



**CHARTER TOWNSHIP OF PERE MARQUETTE, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2022**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	5
<hr/> <b>BASIC FINANCIAL STATEMENTS</b> <hr/>	
<b>Government-wide Financial Statements</b>	
Statement of Net Position	15
Statement of Activities	16
<b>Fund Financial Statements</b>	
<b>Governmental Funds</b>	
Balance Sheet	17
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balance	19
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances with Statement of Activities	20
<b>Proprietary Funds</b>	
Statement of Net Position	21
Statement of Revenues, Expenses, and Changes in Net Position	22
Statement of Cash Flows	23
<b>Fiduciary Funds</b>	
Statement of Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position	25
<b>Notes to the Financial Statements</b>	27
<hr/> <b>REQUIRED SUPPLEMENTARY INFORMATION</b> <hr/>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund	56
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Fire Fund	57
Schedule of Changes in Net Pension Liability and Related Ratios	58
Schedule of Contributions	59
<hr/> <b>OTHER SUPPLEMENTARY INFORMATION</b> <hr/>	
<b>Nonmajor Governmental Funds</b>	
Combining Balance Sheet – Governmental Funds	61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	62
<b>Nonmajor Enterprise Funds</b>	
Combining Statement of Net Position – Enterprise Funds	63
Combining Statement of Revenues, Expenses, and Changes in Net Position – Enterprise Funds	64
Combining Statement of Cash Flows – Enterprise Funds	65
<b>Custodial Funds</b>	
Combining Statement of Fiduciary Net Position	66
Combining Statement of Revenues, Expenses, and Changes in Fiduciary Net Position	67

INDEPENDENT AUDITOR'S REPORT

To the Members of the Township Board

Charter Township of Pere Marquette  
Mason County, Michigan

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Pere Marquette, Michigan (the "Township"), as of and for the year ended December 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 business-type activities, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 13 to the basic financial statements, the Township adopted *GASB Statement No. 87, Leases* in 2022, which represents a change in its policy for reporting lease activities. Our opinions are not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, 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 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  
June 16, 2023

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Charter Township of Pere Marquette  
Management's Discussion and Analysis  
December 31, 2022**

Our discussion and analysis of the Charter Township of Pere Marquette (the "Township" or "government"), Michigan's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2022.

**Financial Highlights**

- The assets of the Township exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$21,790,877 (net position). Of this amount, an unrestricted surplus exists in the government activities \$7,136,424 and an unrestricted surplus of \$3,468,868 exists in the business-type activities.
- At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$9,618,320. Approximately 74.2%, or \$7,136,424, of this amount is available for spending at the Township's discretion (*unassigned fund balance*).
- The general fund had \$3,110,141 of revenues, \$2,352,266 of expenditures, and net other financing uses of (\$605,896) leading to an *increase* in general fund balance of \$151,979 during the year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,718,979, or approximately 125.7% of total general fund expenditures and transfers out.

**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 private-sector business.

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

The *statement of activities* presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus,

revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., changes in long-term debt and capital assets).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The government activities of the Township include public safety, public works, recreation and culture, community and economic development, and general services and administration. These activities are funded primarily by property taxes, charges for services, and State of Michigan revenue sharing. The business-type activities of the Township include the water and sewer systems, and are funded primarily with charges for services.

**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 three categories: government funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the transportation system special fund, and the capital improvement fund which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The Township adopts an annual appropriated budget for its general fund and all of its special revenue funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary Funds.** The Township maintains one type of proprietary fund, known as an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprise funds to account for its water and sewer funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer funds, both of which are considered to be major funds of the Township.

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

The Township maintains one type of fiduciary fund, known as custodial funds. The *custodial funds* report resources held by the Township in a custodial capacity for individuals, private organizations, and other governments.

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

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Township's budgetary comparison schedules for the Township's general fund and its major special revenue funds.

The combining statements in connection with the Township's nonmajor funds are presented immediately following the required supplementary information.

## Government-wide Overall Financial Analysis

The following table provides a summary of the Township's net position as of December 31, 2022 and December 31, 2021:

### Charter Township of Pere Marquette's Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2022	2021	2022	2021	2022	2021
<b>ASSETS</b>						
<i>Current Assets</i>						
Cash and Investments	\$ 5,414,683	\$ 4,662,069	\$ 3,133,464	\$ 2,879,018	\$ 8,548,147	\$ 7,541,087
Receivables, net	2,455,877	1,895,808	507,405	407,329	2,963,282	2,303,137
<b>Total Current Assets</b>	<b>7,870,560</b>	<b>6,557,877</b>	<b>3,640,869</b>	<b>3,286,347</b>	<b>11,511,429</b>	<b>9,844,224</b>
<i>Noncurrent Assets</i>						
Capital Assets not being Depreciated	2,048,299	1,841,185	8,969	8,969	2,057,268	1,850,154
Capital Assets being Depreciated, net	1,316,285	1,269,447	8,694,720	9,016,939	10,011,005	10,286,386
<b>Total Assets</b>	<b>11,235,144</b>	<b>9,668,509</b>	<b>12,344,558</b>	<b>12,312,255</b>	<b>23,579,702</b>	<b>21,980,764</b>
<b>LIABILITIES</b>						
<i>Current Liabilities</i>						
Accounts Payable	77,635	41,476	172,001	239,652	249,636	281,128
Accrued Liabilities	35,532	28,569	-	-	35,532	28,569
Accrued Interest	4,063	-	-	-	4,063	-
Due to Other Governmental Units	-	2,539	-	-	-	2,539
Unearned Revenue	256,416	127,696	-	-	256,416	127,696
Current Portion of Long-term Debt	325,000	330,000	-	-	325,000	330,000
<b>Total Current Liabilities</b>	<b>698,646</b>	<b>530,280</b>	<b>172,001</b>	<b>239,652</b>	<b>870,647</b>	<b>769,932</b>
<i>Noncurrent Liabilities</i>						
Long-term Debt	840,000	1,165,000	-	-	840,000	1,165,000
Compensated Absences	23,674	-	-	-	23,674	-
<b>Total Liabilities</b>	<b>1,562,320</b>	<b>1,695,280</b>	<b>172,001</b>	<b>239,652</b>	<b>1,734,321</b>	<b>1,934,932</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Premium on Refunding	54,504	63,588	-	-	54,504	63,588
<b>NET POSITION</b>						
Net Investment in Capital Assets	2,145,080	2,702,432	8,703,689	9,025,908	10,848,769	11,728,340
Restricted	336,816	302,341	-	-	336,816	302,341
Unrestricted (Deficit)	7,136,424	4,904,868	3,468,868	3,046,695	10,605,292	7,951,563
<b>Total Net Position</b>	<b>\$ 9,618,320</b>	<b>\$ 7,909,641</b>	<b>\$ 12,172,557</b>	<b>\$ 12,072,603</b>	<b>\$ 21,790,877</b>	<b>\$ 19,982,244</b>

**Governmental Activities.** Total net position of the Township's governmental activities was \$9,618,320 as of December 31, 2022.

**Business-type Activities.** The net position of the business-type activities stood at \$12,172,557 as of December 31, 2022. The Township can generally only use this portion of net position to finance continuing operations of the sewer and water systems.

The majority of net position is the net investment in capital assets, \$10,848,769 or 49.8% of net position. The net investment in capital assets is the total amount of capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. \$336,816 or 1.6% is the portion of net position that is restricted, and \$10,605,292 or 48.6% is unrestricted.

Cash and investments, including restricted cash and investments, for the Township increased by \$1,007,060 which is in line with the increase in fund balance of \$1,383,193.

The results of this year's operations for the Township as a whole are reported in the statement of activities. The following table shows the changes in net position for the fiscal years 2022 and 2021:

**Charter Township of Pere Marquette's Changes in Net Position**

	Governmental Activities		Business-type Activities		Total Government	
	2022	2021	2022	2021	2022	2021
<b>Revenue</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 1,006,340	\$ 524,801	\$ 2,012,032	\$ 2,012,512	\$ 3,018,372	\$ 2,537,313
Operating Grants and Contributions	26,927	21,589	-	-	26,927	21,589
Capital Grants and Contributions	-	57,000	-	-	-	57,000
<b>Total Program Revenues</b>	<u>1,033,267</u>	<u>603,390</u>	<u>2,012,032</u>	<u>2,012,512</u>	<u>3,045,299</u>	<u>2,615,902</u>
<b>General Revenues</b>						
Property Taxes	2,516,839	2,441,126	-	-	2,516,839	2,441,126
Unrestricted State Sources	265,970	235,851	-	-	265,970	235,851
Interest Income	15,860	33,492	-	4,169	15,860	37,661
<b>Total General Revenues</b>	<u>2,798,669</u>	<u>2,710,469</u>	<u>-</u>	<u>4,169</u>	<u>2,798,669</u>	<u>2,714,638</u>
<b>Total Revenues</b>	<u>3,831,936</u>	<u>3,313,859</u>	<u>2,012,032</u>	<u>2,016,681</u>	<u>5,843,968</u>	<u>5,330,540</u>
<b>Expenses</b>						
General Government	1,140,923	1,020,505	-	-	1,140,923	1,020,505
Public Safety	292,041	265,413	-	-	292,041	265,413
Public Works	861,982	805,211	-	-	861,982	805,211
Community and Economic Development	127,622	84,536	-	-	127,622	84,536
Recreation and Culture	251,384	247,144	-	-	251,384	247,144
Interest on Long-term Debt	21,085	32,986	-	-	21,085	32,986
Sewer	-	-	368,939	541,407	368,939	541,407
Water	-	-	1,396,799	1,243,844	1,396,799	1,243,844
<b>Total Expenses</b>	<u>2,695,037</u>	<u>2,455,795</u>	<u>1,765,738</u>	<u>1,785,251</u>	<u>4,460,775</u>	<u>4,241,046</u>
<b>Transfers In (Out)</b>	<u>146,340</u>	<u>135,465</u>	<u>(146,340)</u>	<u>(135,465)</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	<u>1,283,239</u>	<u>993,529</u>	<u>99,954</u>	<u>95,965</u>	<u>1,383,193</u>	<u>1,089,494</u>
<i>Net Position at the Beginning of Period as restated</i>	<u>8,335,081</u>	<u>6,916,112</u>	<u>12,072,603</u>	<u>11,976,638</u>	<u>20,407,684</u>	<u>18,892,750</u>
<b>Net Position at the End of Period</b>	<u>\$ 9,618,320</u>	<u>\$ 7,909,641</u>	<u>\$ 12,172,557</u>	<u>\$ 12,072,603</u>	<u>\$ 21,790,877</u>	<u>\$ 19,982,244</u>

The Township's total revenues were \$5,843,968 during the year. The cost of all programs and services was \$4,460,775, leaving an increase in net position of \$1,383,193. Our analysis below separately considers the operations of governmental and business-type activities:

- Governmental activities' revenues increased largely due to an increase in taxable value along with an increase in charges for services.
- Business-type activities' net position increased due to a decrease in charges sewer expenses.

**Financial Analysis of Governmental Funds**

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

**Governmental Funds.** The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Board creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millages. The Township's major governmental funds include the general, capital improvement, and transportation system special funds.

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 \$3,718,97. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned and total fund balance represents approximately 125.7% of total general fund expenditures and transfers out. The increase is largely due to an increase in taxes and unrestricted state sources.

The CARES Act Fund accounts for federal revenue received through the Coronavirus State and Local Fiscal Recovery Funds program. As of the end of the fiscal year, the Township has received \$256,416 in federal revenue. This is reported as unearned revenue. It will be recognized as revenue as it is spent.

The Transportation System Special Fund accounts for tax revenue collected through the public transportation tax levy and contractual expense related to the service provided by Ludington Mass Transportation Authority. At the end of the current fiscal year, fund balance was \$231,924, a decrease of \$14,602 from the prior year.

The Capital Improvement Fund is utilized to set aside and purchase and/or replace equipment or make major improvements or additions to Township assets. The Township strives to budget and appropriate a yearly transfer of non-tax revenue from the General Fund to the Capital Improvement Fund to provide for the purchase and replacement of capital assets. In 2022 the Township was able to transfer \$386,135 in non-tax revenue to the Capital Improvement Fund. At the end of the current fiscal year, fund balance was \$3,445,182, an increase of \$565,691 from the prior year.

The METRO Act Fund is used to account for maintenance fees received through the Metropolitan Extension Telecommunications Rights-of-Way Oversight (METRO) Authority under the Metropolitan Extension Telecommunications Rights-of-Way Oversight Act, 2002 PA 48, as amended, MCL 484.3101 to 484.3120 (the "METRO Act"). At the end of the current fiscal year, fund balance was \$74,435, an increase of \$4,877 from the prior year.

The 2013 General Obligation Fund was created to refinance the two outstanding bond issues from prior years and to finance two expansions to the water system, upgrade sewer lift stations, and upgrade the meter reading system. At the end of the current fiscal year, fund balance was \$1.

The General Obligation Fund was created in 2004 to account for the payment of debt incurred on the sale of bonds to be used to match a U.S. Department of Commerce, Economic Development Administration Grant for the development of the First Street Business Park, construction of an elevated water tower, and installation of municipal water wells. This debt was refinanced in 2013, resulting in a savings of \$281,365. At the end of the current fiscal year, fund balance was \$30,456, no change from the prior year.

***Proprietary Funds.*** The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Sewer and Water Funds at the end of the year amounted to \$5,347,352 and \$6,825,205 respectively. The Sewer Fund had an increase in net position for the year of \$89,043. The Water Fund had an increase in net position for the year of \$10,911.

**General Fund Budgetary Highlights**

*Original budget compared to final budget.* During the year there were a few amendments to increase the general fund revenues (property taxes, state revenue sharing).

*Final budget compared to actual results.* The Township had the following expenditures in excess of the amounts appropriated during the year ended December 31, 2022:

<u>Function</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Negative Variance</u>
<b>General Government</b>			
Treasurer	\$ 179,021	\$ 181,013	\$ (1,992)

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2022 and 2021, the Township had \$12,068,273 and \$12,136,540 invested in a variety of capital assets including land and improvements, buildings and improvements, infrastructure, and other equipment.

The following were significant purchases in the current fiscal year:

- 914 S. Pere Maquette Highway Ludington, MI 49431 of \$74,159
- 896 and 866 South Pere Marquette Highway Ludington, MI 49431 of \$86,076 and \$46,879 respectively
- Township Hall underpinning of \$15,617
- Memorial Tree Park playground equipment of \$45,000
- Surveillance camera system of \$16,300
- John Deere Skid Steer and attachments of \$101,176

More information on capital assets can be found in the notes to the financial statements.

**Long-term Debt**

The Township has one long-term debt outstanding, the 2013 General Obligation Capital Improvement and Refunding Bonds. The Township made a principal payment of \$330,000 during the year, the balance at year-end is \$1,165,000.

## **Economic Factors and Next Year's Budgets and Rates**

The Township's property tax revenues are up approximately 2% due to new construction that has taken place in the township in all classes including Residential, Commercial, and Industrial. The township is experiencing a period of growth with several new businesses coming into the township and the continued \$800 million upgrade to the Consumers Energy Pumped Storage Facility. These tax revenue increases have allowed the township the opportunity to increase the level of services it provides to its residents. The township has increased expenditures for local road improvement as funding from the State and Counties has proved insufficient. The township has also increased expenditures for the three parks and park facilities for improvements of those properties.

### *Overall Financial Condition*

The Township has been able to maintain a strong financial position as a result of careful planning, and cost saving measures implemented by all departments in the Township. A second factor that provides financial stability is the reduction in appropriation needed for debt as bond issue is retired.

In June, 2009, the Township was notified by Standard & Poor's bond rating agency that the Township's rating has been upgraded from A- to AA, a four-point increase in overall rating as a result of strong financial performance. Reasons stated in the review indicate that the Township maintains a strong fund balance, that the budget is structured to provide break-even operations, that the levy is 2.1 mills below the allowed Headlee limit providing revenue flexibility, and that overall debt is low.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the accountability for the money it receives. If you have questions about this report or need additional information, contact:

Charter Township of Pere Marquette  
1699 S. Pere Marquette Highway  
Ludington, MI 49431

phone: (231) 845-1277

email: rachelle@pmtwp.org fax: (231) 843-3330

## **BASIC FINANCIAL STATEMENTS**

**Charter Township of Pere Marquette  
Statement of Net Position  
December 31, 2022**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and Investments	\$ 5,414,683	\$ 3,133,464	\$ 8,548,147
Receivables, net	2,455,877	507,405	2,963,282
<b>Total Current Assets</b>	<b>7,870,560</b>	<b>3,640,869</b>	<b>11,511,429</b>
<i>Noncurrent Assets</i>			
Capital Assets not being Depreciated	2,048,299	8,969	2,057,268
Capital Assets being Depreciated, net	1,316,285	8,694,720	10,011,005
<b>Total Assets</b>	<b>11,235,144</b>	<b>12,344,558</b>	<b>23,579,702</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	77,635	172,001	249,636
Accrued Liabilities	35,532	--	35,532
Unearned Revenue	256,416	--	256,416
Accrued Interest	4,063	--	4,063
Current Portion of Long-term Debt	325,000	--	325,000
<b>Total Current Liabilities</b>	<b>698,646</b>	<b>172,001</b>	<b>870,647</b>
<i>Noncurrent Liabilities</i>			
Long-term Debt	840,000	--	840,000
Compensated Absences	23,674	--	23,674
<b>Total Liabilities</b>	<b>1,562,320</b>	<b>172,001</b>	<b>1,734,321</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Premium on Refunding	54,504	--	54,504
<b>Total Deferred Inflows of Resources</b>	<b>54,504</b>	<b>--</b>	<b>54,504</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,145,080	8,703,689	10,848,769
<i>Restricted for:</i>			
Right of Way	74,435	--	74,435
Debt	30,457	--	30,457
Transportation	231,924	--	231,924
<i>Unrestricted</i>	7,136,424	3,468,868	10,605,292
<b>Total Net Position</b>	<b>\$ 9,618,320</b>	<b>\$ 12,172,557</b>	<b>\$ 21,790,877</b>

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

**Charter Township of Pere Marquette  
Statement of Activities  
For the Year Ended December 31, 2022**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Primary Government</b>							
<b>Governmental Activities:</b>							
General Government	\$ 1,140,923	\$ 62,695	\$ 22,050	\$ --	\$ (1,056,178)	\$ --	\$ (1,056,178)
Public Safety	292,041	42,583	--	--	(249,458)	--	(249,458)
Public Works	861,982	2,400	4,877	--	(854,705)	--	(854,705)
Community and Economic Development	127,622	7,840	--	--	(119,782)	--	(119,782)
Recreation and Culture	251,384	890,822	--	--	639,438	--	639,438
Interest on Long-term Debt	21,085	--	--	--	(21,085)	--	(21,085)
<b>Total Governmental Activities</b>	<u>2,695,037</u>	<u>1,006,340</u>	<u>26,927</u>	<u>--</u>	<u>(1,661,770)</u>	<u>--</u>	<u>(1,661,770)</u>
<b>Business-type Activities:</b>							
Sewer Fund	368,939	476,274	--	--	--	107,335	107,335
Water Fund	1,396,799	1,535,758	--	--	--	138,959	138,959
<b>Total Business-type Activities</b>	<u>1,765,738</u>	<u>2,012,032</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>246,294</u>	<u>246,294</u>
<b>Total Primary Government</b>	<u>\$ 4,460,775</u>	<u>\$ 3,018,372</u>	<u>\$ 26,927</u>	<u>\$ --</u>	<u>\$ (1,661,770)</u>	<u>\$ 246,294</u>	<u>\$ (1,415,476)</u>
<b>General Purpose Revenues and Transfers:</b>							
<b>Revenues</b>							
Property Taxes					2,516,839	--	2,516,839
Interest Income					15,860	--	15,860
Unrestricted State Sources					265,970	--	265,970
<b>Transfers</b>					146,340	(146,340)	--
<b>Total General Revenues and Transfers</b>					<u>2,945,009</u>	<u>(146,340)</u>	<u>2,798,669</u>
<b>Change in Net Position</b>					<b>1,283,239</b>	<b>99,954</b>	<b>1,383,193</b>
<i>Net Position at Beginning of Period as Restated</i>					8,335,081	12,072,603	20,407,684
<b>Net Position at End of Period</b>					<u>\$ 9,618,320</u>	<u>\$ 12,172,557</u>	<u>\$ 21,790,877</u>

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

**Charter Township of Pere Marquette  
Balance Sheet  
Governmental Funds  
December 31, 2022**

	<u>General</u>	<u>Special Revenue Transportation System Special</u>	<u>Capital Projects Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Investments	\$ 1,488,087	\$ 108,186	\$ 3,457,102	\$ 361,308	\$ 5,414,683
Receivables, net	2,317,006	138,871	--	--	2,455,877
<i>Total Assets</i>	<u>\$ 3,805,093</u>	<u>\$ 247,057</u>	<u>\$ 3,457,102</u>	<u>\$ 361,308</u>	<u>\$ 7,870,560</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 50,582	\$ 15,133	\$ 11,920	\$ --	\$ 77,635
Accrued Liabilities	35,532	--	--	--	35,532
Unearned Revenue	--	--	--	256,416	256,416
<i>Total Liabilities</i>	<u>86,114</u>	<u>15,133</u>	<u>11,920</u>	<u>256,416</u>	<u>369,583</u>
<b>FUND BALANCE</b>					
Restricted	--	231,924	--	104,892	336,816
Assigned	--	--	3,445,182	--	3,445,182
Unassigned	3,718,979	--	--	--	3,718,979
<i>Total Fund Balance</i>	<u>3,718,979</u>	<u>231,924</u>	<u>3,445,182</u>	<u>104,892</u>	<u>7,500,977</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 3,805,093</u>	<u>\$ 247,057</u>	<u>\$ 3,457,102</u>	<u>\$ 361,308</u>	<u>\$ 7,870,560</u>

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

**Charter Township of Pere Marquette  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
 December 31, 2022**

Total Fund Balance - Governmental Funds	\$	7,500,977
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. This represents capital assets of \$8,427,111 less accumulated depreciation of \$5,465,729.		3,364,584
Long-term liabilities in governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental funds. This represents bonds payable of \$8,560,000 and accrued interest of \$41,041.		(1,165,000)
In the statement of net position, interest is accrued on outstanding bonds, whereas in governmental funds, the interest expenditure is reported when due. In the statement of net position, interest is accrued on outstanding bonds, whereas in governmental funds, the interest expenditure is reported when due.		(4,063)
Compensated absences are not due in and payable in the current period and, therefore, are not reported in the funds. Compensated absences are not due in and payable in the current period and, therefore, are not reported in the funds.		(23,674)
A premium resulting from the issuance of refunding long-term debt is an other source or use of funds in the governmental funds but is a deferred inflow of resources on the entity-wide financial statements.		(54,504)
<b>Total Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>9,618,320</u></b>

**Charter Township of Pere Marquette**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended December 31, 2022**

	<u>General</u>	<u>Special Revenue</u> <u>Transportation</u> <u>System Special</u>	<u>Capital Projects</u> <u>Capital</u> <u>Improvement</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>Revenues</b>					
Property Taxes	\$ 2,371,144	\$ 145,695	\$ --	\$ --	\$ 2,516,839
Licenses and Permits	43,723	--	--	--	43,723
Intergovernmental	268,970	--	678,917	4,877	952,764
Charges for Services	351,771	--	--	--	351,771
Fines and Forfeitures	184	--	--	--	184
Interest Income	15,860	--	--	--	15,860
Other Revenues	58,489	--	--	--	58,489
<b>Total Revenues</b>	<u>3,110,141</u>	<u>145,695</u>	<u>678,917</u>	<u>4,877</u>	<u>3,939,630</u>
<b>Expenditures</b>					
General Government	988,989	--	114,154	--	1,103,143
Public Safety	257,027	--	--	--	257,027
Public Works	765,097	160,297	--	--	925,394
Community and Economic Development	126,228	--	--	--	126,228
Recreation and Culture	214,925	--	--	--	214,925
Debt Service Principal	--	--	--	330,000	330,000
Interest on Long-term Debt	--	--	--	36,100	36,100
Capital Outlay	--	--	385,207	--	385,207
<b>Total Expenditures</b>	<u>2,352,266</u>	<u>160,297</u>	<u>499,361</u>	<u>366,100</u>	<u>3,378,024</u>
<b>Excess of Revenues Over</b> <b>(Under) Expenditures</b>	<u>757,875</u>	<u>(14,602)</u>	<u>179,556</u>	<u>(361,223)</u>	<u>561,606</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	--	--	386,135	366,101	752,236
Transfers Out	(605,896)	--	--	--	(605,896)
<b>Net Other Financing Sources (Uses)</b>	<u>(605,896)</u>	<u>--</u>	<u>386,135</u>	<u>366,101</u>	<u>146,340</u>
<b>Net Change in Fund Balance</b>	<u>151,979</u>	<u>(14,602)</u>	<u>565,691</u>	<u>4,878</u>	<u>707,946</u>
<i>Fund Balance at Beginning of Period as Restated</i>	3,567,000	246,526	2,879,491	100,014	6,793,031
<b>Fund Balance at End of Period</b>	<u>\$ 3,718,979</u>	<u>\$ 231,924</u>	<u>\$ 3,445,182</u>	<u>\$ 104,892</u>	<u>\$ 7,500,977</u>

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

**Charter Township of Pere Marquette  
 Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and  
 Changes in Fund Balance with Statement of Activities  
 For the Year Ended December 31, 2022**

Total Net Change in Fund Balances - Governmental Funds	\$	707,946
<p>Governmental funds report outlays for capital assets as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This represents current year capital outlay of \$104,534 less depreciation expense of \$313,147 and loss on sale of \$36,793.</p>		
		253,952
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This represents the change in bonds payable of \$335,000 and accrued interest of \$41,041.</p>		
		339,084
<p>Changes to accrued interest are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position. Changes to accrued interest are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.</p>		
		5,931
<p>Change to compensated absences are not shown in the fund financial statements. The net effect of the current year decrease is to increase net position. Change to compensated absences are not shown in the fund financial statements. The net effect of the current year decrease is to increase net position.</p>		
		(23,674)
<b>Changes in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>1,283,239</u></b>

**Charter Township of Pere Marquette  
Statement of Net Position  
Proprietary Funds  
December 31, 2022**

**Business-type Activities - Enterprise Funds**

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total Enterprise Funds</u>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and Investments	\$ 1,735,737	\$ 1,397,727	\$ 3,133,464
Receivables, net	233,275	274,130	507,405
<b>Total Current Assets</b>	<u>1,969,012</u>	<u>1,671,857</u>	<u>3,640,869</u>
<i>Noncurrent Assets</i>			
Capital Assets not being Depreciated	8,969	--	8,969
Capital Assets being Depreciated, net	3,451,186	5,243,534	8,694,720
<b>Total Assets</b>	<u>5,429,167</u>	<u>6,915,391</u>	<u>12,344,558</u>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	81,815	90,186	172,001
<b>Total Liabilities</b>	<u>81,815</u>	<u>90,186</u>	<u>172,001</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,460,155	5,243,534	8,703,689
<i>Unrestricted</i>	1,887,197	1,581,671	3,468,868
<b>Total Net Position</b>	<u>\$ 5,347,352</u>	<u>\$ 6,825,205</u>	<u>\$ 12,172,557</u>

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

**Charter Township of Pere Marquette  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended December 31, 2022**

**Business-type Activities - Enterprise Funds**

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total Enterprise Funds</u>
<b>Operating Revenues</b>			
Charges for Services	\$ 476,274	\$ 1,535,758	\$ 2,012,032
<b><i>Total Operating Revenues</i></b>	<u>476,274</u>	<u>1,535,758</u>	<u>2,012,032</u>
<b>Operating Expenses</b>			
Personal Services	56,262	75,767	132,029
Contractual Services	153,675	1,039,538	1,193,213
Utilizes	13,298	39,588	52,886
Repairs and Maintenance	2,641	54,613	57,254
Other	9,723	--	9,723
Depreciation	133,340	187,293	320,633
<b><i>Total Operating Expenses</i></b>	<u>368,939</u>	<u>1,396,799</u>	<u>1,765,738</u>
<b><i>Operating Income (Loss)</i></b>	<u>107,335</u>	<u>138,959</u>	<u>246,294</u>
<b><i>Income Before Transfers</i></b>	<u>107,335</u>	<u>138,959</u>	<u>246,294</u>
Transfers Out	(18,292)	(128,048)	(146,340)
<b><i>Change In Net Position</i></b>	<u><b>89,043</b></u>	<u><b>10,911</b></u>	<u><b>99,954</b></u>
<i>Net Position at Beginning of Period</i>	5,258,309	6,814,294	12,072,603
<b><i>Net Position at End of Period</i></b>	<u><b>\$ 5,347,352</b></u>	<u><b>\$ 6,825,205</b></u>	<u><b>\$ 12,172,557</b></u>

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

**Charter Township of Pere Marquette  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2022**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sewer</b>	<b>Water</b>	<b>Total Enterprise Funds</b>
<b>Cash Flows from Operating Activities</b>			
Cash Received from Charges for Service	\$ 453,979	\$ 1,457,977	\$ 1,911,956
Cash Payments to Employees for Wages and Benefits	(56,262)	(75,767)	(132,029)
Cash Payments to Suppliers for Goods and Services	(197,912)	(1,182,815)	(1,380,727)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>199,805</u>	<u>199,395</u>	<u>399,200</u>
<b>Cash Flows from Non-capital Financing Activities</b>			
Transfers Out	(18,292)	(128,048)	(146,340)
<b>Cash Flows from Capital and Related Financing Activities</b>			
Net Capital Asset Activity	--	1,586	1,586
<i>Net Increase in Cash and Investments</i>	181,513	72,933	254,446
Cash and Investments - Beginning of Year	1,554,224	1,324,794	2,879,018
<b>Cash and Investments - End of Year</b>	<u>\$ 1,735,737</u>	<u>\$ 1,397,727</u>	<u>\$ 3,133,464</u>
<b>Statement of Net Position</b>			
Cash and Investments	1,735,737	1,397,727	3,133,464
<b>Total Cash and Investments</b>	<u>\$ 1,735,737</u>	<u>\$ 1,397,727</u>	<u>\$ 3,133,464</u>
<b>Reconciliation of Operating Income (Loss) to</b>			
<b>Net Cash Provided by (Used in) Operating Activities</b>			
Operating Income (Loss)	\$ 107,335	\$ 138,959	\$ 246,294
<b>Adjustments to Reconcile Operating Income (Loss) to</b>			
<b>Net Cash Provided by (Used in) Operating Activities:</b>			
Depreciation Expense	133,340	187,293	320,633
<b>Changes in Assets, Liabilities, and Related Deferrals</b>			
Receivables, net	(22,295)	(77,781)	(100,076)
Accounts Payable	(18,575)	(49,076)	(67,651)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ 199,805</u>	<u>\$ 199,395</u>	<u>\$ 399,200</u>

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

**Charter Township of Pere Marquette  
Statement of Fiduciary Net Position  
Fiduciary Funds  
December 31, 2022**

	<b>Total Custodial Funds</b>
<b>ASSETS</b>	
Cash and Investments	\$ 173,951
<i>Total Assets</i>	173,951
<b>LIABILITIES</b>	
Deposit Payable	1,156
Due to Other Funds	172,795
<i>Total Liabilities</i>	173,951
<b>NET POSITION</b>	
<i>Total Net Position</i>	\$ --

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

**Charter Township of Pere Marquette  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended December 31, 2022**

	<b>Total Custodial Funds</b>
<b>ADDITIONS</b>	
Taxes Collected for Other Units of Government	\$ 27,439,803
Other Collections	35,314
<b><i>Total Additions</i></b>	<b>27,475,117</b>
<b>DEDUCTIONS</b>	
Payments of Property Taxes to Other Units of Government	27,439,803
Other Distributions	35,314
<b><i>Total Deductions</i></b>	<b>27,475,117</b>
<b><i>Change in Net Position</i></b>	<b>--</b>
<i>Net Position at Beginning of Period</i>	<i>--</i>
<b><i>Net Position at End of Period</i></b>	<b>\$ --</b>

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

## **NOTES TO FINANCIAL STATEMENTS**

# Charter Township of Pere Marquette

## Notes to the Financial Statements

### Note 1 - Summary of Significant Accounting Policies

The financial statements of the Charter Township of Pere Marquette (the "Township" or "government") have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the Township's accounting policies are described below.

#### Reporting Entity

The Township is governed by an elected seven-member board. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

In accordance with generally accepted accounting principles and GASB Statement No. 61, "*The Financial Reporting Entity*," these financial statements represent the Township for financial reporting purposes. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if component unit data were not included. These financial statements present only the Township (located in Mason County), as management has determined that there are no other entities for which the Township is financially accountable.

#### Jointly Governed Organization

The Township is also a participant in a joint venture, the Western Mason County Fire District Authority, with the City of Ludington and Hamlin Township. The Authority collects property taxes to be used to finance the purchase of new fire equipment for the three fire departments. This authority is not considered to be a component unit of Pere Marquette Charter Township. Separate audited financial statements may be obtained from the Township Supervisor at Pere Marquette Township Hall at 1699 South Pere Marquette Highway, Ludington, MI 49431.

At December 31, 2021		Year ended December 31, 2021	
Total Assets	\$ 2,860,822	Revenues	442,692
Total Liabilities	7,582	Expenses	(231,572)
Total Net Position	2,853,240	Change in Net Position	\$ 211,120
Total Liabilities and Net Position	\$ 2,860,822		

# Charter Township of Pere Marquette

## Notes to the Financial Statements

---

### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for custodial funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Fiduciary Funds are used to report assets held in a trustee or custodial capacity for others and therefore are not available to support Township programs. The Township has adopted GASBS No.

## Charter Township of Pere Marquette

### Notes to the Financial Statements

---

84 for the reporting and classification of its fiduciary activities. Fiduciary reporting focus is on net position and changes in net position and are reported using the accrual basis of accounting.

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and custodial). Because by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

Property taxes, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of receivables 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 and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The **general fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund. Revenues are derived primarily from property taxes, state distributions or grants, charges for services, licenses and fees, interest income, and other intergovernmental revenues.

The **CARES Act fund** account for federal revenues received through the American Rescue Plan Act. These resources may be used for general government services.

The **2013 General Obligation Bonds fund** accounts for amounts transferred from other funds and other sources for the retirement of long-term debt issued to refund the 2004 Bonds.

The **Capital Improvement fund** accounts for amounts transferred from other funds and other sources to be used for the acquisition or construction of capital projects.

The Township reports the following major proprietary funds:

The **sewer fund** accounts for the operation of the Township's wastewater system. Revenues are derived primarily from charges for services, licenses and fees, interest income, and other intergovernmental revenues.

The **water fund** accounts for the operation of the Township's water mains and pumping facilities. Revenues are derived primarily from charges for services, licenses and fees, interest income, and other intergovernmental revenues.

## Charter Township of Pere Marquette

### Notes to the Financial Statements

---

Additionally, the government 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.

*Capital project funds* are used to account for the acquisition or construction of general major capital facilities by a governmental unit.

*Custodial funds* are custodial in nature and used to account for assets held by the Township as an agent for another organization or individual.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses are not meeting this definition are reported as nonoperating revenues and expenses.

### **Assets, Liabilities, Deferred Outflows / Inflows of Resources, and Equity**

#### ***Cash and Investments***

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

Statutes authorize the primary government and component units to invest in the following:

- In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a saving and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.

## Charter Township of Pere Marquette

### Notes to the Financial Statements

---

- In United States government of federal agency obligation repurchase agreements.
- In banker's acceptances of United States banks.
- In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Investments are stated at fair market value. Pooled investment income is generally allocated to the general fund.

For purposes of the statement of cash flows, the Township considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

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

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Although the Township's 2022 ad valorem tax is levied and collectible on December 1, 2022, it is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The Township bills and collects its own property taxes for general governmental services. The Township also collects property taxes for Mason County and various school districts. Collection of property taxes and remittances to the appropriate authorities are accounted for in the tax account custodial fund.

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

# Charter Township of Pere Marquette

## Notes to the Financial Statements

---

### ***Capital Assets***

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type 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 \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant, and equipment is depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings	40-60
Building Improvements	15-30
Water and Sewer Lines	50
Vehicles	3-5
Office Equipment	5-7
Computer Equipment	3-7

### ***Compensated Absences (Vacation and Sick Leave)***

It is the Township's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees are eligible to claim up to twenty days of unused vacation time unless the employee quits without prior notice. Employees are eligible to claim sick leave compensation if they have been employed for more than 10 years, or if they have reached retirement. All other employees will not be eligible to claim sick leave compensation. Qualifying employees can claim up to thirty days of sick leave.

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

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. For new bond issuances of governmental funds after the implementation of GASB Statement No. 34 and all proprietary fund bond issues, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payables are reported net of the applicable bond premium or discount. Issuance costs are expensed during the period incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported

## Charter Township of Pere Marquette

### Notes to the Financial Statements

---

as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### ***Unearned Revenues***

Unearned revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

#### ***Fund Balance Policies***

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The *nonspendable fund balance* classification includes amounts that cannot be spent because they are either; a) not in spendable form – pre-paid items or inventories; or b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*Restricted fund balance.* This classification reflects the constraints imposed on resources either; a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance.* These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Township Board – the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned fund balance.* This classification reflects the amounts constrained by the Township's intent to be used for specific purposes, but are neither restricted nor committed. Amounts are designated by the Board.

*Unassigned fund balance.* Resources that cannot be properly classified in one of the other four categories. The general fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

# Charter Township of Pere Marquette

## Notes to the Financial Statements

---

### ***Fund Balance Flow Assumptions***

Sometimes the Township 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.

### ***Net Position Flow Assumption***

Sometimes the Township will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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

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

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

### ***Budgetary Information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end.

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

- On or before September 1, the Township Supervisor submits to the Board, a proposed operating budget for the fiscal year commencing on January 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted at the Township hall to obtain taxpayer comments. On or before December 31, the budget is adopted by resolution.

# Charter Township of Pere Marquette

## Notes to the Financial Statements

---

- The transfer of budgeted amounts between activities within any fund or any revisions that alter the total expenditures of any fund must be approved by the Township Board.
- Budgeted amounts are presented as originally adopted, or as amended by the Township Board before December 31.
- Budgets as presented for the general and special revenue funds are prepared on the modified accrual basis of accounting on the activity level for the general fund and fund level for special revenue funds. Encumbrances are not recorded at year end. Budget appropriations lapse at the end of each fiscal year.
- The Township legally adopts budgets for the general fund and special revenue funds.
- Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles and consist only of those amounts contained in the formal budget approved as amended by the Township Board.
- The legal level of control is at the activity level of the general fund and at the fund expenditure totals for the special revenue funds.
- The Township Clerk is authorized to transfer budgeted amounts between accounts within the same activity.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

### *Excess of Expenditures Over Budget*

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. Budgetary control is exercised at the activity level in the general fund and the function level in other funds.

The Township's general fund had the following expenditures in excess of the amounts appropriated during the year ended December 31, 2022:

<u>Function</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Negative Variance</u>
<b>General Government</b>			
Treasurer	\$ 179,021	\$ 181,013	\$ (1,992)

**Charter Township of Pere Marquette**

Notes to the Financial Statements

**Note 3 - Deposits and Investments**

Following is a reconciliation of deposit and investment balances as of December 31, 2022:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
<b>Statement of Net Position</b>			
Cash and Investments	\$ 5,414,683	\$ 3,133,464	\$ 8,548,147
<b>Statement of Fiduciary Net Position</b>			
Cash and Investments	173,951	-	
<b><i>Total Cash and Investments</i></b>	<u>\$ 5,588,634</u>	<u>\$ 3,133,464</u>	<u>\$ 8,548,147</u>
	<b>Deposits and Investments</b>		
	Checking and Savings Accounts		\$ 3,563,677
		Investments	\$ 4,984,270
		Petty Cash	200
		<b><i>Total</i></b>	<u>\$ 8,548,147</u>

***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 to it. The Township does not have a deposit policy for custodial credit risk. At year end, the bank balance of the Township's deposits (money market, checking accounts, savings accounts, and certificates of deposit) is \$8,548,147, of which \$880,987 is covered by insurance. The remaining is uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

***Custodial Credit Risk - Investments***

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Township does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

## Charter Township of Pere Marquette

### Notes to the Financial Statements

Following is a summary of the Township's investments as of December 31, 2022:

Money market accounts	\$ 555,255
Michigan CLASS	1,763,058
Certificate of deposits	1,403,348
U.S. Government Bonds	1,262,610
	<u>\$ 4,984,271</u>

#### *Credit Risk - Investments*

State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Township's investment policy does not have specific limits in excess of state law on investment credit risk. The Township's investments have the following credit ratings:

S&P AAA	\$ 1,763,058
S&P AA+	658,195
S&P AA	109,519
N/A or not rated	2,453,498
	<u>\$ 4,984,270</u>

#### *Interest Rate Risk*

Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. 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.

Maturity dates for investments held at year-end are summarized as follows:

No maturity	\$ 2,318,313
Less than 1 year	1,153,768
Due within 1-5 years	1,512,190
	<u>\$ 4,984,271</u>

## Charter Township of Pere Marquette

### Notes to the Financial Statements

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

The Township is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Township's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
US Government Bonds	767,714	494,896		1,262,610
Michigan CLASS		1,763,058		1,763,058
	\$ 767,714	\$ 2,257,954	\$ -	3,025,668

Investment accounts not subject to fair value disclosure requirements:

Money market accounts	555,255
Certificates of Deposit	1,403,348
<b>Total Investments</b>	<b>\$ 4,984,271</b>

The Township holds shares in the Michigan CLASS government investment pool whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

At year-end, the net asset value of the Township's investment in the Michigan CLASS government investment pool was \$1,763,058. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS government investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies.

**Charter Township of Pere Marquette**

Notes to the Financial Statements

**Note 4 - Receivables**

Receivables for the Township's funds, including the applicable allowances for uncollectible accounts, are as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Property Taxes	\$ 2,270,242	\$ -
Accounts Receivable	185,635	507,405
<b>Net Receivables</b>	<b>\$ 2,455,877</b>	<b>\$ 507,405</b>

**Note 5 - Capital Assets**

Capital asset activity of the Township's governmental activities during the year was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>Capital Assets not being Depreciated</b>				
Land	\$ 1,841,185	\$ 207,114	\$ -	\$ 2,048,299
<b>Capital Assets being Depreciated</b>				
Buildings	1,882,903	-	-	1,882,903
Land Improvements	573,056	15,617	-	588,673
Equipment	666,256	162,476	-	828,732
Software	12,706	-	-	12,706
Intangible	11,950	-	-	11,950
<b>Subtotal</b>	<b>3,146,871</b>	<b>178,093</b>	<b>-</b>	<b>3,324,964</b>
<b>Less Accumulated Depreciation</b>				
Buildings	(1,170,263)	(40,628)	-	(1,210,891)
Land Improvements	(326,939)	(18,992)	-	(345,931)
Equipment	(355,566)	(71,635)	-	(427,201)
Software	(12,706)	-	-	(12,706)
Intangible	(11,950)	-	-	(11,950)
<b>Subtotal</b>	<b>(1,877,424)</b>	<b>(131,255)</b>	<b>-</b>	<b>(2,008,679)</b>
<b>Capital Assets being Depreciated, net</b>	<b>1,269,447</b>	<b>46,838</b>	<b>-</b>	<b>1,316,285</b>
<b>Capital Assets, net</b>	<b>\$ 3,110,632</b>	<b>\$ 253,952</b>	<b>\$ -</b>	<b>\$ 3,364,584</b>

Depreciation expense of \$131,255 was charged to the general government (\$23,176), public safety (\$34,389), public works (\$35,837), recreation and culture (\$36,459), and community and economic development (\$1,394) functions of the Township.

## Charter Township of Pere Marquette

### Notes to the Financial Statements

Capital asset activity of the Township's business-type activities during the year was as follows:

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>Capital Assets not being Depreciated</b>				
Land	\$ 8,969	\$ -	\$ -	\$ 8,969
<b>Capital Assets being Depreciated</b>				
Mains	13,366,852		1,486	13,365,366
Equipment	599,942	-	5,316	594,626
Pumping Stations	579,104	-	-	579,104
<i>Subtotal</i>	<u>14,545,898</u>	<u>-</u>	<u>6,802</u>	<u>14,539,096</u>
<b>Less Accumulated Depreciation</b>				
Mains	(4,908,901)	(285,216)	570	(5,193,547)
Equipment	(355,288)	(21,765)	4,646	(372,407)
Pumping Stations	(264,770)	(13,652)	-	(278,422)
<i>Subtotal</i>	<u>(5,528,959)</u>	<u>(320,633)</u>	<u>5,216</u>	<u>(5,844,376)</u>
<b>Capital Assets being Depreciated, net</b>	<u>9,016,939</u>	<u>(320,633)</u>	<u>(1,586)</u>	<u>8,694,720</u>
<b>Capital Assets, net</b>	<u>\$ 9,025,908</u>	<u>\$ (320,633)</u>	<u>\$ (1,586)</u>	<u>\$ 8,703,689</u>

Depreciation expense of \$320,633 was charged to the sewer (\$133,340) and water (\$187,293) of the Township.

#### **Note 6 - Long-term Debt**

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Contractual agreements and installment purchase agreements are also general obligations of the Township. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

The Township has the following long-term debt issuances:

**2013 General Obligation Capital Improvement and Refunding Bonds**; payable in annual installments of \$65,000 to \$330,000 through April 1, 2028 with interest payable semi-annually at 2.00% to 3.00%.

## Charter Township of Pere Marquette

### Notes to the Financial Statements

Bond and contractual obligation activity, for the year ended December 31, 2022, can be summarized as follows:

<b>Governmental Activities</b>	12/31/2021			12/31/2022	
	Balance	Additions	Reductions	Balance	Due Within One Year
Compensated Absences	\$ -	\$ 23,674	\$ -	\$ 23,674	-
2013 Capital Improvement and Refunding Bonds	\$ 1,495,000	\$ -	\$ 330,000	\$ 1,165,000	\$ 325,000
Premium	63,588	-	9,084	54,504	-
<b>Total</b>	<b>\$ 1,558,588</b>	<b>\$ 23,674</b>	<b>\$ 339,084</b>	<b>\$ 1,243,178</b>	<b>\$ 325,000</b>

Annual debt service requirements to maturity for the above obligations are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 325,000	\$ 27,662	\$ 352,662
2024	320,000	19,600	339,600
2025	320,000	10,800	330,800
2026	65,000	5,025	70,025
2027	135,000	4,125	139,125
	<b>\$ 1,165,000</b>	<b>\$ 67,212</b>	<b>\$ 1,232,212</b>

#### Note 7 - Interfund Transfers

The composition of interfund transfers for the year ended December 31, 2022 is as follows:

<b>Transfer In</b>	<b>Transfer Out</b>	<b>Amount</b>
General Obligations Bond	Sewer	\$ 18,292
General Obligations Bond	Water	128,048
Capital Improvement Fund	General Obligations Bond	386,135

Transfers are used to: 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and 2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

#### Note 8 – Employee Retirement and Benefit Systems

##### *Defined Contribution Pension Plan*

The Township provides pension benefits to its Administrative Officials, Township Board Trustees, Deputies to Administrative Officials, and full-time employees through a defined contribution plan. The plan is administered by the Municipal Employees Retirement System (“MERS”). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment (or other date). As

## Charter Township of Pere Marquette

### Notes to the Financial Statements

---

established under Internal Revenue Service code 403(b), Pere Marquette Charter Township contributes up to \$500 per year for Board Trustees and 12 percent of wages for all other covered employees, vested after one year.

The Township's total payroll during the current year was \$992,231. The current year contribution was calculated based on covered payroll of \$792,917. The township recognized pension expense of \$95,326. The township had no liability to the plan at year end. Nonvested contributions are forfeited upon termination of employment and such forfeitures are used to pay a portion of the Plan's administrative expenses.

#### **Note 9 - Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Township participates in the Michigan Municipal Risk Management Authority for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, that it uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Township.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

#### **Note 10 - Subsequent Events**

The Board is currently working to determine how to utilize an estimated \$256,416 of American Rescue Plan Act funds which are available to the Township for expenditure for various public safety reimbursements and infrastructure projects through 2024.

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

#### **Note 11 - 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

# Charter Township of Pere Marquette

## Notes to the Financial Statements

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.

### Note 12 – Prior Period Adjustment

The prior period adjustments within the general and transportation system special funds are due to property taxes receivables being understated compared to the amount of property taxes due to the Township after December 2022 collections.

The following schedule summarizes the changes in net position:

	<u>General</u>	<u>Transportation System Special</u>	<u>Business-type Activities</u>
<b>Net Position at December 31, 2021, as Reported</b>	\$ 3,185,759	\$ 202,327	\$ 6,367,591
<i>Adjustments to:</i>			
Taxes Receivable	381,241	44,199	425,440
<b>Net Position at December 31, 2021, as Restated</b>	<u>\$ 3,567,000</u>	<u>\$ 246,526</u>	<u>\$ 6,793,031</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**Charter Township of Pere Marquette**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2022**

	<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>				
Property Taxes	\$ 2,319,026	\$ 2,349,026	\$ 2,371,144	\$ 22,118
Licenses and Permits	46,500	43,500	43,723	223
Intergovernmental	225,000	245,000	268,970	23,970
Charges for Services	326,504	344,504	351,771	7,267
Fines and Forfeitures	--	--	184	184
Interest Income	50,000	5,000	15,860	10,860
Other Revenues	31,375	31,375	58,489	27,114
<b>Total Revenues</b>	<b>2,998,405</b>	<b>3,018,405</b>	<b>3,110,141</b>	<b>91,736</b>
<b>Expenditures</b>				
<b>General Government</b>				
Board of Trustees	116,750	91,750	90,826	924
Supervisor	191,118	181,118	180,634	484
Elections	35,400	27,400	22,354	5,046
Assessing	159,264	149,264	142,943	6,321
Clerk	205,518	205,518	203,754	1,764
Treasurer	179,021	179,021	181,013	(1,992)
Township Hall	183,600	168,600	165,507	3,093
Cemetery	2,500	2,500	--	2,500
Board of Appeals	3,050	3,050	1,958	1,092
<b>Total Government</b>	<b>885,103</b>	<b>827,103</b>	<b>808,355</b>	<b>18,748</b>
<b>Community and Economic Development</b>				
Planning	24,575	39,575	32,736	6,839
Zoning	95,096	97,596	93,492	4,104
Rental Inspections	44,801	34,801	31,840	2,961
<b>Total Community and Economic Development</b>	<b>164,472</b>	<b>171,972</b>	<b>158,068</b>	<b>13,904</b>
<b>Recreation and Culture</b>				
Parks and Recreation	413,685	215,050	214,925	125
<b>Public Works</b>				
	831,597	781,597	765,097	16,500
<b>Public Safety</b>				
Fire Department	242,270	235,270	225,187	10,083
<b>Total Expenditures</b>	<b>2,728,245</b>	<b>2,412,110</b>	<b>2,352,266</b>	<b>59,844</b>
<b>Other Financing Uses</b>				
Transfers Out	269,760	605,895	605,896	(1)
<b>Total Expenditures and Other Financing Uses</b>	<b>2,998,005</b>	<b>3,018,005</b>	<b>2,958,162</b>	<b>59,843</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>				
	400	400	151,979	151,579
<b>Net Change in Fund Balance</b>	<b>400</b>	<b>400</b>	<b>151,979</b>	<b>151,579</b>
<i>Fund Balance at Beginning of Period</i>	3,567,000	3,567,000	3,567,000	--
<b>Fund Balance at End of Period</b>	<b>\$ 3,567,400</b>	<b>\$ 3,567,400</b>	<b>\$ 3,718,979</b>	<b>\$ 151,579</b>

**Charter Township of Pere Marquette**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Transportation System Special**  
**For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Positive (Negative) Final to Actual</b>
<b>Revenues</b>				
Property Taxes	\$ 143,000	\$ 143,000	\$ 145,695	\$ 2,695
<i>Total Revenues</i>	<u>143,000</u>	<u>143,000</u>	<u>145,695</u>	<u>2,695</u>
<b>Expenditures</b>				
Public Works	196,000	196,000	160,297	35,703
<i>Total Expenditures</i>	<u>196,000</u>	<u>196,000</u>	<u>160,297</u>	<u>35,703</u>
<i>Excess (Deficiency) of Revenues Over Expenditures</i>	<u>(53,000)</u>	<u>(53,000)</u>	<u>(14,602)</u>	<u>38,398</u>
<i>Net Change in Fund Balance</i>	<b><u>(53,000)</u></b>	<b><u>(53,000)</u></b>	<b><u>(14,602)</u></b>	<b><u>38,398</u></b>
<i>Fund Balance at Beginning of Period</i>	246,526	246,526	246,526	--
<i>Fund Balance at End of Period</i>	<b><u>\$ 193,526</u></b>	<b><u>\$ 193,526</u></b>	<b><u>\$ 231,924</u></b>	<b><u>\$ 38,398</u></b>

## **OTHER SUPPLEMENTARY INFORMATION**

**Charter Township of Pere Marquette  
Statement of Fiduciary Net Position  
Fiduciary Funds  
December 31, 2022**

	<b>Custodial Funds</b>		
	<b>Trust and Agency</b>	<b>Tax Collection</b>	<b>Total Custodial Funds</b>
<b>ASSETS</b>			
Cash and Investments	\$ 1,156	\$ 172,795	\$ 173,951
<i>Total Assets</i>	1,156	172,795	173,951
<b>LIABILITIES</b>			
Deposit Payable	1,156	--	1,156
Due to Other Funds	--	172,795	172,795
<i>Total Liabilities</i>	1,156	172,795	173,951
<b>NET POSITION</b>			
<i>Total Net Position</i>	\$ --	\$ --	\$ --

**Charter Township of Pere Marquette  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended December 31, 2022**

	<u>Custodial Funds</u>		<b>Total Custodial Funds</b>
	<u>Trust and Agency</u>	<u>Tax Collection</u>	
<b>ADDITIONS</b>			
Taxes Collected for Other Units of Government	\$ 3,864	\$ 27,435,939	\$ 27,439,803
County Clerk Collections	35,314	--	35,314
<b>Total Additions</b>	<u>39,178</u>	<u>27,435,939</u>	<u>27,475,117</u>
<b>DEDUCTIONS</b>			
Payments of Property Taxes to Other Units of Government	3,864	27,435,939	27,439,803
County Clerk Distributions	35,314	--	35,314
<b>Total Deductions</b>	<u>39,178</u>	<u>27,435,939</u>	<u>27,475,117</u>
<b>Change in Net Position</b>	--	--	--
<i>Net Position at Beginning of Period</i>	--	--	--
<b>Net Position at End of Period</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

June 16, 2023

To the Members of the Township Board

Charter Township of Pere Marquette  
Mason County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Pere Marquette, Michigan (the “Township”) for the year ended December 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 February 2, 2023. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Matters**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 1 to the financial statements. There were no new accounting policies adopted, except as stated in Note 11 to the financial statements, and the application of existing policies was not changed during the fiscal year ended December 31, 2022. We noted no transactions entered into by Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management’s estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some future economic.

We evaluated the key factors and assumptions used above in determining that they are reasonable in relation to the financial statements taken as a whole.

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

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 16, 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 the management's discussion and analysis and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the

basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### *Communication Regarding Internal Control*

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township as of and for the year ended December 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 deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies to be material weaknesses:

### **Material Weakness - 2022-001 - Material Audit Adjustments and Financial Statement Preparation**

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

*Condition:* We identified and proposed material audit adjustments that management reviewed and approved.

As is the case with many small and medium-sized governmental units, the Township has historically relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditor, who cannot, by definition, be considered part of the Township's internal controls. Having the auditor draft the annual financial statements is allowable under current auditing standards and ethical guidelines and may be the most efficient and effective method for preparation of the Township's financial

statements. However, when an entity (on its own) lacks the ability to produce financial statements that conform to GAAP, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses.

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

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

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

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

### **Material Weakness - 2022-002 - Segregation of Incompatible Duties**

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

*Condition/Finding:* The Township has accounting functions which are performed by the same individual and are not subject to a documented independent review and approval. These areas include cash reconciliation, cash disbursements, cash receipting, and manual journal entries.

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

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

*Recommendation:* While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

*View of Responsible Officials:* As a result of limited staffing, we cannot accomplish the desired segregation of duties. Management staff will provide increased oversight and review of operations to help correct errors and to deter inappropriate actions and potential fraud.

*Township's Response to Findings*

The Township's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

***Restriction on Use***

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

Very truly yours,

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

Gabridge & Company, PLC  
Grand Rapids, MI