

TOWNSHIP OF MULLETT, MICHIGAN

ANNUAL FINANCIAL REPORT

YEAR ENDED MARCH 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Township Board
Township of Mullet

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Mullet (the "Township"), as of and for the year ended March 31, 2023, 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 Township, as of March 31, 2023, and the respective changes in financial position 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. 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 the 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.

Change in Accounting Principle

As stated in Note 8 to the basic financial statements, the Board adopted GASB Statement No 87, *Leases* in 2023, which represents a change in its policy for reporting lease activities. Our opinions are not modified with respect to this matter.

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 the 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 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment 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 the 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 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 Township's basic financial statements. The combining and individual 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 and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Gabridge & Company, PLC
Traverse City, Michigan
September 30, 2023

Management's Discussion and Analysis

Township of Mullett
Management's Discussion and Analysis
March 31, 2023

As management of the Township of Mullett, Michigan (The "Township" or "government") 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 March 31, 2023. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$3,075,139 (*net position*). Of this amount, \$837,432 represents *unrestricted net position*, which may be used to meet the government's ongoing obligations to citizens and creditors.
- During the year, the Township received \$789,787 in revenues and incurred \$812,157 in expenditures, resulting in a decrease in net position of \$22,370.
- At the close of the current fiscal year, the Township's general fund reported fund balance of \$837,432, a decrease of \$12,224 in comparison with the prior year. Of the total general fund reported fund balance, \$524,442 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$524,442, or approximately 111.3% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the Township's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

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

event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., depreciation of capital assets).

Both of the government-wide financial statements display functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Township include general government, public safety, road maintenance, and recreation and culture.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into 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 several 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, library fund, and the fire fund, which are considered to be major funds. The street light fund and liquor law enforcement fund are considered nonmajor funds and are aggregated as other governmental funds. More detailed combining statements for the street light and liquor law enforcement funds can be found in the other supplemental information section of this report.

The Township adopts an annual appropriated budget for the general fund and each of its special revenue funds. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided to demonstrate compliance with these budgets.

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

The Township has one type of fiduciary fund, a *custodial fund*. The custodial fund reports resources held by the Township in a custodial capacity for individuals, private organizations, and other governments.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Township’s budgetary comparison schedules. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

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 the Township, assets exceeded liabilities by \$3,075,139 at the close of the most recent fiscal year, as summarized in the following schedule:

Township of Mullett's Net Position

ASSETS	2023	2021
<i>Current Assets</i>		
Cash and Investments	\$ 1,859,839	\$ 1,734,359
Taxes Receivable	28,987	25,849
Due from Other Governments	19,776	19,740
Total Current Assets	1,908,602	1,779,948
<i>Noncurrent Assets</i>		
Capital Assets, net	1,314,940	1,248,848
Total Assets	3,223,542	3,028,796
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	15,267	21,650
Accrued Payroll Liabilities	364	-
Unearned Revenue	132,772	-
Total Liabilities	148,403	21,650
NET POSITION		
Net Investment in Capital Assets	1,314,940	1,248,848
Restricted	922,767	740,496
Unrestricted	837,432	1,017,802
Total Net Position	\$ 3,075,139	\$ 3,007,146

A portion of the Township’s net position (\$1,314,940, or 42.76%) reflects its investment in capital assets (e.g., land and land improvements, buildings and improvements, and equipment). 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 (\$922,767, or 30.01%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$837,432 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

The Township's cash and cash equivalents increased \$125,480 since fiscal 2021 primarily as a result of the increase in net position of \$67,993 since 2021 plus American Rescue Plan Act funds of \$132,772 have been collected but unspent by the Township as of March 31, 2023.

The Township's capital assets have decreased by \$66,092 since fiscal 2021 as depreciation expense reported on the Township's capital assets has exceeded capital asset additions for the past two years.

The Township recognized unearned revenue in 2023 for the portion of American Rescue Plan Act funds received but not expended as of March 31, 2023.

At the end of the current fiscal year, the Township is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its governmental activities. The same situation held true for the prior audited year.

A comparative analysis of the changes in net position for the Township follows:

Township of Mullett's Changes in Net Position

Revenues	2023	2021
Program Revenues		
Charges for Services	\$ 118,381	\$ 93,122
Operating Grants and Contributions	21,676	29,984
Total Program Revenues	140,057	123,106
General Revenues		
Property Taxes	510,845	482,119
Unrestricted State Aid	135,878	116,932
Interest Income	3,007	3,878
Total General Revenues	649,730	602,929
Total Revenues	789,787	726,035
Expenses		
General Government	231,703	242,388
Public Safety	212,836	188,902
Public Works	169,022	34,047
Recreation and Culture	198,596	99,110
Interest on Long-term Debt	-	5,254
Total Expenses	812,157	569,701
Change in Net Position	(22,370)	156,334
<i>Net Position at the Beginning of Period</i>	3,097,509	2,850,812
Net Position at the End of Period	\$ 3,075,139	\$ 3,007,146

During fiscal 2023, net position decreased \$22,370 from the prior fiscal year for an ending balance of \$3,075,139. Property taxes increased slightly by \$28,726 over the prior audit period due to an increase in taxable value. Charges from services increased by \$25,259 compared to fiscal 2021 from an increase in the fire contract charges for services from Burt Township.

Expenses increased from \$569,701 during fiscal 2021 to \$812,157 during fiscal 2023 for the following reasons:

- The Township's cost of providing fire protection services increased by approximately \$15,000.
- Public works expenses increased by \$134,975 in 2023 compared to 2021 as there were more road projects as COVID delayed projects in 2021.
- Recreation and culture expenses increased as the library resumed normal operation leading to an increase in operating costs of \$35,000. Additionally, roughly \$25,000 was expended for additional parks maintenance in 2023 compared to 2021. Lastly, depreciation expense allocated to recreation and culture increased by approximately \$37,000 due to various beach and park improvement projects placed into service during the past two years.

Financial Analysis of 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's Board.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$524,442. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 111.3% of total general fund expenditures. The fund balance of the Township's general fund decreased by \$12,224 during the current fiscal year.

The fire fund, a major fund, accounts for revenues and expenditures incurred by the Township for fire protection. The fire fund increased its fund balance by \$100,476 which is as a result decreased expenses as the fire truck installment contract was paid off during 2021.

The library fund, a nonmajor fund, accounts for revenues and expenditures incurred by the Township library. The library fund decreased its fund balance by \$5,606 as a result of decreased contributions and donations.

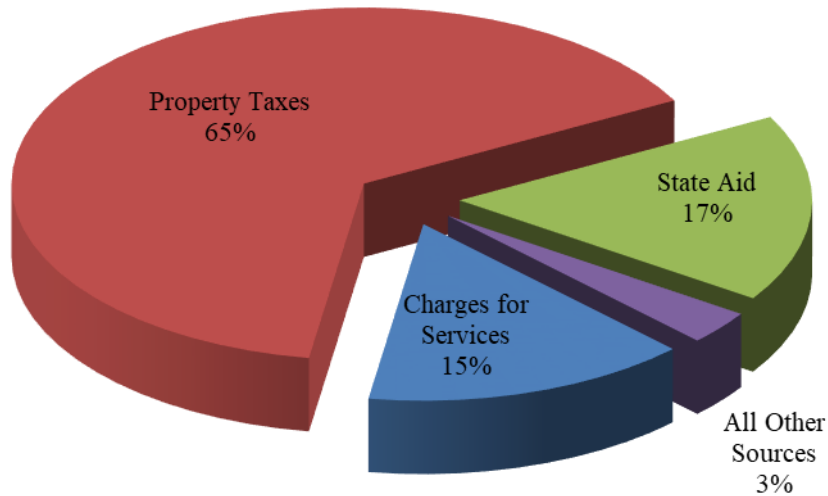
The street light fund, a nonmajor fund, accounts for revenues and expenditures incurred by the Township for street lighting. The street light fund decreased its fund balance by \$12,961, with an ending fund balance of \$22,714. This decrease was due to special assessments being completed in the prior year.

The liquor law enforcement fund, a nonmajor fund, increased its fund balance by \$607 for an ending fund balance of \$698.

Governmental Activities

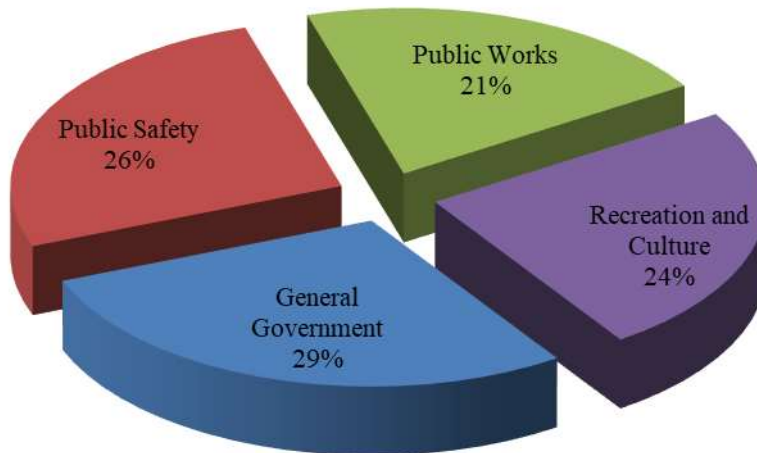
The following chart summarizes the revenue sources for the governmental activities of the Township for the most recent fiscal year-end:

Governmental Activities Revenues



The following chart summarizes the expenses for the governmental activities of the Township for the most recent fiscal year-end:

Governmental Activities Expenses



General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations.

Final budget compared to actual results. During the current fiscal year the Township had no budget variances between the final budget compared to actual results within the general fund.

Capital Assets

Capital assets

The Township's investment in capital assets for its governmental activities as of March 31, 2022, amounts to \$1,314,940 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, vehicles, and library materials. Additional information about the Township's capital assets can be found in notes to the financial statements.

Economic Condition and Outlook

Management estimates \$449,000 of revenues will be available for appropriation in the general fund in the 2024 budget. Expenditures are expected to change by increase compared to 2023 for road projects. The Township continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2024, the Township plans again to use current revenues to provide essential services and to maintain the Township's financial reserves at similar levels. The ongoing costs of providing essential services for the citizens of the Township will again need to be monitored in order to maintain the financial condition of the Township.

Contacting the Township

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Township of Mullett
P.O. Box 328
Topinabee, MI 49791

Basic Financial Statements

**Township of Mullett
Statement of Net Position
March 31, 2023**

ASSETS	
<i>Current Assets</i>	
Cash and Investments	\$ 1,859,839
Taxes Receivable	28,987
Due from Other Governments	19,776
<i>Total Current Assets</i>	<u>1,908,602</u>
<i>Noncurrent Assets</i>	
Capital Assets not Being Depreciated	524,005
Capital Assets Being Depreciated, net	790,935
<i>Total Assets</i>	<u>3,223,542</u>
LIABILITIES	
<i>Current Liabilities</i>	
Accounts Payable	15,267
Accrued Payroll Liabilities	364
Unearned Revenue	132,772
<i>Total Current Liabilities</i>	<u>148,403</u>
NET POSITION	
Investment in Capital Assets	1,314,940
<i>Restricted for:</i>	
Public Safety	873,226
Public Works	22,714
Recreation and Culture	26,827
<i>Unrestricted</i>	837,432
<i>Total Net Position</i>	<u>\$ 3,075,139</u>

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

**Township of Mullett
Statement of Activities
For the Year Ended March 31, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General Government	\$ 231,703	\$ 37,949	\$ 3,736	\$ --	\$ (190,018)
Public Safety	212,836	68,000	--	--	(144,836)
Public Works	169,022	--	--	--	(169,022)
Recreation and Culture	198,596	12,432	17,940	--	(168,224)
General Government	231,703	37,949	3,736	--	(190,018)
Total	\$ 812,157	\$ 118,381	\$ 21,676	\$ --	(672,100)

General Purpose Revenues:

Taxes	510,845
Unrestricted State Aid	135,878
Interest Income	3,007
Total General Revenues	649,730
Change in Net Position	(22,370)
<i>Net Position at Beginning of Period</i>	<i>3,097,509</i>
Net Position at End of Period	\$ 3,075,139

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

**Township of Mullett
Balance Sheet
Governmental Funds
March 31, 2023**

	<u>Special Revenue</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Fire Fund</u>		
ASSETS				
Cash and Investments	\$ 941,186	\$ 863,022	\$ 55,631	\$ 1,859,839
Taxes Receivable	17,590	11,397	--	28,987
Due from Other Governments	19,776	--	--	19,776
Total Assets	<u>\$ 978,552</u>	<u>\$ 874,419</u>	<u>\$ 55,631</u>	<u>\$ 1,908,602</u>
LIABILITIES				
Accounts Payable	\$ 7,984	\$ 1,891	\$ 5,392	\$ 15,267
Accrued Payroll Liabilities	364	--	--	364
Unearned Revenue	132,772	--	--	132,772
Total Liabilities	<u>141,120</u>	<u>1,891</u>	<u>5,392</u>	<u>148,403</u>
FUND BALANCE				
Restricted	--	872,528	50,239	922,767
Committed for Next Years Budget	312,990	--	--	312,990
Unassigned	524,442	--	--	524,442
Total Fund Balance	<u>837,432</u>	<u>872,528</u>	<u>50,239</u>	<u>1,760,199</u>
Total Liabilities and Fund Balance	<u>\$ 978,552</u>	<u>\$ 874,419</u>	<u>\$ 55,631</u>	<u>\$ 1,908,602</u>

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

Township of Mullett
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
March 31, 2023

Total Fund Balance - Governmental Funds	\$ 1,760,199
General government capital assets of \$3,048,270, net of accumulated depreciation of \$1,733,330, are not financial resources and, accordingly, are not reported in the funds.	1,314,940
Total Net Position-Governmental Activities	\$ <u>3,075,139</u>

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

Township of Mullett
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended March 31, 2023

	<u>Special Revenue</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Fire Fund</u>		
Revenues				
Taxes	\$ 317,119	\$ 193,726	\$ --	\$ 510,845
Intergovernmental	139,614	--	994	140,608
Charges for Services	--	68,000	--	68,000
Fines and Forfeits	--	--	11,929	11,929
Interest Income and Rentals	2,372	1,145	120	3,637
Other Revenues	37,319	--	17,449	54,768
Total Revenues	<u>496,424</u>	<u>262,871</u>	<u>30,492</u>	<u>789,787</u>
Expenditures				
General Government	217,023	--	--	217,023
Public Safety	--	162,395	1,895	164,290
Public Works	176,757	--	12,991	189,748
Recreation and Culture	77,368	--	71,066	148,434
Total Expenditures	<u>471,148</u>	<u>162,395</u>	<u>85,952</u>	<u>719,495</u>
Excess of Revenues Over (Under) Expenditures	<u>25,276</u>	<u>100,476</u>	<u>(55,460)</u>	<u>70,292</u>
Other Financing Sources (Uses)				
Transfers In	--	--	37,500	37,500
Transfers Out	(37,500)	--	--	(37,500)
Net Other Financing Sources (Uses)	<u>(37,500)</u>	<u>--</u>	<u>37,500</u>	<u>--</u>
Net Change in Fund Balance	(12,224)	100,476	(17,960)	70,292
<i>Fund Balance at Beginning of Period</i>	849,656	772,052	68,199	1,689,907
Fund Balance at End of Period	<u>\$ 837,432</u>	<u>\$ 872,528</u>	<u>\$ 50,239</u>	<u>\$ 1,760,199</u>

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

Township of Mullett
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended March 31, 2023

Total Net Change in Fund Balances - Governmental Funds	\$	70,292
Governmental fund report capital outlay as expenditures; however, in the statement of activities, the cost of those		(92,662)
Changes in Net Position-Governmental Activities	\$	<u>(22,370)</u>

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

**Township of Mullett
Statement of Fiduciary Net Position
Fiduciary Fund
March 31, 2023**

	Custodial Fund
ASSETS	
Cash and Cash Equivalents	\$ 1,094
<i>Total Assets</i>	1,094
LIABILITIES	
Due to Other Governments	1,094
<i>Total Liabilities</i>	1,094
NET POSITION	
Restricted for Individuals, organizations, and other governments	\$ -

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

Township of Mullett
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended March 31, 2023

	Custodial Fund
Additions	
Taxes Collected for Other Governments	\$ 3,695,654
<i>Total Additions</i>	<i>3,695,654</i>
Deductions	
Payments of Property Taxes to Other Governments	3,695,654
<i>Total Deductions</i>	<i>3,695,654</i>
<i>Change in Net Position</i>	<i>--</i>
Net Position at Beginning of Period	--
<i>Net Position at End of Period</i>	<i>\$ --</i>

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

Notes to the Financial Statements

Township of Mullett

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Township of Mullett (the “Township” or “government”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township’s accounting policies are described below.

Reporting Entity

The Township is located in Cheboygan County, Michigan, and provides services to its residents in many areas including fire protection, community enrichment and development, and human services. The Township is a general law township governed by a five-member board elected by the citizens of the Township. The Township Board consists of the supervisor, clerk, treasurer, and two trustees.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 61, "*The Financial Reporting Entity*," these financial statements present the Township. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. There are no other units that should be included in the financial statements.

The following entities are not included in the Township’s financial statements but do represent an ongoing financial interest or responsibility:

Jointly Governed Organization

Joint Cemetery Boards

The Township jointly operates two separate cemeteries with Burt and Aloha Townships of Cheboygan County. Both the Mullett-Burt Cemetery and Aloha Township Cemetery have separate independent boards. Burt and Aloha Townships have historically reported the financial activity for each cemetery. Mullett Township’s share of the costs is shown as expenditures of the general fund.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The Township reports its activities as *governmental activities*, which normally are supported by taxes and intergovernmental revenues.

Township of Mullett

Notes to the Financial Statements

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services, 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.

The Township of Mullett 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.

Township of Mullett

Notes to the Financial Statements

The *fire fund* accounts for the township's fire protection services. Funding is primarily through property tax revenue.

In addition, the Township reports the following governmental funds.

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

Fiduciary funds are custodial in nature and do not present results of operations or have a measurement focus. Custodial funds are accounted for using the accrual basis of accounting. These funds are used to account for asset that the government holds for others in a custodial capacity (such as taxes collected for other governments).

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

Budgetary Basis of Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The general fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to the first day of the following fiscal year, the budget is legally enacted through passage of a resolution.
4. The legal level of budgetary control is at the activity level.
5. Budget appropriations lapse at year-end.
6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621, which was followed for the year ended March 31, 2021. Expenditures may not exceed appropriations. Any amendment to the original budget must meet the requirements of Public Act 621.

Township of Mullett

Notes to the Financial Statements

Assets, Liabilities, and Net Position or Equity

Cash and Investments

The Township's cash and investments are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes and Township policy authorize the Township to invest in:

- Bonds, securities, other obligations, and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
- Repurchase agreements consisting of bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- Bankers' acceptances of United States banks.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- Obligations described above if purchased through an inter-local agreement under the Urban Cooperation Act of 1967.
- Investment pools organized under the Surplus Fund Investment Pool Act (Public Act 367 of 1982)

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements, outstanding at the end of the fiscal year, are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Township of Mullett

Notes to the Financial Statements

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 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 donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Library Books and Materials	3 - 5
Equipment	5 - 10
Fire Vehicles	5 - 20
Buildings and Improvements	15 - 40

Long-term Obligations

In the government-wide financial statements, the long-term debt and other long-term obligations are reported as liabilities in the statement of net position. For new bond issuances of governmental funds after the implementation of GASB Statement No. 34, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period that the bond is issued.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond, millage, 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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Township of Mullett

Notes to the Financial Statements

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

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish 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 Township Board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

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

Unassigned fund balance is the residual classification for the Township's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Board.

Township of Mullett

Notes to the Financial Statements

Revenues and Expenditures / Expenses

Property Tax Revenue Recognition

The Township's property tax is levied on each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. It is the Township's policy to recognize revenues in the current year when the proceeds are budgeted and made available for the financing of Township operations. Payment from the county for the 2020 delinquent taxes, which it purchased subsequent to March 31, is recorded as delinquent taxes receivable in all funds that levy a tax.

The 2022 taxable value of the Township amounted to \$135,891,468 on which ad valorem taxes of 1.9776 mills were levied for Township operating purposes and 1.4832 mills for fire protection.

Use of Estimates

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

Note 2 - Budgetary Compliance

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Township had no expenditures in excess of the amount appropriated during the year ended March 31, 2023.

Note 3 - Cash

The Township Board has designated five banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in note 1. The Township's deposits and investment policy are in accordance with statutory authority as all balances are held in checking, savings, or money market accounts. At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Total</u>
Statement of Net Position	
Cash and Investments	\$ 1,859,839
Statement of Fiduciary Net Position	
Cash and Investments	<u>1,094</u>
<i>Total Cash and Investments</i>	<u>\$ 1,860,933</u>

Township of Mullett

Notes to the Financial Statements

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year-end, \$721,962 of the Township's bank balance of \$1,925,080 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Township believes it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 4 - Capital Assets

Capital asset activity for the year ended March 31, 2023 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets not Being Depreciated				
Land	\$ 524,005	\$ -	\$ -	\$ 524,005
Capital Assets Being Depreciated				
Buildings and Improvements	672,210	-	-	672,210
Land and Improvements	410,712	20,726	-	431,438
Office and Other Equipment	111,500	-	-	111,500
Fire Equipment	256,979	-	-	256,979
Fire Vehicles	1,036,626	-	-	1,036,626
Library Books and Materials	15,039	7,707	7,234	15,512
Total Capital Assets Being Depreciated	2,503,066	28,433	7,234	2,524,265
Less Accumulated Depreciation				
Buildings and Improvements	402,081	23,503	-	425,584
Land and Improvements	74,289	41,912	-	116,201
Office and Other Equipment	70,494	6,968	-	77,462
Fire Equipment	248,129	8,850	-	256,979
Fire Vehicles	813,314	35,730	-	849,044
Library Books and Materials	11,162	4,132	7,234	8,060
Total Accumulated Depreciation	1,619,469	121,095	7,234	1,733,330
Net Capital Assets	\$ 1,407,602	\$ (92,662)	\$ -	\$ 1,314,940

Depreciation expense was charged to the Township as follows:

General Government	\$ 14,680
Public Safety	48,546
Recreation and Culture	57,869
Total Depreciation	\$ 121,095

Township of Mullett

Notes to the Financial Statements

Note 5 – Interfund Transfers

The composition of interfund transfers as of March 31, 2023 was as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Liquor Law Enforcement	General Fund	\$ 2,500
Library Fund	General Fund	35,000

Transfers are used to use unrestricted revenues collected in the general fund to finance various programs accounted for in others funds in accordance with budgetary authorizations.

Note 6 – Risk Management

The Township participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township. The Township pays an annual premium to the Michigan Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan. The Township continues to carry commercial insurance for all other risks of loss, including worker's compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 7 - Subsequent Events

Subsequent events have been evaluated through September 30, 2023, the date on which these financial statements were available to be issued. Management is not aware of any subsequent events that would have a significant impact on the financial condition of the Township.

Note 8 – Adoption of GASB Statement No. 87, Leases

The Township adopted the provisions of GASB Statement No. 87, Leases, in the current year, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Township had no material leases to report during the year in accordance with the standard.

Required Supplementary Information

Township of Mullett
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended March 31, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Taxes	\$ 288,800	\$ 288,800	\$ 317,119	\$ 28,319
Intergovernmental	189,203	189,203	139,614	(49,589)
Interest Income and Rentals	1,500	1,500	2,372	872
Other Revenues	500	16,138	37,319	21,181
Total Revenues	480,003	495,641	496,424	783
Expenditures				
General Government				
Admin	37,750	37,750	32,343	5,407
Trustees	15,650	15,650	14,574	1,076
Supervisor	22,450	22,450	20,378	2,072
Clerk	29,800	29,800	26,962	2,838
Deputy clerk	5,950	5,950	2,741	3,209
Audit	6,500	6,500	2,000	4,500
Surveyor	3,000	3,000	--	3,000
Board of review	8,750	8,750	7,044	1,706
Treasurer	28,050	28,050	27,648	402
Deputy treasurer	5,950	5,950	--	5,950
Assessor	28,700	28,700	26,967	1,733
Computer service	4,500	4,500	4,396	104
Election	16,250	16,250	8,632	7,618
Town hall	33,550	49,188	30,412	18,776
Attorney	10,000	10,000	3,045	6,955
Signage	400	400	381	19
Cemetery	10,000	20,000	9,500	10,500
Total General Government	267,250	292,888	217,023	75,865
Public Works				
Sidewalk	25,000	25,000	--	25,000
Road	235,000	235,000	168,436	66,564
Blight and clean-up	8,800	8,800	8,321	479
Total Public Works	279,200	289,200	186,638	102,562
Parks	125,250	125,250	77,368	47,882
Total Expenditures	661,300	686,938	471,148	215,790
Other Financing Uses				
Transfers out	37,500	37,500	37,500	--
Total Expenditures and Other Financing Uses	698,800	724,438	508,648	215,790
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	(218,797)	(228,797)	(12,224)	216,573
Net Change in Fund Balance	(218,797)	(228,797)	(12,224)	216,573
<i>Fund Balance at Beginning of Period</i>	849,656	849,656	849,656	--
Fund Balance at End of Period	\$ 630,859	\$ 620,859	\$ 837,432	\$ 216,573

Township of Mullett
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Fire Fund
For the Year Ended March 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) Final to Actual
Revenues				
Taxes	\$ 185,000	\$ 185,000	\$ 193,726	\$ 8,726
Charges for Services	68,000	68,000	68,000	--
Interest Income and Rentals	750	750	1,145	395
Total Revenues	<u>253,750</u>	<u>253,750</u>	<u>262,871</u>	<u>9,121</u>
Expenditures				
Fire protection	341,450	341,450	162,395	179,055
Total Expenditures	<u>341,450</u>	<u>341,450</u>	<u>162,395</u>	<u>179,055</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(87,700)</u>	<u>(87,700)</u>	<u>100,476</u>	<u>188,176</u>
Net Change in Fund Balance	<u>(87,700)</u>	<u>(87,700)</u>	<u>100,476</u>	<u>188,176</u>
<i>Fund Balance at Beginning of Period</i>	772,052	772,052	772,052	--
Fund Balance at End of Period	<u>\$ 684,352</u>	<u>\$ 684,352</u>	<u>\$ 872,528</u>	<u>\$ 188,176</u>

OTHER SUPPLEMENTARY INFORMATION

**Township of Mullett
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2023**

	<u>Special Revenue</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Library Fund</u>	<u>Street Light Fund</u>	<u>Liquor Law Enforcement Fund</u>	
ASSETS				
Cash and Investments	\$ 28,957	\$ 25,976	\$ 698	\$ 55,631
<i>Total Assets</i>	<u>\$ 28,957</u>	<u>\$ 25,976</u>	<u>\$ 698</u>	<u>\$ 55,631</u>
LIABILITIES				
Accounts Payable	\$ 2,130	\$ 3,262	\$ --	\$ 5,392
<i>Total Liabilities</i>	<u>2,130</u>	<u>3,262</u>	<u>--</u>	<u>5,392</u>
FUND BALANCE				
Restricted	26,827	22,714	698	50,239
Unassigned	--	--	--	--
<i>Total Fund Balance</i>	<u>26,827</u>	<u>22,714</u>	<u>698</u>	<u>50,239</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 28,957</u>	<u>\$ 25,976</u>	<u>\$ 698</u>	<u>\$ 55,631</u>

Township of Mullett
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended March 31, 2023

	Special Revenue			Total Nonmajor Governmental Funds
	Library Fund	Street Light Fund	Liquor Law Enforcement Fund	
Revenues				
Intergovernmental	\$ 994	\$ --	\$ --	\$ 994
Fines and Forfeits	11,929	--	--	11,929
Interest Income and Rentals	88	30	2	120
Other Revenues	17,449	--	--	17,449
Total Revenues	30,460	30	2	30,492
Expenditures				
Public Safety	--	--	1,895	1,895
Public Works	--	12,991	--	12,991
Recreation and Culture	71,066	--	--	71,066
Total Expenditures	71,066	12,991	1,895	85,952
Excess of Revenues Over (Under) Expenditures	(40,606)	(12,961)	(1,893)	(55,460)
Other Financing Sources (Uses)				
Transfers In	35,000	--	2,500	37,500
Net Other Financing Sources (Uses)	35,000	--	2,500	37,500
Net Change in Fund Balance	(5,606)	(12,961)	607	(17,960)
<i>Fund Balance at Beginning of Period</i>	32,433	35,675	91	68,199
Fund Balance at End of Period	\$ 26,827	\$ 22,714	\$ 698	\$ 50,239

September 30, 2023

To the Township Board
Township of Mullet

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Township of Mullet (the “Township”) for the year ended March 31, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 18, 2023. 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 the Township are described in Note 1 to the financial statements. No new accounting policies were adopted, except as stated in Note 8 to the financial statements and the application of existing policies was not changed during 2023. We noted no transactions entered into by 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 estimates affecting the 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 useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, 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 September 30, 2023.

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 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 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.

Other Matters

We applied certain limited procedures to management's discussion and analysis and budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining and individual nonmajor fund statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to

determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township as of and for the year ended March 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we have identified deficiencies in internal control that we consider to be material weaknesses.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis.

We consider the following deficiencies to be material weaknesses:

Material audit adjustments and financial statement preparation:

Criteria: All governmental units in Michigan are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the 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 accounting records), and 2) reporting government-wide and fund financial statements, including the related notes to the financial statements (i.e. external financial reporting).

Condition: We identified and proposed material audit adjustments that management reviewed and approved. We also assisted management with preparing the basic financial statements and the related footnotes.

As is the case with many small and medium-sized governmental units, the Township has historically relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis as part of its external

financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditor, who cannot, by definition, be considered part of the Township's internal controls. Having the auditor draft the annual financial statements is allowable under current auditing standards and ethical guidelines and may be the most efficient and effective method for preparation of the Township's financial statements. However, when an entity (on its own) lacks the ability to produce financial statements that conform to GAAP, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses.

Cause: This condition was caused by the Township's decision to outsource the preparation of its annual financial statements to the external auditor rather than incur the costs of obtaining the necessary training and expertise required for the Township to perform this task internally because outsourcing the task is considered more cost effective.

Effect: The Township's accounting records were initially misstated by amounts material to the financial statements. In addition, the Township lacks complete internal controls over the preparation of its financial statements in accordance with GAAP, and, instead, relies, at least in part, on assistance from its external auditor for assistance with this task.

Auditor's Recommendation: We recommend that management continue to monitor the relative costs and benefits of securing the internal or other external resources necessary to develop material adjustments and prepare a draft of the Township's annual financial statements versus contracting with its auditor for these services.

Management Response: Management has made an ongoing evaluation of the respective costs and benefits of obtaining internal or external resources, specifically for the preparation of financial statements, and has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so. Management will continue to review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Lack of segregation of incompatible duties:

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

Condition/Finding: The Township has accounting functions which are performed by the same individual and are not subject to a documented independent review and approval. These areas include journal entries, cash reconciliations, and accounts payable transactions.

Cause: This condition is a result of the limited size of the Township's accounting staff.

Effect: As a result of this condition, the Township 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.

Auditor's Recommendation: While 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, we

would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

Management's Response: The Township concurs with this finding. The Township will require appropriate sign-offs of a second responsible person for key accounting functions

We did not audit the Township's response to the internal control finding described above and, accordingly, we express no opinion on it.

Restriction on Use

This information is intended solely for the information and use of the Board and management of the Township and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

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

Gabridge & Company, PLC
Grand Rapids, MI