

MARILLA TOWNSHIP, MANISTEE COUNTY

COPEMISH, MICHIGAN

JUNE 30, 2022



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749
www.bcbcpa.com

MARILLA TOWNSHIP, MANISTEE COUNTY
COPEMISH, MICHIGAN

JUNE 30, 2022

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October 5, 2022

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Marilla Township
Manistee County
Copemish, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marilla Township, Manistee County, Copemish, Michigan as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Marilla Township, as of June 30, 2022, and the respective changes in financial position, and, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Marilla Township and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Marilla Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Marilla Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Marilla Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iv through x and 19 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marilla Township, Michigan's basic financial statements. The accompanying combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial 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 October 5, 2022, on our consideration of Marilla Township, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Marilla Township, Michigan'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 Marilla Township, Michigan's internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

MARILLA TOWNSHIP, MANISTEE COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2022

As management of Marilla Township (“the Township”), we offer readers of the Township’s financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

- ❖ The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$335,229 (*net position*). Of this amount, \$139,559 represents unrestricted net position, which may be used to meet the government’s ongoing obligations to citizens and creditors.
- ❖ At the close of the current fiscal year, the Township’s governmental funds reported combined fund balances of \$151,765, a decrease of \$14,745 in comparison with the prior year. \$68,352 of this amount is available for spending at the government’s discretion (*unassigned fund balance*).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township’s basic financial statements. The Township’s basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains other supplementary information in addition to 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 a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township’s assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Position* presents financial information on all of the Township’s assets, liabilities, and deferred inflows/outflows 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 periods.

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 significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, community and economic development, and recreation and culture.

MARILLA TOWNSHIP, MANISTEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2022

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. Marilla 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 two categories: governmental 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 and the Cemetery Timber Fund, which are considered to be major funds.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The Township maintains one type of fiduciary fund. The Custodial Fund reports resources held by the Township in a custodial capacity for other governments.

Notes to 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* (RSI) that explains and supports the information presented in the financial statements.

MARILLA TOWNSHIP, MANISTEE COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2022

Government-Wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government’s financial position. In the case of Marilla Township, assets exceeded liabilities by \$335,229, at the close of the most recent fiscal year.

Marilla Township
Net Position as of June 30,

	2022	2020
<u>Assets</u>		
Current Assets	\$ 175,746	\$ 177,011
Non Current Assets		
Capital Assets	308,566	302,416
Less: Accumulated Depreciation	(125,102)	(106,141)
Total Non Current Assets	183,464	196,275
Total Assets	359,210	373,286
 <u>Liabilities</u>		
Current Liabilities	23,981	3,554
 <u>Net Position</u>		
Net Investment in Capital Assets	183,464	196,275
Restricted	12,206	3,155
Unrestricted	139,559	170,302
 Total Net Position	\$ 335,229	\$ 369,732

A large portion of the Township’s net position (\$183,464) reflects its net investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), 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.

An additional portion of the Township’s net position in the amount of \$12,206 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$139,559 is unrestricted and may be used to meet the government’s ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net position.

MARILLA TOWNSHIP, MANISTEE COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2022

The Township’s overall net position decreased by \$18,095 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections.

Marilla Township
Change in Net Position
for the Fiscal Year Ended June 30,

	2022	2020
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$ 4,505	\$ 1,775
Operating Grants and Contributions	6,167	0
Capital Grants and Contributions	1,567	0
General Revenues		
Property Taxes	36,090	41,515
State Grants	42,343	36,234
Interest Earnings	102	384
Other	3,499	53,898
Total Revenues	94,273	133,806
<u>Expenses</u>		
General Government	90,982	71,863
Public Safety	12,000	17,579
Public Works	3,144	0
Community and Economic Development	5,597	0
Recreation and Culture	645	3,645
Total Expenses	112,368	93,087
 Change in Net Position	 (18,095)	 40,719
 <u>NET POSITION</u> - Beginning of Year	 353,324	 329,013
 <u>NET POSITION</u> - End of Year	 \$ 335,229	 \$ 369,732

Governmental Activities. The governmental activities accounted for a decrease of \$18,095 in the Township’s net position. The most significant parts of the revenue for all governmental activities for the Township comes from property taxes and state grants. The Township levied mills during the fiscal year of 1.4733 for general.

The Township’s governmental activities expenses are dominated by the General Government expenses, which totaled \$90,982.

MARILLA TOWNSHIP, MANISTEE COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2022

Financial Analysis of the Governmental Funds

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

Governmental Funds The focus of the Township’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Township itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Township Board.

At June 30, 2022, the Township’s governmental funds reported combined fund balances of \$151,765, a decrease of \$14,745 in comparison with the prior year. \$68,352 of this amount constitutes *unassigned fund balance*, which is available for spending at the government’s discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form (\$2,071), 2) legally required to be maintained intact (\$7,305), 3) restricted for particular purposes (\$4,901), 4) committed for particular purposes (\$51,086), or 5) assigned for particular purposes (\$18,050).

General Fund – The General Fund decreased its fund balance by \$8,474 which brings the fund balance to \$93,374. Of the General Fund’s fund balance, \$2,071 is nonspendable for prepaid expenditures, \$4,901 is restricted for telecommunications right of way, \$18,050 is assigned for a subsequent year budget shortfall, and \$68,352 is unassigned. The reason for the decrease in fund balance is mainly due to the township not having a millage to cover the fire contract with another government.

Cemetery Timber Fund – The Cemetery Timber Fund decreased its fund balance by \$6,305 which brings the fund balance to \$46,617. The reason for the decrease is due to the township purchasing a new sign for the Cemetery.

General Fund Budgetary Highlights

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Revenues	\$ 86,978	\$ 96,778	\$ 94,194
Total Expenditures	\$ 86,978	\$ 108,563	\$ 102,668

The difference between final and original budgets come from the Township getting a clearer picture of the financial situation near the end of the year. The primary difference between the final budgeted revenues and the actual revenues was due to the Township budgeting for more other revenues and charges for services than were received. The variance in the final budgeted expenditures and actual expenditures was primarily due to the fact that the Township budgets conservatively.

MARILLA TOWNSHIP, MANISTEE COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2022

Capital Assets and Debt Administration

Capital Assets. The Township’s investment in capital assets for its governmental activities as of June 30, 2021, amounts to \$183,464 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure.

Marilla Township
Net Position as of June 30,

	2022	2020
Land	\$ 6,475	\$ 6,475
Land Improvements	16,769	12,186
Buildings and Improvements	272,319	270,752
Equipment	13,003	13,003
	308,566	302,416
Less Accumulated Depreciation	125,102	106,141
Net Capital Assets	\$ 183,464	\$ 196,275

The Township had the following capital asset activity during the fiscal year:

- Township Hall improvements to the mechanical room purchased for \$1,567.
- New Sign at the Cemetery purchased for \$4,583.

As of June 30, 2022, the Township is not obligated for any long-term debt.

Economic Condition and Outlook

The following economic factors currently affect the Township and were considered in developing the 2022/23 Budget:

- The Township continues to look for ways to improve the services it provides to its residents in a manner that is financially responsible.
- The Township received approximately \$20,545 for its total share of ARPA funding. The Township Board is evaluating how to best utilize these funds to provide the optimal benefits to the Township residents. These funds need to be allocated by December 2024.
- The Township has approved a new millage to be put on the upcoming October election that would essentially pay for the Township’s fire protection if it gets approved.

MARILLA TOWNSHIP, MANISTEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2022

Contacting the Township's Finance Department

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Marilla Township at 9991 Marilla Rd, Copemish, MI 49625.

MARILLA TOWNSHIP, MANISTEE COUNTY
COPEMISH, MICHIGAN

STATEMENT OF NET POSITION
JUNE 30, 2022

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$ 159,072
Due from Other Governments	14,603
Prepaid Expenses	2,071
	<hr/>
Total Current Assets	175,746
	<hr/>
<u>CAPITAL ASSETS</u>	
Land	6,475
Land Improvements	16,769
Buildings and Improvements	272,319
Equipment	13,003
	<hr/>
	308,566
Less: Accumulated Depreciation	125,102
	<hr/>
Net Capital Assets	183,464
	<hr/>
TOTAL ASSETS	359,210
	<hr/>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	3,116
Accrued Wages	4,099
Unearned Revenue	16,766
	<hr/>
Total Current Liabilities	23,981
	<hr/>
<u>NET POSITION</u>	
Net Investment in Capital Assets	183,464
Restricted for Cemetery Improvements	
Permanently Restricted	7,305
Restricted for Telecommunications Right of Way	4,901
Unrestricted	139,559
	<hr/>
TOTAL NET POSITION	\$ 335,229
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

MARILLA TOWNSHIP, MANISTEE MICHIGAN
COPEMISH, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGE IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<u>GOVERNMENTAL ACTIVITIES</u>					
General Government	\$ 90,982	\$ 3,095	\$ 2,212	\$ 1,567	\$ (84,108)
Public Safety	12,000	0	0	0	(12,000)
Public Works	3,144	0	3,955	0	811
Community and Economic Development	5,597	1,410	0	0	(4,187)
Recreation and Culture	645	0	0	0	(645)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 112,368	\$ 4,505	\$ 6,167	\$ 1,567	(100,129)
<u>GENERAL REVENUES</u>					
					36,090
					42,343
					102
					3,499
					<u>82,034</u>
					(18,095)
					<u>NET POSITION - Beginning of Year</u>
					353,324
					<u>NET POSITION - End of Year</u>
					<u>\$ 335,229</u>

The accompanying notes are an integral part of the financial statements.

MARILLA TOWNSHIP, MANISTEE COUNTY
COPEMISH, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2022

	GENERAL FUND	CEMETERY TIMBER FUND	NONMAJOR FUNDS	TOTALS
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 100,681	\$ 46,617	\$ 11,774	\$ 159,072
Due from Other Governments	14,603	0	0	14,603
Prepaid Expenditures	2,071	0	0	2,071
TOTAL ASSETS	\$ 117,355	\$ 46,617	\$ 11,774	\$ 175,746
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 3,116	\$ 0	\$ 0	\$ 3,116
Accrued Wages and Payroll Liabilities	4,099	0	0	4,099
Unearned Revenue	16,766	0	0	16,766
TOTAL LIABILITIES	23,981	0	0	23,981
<u>FUND BALANCE</u>				
Nonspendable for:				
Trust Funds	0	0	7,305	7,305
Prepaid Expenditures	2,071	0	0	2,071
Restricted for:				
Telecommunications Right of Way	4,901	0	0	4,901
Committed for:				
Park Improvements	0	0	4,469	4,469
Cemetery	0	46,617	0	46,617
Assigned for:				
Subsequent Year's Budget Shortfall	18,050	0	0	18,050
Unassigned	68,352	0	0	68,352
Total Fund Balance	93,374	46,617	11,774	151,765
TOTAL LIABILITIES AND FUND BALANCE	\$ 117,355	\$ 46,617	\$ 11,774	\$ 175,746

The accompanying notes are an integral part of the financial statements.

MARILLA TOWNSHIP, MANISTEE COUNTY
COPEMISH, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total Fund Balances for Governmental Funds	\$	151,765
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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 the funds.

Land	\$	6,475	
Land Improvements		16,769	
Buildings and Improvements		272,319	
Equipment		13,003	
Accumulated Depreciation		<u>(125,102)</u>	183,464

NET POSITION OF GOVERNMENTAL ACTIVITIES		\$	<u><u>335,229</u></u>
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The accompanying notes are an integral part of the financial statements.

MARILLA TOWNSHIP, MANISTEE COUNTY
COPEMISH, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2022

	GENERAL FUND	CEMETERY TIMBER FUND	NONMAJOR FUNDS	TOTALS
<u>REVENUES</u>				
Taxes	\$ 36,090	\$ 0	\$ 0	\$ 36,090
Licenses and Permits	1,410	0	0	1,410
Federal Grants	5,265	0	0	5,265
State Grants	44,812	0	0	44,812
Charges for Services	2,775	0	0	2,775
Interest and Rents	345	45	32	422
Other Revenues	3,497	0	2	3,499
Total Revenues	94,194	45	34	94,273
<u>EXPENDITURES</u>				
General Government	84,161	0	0	84,161
Public Safety	12,000	0	0	12,000
Public Works	910	6,350	0	7,260
Community and Economic Development	5,597	0	0	5,597
Total Expenditures	102,668	6,350	0	109,018
Net Changes in Fund Balances	(8,474)	(6,305)	34	(14,745)
<u>FUND BALANCE</u> - Beginning of Year	101,848	52,922	11,740	166,510
<u>FUND BALANCE</u> - End of Year	\$ 93,374	\$ 46,617	\$ 11,774	\$ 151,765

The accompanying notes are an integral part of the financial statements.

MARILLA TOWNSHIP, MANISTEE COUNTY
COPEMISH, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Net Change in Fund Balance - Total Governmental Funds	\$ (14,745)
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Amounts reported for governmental activities are different because

Governmental funds report capital outlays as expenditures in the Statement of Activities. These costs are allocated over their estimated useful lives as depreciation.

Capital Outlay	6,150
Depreciation Expense	<u>(9,500)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (18,095)</u></u>
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The accompanying notes are an integral part of the financial statements.

MARILLA TOWNSHIP, MANISTEE COUNTY
COPEMISH, MICHIGAN

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2022

	<u>CUSTODIAL FUND</u> <u>TAX</u> <u>COLLECTION</u> <u>FUND</u>
<u>ASSETS</u>	\$ 0
<u>LIABILITIES</u>	<u>0</u>
<u>NET POSITION</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

MARILLA TOWNSHIP, MANISTEE COUNTY
COPEMISH, MICHIGAN

FIDUCIARY FUND

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2022

	<u>CUSTODIAL FUND</u> <u>TAX</u> <u>COLLECTION</u> <u>FUND</u>
<u>ADDITIONS</u>	
Property Taxes Collected	\$ 566,224
Miscellaneous	2,779
	<hr/>
TOTAL ADDITIONS	569,003
	<hr/>
<u>DEDUCTIONS</u>	
Property Taxes Distributed	566,224
Miscellaneous	2,779
	<hr/>
TOTAL DEDUCTIONS	569,003
	<hr/>
Net Increase (Decrease) in Fiduciary Net Position	0
<u>NET POSITION</u> - Beginning of Yea	<hr/> 0
<u>NET POSITION</u> - End of Year	<hr/> \$ 0

The accompanying notes are an integral part of the financial statements.

MARILLA TOWNSHIP, MANISTEE COUNTY
COPEMISH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., *The Statement of Net Position* and *The Statement of Activities*) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary governmental is financially accountable.

B. Reporting Entity

Marilla Township is a Township located in Manistee County, Michigan. The Township is governed by an elected five-member board. As required by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. The emphasis of fund financial statements is on major governmental funds.

The Township 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 required to be accounted for in another fund.

The *Cemetery Timber Fund* is used to account for the financial activity of the cemetery and is earmarked specifically for repairs and improvements to the cemetery.

Additionally, the Township reports the following fiduciary fund:

The *Custodial Fund* accounts for property taxes collected by the Township on behalf of other governmental units as well as the Township's General Fund.

MARILLA TOWNSHIP, MANISTEE COUNTY
COPEMISH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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.

The 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due, when applicable. General capital asset acquisitions are reported as expenditures in governmental funds.

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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic measurement focus* and the *accrual basis of accounting*. The custodial fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

MARILLA TOWNSHIP, MANISTEE COUNTY
COPEMISH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

F. Budgetary Information

1. *Budgetary Basis of Accounting*

- Prior to July 1, the Township clerk submits to the Township Board a proposed operating budget for all governmental funds for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- The Township Board holds a public hearing and adopts a resolution approving the budgets.
- All transfers of budget amounts between functions within the General Fund and any revisions that alter the total expenditures of any fund must be approved by the Township Board. General Fund expenditures may not legally exceed budgeted appropriations at the major function level. Expenditures in all other governmental funds may not exceed appropriations at the total fund level.
- Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
- Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). All appropriations lapse at year end. Budgeted amounts are as originally adopted, or as amended by the Township Board from time to time throughout the year. The Township amended the budget various times during the current fiscal year.
- Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

2. *Excess of Expenditures Over Appropriations*

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
General Government		
Supervisor	\$ 6,420	\$ 6,473
Elections	3,173	3,182
Assessor	7,509	7,905
Clerk	10,852	11,019
Treasurer	7,901	7,969
Building and Grounds	23,705	23,931
Community and Economic Development		
Planning	3,328	3,379
Zoning	2,200	2,218

These overages were covered by available fund balance and greater than anticipated revenues.

MARILLA TOWNSHIP, MANISTEE COUNTY
COPEMISH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

1. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments. The government considers all highly liquid investments (including certificates of deposit) to be cash equivalents.

2. Investments

The Township's investment policy is in compliance with state law. When the treasurer's analysis of the township's cash flow requirements reveals that surplus funds will not be required to meet current expenditures for a specific length of time, the treasurer is authorized to make prudent investments for a length of time that will provide a reasonable return on investment, yet ensure that such funds will be available when needed and will not be exposed to undue risk.

The treasurer is authorized to invest township funds in the following instruments (*select from among the list of lawful investments authorized under MCL 129.91*) :

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in subdivision (a).
- (e) Bankers' acceptances of United States banks.
- (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- (g) Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - i. The purchase of securities on a when issued or delayed delivery basis.

MARILLA TOWNSHIP, MANISTEE COUNTY
COPEMISH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

- ii. The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - iii. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- (h) Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, Public Act 7 of 1967, (Ex Sess), MCL 124.501, *et seq* .
- (i) Investment pools organized under the Surplus Funds Investment Pool Act, Public Act 367 of 1982, MCL 129.111, *et seq* .
- (j) The investment pools organized under the Local Government Investment Pool Act, Public Act 121 of 1985, MCL 129.141, *et seq* .

3. *Inventories and Prepaid Items*

Inventory is valued at cost using the first-in/first-out method. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) 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 acquisition value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>ASSETS</u>	<u>YEARS</u>
Buildings	40
Building Improvements	20-25
Land Improvements	20
Equipment	5

MARILLA TOWNSHIP, MANISTEE COUNTY
COPEMISH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

5. *Unearned Revenue*

Unearned revenue arises when resources are received by the Township before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The Township reports unearned revenue related to funds received from the American Rescue Plan Act (ARPA) but not yet spent as of June 30, 2022.

6. *Deferred Outflows/Inflows 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has no items that qualify for reporting in this category.

7. *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. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

8. *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 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.

9. *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish

MARILLA TOWNSHIP, MANISTEE COUNTY
COPEMISH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

10. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenue 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations

MARILLA TOWNSHIP, MANISTEE COUNTY
COPEMISH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

The 2021 taxable valuation of Marilla Township totaled \$18,904,328, on which ad valorem taxes levied consisted of 1.4733 mills for the operating purposes. This levy raised approximately \$27,700 for operating purposes.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note I.F.2, on the Excess of Expenditures Over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2022.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits

As of June 30, 2022, The Township had deposits subject to the following risk:

Custodial credit risk – deposits. In the case of deposits, this is the risk that, in the event of a bank failure, the government’s deposits may not be returned to it. As of June 30, 2022, none of the government’s bank balance of \$161,680 was exposed to custodial credit risk because it was all insured and collateralized. As of June 30, 2022, deposits of \$159,072 are reported on the financial statements as cash and cash equivalents.

Interest rate risk. The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township’s cash requirement.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Concentration of credit risk. The Township will minimize Concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

MARILLA TOWNSHIP, MANISTEE COUNTY
COPEMISH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

B. Receivables

Receivables as of June 30, 2022, for the government's individual major funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>
Receivables	
Due from Other Governments	<u>\$ 14,603</u>

By ordinance, the Township can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 6,475	\$ 0	\$ 0	\$ 6,475
Capital Assets, Being Depreciated				
Land Improvements	12,186	4,583	0	16,769
Buildings and Improvements	270,752	1,567	0	272,319
Equipment	13,003	0	0	13,003
Total Capital Assets, Being Depreciated	295,941	6,150	0	302,091
Less Accumulated Depreciation for:				
Land Improvements	93,163	0	0	93,163
Buildings and Improvements	9,436	8,973	0	18,409
Equipment	13,003	527	0	13,530
Total Accumulated Depreciation	115,602	9,500	0	125,102
Total Capital Assets, Being Depreciated, Net	180,339	(3,350)	0	176,989
Governmental Activities Capital Assets, Net	\$ 186,814	\$ (3,350)	\$ 0	\$ 183,464

Depreciation expense was charged to the following activities:

Governmental Activities	
General Government	\$ 8,388
Public Works	467
Recreation and Culture	645
Total Depreciation Expense - Governmental Activities	\$ 9,500

MARILLA TOWNSHIP, MANISTEE COUNTY
COPEMISH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

D. Interfund Receivables, Payables and Transfers

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. There were no interfund balances as of June 30, 2022

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for 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. There were no interfund transfer for the year ended June 30, 2022.

IV. OTHER INFORMATION

A. Risk Management

The Township participates in the Michigan Township Participating Plan (the Plan) with other municipalities for auto, property, public officials, electronic data processing (EDP), crime, inland marine, boiler and machinery, and liability losses. The Plan is organized under Public Act 138 of 1982, as amended. The Plan, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to the transfer of risk to U.S. Specialty Insurance Company (“USSIC”) backing the Michigan Township Participating Plan under a master policy for the period July 1, 2019 to July 1, 2029. Due to this Master Policy purchase, there is no pooling of risk between members but instead it is commercial insurance. Settled claims relating to this insurance have not exceeded the amount of insurance coverage in any of the past three (3) fiscal years.

The Township continues to carry commercial insurance for other risks of loss, including workers’ disability compensation. Settled claims relating to this insurance have not exceeded the amount of insurance coverage in any of the past three (3) fiscal years.

B. Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the Township. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

C. Subsequent Events

After June 30, 2022 the Township has approved a proposal for a Fire and Rescue Millage to be put on the November 2022 ballot for voter approval. If approved the levy would be up to 0.6 mills for the purpose of providing funds for fire and emergency service protection. No adjustments have been made to the financial statements as a result of the subsequent event.

MARILLA TOWNSHIP, MANISTEE COUNTY
COPEMISH, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2022

	GENERAL FUND			CEMETERY TIMBER FUND		
	ORIGINAL	FINAL	ACTUAL	ORIGINAL	FINAL	ACTUAL
	BUDGET	BUDGET		BUDGET	BUDGET	
<u>REVENUES</u>						
Taxes	\$ 36,941	\$ 34,122	\$ 36,090	\$ 0	\$ 0	\$ 0
Licenses and Permits	2,700	1,310	1,410	0	0	0
Federal Grants	0	1,482	5,265	0	0	0
State Grants	38,373	43,546	44,812	0	0	0
Charges for Services	5,400	5,670	2,775	0	0	0
Interest and Rents	0	271	345	5	5	45
Other Revenues	3,564	10,377	3,497	0	0	0
Total Revenues	86,978	96,778	94,194	5	5	45
<u>EXPENDITURES</u>						
General Government						
Township Board	17,005	24,502	23,041	0	0	0
Supervisor	6,400	6,420	6,473	0	0	0
Elections	5,000	3,173	3,182	0	0	0
Assessor	7,214	7,509	7,905	0	0	0
Clerk	8,000	10,852	11,019	0	0	0
Board of Review	1,200	641	641	0	0	0
Treasurer	7,200	7,901	7,969	0	0	0
Building and Grounds	19,589	23,705	23,931	0	0	0
Public Safety						
Fire	12,000	12,000	12,000	0	0	0
Public Works						
Cemetery	350	6,332	910	8,000	8,000	6,350
Community and Economic Development						
Planning	820	3,328	3,379	0	0	0
Zoning	2,200	2,200	2,218	0	0	0
Total Expenditures	86,978	108,563	102,668	8,000	8,000	6,350
Net Changes in Fund Balances	0	(11,785)	(8,474)	(7,995)	(7,995)	(6,305)
<u>FUND BALANCE</u> - Beginning of Year	101,848	101,848	101,848	52,922	52,922	52,922
<u>FUND BALANCE</u> - End of Year	\$ 101,848	\$ 90,063	\$ 93,374	\$ 44,927	\$ 44,927	\$ 46,617

MARILLA TOWNSHIP, MANISTEE COUNTY
COPEMISH, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2022

	SPECIAL REVENUE FUND	PERMANENT FUND CEMETERY		TOTALS
	PARK FUND	PERPETUAL CARE FUND		
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 4,469	\$ 7,305	\$	11,774
<hr/>				
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>	\$ 0	\$ 0	\$	0
<hr/>				
<u>FUND BALANCE</u>				
Nonspendable for Trust Funds	0	7,305		7,305
Committed for Park Improvements	4,469	0		4,469
<hr/>				
Total Fund Balance	4,469	7,305		11,774
<hr/>				
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,469	\$ 7,305	\$	11,774
<hr/>				

MARILLA TOWNSHIP, MANISTEE COUNTY
COPEMISH, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2022

	SPECIAL		
	REVENUE FUND	PERMANENT FUND	
		CEMETERY	
	PARK	PERPETUAL CARE	TOTALS
	FUND	FUND	
<u>REVENUES</u>			
Interest and Rents	\$ 2	\$ 30	\$ 32
Miscellaneous	2	0	2
<hr/>			
Total Revenues	4	30	34
<u>EXPENDITURES</u>	0	0	0
<hr/>			
Net Changes in Fund Balance	4	30	34
<u>FUND BALANCES</u> - Beginning of Year	4,465	7,275	11,740
<hr/>			
<u>FUND BALANCES</u> - End of Year	\$ 4,469	\$ 7,305	\$ 11,774
<hr/> <hr/>			



Baird, Cotter & Bishop, P.C.

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www.bcbcpa.com

October 5, 2022

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT THE CONCLUSION OF THE AUDIT

To the Township Board
Marilla Township
Copemish, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marilla Township for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *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 August 23, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Marilla Township are described in Note 1 to the financial statements. No new accounting policies were adopted. The application of existing policies was not changed during 2021-2022. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the estimates in determining that they are 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 clearly trivial, and communicate them to the appropriate level of management. We detected various material misstatements as a result of our audit procedures that were corrected by management. The material adjustments made were a result of converting the entity's financial records from cash basis to modified accrual basis of accounting and providing client assistance as the client knew the adjustment was necessary but requested our assistance.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 October 5, 2022.

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 Marilla Township'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 Marilla Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of the Marilla Township for the year ended June 30, 2022, we noted the following items which we feel deserve comment:

Budgeting

Expenditures exceeded appropriated amounts on a few line items in the General Fund. The Township should continue to monitor its budgets on an ongoing basis and make budget amendments prior to incurring expenditures in excess of budgeted amounts.

QuickBooks Payroll Coding

During the audit it was noticed that the payroll settings in QuickBooks are not in sync with what they should be. One instance is one employee's pay goes directly into the payroll expense account when it should go into its own certain line item, like building and grounds or elections. The other instance was where the IRS and State payroll tax payments are be coded when they are paid. The payment to the IRS and State should go to a liability and not an expense. If you need help with this concern please do not hesitate to reach out to the external auditor.

Perpetual Care Fund

The Township has a Perpetual Care Fund for monies placed in a trust to cover future cemetery maintenance in perpetuity. The fund does not generate much interest and should be looked into being closed. The Township Attorney would be the person to consult on this matter.

Condition of Accounting Records and Accounting Controls

We would like to thank the accounting personnel for their efforts in accumulating the information needed for our audit. We encourage you to review your internal and accounting controls on an annual basis to ensure they are adequate and operating as intended.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis and the Budgetary Comparison Schedule, 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 information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Combining Nonmajor Fund Financial 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 Township Board and management of Marilla Township and is not intended to be, and should not be, used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.



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SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749

www.bcbcpa.com

October 5, 2022

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*

To the Township Board
Marilla Township
Copemish, 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, each major fund, and the aggregate remaining fund information of Marilla Township, Michigan as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Township's basic financial statements and have issued our report thereon dated October 5, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marilla Township, Michigan's internal control over financial reporting (internal control) as a basis for designing 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 Marilla Township, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Marilla Township, Michigan'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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described below as items 2022-001 & 2022-002 that we consider to be material weaknesses.

2022-001 *Segregation of Incompatible Duties and Documented Independent Review*

Criteria: Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the government. A key element of internal control is the segregation of duties.

Condition: The government has several accounting functions that are performed by the same individual and are not subject to a documented independent review and approval.

Cause: This condition is primarily the result of staffing constraints typical of smaller governmental units. Some of the control activities may be occurring on a routine basis, but are not being documented.

Effect: As a result of this condition, the government is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented, or detected and corrected by management on a timely basis.

Recommendation: There are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties. Recognizing this fact, we encourage the government to mitigate this risk by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

View of Responsible Officials: Management recognizes that this limitation is a natural outgrowth of the small number of full-time staff, and applies its judgment in determining how best to allocate the government's resources to provide and appropriate balance between sound internal controls and fiscal prudence.

Corrective Action Plan: With the status of state funding, the Township is unable to hire additional employees at this time to improve the segregation of duties within the accounting function. We realize that segregation of duties is important in order to increase internal control. Management oversight has been an alternative means of monitoring internal control along with continuing to try and reassign some duties within the accounting department to other staff members. We still are exploring ways to spread some of the day-to-day accounting responsibilities. The Township and Board will continue to monitor the situation and explore cost effective ways to improve this internal control limitation.

2022-002 *Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements*

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government's internal controls over the preparation of financial statements in accordance with GAAP are incomplete. Instead, the government relies, in part, on its external auditors for assistance with this task.

Recommendation: Due to the size and minimal activity, we recommend that the government continue to outsource financial statement preparation.

View of Responsible Officials: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and noted prior to approving them and accepting responsibility for their content and presentation.

Corrective Action Plan: The government will continue to rely on its outside auditors to assist in preparing the GAAP basis financial statements and will evaluate annually for the need to change.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marilla 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 financial statements. 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*.

Marilla Township, Michigan's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Marilla Township's response to the findings identified in our audit and described above. Marilla Township's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.