



**TOWNSHIP OF VEVAY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED MARCH 31, 2023**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Township of Vevay  
Mason, Michigan

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Vevay (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, the discretely presented component unit, 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 10 to the basic financial statements, the Township 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, required pension schedules, and budgetary comparison schedules, as listed in the table of contents, 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, as listed in the table of contents, 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  
Grand Rapids, Michigan  
September 6, 2023

## **Management's Discussion and Analysis**

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

As management of the Township of Vevay, 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 and deferred outflows of the Township exceeded its liabilities at the close of the most recent fiscal year by \$787,724 (net position). Of this amount, \$540,574 represents unrestricted net position.
- During the year, the Township received \$883,791 in revenues and incurred \$676,281 in expenses, resulting in an increase in net position of \$207,510.
- At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$866,606, an increase of \$153,957 in comparison with the previous year. A portion of this amount, \$653,316, 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 \$653,316, or approximately 92.7% of annual 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 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, deferred outflows, 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., changes in net pension liability and depreciation of capital assets).

Both of the government-wide financial statements report 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 works, community and economic development, and public safety.

The government-wide financial statements include not only the Township itself (known as the primary government), but also a legally separate Downtown Development Authority (“DDA”) for which the Township is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the Township.

**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 six 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 four nonmajor special revenue street lighting funds (which are aggregated into one column).

The Township adopts an annual appropriated budget for the general fund and each special revenue fund. A budgetary comparison schedule for the general fund has been provided.

**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 and pension schedules.

This report also presents other supplementary information consisting of combining statements for the Township’s nonmajor special revenue funds. These statements 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 and deferred outflows exceeded liabilities by \$787,724 at the close of the most recent fiscal year.

<b>ASSETS</b>	<b>2023</b>	<b>2022</b>
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 1,238,851	\$ 912,588
Taxes Receivable	6,661	5,590
Accounts Receivable	15,675	4,952
Due from State	2,653	-
Prepaid Items	6,174	5,076
Other Current Assets	3,400	-
<b>Total Current Assets</b>	<b>1,273,414</b>	<b>928,206</b>
<i>Noncurrent Assets</i>		
Capital Assets not Being Depreciated	32,509	32,509
Capital Assets Being Depreciated	209,025	227,640
<b>Total Assets</b>	<b>1,514,948</b>	<b>1,188,355</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related Deferrals	91,723	49,429
<b>Total Deferred Outflows of Resources</b>	<b>91,723</b>	<b>49,429</b>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts Payable	26,941	13,333
Accrued Liabilities	781	5,811
Security Deposits	600	-
Unearned Revenue	378,486	196,413
Current Portion of Long-term Debt	10,325	10,325
<b>Total Current Liabilities</b>	<b>417,133</b>	<b>225,882</b>
<i>Noncurrent Liabilities</i>		
Net Pension Liability	288,239	275,515
Long-term Debt	113,575	123,900
<b>Total Liabilities</b>	<b>818,947</b>	<b>625,297</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Related Deferrals	-	32,273
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>32,273</b>
<b>NET POSITION</b>		
Investment in Capital Assets	241,534	260,149
Restricted	5,616	6,150
<i>Unrestricted</i>	540,574	313,915
<b>Total Net Position</b>	<b>\$ 787,724</b>	<b>\$ 580,214</b>

A portion of the Township’s net position \$241,534 reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure). The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

A portion of the balance, \$5,616, is restricted and may not be used other than by its restricted purpose. The remaining amount of \$540,574 is reported as unrestricted net position and is available to pay vendors, employees, and creditors.

**Governmental Activities.** Governmental activities increased the Township’s net position by \$207,510 when compared to the previous year.

<b>Revenues</b>	<b>2023</b>	<b>2022</b>
<b>Program Revenues</b>		
Charges for Services	\$ 107,553	\$ 73,897
Operating Grants and Contributions	71,130	65,884
Capital Grants and Contributions	-	83,830
<b><i>Total Program Revenues</i></b>	<b>178,683</b>	<b>223,611</b>
<b>General Revenues</b>		
Taxes	252,025	244,736
Intergovernmental	435,545	363,743
Interest and Rents	17,538	951
<b><i>Total General Revenues</i></b>	<b>705,108</b>	<b>609,430</b>
<b><i>Total Revenues</i></b>	<b>883,791</b>	<b>833,041</b>
<b>Expenses</b>		
General Government	382,183	406,359
Public Works	108,257	93,259
Community and Economic Development	12,855	15,646
Public Safety	166,824	110,876
Recreation and Culture	6,162	2,813
<b><i>Total Expenses</i></b>	<b>676,281</b>	<b>628,953</b>
<b><i>Change in Net Position</i></b>	<b>207,510</b>	<b>204,088</b>
Net Position at the Beginning of Period	580,214	376,126
<b><i>Net Position at the End of Period</i></b>	<b>\$ 787,724</b>	<b>\$ 580,214</b>

Capital grants and contributions decreased in the current year due to the DDA contributions to for improvements at the Township park in the prior year. Intergovernmental revenues saw a major increase due to receiving federal grants. State revenue sharing saw a minor increase, while other revenues stayed consistent with prior years. Expenses that were previously in other functions were classified to their appropriate function.

## **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.

At March 31, 2023, the Township's governmental funds reported combined fund balances of \$866,606, an increase of \$153,957 over the prior year. A portion of this amount \$653,316 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) restricted for particular purposes (\$5,616), 2) not in a spendable form (\$6,174), or 3) committed for particular purposes (\$201,500).

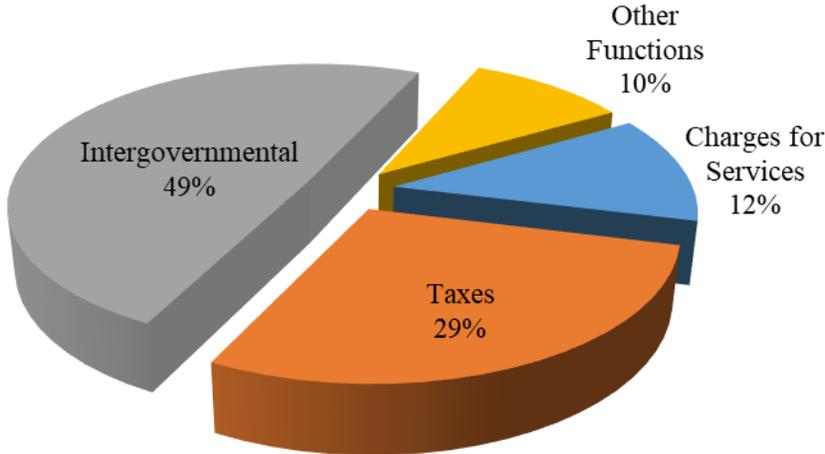
The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$653,316. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 92.7% percent of total general fund expenditures.

The fund balance of the Township's general fund increased by \$154,491 during the current fiscal year.

## **Governmental Activities**

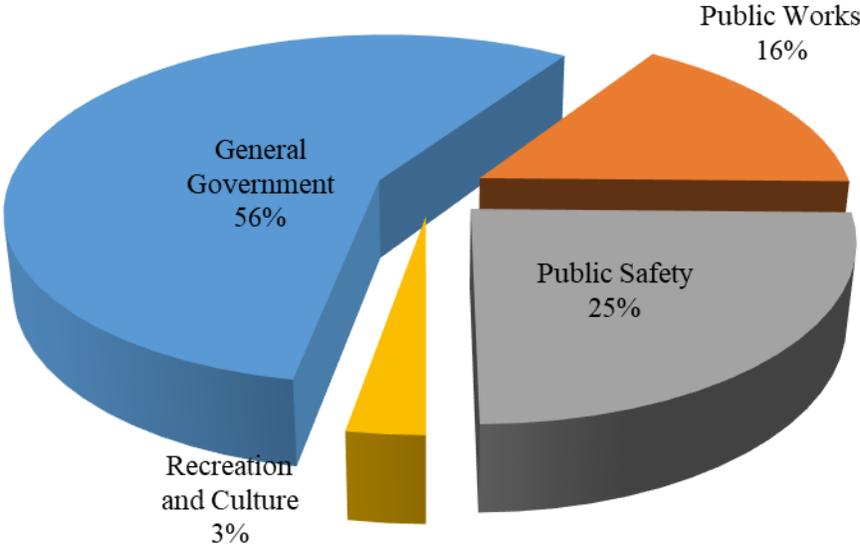
The following chart summarizes the revenue sources for the governmental activities of the Township for the most recent fiscal year-end:

### 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 one significant amendment to the budget for an increase in State Revenue Sharing, which led to an increase of \$56,319.

*Final budget compared to actual results.* During the current fiscal year the Township had one expenditure in excess of the amounts appropriated:

<u>Expenditure</u>	<u>Final Amount</u>	<u>Actual Amount</u>	<u>Variance</u>
<b>General Fund</b>			
Assessor	\$ 37,519	\$ 37,543	\$ (24)

## Capital Assets and Debt Administration

### *Capital Assets*

The Township's investment in capital assets for its governmental activities as of March 31, 2023, amounts to \$241,534 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, and machinery & equipment.

More detailed information about the Township's capital assets can be found in Note 4.

### *Long-term Debt*

The Township financed their portion of the Mud Creek Drain project with the County. The current portion of the long-term debt for the fiscal year ended March 31, 2023 is \$10,325 while the remaining balance of the long-term debt is \$123,900.

More detailed information about the Township's long-term debt can be found in Note 5.

## Economic Condition and Outlook

Property tax revenues are expected to change minimally reflecting fairly stable property values. 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 2023, the Township plans again to use current revenues to provide essential services and to maintain the Township's financial reserves at similar levels.

## 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 Vevay / 780 Eden Road / Mason, MI 48854

## **Basic Financial Statements**

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

	<b>Primary Government</b>	<b>Component Units</b>
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 1,238,851	\$ 494,777
Taxes Receivable	6,661	--
Accounts Receivable	15,675	--
Due from State	2,653	--
Prepaid Items	6,174	--
Other Current Assets	3,400	--
<b>Total Current Assets</b>	<b>1,273,414</b>	<b>494,777</b>
<i>Noncurrent Assets</i>		
Capital Assets not Being Depreciated	32,509	--
Capital Assets Being Depreciated	209,025	--
<b>Total Assets</b>	<b>1,514,948</b>	<b>494,777</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension	91,723	--
<b>Total Deferred Outflows of Resources</b>	<b>91,723</b>	<b>--</b>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts Payable	26,941	--
Accrued Liabilities	781	--
Security Deposits	600	--
Unearned Revenue	378,486	--
Current Portion of Long-term Debt	10,325	--
<b>Total Current Liabilities</b>	<b>417,133</b>	<b>--</b>
<i>Noncurrent Liabilities</i>		
Net Pension Liability	288,239	--
Long-term Debt	113,575	--
<b>Total Liabilities</b>	<b>818,947</b>	<b>--</b>
<b>NET POSITION</b>		
Investment in Capital Assets	241,534	--
<i>Restricted for:</i>		
Public Works	5,616	--
<i>Unrestricted</i>	540,574	494,777
<b>Total Net Position</b>	<b>\$ 787,724</b>	<b>\$ 494,777</b>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Total	
<b>Primary Government</b>							
General Government	\$ 381,739	\$ 28,574	\$ 35,082	\$ --	\$ (318,083)	\$ (318,083)	\$ --
Community and Economic Development	13,730	660	--	--	(13,070)	(13,070)	--
Public Safety	134,429	50,745	28,796	--	(54,888)	(54,888)	--
Public Works	108,701	27,574	7,252	--	(73,875)	(73,875)	--
Recreation and Culture	37,682	--	--	--	(37,682)	(37,682)	--
<b>Total Primary Government</b>	<b>\$ 676,281</b>	<b>\$ 107,553</b>	<b>\$ 71,130</b>	<b>\$ --</b>	<b>\$ (497,598)</b>	<b>\$ (497,598)</b>	<b>--</b>
<b>Component Units</b>							
DDA	\$ 35,808	\$ --	\$ --	\$ --	--	--	(35,808)
<b>Total Component Units</b>	<b>\$ 35,808</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>--</b>	<b>--</b>	<b>(35,808)</b>
<b>General Purpose Revenues:</b>							
<b>Revenues</b>							
					252,025	252,025	29,844
					435,545	435,545	--
					17,538	--	5,923
					<u>705,108</u>	<u>705,108</u>	<u>35,767</u>
					<b>207,510</b>	<b>207,510</b>	<b>(41)</b>
					580,214	580,214	494,818
					<u>\$ 787,724</u>	<u>\$ 787,724</u>	<u>\$ 494,777</u>

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

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

	<u>Special Revenue</u>		<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
	<u>General</u>	<u>ARPA</u>		
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 855,624	\$ 377,786	\$ 5,441	\$ 1,238,851
Taxes Receivable	5,530	--	1,131	6,661
Accounts Receivable	15,675	--	--	15,675
Due from State	2,653	--	--	2,653
Prepaid Items	6,174	--	--	6,174
Other Current Assets	--	3,400	--	3,400
<b>Total Assets</b>	<b><u>\$ 885,656</u></b>	<b><u>\$ 381,186</u></b>	<b><u>\$ 6,572</u></b>	<b><u>\$ 1,273,414</u></b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 23,285	\$ 2,700	\$ 956	\$ 26,941
Accrued Liabilities	781	--	--	781
Security Deposits	600	--	--	600
Unearned Revenue	--	378,486	--	378,486
<b>Total Liabilities</b>	<b><u>24,666</u></b>	<b><u>381,186</u></b>	<b><u>956</u></b>	<b><u>406,808</u></b>
<b>FUND BALANCE</b>				
Nonspendable	6,174	--	--	6,174
Restricted	--	--	5,616	5,616
Committed	201,500	--	--	201,500
Unassigned	653,316	--	--	653,316
<b>Total Fund Balance</b>	<b><u>860,990</u></b>	<b><u>--</u></b>	<b><u>5,616</u></b>	<b><u>866,606</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 885,656</u></b>	<b><u>\$ 381,186</u></b>	<b><u>\$ 6,572</u></b>	<b><u>\$ 1,273,414</u></b>

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

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

Total Fund Balance - Governmental Funds	\$	866,606
General government capital assets of \$645,820, net of accumulated depreciation of \$404,286, are not financial resources and accordingly are not reported in the funds.		241,534
Deferred outflows and inflows from the difference between projected and actual investment earnings of the pension, as well as Township's contributions made after the measurement date of the net pension liability, are not reported in the funds.		91,723
The net pension liability is not paid from current financial resources and, therefore, is excluded from the fund financial statements but is included as a current liability in the government-wide financial statements.		(288,239)
Long-term liabilities, including the installment loan to the County, are not due and payable in the current period and, therefore, are not reported in the funds.		(123,900)
<b>Total Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>787,724</u></b>

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

	<u>Special Revenue</u>		<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
	<u>General</u>	<u>ARPA</u>		
<b>Revenues</b>				
Taxes	\$ 252,025	\$ --	\$ --	\$ 252,025
Special Assessments	--	--	3,339	3,339
Licenses and Permits	25,938	--	--	25,938
Intergovernmental	454,817	14,336	--	469,153
Charges for Services	63,583	--	6,501	70,084
Franchise Fees	7,824	--	--	7,824
Interest and Rents	23,554	--	--	23,554
Other Revenue	31,874	--	--	31,874
<b>Total Revenues</b>	<b>859,615</b>	<b>14,336</b>	<b>9,840</b>	<b>883,791</b>
<b>Expenditures</b>				
General Government	417,375	13,386	--	430,761
Community and Economic Development	13,730	--	--	13,730
Public Safety	131,988	--	--	131,988
Public Works	98,327	--	10,374	108,701
Recreation and Culture	33,379	950	--	34,329
Debt Service - Principal Payment	10,325	--	--	10,325
<b>Total Expenditures</b>	<b>705,124</b>	<b>14,336</b>	<b>10,374</b>	<b>729,834</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>154,491</b>	<b>--</b>	<b>(534)</b>	<b>153,957</b>
<b>Net Change in Fund Balance</b>	<b>154,491</b>	<b>--</b>	<b>(534)</b>	<b>153,957</b>
<i>Fund Balance at Beginning of Period</i>	706,499	--	6,150	712,649
<b>Fund Balance at End of Period</b>	<b>\$ 860,990</b>	<b>\$ --</b>	<b>\$ 5,616</b>	<b>\$ 866,606</b>

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

**Township of Vevay**  
**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	\$	153,957
The change in net pension liability and deferred outflows relating to pension amounts does not require the use of current resources and is not reported in the governmental funds.		61,843
Governmental funds report capital outlay as an expenditure; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This amount represents depreciation expense of \$18,615.		(18,615)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the net effect of these differences in the treatment of long-term debt.		10,325
<b>Changes in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>207,510</u></b>

**Township of Vevay**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**March 31, 2023**

	<b>Custodial Funds</b>	
	<b>Tax Collection Fund</b>	<b>Trust and Agency Fund</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 249	\$ 500
<i>Total Assets</i>	249	500
<b>LIABILITIES</b>		
Due to Individual and Agencies	--	500
Due to Other Governmental Units	249	--
<i>Total Liabilities</i>	249	500
<b>NET POSITION</b>		
Restricted for Individuals, Organizations and Other Governments	\$ --	\$ --

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

**Township of Vevay**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended March 31, 2023**

	Custodial Funds	
	Tax Collection Fund	Trust and Agency Fund
<b>ADDITIONS</b>		
<i>Taxes Collected for Other Governments</i>	\$ 6,051,349	\$ --
<b><i>Total Additions</i></b>	6,051,349	--
<b>DEDUCTIONS</b>		
Disbursement of Property Taxes to Other Governments	6,051,349	--
<b><i>Total Deductions</i></b>	6,051,349	--
<b><i>Change in Net Position</i></b>	--	--
<i>Net Position at Beginning of Period</i>	--	--
<b><i>Net Position Restricted for Others at End of Period</i></b>	\$ --	\$ --

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

## **Notes to the Financial Statements**

# Township of Vevay

## Notes to the Financial Statements

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### **Note 1 - Summary of Significant Accounting Policies**

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

#### ***Reporting Entity***

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 and one component unit. 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.

The following organization is a component unit of the Township and is included as a discretely presented component unit in the basic financial statements:

#### ***Downtown Development Authority (the “DDA”)***

The DDA is responsible for the creation of a development and financing plan for the downtown district or a development area within the district to promote economic growth. The DDA must obtain the Township Board’s approval of all development and financing plans. The annual operating budget and any modifications also require the Township Board’s approval.

#### ***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 non-fiduciary activities of the primary government and its component units. Governmental activities are normally supported by taxes and intergovernmental revenues.

The *statement of activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: 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 revenue are reported instead as general revenue.

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.

## Township of Vevay

### Notes to the Financial Statements

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#### ***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 funds. Revenue is 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 revenue 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*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenue to be available if it is collected within 60 days of the end of the current fiscal period.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Township reports the following major governmental fund:

The ***general fund*** is the Township'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 ***ARPA fund*** is the Township's fund for tracking the revenues and related expenditures for the monies received through the American Rescue Plan Act.

Additionally, the Township reports the following fund types:

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

***Fiduciary funds*** account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

# Township of Vevay

## Notes to the Financial Statements

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### ***Property Tax Revenue Recognition***

The Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Ingham County Treasurer on March 1 of the year following the levy. The Ingham County Treasurer remits payments to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1.00 per \$1,000 of the taxable valuation for general government service. For the year ended March 31, 2023, the Township levied 0.9901 mills for general governmental services. The total taxable value for the 2022 levy for property within the Township was \$150,375,659.

### **Assets, Liabilities, Deferred Inflows, Deferred Outflows and Net Position or Equity**

#### ***Bank Deposits and Investments***

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

State statutes authorize the Township to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

#### ***Receivables and Payables***

Outstanding balances between funds are reported as "due to/from other funds." All receivables are considered to be fully collectible as of year-end.

#### ***Capital Assets***

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

## Township of Vevay

### Notes to the Financial Statements

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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.

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

<u>Description</u>	<u>Years</u>
Land Improvements	40
Buildings and Improvements	10 - 40
Machinery and Equipment	3 - 15
Vehicles	5 - 10

#### *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 and will not be recognized as an outflow of resources (expense/expenditure) until then. The government-wide financial statements can report deferred outflows from the difference between projected and actual investments earnings of the pension plan, the difference between expected and actual experience on the pension plan, the difference between the changes in actuarial assumptions, as well as Township contributions made after the measurement date of the net pension liability.

In addition to liabilities, the statement of financial position will, when applicable, report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has one type of deferred inflow, which is reported on its government-wide financial statements, for the difference between projected and actual investment earnings of the pension plan.

#### *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 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.

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

## Township of Vevay

### Notes to the Financial Statements

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#### ***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. Nonspendable fund balance are equal to prepaid items. *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 restricted or committed. The Township Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

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

#### ***Fund Balance Flow Assumption***

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.

# Township of Vevay

## Notes to the Financial Statements

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### ***Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

### ***Pension***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (“MERS”) of Michigan and additions to/deductions from MERS’ fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### ***Interfund Transactions***

During the course of normal operations, the Township may have transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or component units are netted as part of the reconciliation to the government-wide financial statements.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the period. Actual results could differ from those estimates.

## **Note 2 - Stewardship, Compliance, and Accountability**

### ***Budgetary information***

The Township is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

- Budgets must be adopted for the general and special revenue funds.
- Budgets must be balanced.

# Township of Vevay

## Notes to the Financial Statements

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- Budgets must be amended as necessary.
- Public hearings must be held prior to adoption.
- Expenditures cannot exceed budget appropriations.
- Expenditures must be authorized by a budget appropriation prior to being incurred.

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

- In accordance with State law, prior to March 31, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and means of financing them for the upcoming year. Detail line item budgets are included for administrative control. The level of control for the detail budgets is at the departmental basis.
- Public hearings are conducted to obtain taxpayer comment.
- Prior to March 31, the budget is legally enacted through passage of a budget resolution (general appropriation act).
- Formal budgetary integration is employed as a management control device for the general and special revenue funds. Budgets for these funds are prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP).
- Budget appropriations lapse at year end-encumbrance system not used.
- Budgeted amounts are reported as originally adopted and as amended by the Township Board.

### *Excess of Expenditures Over Appropriations in Budgetary Funds*

The Township had one expenditure of budgetary funds which were in excess of the amounts budgeted during the year ended March 31, 2023:

<u>Expenditure</u>	<u>Final Amount</u>	<u>Actual Amount</u>	<u>Variance</u>
<b>General Fund</b>			
Assessor	\$ 37,519	\$ 37,543	\$ (24)

## Township of Vevay

### Notes to the Financial Statements

#### Note 3 - Cash and Investments

The captions on the government-wide and fund statements relating to cash are as follows:

	Primary Government	Component Unit	Fiduciary Funds	Total
<b>Statement of Net Position</b>				
Cash and Cash Equivalents	\$ 1,238,851	\$ 494,777	\$ 749	\$ 1,734,377
<b>Deposits and Investments</b>				
Checking and Savings Accounts	\$ 662,764	\$ 28,105	\$ 749	\$ 691,618
Certificates of Deposit	139,678	402,758	-	542,436
MIClass	436,409	63,914	-	500,323
<b>Total</b>	<b>\$ 1,238,851</b>	<b>\$ 494,777</b>	<b>\$ 749</b>	<b>\$ 1,734,377</b>

#### *Custodial Credit Risk - Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township's investment policy does not have specific limits in excess of state law pertaining to custodial credit risk. As of year-end, none of the bank balance of \$940,518 was exposed to custodial credit risk because it was uninsured and uncollateralized.

#### *Credit Risk*

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not further limit its investment choices. As of year-end, all deposits and investments consist of demand accounts, pooled investments, certificates of deposit, all of which are not rated.

<u>Agency</u>	<u>Rating</u>	<u>Amount</u>
Standard & Poor's	AAAm	\$ 500,323

# Township of Vevay

## Notes to the Financial Statements

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### ***Interest Rate Risk***

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Township's deposits and investments consisted of the following:

	<b>Certificates of Deposit</b>	<b>Cash Equivalents</b>
No Maturity	\$ -	\$ 500,323
Due Within 1 Year	442,310	-
Due in 1-5 Years	100,126	-
<b><i>Totals</i></b>	<b><u>\$ 542,436</u></b>	<b><u>\$ 500,323</u></b>

### ***Fair Value Measurement***

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

Investments held with MICLASS totaled \$500,323. MICLASS is authorized to invest in the same investment types as local units of government in Michigan. These holdings are valued using Level 2 inputs.

## Township of Vevay

### Notes to the Financial Statements

#### Note 4 - Capital Assets

Capital asset activity for the year was as follows:

<b>Governmental Activities</b>	Balance at 3/31/2022	Additions	Disposals	Balance at 3/31/2023
Capital Assets not being Depreciated				
Land	\$ 32,509	\$ -	\$ -	\$ 32,509
Capital Assets being Depreciated:				
Land Improvements	123,918	-	-	123,918
Buildings & Improvements	312,544	-	-	312,544
Machinery & Equipment	173,212	-	14,851	158,361
Vehicles	18,488	-	-	18,488
Total Capital Assets being Depreciated	628,162	-	14,851	613,311
Less Accumulated Depreciation:				
Land Improvements	16,738	4,355	-	21,093
Buildings & Improvements	241,377	4,612	14,356	231,633
Machinery & Equipment	123,919	9,153	-	133,072
Vehicles	18,488	-	-	18,488
Total Accumulated Depreciation	400,522	18,120	14,356	404,286
Total Capital Assets being Depreciated, Net	227,640	(18,120)	(495)	209,025
<b>Net Capital Assets, Governmental</b>	<b>\$ 260,149</b>	<b>\$ (18,120)</b>	<b>\$ (495)</b>	<b>\$ 241,534</b>
	Balance at 3/31/2022	Additions	Disposals	Balance at 3/31/2023
<b>Component Unit - DDA</b>				
Capital Assets not being Depreciated				
Construction in Progress	\$ -	\$ -	\$ -	\$ -

Depreciation expense of \$12,325 was charged to the general government function of the Township, \$2,441 to public safety, and \$3,353 to recreation and culture.

#### Note 5 - Long-term Debt

Long-term debt activity for the year ended March 31, 2023 was as follows:

<b>Governmental Activities:</b>	Beginning of Year	Reductions	End of Year	Due Within One Year
2015 Ingham County General Obligation Unlimited Tax Bonds, as allocated to the Township, to finance the Mud Creek Special Assessment Project. Payable in annual installments of \$10,325 plus accrued interest at 4.15% plus the coupon rate of the bonds through the 2035 fiscal year.	\$ 134,225	\$ 10,325	\$ 123,900	\$ 10,325

## Township of Vevay

### Notes to the Financial Statements

The annual requirements to maturity on the total long-term debt obligation outstanding at March 31, 2023 are as follows:

Year Ending March 31,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 10,325	\$ 5,173	\$ 15,498
2025	10,325	4,742	15,067
2026	10,325	4,311	14,636
2027	10,325	3,879	14,204
2028	10,325	3,448	13,773
2029-2033	51,625	10,775	62,400
2034-2036	20,650	1,293	21,943
<b>Totals:</b>	<b>\$ 123,900</b>	<b>\$ 33,621</b>	<b>\$ 157,521</b>

The Township has historically made, and will continue to make, the debt service payments from its general fund.

#### Note 6 - Defined Benefit Pension Plan

##### *Plan Description*

The employer's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

Retirement benefits for employees are calculated as follows:

Division	Benefit Multiplier	Benefit Maximum	Final Average Compensation (Years)	Normal Retirement Age	Unreduced Benefit (Age/Years of Service)	Reduced Benefit (Age/Years of Service)	Vesting (Years)
General - Open	2.25%	80%	5	60	-	50/25 or 55/15	10

## Township of Vevay

### Notes to the Financial Statements

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#### ***Employees Covered by Benefit Terms***

At the December 31, 2022 valuation date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	7
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>1</u>
<b><i>Total employees covered by MERS</i></b>	<b><u>11</u></b>

#### ***Contributions***

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended March 31, 2023, the Township had the following contribution rates:

<u>Division</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>
General - Open	11.22%	\$ 3,915

#### ***Net Pension Liability***

The net pension liability reported at March 31, 2022 was determined using a measure of the total pension liability and the pension net position as of December 31, 2022. The December 31, 2022 total pension liability was determined by an actuarial valuation performed as of December 31, 2022.

#### ***Actuarial Assumptions***

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.00%, net of investment expense, including inflation

## Township of Vevay

### Notes to the Financial Statements

Although no specific price inflation assumptions are needed for the valuation, the 3.0% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Allocation of Gross Rate of Return	Long-term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global equity	60.0%	7.0%	4.2%	2.5%	2.70%
Global fixed income	20.0%	4.5%	0.9%	2.5%	0.40%
Private Investments	20.0%	9.5%	1.9%	2.5%	1.40%
<b>Totals</b>	<b>100.0%</b>		<b>7.0%</b>		<b>4.5%</b>

#### ***Discount Rate***

The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## Township of Vevay

### Notes to the Financial Statements

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2021</b>	\$ 745,937	\$ 470,422	\$ 275,515
Service cost	7,592	-	7,592
Interest	51,930	-	51,930
Difference between expected and actual experience	(11,448)	-	(11,448)
Changes in assumptions	-	-	-
Contributions - Employer	-	81,055	(81,055)
Contributions - Employee	-	6,646	(6,646)
Net investment income	-	(51,438)	51,438
Benefit payments, including refunds	(66,924)	(66,924)	-
Administrative expenses	-	(913)	913
Net changes	(18,850)	(31,574)	12,724
<b>Balance at December 31, 2022</b>	\$ 727,087	\$ 438,848	\$ 288,239

#### ***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability of the Township, calculated using the discount rate of 7.25 percent, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

	1% Decrease	Current	1% Increase
	(6.25%)	Discount Rate (7.25%)	(8.25%)
Net pension liability of the Township	\$ 341,651	\$ 288,239	\$ 241,202

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

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

For the year ended March 31, 2023 the Township recognized pension expense of \$20,325.

## Township of Vevay

### Notes to the Financial Statements

The Township reported deferred outflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Excess (deficit) investment returns	\$ 41,181	\$ -
* Employer contributions to the plan subsequent to the measurement date	50,542	-
<b><i>Total</i></b>	<b>\$ 91,723</b>	<b>\$ -</b>

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending March 31, 2023.

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending March 31	Amount
2024	\$ 4,248
2025	7,839
2026	11,842
2027	17,252

#### ***Assumption and Method Change in 2022***

Effective February 17, 2022, the MERS Retirement Board adopted a dedicated gains policy that automatically adjusts the assumed rate of investment return by using excess asset gains to mitigate large increases in required contributions to the Plan. Full details of this dedicated gains policy are available in the Actuarial Policy found on the MERS website. Some goals of the dedicated gains policy are to:

- Provide a systematic approach to lower the assumed rate of investment return between experience studies, and
- Use excess gains to cover both the increase in normal cost and any increase in UAL payment the first year after implementation (i.e., minimize the first-year impact (i.e., increase) in employer contributions).

The dedicated gains policy has been implemented with the December 31, 2021 annual actuarial valuation. After initial application of the smoothing method, remaining market gains were used to lower the assumed rate of investment return from 7.35% to 7.00%. The December 31, 2021 valuation liabilities were developed using this new, lower assumption. Additionally, as a result of

# Township of Vevay

## Notes to the Financial Statements

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recognizing excess market gains, the valuation assets used to fund these liabilities are 7.2% higher than if there were no dedicated gain policy. The combined impact of these changes will minimize the first-year impact on employer contributions and may result in an increase or a decrease in employer contributions.

### **Note 7 - Risk Management**

The Township is exposed to various risks of losses for claims arising from general liability, wrongful acts, professional liability, property damage and destruction, crime, accidents, and injuries. Risks of losses arising from possible claims are managed through the purchase of commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

### **Note 8 - Fund Balances - Governmental Funds**

The Township reports fund balance in governmental funds based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*: GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

## Township of Vevay

### Notes to the Financial Statements

The following schedule summarizes the components of fund balance as of year-end:

	<b>General Fund</b>	<b>ARPA</b>	<b>Nonmajor Funds</b>	<b>Total</b>
<b>Nonspendable:</b>				
Prepaid Expenditures	\$ 6,174	\$ -	\$ -	\$ 6,174
<b>Restricted for:</b>				
Eden Street Lighting Fund	-	-	889	889
Lone Oak Street Lighting Fund	-	-	917	917
Bullen Estates Street Lighting Fund	-	-	722	722
Mason Manor Street Lighting Fund	-	-	3,088	3,088
<b>Total Restricted</b>	-	-	5,616	5,616
<b>Committed for:</b>				
Building and Grounds	54,400	-	-	54,400
Technology	12,500	-	-	12,500
Vehicles	34,600	-	-	34,600
Roads	50,000	-	-	50,000
Recreation	50,000	-	-	50,000
<b>Total Committed</b>	201,500	-	-	201,500
<b>Unassigned</b>	653,316	-	-	653,316
<b>Total Fund Balances</b>	\$ 860,990	\$ -	\$ 5,616	\$ 866,606

#### Note 9 - Subsequent Events

Management is not aware of any subsequent events that would have a significant impact on the financial condition of the Township.

#### Note 10 - 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 Vevay**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Consolidated General Fund**  
**For the Year Ended March 31, 2023**

	Budgeted Amounts		Actual	Variance
	Original	Final		(Unfavorable) Final to Actual
<b>Revenues</b>				
Taxes	\$ 250,054	\$ 250,054	\$ 252,025	\$ 1,971
Licenses and Permits	17,855	17,855	25,938	8,083
Intergovernmental	456,970	513,289	454,817	(58,472)
Charges for Services	28,886	28,886	63,583	34,697
Franchise Fees	10,500	10,500	7,824	(2,676)
Interest and Rents	39,515	39,515	23,554	(15,961)
Other Revenue	28,201	28,201	31,874	3,673
<b>Total Revenues</b>	<b>831,981</b>	<b>888,300</b>	<b>859,615</b>	<b>(28,685)</b>
<b>Expenditures</b>				
<b>General Government</b>				
Legislative	96,999	96,999	52,810	44,189
Supervisor	35,269	35,269	34,892	377
Elections	15,700	15,000	13,350	1,650
Assessor	35,329	37,519	37,543	(24)
Clerk	96,830	98,030	90,942	7,088
Accounting Services	5,160	5,160	4,810	350
Board of Review	44,218	84,218	82,154	2,064
Treasurer	56,246	56,746	53,134	3,612
Building and Grounds	15,460	16,010	12,808	3,202
Cemetery	15,303	15,303	11,945	3,358
Other General Government	57,621	53,181	34,932	18,249
<b>Total General Government</b>	<b>474,135</b>	<b>513,435</b>	<b>429,320</b>	<b>84,115</b>
<b>Public Safety</b>				
Building Inspection	28,606	33,106	28,633	4,473
Fire	104,839	104,839	103,355	1,484
<b>Total Public Safety</b>	<b>133,445</b>	<b>137,945</b>	<b>131,988</b>	<b>5,957</b>
<b>Public Works</b>				
Highways and Streets	77,500	77,500	72,968	4,532
Solid Waste	701	751	735	16
Drains at large	25,000	25,000	23,004	1,996
<b>Public Works</b>	<b>103,201</b>	<b>103,251</b>	<b>96,707</b>	<b>6,544</b>
<b>Community and Economic Development</b>				
Planning Commission	21,802	17,302	12,277	5,025
Zoning Board of Appeals	4,226	4,226	1,453	2,773
<b>Total Community and Economic Development</b>	<b>26,028</b>	<b>21,528</b>	<b>13,730</b>	<b>7,798</b>
<b>Recreation and Culture - Parks and Recreation</b>	<b>92,275</b>	<b>92,925</b>	<b>33,379</b>	<b>59,546</b>
<b>Total Expenditures</b>	<b>829,084</b>	<b>869,084</b>	<b>705,124</b>	<b>163,960</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>2,897</b>	<b>19,216</b>	<b>154,491</b>	<b>135,275</b>
<b>Net Change in Fund Balance</b>	<b>2,897</b>	<b>19,216</b>	<b>154,491</b>	<b>135,275</b>
<b>Fund Balance at Beginning of Period</b>	<b>706,499</b>	<b>706,499</b>	<b>706,499</b>	<b>--</b>
<b>Fund Balance at End of Period</b>	<b>\$ 709,396</b>	<b>\$ 725,715</b>	<b>\$ 860,990</b>	<b>\$ 135,275</b>

**Township of Vevay**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**ARPA**  
**For the Year Ended March 31, 2023**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		<b>Positive (Negative) Final to Actual</b>
<b>Revenues</b>				
Intergovernmental	\$ --	\$ 200,000	\$ 14,336	\$ (185,664)
<b>Total Revenues</b>	<u>--</u>	<u>200,000</u>	<u>14,336</u>	<u>(185,664)</u>
<b>Expenditures</b>				
General Government	--	138,000	13,386	124,614
Highways and Streets	--	22,000	--	22,000
Parks and Recreation	--	40,000	950	39,050
<b>Total Expenditures</b>	<u>--</u>	<u>200,000</u>	<u>14,336</u>	<u>185,664</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Net Change in Fund Balance</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Fund Balance at Beginning of Period</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Fund Balance at End of Period</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**Township of Vevay**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Last Eight Years \***

	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>								
Service Cost	\$ 7,592	\$ 10,889	\$ 14,871	\$ 19,039	\$ 19,237	\$ 20,587	\$ 18,279	\$ 18,896
Interest	51,930	52,038	50,228	50,855	49,970	48,944	48,130	45,400
Differences Between Expected & Actual Experience	(11,448)	28,074	(381)	(4,085)	614	8,084	1,443	7,048
Changes in Assumptions **	-	19,030	32,460	17,570	-	-	-	30,863
Benefit Payments, Including Refunds	(66,924)	(86,704)	(56,077)	(56,077)	(61,234)	(67,039)	(50,584)	(50,584)
<b>Net Change in Pension Liability</b>	<b>(18,850)</b>	<b>23,327</b>	<b>41,101</b>	<b>27,302</b>	<b>8,587</b>	<b>10,576</b>	<b>17,268</b>	<b>51,623</b>
<i>Total Pension Liability - Beginning</i>	<i>745,937</i>	<i>722,610</i>	<i>681,509</i>	<i>654,207</i>	<i>645,620</i>	<i>635,044</i>	<i>617,776</i>	<i>566,153</i>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 727,087</b>	<b>\$ 745,937</b>	<b>\$ 722,610</b>	<b>\$ 681,509</b>	<b>\$ 654,207</b>	<b>\$ 645,620</b>	<b>\$ 635,044</b>	<b>\$ 617,776</b>
<b>Plan Fiduciary Net Position</b>								
Contributions - Employer	\$ 81,055	\$ 63,725	\$ 31,551	\$ 46,448	\$ 23,092	\$ 44,066	\$ 22,905	\$ 48,774
Contributions - Member	6,646	8,918	15,915	15,977	16,535	17,238	16,397	16,489
Net Investment Income (Loss)	(51,438)	58,899	49,023	45,074	(13,933)	44,670	34,793	(4,861)
Benefit Payments, Including Refunds	(66,924)	(86,704)	(56,077)	(56,077)	(61,234)	(67,039)	(50,584)	(50,584)
Administrative Expenses	(913)	(673)	(774)	(776)	(709)	(708)	(687)	(687)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(31,574)</b>	<b>44,165</b>	<b>39,638</b>	<b>50,646</b>	<b>(36,249)</b>	<b>38,227</b>	<b>22,824</b>	<b>9,131</b>
<i>Plan Fiduciary Net Position - Beginning</i>	<i>470,422</i>	<i>426,257</i>	<i>386,619</i>	<i>335,973</i>	<i>372,222</i>	<i>333,995</i>	<i>311,171</i>	<i>302,040</i>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 438,848</b>	<b>\$ 470,422</b>	<b>\$ 426,257</b>	<b>\$ 386,619</b>	<b>\$ 335,973</b>	<b>\$ 372,222</b>	<b>\$ 333,995</b>	<b>\$ 311,171</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 288,239</b>	<b>\$ 275,515</b>	<b>\$ 296,353</b>	<b>\$ 294,889</b>	<b>\$ 318,234</b>	<b>\$ 273,398</b>	<b>\$ 301,049</b>	<b>\$ 306,605</b>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	60.36%	63.06%	58.99%	56.73%	51.36%	57.65%	52.59%	50.37%
Covered Employee Payroll	\$ 46,460	\$ 71,309	\$ 109,509	\$ 142,398	\$ 144,641	\$ 153,632	\$ 136,514	\$ 144,572
Net Pension Liability as a Percentage of Covered Employee Payroll	620.40%	386.37%	270.62%	207.09%	220.02%	177.96%	220.53%	212.08%

**Notes to Schedule:**

\* Built prospectively upon implementation on GASB Statement No.68. An additional year will be added each year until ten years are presented.

\*\*The following were significant changes to economic and demographic assumptions:

2015 valuation - The investment rate of return assumption was reduced from 8.25% to 8.0%, the wage inflation assumption was reduced from 4.50% to 3.75%, inflation rates changed from 3.0-4.0% to 3.25%, and the mortality assumption was updated to be based on the RP-2014 tables.

2019 valuation - The investment rate of return assumption was reduced from 8.00% to 7.60%, the wage inflation assumption was reduced from 3.75% to 3.00%.

2020 valuation - Mortality rates were changed to the recently issued Pub-2010 mortality general rates as published by the Society of Actuaries along with a change to sex-distinct assumptions.

2021 valuation - The investment rate of return assumption was reduced from 7.60% to 7.25%.

**Township of Vevay  
Required Supplementary Information  
Schedule of Contributions  
Last Ten Fiscal Years**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 38,808	\$ 34,356	\$ 14,630	\$ 17,168	\$ 24,288	\$ 36,608	\$ 35,096	\$ 34,667	\$ 164,025	\$ 184,824
Contributions in Relation to the Actuarially Determined Contribution	82,168	84,716	33,012	27,168	24,288	61,304	39,302	65,263	164,025	184,824
Contribution Deficiency (Excess)	\$ (43,360)	\$ (50,360)	\$ (18,382)	\$ (10,000)	\$ -	\$ (24,696)	\$ (4,206)	\$ -	\$ -	\$ -
Covered Employee Payroll	53,747	75,237	150,652	152,986	153,632	136,514	144,572	410,481	362,832	335,147
Contributions as a Percentage of Covered Employee Payroll	152.9%	112.6%	21.9%	17.8%	15.8%	44.9%	27.2%	16%	45%	55%

*Notes*

**Valuation Date**

Actuarially determined contribution amounts are calculated as of December 31 each year, which is 15 months prior to the beginning of the fiscal year in which the contributions are required.

**Methods and assumptions used to determine contribution rates**

Actuarial cost method	Entry-age Normal
Amortization method	Level percentage of pay
Remaining amortization period	17 Years
Asset valuation method	5-year smoothed
Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.0%, net of investment expense, including inflation
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	Pub-2010 and fully generational MP-2019

## **Combining and Individual Fund Statements and Schedules**

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

	Special Revenue				Total Nonmajor Governmental Funds
	Eden Street Lighting Fund	Lone Oak Street Lighting Fund	Bullen Estates Street Lighting Fund	Mason Manor Street Lighting Fund	
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 717	\$ 560	\$ 427	\$ 3,737	\$ 5,441
Taxes Receivable	216	465	450	--	1,131
<b>Total Assets</b>	<b>\$ 933</b>	<b>\$ 1,025</b>	<b>\$ 877</b>	<b>\$ 3,737</b>	<b>\$ 6,572</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 44	\$ 108	\$ 155	\$ 649	\$ 956
<b>Total Liabilities</b>	<b>44</b>	<b>108</b>	<b>155</b>	<b>649</b>	<b>956</b>
<b>FUND BALANCE</b>					
Restricted	889	917	722	3,088	5,616
Unassigned	--	--	--	--	--
<b>Total Fund Balance</b>	<b>889</b>	<b>917</b>	<b>722</b>	<b>3,088</b>	<b>5,616</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 933</b>	<b>\$ 1,025</b>	<b>\$ 877</b>	<b>\$ 3,737</b>	<b>\$ 6,572</b>

**Township of Vevay**  
**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
	Eden Street Lighting Fund	Lone Oak Street Lighting Fund	Bullen Estates Street Lighting Fund	Mason Manor Street Lighting Fund	
<b>Revenues</b>					
Special Assessments	\$ 480	\$ 1,210	\$ 1,649	\$ --	\$ 3,339
Charges for Services	--	--	--	6,501	6,501
<b>Total Revenues</b>	<u>480</u>	<u>1,210</u>	<u>1,649</u>	<u>6,501</u>	<u>9,840</u>
<b>Expenditures</b>					
Public Works	499	1,172	1,674	7,029	10,374
<b>Total Expenditures</b>	<u>499</u>	<u>1,172</u>	<u>1,674</u>	<u>7,029</u>	<u>10,374</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(19)	38	(25)	(528)	(534)
<b>Net Change in Fund Balance</b>	<b>(19)</b>	<b>38</b>	<b>(25)</b>	<b>(528)</b>	<b>(534)</b>
<i>Fund Balance at Beginning of Period</i>	908	879	747	3,616	6,150
<b>Fund Balance at End of Period</b>	<b><u>\$ 889</u></b>	<b><u>\$ 917</u></b>	<b><u>\$ 722</u></b>	<b><u>\$ 3,088</u></b>	<b><u>\$ 5,616</u></b>

September 6, 2023

To the Board of Trustees  
Township of Vevay  
Mason, Michigan

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Vevay (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 26, 2023. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and, except those as stated in Note 10, the application of existing policies was not changed during 2023. 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 estimates affecting the Township’s financial statements were:

- The assumptions used in the actuarial valuation of the pension plan are based on historical trends and industry standards.
- The estimated useful lives of depreciable capital assets is based on the length of time management believes those assets will provide some economic benefit in the future.

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

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Material misstatements detected as a result of audit procedures were corrected by management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the 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 6, 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 the 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, the budgetary comparison schedules, and the pension schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual 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.

## **Communication Regarding Internal Control**

In planning and performing our audit of the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township as of and for the year ended March 31, 2022, 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 a deficiency in internal control that we consider to be a significant deficiency.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider the following deficiency to be a significant deficiency:

### **2023-1 - Preparation of Governmental Financial Statements**

**Criteria:** All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a 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 the related footnotes (i.e., external financial reporting.)

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

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

**Effect:** As a result of this condition, the Township lacks complete internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, at least in part, on its external auditors for assistance with this task.

#### **View of Responsible**

**Officials:** The Township Board has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interest of the Township to outsource this task to its external auditors and to carefully review, approve, and accept responsibility for all nonattest work performed by the external auditors.

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

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