

CITY OF MARQUETTE, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended September 30, 2020



March 25, 2021

Anderson, Tackman & Company, PLC
102 W. Washington Street, Suite 109
Marquette, Michigan 49855

This representation letter is provided in connection with your audit of the financial statements of the Downtown Development Authority (DDA), a component unit of the City of Marquette, Michigan, which comprises the respective financial position of the governmental activities and the aggregate remaining fund information as of September 30, 2020, and the respective changes in financial position and the disclosures (collectively, the “financial statements”), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of March 25, 2021, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter to the City of Marquette, Michigan, dated December 21, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) We are in agreement with the closing journal entries you have proposed, and they have been posted to the accounts.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the DDA is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the DDA from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the DDA and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the DDA's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.

- 17) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 18) We have disclosed to you the identity of the DDA's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 21) The DDA has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
- 23) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 24) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 25) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 26) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 27) In regard to the consulting services related to maintaining capital assets schedules and the adoption of any new GASB standards performed by you, we have—

- a) Assumed all management responsibilities.
 - b) Designated an individual within senior management, who has suitable skill, knowledge, or experience to oversee the services.
 - c) Evaluated the adequacy and results of the services performed.
 - d) Accepted responsibility for the results of the services.
- 28) The DDA has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) The DDA has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 30) The financial statements include all component units, appropriately present major equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 31) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34, as amended, and GASBS No. 84.
- 32) All funds that meet the quantitative criteria in [GASBS Nos. 34](#) and [37](#) for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 33) Components of net position (net investment in capital assets; restricted; and unrestricted) , and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 34) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 35) Provisions for uncollectible receivables have been properly identified and recorded.
- 36) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 37) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 38) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 39) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 40) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 41) We have appropriately disclosed the DDA's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted

and unrestricted net position is available and have determined that net position is properly recognized under the policy.

- 42) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 43) With respect to the government-wide and individual fund financial statements (supplementary information):
- a) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b) If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Signature: Rebecca Finco

Title: Executive Director

CITY OF MARQUETTE, MICHIGAN

NON-MAJOR COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION

September 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,482,550
Taxes receivable, net	136,809
Accounts receivable, net	1,749
Due from Federal government	-
Due from primary government	-
Other assets	<u>150</u>
TOTAL CURRENT ASSETS	<u>1,621,258</u>
Non-current assets:	
Land and construction in progress	-
Other capital assets, net of depreciation	<u>2,844,521</u>
TOTAL NON-CURRENT ASSETS	<u>2,844,521</u>
TOTAL ASSETS	<u>4,465,779</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>
LIABILITIES	
Current liabilities:	
Accounts payable	-
Accrued liabilities	4,655
Accrued interest	2,719
Grants received in advance	64,029
Compensated absences	33,373
Bonds payable - due in one year	<u>125,000</u>
TOTAL CURRENT LIABILITIES	<u>229,776</u>
Non-current liabilities:	
Bonds payable - due in more than one year	<u>625,000</u>
TOTAL NON-CURRENT LIABILITIES	<u>625,000</u>
TOTAL LIABILITIES	<u>854,776</u>
DEFERRED INFLOWS OF RESOURCES	
Taxes levied for a subsequent period	<u>610,501</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>610,501</u>
NET POSITION	
Net investment in capital assets	2,094,521
Restricted	64,029
Unrestricted	<u>841,952</u>
TOTAL NET POSITION	<u><u>\$ 3,000,502</u></u>

CITY OF MARQUETTE, MICHIGAN

NON-MAJOR COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2020

Function / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General government	\$ 1,453,462	\$ 244,758	\$ 253,346	\$ (955,358)
Interest on long-term debt	37,239	-	-	(37,239)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 1,490,701</u>	<u>\$ 244,758</u>	<u>\$ 253,346</u>	<u>(992,597)</u>
		General revenues:		
		Property taxes		831,846
		Interest and investment earnings		2,491
		Gain on the sale of capital assets		-
		Miscellaneous		79,690
			Total General Revenues	<u>914,027</u>
			CHANGE IN NET POSITION	<u>(78,570)</u>
		Net position, beginning of year		<u>3,079,072</u>
		NET POSITION, END OF YEAR		<u>\$ 3,000,502</u>

CITY OF MARQUETTE, MICHIGAN
NON-MAJOR COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2020

	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 1,482,550	\$ 1,482,550
Taxes receivable, net	136,809	136,809
Accounts receivable, net	1,749	1,749
Grants receivable, net	-	-
Other assets	150	150
	TOTAL ASSETS	1,621,258
DEFERRED OUTFLOWS OF RESOURCES		
	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
	\$ 1,621,258	\$ 1,621,258
LIABILITIES		
Accounts payable	\$ -	\$ -
Accrued salaries and wages	4,655	4,655
Grants received in advance	64,029	64,029
	TOTAL LIABILITIES	68,684
DEFERRED INFLOWS OF RESOURCES		
Taxes levied for a subsequent period	610,501	610,501
	TOTAL DEFERRED INFLOWS OF RESOURCES	610,501
FUND BALANCE		
Restricted	-	-
Unassigned	942,073	942,073
	TOTAL FUND BALANCE	942,073
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
	\$ 1,621,258	\$ 1,621,258

CITY OF MARQUETTE, MICHIGAN
NON-MAJOR COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2020

Total Fund Balances for Governmental Funds	\$	942,073
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in those funds

	5,446,261	
Cost of capital assets		
Accumulated depreciation	<u>(2,601,740)</u>	2,844,521

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds

	(125,000)	
Current portion of bonds payable		
Bonds payable	(625,000)	
Compensated absences	(33,373)	
Accrued interest on bonds	<u>(2,719)</u>	

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>3,000,502</u>
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CITY OF MARQUETTE, MICHIGAN
NON-MAJOR COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended September 30, 2020

	<u>General Fund</u>	<u>Total Governmental Funds</u>
REVENUES		
Property taxes	\$ 831,846	\$ 831,846
Federal sources	-	-
State sources	253,346	253,346
Intergovernmental revenues	-	-
Charges for services	160,907	160,907
Rentals	83,851	83,851
Investment income	2,491	2,491
Other	79,690	79,690
	<hr/>	<hr/>
TOTAL REVENUES	1,412,131	1,412,131
	<hr/>	<hr/>
EXPENDITURES		
Current operations:		
General government	1,217,503	1,217,503
Capital outlay	25,690	25,690
Debt service		
Principal retirement	115,000	115,000
Interest and fiscal charges	37,656	37,656
	<hr/>	<hr/>
TOTAL EXPENDITURES	1,395,849	1,395,849
	<hr/>	<hr/>
NET REVENUES OVER EXPENDITURES	16,282	16,282
	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers (out)	-	-
	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	-	-
	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	16,282	16,282
	<hr/>	<hr/>
Fund balance, beginning of year	925,791	925,791
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FUND BALANCE, END OF YEAR	<u>\$ 942,073</u>	<u>\$ 942,073</u>

CITY OF MARQUETTE, MICHIGAN

NON-MAJOR COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2020

Net Change in Fund Balances - Total Governmental Funds \$ 16,282

Amounts reported for governmental activities in the statement of activities is different because:

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 as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

	\$	21,975	
Capital outlays		(228,411)	
Depreciation expense		-	
Net book value of disposals		<u> </u>	(206,436)

Interest on long-term debt is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount of accrued interest recognized in the Statement of Activities. 417

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of net Position. 115,000

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated absences (3,833)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (78,570)