
Township of Marshall

Calhoun County, Michigan

Financial Report
with Supplemental Information
March 31, 2022

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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, 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 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, 2022 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 Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental 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 supplemental 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

June 30, 2022

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, 2022. Please read it in conjunction with the Township's financial statements.

Financial Highlights

- During the current year, the Township received approximately \$179,000 from a local casino as a revenue-sharing allotment.
- The Township invested approximately \$147,000 in capital assets.
- The Township received approximately \$163,000 in American Rescue Plan Act funding, with the remainder expected to be received in the fiscal year ending March 31, 2023.

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		
	2022	2021	2020
Assets			
Current assets	\$ 2,324,421	\$ 1,830,359	\$ 1,514,355
Capital assets	1,192,098	1,168,822	1,254,641
Total assets	3,516,519	2,999,181	2,768,996
Liabilities			
Current liabilities	192,022	43,048	33,539
Noncurrent liabilities	1,166	5,712	24,890
Total liabilities	193,188	48,760	58,429
Net Position			
Net investment in capital assets	1,192,098	1,168,822	1,232,141
Restricted	786,684	554,446	373,606
Unrestricted	1,344,549	1,227,153	1,104,820
Total net position	\$ 3,323,331	\$ 2,950,421	\$ 2,710,567

The Township's financial position has remained relatively stable and consistent with 2021, with net position increasing by approximately \$373,000 in the fiscal year ended March 31, 2022.

Township of Marshall

Management's Discussion and Analysis (Continued)

The Township's Changes in Net Position

	Governmental Activities		
	2022	2021	2020
Revenue			
Program revenue:			
Charges for services	\$ 122,836	\$ 121,473	\$ 109,742
Operating grants	23,222	28,478	34,929
General revenue:			
Property taxes	406,861	389,838	384,006
State-shared revenue	396,200	330,943	330,816
Investment earnings	1,547	3,283	17,120
Other revenue:			
Cable franchise fees	22,588	20,903	21,541
Casino-shared revenue	178,985	168,836	166,817
Total revenue	1,152,239	1,063,754	1,064,971
Expenses			
General government	347,576	329,274	315,760
Public safety	326,119	389,955	317,265
Public works	54,021	74,407	67,117
Community and economic development	51,613	30,212	33,073
Interest on long-term debt	-	52	664
Total expenses	779,329	823,900	733,879
Change in Net Position	372,910	239,854	331,092
Net Position - Beginning of year	2,950,421	2,710,567	2,379,475
Net Position - End of year	\$ 3,323,331	\$ 2,950,421	\$ 2,710,567

The Township's total revenue remained consistent with last year, increasing by approximately \$88,000. This was primarily due to increases in state-shared revenue and revenue received from the casino-sharing agreement. Overall expenditures decreased by approximately \$45,000 from the prior year. The overall decrease in expenditures was a result COVID-19-specific money received in the fiscal year ended March 31, 2021 for public safety, with no similar equivalent in the fiscal year ended March 31, 2022. Community and economic development expenditures increased from the prior year primarily due to an increase in planning and zoning activities.

General Fund Budgetary Highlights

Actual revenue was higher than expected by approximately \$106,800. This was mostly due to an increase in state-shared revenue, new federal grant funding, and an increase in building permit revenue. Actual expenditures were less than budgeted expenditures by approximately \$453,500. This was due to the Township not spending funds budgeted for public safety during the current year.

Capital Assets Administration

The Township purchased approximately \$147,000 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. The Township expects to receive the remainder of funding from the American Rescue Plan Act, which will be approximately \$163,000.

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, 2022

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 2,126,165
Investments (Note 3)	276
Receivables:	
Property taxes receivable	25,132
Special assessments receivable	7,749
Other receivables	42,098
Due from other governments	123,001
Capital assets: (Note 4)	
Assets not subject to depreciation	157,084
Assets subject to depreciation - Net	<u>1,035,014</u>
Total assets	3,516,519
Liabilities	
Accounts payable	21,359
Accrued liabilities and other	31,369
Unearned revenue	139,294
Noncurrent liabilities - Due within one year - Compensated absences (Note 5)	<u>1,166</u>
Total liabilities	<u>193,188</u>
Net Position	
Net investment in capital assets	1,192,098
Restricted	786,684
Unrestricted	<u>1,344,549</u>
Total net position	<u><u>\$ 3,323,331</u></u>

Township of Marshall

Statement of Activities

Year Ended March 31, 2022

Functions/Programs	Expenses	Program Revenue		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and
				Changes in
				Net Position
				Primary Government
				Governmental Activities
Primary government -				
Governmental activities:				
General government	\$ 347,576	\$ 20,893	\$ -	\$ (326,683)
Public safety	326,119	87,131	23,222	(215,766)
Public works	54,021	14,812	-	(39,209)
Community and economic development	51,613	-	-	(51,613)
Total primary government	<u>\$ 779,329</u>	<u>\$ 122,836</u>	<u>\$ 23,222</u>	(633,271)
General revenue:				
Property taxes and administrative fees				406,861
State-shared revenue				396,200
Investment income				1,547
Cable franchise fees				22,588
Casino-shared revenue				178,985
Total general revenue				<u>1,006,181</u>
Change in Net Position				372,910
Net Position - Beginning of year				<u>2,950,421</u>
Net Position - End of year				<u>\$ 3,323,331</u>

Township of Marshall

Governmental Fund Balance Sheet

March 31, 2022

	<u>General Fund</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 2,126,165
Investments (Note 3)	276
Receivables:	
Property taxes receivable	25,132
Special assessments receivable	7,749
Other receivables	42,098
Due from other governments	123,001
	<u>123,001</u>
Total assets	<u>\$ 2,324,421</u>
Liabilities	
Accounts payable	\$ 21,359
Accrued salaries and wages	31,369
Unearned revenue	139,294
Deferred Inflows of Resources - Unavailable revenue	69,509
Fund Balance	
Restricted:	
Fire	770,691
County park millage sharing	15,993
Assigned:	
Subsequent year's budget	400,000
Township development	23,000
Fire equipment and facilities	364,929
Facility improvements	115,130
Unassigned	373,147
	<u>373,147</u>
Total fund balance	<u>2,062,890</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,324,421</u>

Township of Marshall

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

March 31, 2022

Fund Balance Reported in Governmental Fund	\$ 2,062,890
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	1,192,098
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	69,509
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(1,166)
Net Position of Governmental Activities	<u>\$ 3,323,331</u>

Township of Marshall

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

Year Ended March 31, 2022

	<u>General Fund</u>
Revenue	
Property taxes	\$ 406,861
Special assessments	15,976
State-shared revenue and grants	413,399
Charges for services	56,216
Licenses and permits:	
Cable franchise fees	22,588
Business licenses	50,337
Other licenses and permits	4,484
Interest income	1,547
Other revenue - Casino-shared revenue	178,985
	<u>1,150,393</u>
Total revenue	1,150,393
Expenditures	
Current services:	
General government	419,410
Public safety	278,559
Public works	57,386
Community and economic development	51,796
	<u>807,151</u>
Total expenditures	807,151
Net Change in Fund Balance	343,242
Fund Balance - Beginning of year	<u>1,719,648</u>
Fund Balance - End of year	<u><u>\$ 2,062,890</u></u>

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, 2022

Net Change in Fund Balance Reported in Governmental Fund	\$ 343,242
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	147,448
Depreciation expense	(122,476)
Net book value of assets disposed of	(1,696)
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	1,846
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	4,546
Change in Net Position of Governmental Activities	<u>\$ 372,910</u>

Township of Marshall

Fiduciary Fund
Statement of Fiduciary Net Position

March 31, 2022

	<u>Custodial Fund</u>
Assets - Cash and cash equivalents	\$ 736
Liabilities - Due to other governmental units	<u>736</u>
Net Position	<u><u>\$ -</u></u>

Township of Marshall

Fiduciary Fund Statement of Changes in Fiduciary Net Position

Year Ended March 31, 2022

	<u>Custodial Fund</u>
Additions - Property tax collections	\$ 5,163,309
Deductions - Tax distributions to other governments	<u>5,163,309</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, 2022.

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, 2022.

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 2021 property tax revenue was levied and collectible on December 31, 2021 and is recognized as revenue in the year ended March 31, 2022 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2021 taxable valuation of the Township totaled \$148.1 million, on which taxes levied consisted of 0.7928 mills for operating purposes and 1.4754 mills for the purpose of acquiring new fire trucks, capital improvements, and operating expenses of the Marshall Township fire department. This resulted in \$116,000 for operating purposes and \$216,000 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, 2022, total revenue received through this millage is approximately \$16,000.

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, 2022, total revenue received through this program is approximately \$179,000.

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.

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 June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the Township's financial statements for the year ended March 31, 2021 but were extended to March 31, 2023 with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

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.

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, 2021	\$ (140,496)
Current year permit revenue	50,337
Expenses - Inspector fees	<u>(31,769)</u>
Current year surplus	<u>18,568</u>
Cumulative shortfall at March 31, 2022	<u>\$ (121,928)</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 four 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 \$1,452,000 (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. 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.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not specifically identify interest rate risk.

March 31, 2022

Note 3 - Deposits and Investments (Continued)

At year end, the Township had the following investment:

Investment	Carrying Value	Maturity
U.S. government agency securities	\$ 276	January 15, 2023

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

As of year end, the credit quality rating is as follows:

Investment	Carrying Value	Rating
U.S. government agency securities	\$ 276	Unrated

Fair Value Measurements

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Township’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Township has the following recurring fair value measurements as of March 31, 2022:

- Government agency securities of \$276 (Level 2 inputs)

The fair value of the government agency securities at March 31, 2022 was determined primarily based on Level 2 inputs. The Township estimates the fair value of these investments using other inputs, such as interest rates, yield curves, and investment statements provided by the broker.

March 31, 2022

Note 4 - Capital Assets

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

Governmental Activities

	Balance April 1, 2021	Additions	Disposals	Balance March 31, 2022
Capital assets not being depreciated - Land	\$ 157,084	\$ -	\$ -	\$ 157,084
Infrastructure:				
Infrastructure	151,591	-	-	151,591
Buildings and improvements	1,214,202	7,707	-	1,221,909
Equipment	2,548,875	55,765	(8,483)	2,596,157
Land improvements	60,093	83,976	-	144,069
Subtotal	3,974,761	147,448	(8,483)	4,113,726
Accumulated depreciation:				
Infrastructure	151,591	-	-	151,591
Buildings and improvements	390,040	29,020	-	419,060
Equipment	2,396,636	90,291	(6,787)	2,480,140
Land improvements	24,756	3,165	-	27,921
Subtotal	2,963,023	122,476	(6,787)	3,078,712
Net capital assets being depreciated	1,011,738	24,972	(1,696)	1,035,014
Net governmental activities capital assets	<u>\$ 1,168,822</u>	<u>\$ 24,972</u>	<u>\$ (1,696)</u>	<u>\$ 1,192,098</u>

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

Governmental activities:	
General government	\$ 19,151
Public safety	103,325
Total governmental activities	<u>\$ 122,476</u>

Note 5 - Long-term Debt

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

Governmental Activities

	Interest Rate	Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Compensated absences			\$ 5,712	\$ 1,166	\$ (5,712)	\$ 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, 2022

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 \$3,700 during the year ended March 31, 2022.

Required Supplemental Information

Township of Marshall

**Required Supplemental Information
Budgetary Comparison Schedule - General Fund**

Year Ended March 31, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 451,433	\$ 451,433	\$ 406,861	\$ (44,572)
Special assessments	14,688	14,688	15,976	1,288
State-shared revenue and grants:				
Federal grants	-	24,698	23,222	(1,476)
State-shared revenue	264,600	299,300	390,177	90,877
Charges for services	47,000	47,000	56,216	9,216
Licenses and permits:				
Cable franchise fees	23,000	23,000	22,588	(412)
Business permits	38,000	43,500	54,821	11,321
Interest income	3,000	1,000	1,547	547
Other revenue - Casino-shared revenue	150,000	139,000	178,985	39,985
Total revenue	991,721	1,043,619	1,150,393	106,774
Expenditures				
Current services:				
General government:				
Township Board	93,780	117,580	108,185	9,395
Supervisor	22,814	22,814	22,712	102
Treasurer	28,400	28,400	26,873	1,527
Assessing	28,068	28,068	26,212	1,856
Board of review	2,250	2,250	1,071	1,179
Clerk	33,818	33,818	31,035	2,783
Buildings and grounds	236,410	254,308	186,683	67,625
Elections	28,000	28,000	16,639	11,361
Public safety:				
Fire	471,710	524,037	215,924	308,113
Dispatch	33,765	33,765	25,323	8,442
Warning sirens	6,000	6,000	5,543	457
Building inspections and related	34,771	40,271	31,769	8,502
Public works:				
Streets	40,000	40,000	31,065	8,935
Stormwater drainage	10,000	10,000	6,108	3,892
Street lighting	26,242	26,242	16,848	9,394
Cemetery	6,500	6,500	3,365	3,135
Community and economic development	53,934	58,634	51,796	6,838
Total expenditures	1,156,462	1,260,687	807,151	453,536
Net Change in Fund Balance	(164,741)	(217,068)	343,242	560,310
Fund Balance - Beginning of year	1,719,648	1,719,648	1,719,648	-
Fund Balance - End of year	<u>\$ 1,554,907</u>	<u>\$ 1,502,580</u>	<u>\$ 2,062,890</u>	<u>\$ 560,310</u>

March 31, 2022

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, 2022 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.