070	--	2,730,070	--
State Sources					358,896	--	358,896	--
Interest Income					36,650	64,570	101,220	--
Transfers					10,000	(10,000)	--	--
Total General Revenues and Transfers					3,135,616	54,570	3,190,186	--
Change in Net Position					652,952	828,396	1,481,348	(28,500)
<i>Net Position at Beginning of Period</i>					(92,108)	14,123,160	14,031,052	30,901
Net Position at End of Period					\$ 560,844	\$ 14,951,556	\$ 15,512,400	\$ 2,401

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

**Charter Township of Marquette
Balance Sheet
Governmental Funds
December 31, 2019**

	<u>Special Revenue</u>		<u>Capital Projects</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Fire Fund</u>	<u>Township Improvement Fund</u>	<u>Other Governmental Funds</u>	
ASSETS					
Cash and Investments	\$ 1,263,350	\$ 389,505	\$ 632,553	\$ 51,226	\$ 2,336,634
Receivables (Net)	105,380	25,771	20,000	--	151,151
Taxes Receivable	1,439,485	670,062	--	192,943	2,302,490
Due from Agency Funds	8,291	--	--	--	8,291
Prepaid Items	11,122	9,237	--	--	20,359
Total Assets	2,827,628	1,094,575	652,553	244,169	4,818,925
LIABILITIES					
Accounts Payable	\$ 67,623	\$ 15,401	\$ 143,961	\$ --	\$ 226,985
Customer Deposits	30,987	--	--	--	30,987
Accrued Payroll and Related Liabilities	29,363	22,383	--	--	51,746
Due to Other Funds	208,764	--	--	--	208,764
Total Liabilities	336,737	37,784	143,961	--	518,482
DEFERRED INFLOWS OF RESOURCES					
Taxes Levied for Subsequent Period	1,779,464	836,577	--	236,917	2,852,958
Total Liabilities and Deferred Inflows of Resources	2,116,201	874,361	143,961	236,917	3,371,440
FUND BALANCE					
Nonspendable	11,122	9,237	--	--	20,359
Restricted	--	210,977	--	--	210,977
Assigned	18,500	--	508,592	7,252	534,344
Unassigned	681,805	--	--	--	681,805
Total Fund Balance	711,427	220,214	508,592	7,252	1,447,485
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 2,827,628	\$ 1,094,575	\$ 652,553	\$ 244,169	\$ 4,818,925

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

Charter Township of Marquette
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2019

Total Fund Balance - Governmental Funds	\$ 1,447,485
General government capital assets of \$10,150,494, net of accumulated depreciation of \$2,899,625, are not financial resources and, accordingly, are not reported in the funds.	7,250,869
Long-term liabilities, including related accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	(7,649,604)
Net pension liability, and the pension related deferrals, are not due and payable in the current period and are not reported in the funds.	(429,284)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(58,622)
Total Net Position - Governmental Activities	\$ <u>560,844</u>

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

Charter Township of Marquette
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2019

	<u>General</u>	<u>Special Revenue</u> Fire Fund	<u>Capital Projects</u> Township Improvement Fund	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 1,786,513	\$ 721,085	\$ --	\$ 222,472	\$ 2,730,070
Licenses and Permits	12,280	1,383	--	--	13,663
State Sources	357,029	--	--	9,450	366,479
State Grants	--	--	20,000	--	20,000
Charges for Services	12,465	81,460	--	--	93,925
Contributions	29,514	28,314	163,389	--	221,217
Other	18,933	2,271	--	--	21,204
Interest and Rents	92,464	1,819	5,839	--	100,122
Total Revenues	<u>2,309,198</u>	<u>836,332</u>	<u>189,228</u>	<u>231,922</u>	<u>3,566,680</u>
Expenditures					
Legislative	25,481	--	--	--	25,481
General Services and Administration	831,825	--	--	--	831,825
Public Safety	190,421	532,504	--	--	722,925
Public Works	34,169	--	299,107	--	333,276
Community and Economic Development	216,206	--	--	--	216,206
Recreation and Culture	78,922	--	--	224,121	303,043
Capital Outlay	310,331	--	--	--	310,331
Debt Service - Principal	146,580	104,656	330,282	--	581,518
Debt Service - Interest	94,076	--	111,985	--	206,061
Total Expenditures	<u>1,928,011</u>	<u>637,160</u>	<u>741,374</u>	<u>224,121</u>	<u>3,530,666</u>
Excess of Revenues Over (Under) Expenditures	<u>381,187</u>	<u>199,172</u>	<u>(552,146)</u>	<u>7,801</u>	<u>36,014</u>
Other Financing Sources (Uses)					
Issuance of Long-term Debt	245,000	--	--	--	245,000
Transfers In	101,582	--	497,260	--	598,842
Transfers Out	(497,260)	(84,000)	--	(7,582)	(588,842)
Net Other Financing Sources (Uses)	<u>(150,678)</u>	<u>(84,000)</u>	<u>497,260</u>	<u>(7,582)</u>	<u>255,000</u>
Net Change in Fund Balance	230,509	115,172	(54,886)	219	291,014
<i>Fund Balance at Beginning of Period</i>	480,918	105,042	563,478	7,033	1,156,471
Fund Balance at End of Period	<u>\$ 711,427</u>	<u>\$ 220,214</u>	<u>\$ 508,592</u>	<u>\$ 7,252</u>	<u>\$ 1,447,485</u>

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

Charter Township of Marquette
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended December 31, 2019

Total Net Change in Fund Balances - Governmental Funds	\$	291,014
Long-term debt payments are reported as financing uses in the governmental funds and thus contribute to the change in fund balance. Debt payment reduces and debt issuance increases the long-term debt on the statement of net position. This represents the amount of principal payment made during the year on long-term debt.		581,518
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 \$2,285 and the increase in compensated absences of \$4,998.		(2,713)
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 \$310,331 less depreciation expense of \$231,584.		78,747
Proceeds from issuance of a loan payable are reported as other financing sources in the fund statements, but reported as liabilities in the statement of net position.		(245,000)
Changes to the net pension liability, and the pension related deferrals, are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.		(50,614)
Changes in Net Position - Governmental Activities	\$	<u>652,952</u>

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

**Charter Township of Marquette
Statement of Net Position
Proprietary Funds
December 31, 2019**

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>
ASSETS					
<i>Current Assets</i>					
Cash and Investments	\$ 2,038,867	\$ 237,858	\$ 1,299,402	\$ 172,095	\$ 3,748,222
Receivables (Net)	39,144	25,603	29,711	--	94,458
Special Assessments	363,406	--	24,852	--	388,258
Prepaid Items	8,280	91	9,917	--	18,288
Due from Other Funds	--	208,764	--	--	208,764
Due from Water Fund	24,845	--	--	--	24,845
Total Current Assets	2,474,542	472,316	1,363,882	172,095	4,482,835
<i>Noncurrent Assets</i>					
Restricted Cash	150,476	--	99,628	--	250,104
Nondepreciable Capital Assets	897,962	--	1,074,993	--	1,972,955
Depreciable Capital Assets (Net)	4,669,703	--	6,691,849	10,408	11,371,960
Advances to Other Funds	65,948	--	--	--	65,948
Total Assets	8,258,631	472,316	9,230,352	182,503	18,143,802
DEFERRED OUTFLOWS OF RESOURCES					
Pension	65,814	7,009	83,728	--	156,551
Total Deferred Outflows of Resources	65,814	7,009	83,728	--	156,551
LIABILITIES					
<i>Current Liabilities</i>					
Accounts Payable	76,767	13,944	25,385	--	116,096
Customer Deposits	--	14,375	85,447	78,895	178,717
Accrued Payroll and Related Liabilities	11,406	1,400	13,517	--	26,323
Current Portion of Compensated Absences	4,354	--	6,191	--	10,545
Current Portion of Long-term Debt	20,723	--	265,723	--	286,446
Accrued Interest Payable	--	--	13,550	--	13,550
Unearned Revenue	--	52	3,885	--	3,937
Due to Other Funds	--	--	24,845	--	24,845
Total Current Liabilities	113,250	29,771	438,543	78,895	660,459
<i>Noncurrent Liabilities</i>					
Compensated Absences	13,062	--	18,571	--	31,633
Long-term Debt	415,313	--	1,730,313	--	2,145,626
Net Pension Liability	155,728	16,586	198,116	--	370,430
Advances from Other Funds	--	--	65,948	--	65,948
Total Liabilities	697,353	46,357	2,451,491	78,895	3,274,096
DEFERRED INFLOWS OF RESOURCES					
Pension	31,404	3,345	39,952	--	74,701
Total Deferred Inflows of Resources	31,404	3,345	39,952	--	74,701
NET POSITION					
Net Investment in Capital Assets	5,131,629	--	5,770,806	10,408	10,912,843
<i>Restricted for:</i>					
Debt Service	150,476	--	99,628	--	250,104
<i>Unrestricted</i>	2,313,583	429,623	952,203	93,200	3,788,609
Total Net Position	\$ 7,595,688	\$ 429,623	\$ 6,822,637	\$ 103,608	\$ 14,951,556

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

Charter Township of Marquette
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2019

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>
Operating Revenues					
State Sources	\$ --	\$ --	\$ --	\$ 5,594	\$ 5,594
Charges for Services	1,005,257	277,783	1,065,322	--	2,348,362
Permits, Fees, and Special Assessments	10,082	1,921	13,407	--	25,410
Other	5,239	172,399	33,317	--	210,955
Total Operating Revenues	<u>1,020,578</u>	<u>452,103</u>	<u>1,112,046</u>	<u>5,594</u>	<u>2,590,321</u>
Operating Expenses					
Personnel Services	320,597	34,530	428,810	--	783,937
Supplies	7,952	861	10,288	--	19,101
Other Services and Charges	481,442	409,301	256,561	222	1,147,526
Depreciation Expense	214,719	--	225,619	5,428	445,766
Total Operating Expenses	<u>1,024,710</u>	<u>444,692</u>	<u>921,278</u>	<u>5,650</u>	<u>2,396,330</u>
Operating Income (Loss)	<u>(4,132)</u>	<u>7,411</u>	<u>190,768</u>	<u>(56)</u>	<u>193,991</u>
Non-Operating Revenues (Expenses)					
Interest and Rents	37,134	1,587	25,301	548	64,570
Debt Service Fee	127,603	--	410,049	--	537,652
Connection Fees	44,121	--	4,164	--	48,285
Grant Revenues	60,659	--	--	--	60,659
Interest Expense	(14,368)	(23)	(52,370)	--	(66,761)
Net Non-Operating Revenues (Expenses)	<u>255,149</u>	<u>1,564</u>	<u>387,144</u>	<u>548</u>	<u>644,405</u>
Income Before Contributions and Transfers	<u>251,017</u>	<u>8,975</u>	<u>577,912</u>	<u>492</u>	<u>838,396</u>
Transfers Out	(10,000)	--	--	--	(10,000)
Change In Net Position	<u>241,017</u>	<u>8,975</u>	<u>577,912</u>	<u>492</u>	<u>828,396</u>
<i>Net Position at Beginning of Period</i>	<u>7,354,671</u>	<u>420,648</u>	<u>6,244,725</u>	<u>103,116</u>	<u>14,123,160</u>
Net Position at End of Period	<u>\$ 7,595,688</u>	<u>\$ 429,623</u>	<u>\$ 6,822,637</u>	<u>\$ 103,608</u>	<u>\$ 14,951,556</u>

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

**Charter Township of Marquette
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019**

	Business-type Activities - Enterprise Funds				
	Wastewater Fund	Solid Waste Fund	Water Fund	Other Enterprise Funds	Total Enterprise Funds
Cash Flows from Operating Activities					
Cash Received from Charges for Service	\$ 988,372	\$ 294,363	\$ 1,061,746	\$ -	\$ 2,344,481
Cash Received from Permits, Fees, and Special Assessments	22,327	1,973	14,121	-	38,421
Cash Received from Other Sources	-	-	-	5,594	5,594
Cash Received from Miscellaneous Income	5,239	172,399	33,317	-	210,955
Cash Payments for Wages and Benefits	(320,430)	(33,467)	(423,848)	13,711	(764,034)
Cash Payments to Suppliers for Goods and Services	(579,609)	(410,359)	(273,634)	(222)	(1,263,824)
<i>Net Cash Provided by Operating Activities</i>	<u>115,899</u>	<u>24,909</u>	<u>411,702</u>	<u>19,083</u>	<u>571,593</u>
Cash Flows from Non-capital Financing Activities					
Transfers Out	(10,000)	-	-	-	(10,000)
Grant Revenues	232,007	-	-	-	232,007
Change in Interfund Balances	(90,793)	4,480	90,793	-	4,480
<i>Net Cash Provided by Non-capital Financing Activities</i>	<u>131,214</u>	<u>4,480</u>	<u>90,793</u>	<u>-</u>	<u>226,487</u>
Cash Flows from Capital and Related Financing Activities					
Cash Received from Connection Fees	44,121	-	4,164	-	48,285
Proceeds from Debt Service	127,603	-	410,049	-	537,652
Net of Capital Asset Activity	(84,677)	-	(46,397)	-	(131,074)
Interest Payments on Debt	(14,368)	(23)	(55,220)	-	(69,611)
Principal Payments on Debt	(20,090)	-	(376,883)	-	(396,973)
<i>Net Cash Provided (Used) By Capital and Related Financing Activities</i>	<u>52,589</u>	<u>(23)</u>	<u>(64,287)</u>	<u>-</u>	<u>(11,721)</u>
Cash Flows from Investing Activities					
Interest Earned	37,134	1,587	25,301	548	64,570
<i>Net Cash Provided By Investing Activities</i>	<u>37,134</u>	<u>1,587</u>	<u>25,301</u>	<u>548</u>	<u>64,570</u>
Net Increase in Cash and Cash Equivalents	336,836	30,953	463,509	19,631	850,929
Cash and Cash Equivalents - Beginning of Year	1,852,507	206,905	935,521	152,464	3,147,397
<i>Cash and Cash Equivalents - End of Year</i>	<u>\$ 2,189,343</u>	<u>\$ 237,858</u>	<u>\$ 1,399,030</u>	<u>\$ 172,095</u>	<u>\$ 3,998,326</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating Income (Loss)	\$ (4,132)	\$ 7,411	\$ 190,768	\$ (56)	\$ 193,991
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	214,719	-	225,619	5,428	445,766
Changes in Assets and Liabilities					
Receivables (Net)	(16,885)	16,580	(3,576)	-	(3,881)
Special Assessments	12,245	-	(3,171)	-	9,074
Prepaid Items	2,794	1,952	2,792	-	7,538
Deferred Outflows of Resources	(21,095)	(3,419)	(25,784)	-	(50,298)
Accounts Payable	(93,009)	(2,149)	(9,577)	-	(104,735)
Accrued Expenses and Other Liabilities	1,430	101	6,026	13,711	21,268
Unearned Revenue	-	52	3,885	-	3,937
Net Pension Liability	22,154	4,706	26,911	-	53,771
Deferred Inflows of Resources	(2,322)	(325)	(2,191)	-	(4,838)
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 115,899</u>	<u>\$ 24,909</u>	<u>\$ 411,702</u>	<u>\$ 19,083</u>	<u>\$ 571,593</u>

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

**Charter Township of Marquette
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
December 31, 2019**

	Agency
	Agency Funds
ASSETS	
Cash and Investments	\$ 1,384,668
Prepaid Items	2,705
<i>Total Assets</i>	1,387,373
LIABILITIES	
Accounts Payable	343
Due to Others	1,212,297
Due to Local Unit	174,733
<i>Total Liabilities</i>	\$ 1,387,373

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

NOTES TO THE FINANCIAL STATEMENTS

Charter Township of Marquette

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

Discretely Presented Component Unit

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

Jointly Governed Organizations

Marquette County Solid Waste Management Authority

In June 1988, the Charter Township of Marquette joined with 19 other municipalities to create the Marquette County Solid Waste Management Authority (“Authority”). Please read Note 9 for more information.

Marquette Area Wastewater Treatment Facility

On April 7, 1977, and May 31, 1983 the Charter Township of Chocolay, the City of Marquette, and the Charter Township of Marquette entered into contracts to construct and operate a secondary wastewater treatment facility to be known as the “Marquette Area Wastewater Treatment Facility”. Under those agreements the Township of Chocolay owns 14.7% of the facility, the Township of Marquette would own 5.5%, and the City of Marquette would own 79.8%. Please read Note 10 for more information.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

Charter Township of Marquette

Notes to the Financial Statements

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Charter Township of Marquette

Notes to the Financial Statements

The government reports the following major governmental funds:

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

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

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

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

Charter Township of Marquette

Notes to the Financial Statements

Budgetary Basis of Accounting

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

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

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

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

Charter Township of Marquette

Notes to the Financial Statements

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

Assets, Liabilities, Deferred Inflows / Outflows of Resources, and Equity

Cash and Cash Investments

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

Receivables and Payables

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

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

Charter Township of Marquette

Notes to the Financial Statements

Although the Charter Township of Marquette 2019 ad valorem tax is levied and collectible on December 1, 2019, 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).

The 2018 state taxable value (generating the Township's 2019 tax revenues) for real/personal property of the Township totaled approximately \$245,844,556. The ad valorem taxes levied consisted of 4.9050, 1.5000, 5.0000, and 0.9061 mills for the Township's general operating, road, repair, and improvement purposes, public safety, and the library, respectively. These amounts are recognized in the general fund, fire fund, and library fund.

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.

Charter Township of Marquette

Notes to the Financial Statements

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.

Capital assets 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

Charter Township of Marquette

Notes to the Financial Statements

be recognized as an outflow of resources (expense/expenditure) until then. The Township only has one item that qualifies for reporting in this category, the pension related deferred outflows. The financial statements report deferred outflows from the difference between projected and actual investment earnings of the pension plan, 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.

Charter Township of Marquette

Notes to the Financial Statements

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. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by creditors, grantors, bondholders, contributors, or laws or regulations of other governments.

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.

Unassigned fund balance is the residual classification for the Township's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Township Board. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, the unassigned classification is used only to report a deficit.

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

The Township may be affected by the recent and ongoing outbreak of the Coronavirus (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. COVID-19 has caused significant government and business disruptions through mandated and voluntary

Charter Township of Marquette

Notes to the Financial Statements

closings and stay at home orders. Management is in the process of determining if this outbreak will have a significant financial impact on the Township’s financial statements.

Note 2 - Budgetary Compliance

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, 2019.

Note 3 - Deposits and Investments

Following is a reconciliation of deposit balances as of December 31, 2019:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Totals</u>
Statement of Net Position			
Cash and Investments	\$ 6,084,856	\$ 30,901	\$ 6,115,757
Restricted Cash	250,104	-	250,104
Statement of Fiduciary Assets and Liabilities			
Cash and Investments	1,384,668	-	1,384,668
Total Cash and Investments	<u>\$ 7,719,628</u>	<u>\$ 30,901</u>	<u>\$ 7,750,529</u>
 Cash and Investments			
Checking and Savings Accounts			\$ 6,980,163
Brokerage Account			1,590,448
Certificates of Deposit (Mature Within One Year)			769,666
Cash on Hand			700
Total			<u>\$ 7,750,529</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Township’s deposits might not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year-end, \$1,825,102 of the Township’s bank balance of \$8,369,640 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,

Charter Township of Marquette

Notes to the Financial Statements

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.

Fair Value Measurement

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Township has the following recurring fair value measurement as of December 31, 2019:

- Investments held with Raymond James totaled \$1,590,448. Investments included in Raymond James are cash and cash alternatives. These are valued using Level 1 inputs.

Charter Township of Marquette

Notes to the Financial Statements

Note 4 - Capital Assets

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

Governmental Activities:	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets not being depreciated				
Land	\$ 1,891,787	\$ 245,000	\$ -	\$ 2,136,787
Land Improvements	223,078	-	-	223,078
Total Capital Assets not being depreciated	<u>2,114,865</u>	<u>245,000</u>	<u>-</u>	<u>2,359,865</u>
Capital Assets being depreciated				
Buildings and Improvements	5,515,233	39,286	-	5,554,519
Vehicles	1,333,207	-	-	1,333,207
Furniture and Equipment	876,858	26,045	-	902,903
Total Capital Assets being depreciated	<u>7,725,299</u>	<u>65,331</u>	<u>-</u>	<u>7,790,629</u>
Less Accumulated Depreciation				
Buildings and Improvements	795,803	151,941	-	947,744
Vehicles	1,267,962	18,485	-	1,286,447
Furniture and Equipment	604,276	61,158	-	665,434
Total Accumulated Depreciation	<u>2,668,041</u>	<u>231,584</u>	<u>-</u>	<u>2,899,625</u>
Capital Assets being depreciated, Net	<u>5,057,258</u>	<u>(166,253)</u>	<u>-</u>	<u>4,891,004</u>
Governmental Activities Capital Assets Net	<u>\$ 7,172,123</u>	<u>\$ 78,747</u>	<u>\$ -</u>	<u>\$ 7,250,869</u>

Charter Township of Marquette

Notes to the Financial Statements

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

Business-type Activities:	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets not being depreciated				
Construction in Progress	\$ 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
Total Capital Assets not being depreciated	<u>1,972,955</u>	<u>-</u>	<u>-</u>	<u>1,972,955</u>
Capital Assets being depreciated				
Buildings and Improvements	1,939,490	-	-	1,939,490
Vehicles	315,848	37,138	24,988	327,998
Furniture and Equipment	107,571	17,132	-	124,703
Infrastructure	14,803,352	76,801	-	14,880,153
Solid Waste Management Authority	190,837	-	-	190,837
Total Capital Assets being depreciated	<u>17,357,098</u>	<u>131,071</u>	<u>24,988</u>	<u>17,463,181</u>
Less Accumulated Depreciation				
Buildings and Improvements	242,444	49,698	-	292,142
Vehicles	272,676	18,528	24,988	266,216
Furniture and Equipment	69,578	13,172	-	82,750
Infrastructure	4,894,908	364,368	-	5,259,276
Solid Waste Management Authority	190,837	-	-	190,837
Total Accumulated Depreciation	<u>5,670,446</u>	<u>445,766</u>	<u>24,988</u>	<u>6,091,221</u>
Capital Assets being depreciated, Net	<u>11,686,652</u>	<u>(314,695)</u>	<u>-</u>	<u>11,371,960</u>
Business Activities Capital Assets, Net	<u>\$ 13,659,607</u>	<u>\$ (314,695)</u>	<u>\$ -</u>	<u>\$ 13,344,915</u>

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

Governmental Activities	
General Government	\$ 80,521
Public Safety	127,926
Public Works	3,746
Recreation and Culture	19,391
Total Governmental Activities	<u>\$ 231,584</u>
Business-type Activities	
Water Fund	\$ 225,619
Wastewater Treatment Fund	214,719
Metro Authority Fund	5,428
Total Business-type Activities	<u>\$ 445,766</u>

Charter Township of Marquette

Notes to the Financial Statements

Note 5 - Interfund Receivables, Payables, and Transfers

The Township reports interfund balances between many of its funds. The total of all balances agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables consisted of \$208,764 due to the solid waste fund from the general fund and \$90,793 due to the wastewater fund from the water 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	7,582
General Fund	Wastewater Fund	10,000
Township Improvement	General Fund	497,260

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, 2018	Additions	Reductions	December 31, 2019	Due Within One Year
Governmental Activities					
Corner Stone Property Note	\$ 21,133	\$ -	\$ 21,133	\$ -	\$ -
Township-Fire Hall Loan	2,689,507	-	221,742	2,467,765	124,793
Township Hall Parking Lot	158,346	-	8,395	149,951	8,664
2015 MI Transportation Fund Bonds	2,770,136	-	170,247	2,599,889	182,408
2016 MI Transportation Fund Bonds	2,246,508	-	160,000	2,086,508	165,000
Grove Street Land Loan	-	245,000	-	245,000	45,879
Compensated Absences	53,624	4,998	-	58,622	14,656
Total Governmental Activities	\$ 7,939,254	\$ 249,998	\$ 581,517	\$ 7,607,735	\$ 541,400
Business-type Activities					
Water Note Land Purchase	\$ 31,793	\$ -	\$ 31,793	\$ -	\$ -
Drinking Water Bond	1,800,000	-	240,000	1,560,000	245,000
2008 Grandview Water Bond	85,000	-	85,000	-	-
PW Facility	912,252	-	40,180	872,072	41,446
Compensated Absences	39,208	2,970	-	42,178	10,545
Total Business-type Activities	2,868,253	2,970	396,973	2,474,250	296,991
Total Primary Government	\$10,807,507	\$ 252,968	\$ 978,490	\$10,081,985	\$ 838,391

Individual bond and long-term debt obligation activity can be summarized as follows:

Township Fire Hall Loan			
December 31, 2019			
	Principal	Interest	Total
2020	\$ 124,793	\$ 80,546	\$ 205,339
2021	131,496	73,843	205,339
2022	135,831	69,508	205,339
2023	140,100	65,239	205,339
2024	144,504	60,835	205,339
2025-2029	793,294	233,401	1,026,695
2030-2034	926,285	100,410	1,026,695
2035-2036	71,462	2,246	73,708
	\$ 2,467,765	\$ 686,028	\$ 3,153,793

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 \$205,339 are due each January 15. The note accrues interest at a rate of 3.1%.

Charter Township of Marquette

Notes to the Financial Statements

**Township Hall Parking Lot
December 31, 2019**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 8,664	\$ 4,789	\$ 13,453
2021	8,941	4,512	13,453
2022	9,226	4,227	13,453
2023	9,521	3,932	13,453
2024	9,825	3,628	13,453
2025-2029	54,039	13,226	67,265
2030-2033	49,735	4,030	53,765
	<u>\$ 149,951</u>	<u>\$ 38,344</u>	<u>\$ 188,295</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%.

**Michigan Transportation Fund Bonds, 2015
December 31, 2019**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 182,408	\$ 63,078	\$ 245,486
2021	194,568	59,429	253,997
2022	210,782	55,538	266,320
2023	222,943	51,322	274,265
2024	235,103	46,864	281,967
2025-2029	1,325,496	148,115	1,473,611
2030	228,589	8,634	237,223
	<u>\$ 2,599,889</u>	<u>\$ 432,980</u>	<u>\$ 3,032,869</u>

The Bond was originally issued for \$2,548,536 during 2015 with \$472,728 of issuances in 2016. The Bond is used to fund road improvement projects paid for by the Township. Bond payments are due semi-annually on March 1 (interest only) and September 1 (principal and interest) with an interest rate ranging from 2.00 - 3.00%, maturing in 2030.

Charter Township of Marquette

Notes to the Financial Statements

Michigan Transportation Fund Bonds, 2016
December 31, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 165,000	\$ 42,338	\$ 207,338
2021	170,000	39,038	209,038
2022	175,000	35,638	210,638
2023	180,000	32,138	212,138
2024	185,000	28,538	213,538
2025-2029	1,000,000	85,190	1,085,190
2030	211,508	4,838	216,346
	<u>\$ 2,086,508</u>	<u>\$ 267,718</u>	<u>\$ 2,354,226</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 2030.

Grove Street Land Loan
December 31, 2019

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 45,879	\$ 8,073	\$ 53,952
2021	47,373	6,579	53,952
2022	48,952	5,001	53,953
2023	50,565	3,387	53,952
2024	52,231	1,721	53,952
	<u>\$ 245,000</u>	<u>\$ 24,761</u>	<u>\$ 269,761</u>

A bank loan for \$245,000 was issued during 2019 to purchase 30 acres of vacant land. Annual principal and interest installments of \$53,952 are due through January 2024 with a fixed interest rate of 3.25%.

Charter Township of Marquette

Notes to the Financial Statements

**Drinking Water Program Bond
December 31, 2019**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 245,000	\$ 33,150	\$ 278,150
2021	250,000	27,944	277,944
2022	255,000	22,631	277,631
2023	265,000	17,212	282,212
2024	270,000	11,581	281,581
2025	275,000	5,844	280,844
	<u>\$ 1,560,000</u>	<u>\$ 118,362</u>	<u>\$ 1,678,362</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%.

**DPW Facility
December 31, 2019**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 41,446	\$ 27,470	\$ 68,916
2021	42,752	26,165	68,917
2022	44,098	24,818	68,916
2023	45,488	23,429	68,917
2024	46,920	21,996	68,916
2025-2029	257,726	86,856	344,582
2030-2034	300,956	43,626	344,582
2035-2036	92,686	3,761	96,447
	<u>\$ 872,072</u>	<u>\$ 258,121</u>	<u>\$ 1,130,193</u>

The DPW 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

Charter Township of Marquette

Notes to the Financial Statements

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.

Benefits Provided

Union and Admin Non-union Divisions

	<u>2018 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, 2018 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	6
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	<u>22</u>
Total employees covered by MERS	<u>32</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).

Charter Township of Marquette

Notes to the Financial Statements

Net Pension Liability

The Township's net pension liability was measured as of December 31, 2018 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

The total pension liability in the December 31, 2018 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>Target Gross Rate of Return</u>	<u>Long-term Expected Gross Rate of Return</u>	<u>Inflation Assumption</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	55.50%	8.65%	4.80%	2.50%	3.41%
Global fixed income	18.50%	3.76%	0.70%	2.50%	0.24%
Private investments	26.00%	8.65%	2.25%	2.50%	1.60%
	<u>100.00%</u>		<u>7.75%</u>		<u>5.25%</u>

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

Charter Township of Marquette

Notes to the Financial Statements

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:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2017	\$ 3,231,138	\$ 2,527,119	\$ 704,019
Service cost	108,001	-	108,001
Interest	260,493	-	260,493
Difference between expected and actual experience	(93,367)	-	(93,367)
Contributions - Employer	-	142,659	(142,659)
Contributions - Employee	-	25,087	(25,087)
Net investment loss	-	(105,020)	105,020
Benefit payments, including refunds	(57,964)	(57,964)	-
Administrative expenses	-	(5,051)	5,051
Other changes	(1)	-	(1)
Net changes	217,162	(289)	217,451
Balance at December 31, 2018	\$ 3,448,300	\$ 2,526,830	\$ 921,470

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%, 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%) or one percentage point higher (9.00%) than the current rate:

	Current		
	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability of the Township	\$ 1,302,063	\$ 921,470	\$ 596,383

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.

Charter Township of Marquette

Notes to the Financial Statements

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

For the year ended December 31, 2019, the Township recognized pension expense of \$187,380. At December 31, 2019, 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	\$ 187,716	\$ -
Difference between expected and actual experience	-	185,824
Difference in assumptions	63,586	-
Employer contributions to the plan subsequent to the measurement date *	138,128	-
<i>Total</i>	\$ 389,430	\$ 185,824

* 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, 2020.

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
2020	\$ 39,090
2021	3,993
2022	17,091
2023	31,360
2024	(26,056)

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

Charter Township of Marquette

Notes to the Financial Statements

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, 2019 were as follows:

Statement of Net Position

Assets	
Current and Other Assets	\$ 7,104,566
Capital Assets, Net	8,265,073
Total Assets	<u>15,369,639</u>
Deferred Outflows of Resources	
Pension	<u>277,768</u>
Liabilities	
Current Liabilities	431,741
Non-current Liabilities	5,115,406
Total Liabilities	<u>5,547,147</u>
Deferred Inflows of Resources	
Pension	<u>94,850</u>
Net Position	
Net Investment in Capital Assets	6,231,688
Restricted	3,239,938
Unrestricted	533,784
Total Net Position	<u>\$ 10,005,410</u>

Change in Net Position

Operating Revenues	
Service Revenues	\$ 3,179,262
Operating Expenses	
Operations	3,039,023
Depreciation	584,369
Total Operating Expenses	<u>3,623,392</u>
Income (Loss) from Operations	<u>(444,130)</u>
Non-operating Revenues (Expenses)	
Interest Income	66,531
Gain on Disposal of Assets	21,181
Interest Expense	<u>(42,136)</u>
Total Non-operating Revenues (Expenses)	<u>45,576</u>
Change in Net Position	<u>(398,554)</u>
Net Position at the Beginning of Period	<u>10,403,964</u>
Net Position at the End of Period	<u>\$ 10,005,410</u>

Charter Township of Marquette

Notes to the Financial Statements

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

Note 10 - Investment in Wastewater Treatment Facility

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

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

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

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.

Charter Township of Marquette

Notes to the Financial Statements

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.

A summary of condensed financial information of the Facility, in the aggregate, for its fiscal year ended September 30, 2019 was as follows:

Statement of Net Position

Assets	
Current and Other Assets	\$ 1,690,881
Noncurrent Assets	892,499
Restricted Assets	1,094,124
Capital Assets, Net	14,171,930
Total Assets	<u>17,849,434</u>
Deferred Outflows	
Pension	<u>177,389</u>
Liabilities	
Current Liabilities	2,072,141
Non-current Liabilities	10,248,670
Total Liabilities	<u>12,320,811</u>
Net Position	
Net Investment in Capital Assets	5,030,707
Unrestricted	675,305
Total Net Position	<u>\$ 5,706,012</u>

Charter Township of Marquette

Notes to the Financial Statements

Change in Net Position	
Operating Revenues	
Service Revenues	\$ 2,174,236
Other Operating Revenues	12,413
Total Operating Revenues	<u>2,186,649</u>
Operating Expenses	
Operations	2,150,260
Depreciation	890,609
Total Operating Expenses	<u>3,040,869</u>
Income (Loss) from Operations	<u>(854,220)</u>
Non-operating Revenues (Expenses)	
Grant Proceeds	54,693
Interest Income	6,411
Interest Expense	(160,769)
Transfers from Local Units	1,048,948
Total Non-operating Revenues (Expenses)	<u>949,283</u>
Change in Net Position	95,063
Net Position at the Beginning of Period	<u>5,610,949</u>
Net Position at the End of Period	<u>\$ 5,706,012</u>

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Marquette
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Taxes	\$ 1,789,232	\$ 1,789,232	\$ 1,786,513	\$ (2,719)
Licenses and Permits	14,425	14,425	12,280	(2,145)
State Sources	340,177	345,177	357,029	11,852
Charges for Services	11,025	11,025	12,465	1,440
Interest and Rents	78,500	88,500	92,464	3,964
Contributions	500	29,000	29,514	514
Other	2,000	11,000	18,933	7,933
<i>Total Revenues</i>	<u>2,235,859</u>	<u>2,288,359</u>	<u>2,309,198</u>	<u>20,839</u>
Other Financing Sources				
Issuance of Long-term Debt	--	245,000	245,000	--
Transfers In	99,012	101,582	101,582	--
<i>Total Revenues and Other Financing Sources</i>	<u>2,334,871</u>	<u>2,634,941</u>	<u>2,655,780</u>	<u>20,839</u>
Expenditures				
Legislative	47,451	47,451	25,481	21,970
General Government				
Supervisor and Manager	160,465	179,465	177,032	2,433
Treasurer	40,250	40,250	39,345	905
Assessor	185,218	185,218	183,171	2,047
Clerk	98,275	99,275	94,928	4,347
Elections	--	3,000	2,796	204
Professional Services	121,900	60,900	43,888	17,012
Building and Grounds	141,077	164,077	160,761	3,316
Public Safety	1,000	1,000	--	1,000
Administration	127,333	134,333	129,904	4,429
<i>Total General Government</i>	<u>875,518</u>	<u>867,518</u>	<u>831,825</u>	<u>35,693</u>
Public Safety				
Law Enforcement	195,189	195,189	190,421	4,768
Public Works				
Street Lights	33,250	33,250	34,169	(919)
Community and Economic Development				
Planning and Zoning	198,209	208,209	194,686	13,523
Community Promotion	51,500	51,500	21,520	29,980
<i>Total Community and Economic Development</i>	<u>249,709</u>	<u>259,709</u>	<u>216,206</u>	<u>43,503</u>
Recreation and Culture				
Recreation Facilities	45,849	82,349	78,922	3,427
Capital Outlay	35,140	335,140	310,331	24,809
Debt Service	245,167	245,167	240,656	4,511
<i>Total Expenditures</i>	<u>1,727,273</u>	<u>2,065,773</u>	<u>1,928,011</u>	<u>137,762</u>
Other Financing Uses				
Transfers Out	497,267	497,267	497,260	7
<i>Total Expenditures and Other Financing Uses</i>	<u>2,224,540</u>	<u>2,563,040</u>	<u>2,425,271</u>	<u>137,769</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>110,331</u>	<u>71,901</u>	<u>230,509</u>	<u>158,608</u>
Net Change in Fund Balance	110,331	71,901	230,509	158,608
<i>Fund Balance at Beginning of Period</i>	480,918	480,918	480,918	--
Fund Balance at End of Period	\$ 591,249	\$ 552,819	\$ 711,427	\$ 158,608

Charter Township of Marquette
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Fire Fund
For the Year Ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) Final to Actual
Revenues				
Taxes	\$ 734,530	\$ 722,530	\$ 721,085	\$ (1,445)
Licenses and Permits	1,750	1,750	1,383	(367)
Charges for Services	50,599	62,599	81,460	18,861
Interest and Rents	900	900	1,819	919
Contributions	--	28,314	28,314	--
Other	750	750	2,271	1,521
Total Revenues	<u>788,529</u>	<u>816,843</u>	<u>836,332</u>	<u>19,489</u>
Expenditures				
Public Safety	565,347	594,347	532,504	61,843
Debt Service	--	104,656	104,656	--
Total Expenditures	<u>565,347</u>	<u>699,003</u>	<u>637,160</u>	<u>61,843</u>
Other Financing Uses				
Transfers Out	84,000	84,000	84,000	--
Total Expenditures and Other Financing Uses	<u>649,347</u>	<u>783,003</u>	<u>721,160</u>	<u>61,843</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	<u>139,182</u>	<u>33,840</u>	<u>115,172</u>	<u>81,332</u>
Net Change in Fund Balance	<u>139,182</u>	<u>33,840</u>	<u>115,172</u>	<u>81,332</u>
Fund Balance at Beginning of Period	105,042	105,042	105,042	--
Fund Balance at End of Period	<u>\$ 244,224</u>	<u>\$ 138,882</u>	<u>\$ 220,214</u>	<u>\$ 81,332</u>

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

	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	\$ 108,001	\$ 109,390	\$ 97,700	\$ 95,929	\$ 92,987
Interest	260,493	242,053	221,501	201,235	181,186
Difference Between Expected and Actual	(93,367)	(73,464)	(34,028)	(84,232)	-
Changes in Assumptions	-	-	-	148,370	-
Benefit Payments, Including Refunds	(57,964)	(35,618)	(32,629)	(32,629)	(32,629)
Net Change in Pension Liability	<u>217,163</u>	<u>242,361</u>	<u>252,544</u>	<u>328,673</u>	<u>241,544</u>
<i>Total Pension Liability - Beginning</i>	3,231,138	2,988,777	2,736,233	2,407,560	2,166,016
Total Pension Liability - Ending (a)	<u>\$ 3,448,301</u>	<u>\$ 3,231,138</u>	<u>\$ 2,988,777</u>	<u>\$ 2,736,233</u>	<u>\$ 2,407,560</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 142,659	\$ 127,288	\$ 118,830	\$ 108,190	\$ 108,170
Contributions - Member	25,087	23,447	21,798	21,034	20,973
Net Investment Income	(105,020)	291,572	214,201	(27,908)	100,658
Benefit Payments, Including Refunds	(57,964)	(35,618)	(32,629)	(32,629)	(32,629)
Administrative Expenses	(5,051)	(4,594)	(4,218)	(3,961)	(3,736)
Net Change in Plan Fiduciary Net Position	<u>(289)</u>	<u>402,095</u>	<u>317,982</u>	<u>64,726</u>	<u>193,436</u>
<i>Plan Fiduciary Net Position - Beginning</i>	2,527,120	2,125,025	1,807,043	1,742,317	1,548,881
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,526,831</u>	<u>\$ 2,527,120</u>	<u>\$ 2,125,025</u>	<u>\$ 1,807,043</u>	<u>\$ 1,742,317</u>
Net Pension Liability - Ending (a) - (b)	\$ 921,470	\$ 704,018	\$ 863,752	\$ 929,190	\$ 665,243
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	73.28%	78.21%	71.10%	66.04%	72.37%
Covered Employee Payroll	\$ 1,277,837	\$ 1,199,004	\$ 1,083,225	\$ 1,082,096	\$ 1,048,652
Net Pension Liability as a Percentage of Covered Employee Payroll	72.11%	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**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially Determined Contribution	\$ 138,128	\$ 142,126	\$ 127,288	\$ 118,830	\$ 108,190	\$ 108,170	\$ 84,792	\$ 87,550	\$ 87,426	\$ 84,218
Contributions in Relation to the Actuarially Determined Contribution	138,128	142,126	127,288	118,830	108,190	108,170	84,792	87,550	87,426	84,218
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	1,312,916	1,277,837	1,199,004	1,083,225	1,082,096	1,048,652	816,878	773,694	657,908	661,015
Contributions as a Percentage of Covered Employee Payroll	11%	11%	11%	11%	10%	10%	10%	11%	13%	13%

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	20 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, 2019**

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Liquor Law Fund</u>	<u>Library Fund</u>	
ASSETS			
Cash and Investments	\$ 5,816	\$ 45,410	\$ 51,226
Taxes Receivable	--	192,943	192,943
<i>Total Assets</i>	<u>5,816</u>	<u>238,353</u>	<u>244,169</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes Levied for Subsequent Period	--	236,917	236,917
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>--</u>	<u>236,917</u>	<u>236,917</u>
FUND BALANCE			
Assigned	5,816	1,436	7,252
Unassigned	--	--	--
<i>Total Fund Balance</i>	<u>5,816</u>	<u>1,436</u>	<u>7,252</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</i>	<u>\$ 5,816</u>	<u>\$ 238,353</u>	<u>\$ 244,169</u>

Charter Township of Marquette
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2019

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Liquor Law Fund</u>	<u>Library Fund</u>	
Revenues			
Taxes	\$ --	\$ 222,472	\$ 222,472
State Sources	7,583	1,867	9,450
<i>Total Revenues</i>	<u>7,583</u>	<u>224,339</u>	<u>231,922</u>
Expenditures			
Recreation and Culture	--	224,121	224,121
<i>Total Expenditures</i>	<u>--</u>	<u>224,121</u>	<u>224,121</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>7,583</u>	<u>218</u>	<u>7,801</u>
Other Financing Sources (Uses)			
Transfers Out	(7,582)	--	(7,582)
<i>Net Other Financing Sources (Uses)</i>	<u>(7,582)</u>	<u>--</u>	<u>(7,582)</u>
<i>Net Change in Fund Balance</i>	1	218	219
<i>Fund Balance at Beginning of Period</i>	5,815	1,218	7,033
<i>Fund Balance at End of Period</i>	<u>\$ 5,816</u>	<u>\$ 1,436</u>	<u>\$ 7,252</u>

**Charter Township of Marquette
Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2019**

	Enterprise		Total Enterprise Funds
	Storm Water Fund	Metro Fund	
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 127,418	\$ 44,677	\$ 172,095
Total Current Assets	127,418	44,677	172,095
<i>Noncurrent Assets</i>			
Depreciable Capital Assets (Net)	--	10,408	10,408
Total Assets	127,418	55,085	182,503
LIABILITIES			
<i>Current Liabilities</i>			
Customer Deposits	78,895	--	78,895
Total Liabilities	78,895	--	78,895
NET POSITION			
Investment in Capital Assets	--	10,408	10,408
<i>Unrestricted</i>	48,523	44,677	93,200
Total Net Position	\$ 48,523	\$ 55,085	\$ 103,608

Charter Township of Marquette
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended December 31, 2019

	Enterprise		Total Enterprise Funds
	Storm Water Fund	Metro Fund	
Operating Revenues			
State Sources	\$ --	\$ 5,594	\$ 5,594
<i>Total Operating Revenues</i>	--	5,594	5,594
Operating Expenses			
Other Services and Charges	222	--	222
Depreciation Expense	--	5,428	5,428
<i>Total Operating Expenses</i>	222	5,428	5,650
<i>Operating Income (Loss)</i>	(222)	166	(56)
Non-Operating Revenues (Expenses)			
Interest and Rents	548	--	548
<i>Net Non-Operating Revenues (Expenses)</i>	548	--	548
<i>Transfers</i>	326	166	492
<i>Change In Net Position</i>	326	166	492
<i>Net Position at Beginning of Period</i>	48,197	54,919	103,116
<i>Net Position at End of Period</i>	\$ 48,523	\$ 55,085	\$ 103,608

**Charter Township of Marquette
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2019**

	Enterprise		
	Storm Water Fund	Metro Fund	Total Enterprise Funds
Cash Flows From Operating Activities			
Cash Received from Permits, Fees, and Special Assessments	\$ 13,711	\$ -	\$ 13,711
Cash Received from Other Sources	-	5,594	5,594
Cash Payments to Suppliers for Goods and Services	(222)	-	(222)
Net Cash Provided by Operating Activities	13,489	5,594	19,083
Cash Flows From Investing Activities			
Interest Earned	548	-	548
Net Cash Provided by Investing Activities	548	-	548
Net Increase in Cash and Cash Equivalents	14,037	5,594	19,631
Cash and Cash Equivalents - Beginning of Year.	113,381	39,083	152,464
Cash and Cash Equivalents - End of Year	\$ 127,418	\$ 44,677	\$ 172,095
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ (222)	\$ 166	\$ (56)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	-	5,428	5,428
Changes in Assets and Liabilities:			
Accrued Expenses and Other Liabilities	13,711	-	13,711
Net Cash Provided by Operating Activities	\$ 13,489	\$ 5,594	\$ 19,083

Charter Township of Marquette
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
December 31, 2019

	Agency		
	Trust and Agency	Tax Collection	Total Fiduciary Funds
ASSETS			
Cash and Investments	\$ 1,722	\$ 1,382,946	\$ 1,384,668
Prepaid Items	2,705	--	2,705
<i>Total Assets</i>	4,427	1,382,946	1,387,373
LIABILITIES			
Accounts Payable	343	--	343
Due to Others	--	1,212,297	1,212,297
Due to Local Unit	4,084	170,649	174,733
<i>Total Liabilities</i>	\$ 4,427	\$ 1,382,946	\$ 1,387,373

June 25, 2020

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, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 28, 2020. 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, 2019. 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 25, 2020.

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 and individual 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 25, 2020

To the Board of Trustees
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, 2019, 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 25, 2020.

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