

**TOWNSHIP OF VEVAY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED MARCH 31, 2022**

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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, 2022, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township, as of March 31, 2022, 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.

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
August 26, 2022

Management's Discussion and Analysis

Township of Vevay
Management's Discussion and Analysis
March 31, 2022

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, 2022. 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 \$580,214 (net position). Of this amount, \$313,915 represents unrestricted net position.
- During the year, the Township received \$833,041 in revenues and incurred \$628,953 in expenses, resulting in an increase in net position of \$204,088.
- At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$712,649, an increase of \$64,744 in comparison with the previous year. A portion of this amount, \$582,173, 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 \$582,173, or approximately 86.4% 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 \$580,214 at the close of the most recent fiscal year.

ASSETS	2022	2021
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 912,588	\$ 644,510
Taxes Receivable	5,590	6,187
Accounts Receivable	4,952	6,331
Prepaid Items	5,076	4,086
<i>Total Current Assets</i>	928,206	661,114
<i>Noncurrent Assets</i>		
Capital Assets not Being Depreciated	32,509	32,509
Capital Assets Being Depreciated	227,640	141,472
<i>Total Assets</i>	1,188,355	835,095
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferrals	49,429	8,438
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	13,333	9,742
Accrued Liabilities	5,811	3,467
Unearned Revenue	196,413	-
Current Portion of Long-term Debt	10,325	10,325
<i>Total Current Liabilities</i>	225,882	23,534
<i>Noncurrent Liabilities</i>		
Net Pension Liability	275,515	296,353
Long-term Debt	123,900	134,225
<i>Total Liabilities</i>	625,297	454,112
DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferrals	32,273	13,295
NET POSITION		
Investment in Capital Assets	260,149	177,216
Restricted	6,150	6,221
<i>Unrestricted</i>	313,915	192,689
<i>Total Net Position</i>	\$ 580,214	\$ 376,126

A portion of the Township's net position \$260,149 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, \$6,150, is restricted and may not be used other than by its restricted purpose. The remaining amount of \$313,915 is reported as unrestricted net position and is available to pay vendors, employees, and creditors.

Governmental Activities. Governmental activities decreased the Township’s net position by \$204,088 when compared to the previous year.

Revenues	2022	2021
Program Revenues		
Charges for Services	\$ 73,897	\$ 97,432
Operating Grants and Contributions	65,884	12,277
Capital Grants and Contributions	83,830	-
<i>Total Program Revenues</i>	223,611	109,709
General Revenues		
Taxes	244,736	241,342
Intergovernmental	363,743	348,358
Interest	951	2,729
<i>Total General Revenues</i>	609,430	592,429
<i>Total Revenues</i>	833,041	702,138
Expenses		
General Government	406,359	412,900
Public Works	93,259	106,093
Community and Economic Development	15,646	15,703
Public Safety	110,876	115,614
Recreation and Culture	2,813	-
Other Functions	-	57,849
<i>Total Expenses</i>	628,953	708,159
<i>Change in Net Position</i>	204,088	(6,021)
Net Position at the Beginning of Period	376,126	382,147
<i>Net Position at the End of Period</i>	\$ 580,214	\$ 376,126

Capital grants and contributions increased in the current year due to the DDA contributions to for improvements at the Township park. The most significant increase for operating grants and contributions came from the Township share of the 425 agreement, along with the DDA fire operations contributions being treated as a contribution instead of a charge for service. State revenue sharing saw a minor increase, while other revenues stayed consistent with prior years. Public works expenses decreased slightly due to lower operating costs and limited road projects in the current year. 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.

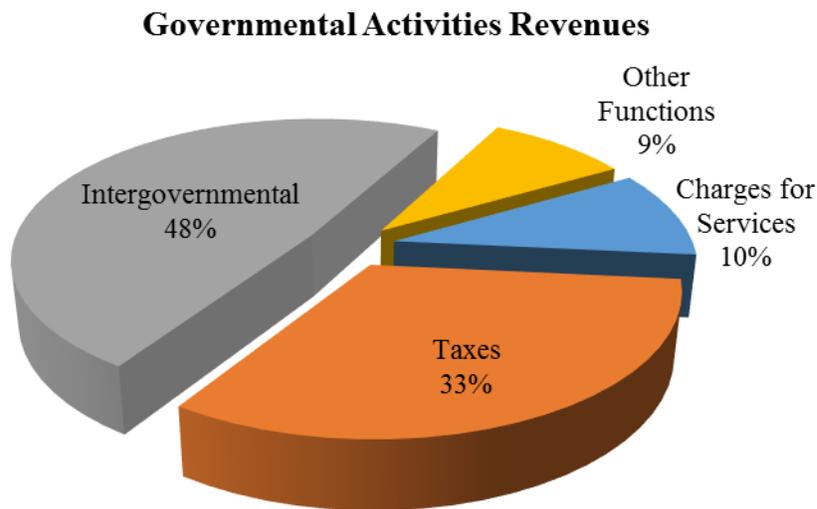
At March 31, 2022, the Township’s governmental funds reported combined fund balances of \$712,649, an increase of \$64,744 over the prior year. A portion of this amount \$582,173 constitutes *unassigned fund balance*, which is available for spending at the government’s discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is: 1) restricted for particular purposes (\$6,150), 2) not in a spendable form (\$5,076), or 3) committed for particular purposes (\$119,250).

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 \$582,173. 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 86.4% percent of total general fund expenditures.

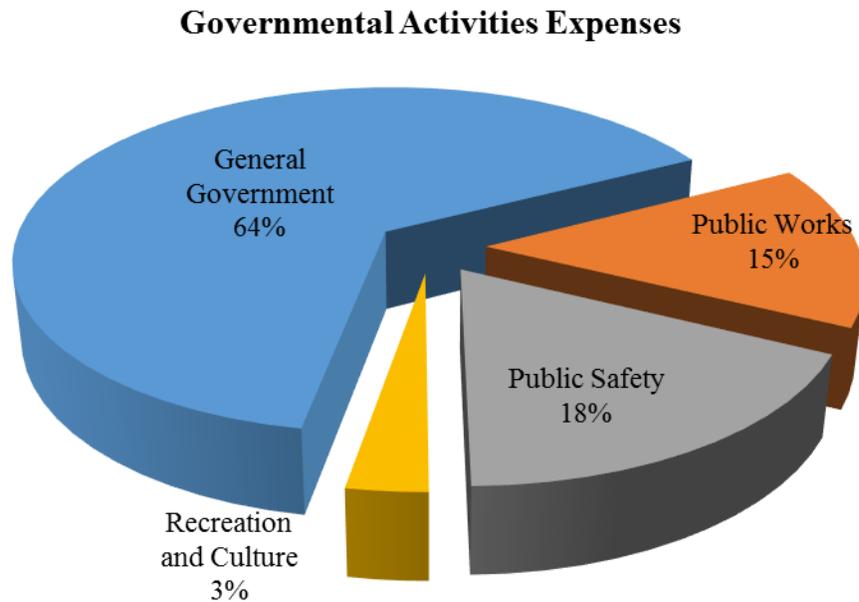
The fund balance of the Township’s general fund increased by \$64,815 during the current fiscal year.

Governmental Activities

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



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



General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was one significant amendment to the budget for surplus contributions to the MERs plan, which led to an increase to the legislative function of \$23,715.

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

Capital Assets and Debt Administration

Capital Assets

The Township's investment in capital assets for its governmental activities as of March 31, 2022, amounts to \$260,149 (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, 2022 is \$10,325 while the remaining balance of the long-term debt is \$134,225.

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 2022, 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, 2022**

	Primary Government	DDA
ASSETS		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 912,588	\$ 494,818
Taxes Receivable	5,590	--
Accounts Receivable	4,952	--
Prepaid Items	5,076	--
Total Current Assets	928,206	494,818
<i>Noncurrent Assets</i>		
Capital Assets not Being Depreciated	32,509	--
Capital Assets Being Depreciated	227,640	--
Total Assets	1,188,355	494,818
DEFERRED OUTFLOWS OF RESOURCES		
Pension	49,429	--
Total Deferred Outflows of Resources	49,429	--
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	13,333	--
Accrued Liabilities	5,361	--
Security Deposits	450	--
Unearned Revenues	196,413	--
Current Portion of Long-term Debt	10,325	--
Total Current Liabilities	225,882	--
<i>Noncurrent Liabilities</i>		
Net Pension Liability	275,515	--
Long-term Debt	123,900	--
Total Liabilities	625,297	--
DEFERRED INFLOWS OF RESOURCES		
Pension	32,273	--
Total Deferred Inflows of Resources	32,273	--
NET POSITION		
Investment in Capital Assets	260,149	--
<i>Restricted for:</i>		
Public Works	6,150	--
<i>Unrestricted</i>	313,915	494,818
Total Net Position	\$ 580,214	\$ 494,818

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, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense)	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue Primary Government	DDA
Primary Government						
General Government	\$ 406,359	\$ 27,708	\$ 33,064	\$ --	\$ (345,587)	\$ --
Community and Economic Development	15,646	1,910	--	--	(13,736)	--
Public Safety	110,876	23,511	25,709	--	(61,656)	--
Public Works	93,259	20,768	7,111	--	(65,380)	--
Recreation and Culture	2,813	--	--	83,830	81,017	--
Total Primary Government	\$ 628,953	\$ 73,897	\$ 65,884	\$ 83,830	(405,342)	--
Component Unit						
DDA	\$ 122,418	\$ --	\$ --	\$ --	--	(122,418)
Total Component Unit	\$ 122,418	\$ --	\$ --	\$ --	--	(122,418)

General Purpose Revenues:

Taxes	244,736	27,841
Unrestricted State Aid	363,743	--
Interest Income	951	2,069
Total General Revenues	609,430	29,910
Change in Net Position	204,088	(92,508)
<i>Net Position at Beginning of Period</i>	376,126	587,326
Net Position at End of Period	\$ 580,214	\$ 494,818

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

**Township of Vevay
Balance Sheet
Governmental Funds
March 31, 2022**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 905,919	\$ 6,669	\$ 912,588
Taxes Receivable	5,320	270	5,590
Accounts Receivable	4,952	--	4,952
Prepaid Items	5,076	--	5,076
<i>Total Assets</i>	<u>\$ 921,267</u>	<u>\$ 6,939</u>	<u>\$ 928,206</u>
LIABILITIES			
Accounts Payable	\$ 12,544	\$ 789	\$ 13,333
Accrued Liabilities	5,361	--	5,361
Security Deposits	450	--	450
Unearned Revenues	196,413	--	196,413
<i>Total Liabilities</i>	<u>214,768</u>	<u>789</u>	<u>215,557</u>
FUND BALANCE			
Nonspendable	5,076	--	5,076
Restricted	--	6,150	6,150
Committed	119,250	--	119,250
Unassigned	582,173	--	582,173
<i>Total Fund Balance</i>	<u>706,499</u>	<u>6,150</u>	<u>712,649</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 921,267</u>	<u>\$ 6,939</u>	<u>\$ 928,206</u>

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, 2022

Total Fund Balance - Governmental Funds	\$	712,649
General government capital assets of \$660,671 net of accumulated depreciation of \$400,522, are not financial resources and accordingly are not reported in the funds.		260,149
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.		17,156
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.		(275,515)
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.		(134,225)
Total Net Position - Governmental Activities	\$	<u>580,214</u>

Township of Vevay
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended March 31, 2022

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 244,736	\$ --	\$ 244,736
Special Assessments	--	3,457	3,457
Licenses and Permits	18,165	--	18,165
Intergovernmental	396,707	--	396,707
Charges for Services	37,291	7,150	44,441
Franchise Fees	9,050	--	9,050
Interest and Rents	6,666	--	6,666
Other Revenue	25,989	--	25,989
<i>Total Revenues</i>	<u>738,604</u>	<u>10,607</u>	<u>749,211</u>
Expenditures			
General Government	435,860	--	435,860
Community and Economic Development	15,646	--	15,646
Public Safety	127,961	--	127,961
Public Works	82,581	10,678	93,259
Recreation and Culture	1,416	--	1,416
Debt Service - Principal Payment	10,325	--	10,325
<i>Total Expenditures</i>	<u>673,789</u>	<u>10,678</u>	<u>684,467</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>64,815</u>	<u>(71)</u>	<u>64,744</u>
<i>Net Change in Fund Balance</i>	<u>64,815</u>	<u>(71)</u>	<u>64,744</u>
<i>Fund Balance at Beginning of Period</i>	641,684	6,221	647,905
<i>Fund Balance at End of Period</i>	<u>\$ 706,499</u>	<u>\$ 6,150</u>	<u>\$ 712,649</u>

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, 2022

Total Net Change in Fund Balances - Governmental Funds	\$	64,744
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.		42,851
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 capital outlay of \$100,915 net of depreciation expense of \$14,747.		86,168
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
Changes in Net Position - Governmental Activities	\$	<u>204,088</u>

Township of Vevay
Statement of Fiduciary Net Position
Fiduciary Fund
March 31, 2022

	Tax Collection Fund
ASSETS	
Cash and Cash Equivalents	\$ 249
<i>Total Assets</i>	249
LIABILITIES	
Due to Other Governmental Units	249
<i>Total Liabilities</i>	249
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 Vevay
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended March 31, 2022

	Tax Collection Fund
Additions	
Taxes Collected for Other Governments	\$ 6,051,349
<i>Total Additions</i>	<i>6,051,349</i>
Deductions	
Disbursement of Property Taxes to Other Governments	6,051,349
<i>Total Deductions</i>	<i>6,051,349</i>
<i>Change in Net Position</i>	<i>--</i>
<i>Net Position at Beginning of Period</i>	<i>--</i>
<i>Net Position Restricted for Others 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 Vevay

Notes to the Financial Statements

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

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.

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

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, 2022, the Township levied 0.9952 mills for general governmental services. The total taxable value for the 2021 levy for property within the Township was \$143,508,475.

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

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

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

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

- 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 no expenditures of budgetary funds which were in excess of the amounts budgeted during the year ended March 31, 2022.

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
Statement of Net Position				
Cash and Cash Equivalents	\$ 912,588	\$ 494,818	\$ 249	\$ 1,407,655
Deposits and Investments				
Checking and Savings Accounts	\$ 343,007	\$ 30,236	\$ 249	\$ 373,492
Certificates of Deposit	139,678	402,458	-	542,136
MIClass	429,903	62,124	-	492,027
Total	\$ 912,588	\$ 494,818	\$ 249	\$ 1,407,655
<i>Custodial Credit Risk - Deposits</i>				

Township of Vevay

Notes to the Financial Statements

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 \$922,046 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	\$ 492,027

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:

	<u>Certificates of Deposit</u>	<u>Cash Equivalents</u>
No Maturity	\$ -	\$ 492,027
Due Within 1 Year	442,010	-
Due in 1-5 Years	100,126	-
<i>Totals</i>	<u>\$ 542,136</u>	<u>\$ 492,027</u>

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 \$492,027. 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:

Governmental Activities	Balance at 3/31/2021	Additions	Disposals	Balance at 3/31/2022
Capital Assets not being Depreciated				
Land	\$ 32,509	\$ -	\$ -	\$ 32,509
Capital Assets being Depreciated:				
Land Improvements	40,088	83,830	-	123,918
Buildings & Improvements	312,544	-	-	312,544
Machinery & Equipment	163,747	17,085	7,620	173,212
Vehicles	18,488	-	-	18,488
Total Capital Assets being Depreciated	534,867	100,915	7,620	628,162
Less Accumulated Depreciation:				
Land Improvements	14,339	2,399	-	16,738
Buildings & Improvements	236,765	4,612	-	241,377
Machinery & Equipment	123,803	7,736	7,620	123,919
Vehicles	18,488	-	-	18,488
Total Accumulated Depreciation	393,395	14,747	7,620	400,522
Total Capital Assets being Depreciated, Net	141,472	86,168	-	227,640
Net Capital Assets, Governmental	\$ 173,981	\$ 86,168	\$ -	\$ 260,149
	Balance at 3/31/2021	Additions	Disposals	Balance at 3/31/2022
Component Unit - DDA				
Capital Assets not being Depreciated				
Construction in Progress	\$ 3,235	\$ -	\$ 3,235	\$ -

Depreciation expense of \$13,350 was charged to the general government function of the Township and \$1,397 to recreation and culture.

Township of Vevay

Notes to the Financial Statements

Note 5 - Long-term Debt

Long-term debt activity for the year ended March 31, 2022 was as follows:

Governmental Activities:	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.	\$ 144,550	\$ 10,325	\$ 134,225	\$ 10,325

The annual requirements to maturity on the total long-term debt obligation outstanding at March 31, 2022 are as follows:

Year Ending March 31,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 10,325	\$ 5,604	\$ 15,929
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
2028-2032	51,625	12,930	64,555
2032-2035	30,975	2,586	33,561
Totals:	\$ 134,225	\$ 39,225	\$ 173,450

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.

Township of Vevay

Notes to the Financial Statements

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

Employees Covered by Benefit Terms

At the December 31, 2021 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	2
Active plan members	<u>2</u>
Total employees covered by MERS	<u>11</u>

Contributions

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

For the year ended March 31, 2022, the Township had the following contribution rates:

Division	Employee Contributions	Employer Contributions
General - Open	11.22%	2,863

Net Pension Liability

The net pension liability reported at March 31, 2021 was determined using a measure of the total pension liability and the pension net position as of December 31, 2021. The December 31, 2021 total pension liability was determined by an actuarial valuation performed as of December 31, 2021.

Township of Vevay

Notes to the Financial Statements

Actuarial Assumptions

The total pension liability in the December 31, 2021 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

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%
<i>Totals</i>	100.0%		7.0%		4.5%

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
Balance at December 31, 2020	\$ 722,611	\$ 426,257	\$ 296,354
Service cost	10,889	-	10,889
Interest	52,037	-	52,037
Difference between expected and actual experience	28,074	-	28,074
Changes in assumptions	19,030	-	19,030
Contributions - Employer	-	63,725	(63,725)
Contributions - Employee	-	8,918	(8,918)
Net investment income	-	58,899	(58,899)
Benefit payments, including refunds	(86,704)	(86,704)	-
Administrative expenses	-	(673)	673
Net changes	23,326	44,165	(20,839)
Balance at December 31, 2021	\$ 745,937	\$ 470,422	\$ 275,515

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.

	Current		
	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability of the Township	\$ 353,705	\$ 275,515	\$ 246,000

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, 2022 the Township recognized pension expense of \$61,865.

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	\$ -	\$ 32,273
* Employer contributions to the plan subsequent to the measurement date	49,429	-
Total	\$ 49,429	\$ 32,273

*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
2023	\$ (4,443)
2024	(13,005)
2025	(9,414)
2026	(5,411)

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

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:

	General Fund	Nonmajor Funds	Total
Nonspendable:			
Prepaid Expenditures	\$ 5,076	\$ -	\$ 5,076
Restricted for:			
Eden Street Lighting Fund	-	908	908
Lone Oak Street Lighting Fund	-	879	879
Bullen Estates Street Lighting Fund	-	747	747
Mason Manor Street Lighting Fund	-	3,616	3,616
Total Restricted	-	6,150	6,150
Committed for:			
Building and Grounds	33,300	-	33,300
Technology	5,000	-	5,000
Vehicles	25,950	-	25,950
General	5,000	-	5,000
Roads	50,000	-	50,000
Total Committed	119,250	-	119,250
Unassigned	509,397	-	509,397
<i>Total Fund Balances</i>	\$ 633,723	\$ 6,150	\$ 639,873

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.

Required Supplementary Information

Township of Vevay
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended March 31, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Taxes	\$ 242,004	\$ 242,004	\$ 244,736	\$ 2,732
Licenses and Permits	20,855	20,855	18,165	(2,690)
State Revenue Sharing	342,193	382,193	396,707	14,514
Charges for Services	27,607	27,607	37,291	9,684
Franchise Fees	10,500	10,500	9,050	(1,450)
Interest and Rents	7,116	7,117	6,666	(451)
Other Revenue	26,302	26,302	25,989	(313)
Total Revenues	676,577	716,578	738,604	22,026
Expenditures				
General Government				
Legislative	71,391	95,106	65,073	30,033
Supervisor	34,587	34,587	34,318	269
Elections	7,300	4,784	4,272	512
Assessor	34,247	34,247	34,156	91
General Government	43,435	43,435	38,517	4,918
Clerk	88,558	88,558	83,938	4,620
Accounting Services	5,060	5,060	4,848	212
Board of Review	44,550	87,166	86,309	857
Treasurer	53,928	55,428	54,231	1,197
Building and Grounds	24,800	22,700	17,409	5,291
Other General Government	19,275	15,275	12,789	2,486
Total General Government	427,131	486,346	435,860	50,486
Public Safety				
Building Inspection	40,955	38,840	32,998	5,842
Fire	95,464	95,464	94,963	501
Total Public Safety	136,419	134,304	127,961	6,343
Public Works				
Highways and Streets	88,051	68,901	56,083	12,818
Cemetery	40,402	39,552	8,783	30,769
Solid Waste	701	701	680	21
Drains at large	14,675	17,075	17,035	40
Public Works	143,829	126,229	82,581	43,648
Community and Economic Development				
Planning Commission	26,801	24,801	15,214	9,587
Zoning Board of Appeals	4,226	4,427	432	3,995
Total Community and Economic Development	31,027	29,228	15,646	13,582
Recreation and Culture				
Parks and Recreation	--	2,300	1,416	884
Debt Service	10,325	10,325	10,325	--
Total Expenditures	748,731	788,732	673,789	114,943
Excess (Deficiency) of Revenues				
Over Expenditures	(72,154)	(72,154)	64,815	136,969
Net Change in Fund Balance	(72,154)	(72,154)	64,815	136,969
<i>Fund Balance at Beginning of Period</i>	641,684	641,684	641,684	--
Fund Balance at End of Period	\$ 569,530	\$ 569,530	\$ 706,499	\$ 136,969

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

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially Determined Contribution	\$ 34,356	\$ 14,630	\$ 17,168	\$ 24,288	\$ 36,608	\$ 35,096	\$ 34,667	\$ 164,025	\$ 184,824	\$ 110,093
Contributions in Relation to the Actuarially Determined Contribution	84,716	33,012	27,168	24,288	61,304	39,302	65,263	164,025	184,824	110,093
Contribution Deficiency (Excess)	\$ (50,360)	\$ (18,382)	\$ (10,000)	\$ -	\$ (24,696)	\$ (4,206)	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	75,237	150,652	152,986	153,632	136,514	144,572	410,481	362,832	335,147	450,445
Contributions as a Percentage of Covered Employee Payroll	112.6%	21.9%	17.8%	15.8%	44.9%	27.2%	16%	45%	55%	24%

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, 2022**

	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	
ASSETS					
Cash and Cash Equivalents	\$ 833	\$ 967	\$ 723	\$ 4,146	\$ 6,669
Taxes Receivable	120	--	150	--	270
Total Assets	\$ 953	\$ 967	\$ 873	\$ 4,146	\$ 6,939
LIABILITIES					
Accounts Payable	\$ 45	\$ 88	\$ 126	\$ 530	\$ 789
Total Liabilities	45	88	126	530	789
FUND BALANCE					
Restricted	908	879	747	3,616	6,150
Unassigned	--	--	--	--	--
Total Fund Balance	908	879	747	3,616	6,150
Total Liabilities and Fund Balance	\$ 953	\$ 967	\$ 873	\$ 4,146	\$ 6,939

Township of Vevay
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended March 31, 2022

	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	
Revenues					
Special Assessments	\$ 504	\$ 1,302	\$ 1,651	\$ --	\$ 3,457
Charges for Services	--	--	--	7,150	7,150
Total Revenues	504	1,302	1,651	7,150	10,607
Expenditures					
Public Works	407	1,222	1,746	7,303	10,678
Total Expenditures	407	1,222	1,746	7,303	10,678
Excess of Revenues Over (Under) Expenditures	97	80	(95)	(153)	(71)
Net Change in Fund Balance	97	80	(95)	(153)	(71)
<i>Fund Balance at Beginning of Period</i>	811	799	842	3,769	6,221
Fund Balance at End of Period	\$ 908	\$ 879	\$ 747	\$ 3,616	\$ 6,150

August 26, 2022

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, 2022. 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 April 29, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive 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 August 26, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to 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:

2022-1 - 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