
Township of Marshall

Calhoun County, Michigan

Financial Report
with Supplementary Information
March 31, 2023

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Independent Auditor's Report

To the Township Board
Township of Marshall, Calhoun County, Michigan

Opinions

We have audited the financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of the Township of Marshall (the "Township") as of and for the year ended March 31, 2023 and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, and the aggregate remaining fund information of the Township as of March 31, 2023 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for 12 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 GAAS 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.

To the Township Board
Township of Marshall, Calhoun County, Michigan

In performing an audit in accordance with GAAS, 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 other required supplementary information, as identified 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, which 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.

Plante & Moran, PLLC

September 14, 2023

Our discussion and analysis of the Township of Marshall's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2023. Please read it in conjunction with the Township's financial statements.

Financial Highlights

- During the current year, the Township received approximately \$134,000 from a local casino as a revenue-sharing allotment.
- The Township invested approximately \$318,000 in capital assets with assistance received from neighboring townships.
- The Township received its remaining portion of American Rescue Plan Act funding, which was approximately \$163,000, for a total award of approximately \$327,000.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell the reader how the taxpayers' resources were spent during the year and how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant fund.

The Township's Net Position

	Governmental Activities		
	2023	2022	2021
Assets			
Current assets	\$ 2,760,094	\$ 2,324,421	\$ 1,830,359
Capital assets	1,346,013	1,192,098	1,168,822
Total assets	4,106,107	3,516,519	2,999,181
Liabilities			
Current liabilities	338,449	192,022	43,048
Noncurrent liabilities	-	1,166	5,712
Total liabilities	338,449	193,188	48,760
Net Position			
Net investment in capital assets	1,346,013	1,192,098	1,168,822
Restricted	1,027,694	786,684	554,446
Unrestricted	1,393,951	1,344,549	1,227,153
Total net position	\$ 3,767,658	\$ 3,323,331	\$ 2,950,421

The Township's financial position has remained relatively stable and consistent in 2022, with net position increasing by approximately \$444,000 in the fiscal year ended March 31, 2023.

Township of Marshall

Management's Discussion and Analysis (Continued)

The Township's Changes in Net Position

	Governmental Activities		
	2023	2022	2021
Revenue			
Program revenue:			
Charges for services	\$ 118,310	\$ 122,836	\$ 121,473
Operating grants	-	23,222	28,478
Capital grants	232,480	-	-
General revenue:			
Property taxes	437,026	406,861	389,838
State-shared revenue	409,137	396,200	330,943
Investment earnings	11,922	1,547	3,283
Other revenue:			
Cable franchise fees	18,866	22,588	20,903
Casino-shared revenue	133,637	178,985	168,836
Total revenue	1,361,378	1,152,239	1,063,754
Expenses			
General government	392,155	347,576	329,274
Public safety	437,450	326,119	389,955
Public works	55,793	54,021	74,407
Community and economic development	31,653	51,613	30,212
Interest on long-term debt	-	-	52
Total expenses	917,051	779,329	823,900
Change in Net Position	444,327	372,910	239,854
Net Position - Beginning of year	3,323,331	2,950,421	2,710,567
Net Position - End of year	\$ 3,767,658	\$ 3,323,331	\$ 2,950,421

The Township's total revenue remained consistent with last year, increasing by approximately \$209,000. This was primarily due to a local grant contribution received to assist with the purchase of new fire equipment. Overall expenditures increased by approximately \$138,000 from the prior year. The overall increase in expenditures was primarily a result of the aforementioned increased spending within the fire department for new equipment.

General Fund Budgetary Highlights

Actual revenue was higher than expected by approximately \$183,000. This was mostly due to the receipt of a local contribution for the purchase of new fire equipment. Actual expenditures were less than budgeted expenditures by approximately \$104,000. This was largely due to the Township not spending funds budgeted for buildings and grounds during the current year.

Capital Assets Administration

The Township purchased approximately \$318,000 of government-type fixed assets.

Economic Factors and Next Year's Budgets and Rates

With the challenges being presented by the current economic climate both locally and throughout Michigan, our goal is to hold costs at a stable level to avoid a reduction in fund balance.

Requests for Further Information

This financial report is intended to provide a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Township of Marshall clerk's office.

Township of Marshall

Statement of Net Position

March 31, 2023

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 2,581,666
Receivables:	
Property taxes receivable	30,613
Special assessments receivable	6,585
Other receivables	54,502
Due from other governments	78,057
Prepaid expenses	8,671
Capital assets: (Note 4)	
Assets not subject to depreciation	157,084
Assets subject to depreciation - Net	<u>1,188,929</u>
Total assets	4,106,107
Liabilities	
Accounts payable	6,446
Due to other governmental units	955
Accrued liabilities and other	28,422
Unearned revenue	<u>302,626</u>
Total liabilities	<u>338,449</u>
Net Position	
Net investment in capital assets	1,346,013
Restricted	1,027,694
Unrestricted	<u>1,393,951</u>
Total net position	<u><u>\$ 3,767,658</u></u>

Township of Marshall

Statement of Activities

Year Ended March 31, 2023

Functions/Programs	Expenses	Program Revenue			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Primary Governmental Activities
Primary government -					
Governmental activities:					
General government	\$ 392,155	\$ 7,384	\$ -	\$ -	\$ (384,771)
Public safety	437,450	97,287	-	232,480	(107,683)
Public works	55,793	13,639	-	-	(42,154)
Community and economic development	31,653	-	-	-	(31,653)
Total primary government	<u>\$ 917,051</u>	<u>\$ 118,310</u>	<u>\$ -</u>	<u>\$ 232,480</u>	(566,261)
General revenue:					
Property taxes and administrative fees					437,026
State-shared revenue					409,137
Investment income					11,922
Cable franchise fees					18,866
Casino-shared revenue					133,637
Total general revenue					<u>1,010,588</u>
Change in Net Position					444,327
Net Position - Beginning of year					<u>3,323,331</u>
Net Position - End of year					<u>\$ 3,767,658</u>

Township of Marshall

Governmental Fund Balance Sheet

March 31, 2023

	<u>General Fund</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 2,581,666
Receivables:	
Property taxes receivable	30,613
Special assessments receivable	6,585
Other receivables	54,502
Due from other governments	78,057
Prepaid expenses	8,671
	<u>8,671</u>
Total assets	<u><u>\$ 2,760,094</u></u>
Liabilities	
Accounts payable	\$ 6,446
Due to other governmental units	955
Accrued salaries and wages	28,422
Unearned revenue	302,626
Deferred Inflows of Resources - Unavailable revenue	85,419
Fund Balance	
Nonspendable - Prepaids	8,671
Restricted - Fire	1,027,694
Assigned:	
Subsequent year's budget	400,000
Township development	23,000
Fire equipment and facilities	300,838
Facility improvements	115,130
Unassigned	460,893
	<u>460,893</u>
Total fund balance	<u>2,336,226</u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$ 2,760,094</u></u>

Township of Marshall

Governmental Fund Reconciliation of the Balance Sheet to the Statement of Net Position

March 31, 2023

Fund Balance Reported in Governmental Fund	\$ 2,336,226
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the fund	1,346,013
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the fund	<u>85,419</u>
Net Position of Governmental Activities	<u><u>\$ 3,767,658</u></u>

Township of Marshall

Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance

Year Ended March 31, 2023

	<u>General Fund</u>
Revenue	
Property taxes	\$ 437,026
Special assessments	14,803
State-shared revenue and grants:	
State sources	409,137
Local grants and contributions	232,480
Charges for services	42,636
Licenses and permits:	
Cable franchise fees	18,866
Business licenses	39,927
Other licenses and permits	5,034
Interest income	11,922
Other revenue - Casino-shared revenue	133,637
	<hr/>
Total revenue	1,345,468
Expenditures	
Current services:	
General government	386,270
Public safety	590,602
Public works	62,441
Community and economic development	32,819
	<hr/>
Total expenditures	1,072,132
Net Change in Fund Balance	273,336
Fund Balance - Beginning of year	<hr/> 2,062,890
Fund Balance - End of year	<hr/> \$ 2,336,226 <hr/>

Township of Marshall

Governmental Fund

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in
Fund Balance to the Statement of Activities**

Year Ended March 31, 2023

Net Change in Fund Balance Reported in Governmental Fund	\$ 273,336
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	318,321
Depreciation expense	(164,406)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	15,910
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund	1,166
Change in Net Position of Governmental Activities	<u><u>\$ 444,327</u></u>

Township of Marshall

Fiduciary Fund Statement of Fiduciary Net Position

March 31, 2023

	<u>Custodial Fund</u>
Assets - Cash and cash equivalents	\$ 775
Liabilities - Due to other governmental units	<u>775</u>
Net Position	<u><u>\$ -</u></u>

Township of Marshall

Fiduciary Fund Statement of Changes in Fiduciary Net Position

Year Ended March 31, 2023

	<u>Custodial Fund</u>
Additions - Property tax collections	\$ 5,552,366
Deductions - Tax distributions to other governments	<u>5,552,366</u>
Net Increase (Decrease) in Fiduciary Net Position	-
Net Position - Beginning of year	<u>-</u>
Net Position - End of year	<u><u>\$ -</u></u>

Note 1 - Significant Accounting Policies

Reporting Entity

The Township of Marshall (the "Township") is governed by an elected five-member board. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

The Township is a member of the Marshall Area Firefighters Ambulance Authority (the "Authority"). The Authority receives a millage to provide emergency medical services to the Township along with other townships and cities that are part of the Authority. The Township does not have an equity interest in the Authority.

Accounting and Reporting Principles

The Township follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. 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. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Fund Accounting

The Township accounts for its various activities in one fund in order to demonstrate accountability for how it has spent certain resources.

Governmental Fund

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund. The Township reports this fund as a major governmental fund as follows:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services.

Fiduciary Fund

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include the following:

- The Tax Collection Fund collects taxes on behalf of all the taxing authorities (state, county, school district, township, and the various smaller authorities).

Note 1 - Significant Accounting Policies (Continued)

Basis of Accounting

The governmental fund uses the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Township considers amounts collected within 60 days of year end to be available for recognition. The major revenue source that meets the availability criterion is state-shared revenue. Conversely, additional state-shared revenue and fire department billings will be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow.

Specific Balances and Transactions

Cash and Cash Equivalents

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

Investments

Investments are reported at fair value or estimated fair value.

Receivables

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (sealcoat), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Infrastructure, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Land	20
improvements	
Buildings and	10-40
improvements	
Equipment	3-10
Infrastructure	5
(sealcoat)	

Note 1 - Significant Accounting Policies (Continued)

Unearned Revenue

Unearned revenue represents amounts received through nonexchange transactions prior to all applicable eligibility criteria being met or amounts being received through exchange transactions prior to goods or services being provided. The Township has one item, unearned revenue related to funds received from the American Rescue Plan Act, which qualifies for reporting in this category.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as other financing sources, as well as bond premiums and discounts. The General Fund is used to liquidate governmental long-term debt. The Township has no long-term obligations at March 31, 2023.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township does not have any deferred outflows at March 31, 2023.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue is reported only in the governmental fund balance sheet. The governmental fund reports unavailable revenue from three sources: state revenue sharing, special assessment revenue, and revenue from the Convis Township board. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position

Net position is classified in three components. Net investment in capital assets - net of related debt consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets and deferred outflows reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The Township will sometimes 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 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.

Note 1 - Significant Accounting Policies (Continued)

Fund Balance Flow Assumptions

The Township will sometimes 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 Township's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

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

Property Tax Revenue

Property taxes are levied on each December 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2022 property tax revenue was levied and collectible on December 31, 2022 and is recognized as revenue in the year ended March 31, 2023 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2022 taxable valuation of the Township totaled \$159.9 million, on which taxes levied consisted of 0.7928 mills for operating purposes and 1.4754 mills for the purpose of acquiring new firetrucks, capital improvements, and operating expenses of the Marshall Township fire department. This resulted in \$127,000 for operating purposes and \$232,000 for the fire department. These amounts are recognized in the General Fund financial statements as property tax revenue.

The Township is participating in a program with Calhoun County, Michigan where the Township received a portion of a Calhoun County Park millage in conjunction with a future project to be worked on with Marshall Public Schools. As of March 31, 2023, total revenue received through this millage is approximately \$9,000.

Note 1 - Significant Accounting Policies (Continued)

Casino Revenue Sharing

The Township annually receives significant revenue from a local casino in connection with the casino's revenue-sharing program, along with various local entities. As of March 31, 2023, total revenue received through this program is approximately \$134,000.

Compensated Absences

It is the Township's policy to permit employees to accumulate earned but unused vacation pay benefits. Vacation pay is accrued when incurred and reported in the government-wide financial statements. A liability for this amount is reported in the governmental funds only for employee terminations as of year end. The General Fund is used to liquidate the obligations. There was no liability for compensated absences at March 31, 2023.

Use of Estimates

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

Upcoming Accounting Pronouncements

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending March 31, 2024.

In April 2022, the Governmental Accounting Standards Board issued Statement No. 99, *Omnibus 2022*, which establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP), nonmonetary transactions, pledges of future revenue, the focus of government-wide financial statements, and terminology. The standard has various effective dates. The Township does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at April 1, 2022	\$ (121,928)
Current year permit revenue	39,927
Expenses - Inspector fees	<u>(35,424)</u>
Current year surplus	<u>4,503</u>
Cumulative shortfall at March 31, 2023	<u><u>\$ (117,425)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated five financial institutions for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities in the same investments listed above in accordance with the statutory authority.

The Township's cash, cash equivalents, and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank 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 Township had bank deposits of approximately \$1,865,000 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Township believes that, due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation (FDIC)/National Credit Union Administration (NCUA) insurance, it is impractical to insure all deposits.

March 31, 2023

Note 4 - Capital Assets

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

Governmental Activities

	Balance April 1, 2022	Additions	Disposals	Balance March 31, 2023
Capital assets not being depreciated - Land	\$ 157,084	\$ -	\$ -	\$ 157,084
Capital assets being depreciated:				
Infrastructure	151,591	-	-	151,591
Buildings and improvements	1,221,909	-	-	1,221,909
Equipment	2,596,157	297,327	(456,063)	2,437,421
Land improvements	144,069	20,994	-	165,063
Subtotal	4,113,726	318,321	(456,063)	3,975,984
Accumulated depreciation:				
Infrastructure	151,591	-	-	151,591
Buildings and improvements	419,060	29,212	-	448,272
Equipment	2,480,140	128,960	(456,063)	2,153,037
Land improvements	27,921	6,234	-	34,155
Subtotal	3,078,712	164,406	(456,063)	2,787,055
Net capital assets being depreciated	1,035,014	153,915	-	1,188,929
Net governmental activities capital assets	<u>\$ 1,192,098</u>	<u>\$ 153,915</u>	<u>\$ -</u>	<u>\$ 1,346,013</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 20,231
Public safety	144,175
Total governmental activities	<u>\$ 164,406</u>

Note 5 - Long-term Debt

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

Governmental Activities

	Interest Rate	Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Compensated absences			\$ 1,166	\$ -	\$ (1,166)	\$ -	\$ -

Note 6 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for its risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

March 31, 2023

Note 7 - Defined Contribution Retirement Plan

The Township provides retirement benefits to eligible employees through a defined contribution plan, administered through American Funds. Employees are immediately vested in the plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Township contributes 3 percent of employees' gross earnings for employees with wages greater than \$5,000 during the fiscal year. In accordance with these requirements, the Township contributed approximately \$3,500 during the year ended March 31, 2023.

Required Supplementary Information

Township of Marshall

Required Supplementary Information Budgetary Comparison Schedule - General Fund

Year Ended March 31, 2023

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 469,942	\$ 469,942	\$ 437,026	\$ (32,916)
Special assessments	14,688	14,688	14,803	115
State-shared revenue and grants:				
State-shared revenue	295,000	351,389	409,137	57,748
Local grants and contributions	60,000	60,000	232,480	172,480
Charges for services	47,000	47,000	42,636	(4,364)
Licenses and permits:				
Cable franchise fees	22,000	22,000	18,866	(3,134)
Business licenses	35,500	46,600	44,961	(1,639)
Interest income	1,000	1,000	11,922	10,922
Other revenue - Casino-shared revenue	150,000	150,000	133,637	(16,363)
Total revenue	1,095,130	1,162,619	1,345,468	182,849
Expenditures				
Current services:				
General government:				
Township Board	96,871	140,000	117,499	22,501
Supervisor	23,716	24,016	23,904	112
Treasurer	30,805	30,805	24,638	6,167
Assessing	28,916	28,916	27,914	1,002
Board of review	2,876	2,876	2,386	490
Clerk	36,103	44,263	35,384	8,879
Buildings and grounds	170,746	170,746	121,339	49,407
Elections	31,107	35,907	33,206	2,701
Public safety:				
Fire	456,222	456,222	516,173	(59,951)
Dispatch	34,981	35,481	35,386	95
Warning sirens	6,000	6,000	3,619	2,381
Building inspections and related	41,350	52,450	35,424	17,026
Public works:				
Streets	50,000	50,000	30,875	19,125
Stormwater drainage	7,500	7,000	6,542	458
Street lighting	26,000	26,000	18,376	7,624
Cemetery	6,750	6,750	6,648	102
Community and economic development	58,356	58,356	32,819	25,537
Total expenditures	1,108,299	1,175,788	1,072,132	103,656
Net Change in Fund Balance	(13,169)	(13,169)	273,336	286,505
Fund Balance - Beginning of year	2,062,890	2,062,890	2,062,890	-
Fund Balance - End of year	<u>\$ 2,049,721</u>	<u>\$ 2,049,721</u>	<u>\$ 2,336,226</u>	<u>\$ 286,505</u>

Budgetary Information

The annual budget is prepared by the Township's treasurer and presented to the Township Board by the supervisor. The annual budget is adopted by the Township Board, and subsequent amendments are adopted by the Township Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2023 has not been calculated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual expenditures to the General Fund budget, as adopted by the Township Board, is included in the budgetary comparison schedule.

The budget statement (General Fund budgetary comparison schedule) is presented on the same basis of accounting used in preparing the adopted budget.

Excess of Expenditures over Appropriations in Budgeted Funds

During the year, the Township of Marshall incurred significant expenditures that were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Public safety - Fire	\$ 456,222	\$ 516,173	\$ (59,951)

The increase in expenditures in public safety was due to a local grant contribution received to assist with the purchase of new fire equipment and is offset by increased revenue within the local grants and contributions line.